SUMMARY

Standard form of lump-sum contracts are widely used in the local construction industry. It has shown to be workable and has stood the test of time and trials in court. After much revisions and fine-tuning, it has evolved to be a familiar contract in the industry. However, there are implications by adopting this form of contract. They arise from risk allocations, cost-competitiveness and the contract form itself. Some contractors feel the risk allocations are unfair to them. Furthermore, the nature of lump-sum contract protects clients from possible exploitations by contractors. Lastly, the contract form itself has encouraged large contractor firms to amend and modify it to better suit individual projects, as it is unrealistic to base every single project on a standard form.

Contractors generally feel that they do not have enough time during tendering process to quantify and price the tender, especially with the lump-sum contract, which requires greater precision in estimating. With the level of trust given to local contractors and the overall image of the industry, lump-sum contract is one of the most effective contracts to-date to help client monitor the contractor’s cost effectiveness without being present on site.