

How NEC Contracts Support the Construction Playbook

Article 3

Key policy: Early supply chain involvement (ESI)

“Early supply chain involvement is key to reducing end-to-end programme timescales, identifying opportunity and mitigating risk early and accessing the industry experts’ knowledge and experience in all tiers of the supply chain early in the project or programme lifecycle.”

The Construction Playbook recognises how early supply chain involvement (ESI) can be used to deliver better projects outcomes including value for money on a whole life basis.

NEC contracts can be used to support ESI through the use of its suite of contracts and/or by using secondary Option X22 for early supplier engagement. X22 has been part of the NEC suite of contracts since 2015.

The intent of early contractor involvement (and ESI) is to allow the engagement of a supplier at an earlier stage in the development of a construction project than would normally be possible. It allows a supplier to engaged at a point when a price and programme for the works cannot be determined but the client wants to benefit of the contractor’s input into the development of the project in areas such as design, construction method, buildability, safety, efficiency, carbon and climate impact, logistics programme for the works and the pricing of the works.

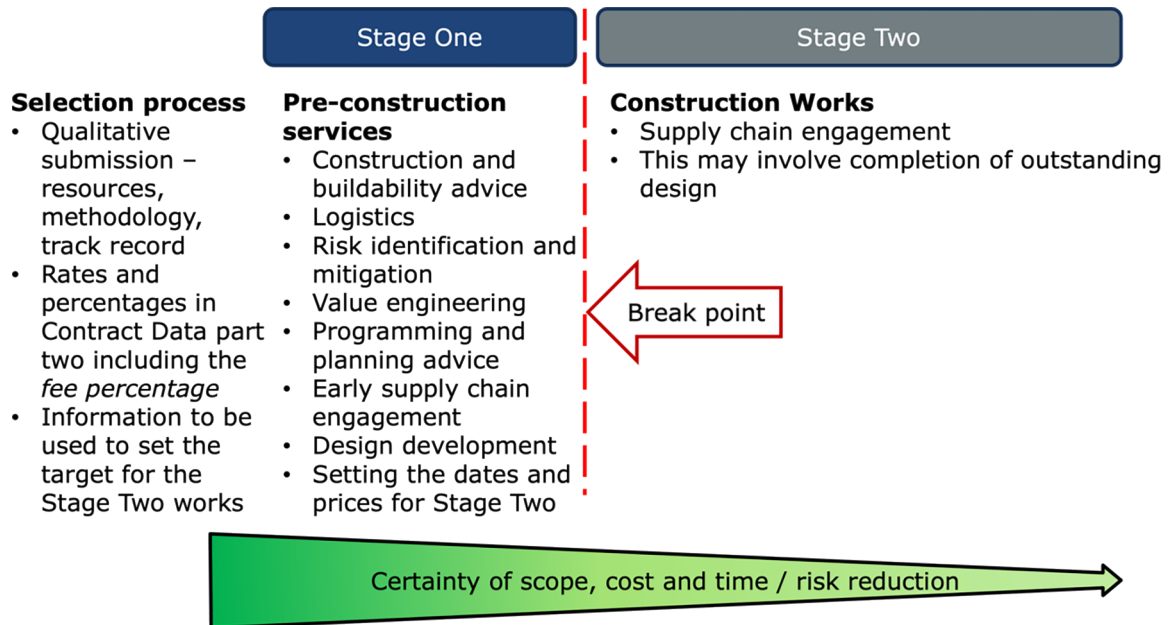
Using ESI, any supplier can engage its own wider supply chain and where appropriate, they can use the early involvement given under ESI to begin development of their design.

There are two contractual models for implementation of ESI using NEC contracts. The first is use of secondary Option X22 (early contractor involvement) which provides a single two-stage contract with a break point at the end of the first stage i.e. the early engagement stage. The second model is the use of two separate contracts for the two stages as explained below.

If the approach is to use two separate contracts the supplier can initially be engaged under a Professional Service Contract (PSC) or an Engineering & Construction Contract (ECC), or the short form version of these contracts (PSSC, ECSC). When the project moves into delivery any of the NEC4 contracts can be used to engage the supplier dependent upon the nature of the work they will undertake.

The ECC with secondary Option X22 is designed to be used where supplier is engaged to deliver both the early engagement stage and the delivery stage under a single contract removing the need to tender or negotiate the contract for the delivery of the works.

Diagram showing how X22 operates



Acknowledgements

Authors:

I. Heaphy, BSc (Hons), FRICS, FCI Arb, FCInstCES, MACostE

M. Garratt, BSc (Hons), MRICS, FCI Arb

The NEC Contract Board is:

P. Higgins, BSc (Hons), CEng, FICE (Chair)

I. Heaphy, BSc (Hons), FRICS, FCI Arb, FCInstCES, MACostE

S. Jackson, LLB, LLM, MSc, FCI Arb, FCInstCES

M. Garratt, BSc (Hons), MRICS, FCI Arb

D. Evans, BSc, FICE, CEng, MBA