## **Contents**

Abo	out the .	Author	X	
	eword nd Pou	lsen	xvi	
Ack	nowled	gements	xix	
	oducto iibo Zha	ry Remarks ang	XX	
	oducto ert We	ry Remarks rth	xxii	
	oducto Nikifo	ry Remarks rov	XXV	
1	Inter	national Construction Projects	]	
	1.1	The unique nature of the construction industry	]	
	1.2	Individuality of construction projects	]	
	1.3	Roles and relationships	2	
	1.4	Contract administration: The Engineer	4	
	1.5	Further important aspects of construction projects	10	
	1.6	Typical contractual relationships	11	
	1.7	Motivation for international business	1	
	1.8	Managerial analyses	13	
	1.9	Hazards and risks	14	
	1.10	Hazard identification	15	
	1.11	Risk analysis	15	
		Anti-risk measures	16	
	1.13	Typical hazards in the international construction business	17	
	1.14	Risk allocation in contracts	18	
		Vignette: Wrong forms of contract by James Bremen (UK)	18	
	1.15	Form of business organization	19	
	Refer	ences	22	
	Furth	ner reading	23	
2	Civil Law and Common Law			
	2.1	Specifics of the governing law	24	
	2.2	Common law versus civil law: Differences and interconnections <i>Vignette: The common law of Australia and the influence of</i>	24	
		statutory law by Donald Charrett (Australia)	26	
	2.3	Delay damages (liquidated damages) versus contractual penalty	28	
	2.4	Substantial completion versus performance	29	
	2.5	Binding nature of adjudication awards	3	
	2.6	Limitation of liability	3	

	2.7	Lapse of claim due to its late notification (time bars)	32		
	2.8	Allocation of unforeseeable and uncontrollable risk to the			
		contractor	32		
	2.9	Contract administration (The Engineer's neutrality and duty to			
		certify)	42		
	2.10	Termination in convenience	43		
		Vignette: Is an employer in breach of contract prevented from			
		terminating the contract for its convenience? by Cecilia Misu			
		(Germany)	44		
	2.11	Time-related issues	45		
	2.12	Quantification of claims	46		
	2.13	Statutory defects liability	47		
	2.14	Performance responsibility: reasonable skill and care versus			
		fitness for purpose	47		
	2.15	Common law, civil law and Sharia interconnections	48		
	Refer	ences	49		
		ner reading	49		
	Webs	ite	50		
3	Common Delivery Methods 5				
_	3.1	Common delivery methods: Main features	51		
	3.2	General contracting	53		
	3.3	Design-build	54		
	3.4	-	58		
	3.5	č	60		
	3.6		60		
	3.7		61		
	3.8	e e e e e e e e e e e e e e e e e e e	62		
	3.9	Further aspects of delivery methods	62		
	Refer	ences	65		
	Furth	ner reading	65		
4					
4	4.1	ifics of EPC and EPCM	66		
		EPC and EPCM	66		
	4.2	Engineer procure construct (EPC)	66		
	4.3	Bespoke EPC contracts	69		
	4.4	Turnkey EPC contracts  Vignette: Water treatment, wind farm and road construction	70		
		· ·			
		projects in Asian and African countries by Stéphane Giraud	71		
	4.5	(France)	71		
	4.5	Front end engineering design	72		
		Vignette: Key issues in the procurement of international hydropower construction contracts by Alex Blomfield (UK)	73		
	16				
	4.6	Engineer procure construction management (EPCM)  Vignette: The use of the EPCM delivery method in the mining	77		
		industry by Mark Berry (UK) and Matthew Hardwick (UK)	70		
		mausiry by mark berry (OK) and mainew narawick (OK)	79		

		Contents	vii
	4.7	EPC versus EPCM	85
	Refer		86
	Furth	ner reading	87
5	Unifi	cation and Standardization in International Construction	88
	5.1	Unification of contracts	88
	5.2	Unification per law, principles and sample documents	88
	5.3	Lenders and their influence on unification	90
	5.4	Standard form of contract in a governing law context	92
	5.5	Purpose of sample documents in construction projects	93
	5.6	Standard sample forms as a source of law	94
	5.7	Lex causae	95
	5.8	Interpretation	96
	5.9	Trade usage and business custom	97
		Vignette: A common law of construction contracts – or vive la	0.0
	F 10	différence? by Donald Charrett (Australia)	98
	5.10	Lex constructionis principles	100
	5.11	The use of lex constructionis	102
		Vignette: Future-proofing construction contracts by	102
	D - f	Shy Jackson (UK)	102
		ences	105
	Webs	ner reading	105 105
	vveos	ntes	103
6	Price		106
	6.1	Contract price	106
	6.2	Bid pricing methods	107
	6.3	Methods of contract price determination	109
	6.4	Re-measurement	109
	6.5	The lump sum	112
	6.6	Cost plus	112
	6.7	Guaranteed maximum price	113
	6.8	Target price	113
	6.9	Payment	114
		Vignette: Taxation in international construction contracts by Alex	115
	6.10	Blomfield (UK) Contract price under FIDIC forms	115 117
	6.11	Cost overruns	
	6.11	Abnormally low tender (ALT)	119 120
	6.13	Claims as part of contract price	120
	6.14	Public procurement law limitations	121
	0.14	Vignette: A concept of variation in a construction contract under	122
		Polish public procurement by Michał Skorupski (Poland)	123
	Refer	rences	123
		ner reading	126
	Webs	· ·	127

7	Time		128	
	7.1	Time in construction	128	
	7.2	Delay	128	
	7.3	The United Kingdom Society of Construction Law Delay and		
		Disruption Protocol	130	
	7.4	Time programme	131	
	7.5	Ownership of floats	133	
		Vignette: Time extension and float ownership under the FIDIC		
		Red and Yellow Books (1999 editions) (BAMCO FDTEA final		
		argument) by Frank Thomas (France)	133	
	7.6	Time at large and Extension of Time (EOT)	146	
	7.7	Concurrent delay	148	
		Vignette: Delay clauses in different jurisdictions by Jacob C.		
		Jørgensen (Denmark)	149	
	7.8	Disruption	150	
	7.9	Time for completion under FIDIC forms	151	
	7.10	Time programme under FIDIC forms	152	
		Vignette: A lack of realism in negotiations by James Bremen (UK)	154	
	7.11	Delay and suspension under FIDIC forms	154	
	7.12	Contract termination under FIDIC forms	158	
	Refer	ences	160	
	Further reading		160	
8	Variations			
	8.1	Variation clauses	161	
	8.2	Variations under FIDIC forms	163	
	8.3	Claims related to variations	164	
	8.4	Acceleration	166	
		Vignette: The US approach to constructive acceleration by Robert		
		A. Rubin and Sarah Biser (the USA)	170	
	8.5	Proving the acceleration claim	173	
	8.6	Substantial change	174	
		Vignette: Modification of contracts during their execution under		
		EU law by Odysseas P. Michaelides (Cyprus)	176	
	Refer	ences	180	
	Further reading		180	
	Webs		180	
9	Claims			
	9.1	Claims	181	
		Vignette: Claims caused by deficiencies in tender documents by		
		James Bremen (UK)	184	
	9.2	Contractor's claims under FIDIC forms	185	
	9.3	Employer's claims under FIDIC forms	186	
		Vignette: Claims in the St Petersburg flood protection barrier		
		construction by Aleksei Kuzmin (Russia)	186	
	9.4	Lapse of claim	189	
	9.5	Cause of the claim	191	

	9.6	Limits of the lapse of claim	191
		Vignette: Construction claims in the UK by Garry Kitt (UK)	193
		Vignette: Condition precedent and time-barred claims under	
		Polish Law by Michał Skorupski (Poland)	196
		Vignette: Australian position on time bars by Andrew P. Downie	
		(Australia)	197
	Refere	ences	204
	Furth	er reading	204
10	Claim	n Management	205
	10.1	Claim management	205
		Claims for Extension of Time (EOT)	206
		Claims for additional payment	208
	10.4	Claims resulting from delay and/or disruption under the	_00
		provisions of the contract	209
		Vignette: Considerations related to site overhead claims by Gary	
		Kitt (UK)	210
	10.5	Claims resulting from governing law	220
	10.6	Global claims	220
	10.0	Vignette: All global claims are not negatively 'global'! by Frank	220
		Thomas (France)	223
	10.7	Contractor's claim management under FIDIC forms	224
	10.8	Employer's claim management under FIDIC forms	227
	10.9	Intercultural aspects	228
	10.7	Vignette: Cultural considerations in Southeast Asia by Salvador P.	220
		Castro, Jr. (The Philippines)	228
		Vignette: 'Claim' as perceived in the Polish civil law environment	220
		by Michał Skorupski (Poland)	230
	10 10	Claim management implementation	231
	10.10	Vignette: Claims in a tunnel construction in the Republic of Serbia	231
		by Radim Wrana (the Czech Republic)	232
	Refere		234
		er reading	234
11		truction Dispute Boards	235
	11.1	Construction disputes	235
		Vignette: Construction dispute in sheet metal galvanizing line	
		project by Patrick Kain (South Africa)	235
	11.2	Dispute boards	237
		Vignette: Project dispute avoidance by Christopher J. Mather	
		(the USA)	238
		Vignette: The use of dispute boards in the Middle East and North	
		Africa by Andy Hewitt (United Arab Emirates)	245
	11.3	Contractual adjudication: The use of DAB in FIDIC forms	246
	11.4	Enforcement of dispute board decisions	249
	11.5	Statutory adjudication	254
		Vignette: Statutory adjudication by Nigel Grout (UK)	254

		Vignette: Settling construction disputes in Hungary by Tamás Balázs (Hungary) Vignette: Statutory adjudication in Australia by Donald Charrett	256
	D (	and Andrew Downie (Australia)	258
	Refere		264
	Furth	er reading	265
12	FIDIO	2	266
	12.1	FIDIC expansion	266
	12.2	FIDIC	266
	12.3	FIDIC's influence on the construction industry	267
	12.4	FIDIC membership	267
	12.5	Networking activities	268
		Vignette: The use of FIDIC forms in Southeast Asia by Salvador P. Castro, Jr. (The Philippines)	270
		Vignette: The use of FIDIC forms in Russia by Dmitry	
		Nekrestyanov (Russia)	271
		Vignette: The use of FIDIC forms in Brazil by Rafael Marinangelo	
		(Brazil)	272
	12.6	FIDIC forms of contract	272
	12.7		274
	12.8	Conditions of Contract for Construction (CONS) – 1999 Red	
		Book	277
		Vignette: Misapplications of FIDIC contracts in the United Arab	
		Emirates by Kamal Adnan Malas (United Arab Emirates)	278
	12.9	Conditions of Contract for Plant and Design-Build (P&DB) –	
		1999 Yellow Book	283
	12.10	Conditions of Contract for EPC/Turnkey Projects (EPC) – 1999	
		Silver Book	284
		Short Form of Contract – Green Book	285
		Construction Subcontract	285
	12.13	Conditions of Contract for Design, Build and Operate (DBO) –	206
	10.14	Gold Book	286
	12.14	Other FIDIC standard forms	289
		Vignette: Use of FIDIC contracts by the mining industry in Africa	200
	12.15	by Coenraad Snyman (South Africa) Risk allocation under FIDIC forms	289
	12.15		291
		Vignette: China's Standard form of construction contract in	204
		comparison with FIDIC forms by Shuibo Zhang (China) Vignette: Explanation of FIDIC EPC risk allocation by FIDIC	294 299
	12 16		301
	12.16 Design responsibility under FIDIC forms References		303
		er reading	
		v	303
13		Standard Forms of Construction Contracts: NEC, ICC,	
		A, IChemE, Orgalime, AIA, VOB	305
	13.1	Common standard forms of construction contracts	305
	13.2	The NEC (New Engineering Contract)	305

	13.3	FIDIC forms versus NEC3	310	
	13.4	ICC forms of contract	313	
	13.5	ENAA forms of contract	314	
	13.6	IChemE forms of contract	314	
	13.7	Orgalime forms of contract	315	
	13.8	AIA forms of contract: US standard	316	
	13.9	VOB: German standard	318	
	13.10	Invalid clauses in German case law	324	
		Vignette: The standard forms of construction contract in Australia		
		by John Sharkey (Australia)	325	
	Refere	References		
		er reading	328	
	Websi	ites	329	
14	Risk a	and Insurance	330	
	14.1	Insurance in construction	330	
	14.2	Commercial risk, risk of damage and exceptional risk	331	
		Vignette: Weather risk in offshore wind construction contracts by		
		Alex Blomfield (UK)	334	
	14.3	Risk management in the standard forms of contract	337	
	14.4	Hazards and risks in construction projects	339	
	14.5	Insurance requirements in standard forms of contract	342	
		Vignette: Insurance in hydroenergy projects by Alex Blomfield		
		(UK)	345	
	14.6	Practical aspects of insurance in construction projects	346	
		Vignette: Incompatibility of the construction contract with the		
		insurance contract by Karel Fabich (the Czech Republic)	348	
	14.7	International insurance law and insurance standards in the		
	- 1	construction industry	349	
	Refere		352	
		er reading	352	
	Websi	ite	353	
15	Risk in Underground Construction			
	15.1	Underground construction hazards and risks	354	
	15.2	Code of practice for risk management of tunnel works	355	
	15.3	Alternatives of unforeseeable physical conditions risk allocation	356	
	15.4	Unforeseeability	357	
	15.5	'Unforeseeability' according to FIDIC forms	358	
	15.6	Site data	359	
		Vignette: Water-related construction projects by Robert Werth		
		(Germany)	361	
	15.7	Sufficiency of the accepted contract amount	364	
	15.8	Unforeseeable physical conditions	364	
	15.9	Unforeseeable operation of the forces of nature	366	
		Vignette: Clairvoyance: A contractor's duty? by Gustavo Paredes	200	
		and Katherine Waidhofer (Peru)	366	

	15.10	Force majeure	369		
		Release from performance under law	370		
	_	ences	370		
	Furth	ner reading	370		
	Webs	iite	371		
16	Secu	rities	372		
	16.1	Securities in construction	372		
	16.2	Bank guarantees	373		
	16.3	Functions and parameters of bank guarantees	373		
	16.4	Specifics of Retention Guarantee	375		
		Vignette: Performance security and termination payment security			
		in hydroenergy projects by Alex Blomfield (UK)	377		
	16.5	Governing law	378		
		Vignette: Common law specifics related to securities by Rupert			
		Choat and Aidan Steensma (UK)	379		
	16.6	ICC rules related to securities	381		
	16.7	Suretyship	381		
	16.8	Stand-by letter of credit	382		
	16.9	Securities under FIDIC forms	383		
	Furth	ner reading	384		
17	Civil Engineering Works: Infrastructure Construction				
	Proje	ects	386		
	17.1	Investments in developing countries	386		
	17.2	The approach to the risk allocation in the United States	387		
	17.3	The approach to the risk allocation in the United Kingdom	389		
		Vignette: Construction of airports by Patrick Kain (South Africa)	390		
	17.4	The approach to the risk allocation in Central and Eastern			
		Europe	392		
		Vignette: The Romanian experience by Claudia Teodorescu			
		(Romania)	395		
	17.5	The Polish experience	399		
		Vignette: FIDIC forms and contractual relationships in Poland by			
		Aleksandra Marzec (Poland)	399		
		Vignette: Market environment prior to and after 2008 by Michał			
		Skorupski (Poland)	402		
		Vignette: Claims considerations by Aleksandra Marzec (Poland)	408		
		Vignette: Contractor defence measures by Michał Skorupski			
		(Poland)	412		
	17.6	The Czech experience	415		
		Vignette: Local limits for development: An interview with Shy			
		Jackson (UK) by Lukas Klee (the Czech Republic)	416		
		ences	421		
		ner reading	421		
	Webs	ites	422		

18	Build	ing Construction: Health Care Facilities	423
	18.1	Health care facility construction project	423
	18.2	Pre-design planning phase	423
	18.3	Design phase	424
	18.4	Basic structure of a hospital	425
	18.5	Efficiency and cost effectiveness	425
	18.6	Flexibility and expandability	426
	18.7	Therapeutic environment	426
	18.8	Cleaning and maintenance	426
	18.9	Controlled circulation and accessibility	427
	18.10	Aesthetics	427
	18.11	Health and safety	428
	18.12	Use of information technology	428
	18.13	Relevant regulations and standards	428
	18.14	Health care facility construction project: Suitable delivery	
		method	429
	Furth	er reading	431
App	endix .	A: Interactive Exercises	433
11	A.1	Interactive exercise 1: Delivery method selection	433
	A.2	Interactive exercise 2: Claim for delayed site handover	434
	A.3	Interactive exercise 3: Claim due to suspension of work	436
	A.4	Interactive exercise 4: Subcontractor claim for contractor delay	
		(lack of cooperation, inadequate on-site coordination and	
		improper, unclear and delayed instructions)	437
App	endix l	B: Sample Letters	441
	B.1	Contractor's sample letters: Notice of probable future event	442
	B.2	Contractor's sample letters: Notice of contractor's claims	443
	B.3	Contractor's sample letters: Contractor's claim	
		No. submission (quantification)	445
	B.4	Contractor's sample letters: Request for evidences of financial	
		arrangements	446
	B.5	Contractor's sample letters: Written confirmation of oral	
		instruction	447
	B.6	Contractor's sample letters: Notice of dissatisfaction with a	
		determination of the engineer	448
	B.7	Contractor's sample letters: Notice of contractor's entitlement to	
		suspend work	449
	B.8	Contractor's sample letters: Notice of contractor's claim under	
		the Sub-Clause 16.1	450
	B.9	Contractor's sample letters: Application for taking-over	
		certificate	451
	B.10	Employer's sample letters: Notice of employer's claim	452
	B.11	Employer's sample letters: Answer to request for evidence of	
		financial arrangements	453

	B.12	Engineer's sample letters: Engineer's determination	454
	B.13	Engineer's sample letters: Engineer's instruction	456
	B.14	Engineer's sample letters: Engineer's notice to correct	457
	B.15	Engineer's sample letters: Engineer's instruction to remove a	
		person employed on the site	458
	B.16	Engineer's sample letters: Engineer's instruction – lack of	
		mobilisation	459
Anna	andiv (	C: Dictionary of Construction Terms: Chinese, Czech, English,	
		h, German, Hungarian, Polish, Portuguese, Russian, Spanish	461
	C.1	Dictionary – General part	462
	C.2	Dictionary – Contractor's claims	470
	C.3	Dictionary – Employer's claims	474
			450
		D: Claim Management System under FIDIC Forms	478
	D.1	Claim Management Team Responsibilities	478
	D.2	Claim Management Processes	481
	D.3	Table of Contractor's claims under FIDIC CONS	482
	D.4	Table of Employer's claims under FIDIC CONS	482
Appe	endix l	E: FIDIC Forms Risk Allocation Charts	484
	E.1	Chart No.1: Basic risk allocation alternatives in connection with	
		unforeseeable physical conditions	484
	E.2	Chart No. 2: Basic comparison of risk allocation (claims options)	
		in FIDIC CONS/1999 Red Book, P&DB/1999 Yellow Book and	
		EPC/1999 Silver Book	484
Appe	endix l	F: Engineer's Determination Within the Ambit of the 1999	
		on of the FIDIC Contract Forms: A Case Study of Contractor's	
	Claim	s in Respect of Sand and Gravel Borrow Areas	487
	by Kh	alil T. Hasan	
	F.1	Preface	490
	F.2	Introduction	490
	F.3	Contractual provisions for a claim	491
	F.4	Compliance with the contractual provisions	492
	F.5	Consultations with the employer and the contractor	493
	F.6	Contractor's original intent	507
	F.7	Stage 2 – Contractor's tender submission	512
	F.8	Conclusion in respect of contractor's original intent	512
	F.9	Post contract award period	513
	F.10	Contractor's reasons for refusal to exploit the river bed borrow	
		areas	516
	F.11	Equipment required for exploitation of river bed borrow areas	518
	F.12	Engineer's analysis of the foregoing circumstances and facts	520
	F.13	Additional costs and delays	523
	F.14	Unjust enrichment of the contractor all at the expense of the	
		employer	525
	F.15	Engineer's determination of S&G borrow area claim notices	526
Index	c		529