



# ESSENTIAL INSIGHTS Contracting & Risk

## Benefits of Standardised Contracts

**The ambiguity of contractual terms is a major source of project disputes and litigation. Recent evidence suggests that Australia is highly litigious when compared with the rest of the world.**

Standardised contracts can deliver simplicity in language and improved clarity. These are not superficial benefits when you consider the impact on project outcomes, government delivery, industry productivity and community outcomes.

Some of Australia's largest projects, such as Westconnex and Sydney Light Rail, have identified poor scope definition as a major cause of cost overrun and delay. Reviews by Transport for NSW, the NSW Auditor-General and Infrastructure NSW identified the challenges on these projects, with the Productivity Commission, ANAO and Queensland Audit Office echoing the diagnosis.

Standard contract forms, such as the NEC4 Suite of Contracts, drafted in plain English with clear terms and stating the requirements of the parties, reduce the potential for misunderstanding and disputes. ***The benefits of this include:***



**ENSURES CONTRACTS  
ARE EASIER TO USE**



**ENCOURAGES  
CONSISTENCY**



**SUPPORTS APPLICATION OF LEADING  
MANAGEMENT PROCEDURES**



## Benefits of Standardised Contracts

### The Productivity Benefit

Standardised contracts increase the speed and simplicity of project establishment or partnership formation, with each party arriving with an understanding of their role. A consistent focus of each party, government and businesses alike, can drive improved project performance and commercial management through a clarity of roles and expectations.

Consistency drives efficiency. Standard contracts and minimal additional clauses reduce the need for staff to be trained and re-trained on a wide variety of contracts, this increases the confidence of project teams with the contract expectations and reduces the need for training.

Easy-to-understand contracts, naturally become low dispute contracts. This in turn leads to those contracts being used across multiple projects.

### The Costs

There will always be an upfront cost of shifting to introduce a new contract, irrespective of whether it is a standard or a bespoke form. However, by their nature, efficiencies accumulate where the more widespread and uniform the application of a standard contract occurs, reducing costs over time and increasing the benefits.

Consistent industry adoption of a standard contract reduces upfront costs and time to establish a project, and builds understanding and trust between parties reducing dispute. A consistent understanding of roles, risks and responsibilities will have a compounding affect over time leading to reduced costs over the long-term.

This also reduces the need for continued substantial investment in legal resources and streamlines the time it takes to create, negotiate, draft and review each contract.

### Confidence Increases with Standardisation

By following established practices, project teams operate with confidence reducing delay and indecision.

The NEC4 standard contract forms are updated by experts to ensure they reflect best practice and industry trends. There are significant resources available to support those transitioning to standardised NEC4 contracts and following implementation.

**This Essential Insight was produced in collaboration between Consult Australia and NEC Contracts.**



For more information on the work of Consult Australia on contracts, risk and procurement, visit the [Centre for Contracting & Risk](#), phone +61 2 8252 6700, or contact [info@consultaustalia.com.au](mailto:info@consultaustalia.com.au)

For more information on NEC Contracts, including training and copies of the contracts, visit [neccontract.com](http://neccontract.com) or contact [info@neccontract.com](mailto:info@neccontract.com)