



NEC4 – Summary of Key Changes

The new NEC4 suite of contracts are being published on the 22nd June this year. Below is a summary of some of the main changes, in terms of the family of contracts and specifically the individual contracts (but in particular the ECC contract). On the surface of it there are some very welcome additions or amendments that will further enhance the use of these contracts within the industry.

New contracts within the family:

1. Design, Build and Operate (DBO): to allow for the operation and/or maintenance to be included to traditional design and build
2. Alliance Contract (ALC): multi party contract allowing for an integrated delivery team within one single contract where by the Parties are all working together to achieve client objectives but sharing the risk/rewards along the way.

New features within the contracts generally:

1. Includes “Contractor Proposals” to change scope or to achieve acceleration, which the client can accept or not and share benefits accordingly.
2. PSC, TSC, SC contracts will all use Defined Cost in the same way as ECC contracts
3. A consensual dispute resolution process – where there is a four week period for escalation and negotiation of a dispute (instead of going straight to adjudication). Senior nominated representatives will try to negotiate a solution within this period
4. Option C/D/E/F cost based contracts will allow Contractor to instigate a review of Defined Cost in an attempt to encourage agreement of Defined Cost and importantly Disallowed Costs as works proceed rather than at end of contract
5. Contractors are obliged to submit applications rather than the PM obliged to assess if they don't.
6. Requirement for Contractor to issue quality management systems/plans
7. Term “Employer” has been replaced to “Client” throughout the contracts
8. Terms Works Information, Service Information and Service Information in their respective contracts have all been changed to “Scope”
9. All contracts are written gender neutral (no more “he/his”)
10. Contract Data has been reformatted to make it more practical/intuitive

Main ECC changes

1. Additional compensation events can be included within contract data without the need for Z clauses
2. New compensation event added for cost of preparing a proposed quotation that does not go ahead
3. “Risk Register” has been changed to “Early Warning Register” (alleluia!)
4. There will be a “deemed acceptance” of the programme if the Project Manager fails to respond to the issued programme and a subsequent reminder
5. Requirement to show “implemented compensation events” removed from revised programmes – making it clear that revised programmes should be showing the effect of non-implemented compensation events (not just implemented ones)

New Secondary options:

1. Contractor can propose changes to scope which would reduce maintenance or running costs over the assets life – and again the Parties share in the savings that it will lead to
2. Design and Build option: to provide more specific elements associated with supporting design and build contracts
3. Early Contractor Involvement now included as a secondary option
4. Business Information Modelling (BIM)

Schedule of Cost Components – quite a few subtle changes such as:

1. C/D/E now only use SCC not option to use SSCC (shorter schedule)
2. Working area overhead and People Overhead been removed and these costs paid as part of Defined Cost
3. Adjusted to allow the cost of people working at different locations – not just within the Working Areas
4. Shorter Schedule has pre-priced people cost which will be filled in within contract data part 2
5. Only one fee percentage – no separate subcontract fee percentage