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NEC Forum 2025

Including Jam Session 1

NEC training sponsored by  **eCS**

FREE

Thursday 13th February

4 pm - 6 pm

Presented by Mile Sofijanic

ICE accredited NEC Tutor, NECReg

10 NEC Jam Sessions Topics for 2025

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13 th February	The NEC4 Family of Contracts - Introduction
13 th March	Procurement and Contract Strategies
10 th April	ECC4 - Core Clauses
8 th May	PSC4 - Introduction
12 th June Presented by Dr Jon Broome	Contract Strategy: Choosing the Main Options under the NEC4 Engineering & Construction Contract (with reference to other members of family + filling in Contract Data entries) and how to incorporate Early Contractor Involvement (ECI)
10 th July	ECC4 - Early Warnings and Compensation Events
14 th August	ECC4 – Dispute Avoidance
11 th September	Contract Strategy: The use of Option X29 : Climate Change
9 th October Presented by Dr Jon Broome	Contract Strategy: The Secondary Option 'X' clauses including preparation of the associated Contract Data.
13 th November	ECC4 – Tendering and Contract Finalisation

Objectives of 10 NEC Jam Sessions

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- Delegates should leave with
 - an understanding of the NEC philosophy, its associated culture change and how it contributes to the effective management of a project;
 - a basic understanding of how to prepare, tender to, and administer the ECC4 (Engineering and Construction Contract)
 - basic knowledge of the PSC4 (Professional Service Contract)

ECS Associates: Facts & Values



More than 3 decades of Project and Contract Management experience in South Africa and beyond



Drive clients' success through collaborative, mutually beneficial contract and business management practices



Collaborative Project Strategies©
Agile Project Delivery



Network based business model

Level 1 35% BWO BBEE company.

Integrity

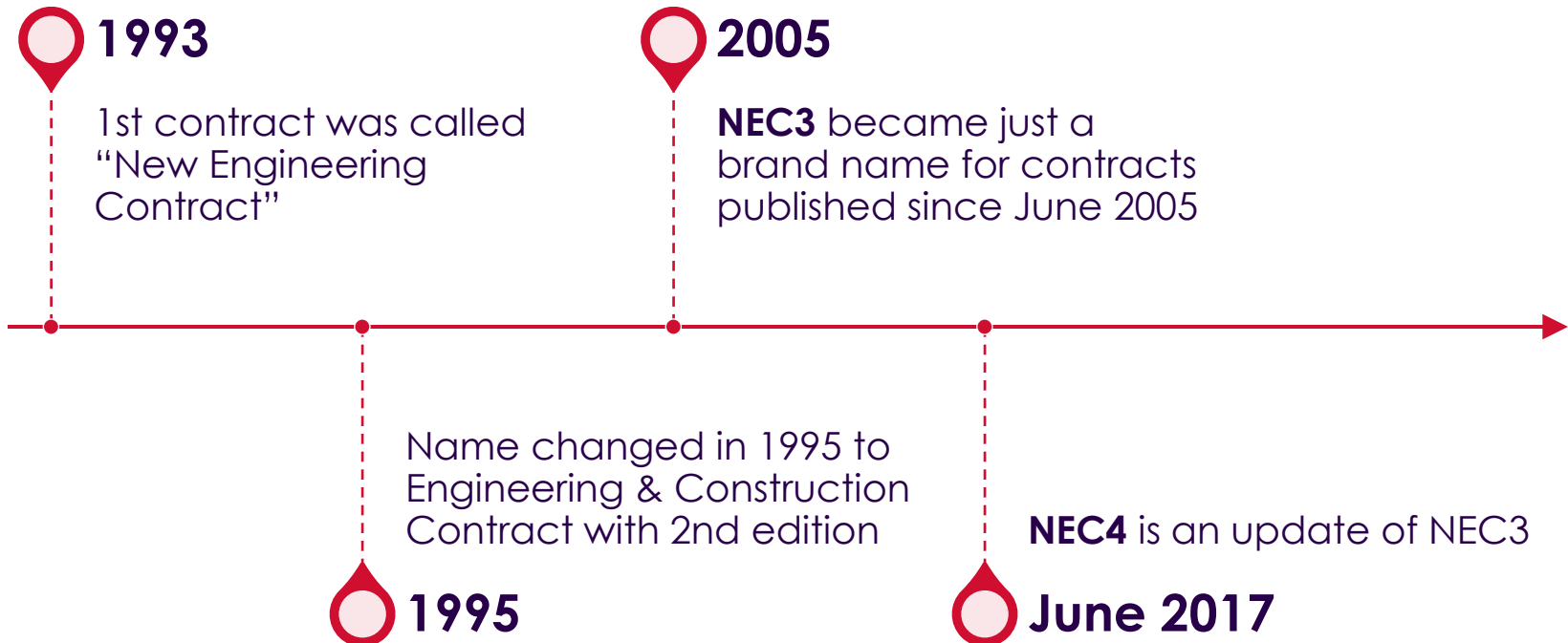
Professionalism

Collaboration

Courage

Introduction to the NEC4 Suite of Contracts

How NEC came about **ice-sa**



NEC objectives

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Flexibility – any type of contract – all disciplines

Clarity and simplicity – easily understood

Effective and transparent risk allocation

Stimulus to good management

The most important objective; every procedure is designed to contribute to rather than detract from the effectiveness for all parties

- **foresight applied collaboratively mitigates problems and shrinks risk**
- **clear division of function and responsibility helps accountability and motivates people**

Stimulus to good management

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- Introduces Project Management into contractual relationships; promotes proactivity – motivates
- Single point accountability
 - Apply planning and cost management tools
- Forecast applied collaboratively – proactive not reactive
- Risk allocated to party best able to *manage* it
- Result: Achieve win – win outcome

Main NEC drafting principles

- **Minimum number of words; everyday English**
- **Clear division of function and responsibility**
- **No provision for nominated subcontractors**
- **Risk allocated in different ways by selection of options**
- **Agent acts for the *Client***

Main drafting principles

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- **Early warning of possible change**
- **Always an up to date and realistic programme of work not yet done**
- **Each Party stands by information it provides (Scope & Site Information)**
- **Defects only arise from non-compliance with information provided (Scope)**
- **Short payment periods to ease cash flow down the supply chain**

Main drafting principles **ice-sa**

- **Compensation events (change management) includes procedures for obtaining a forecast first**
- **Either Party may provide insurance**
- **Modern process of adjudication for dealing with disputes with Dispute Avoidance Board option**
- **Full range of options for dealing with inflation, other currencies, incentives etc.**

Items of good practice **ice-sa**

- **Complete scope of work definition (called the Scope in NEC4)**
- **Good communications**
 - Talk – all in same office- confirm in terms of the contract what has been agreed
- **The right people administering the contract**
- **A logical, practical, and realistic programme**
 - Can only control that which you have not yet done
 - Consistently forecast time, cost and risk
 - Correspondence, early warnings, & compensation events registers

Items of good practice **ice-sa**

- **Always have an up-to-date assessment of what the final cost and time will be**
 - No surprises; the *Client* fully informed - good or bad
 - No end of contract re-measure or claims
 - Effective close out meetings
- **Any others?**
 - Comprehensive Site Information
 - Design for build-ability
 - ECI: *Early Contractor* involvement always recommended

Components of the NEC4 Project Management system

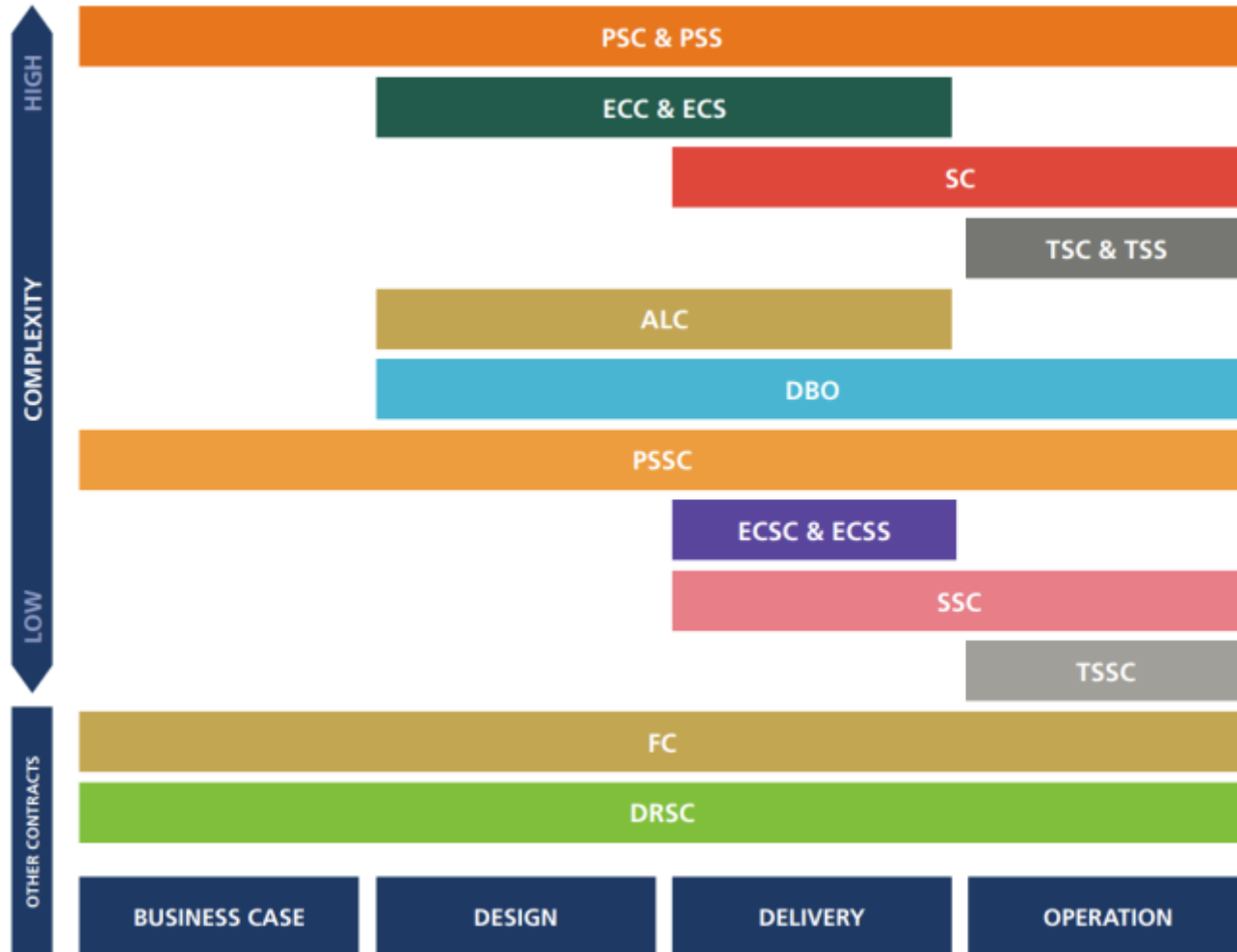
A 'quick start' overview

Contracts in NEC family

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- **Multi discipline procurement of**
- **WORKS:**
 - Civil, Building, Mech., E&I, Telecom
- **SERVICE:**
 - Engineer, Architect, QS, Project Manager
 - Term Service by a Contractor or Consultant
 - Design, Build and Operate
- **SUPPLY:**
 - Goods procured locally or foreign trade under INCOTERMS

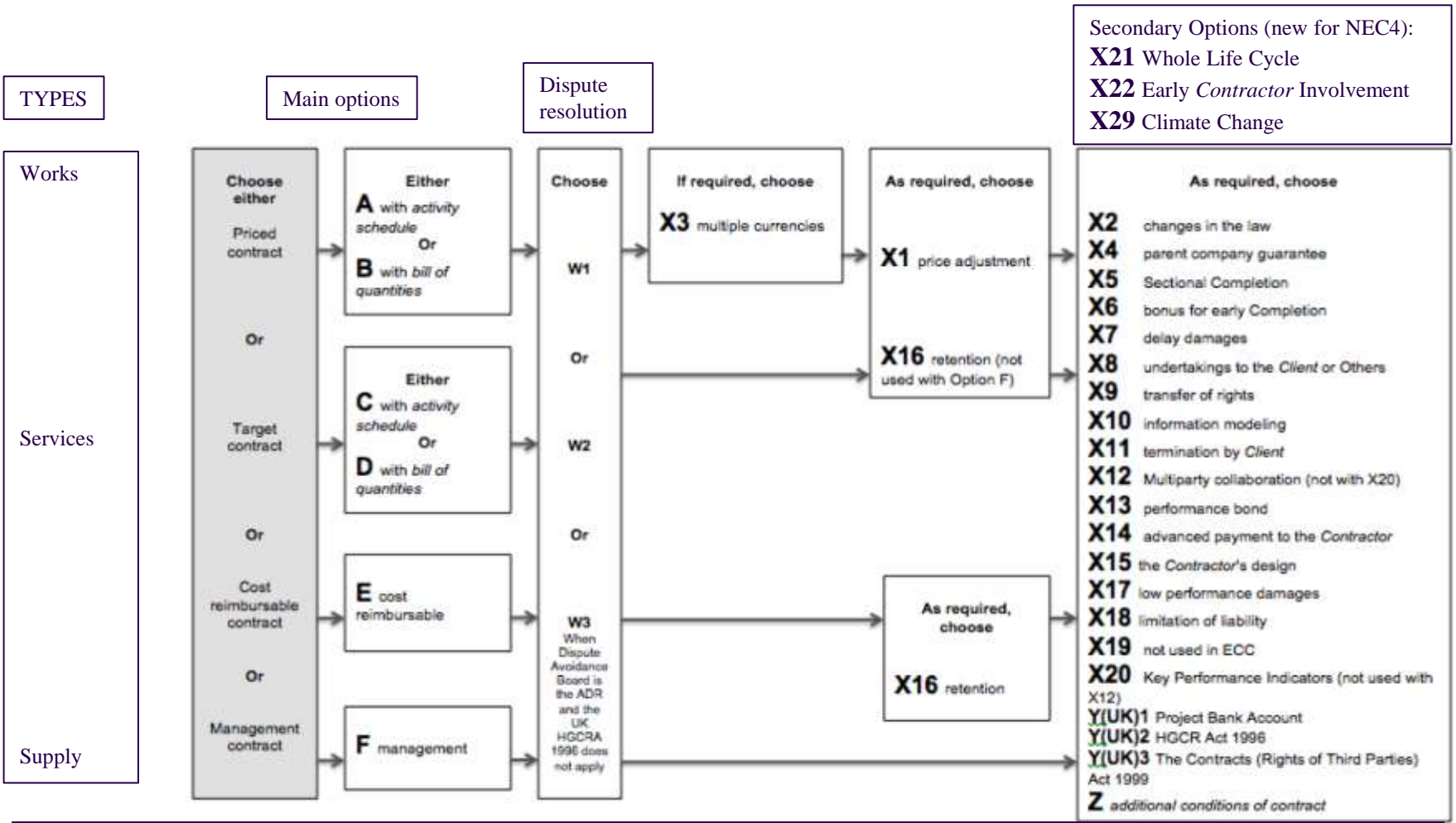
Contracts in NEC4 family



NEC4 Dispute Resolution Service **ice-sa** Contract (DRSC)

- Used with all contracts to appoint independent person to decide disputes
- form of agreement used to create a three-party contract
- Appoint Dispute Avoidance Board members
- time based payment shared equally by the main Parties irrespective of outcome
- *Adjudicator* not liable for a decision
- can be used independently of NEC

The NEC Contract Structure



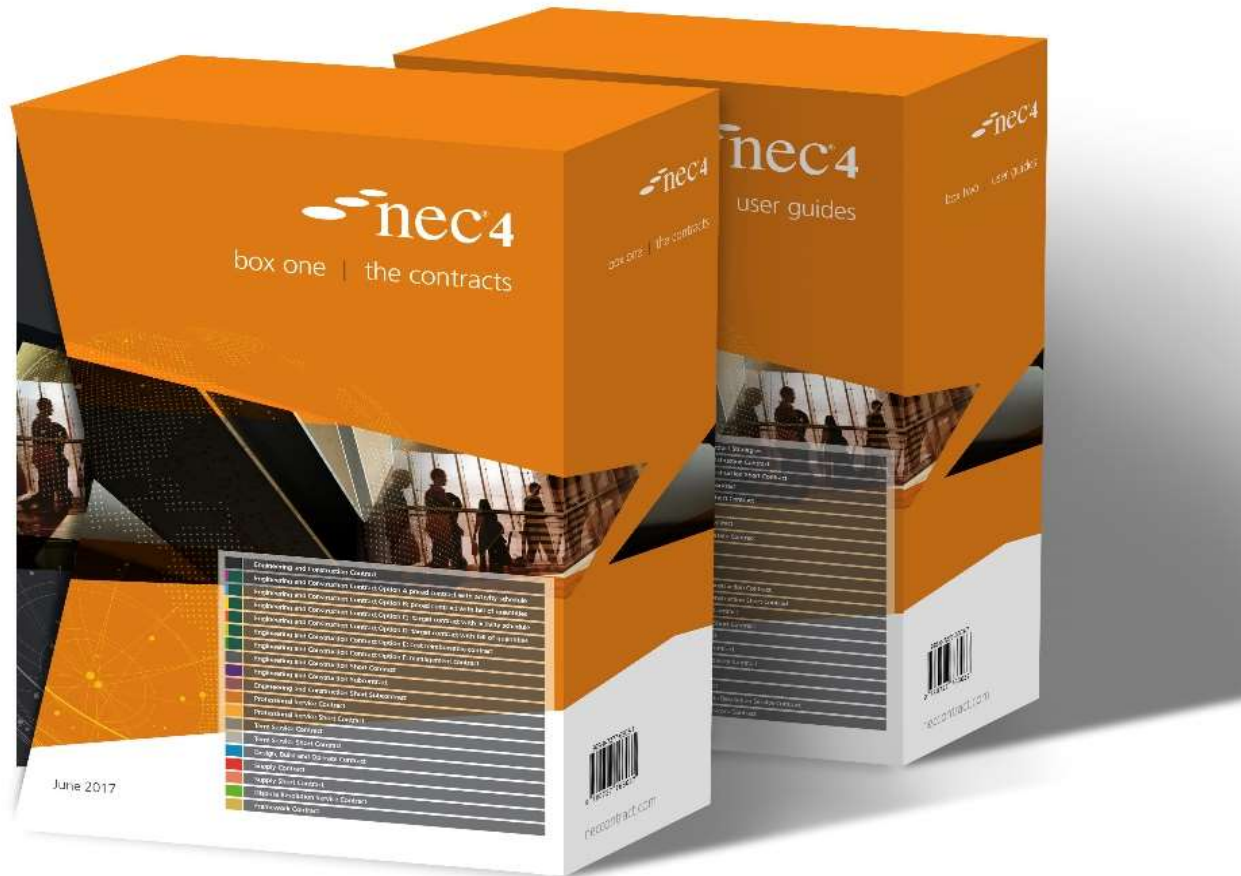
Add: Contract Data, Schedule of Cost Components, Scope, Site Information (as appropriate)

Early Contractor involvement ice-sa FC4 or X22

- Bring *Contractor* on board early by process of competitive selection
- Assist with finalisation of design and clause 31.2 programme
- Benefit of *Contractor's* experience
- Review all design work for constructability
 - See potential savings
 - Switch from Options A to C or E?

NEC4 Box Set

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- **The Guidance Notes now 4 volumes per contract of which two volumes are common to each contract**
 - **Vol 1: Establishing a Procurement and Contract Strategy**
 - **Vol 2: Preparing a contract (ECC,PSC etc)**
 - **Vol 3: Selecting a Supplier**
 - **Vol 4: Managing a contract (ECC, PSC, etc)**

Guidance notes structure

Vol 1: Procurement and contract strategies											
Vol 2: Contract preparation											
ECC/ECS	ECSC/ECSS	PSC	PSSC	TSC	TSSC	SC	SSC	DBO	ALC	FC	DRSC
Vol 3: Supplier selection											
Vol 4: Contract management											
ECC/ECS	ECSC/ECSS	PSC	PSSC	TSC	TSSC	SC	SSC	DBO	ALC	FC	DRSC

Agents of the Parties **ice-sa**

- ECC4, PSC4, TSC4 and SC4 use an agent named in the Contract Data
 - ECC4 has two agents, *Project Manager* and *Supervisor*
- No named agents in the short contracts but main party can delegate one
- No agents in the subcontracts

NEC3 vs. NEC4 Key Changes **ice-sa**

New Terminology:

NEC3	NEC4
<i>Employer</i>	<i>Client</i>
Works information	Scope
Risk Register	Early Warning Register
<u>Two</u> fee percentages: <i>direct and subcontracted</i>	<u>One</u> fee percentage
Section 4 (Testing and Defects)	Section 4 (Quality Management)
Section 8 (Risks and Insurance)	Section 8 (Liabilities and Insurance)
He/ his	It/ Its
X4 – Parent Company Guarantee	X4 – Ultimate Holding Guarantee
X12 - Partnering	X12 – Multiparty collaboration

Some other changes...ice-sa

NEC3	NEC4
<i>Contractor's</i>	<i>Contractor's</i>
Shorter Schedule of Cost Components	Short Schedule of Cost Components
this contract	the contract
key people	<i>key persons</i>
Communication 13	Includes digital contract management
PM , S, C “notifies”	In some Clauses changed to PM , S, C “informs”
Clause Repairs 82	deleted
Clause Indemnity 83	Clause Recovery of costs 82

NEC3 vs. NEC4

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Additional Key points:

- Two new contracts: Design, build and operate (DBO) and Alliance Contract (ALC)
- Subcontracts for PSC and TSC
 - In addition to existing subcontract for ECC
- Review and Acceptance of Defined Cost within 13 weeks of being notified – Main options C,D,E and F.
- Subcontractor Costs included in Schedules of Cost Components (SCC)
- Working Area, People and Design Overheads removed – only one Fee percentage for all Defined Cost (see above)
- “Treated Acceptance” for Programme if not accepted by the *Project Manager*
- The requirement to show ‘implemented compensation events’ in the *Contractor’s* programme has been removed. (all activities must be in the Programme)
- Consensual dispute resolution
 - Senior Management Representatives
 - Dispute Avoidance Board

NEC4 is just evolution of NEC3!

The end of NEC Jam Session 1



Next NEC Jam Session **ice-sa**

13 March 2025

Procurement and Contract Strategies

- How to split project in smaller components if required?
- Who does Engineering, Procurement and Construction?
- Who is managing interfaces?
- Allocation of risk and incentive
- Choosing the right Options (Main and Secondary Options)

**Thank you for your
participation**

Feedback is welcome

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