Abstract

Every contract risk has an associated cost which may be visible or hidden. The visible cost appear in the form of tender prices which have included contingencies and/or insurance cost that price for known risk items and these costs can be compared. On the other hand, onerous contract conditions also attach to itself hidden cost which come in the form of restricted bids competition, cost of increased claims disputes, cost of terminating and replacing a lesser quality contractor who had unknowingly accepted the risk allocated, and the cost of harbouring an adversarial owner-contractor relationship in terms of product quality, expeditious variation order processing, reputation and the ultimate project outcome. Inappropriate risk allocation impacts overall project performance and owner-contractor working relationships.

The inevitability of encountering risks in construction works makes the process of consideration and apportionment of risk in construction contracts important.

The ground rules of risk apportionment in the construction contract originate in the standard form of contract adopted for the project. Risks in standard forms are contractual risks apportioned in a way considered equitable by the industry or the section of the industry that proposed the form.

This dissertation compares how risk related to delays in completion, pricing and estimating have been apportioned in two common local standard forms i.e. the Public Works Department Form (PWD 24 &24A) and the Singapore Institute of Architects 1988 edition (SIA 88), and considers which of these is more equitable to contractors.