

4.4 CONTRACT FOR LABOUR, MATERIAL, DESIGN, CONSTRUCTION

4.4.1 LABOUR CONTRACT

In labour contract the contractor undertakes contract for the labour portion. All materials for the construction are arranged and supplied at the site of work by the department or owner, the labour contractor engages labour and gets the work done according to specifications. The contract is on item rate basis for labour portion only and contractor is paid for the quantities of work done on measurement of the different items of work at the stipulated rate in the contract agreement. Materials for scaffolding, centering and shuttering and other similar materials are supplied by the department' or owner, contractor may also use his own materials for scaffolding, centering and shuttering, etc., if provided in the agreement. Contractor uses his own tools for working, but plants and machineries are arranged by the department or owner. An agreement with all conditions of contract, rates, bill of quantities, etc., is prepared before the works given out to the contractor. This system of contract is not generally adopted in the Government department. Private buildings are however constructed by labour contract system which is less trouble some.

4.4.2 MATERIAL CONTRACT

In material contract the contractor undertakes contract for the material portion. All materials for the construction are arranged and supplied at the site of work by the contractor, the material contractor engages material land gets the work done according to specifications. The contract is on item rate basis for material portion only and contractor is paid for the quantities of material the different items of work at the stipulated rate in the contract agreement. Materials for scaffolding, centering and shuttering and other similar materials are supplied by the contractor, contractor may also use his own materials for scaffolding, centering and shuttering, etc., if provided in the agreement. Contractor are arranged the tools and plants and machineries. An agreement with all conditions of contract, rates, etc., is prepared before the works given out to the contractor. This system of contract is not generally adopted in the Government

department. Private buildings are however constructed by material contract system which is less trouble some.

4.4.3 DESIGN CONTRACT

Design and Build procurement works on the basis that the main contractor is responsible for undertaking both the design and construction work on a project, for an agreed lump-sum price.

Design and build projects can vary depending on the extent of the contractor's design responsibility and how much initial design is included in the employer's requirements. Nevertheless, the level of design responsibility and input from the contractor is much greater on design and build projects than a traditional contract with a contractor's designed portion.

Adequate time must be allowed to prepare the employer's requirements (the employer usually appoints consultants to facilitate this), as well as time for the contractor to prepare their proposal and tender price. It is vital that the proposal matches all of the employer's requirements before any contract is entered into.

The employer has control over any design elements of the project that are included in their requirements, but once the contract is let responsibility over design passes to the contractor, so the employer has no direct control over the contractor's detailed design.

The contractor can carry out the design in a number of ways. Often they will appoint their own consultants or use their own in-house team. It is also common practice for the contractor to take on the employer's consultants and continue to use them to complete the detailed design under what is known as a novation agreement.

Other Features of Design and Build Procurement

- As design and construction can be carried out in parallel, the overall programme time of design and build projects can be shorter. However this depends on how much design the contractor is responsible for.

- There is reasonable certainty over costs because the contract price is known at the outset. Provided the employer does not order changes during the construction of the work, the contractor will be obliged (subject to the conditions) to complete the project for the contract sum. If the employer does require design or specification changes during the construction period, the contractor advises as to the effect this may have on costs or additional time needed.
- Design and Build is a relatively low risk procurement option for the employer, in terms of cost and time. There can be a risk related to design and quality, particularly if the employer's requirements were not properly gathered and if insufficient time went into examining the contractor's proposal.

4.4.4 CONSTRUCTION CONTRACTS

A variety of factors make a construction contract different from most other types of contracts. These include the length of the project, its complexity, its size and the fact that the price agreed and the amount of work done may change as it proceeds.

The structure may be a new building on virgin ground. It may involve the demolition of an existing building and its full reconstruction. It could involve partial demolition and rebuilding, or the refurbishment and extension of an existing building or structure.

This may be mostly below ground (in which case it is engineering) or above ground (in which case it is building). Building, however, includes foundations and other underground works.

A building contract can consist of activities and services carried out both above and below ground.

An entire contract for the sale of goods and work and labour for a lump sum price payable by instalments as the goods are delivered and the work done. Decisions have to be made from time to time about such essential matters as the making of variation orders, the expenditure of provisional and prime cost sums and extension of time for the carrying out of the work under the contract.'

It is important to realize that Lord Diplock was referring to a contract made using a standard form of building contract. Such contracts usually make provision for interim payments at regular intervals as the work proceeds, whereas a contract that is described as entire is a product of the common law.

It may make provision for stage payments, but in essence, it requires the contractor to complete all its work before any entitlement to payment arises.

CONTRACT PROBLEMS

Contract problems can arise if unclear terms and conditions are set out in the documentation, or the responsibilities for the contractor or other party aren't clearly defined. Resultantly, either party might not be willing to fulfill their side of the agreement, leading to possible problems.