

SPECIALISTS WELCOME OLYMPIC ANNOUNCEMENT

The two umbrella bodies representing thousands of specialist contracting companies have welcomed the statement from the Olympic Delivery Authority (ODA) confirming that its policy is not to deduct cash retentions on any of its contracts.

The Specialist Engineering Contractors' (SEC) Group and the National Specialist Contractors' Council (NSCC) represent the majority of the contracting firms in the construction industry.

In welcoming the ODA's statement, Trevor Hursthouse, Chairman of the SEC Group said:

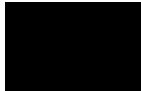
“The ODA’s retentions policy on Olympic projects will immediately benefit the cash flow of SMEs and make a significant contribution to the successful delivery of Olympic projects”.

Speaking on behalf of NSCC Graham Wren added:

“The outdated practice of deducting retentions has already been condemned as poor practice by a House of Commons Select Committee. I am delighted that the ODA has acknowledged this and will be monitoring compliance with its retentions policy along the supply chain”.

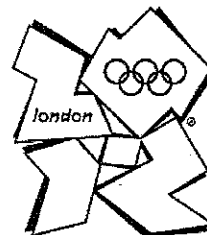
The ODA statement confirms contractual arrangements with Tier 1 contractors will allow monitoring of accounts and records to ensure that retentions are not being deducted along the supply chain.

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**NOTES FOR EDITORS:**

1. A copy of the ODA's Statement on Retentions is attached.
2. The SEC Group comprises the construction industry's six premier trade associations which, in turn, represent a sector comprising 60,000 companies. They are the Association of Plumbing and Heating Contractors; the British Constructional Steelwork Association; the Electrical Contractors' Association; the Heating and Ventilating Contractors' Association; the Lift and Escalator Industry Association; and SELECT (Electrical Contractors Association of Scotland).
3. The National Specialist Contractors' Council (NSCC) brings together the common aims of 30 specialist trade organisations within the construction industry and is the authoritative voice of 7,000 specialist contractors in the UK. A full list of NSCC member organisations is available at www.nsc.org.uk.
4. The practice of retention involves holding 5% back (reducing to 2½%) from contractors in case the contractor goes into insolvency or there are defects at the end of the job. This practice does not apply in any other sector of industry and only serves to deprive firms – mainly SMEs – of a total of £3.25bn.
5. For further information please contact Rudi Klein, SEC Group on 07767 412 903 or Suzannah Nichol, NSCC on 0844 249 5351.

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Memo

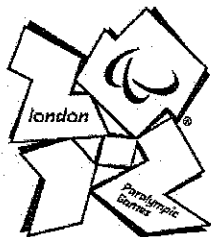
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ODA Statement on Retention

"The ODA's policy is not to deduct cash retentions in any of its contracts. In some cases, however, the ODA reserves the right to require a retention bond to be put in place where this is justified on a project specific basis. The contracts that the ODA executes with its Tier 1 contractors do not discuss whether the Tier 1 contractor's should hold retentions in their commercial arrangements with their sub-contractors or not. The ODA has however created a contractual environment in which Tier 1 contractors should recognise that there are fewer commercial reasons for deducting retention monies from payments to their sub-contractors. The ODA contract documents achieve this by:

1. Encouraging the Tier 1 contractors to adopt the '2012 Construction Commitments' which states that there should be "no unfair withholding of retentions".
2. Requiring that payment is made during the assessment period for the contractor's "Defined Costs". The contractor's defined costs include payment made to his sub-contractors during the assessment period. If Tier 1 contractors withhold retention, it therefore means that the ODA assessment will be commensurately reduced and so no benefit will accrue to Tier 1 contractors if they withhold retentions.
3. The ODA contracts allow inspection at any time of the accounts and records that the contractor is required to keep.

Where Tier 2 subcontractors employ Tier 3 sub-subcontractors it is anticipated that subcontract provisions incorporating similar terms will be used."



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