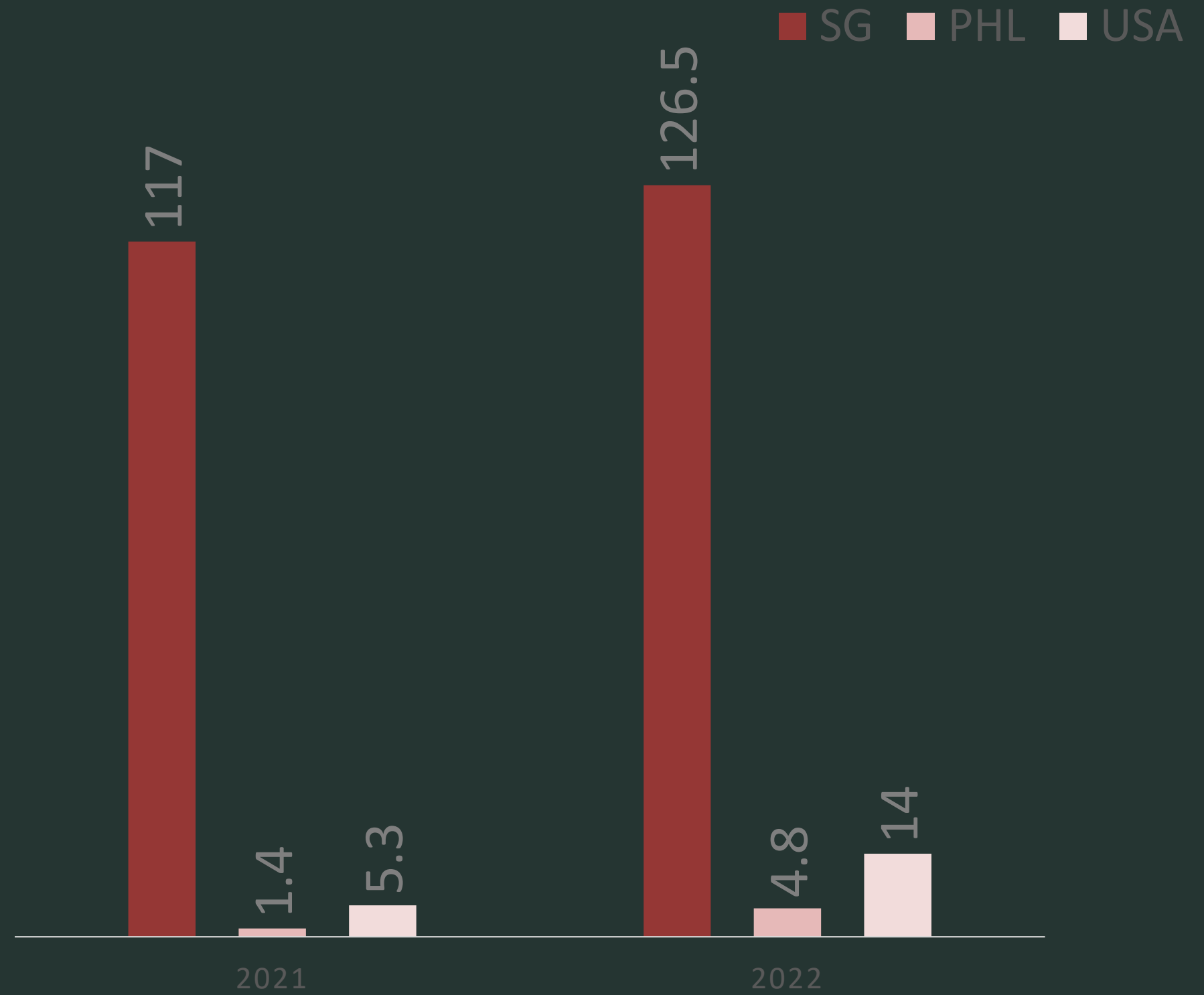


Lump Sum Contracts in Uncertain Times

How do we make our construction contract future proof?

INTRODUCTION

INDICES



EFFECTS OF RISING COSTS

- **PRICE RISK**
 - Limited information, foreseeability of events
- **COST CERTAINTY**
 - Facilitates project financing
- **PRICE PROPOSALS**
 - Increased margins for unforeseen events and inflation

NATURE OF LUMP SUM CONTRACTS

01

PRICE RISK

Borne by the Contractor

02

PAYMENT

Regular intervals and
predetermined dates

03

PROCUREMENT

Less complicated tender
analysis

THE FUTURE OF CONTRACTING

NATURE OF RISE AND FALL CLAUSES

01

HISTORY

Popular during the 70s and 80s when inflation was soaring

02

FORMULA

The basis of the adjustment

03

DECLINE

Market stabilization and enforceability

NATURE OF COST PLUS CONTRACTS

01

PRICE RISK

Borne by the Employer

02

VARIATIONS

Little to no effect

03

PROCUREMENT

Process is relatively shorter

CONCLUSION

“where uncertainty is rife and volatility is commonplace, risk sharing would be the key as the market navigates its way through the future”

THANK YOU