



Warning to be inserted on the first page of the Schedules at item 2 Contract Price: [...¹]

This **contract** is subject to a cost escalation clause, which provides that the **contract price** can be changed pursuant to Special Condition 1. Special Condition 1 provides that if there is a **significant price increase** to any building product, material, parts or consumables or remuneration of trades, the **builder** may provide you with a **cost escalation notice** of that **significant price increase**.

Special Condition 1: Cost Escalation

1.1. Definitions

- a) ‘**significant price increase**’ means any fair and reasonable increase in the cost of any building product, material, 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 [e.g. 5%, or a percentage or dollar amount to be amended as necessary] of the **contract price**. 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**. The **builder** may also apply its **builder’s margin** to the **significant price increase**;
- b) ‘**cost escalation notice**’ has the meaning in Special Condition 1.2(c).

1.2. Cost escalation

- a) If during the performance of this **contract**, the **works** are subject to a **significant price increase**, the **owner** expressly agrees that the **contract price** shall be reasonably and fairly 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 4.2(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**;

¹ *Queensland Building and Construction Commission Act 1991 (Qld) – Schedule 1B, ss 14 (6) and (7)*

- iii. set out the corresponding increase to the **contract price**; and
 - iv. if there will be a delay because of the **significant price increase**, a reasonable estimate of that delay.
- d) If the **owner** disputes the **cost escalation notice**, regardless whether that dispute is pursuant to Clause 37.1, the **builder** may on notice to the **owner** and without prejudice to any other rights it may have, immediately suspend the **works** or part of the **works**. The **owner** will also be liable for the **builder's** costs pursuant to Clause 19.3. Any **works** that are subject to a suspension do not form part of the **building period**.

1.3. Cost escalation monetary limitation

- a) The total sum amount of all the **cost escalation notices** cannot exceed [e.g. 20%, or a percentage or dollar amount to be amended as necessary] of the **contract price**, 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 1.3(a), the **owner** is required to provide written consent to that amount being claimed by the **builder**.

1.4. Dispute resolution

- a) Any dispute arising out of this Special Condition 1 shall be dealt with in accordance with Clause 37.1 of the **contract**.