

How Do the ABIC Major Works and Simple Works Contracts Differ in Terms of Risk Allocation?

The ABIC Major Works (MW) and Simple Works (SW) contracts differ in terms of risk allocation, primarily in the level of detail and specificity with which they address various risks associated with construction projects. The MW contract is more comprehensive and includes detailed clauses that allocate specific risks, while the SW contract is more streamlined and contains fewer provisions.

1. Major Works (MW) Contract:

- Designed for larger, more complex projects typically valued over \$3 million[3].
- Contains detailed clauses and specific provisions for risk allocation[3].
- Includes provisions for urgent instructions, separable parts to the works, changes in the type of security given by the contractor, provision of security for payments for off-site plant and materials, handling dangerous or contaminated materials, encroachments, quality assurance systems, separate contractors, identified project-specific potential causes of delay that entitle the contractor to costs, amendments to programs and the consequences of any amendments, alternative dispute resolution, expert determination of disputes, arbitration of disputes, and contract confidentiality.

2. Simple Works (SW) Contract:

- Intended for simpler projects than the MW contract, typically valued between \$500,000 and \$3 million.
- More streamlined with fewer provisions for risk allocation.
- Does not include the detailed provisions found in the MW contract, such as those for urgent instructions, separable parts, security changes, handling of hazardous materials, and detailed dispute resolution mechanisms.

The intent behind both contracts is to equitably distribute risk between the parties, with the party best able to manage a particular risk assuming that risk. However, the MW contract's comprehensive nature allows for a more granular approach to risk allocation, addressing a wider range of potential issues that may arise in complex projects. In contrast, the SW contract's

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simplified approach reflects its suitability for less complex projects where a detailed allocation of every potential risk may not be necessary.

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