

ENGINEERING & CONSTRUCTION RISK INSTITUTE

Document number:

ECRI-PE-024 (DESC)

Issued;
26 August 2019

Risks on Construction only Contracts

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Purpose: To present risks and best practices associated with construction-only contracting.

Introduction: Clients sometimes choose to separately contract the engineering and construction, or to hire a contractor who subcontracts or self-performs the engineering design and then separately contracts the construction. In these situations, responsibility for procurement varies but often the engineering entity or client procures the engineered equipment while the Construction contractor procures bulk materials. The Construction contractor is often faced with significant risks due to the lack of synergy with the designer. Many risks are also rooted in Client inexperience or lack of competence in major construction project management, or in a self-serving management approach by the integrating contractor or engineering contractor. In addition, the Construction contractor faces risks regarding labor and supply chain issues. Finally, the Construction contractor must deal with the challenges of recovering its losses due to any delay and changes in engineering and procurement activities performed by others.

This best practice presents these significant risks for the Construction contractor and suggests mitigating actions that can help alleviate the risks.

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