What is nec3

NEC demands large amounts of data in 2024, shifting focus from commercial to data management, as seen in January's contract changes. The importance of NEC3 contracts has been highlighted, especially for those with experience on NEC4 projects. NEC3 offers various benefits, including clear allocation of obligations and improved cash flow through the ability to agree changes as needed. However, challenges persist, such as poor business cases or project definition issues, as well as the potential risks associated with additional clauses like Z clauses. Poorly drafted clauses can significantly alter a contract's profile, often favoring the larger party. This is why such clauses are not recommended for subcontractors. NEC contracts advise using them only in exceptional circumstances. The NEC3 contract provides clarity on tasks, roles, and responsibilities but can become diluted if amended unnecessarily, leading to confusion or disputes. The third edition of the New Engineering and Construction Contract has gained widespread use since 2011 and has been shown to reduce court-disputed cases. However, uncertainty at the tender stage remains a challenge. This article aims to outline principles for good practice in NEC3 tendering and clarify some terminology. Key takeaways include: - Fee percentages cover costs not included in the schedule, such as profit and overheads. - NEC3 has two fee percentages: direct and subcontracted. - Identifying key people is crucial, with the Contractor obligated to employ them under clause 24 or a suitable replacement accepted by the Project Manager. Who will be employed on that particular project, what areas of the site are included in the working area, and how risks will be managed - let's break it down by key clauses in the contract. The Contractor has some flexibility over the working areas, but there are limits to what can be defined under clause 11.2(18). The important thing is that these areas include not just the site itself, but also any other locations where work needs to be done as part of the contract. Accurate definition of these areas is crucial, especially for things like design and manufacture. Regarding risk management, it's essential to handle this carefully, particularly when creating a risk register. This document isn't automatically included in the contract unless you specify it with an additional Z clause. What's listed on the register doesn't necessarily have any impact on either party regarding individual risks. Clauses 80 and 81 outline who takes on what risks. In general, if there are no additional Employer-provided risks mentioned in the Contract Data, the Contractor is responsible for all risks other than those explicitly covered under clause 80. Now let's move on to works information - this specifies how the work should be done, and it's particularly important when the Contractor has design responsibilities. They must identify where to find relevant documents related to their design work. Programmes are another key aspect of NEC contracts. The Contractor needs to produce a programme along with their tender submission, especially for options A and C. This helps illustrate how each activity in the Activity Schedule relates to the overall project operations. Finally, there's the Activity Schedule - two main options exist within NEC3: A and C. The Activity Schedule under Option A is directly tied to payment, where the Contractor receives a lump sum for each activity upon completion. This means that payment only occurs when an activity is fully completed, which can impact cash flow and programme planning. It's essential for Contractors to carefully review their schedule during the tender period to ensure accuracy and avoid delays. In contrast, under Option C, the Activity Schedule does not directly affect payment. Regarding overhead costs, there are two percentages: Percentage for Working Area Overheads (44% of the Schedule) and Percentage for People Overheads. The former is used to recover costs associated with employing people, excluding accommodation, which can be recovered as Equipment. This percentage is calculated by dividing the cost of providing items detailed in item 44 by the total cost of people. The second percentage, Percentage for People Overheads, serves a similar purpose but is only applicable when using the Shorter Schedule of Cost Components under Options A and B for assessing compensation events. Additionally, Contractors can include percentages to recover overheads related to manufacture, fabrication, design, or other activities outside working areas. If you require guidance on your NEC3 contract or any construction-related matter, Elemental Contract Consultants offer tailored advice on all aspects of your project. The development of the Professional Services Short Contract (PSSC) by APM and NEC in collaboration was a significant milestone. This standard form for appointing project managers is widely used across various industries. Other relevant contracts, such as the Engineering and Construction Contract (ECC), Term Service Contract (TSC), and Professional Services Contract (PSC), are also part of the approved suite. The APM Body of Knowledge 6th edition highlights further information on these contracts. Recent interviews with experts from APM and NEC shed light on the successful implementation of the PSSC. One key takeaway is that using the NEC3 family of contracts allowed for more effective issue resolution before escalating to court proceedings. The NEC3 Engineering and Construction Contract serves as the foundation for various options, including A-F. It contains essential clauses, secondary option clauses, schedules of cost components, and contract data forms. An additional clause, known as Early Contractor Involvement (ECI), has been developed specifically for projects requiring collaboration throughout the process. A new how-to guide is now available to assist users in implementing an ECI approach using the NEC3 Engineering and Construction Contract. The document provides a model clause and guidance for successful implementation. Management contract dispute resolution options include W1 and W2, with secondary option clauses outlined in X1 to X5. Other provisions address price adjustment for inflation (X1), changes in law (X2), multiple currencies (X3), parent company guarantee (X4), and sectional completion (X5). Additionally, X6 to X12 cover bonus payments, delay damages, partnering, performance bonds, advanced payments, limitation of liability, retention, low-performance damages, and limitation of contractor's liability.