Meglan, Meglan & Company, Limited

CONSTRUCTION Claims Topics

Quantifying Extra Costs for Delay-Shifted Labor, Materials, and Equipment

When a construction project (or segments of a project) is delayed, escalations in normal wages, fringe benefits, payroll taxes, insurance, equipment rental rates, and prices for materials may occur between the time period when project services are bid and planned and when they are actually performed.

As-planned schedules, when compared with as-built schedules and daily construction record reports, usually identify the exact time periods when work on a project "should have" occurred versus when it actually occurred. That's why schedules and construction activity reports are so important.

Once the as-built time period has been compared with the as-bid and as-planned time period, two sets of very specific start-and-finish dates are obtained. Prevailing and utilized wage, fringe benefit, tax, insurance, rental, and material rates and prices are then made into a checklist and analyzed.

Differences in these costs are then determined and multiplied times the hours worked or quantities used. The process usually requires extensive use of electronic spreadsheets to list or log hours, quantities, rates, and value differences and extend them to total extra cost figures. What seems like pennies, nickels, dimes, and quarters at first usually ends up being thousands of dollars when finally totaled.

Also, remember that the time involved in totaling and doing a spreadsheet is considered a valid delay claim cost.

Although the following example dates back to the Desert Shield campaign and ensuing Gulf War of the early 1990s, it well illustrates how a strange or unusual delay can still result in added project costs:

A three-month project comprising a large amount of diesel- and gasoline-powered heavy equipment was to begin May 1, 1990, and finish July 31, 1990. The owner delayed the start of the project until August 15, 1990; subsequently, it was completed on November 15, 1990, before the onset of inclement weather. There were no rate escalations in equipment rentals, wages, fringe benefits, payroll taxes, or insurance. When the project was completed, the contractor's accounting staff noticed that the actual fuel costs greatly exceeded the bid fuel costs. A quick check of per gallon diesel and gasoline prices with the company's fuel supplier revealed that the "Saddam Hussein" fuel escalation effects had cost the company thousands of dollars in increased fuel costs. As a result, the owner was billed for the difference between the pre- and post-August 4, 1990, fuel prices.

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