

**LEGISLATIVE COUNCIL
PANEL ON DEVELOPMENT**

**Three PWP Items related to proposed developments in
Area 54, Tuen Mun (666CL, 681CL and 99WC)**

Follow-up Actions to Meeting on 24 February 2015

The Administration provided the supplementary information required by the panel as follows --

(a) with respect to the Administration's advice that the New Engineering Contract ("NEC") form would be adopted for the proposed projects (PWP Item No. 666CL and PWP Item No. 681CL) which covered mainly site formation works,

- (i) the difference between NEC form and conventional contracts; the factors of consideration and merits for adopting NEC form instead of implementing the proposed projects under conventional contracts;**
- (ii) in implementing the proposed projects under NEC form, how the Administration would manage/mitigate project risks, control/monitor project costs, handle and assess the relevant contractors' claims for extra payments/monetary compensation, prevent and deal with project cost overruns;**
- (iii) the possible limitations of NEC form in addressing the issues in (a)(ii) in taking forward the proposed projects; and**

The NEC form of contract was first developed in the United Kingdom in the early 1990s as an effort to promote good management of the relationship among contracting parties in the delivery of construction works. It has since been used in many overseas countries. Since 2009, works departments have been adopting NEC form in some pilot contracts in public works projects in Hong Kong. NEC form emphasizes co-operation, mutual trust and collaborative risk management between the contracting parties. It contains features which contrast with those in conventional contract form:

- (a) expressly stating that the contracting parties shall act in a spirit of**

mutual trust and cooperation;

- (b) promoting collaborative contract management; the contracting parties are required to reply to communication within a specified period; and
- (c) introducing a collaborative risks management mechanism.

Three of the pilot contracts have been completed and the results are satisfactory. The Government will have more extensive trial of NEC form in public works contracts in 2015 and 2016. The proposed works in Tuen Mun Area 54, to be carried out under a site formation and road works contract and to be administered by in-house staff, have been selected for such trial in 2015.

NEC form allocates the contractual risk to the contracting party who is best able to manage it. In general terms, it provides a collaborative risk management mechanism, which includes early warning notification system and risk reduction meetings. Under the contract provisions of NEC, the contracting parties are required to provide early warning notification to each other as soon as a risk is identified, such as those which may increase the construction cost and/or delay the contract completion. They then need to act together to manage the risk. The contracting parties shall also attend risk reduction meetings and to act in a cooperative manner to determine solutions to mitigate the identified risk in a speedy manner.

NEC form also provides various payment options, such as priced contracts, target contracts and cost reimbursement contracts, etc. For target contracts, it provides a pain share/gain share mechanism, under which the employer and the contractor share the difference between the actual construction cost and the final target cost. It thus drives the contracting parties to a common goal of completing the works at a lower cost and shorter construction period. To limit the financial liability, the employer may stipulate that he only shares the overspending up to a stated percentage above the final target cost.

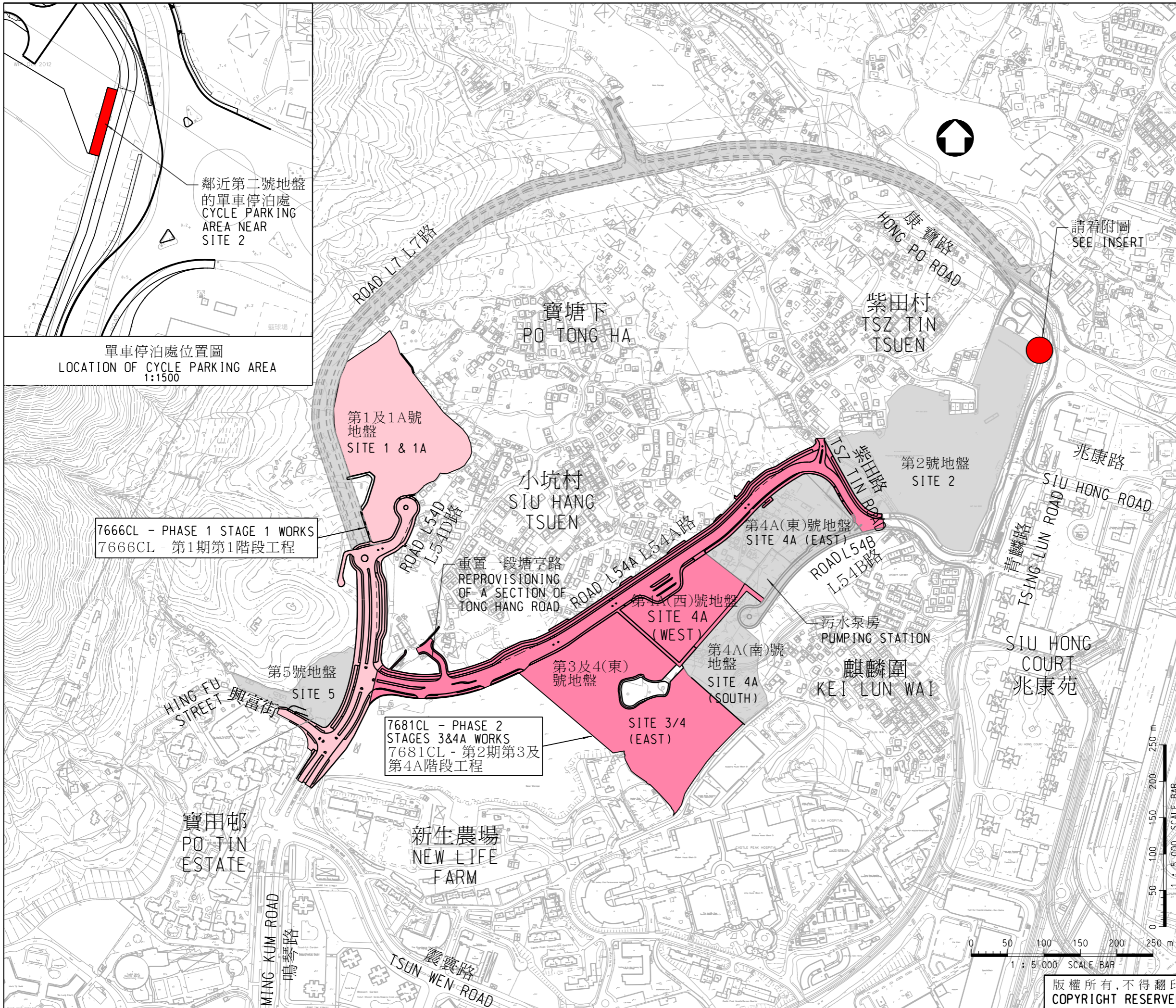
On the handling and assessment of compensation events (similar to the contractors' claims for extra payment/monetary compensation in conventional contracts) under the NEC form, contracting parties are required to submit and assess quotations within a specified time frame which enables timely assessment of the events. The overall mechanism is considered more conducive to the control and monitoring of project costs.

NEC form is relatively new to the construction industry in Hong Kong. With more public works contracts using the NEC form, the Government and the industry will build up knowledge and experience in using NEC. We will conduct a review on the use of NEC form for public works contracts at an appropriate time when more experience is gained.

(b) given that the proposed projects would include the construction of cycle tracks, whether the Administration would provide bicycle parking facilities at suitable locations, e.g. at the proposed public transport interchange; if yes, the details.

A cycle parking area with 280 parking spaces near Site 2 is under construction to serve the cycle tracks within Area 54, Tuen Mun. Please refer to the attached Drawing No. LW9363 for the location of the cycle parking area.

**Development Bureau
March 2015**



- 註釋 NOTES :
- 圖例 LEGEND
- 向財務委員會建議提升為甲級的工程項目
PROJECT TO BE UPGRADED TO CATEGORY A UNDER THIS FUNDING APPLICATION
 - 屯門第54區的其他工程項目
OTHER PROJECTS IN TUEN MUN AREA 54

編號 no.	日期 date	內容摘要 description	核對 checked	核准 approved
修訂 REVISION				
		姓名 name	簽署 initial	日期 date
設計 designed		S C FUNG		
繪圖 drawn		L T LAW		
描摹 traced				
核對 checked		W K YUEN		

核准 approved

(WOO Tai-on, Gabriel)
Chief Engineer

日期 date : _____

圖則名稱 drawing title

屯門第54區位置圖
TUEN MUN AREA 54
LOCATION PLAN

圖則編號 drawing no.

LW 9363

比例 scale

1:5000

辦事處 office

土木工程處 土地工程部
LAND WORKS DIVISION
CIVIL ENGINEERING OFFICE

土木工程拓展署
CEDD CIVIL ENGINEERING AND DEVELOPMENT DEPARTMENT

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單車停泊處位置圖
LOCATION OF CYCLE PARKING AREA
1:1500

7666CL - PHASE 1 STAGE 1 WORKS
7666CL - 第1期第1階段工程

7681CL - PHASE 2 STAGES 3&4A WORKS
7681CL - 第2期第3及第4A階段工程

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27/2/2015 R:\PEN_TABLE\FI\ename&date.tb1