

NEC3 gets UK Government endorsement

The UK Government has singled out the ICE's NEC 3rd edition contract, launched last month, as the only form it recommends for Britain's £40 billion annual spend on public-sector construction.

Robert Gerrard, chairman of the NEC Users' Group, reports.

The UK Office of Government Commerce (OGC) has approved the 3rd edition of the ICE's NEC partnering-based construction contract, launched last month, as the first and only contract to satisfy its new principles for public-sector construction.

The principles are set out in *Achieving Excellence in Construction*, an initiative OGC launched in 1999 to ensure the UK gets better value from the £40 billion it currently spends on building and maintaining public property and infrastructure each year.

A number of Government clients are already major users of the NEC 2nd edition, including the Environment Agency, Highways Agency and NHS Estates – the latter through its £2 billion ProCure21 framework programme for hospital buildings.

OGC deemed the 2nd edition as 'reasonably compliant' with AEC and approved of its collaborative nature. After a comprehensive series of updates to the entire family of NEC contracts, the 3rd edition of the NEC – or 'NEC3' as it is now called – ticks all the boxes and gets OGC's full endorsement.

According to John Ioannou at OGC: 'The new third edition NEC3 now embraces all the key AEC requirements. Public sector procurers are thus recommended to use the NEC3 for their construction projects.'

Major take up in just 12 years

The OGC endorsement is a significant step forward for a contract that is still only 12 years old. It was originally published by the ICE in 1993 as the New Engineering Contract, offering a bold alternative to the

then inherently adversarial nature of long-standing forms such as JCT and the ICE Conditions.

In 1995 it was updated in the light of Sir Michael Latham's 1994 report *Constructing the Team* and renamed as the NEC Engineering and Construction Contract. This was subsequently joined by related forms and options covering subcontracts, professional services, low-risk projects and multi-party partnering arrangements.

NEC's biggest project to date is the ongoing £5.2 billion Channel Tunnel Rail Link, one of the world's largest construction schemes and winner of many management, quality and safety awards. According to Alasdair Cathcart, formerly seconded to Rail Link Engineering, NEC was selected as 'the form that best met the project's time constraints, shared cost risk and gave the highest probability of a successful outcome.'

The NEC is also playing a major role in the similarly high-profile and successful £4.2 billion Heathrow Terminal 5 project. Around 10% of T5's value is being directly procured under NEC contracts and BAA's version of the ECC is the only recommended form for the thousands of second-tier contracts. The 40-odd first-tier suppliers are engaged under BAA's bespoke T5 Agreement, which shares NEC's principles of partnering and integrated working.

NEC is also now fast finding favour in the building sector. Examples range from award-winning schemes such as the famous Eden Project in Cornwall and Cambridge University's new maths facility to dozens of new hospitals, schools, offices, shops and social housing developments throughout the UK as well as in Europe, South Africa and elsewhere.

Term and framework contracts

In addition to the main Engineering and Construction Contract and its six main options, which are applicable to all types and sizes of construction projects worldwide, the NEC3 family includes the Engineering and



NEC3 is the first and only construction contract to be approved by the UK Government for universal use in the public sector

Construction Short Contract, standard and short subcontract forms, the Professional Services Contract and the Adjudicator's Contract.

These are now joined by a new Term Service Contract for procuring suppliers to manage and provide a service over a specific term, and a new Framework Contract for engaging one or more suppliers to carry out construction work or to provide design or advisory services under other NEC contracts on an 'as instructed' basis over a set term.

Together with the various guidance notes and flow charts for each contract, plus a new guide to procurement and contract strategies, the NEC3 family now consists of 23 individual documents. For NEC Users' Group members and the new NEC3 Digital service, a range of contract administration forms are also now available in electronic form, together with electronic files of the various contract data.

The contracts are published by the NEC division of ICE's commercial wing Thomas Telford, all profits of which are covenanted back to the ICE. The division also provides a full range of support services, including a users' group, helpline, online service, training courses and guidebooks. Further details can be found on the contract website at www.neccontract.com.

FOR FURTHER INFORMATION CONTACT

Robert Gerrard
 TEL 020 7665 2446
 EMAIL robert.gerrard@neccontract.com