

Construction dispute costs rise

By Gill Plimmer

The increasing reliance on joint ventures in building projects is fuelling a surge in big legal disputes worth more than \$1bn each, according to new research.

The average value of construction costs in dispute globally rose from \$31.7m in 2012 to \$32.7m in 2013, according to a study by Arcadis, an engineering consultancy. Dispute sizes were the highest in Asia at \$41.9m, closely followed by the Middle East at \$40.9m. In the US, disputed costs tripled in value to \$34.3m. They also rose in the UK to \$27.9m.

Arcadis said 2013 was the first year that disputes of more than \$1bn had been seen.

“Today’s major construction programmes are fast paced, complex and involve a multitude of supplier parties, so there are numerous points at which a dispute can occur,” said Mike Allen, global head of contract solutions at Arcadis. “Many of these disputes are resolved out of the public eye but do often result in heavy costs and time overruns.”

The expansion of the Panama Canal was one of the highest profile disputes in 2013, with the Panama Canal Authority in conflict with the GUCP construction group about cost overruns worth \$1.6bn. The [dispute was finally resolved earlier this year](#) and work is progressing.

In Britain, one of the largest conflicts was over the Edinburgh tram line, which was in dispute for more than four years as the council and the contractor argued over a series of engineering errors, conflicts over unmapped gas, water and electricity pipes, increasing costs and delays.

It is now 50 per cent over its original £520m budget and eight stops short of its original destination even though it is due to open within weeks. Legal costs are reported to be £80m, with 90 per cent to be paid by Transport for Edinburgh.

The likelihood of a dispute was highest when a joint venture was in place, which raised the chance of conflict to one in three, Arcadis said.

Mr Allen said the increasingly buoyant construction market was fuelling a rise in joint ventures “leading to an increase in the number of disputes and highlighting a need for some very careful focus around the selection, set-up and management of the joint venture relationships”.

The findings showed that disputes took, on average, less time to resolve in 2013 at 11.8 months, down from 12.8 months in 2012. They took longest to resolve in the Middle East and US with 13.9 months and 13.7 months respectively. Disputes in continental Europe tended to be resolved the quickest at 6.5 months.