

PART C2.2 Pricing Assumptions: Option A

1. HOW WORK IS PRICED AND ASSESSED FOR PAYMENT

Clause 11 in NEC3 Engineering and Construction Contract, (ECC3) Option A states:

Identified and defined terms	11	
	11.2	(20) The Activity Schedule is the <i>activity schedule</i> unless later changed in accordance with this contract.
		(22) Defined Cost is the cost of the components in the Shorter Schedule of Cost Components whether work is subcontracted or not excluding the cost of preparing quotations for compensation events.
		(27) The Price for Work Done to Date is the total of the Prices for <ul style="list-style-type: none">• each group of completed activities and• each completed activity which is not in a group. A completed activity is one which is without Defects which would either delay or be covered by immediately following work.
		(30) The Prices are the lump sum prices for each of the activities on the Activity Schedule unless later changed in accordance with this contract.

This confirms that Option A is a lump sum form of contract where the work is broken down into activities, each of which is priced by the tendering contractor as a lump sum. Only completed activities are assessed for payment at each assessment date; no part payment is made if the activity is not completed by the assessment date.

2. FUNCTION OF THE ACTIVITY SCHEDULE

Clause 54.1 in Option A states: "Information in the Activity Schedule is not Works Information or Site Information". This confirms that specifications and descriptions of the work or any constraints on how it is to be done are not included in the Activity Schedule but in the Works Information. This is further confirmed by Clause 20.1 which states, "The Contractor Provides the Works in accordance with the Works Information". Hence the Contractor does not Provide the Works in accordance with the Activity Schedule. The Activity Schedule is only a pricing document.

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3. LINK TO THE PROGRAMME

Clause 31.4 states that “The Contractor provides information which shows how each activity on the Activity Schedule relates to the operations on each programme which he submits for acceptance”. Ideally the tendering contractor will develop a programme first then resource each activity and thus arrive at the lump sum price for that activity both of which can be entered into the activity schedule.

4. PREPARING THE ACTIVITY SCHEDULE

Generally it is the tendering contractor who prepares the activity schedule by breaking down the work described within the Works Information into suitable activities which can be well defined, shown on a programme and priced as a lump sum.

The Employer, in his Instructions to Tenderers or in a Tender Schedule, may have listed some items that he requires the Contractor to include in his activity schedule and be priced accordingly.

It is assumed that in preparing his activity schedule the Contractor:

- Has taken account of the guidance given in the ECC3 Guidance Notes pages 19 and 20;
- Understands the function of the Activity Schedule and how work is priced and paid for;
- Is aware of the need to link the Activity Schedule to activities shown on his programme;
- Has listed and priced activities in the activity schedule which are inclusive of everything necessary and incidental to Providing the Works in accordance with the Works Information, as it was at the time of tender, as well as correct any Defects not caused by an Employer’s risk;
- Has priced work he decides not to show as a separate activity within the Prices of other listed activities in order to fulfil the obligation to complete the works for the tendered total of the Prices.
- Understands there is no adjustment to the lump sum Activity Schedule price if the amount, or quantity, of work within that activity later turns out to be different to that which the Contractor estimated at time of tender.

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