

Editorial

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It's a great pleasure for me to welcome you to this December issue of the *Management, Procurement and Law* journal with the focus on target cost and innovative public–private partnership contracts for construction and infrastructure projects. In 2014, I also had the honour of writing an editorial on a similar topic in which I reported that improving public procurement systems and maximising the potential for public–private partnerships in construction and infrastructure projects contributes to the improvement of market integrity, guarantees better project quality and value, and facilitates the integration of sustainability goals.

A public–private partnership promotes innovation, the introduction of new technologies, risk sharing and better handling of deadlines and budgets. However, there is always some reluctance due to the modifications needed to the existing legislatives, convention and contractual relationships, but also due to the need to introduce new measures to ensure the integrity of the various actors.

This issue of *Management, Procurement and Law* includes three papers that discuss themes that are related to partnership contracts.

Li *et al.* (2016) examine the Hong Kong government's now-completed NEC pilot contract for Fuk Man Road Nullah from a retrospective view. The NEC is a family of clear and simple standard contracts that stimulates good relational management for a wide variety of commercial situations. In this paper, the authors describe the use of an amended NEC3 *Engineering and Construction Contract* option C (target cost with activity schedule) (NEC3, 2005). NEC3 is offering an end-to-end solution for the project life cycle, from the planning to the project completion stage. This paper sets out the lessons learned for future users of NEC in Hong Kong.

Innovation plays an increasing role in any economy. On this subject, Eadie and Potts (2016) conduct an excellent study that uses a questionnaire to examine the perceptions of bidders and the government on the new innovation partnership procedure relative to the EU procurement directives.

The innovation partnership procedure was brought into the EU regulations to increase innovation within procurement with a smart, sustainable and inclusive economy as the objective. The

involvement of the small- and medium-sized enterprises (SMEs) results in the promotion of greater entrepreneurship and greater facilitated development of growth clusters. The findings indicate that 69% of bidders intend to get involved in the future, but the government is evenly split on the ability to use the procedure and is unsure as to its benefits.

A target cost contract is a contract that allows the contractor to share the savings. In this paper, Laryea (2016) presents a case study using the documented financial information on the contracts and interviews for five completed projects. Four main points are discussed relative to the share formula, how target cost contracts actually turn out in practice, how risk/reward accrues to parties at the end of the contract and how to examine the relationship between a contractor's fee percentage and the extent of financial risk. A first observation by the author is that while the financial risk of a project is shared between the parties, the share formula is predominantly set only by the client, and he proposes a framework with nine risk/reward scenarios that contractors tendering for target cost contracts can use as a basis for risk-pricing decisions.

This issue discusses a theme of great interest for both researchers and practitioners. I found these papers to be very informative and well written, and I believe that you will agree.

REFERENCES

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