Contract Strategy in Construction Industry with Case Study of Residential Project Contracts

Aravind J.¹, Prabhukumar P.K^{.2}

¹M.E.(Construction Engg. and Management) Student, Dept. of Civil Engineering, College of Engineering, Guindy, Anna University, Chennai, Tamilnadu ²Dept. of Civil Engineering, College of Engineering, Guindy, Anna University, Chennai, Tamilnadu

ABSTRACT

There are large number of large scale construction activities going on in and around the cities. A well scrutinized model in every little fields of construction has been created and utilized in a large scale construction project and day to day updating of such model/template is done based on current scenario. So let us spare some time for improvements needed in a small scale construction project. Drafting contracts/agreements is a vital part of any project. My initial work is to identify every major and minor difficulties faced in every phase of a real time construction project. Later an attempt is to be made in creating a template for all sorts of agreement papers involved in the project that dilutes the problems identified to a maximum extent.

Keywords: Residential Projects, Contract Agreements, Agreement Clauses

1. INTRODUCTION

Law means a 'set of rules' which governs our behaviors and relating in a civilized society. So there is no need of Law in a uncivilized society. One should know the law to which he is subject because ignorance of law is no excuse. Important terms of contract law are offer, acceptance, promise, promisor, promisee, consideration, agreement, void agreement, voidable contract, etc. Application of these contract laws are mandatory incase of any agreements drafted between two or more people involved. Drafting agreements involved in a construction industry in a vital task since even a small construction project involves a huge sum of money and hence a word of mouth is never acceptable even within close mates. The types of agreements involved in a construction project are joint venture agreement, construction agreement, sales deed, lease deed, etc. In this modern world where competitions have become high, we face new problems in construction especially in small scale construction where small mistakes could result in cost hike and profit reduction.

2. OBJECTIVE

There are two main objectives of the research paper. At first the aim was to go to the field and find out real time problems that could be rectified or minimized by bringing a change or adding a clause in any of the agreements. Second objective will be creating a model for all types of agreements mentioned above keeping all the above mentioned real time problems underwent in a small scale construction. The objectives mentioned are to be achieved by considering a residential project as a case study for my research.

3. BASICS OF CONTRACT LAW

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Offer + acceptance = Promise
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+
consideration
=
Agreement
+
enforceability By Law
=
Contract
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'All Contracts are Agreements, but all Agreements are not Contracts'

Table1: Difference between Contract and Agreement

Distinction between Contract & Agreement On Basis Of	Contract	Agreement
 Definition Enforceability Interrelationship Scope Validity Legal Obligation 	An agreement enforceable by law. Every contract is enforceable A contract includes an agreement. The scope of a contract is limited, as it includes only commercial agreements. Only legal agreements are called contracts. Every contract contains a legal obligation.	Every promise or every set of promises forming consideration for each other is an agreements. Every promise is not enforceable. An agreement does not include a contract. Its scope is relatively wider, as it includes both social agreement and commercial agreements. An agreement may be both legal and illegal. It is not necessary for every agreement to have legal obligation.

4. CASE STUDY

For my research I have taken a case study of residential project. I got an opportunity to do an internship in a residential project located at Thoraipakkam. I hereby give some basic details of the project.

Project Details:

Project Type:	Residential, Joint Venture
Location:	Thoraipakkam
Project Name:	Samriddi
Builders:	AR Estates & Investments (info@arestates.net)
Project Value:	20 crores

Problems faced

The project is a gated community consisting of 45 apartments and as mentioned earlier it is located in Thoraipakkam which is situated in the famous Old Mahabalipuram Road(OMR). Plots in OMR suffer heavy water problems. Located close to the sea the bore water could not be used in these places. Hence water is bought for every basic needs. To avoid this problem the promoters wanted to install a Sewage Treatment Plant. For pleasing atmosphere and healthy environment a big area surrounding the buildings have been planted with plants which will be watered with treated water from STP. Also the water for flush tanks in toilets was planned to be provided from the STP. The problem started when the STP required minimum 25 occupants to run. Hence the promoters were forced to maintain the plants with water bought at their own cost. The other problems were similar to this due to lack of minimum number of occupants other facilities such as gym, swimming pool and gen set had to be maintained by the promoters.

Figure1: Site Photos



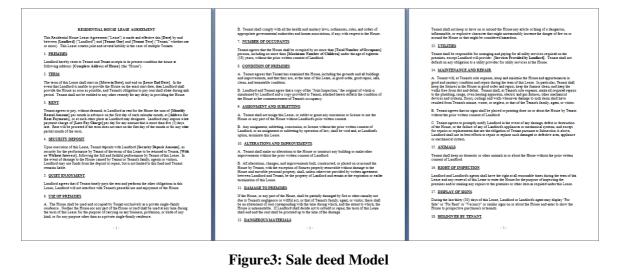
Cost details:

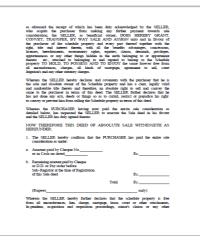
Water for Plants:	two lorries of water for a week(Rs.2400)
Diesel for gen set:	50 litres a day(Rs.2700)
Gym maintenance:	Rs.1500 for a week
Swimming Pool:	Rs.2000 for a week

5. RESULTS

The above mentioned problems are the results of minor mistakes in agreement that are not foreseen. If the agreements have been made in such a manner that these costs are bared by the occupants initially, such a problem would not have happened.

Figure2: Lease Agreement Model created by me





6. CONCLUSION

Thus I conclude telling that it is a vital role of every small scale construction firm to give importance to this contract strategy and keep updating the model then and there. Thus my paper is been drafted with contract agreement models that are very important for a firm.

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