

Importance of Dispute Avoidance in Mega Projects

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A timely save is better than a late rescue



Nature of Mega Projects



Complexity



Diverse stakeholder involvement



Requires significant resources



Challenging constructability issues



Tight deadlines

Sources of Potential Disputes



Tight project durations



Design deficiencies / delays



Changes



Shortage of resources
(Materials, personnel, money..etc)



Contract interpretation issues



Construction interfaces



Constructability

Escalation of Construction Disputes

01



Significant increase
in recent years
in the Middle East

02



Increased project
complexity, stricter
regulations, and evolving
contractual relationships

03



Cultural shift in claims
- two ends of the
spectrum

04



Shifting from
'handshake agreements'

Average dispute cost



\$100M

67.1%



Average time claim to
planned schedule

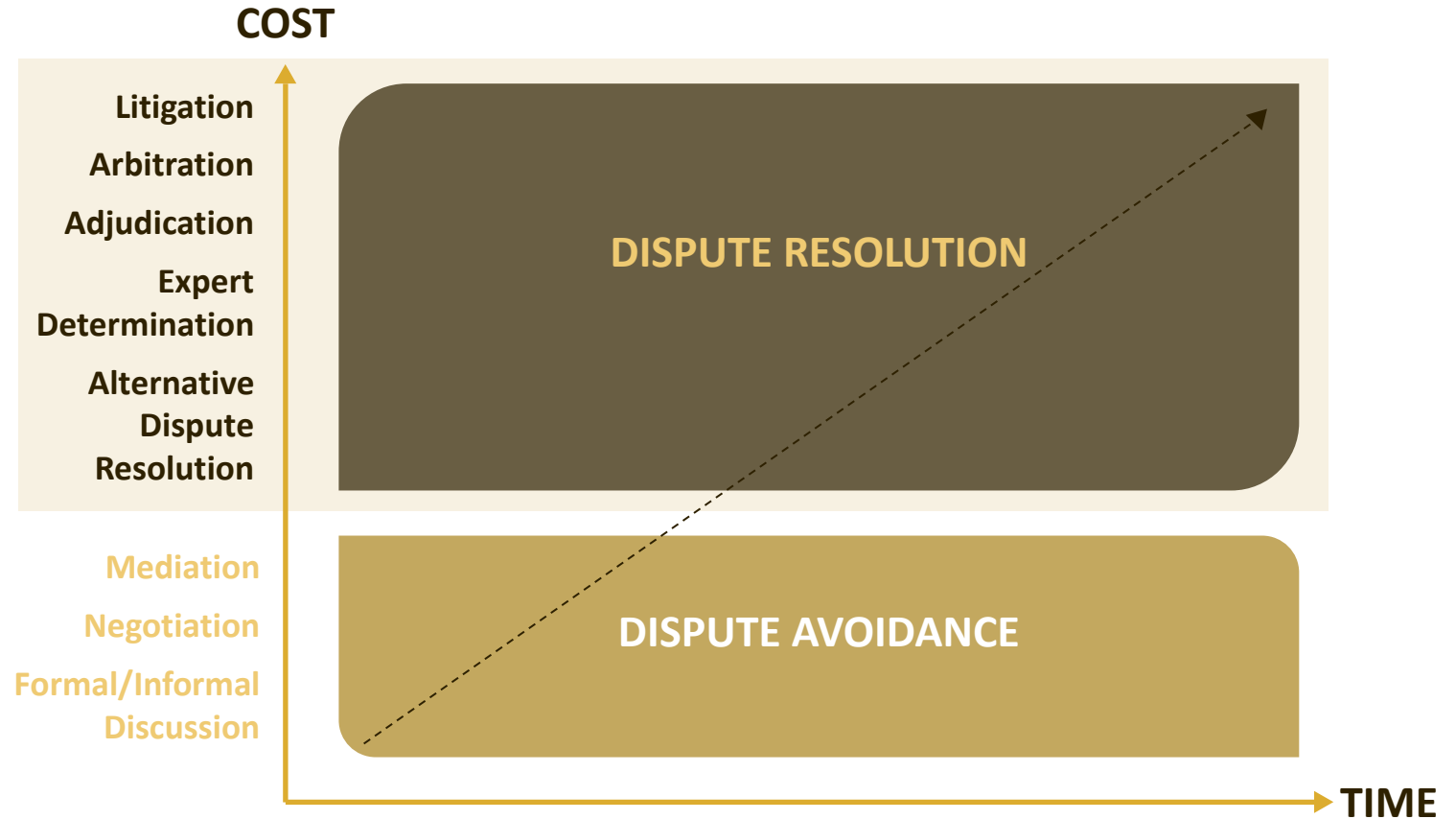
Impact of Disputes on Project (Time and Cost)

COST IMPLICATIONS

- Legal Cost
- Expert Witness & Consulting Fees
- Reputation Costs

TIME IMPLICATIONS

- Project Delays
- Recovery Time
- Impact on Future Projects



Proactive Strategies for Dispute Avoidance

PRE-CONTRACT

- Clear / Well defined contracts
- Understand the contract before you sign it
- Define communication procedures
- Contract schedule risk analysis

POST-CONTRACT

- Effective communication
- Effective change control procedures
- Administer contract – (Deal with claims on time)
- Regularly monitor risks
- Regular project audits

Effective Communication (Case Study 1)

PROJECT A - DELAY EVENT OCCURS

- The Contractor fails to notify the delay
- The Contractor does not report the delays
- The Employer shows no interest in hearing about delays
- The Employer consistently threatens/bullies the Contractor
- No communication occurs regarding mitigation measures
- The contract is not administered / Issues are swept under the carpet
- Delays become unavoidable and apparent
- Dispute!

PROJECT B - DELAY EVENT OCCURS

- The Contractor notifies the delay
- Employer is interested in monitoring / mitigating the delay
- The delay and mitigation measures are discussed regularly in a focused group
- Both parties take calculated and well-informed actions
- Delay is mitigated or claims administered on time
- No dispute!

Constructability Risk (Case Study 2)

PROJECT A

- The Employer identifies the risk at pre-contract stage
- The Employer conducts effective risk assessment and calculates reasonable management reserve
- The Employer drafts a clear contract with defined responsibilities
- The Employer communicates the risk at the tender stage
- The Contractor runs effective risk analysis and prices the risk
- Both parties effectively monitor the risk and collaboratively work on mitigation measures.
- No disputes even if the risk becomes an event

PROJECT B

- The Employer identifies the risk at pre-contract stage
- The Employer drafts an unclear contract that partially transfers the risk to the Contractor
- The Employer does not communicate the risk at the tender stage
- The Contractor does not understand the contract before signing
- No risk management
- Dispute occurs when the risk becomes an event



THANK YOU