JCT/ICE Contract ECC Contract (Option D) The tendered price once approved is The tendered price is based on the Bills of the contract price and changes to the Ouantity but does not become the contract price come from variations issued by price, the price becomes 'the target price' the contract administrator or from which may vary as the contract progresses as approved contractor claims. If Bills of a result of: variations issued, re-measures of Ouantities are used, changes to the the measured quantities where the difference between the original bill measures and the contract price may arise as a result of re-measurement of the bill of quantity actual measures exceeds the tolerance stated items to reflect the precise extent of in the contract, and as a result of the Actual works completed. Cost to the contractor of completing the works. The contract is essentially a cost reimbursable contract with the target price acting as a cap to the maximum reimbursement. Compensation Events generally arise All changes to the works are made by Variation Order and a VO is issued by whenever change is instructed by the project manager. The change can be triggered by the the engineer/contract administrator. However, changes could result from project manager/designer, employer or by the re-measures of bill of quantity items contractor. The contract contains a detailed as discussed above. procedure for the request of quotations from the Contractor and approval or otherwise by the Project Manager. The contractor and project manager have a limited period of time to submit and agree quotations for compensation events. There is no provision for-contractor claims in this form of contract as all costs associated with prolongation of the works are required to be included within the quotation for the compensation event which results in the prolongation. The value of variations is determined The premise of the contract is that the cost of by the engineer/contract administrator all variations, including the effect on generally on completion of the works programme and completion, is agreed in involved. This procedure can result in advance of the varied works being instructed final accounts taking many months to and undertaken, in order that both parties i.e. resolve following completion of the Contractor and Employer are aware at all works times as to their financial liability. In this manner the contract is forward looking and

variations.

unlike traditional contracts there is no

mechanism for the retrospective valuation of

JCT/ICE Contract	ECC Contract (Option D)
Claims by the contractor for additional	Early warnings have to be issued by the
payment were often left to the end of a	contractor or project manager if they consider
contract to assess and could take	that there are issues that will arise in the
months and sometimes years to	future that may delay completion, increase
resolve.	cost or affect the performance of the works in
	use. The objective in issuing Early Warnings
	is to maximise the time available to consider
	potential problems thereby increasing the
	likelihood of identifying a solution that best
	meets the Employer's interests. Action has to
	be taken to mitigate the issue and these have
	to be addressed as the works progress. There
	is no scope for leaving the contractor cost
	issues (compared with claims) until after the
	works are completed. Early warnings should feed into the risk register and may become
	compensation events.
The programme for the works is fixed	The programme is not fixed, the contractor
at the start of a contract and it is for	produces a first programme prior to the
the contract administrator to agree	works commencing. Thereafter the
extensions of time if there are delays	contractor produces new programmes at
to the programme. Providing no	intervals stated in the Contract Data and as
variations are issued by the contract	the compensation events occur. A key
administrator, and no delays in	requirement is a detailed review of the initial
achieving access to the site or the	programme by the Project Manager to ensure
provision of items for which the	that that activity periods are realistic and
Employer is responsible occur, the	achievable and appropriate time risk
completion date will remain as that	allowances and float are incorporated. The
stated in the original contract	Completion Date of the works is determined
documents.	by the latest programme submitted by the
	Contractor, which has been accepted by the
2	Project Manager.
Payment to the contractor is made	Payment to the contractor is made each
each month based on the rates in the	month based on the actual costs incurred by
Bills of Quantity.	the contractor in terms of his sub-contract
	costs, people, equipment, plant and materials
	etc. as determined by the Schedule of Cost
	Components contained in the Engineering and Construction Contract. The Bills of
	Quantities have no purposing in determining
	the amount to be reimbursed to the
	Contractor each month.
Traditional contracts contain no	The share mechanism positively incentivises
positive incentivisation for the	contractors to work as efficiently as possible
contractor to seek alternative more	whilst at the same time investigating
economical methods of construction.	alternative methods of achieving the desired
	result at a lower cost.

JCT/ICE Contract	ECC Contract (Option D)
An allowance for contingencies is	All anticipated risks that could incur cost are
usually included in contracts at an	assessed and an allowance is made in the
arbitrary percentage. The percentage is	budget held by the Client for the assessed
often 5% but might be 10%.	risk. Risk changes as work progresses and
	the risk budget allowance fluctuates. The risk
	allowance is still a form of contingency in
	that there is no certainty that it will be spent.
	There is a requirement to make every effort
	to mitigate the risks that are identified but it
	is not always possible to do so.
	Opportunity for making savings is also
	assessed and allowance included in the
	budget.