

Gert Meyer

From: Fred van der Lith [fred@rpqs.co.za]
Sent: Monday, 17 May, 2010 16:46
To: Gert Meyer
Subject: The quantity surveyor under threat with the NEC
Attachments: NEC-Role of QS Profession.docx

Good day Gert,

Attached hereto please find my concerns regarding the two presenters of NEC workshops.

Could you please advise if I need to change wording or phrases to make the statements acceptable to other members.

I did not make mention that if all employers start using activity based contracts, which eliminates the QS service, that there will be less work available in the market for QS practices and that the QS will have to be employed directly by contractors.

Furthermore I did not make mention or suggest that smaller contracts (less than R100 million) be maintained with bill of quantities for the smaller contractors.

Please do not hesitate to contact me should you require any additional information or clarity regarding my concerns.

Regards

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THE QUANTITY SURVEYORS PROFESSION UNDER THREAT WITH THE ROLE OF THE QS IN NEC CONTRACTS

The contracts

The **NEC** is currently **the only** integrated and multi-disciplined set of contracts available which covers engineering and construction contracts with associated term service contracts, supply contracts, framework contracts, professional service contracts, and others.

The NEC application is multi-discipline and is suitable for any sector or combination of sectors of the engineering and construction industry.

Users of the NEC

The NEC application in South Africa is still growing and is currently used by Escom, Sasol, Transnet, nearly all Mining Houses, Absa, Department of Infrastructure Development of the Gauteng Provincial Government and others.

Bill of quantity contracts

In the total family of NEC contracts there are three contracts suitable for the use of bill of quantities, namely:

- Option B contract which is a priced contract with bill of quantities
- Op D contract which is a target contract with bill of quantities
- Short contract where bill of quantities (called a Price List in the contract) can be used. The Short contract can only be used for small straightforward work which imposes low risks for both the Employer and the Contractor where no escalation or sectional completion is required.

Workshops or training courses on the NEC contracts

Various organisations offer workshops or training courses on the NEC contracts which were attended by our company to enable us to become familiar with the NEC contracts.

Our experience with the workshops and training courses presented was that they provided delegates with a sound understanding of the purposes of the different contracts, how they function and equipped delegates in the application of these contracts in their work situations.

Recent workshops on the NEC contracts presented by Messrs Martin Barnes, Ron Watermeyer and Andrew Baird

Workshop on 26 August 2009 – *Getting to grips with the NEC Engineering & Construction Contract*

The workshop was attended by approximately 300 delegates consisting of employers/clients who make use of the NEC and in which both of the presenters elaborated on the success of the NEC contracts on very large projects in Europe, Abu Dhabi, etc.

Both presenters referred to research in the UK which indicated that the latest tendency there is that tenders are being obtained on Activity based contracts and that Bill of Quantity based contracts will in the future be phased out of the set of NEC contracts.

Mr Watermeyer motivated the tendency that research on bills of quantities has shown that *90% of the cost of a project is included in 10% of the items in the bill of quantities.*

Delegates (employers/clients which make use of the NEC) were advised to rather make use of activity based contracts and employers/ clients to ensure that consultant drawings and specifications be complete at tender stage as the NEC does not allow for provisional sums or prime cost amounts.

Objections were raised by delegates that the comparison of first world countries where large construction firms with in-house quantity surveyors/estimators exist in contrast to the South African scenario where only a few large construction firms exist while the majority of contractors are in a lower grade and cannot afford in-house quantity surveyors/estimators and would therefore be eliminated from tendering on activity based contracts.

A further objection raised was the quality of consultant drawings and specifications which are without exception not complete at tender stage which would render an activity based contract virtually impossible for a tenderer to evaluate as he would have to make many assumptions and price the risk of the outstanding information into his tender price with possible claims in the construction phase.

Workshop on 12 May 2010 – Role of the QS in NEC contracts presented by Mr Andrew Baird

As in the previous workshop on 26 August 2009 the presenter elaborated on the success of the NEC contracts on very large projects and discussed the application of various NEC contracts and briefly discussed the role of the QS in price based contracts, cost based contracts and management of change.

In discussion of the main issues for the QS the presenter reiterated the diminishing use of Bill of Quantity based contracts and the increasing use of Activity based contracts and to ensure that employers/clients do not tender with poor scope (incomplete drawings and specifications).

Deliberation

With reference to the previous two workshops mentioned above and in particular the workshop of August 2009, where two highly respected presenters were advising employers/clients, who mostly make use of the NEC bill of quantities contracts to rather consider making use of activity based contracts, based on research in the UK.

We believe as mentioned above that activity based contracts, which exclude the services of quantity surveyors, is exclusively to be considered on very large projects on which only large construction companies with in-house quantity surveyors/estimators will be used and that the smaller construction companies are not equipped to tender on activity based contracts for reasons as described above.

An activity based contract can only be considered to be used where the scope of works is totally complete.

If the scope of works is not complete the tenderer will make many assumptions and price the risk of outstanding information into his tender which will lead to high tenders and eventually lead to claims in the construction phase.

Quantity surveyors are all too familiar with the poor and unacceptable quality of drawings and specifications (which are deteriorating by the day) from which bills of quantities have to be prepared which in turn leads to all the allowances made in the tender documents because of work not completed by the other consultants (architects and engineers) mostly because of time constraints or lack of responsibilities and skills shortages.

Until such time as the quality of drawings and specifications improve to a degree that tenderers do not need to allow for outstanding information we believe that activity based contracts/tenders should not be recommended for consideration.

It is unfortunate that the two presenters of these workshops have advised employers/clients who currently make use of the NEC contracts based on bills of quantities to rather make use of activity based contracts knowing full well the current poor state of drawings and specifications, as described above and in so doing to deprive the quantity surveyor of his services.

Conclusion

We believe that in light of the foregoing that discussions should be conducted with the two presenters regarding their advice to employers/clients to rather make use of activity based contracts taking into account the current poor state of drawings and specifications available which also leads to the exclusion of small contractors and deprives the quantity surveyor his services.