

Efficiency and greater value through NEC3

Anooj Oodit, 5 November 2015



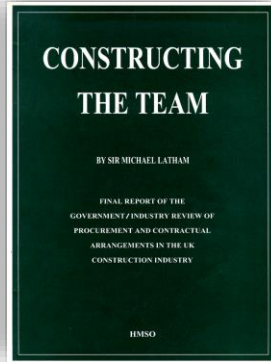
- This presentation will review the changing landscape of the construction industry and how efficiency and greater value can be achieved using NEC3 contracts

Accept the Need

**Embrace
Change**

**Enable
competence**

Is there a need?



- Industry challenged to:
 - Adopt a partnering/collaborative approach
 - Create the right commercial environment to stimulate innovation
 - Measure performance

- Challenge accepted by leading employers
- NEC adopted as a statement of intent
- Use of adjudication to fastrack resolution
- User group – creation of advocates, expertise, support
- Government endorsement
- Seen as better way to contract – delivers benefits
- Built a track record of success

- Early adopters embraced change and used key value levers:
 - Visibility of work pipeline
 - Programme of work
 - Early supplier involvement
 - Longer term arrangement
 - Co-located, no man-marking
 - Collaborative working
 - Mature processes
 - Enable supply chain to succeed

- New business model
- Rewarded for the value created
- Professionalised approach
- Pro-active management
- Evidence based performance
- New currencies
- Repeat work

Familiar?



- Recommended by Governments, World Bank and Practitioners
- Encourages co-operation
- Flexible as regards scope, price system
- Project Manager is central and has to make decisions!
- Out-turn cost and completion date always visible
- Problems dealt with as they occur; called 'Compensation Events'
- Clarity and Simplicity
- Stimulus to Good Management

Challenges remaining



- NEC is not panacea on its own
- Aim for zero Z clauses
- Demystify NEC that resources is not an issue
- Supply chain to be rewarded for the value created
- Clients to accept supply chain's gain share

The results when adopted properly



- Egan 10 years on:
 - 20-30% cost reductions,
 - 40% less time,
 - profit increased,
 - 69% improvement in safety,
 - 80% better productivity,
 - expected cost improvement year on year which has been beaten,
 - improved customer satisfaction
 - talents attracted to construction industry

- NEC will not work if environment is wrong
- An opportunity for New Zealand to transform the Australasian construction industry but it needs to:
 - Accept the need
 - Embrace the change
 - Enable competence, not rely on it

