



# THE CONSTRUCTION FILE

A GUIDE TO STANDARDS AND PRACTICES IN THE CONSTRUCTION INDUSTRY



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## Change Directives

Changes occur in the work that require the contractor and the owner to arrive at an agreed upon price before the work is to be carried out. In situations that warrant the changes to be carried out immediately, Change Directives are issued.

**CCDC 2** defines the 'Change Directive' as a written instruction prepared by the Consultant and signed by the Owner directing the Contractor to proceed with a change in the Work within the general scope of the Contract Documents prior to the Owner and Contractor agreeing upon an adjustment in Contract Price and Contract Time.

**CCDC 20** gives guidance on the use of Change Directives:

When the *Owner* requires a change in the *Work* and

- The change is urgently required or it would not be expedient to attempt to reach agreement on the method of the adjustment to the *Contract Price* or *Contract Time* prior to its commencement; or
- There has been a failure of the parties to agree on the method of adjustment to the *Contract Time*.

**CCDC 20** also gives guidance on Change Orders:

The *Change Order* is used when the *Owner* and the *Contractor* agree:

- On the change in *Contract Price*, or on the method to adjust it, and
- On the change in *Contract Time*.

**CCDC 24** includes a standard Change Directive Form along with some guidance on how to use the Form and the process.

This all seems pretty matter-of-fact; however, it appears to be the concern of some contractors that it just isn't working! We want to send out the message that some owners are using Change Directives other than for its intended purpose:

- They are being issued after the normal change order process is exhausted and a price cannot be arrive at.
- They are being used for Cash Allowances.
- They are being used when there is ample time to process a normal change order.

While Change Directives are the owner's acknowledgement that the work is a change to the contract, they put the contractor in a disadvantage. A change directive instructs the contractor to proceed with the work, and requires that they keep records of expenditures to form the basis of the change to the contract price. The contractor's risk in carrying out the work prior to a change order being issued is reduced as he will, at a minimum, be reimbursed for all costs incurred.

When the work is done the contractor now has to convince the owner of the price for the work. Even if excellent records of expenditures are kept an unfair owner is in a stronger position to negotiate and not pay the substantiated price. Change Directives are meant for unexpected changes that have to be carried out immediately to prevent project delays...they should be used only for that!

What owners need to realize is that it is to their advantage to recognize when and if the contractor is entitled to extra time and cost for extra work. Acknowledging that changes can and will occur and setting aside a sufficient contingency means that decisions regarding extra work can be made more quickly with a minimum of delay and controversy.

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