

State of the Industry Survey 2026

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Agenda

Periodically within our NEC People LinkedIn group we issue out a survey to canvass opinion/trends as to how the NEC processes are being administered within our industry.

Today we will share the results with you from the latest survey.

It is a chance for us to individually and collectively reflect on what we or the contract may need to do differently...

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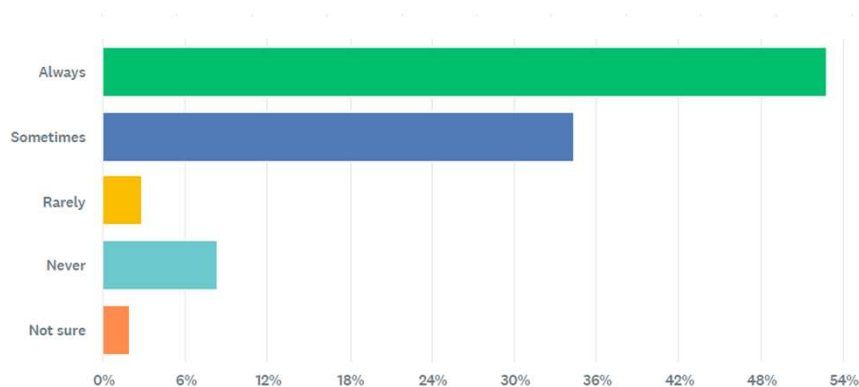
Survey topics included:

- cloud-based administration tools
- Z clauses
- ability to administrate contractual rules
- training and education
- early warnings
- programme
- compensation events
- payments
- best/worst thing about NEC contracts

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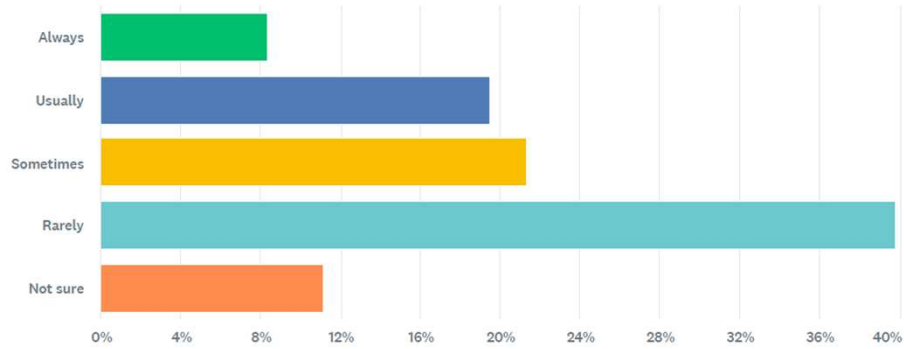
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Do you use a Cloud based system for managing the flow of NEC communications between Client and Contractor(or Consultant) e.g. Cemar, Contract Bee etc.



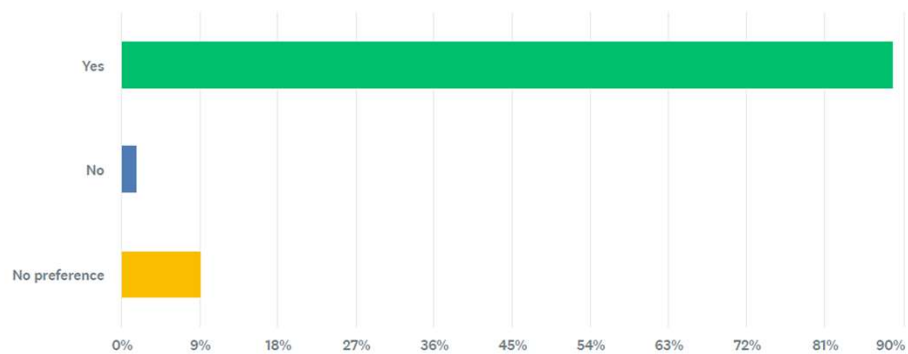
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Is a similar cloud-based system used between Subcontractors and Contractor (or Consultant)



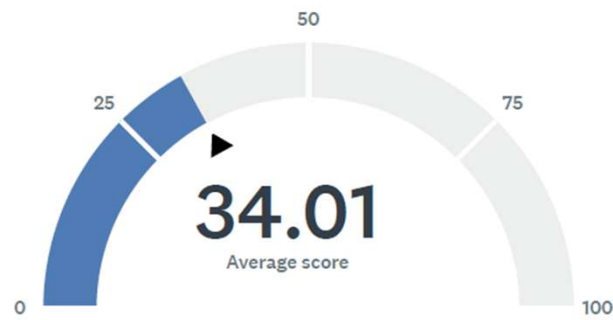
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Do you personally prefer NEC contracts over other forms of contract such as JCT/FIDIC



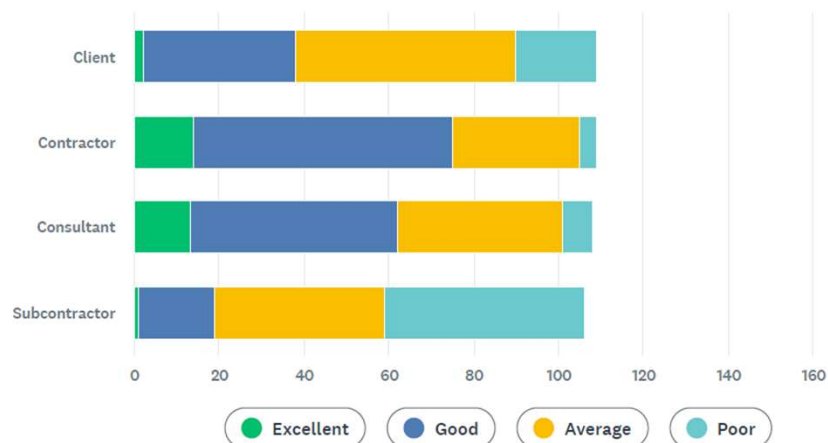
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From your perspective, what percentage of written Z clauses (bespoke amendments from standard contract wording) are worthy, useful and contribute to making a difference to the management of that project?



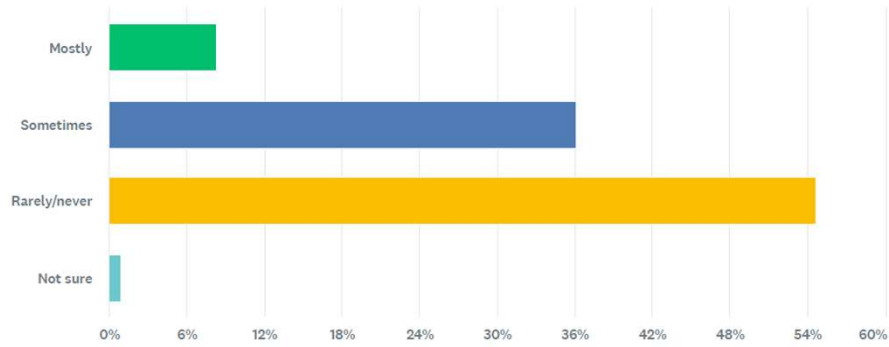
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On average, how would you generally rate the following parties for their understanding and strict administration of the contract?



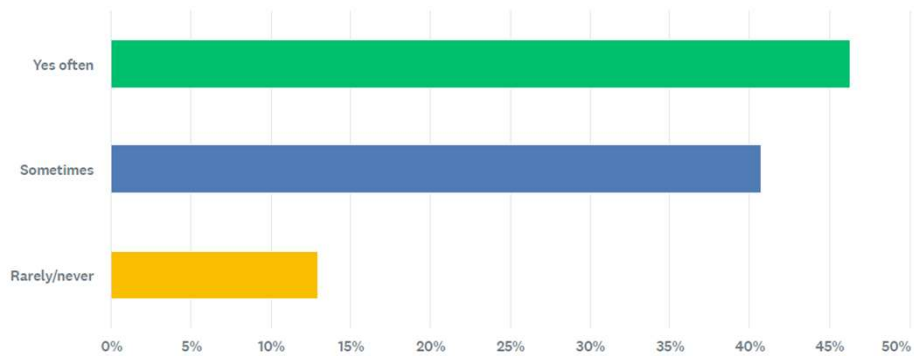
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Do you normally undertake joint contract training between the different Parties on a particular project?



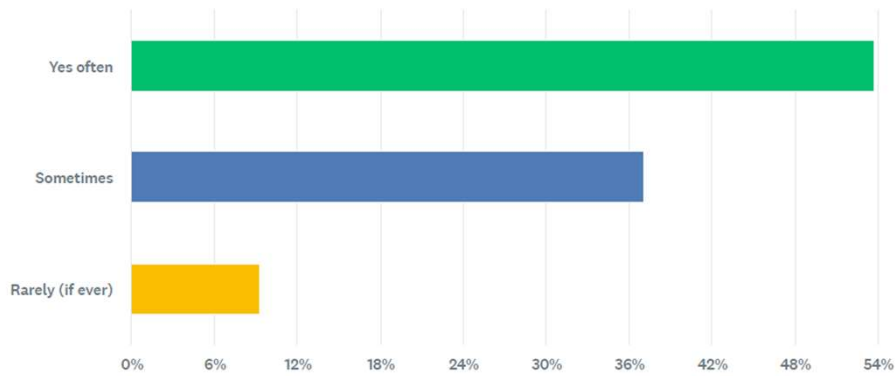
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Are early warnings ever taken negatively - i.e. seen merely as a commercial tool from another Party?



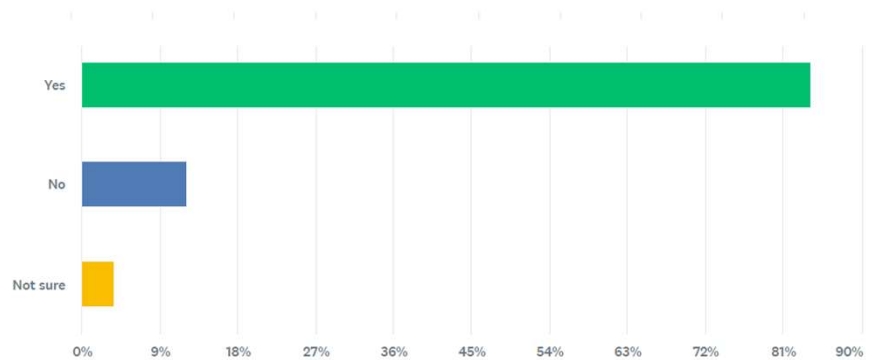
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Does cost appear to be a big focus or consideration in the notification of an early warning and within the discussions of the early warning meetings?



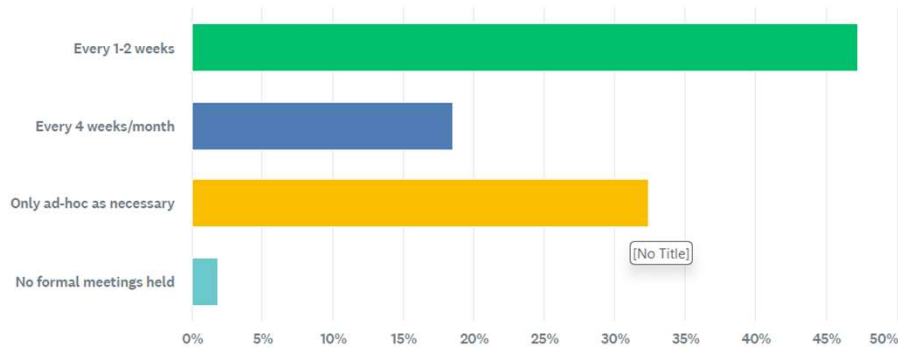
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Are commercial people normally present at early warning meetings?



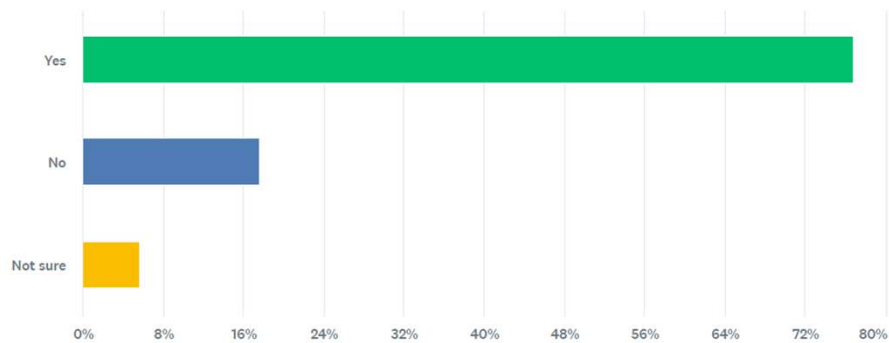
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How often do you normally hold specific early warning meetings on a project to discuss early warnings?



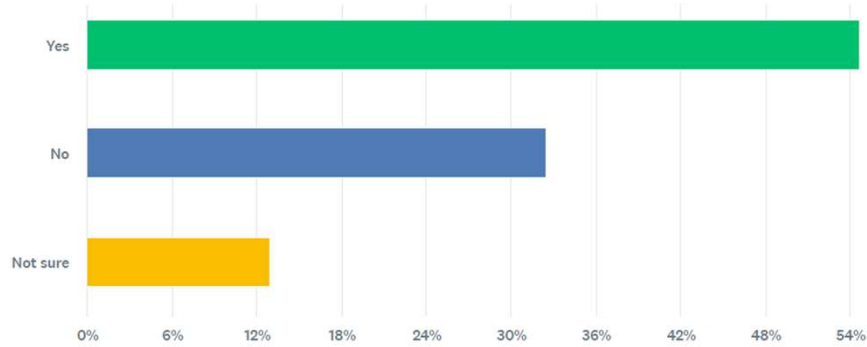
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Is the Early Warning Register regularly updated, and the latest version reissued or available on the cloud-based system?



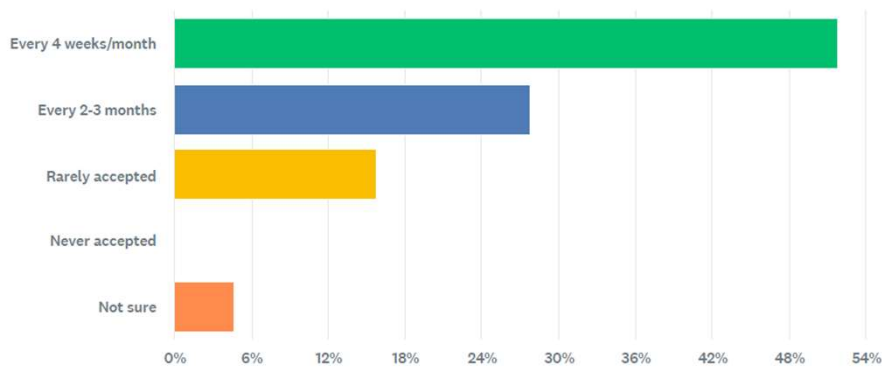
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Do you think the early warning process/Early Warning Register achieves on its goal of effectively managing risk and avoiding/minimising cost of compensation events?



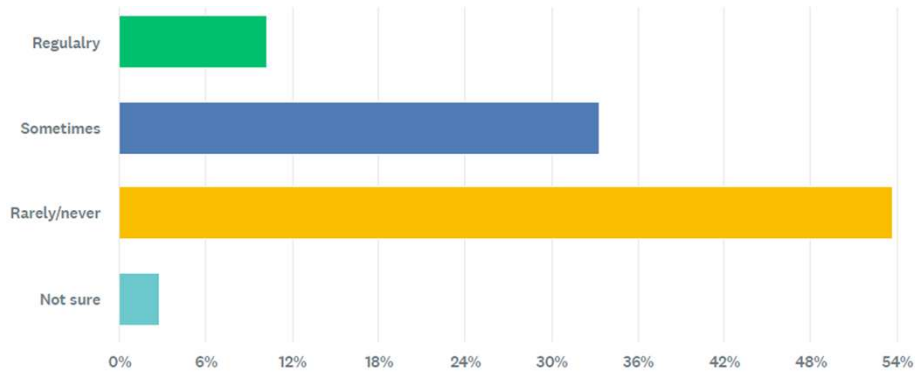
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How frequently is a revised programme that has been issued for acceptance formally accepted on your project(s)?



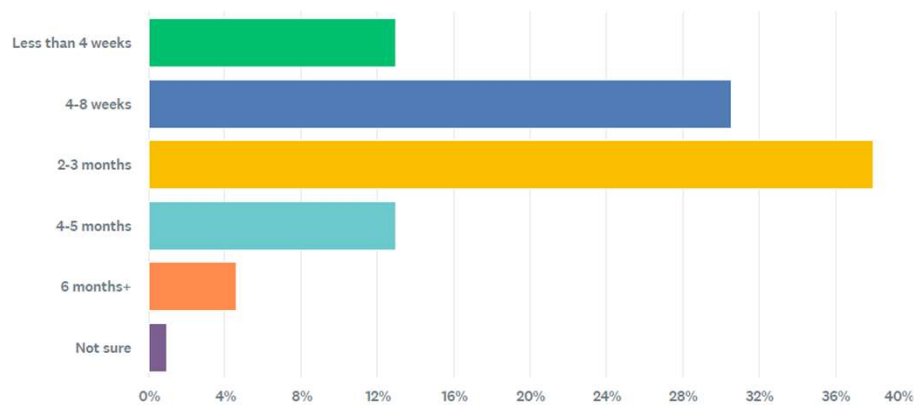
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How often does the Project Manager/Service Manager issue assumptions for the Contractor/Consultant to base their compensation event quotation upon?



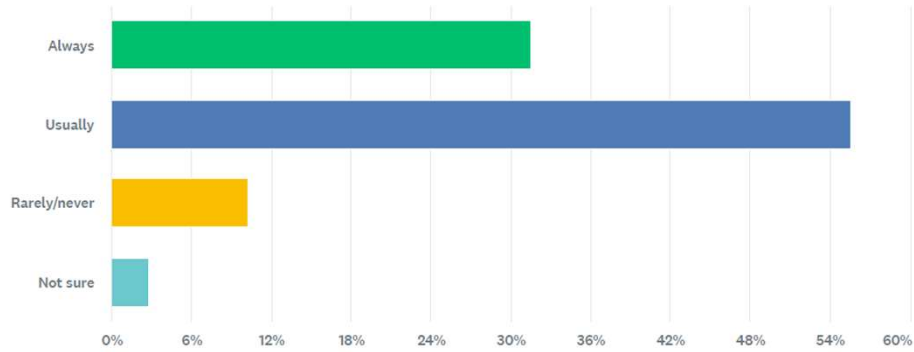
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On average, in your experience, how long would it take to agree a CE quotation (from notification to implementation)?



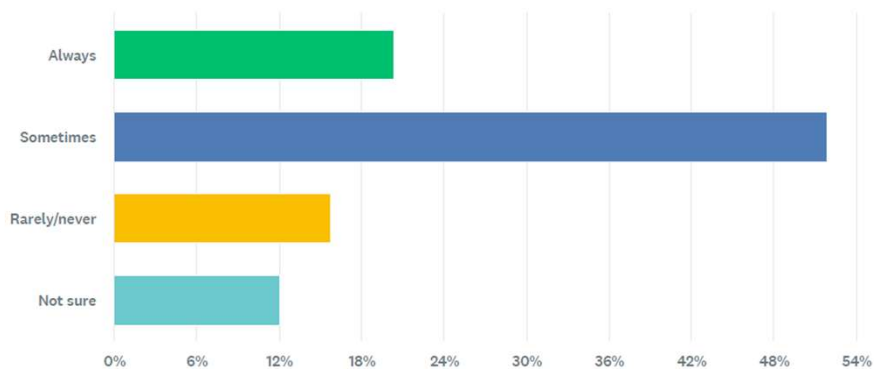
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How often are you paid on time (if you are the Contractor/Subcontractor/Consultant) or pay on time (if you are the Client)?



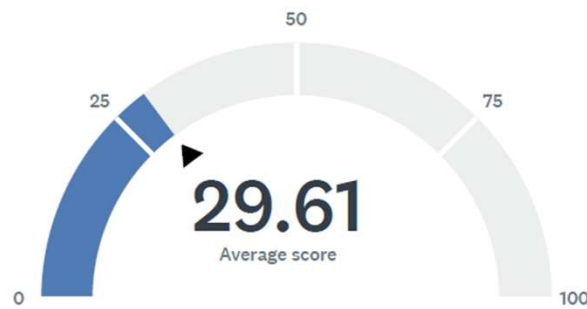
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Where deductions are made by the Client between the regular monthly payment applications and their assessments, how often do you consider they correct (i.e. for reasons in accordance with the Contract)?



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On average what is the approximate value of compensation events on your projects as a % of the tendered total of the Prices?



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Most common occurring compensation events:

1. 60.1(1) – instruction changing Scope
2. 60.1(12) – physical conditions could not have known
3. 60.1(2) – lack of access
4. 60.1(3) – not providing something by date in programme
5. 60.1(13) – weather worse than 1-in-10 year event

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Q24: Biggest recurring issues on projects?

- competence and independence of Project Manager
- magnitude of Z clauses/amendments from standard
- volume of CEs resulting from design change
- lack of regular programme acceptance
- protracted agreement of compensation events
- poorly worded instructions
- cloud-based systems not fully aligned with contract
- missed deadlines for contractual response
- lack of knowledge/understanding/training
- wanting to use hindsight despite contract saying otherwise
- lack of delegation/ Instructions from unauthorised people
- lack of use of dispute resolution.

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Best thing about NEC contracts?

- simple, easy to understand and follow
- collaborative behaviours encouraged
- clauses forcing good practice management
- early warning process – issues dealt with proactively
- elevation of live programme to rightful importance
- time bars on both Parties
- compensation event process to resolution
- cloud-based tools ensuring processes adhered to
- proactive management of issues
- treats Parties equally and with respect.

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Worst thing about NEC contracts?

- volume of Z clauses
- lack of Project Manager assumptions in CE quotes
- admin burden to administer correctly
- lack of understanding leading to defensive attitudes
- inability of the Project Manager to act impartially
- amount of paperwork to demonstrate Defined Cost/open book
- Compensation event agreements can be fragmented
- programme commitments can be demanding
- too easily amended by the uneducated.

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Q27: What could be improved?

- mechanism for Contractor assumptions in quotes
- regulation of Z clauses – and written justification
- simpler way to deal with multiple compensation events
- truly independent/impartial Project Managers
- more use of Project Bank accounts
- more training for all involved
- every project using a cloud-based system
- simplifying compensation event process
- more punishment/sanctions for not responding on time

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Summary

- still room for improvement and plenty for us to think about as an industry
- NEC potentially puts the mechanisms and tools in place to proactively manage our projects, but it is individuals who then choose if/how they administer those processes
- see which of these resonate with you and/or your project and look to
- harness a good cloud-based system for managing the flow of communications along the whole supply chain
- seek continuous improvement for all staff members – “every day is a school day”

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Thanks for listening

Any questions???

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