

NEWS ALERT**CONSTRUCTION GROUP****Another Thing To Prepare For ... Covid-19's Impact on the Global Supply Chain**

By Michael J. Donnelly | March 10, 2020

Covid-19's impact on the economy is still in the early stages. You no doubt have been making plans about how to protect your workers, and how to handle the possibility of increased absenteeism among your workforce. However, the availability of workers may not be the only stress that the virus puts onto your business.

The global supply chain serving the construction industry has already been disrupted. The macroeconomic questions are focused on how severe the disruptions to the global economy will be and how long will they last. For most of us, the focus is sharper: how will it impact my business? As is always the case in the construction industry, the question will turn on your contracts.

Under the standard Section 8.3.1 of the AIA A201-2017 general conditions, a contractor is entitled to an extension of time resulting from an "unusual delay in deliveries" or from "other causes that the Contractor asserts, and the Architect determines, justify delay." The extension of time does not come with additional compensation. A contractor can make a claim for additional costs under Article 15 of the standard contract, but there is no guarantee that the costs will be recovered. Moreover, there is a significant chance that your contracts do not have the standard language concerning force majeure. It is not unusual for contracts to more aggressively shift the risk of late deliveries either up or down the supply chain.

While there may be opportunities to lessen some of the impacts of expected material shortages by identifying alternative suppliers, you may be forced to make difficult decisions about which projects should be allocated those supplies. Obviously, there are business considerations embedded in those decisions, such as long term loyalty. However, there may also be significant differences in how your various contracts address the issue.

If you have questions as to how to work through these issues, please give any of our construction lawyers a call. In the meantime, wash your hands and stay safe.

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