

# BUILDING CONTRACTS

Contributed by Steven Young  
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Building and construction generally are some of the most complex and expensive activities undertaken by an individual or organization. Any significant building work is likely to cost from \$100,000 upwards and are likely to be among the most significant activities to be undertaken by that individual or organization. Because the sums of money are large, the obligations between the owner, the builder and sub-contractors are set out in a Building Contract. Conveniently, there is a Building Contract Act that sets out the obligations between the various parties to a building contract.

One of the objectives of this Act is to ensure that contractors and their sub-contractors are paid in a timely manner and are not ruined by unscrupulous owners who contrive to not to pay up if it does not suit their convenience. Simply stated, it means that claims for payment, unless rebutted within a limited time period are converted into civil debts. It is difficult to "contract out" of these provisions. As expected there is now considerable case law that clarifies the application of this Act.

Under the Building Contracts Act are various standard building contracts, most importantly NZS 3910. These contracts set out the obligations of the Owner the Contractor in matters such as:

Documents to be used.

Quality of work

Inspections and approvals

Insurance

Sub-contracting

Programming and adequate progress

Measurement and certification of progress

Progress payments

Variations

Escalation and cost increases

Completion or failure to complete