

What Are the Key Clauses in ABIC Major Works Contracts That Allocate Risk to the Contractor?

The ABIC Major Works contracts allocate risk to the contractor through several key clauses designed to ensure that the contractor is responsible for specific aspects of the project's execution and management. These clauses include:

1. Performance Security: This clause requires the contractor to provide security, such as performance bonds or bank guarantees, to ensure the fulfilment of their obligations under the contract. This security serves as a safeguard for the project owner against the risk of the contractor failing to complete the project or meet the specified quality standards.

2. Quality Assurance Systems: The contractor is responsible for implementing and maintaining quality assurance systems to ensure that the work complies with the contract specifications. This clause allocates the risk of non-compliance and defects to the contractor, requiring them to rectify any issues at their own expense.

3. Dangerous or Contaminated Materials: If the project involves handling dangerous or contaminated materials, the contractor bears the risk associated with these materials, including compliance with relevant health and safety regulations and the cost of safe removal or treatment.

4. Provision of Security for Payments for Off-Site Plant and Materials: This clause ensures that the contractor provides security for payments made in advance for off-site plant and materials. This protects the project owner from the risk of paying for materials or equipment that are not delivered or incorporated into the project.

5. Encroachments: The contractor assumes the risk of any encroachments by the works onto adjoining properties or public land. This includes the responsibility for obtaining necessary permits and rectifying any encroachments at their own cost.

6. Separate Contractors: In projects where the owner contracts with separate contractors for different parts of the work, the ABIC Major Works contract may allocate specific risks to the main contractor regarding coordination and integration of the works.

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7. Identified Project-Specific Potential Causes of Delay: The contract may specify certain project-specific risks that, if realised, entitle the contractor to claim additional costs. This clause clarifies the allocation of risk for specific delays that are beyond the contractor's control.

8. Amendments to Programs and the Consequences of Any Amendments: This clause deals with the contractor's responsibility to adhere to the project schedule and the implications of any changes to the schedule, including the allocation of risk for delays caused by the contractor.

9. Alternative Dispute Resolution, Expert Determination of Disputes, and Arbitration of Disputes: These clauses provide mechanisms for resolving disputes that may arise during the project, allocating the risk of legal and arbitration costs according to the outcome of these processes.

These key clauses in the ABIC Major Works contracts are designed to clearly allocate specific risks to the contractor, ensuring that they are responsible for managing these risks effectively throughout the project.

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