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NEC Introduction
and Practice

**THE
BUILDING
INTELLIGENCE™
GROUP**

1. Introduction
2. Origins; where it came from
3. Contract Structure
4. Key Areas
 1. Programme
 2. Early Warning
 3. Compensation Event
5. Things to note.
6. Conclusion.

2. NEC Origins.

1. Multiple forms of contract in the UK
2. Great client dissatisfaction , cost, time and quality issues.
3. ICE concern over its own forms of contract
4. Dr. Martin Barnes and Prof. John Perry
5. 1993 NEC 1st edition published.
6. NEC review
7. 1994 Government review of the construction industry
8. Michael Latham 'Constructing the Team'

3. Structure.

- The NEC is comprised of 7 key sections
 - Core Clauses
 - Main Option Clauses
 - Secondary Option Clauses
 - Schedule of Cost Components
 - Works Information
 - Site Information
 - Contract Data, Pts 1 & 2.

3. Structure.

Main Options

- A. Priced Contract With Activity Schedule
- B. Priced Contract with BOQ
- C. Target Contract with Activity Schedule
- D. Target Contract with BOQ
- E. Cost Reimbursable contract
- F. Management Contract

3. Structure.

Secondary Options

X1 Price Adjustment for inflation

X4 Parent Company Guarantee

X5 Sectional Completion

X6 Bonus for early Completion

X7 Delay Damages (LADs)

X12 Partnering

X13 Performance Bond

X14 Advanced Payment to the contractor

X15 Limitation of the Contractor's Liability for his design to reasonable skill and care

X16 Retention

X17 Low Performance Damages

X18 Limitation of Liability

3. Structure.

Schedule of Cost Components

Shorter and Longer Schedule

Mechanism by which Compensation Events (variations) are priced

Any head of cost not stipulated in the schedule is deemed to be recovered in the Fee

3. Structure.

Works Information

This is simply the information the contractor uses to design and/or construct the works.

Will typically comprise specifications, drawings, design briefs, performance specs and would also include anything of that nature that relates to elements of Contractor Design.

3. Structure.

Site Information

This comprises any information relevant to the physical site; SI information, Interpretative Reports, boundary plans, information about services, building or structures on the site

3. Structure.

Contract Data Part 1

Part 1 comprises data provided by the Employer, some compulsory, some optional; name, address, description of the works, Starting date, Insurance requirements, Key completion dates, pain/gain share percentages if Target Cost option is chosen;

Contract Data Part 2

Part 2 data provided is by the Contractor as Part 1; name, address, Key People, details required to enable the SCC to be used, the Fee percentage, rates for equipment, percentages for design overheads, people, the proposed completion date if applicable.

4. Key areas. Programme.

Extensive clauses written; circa 15 paragraphs;

Programme must be submitted and accepted by the Project Manager

If not accepted, sanction.

Requirements are extensive; float, time risk allowance, methodology

Key to determining CE which includes allowance for both cost and time where appropriate

4. Key areas. Early Warning

There is an express obligation on the parties to issue an EW as soon as either becomes aware of any matter that may affect, cost time or quality.

Such EW is then added to the Risk Register

Either party can force the other to attend a 'risk reduction' meeting to resolve the issue, the onus being on attending parties to agree a solution

If the EW is not issued when it should have been the PM is entitled to disallow those specific costs that arise as a consequence of that failure

4. Key areas. Compensation Events

There are extensive procedures in the contract for assessment of CEs. They relate to issue of Early Warnings, notification of possible CEs

The basic premise of the CE regime is that the contractor is freed from tendered rates when estimating the cost of CE.

Generally the CE quotation will be a forecast of the impact of the change on cost and time and will include a time risk allowance.

The PM has a significant role in the assessment process and can, if certain conditions are not met make his/ or her own assessment of the CE.

The general ethos of the contract is that CEs are agreed when they arise not left to the end of the contract

5. Things to Note

NEC is a suite of contracts with;

Short form of the main

Professional Services' contract,

Form of sub contract,

Short form of sub contract

An adjudicator's appointment form

Term Service contract

The intent is that it is a 'stimulus to good management' there is an extensive guidance document and flow charts for all the clauses which allows it to be easily replicated electronically using, for example, Aconex or other collaboration tools

5. Things to note.

Timescales; set timescales drive the parties to make decisions;

All Communication is in writing; clauses are worded in plain English

Secondary Option clause X15 is notable;

Defaults to a Fitness for Purpose obligation.

That is both onerous and difficult to ensure, particularly in the current market.

In my view that subverts that way those legal obligations normally arise i.e. silence would presume a reasonable skill and care obligation applies, if FFP is sought it is normally stated. Both JCT and ICE Forms that cater for contractor design have limited the contractor's obligations to RSC.

5. Things to note.

Key relationships

This is a collaborative form of contract, the opening clause requires it

Two key parties will be required to work closely and collaboratively together if the aim is a successful outcome;

Planners

QSs.

If you want to be truly collaborative, don't play at it.

The Fee.

Stipulated by the contractor at tender

Can be a differentiating factor in contract award

Can be a loss making mechanism to the contractor during the works

Includes profit

6. Conclusion

Smart phones!

3910 not broken so....

Early warning, programme and completion

Current Christchurch environment (insurance, funding, consenting) demands flexibility