



Part and Parcel to Enhance Cost Control under NEC Contracts

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Through our general observations from some 20 pilot NEC contracts in recent years, we share with you....

some “**Part**” and “**Parcel**” to enhance cost control under NEC Contracts using ECC as a reference.....

Agenda

- 1 Why NEC can enable cost control?
 - 2 So what to do for NEC to enhance the cost control performance?
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NEC Features to Enable Cost Control



NEC

3 key features
under
partnering to
enable cost
control



Risk
Management

“Sort it now”
Approach

PM’s Active
Role in
Contractor’s
operation



Risk Management

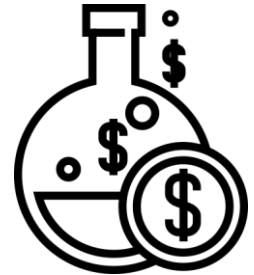
1

- Early warnings
 - Risk reduction Meetings
 - Risk Register
-

2

- Pro-active mitigation of identified risks
 - No “surprise” culture
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- Prevention is better than cure
- **Cost control with greater confidence**



“Sort it Now” Approach

1

- Timeframes to sort out compensation events and other issues
 - Don't wait !
-

2

- Finality of settled issues
 - Adjudication for dispute resolution
 - Incremental time and financial certainty
 - **Cost control with greater confidence**
-



PM's Active Role in Contractor's Operation



1

Under all Options:

- Subcontract procurement
 - Risk Management
-

2

In Target Cost / Cost Reimbursable Options:

- Subcontract administration
 - Stock Management
-

- One-team approach for better overall control
- **Cost control with greater confidence**

Contractual Partnering

1

Clause 10.1:

- Act as stated in this contract
 - Act in a spirit of **mutual trust** and **cooperation**
-

2

Collaborative working to:

- Streamline process
 - Reduce abortive works + unproductive handling
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- Enhance overall cost effectiveness
- **Cost control with greater confidence**

What to do to enhance NEC Implementation and then Cost Control Performance?



NEC

4 “part and parcel” to enhance cost control



Disciplined
NEC
Compliance

Right
Resources

Collaboration
at all levels

Management
Support



Disciplined NEC Compliance.....from Day 1

ECC 10.1 – “Employer, PM, Supervisor and Contractor shall act as stated in this contract.....”

- **Timeframes**
 - Avoid too many extensions
 - Follow up right after slippage – don’t wait !
- **Early Warning** (early enough?) + **Risk Reduction** (post-meeting actions?)
- **Programme**
 - Too many over-due / rejected programmes?
- **Compensation Events**
 - Too many timeframe extensions?
 - “Forgotten” forecast Defined Cost, PM’s assumptions and PM’s own assessment?



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- Staff training on NEC
 - Use of systematic approach
 - Procedural audit and performance review
 - Management support

Collaborative Working.....at All Levels

ECC 10.1 – “Employer, PM, Supervisor and Contractor shall act.....in a spirit of mutual trust and cooperation”

- The contract is not run by management / seniors only but also:
 - Frontline people / working levels
 - Subcontractors
- To build up a partnering team:
 - Your problems = our problems
 - Probably easier in target cost contracts but equally important in non-target cost contracts



- A learning journey from “**me**” to “**us**” at all levels
- PM’s team to enter Contractor’s court while Contractor’s team to allow them to enter & work together
- Training for partnering

Resources.....in right no. + with right skills + at right time

To “sort it now” along construction, you need right people for:

- Joint management of risks
- Accepted Programme
- Compensation events
- Others particularly in target cost / cost reimbursable options:
 - Subcontract tender procurement
 - Subcontract post-contract administration
 - Stock management
 - Contractor’s resource deployment



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- Resources deployed to cope with NEC requirements could be less demanding if we have:
 - a stable workforce
 - a disciplined NEC compliance

Management Support.....to drive for changes and problem solving

Why should we bother the management?

- Management support is essential for effective and efficient NEC implementation:
 - Displaced leadership to drive for mind-set and behavioural change towards partnering
 - Timely decisions on un-resolved issues to expedite problem solving → to help “sort it now”



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- Always a challenge for the management to be “down to the earth”
 - But always a better outcome if more management support to demonstrate leadership and make timely decisions



Way Forward



“People” always key to NEC success



One Team - Our Project

But NEC is not easy....



Management Support is nothing but crucial



So what should we do then?

1

To enhance project management skills from conventional to NEC approach

2

To continue undergo mind-set and behavioural change towards partnering

To ensure the essential elements in place for NEC and

To promote better project performance under NEC with **enhanced cost control !**



Thank you

Any questions

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