

“2. Cost escalation

2.1 Definitions

- a) **Significant Price Increase** means any increase in the cost of any building product, materials, parts or consumables or remuneration of trades or other parties required for the Works under the contract, through no fault of the Builder, equal to or exceeding 5% of the Contract Sum. Evidence of a significant price increase may include and is not limited to quotes, documents, financial records, invoices or receipts from the Builder's suppliers or subcontractors or other relevant parties required for the Works from the date of this contract;
- b) **Cost Escalation Notice** has the meaning in Special Condition 2.2(c).

2.2 Cost escalation

- a) If during the performance of this contract, the Builder is subject to a significant price increase, the Owner expressly agrees that the Contract Sum shall be equitably adjusted taking into account the significant price increase.
- b) Where there is a significant price increase, the Builder will, as soon as practicable after becoming aware of the significant price increase, provide the Owner with a Cost Escalation Notice pursuant to Special Condition 2.2(c).
- c) A Cost Escalation Notice under this Special Condition, must be in writing, in readily legible English and in all cases:
 - i. specify the building product, materials, parts or consumables or remuneration of trades required for the Works under the contract that have been subject to a significant price increase;
 - ii. attach or contain evidence of the relevant significant price increase;
 - iii. set out the corresponding increase to the Contract Sum; and
 - iv. if there will be a delay because of the Significant Price Increase, a reasonable estimate of that delay.
- d) Upon receipt of the Cost Escalation Notice pursuant to Special Condition 2.2(c), the Owner must give the Builder a written notice agreeing to the Significant Price Increase within five (5) working Days of receiving the Cost Escalation Notice.
- e) If the Owner does not provide the Builder with written notice as required by Special Condition 2.2(d) the Builder, may on notice to the Owner and without prejudice to any other rights it may have, suspend the Works or part of the Works.
- f) If the Owner does not agree to the Significant Price Increase as required by Special Condition 2.2(d), the Owner and the Builder may:
 - i. agree in writing to omit that work subject to the Significant Price Increase from the contract; or
 - ii. vary the contract pursuant to Clause 16 of the contract.
- g) Any dispute arising out of this Special Condition 2 shall be dealt with in accordance with Clause 31 of the contract.

- h) The Builder is entitled to be paid loss and damage arising from any suspension of the Works.*

2.3 Cost escalation monetary limitation

- a) The total sum amount of all the Cost Escalation Notices cannot exceed 20% of the Contract Sum, which is adjusted with each approved variation.*
- b) Any amount claimed in a Cost Escalation Notice for a Significant Price Increase that exceeds the monetary limitation in Special Condition 2.3(a), the Owner is required to provide written consent to that amount being claimed by the Builder.”*