

Contract

The following is the outline of Japanese construction industry contractual arrangement.

- **Contractual arrangements**

In the public sector, construction companies of the appropriate category and experience are invited to bid. In selecting those invited, central and local government rank construction firms according to past orders obtained, sales, financial status and technological capabilities. The contract is then awarded to the lowest bidder.



In the private sector the client may appoint a specific contractor or invite selected contractors to bid. Many projects – some 30% - 40% of work – are also undertaken on a design and build basis where the architect is employed by the contractor.

The Japanese contractual system is based on trust and mutual understanding. It is very important for both parties to maintain a good and long-term relationship. The Japanese rarely bring in a lawyer into negotiations – that implies mistrust – and litigation is only undertaken as a last resort.

Clients tend to work regularly with a contracting firm, and will often have in-house staff with knowledge of building design and construction who will have prepared outline drawings of the proposed works. The contractor generally prepares the working drawings, except for building services, which are prepared by the specialist contractor.

The two most commonly used contract forms are the *Standard Form of Agreement and General Conditions of Government Contract for Works of Building and Civil Engineering*, prepared and recommended by the Construction Industry Council of Japan, and the *General Conditions of Construction Contractors (GCCC)* approved by a number of architects' and contractors' associations.

Contract documents, which are relatively short, normally consist of the written contract, general conditions, the design drawings and the specification. There is no bill of quantities but the contractor submits an itemized list of prices (including quantities) with his tender. Liquidated damages are payable if a project is delayed, and there is a guarantee period of two years for brick or concrete buildings and one year for timber structures. The employer is given express rights to vary the work and negotiations take place on dates and costs. Claims are rare.