Introduction to NEC3

Course agenda

• Session 1 – Background and underlying principles – the concept
  – NEC characteristics
  – NEC family including typical NEC arrangements
  – Key NEC3 Engineering and Construction Contract (ECC) features

Course objectives

Delegates should:

• Understand the philosophy of NEC
• Appreciate the extent of the NEC family
• Appreciate a few key features of NEC contracts
A bit about NEC history

- What is the NEC?
- How the NEC was developed?
- The role of the Institution of Civil Engineers
- The NEC Panel

The development of the NEC

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tbody>
<tr>
<td>1985</td>
<td>ICE Industry Review</td>
</tr>
<tr>
<td>1991</td>
<td>Consultation</td>
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<tr>
<td>1993</td>
<td>ICE1</td>
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<tr>
<td>1994</td>
<td>Latham Report</td>
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<tr>
<td>1995</td>
<td>ICE2</td>
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<tr>
<td>2005</td>
<td>ICE3</td>
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NEC characteristics

- NEC is a family of standard contracts, each of which has these characteristics
- Stimulates good management
- Can be used in wide variety of commercial situations, for wide variety of types of work and in any location
- A clear and simple document - using language and structure which are straightforward and easily understood
NEC characteristics

• Flexibility
• Multi-disciplinary
• Responsibility for design by either party
• Choice of pricing mechanisms from lump sum to cost plus
• Bolt on secondary Options that allow an Employer to build up the contract to suit
• Allocate risks to suit
• For international use

Drafting style

Additional conditions
Jurisdiction-specific Options
Secondary Options
Dispute resolution Option
Main (payment) Option

Core clauses

Clarity and simplicity
Ordinary language
Minimal legalistic phrases
Minimised subjective phrases such as ‘fair’, ‘reasonable’ and ‘opinion’
Reasons for decisions stated
User friendly structure
Drafting style

- Drafting objectives
  - try to keep sentence length below 40 words
  - use words the readers are likely to understand
  - use only as many words as are really needed
  - prefer the active voice unless there is good reason for using the passive voice

Drafting style

- Drafting objectives
  - use the clearest, crispest, liveliest verbs
  - use vertical lists to break up complicated text
  - put points positively when you can
  - reduce cross references to the minimum

NEC characteristics

- Stimulus to good management
- NOT a contract ‘for the bottom drawer’!
- Each procedure designed to contribute
- Clear division of roles
- Up-to-date programme
- Early warning – common sense risk management
- Compensation events
NEC3: Introduction to the NEC3

NEC family

- Guidance Notes & Flow Charts
  - To support all the NEC3 contracts
- NEC Procurement and Contract Strategies
  - A guide for users in application of NEC3 contracts in different procurement and contract strategies

Typical Employer designed arrangement

- Employer
- Contractor ECC
- Subcontractor ECS or ECSS
- Supplier SC or SSC
- Adjudicator AC
- Project Manager PSC or PSSC
- Designer PSC or PSSC
- Supervisor PSC or PSSC
Key ECC features

- The Employer, the Contractor, the Project Manager and the Supervisor shall act as stated in this contract and in a spirit of mutual trust and co-operation (10.1)

Key ECC features

- Works Information (11.2(19))
  - specifies and describes the works or
  - states any constraints on how the Contractor Provides the Works

- Site Information (11.2(16))
  - describes the Site and its surroundings
Key ECC features

- early warning
  - duty to warn of events that may affect key project objectives
  - requirement to discuss and agree best way forward
  - sanctions if early warning not given
  - encourages proactive risk management
  - talk to each other, it’s a good thing!

Key ECC features

- time control - programme
  - clear and objective requirement for a detailed programme with statement of resources
  - regular updates which provide an essential tool for the parties to manage the project and to notify and manage the effect of any problems, delays, etc.

Key ECC features

- Compensation events
  - only way to change price and/or Completion Date
  - all in one place (almost!) and treated in the same way
    - cost: assessed at forecast change in cost
    - time: forecast delay based on latest Accepted Programme
  - all to tight and defined timescales
**Summary**

- Objectives met?
- Next steps?
- Online test

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**Were the course objectives met?**

Delegates should:

- Understand the philosophy of NEC
- Appreciate the extent of the NEC family
- Appreciate a few key features of NEC contracts

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**Online test**
Need more information?

• Contact the NEC support team
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