



Bulletin

Why Mechanical Contractors Should Be Paid for Materials Stored On/Off Jobsite

There are valid reasons why mechanical contractors should be paid for materials and equipment purchased early, although not immediately needed, and why they should be paid in whole or in part for the cost of storage, extra handling and insurance involved.

Today's world of construction is fraught with problems of spiraling material and equipment costs and related material shortages. To assure substantial completion within the contract time for the contract sum on any job, certain equipment and materials have to be ordered well in advance of their incorporation on the job. This is especially true for the mechanical contractor whose work is more equipment-oriented than the general contractor and most other specialty contractors.

If a mechanical contractor is to complete the job for the contract sum and still realize a profit in today's market, he must purchase major equipment and materials as soon as he receives his notice to proceed. This can tie up needed working capital in a hurry, especially on jobs of long duration. It is essential that architects and owners recognize the need for early purchase of certain equipment and materials. It is imperative that the contractor be paid promptly for the

proper storage, insurance and extra handling of materials. Otherwise, time targets cannot be met nor realistic construction costs maintained.

The American Institute of Architects in 1974 recognized the need for a payment policy on stored materials. The 1976 revision of A-201, under paragraph 9.3.2, provides for payment of off-site storage provided certain conditions are met. Therefore, it is believed that the AIA recognizes the problem and subscribes to early purchase and storage of equipment and materials by the contractor.

At the first job conference, the mechanical contractor should bring this matter to the attention of the general contractor and the owner and request written authorization for payment of stored materials both on and off the jobsite. A written procedure should be developed for payment that would include paid invoices, storage receipts, insurance requirements, inspection, etc.

There are certain advantages to a mechanical contractor having control of where early purchased equipment is stored, such as security, proper protection from the elements, sufficient time

to check and ensure all components are included in the shipment, etc. The owner has an equal advantage of eliminating or reducing costly delays caused by late shipments or the unavailability of equipment. Accordingly, the mechanical contractor should neither have to bear the burden alone of storage costs, including insurance, nor of the occasional extra transportation and handling costs.

In summary, the owner, architect and general contractor should all be realistic about the mechanical contractor's material problems, since they affect total job progress.

Every effort by the MCAA member should be made at the local level to have a clause included in the General Conditions of the specifications and into subcontract agreements.

However, in situations where equipment storage costs are not taken into account by a contract clause, the MCAA member should not neglect to consider such costs when preparing estimates.

Of course, members are prohibited by law from agreeing on what items of cost they will or will not include in estimates. Each member must make such decisions independently.