

ANALYSIS OF CONTRACT CLAUSE IN THE CONSTRUCTION INDUSTRY

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ABSTRACT

In India more than 35% of construction project are facing the problem of time over run ranging from 1 to 195 months. Time and cost overruns are a result of delays in project execution. Some of the reasons advanced for these delays and subsequent overruns in time are inclement weather, shortage in labour and material supply, sub-contractors, changes after contract execution has commenced, poor site management and government policies. The delay in a project is also due to the poorly drafted contract clauses. Identification of the contract clauses that affect the schedule of the construction project was which taken up by CPWD has been carried out in this study.

1. INTRODUCTION

1.1 GENERAL

Delay in construction projects could be defined as time over run either beyond the contract date or beyond the date the parties have agreed upon for the delivery of the project. It is commonly observed that delays are one of the most unwanted evil in any project. The number of reasons could be attributable to these delays. Responsibility for the delay could lie with act of God, contractor or employer individually or sometimes collectively. In any case a delay is usually a costly situation although, some of the delays can get compensated monetarily by invoking extra claim using the time extension clauses, but ultimately the contractor suffers lag in the schedule in the project and which in turns affects the project profitability. In the construction industry, it is not unusual for

the parties to have commenced on the physical work while still trying to finalize their contract documents. In most cases, the contract was not even agreed upon nor signed after the works is completed. This often gives rise to a number of difficulties in ascertaining whether there was in fact a concluded contract and if so, when was the contract actually made, and what were the terms of the contract. In instances where the parties did enter into a formal contract, the contract is sometimes so poorly drafted that it did not capture all the agreed terms, or it is ambiguous as to what was agreed between the parties. There are many causes of delays like change of scope, poor site management, lack of skilled labour, inclement weather, unforeseen ground conditions, lack of communication, etc. (Tommy, Ivan and Karen 2006) which have been identified in the past through various studies.

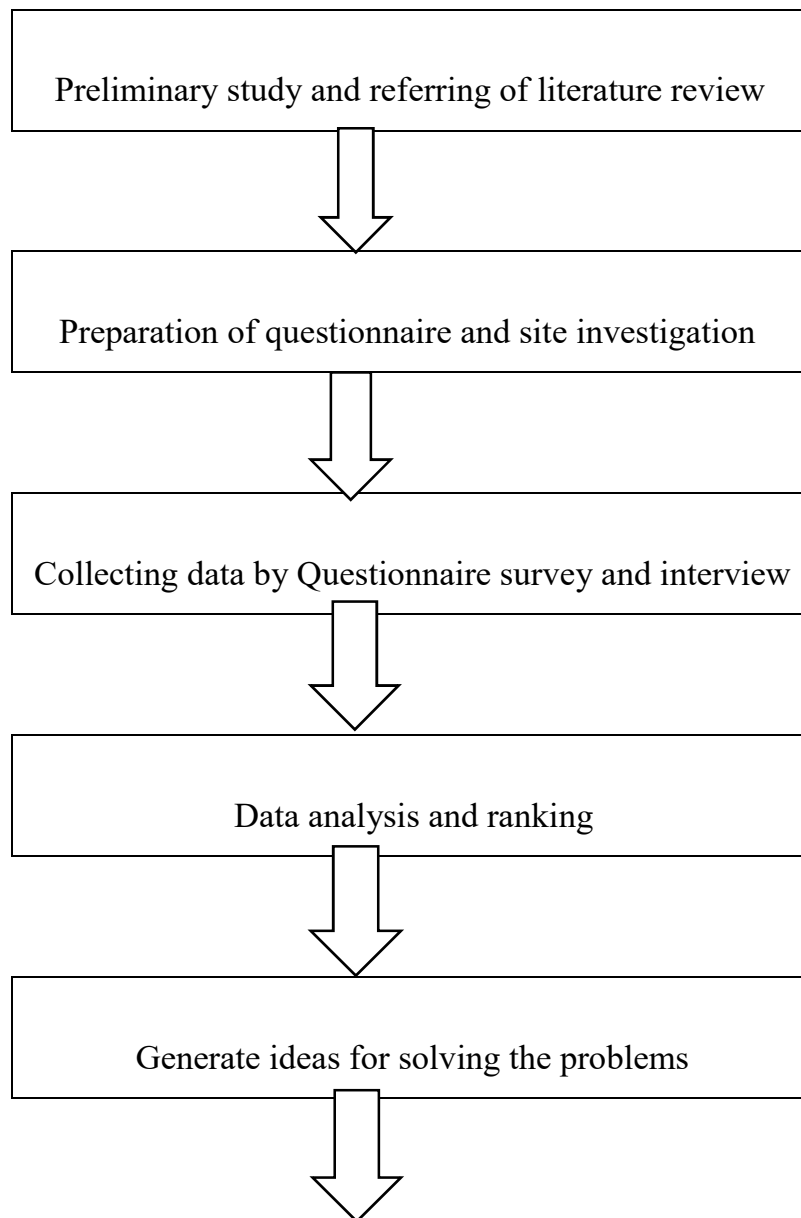
1.2 NEED FOR STUDY

In the current world, construction projects are becoming bigger with a lot of complications. Though we have a lot of method to make sure that we finish our project on schedule so that we improve our profit margins, still delay is inevitable, which ultimately results the reduction in profit margins. So far lots of studies have been carried out by various researches to identifying the factors that affect the schedule and profitability of the project. Still there are a lot of projects which run behind schedule and suffer a heavy loss. Lot of study has been carried out by various researches to find out the factors that affect the schedule of the project, but the root cause of all these factors are the contract clauses which are the binding between the Employer and Contractor. This factor made us to identify the clauses that affect the schedule performance and project profitability of the construction project.

1.3 AIM

This project aims to identify and evaluate those clauses which when taken care in the initial stages would help in speedy completion of the project and also would help in maintaining / improving project profitability.

2. METHODOLOGY



Conclude with suggestion

2.1 Preliminary study and referring of literature review:

A detailed literature review on factors affecting the schedule performance of the construction project was carried out and the General Conditions of Contract of CPWD (2007) were studied in detail.

2.2 Preparation of questionnaire and site investigation

A preliminary questionnaire was prepared based on the forms of contracts.

Collecting data by Questionnaire survey and interview

Collect the data by the form of questionnaire survey and take the interview for contractors and engineers.

Data analysis and ranking

Here the data may be analyzed by the means of questionnaire. After the data analyzed may be done, then ranking may calculated by the formula,

$$RII = \frac{\sum W_i}{(A \times n)}$$

Where, W_i = Total score assigned to the factor by the respondents

A = Highest weight

N = Number of respondents

Generate ideas for solving the problems

For solving the problem, generate ideas from the questionnaire survey.

Conclude with suggestion

By taking the suggestion to solve the problem and conclude the project.

3. DATA COLLECTION

3.1 INTRODUCTION

The first two chapters covered the various aspects of schedule and causes of schedule. From the finding of researches the factors affecting the schedule of the project is motivated us to carry a study on the contract clauses in Indian condition. A preliminary questionnaire survey was carried out to identify the clauses that affect the schedule of the project and then the clauses obtained from the preliminary questionnaire were proposed to be used in a main questionnaire for further analysis. The study was carried out on contract documents of CPWD

3.2. Relative Importance Index

$$RII = \frac{\sum W_i}{(A \times n)}$$

Where, W_i = Total score assigned to the factor by the respondents

A = Highest weight

N = Number of respondents

4. CONCLUSION

The concepts of delay and the various factors that affect the schedule of the project were studied. Studies have been performed on various factors affecting the schedule of the project, but contract clauses also do affect the schedule of the project and since no significant work was performed in this area, it was proposed to take up the study on identifying the contract clauses that affect the schedule of the construction project.

In this project data's may be collected. From this collected data, the implementation is to be doing and concluded with suggestions.

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