

## Brief Description: FUNDAMENTALS OF SHIPBUILDING CONTRACTS

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Adapted and updated (2022) from "Ship Design and Construction," Chapter 9: *Contracts and Specifications*, by K.W. Fisher, SNAME, August 2003.

Goal: The avoidance of contract management difficulties as well as the more significant contractual disasters.

The ultimate outcome of the work product of vessel design engineers, shipbuilding contractors, equipment suppliers, vendors and subcontractors is controlled through the mechanisms defined by a shipbuilding contract. The contract defines the rights and responsibilities of the two parties that execute the contract, the Owner and the Contractor.

The Owner's design engineers who continue on the project, as well as all the other organizations participating in the project, have to work within the boundaries of their contractually stipulated rights and responsibilities. If those rights and responsibilities have not been adequately defined during contract formation, each participating organization may not be able to make its contribution to the project in the manner it anticipated.

Accordingly, it is in the interest of each organization, and the professionals within them, to not only understand the contract that controls their actions, but perhaps also to have a role in the formation of the contract. But in order to appreciate the interaction between the various elements of the contract, of which there are many, as well as to appreciate the role of each participant, it is necessary to have a fundamental understanding of the content and composition of shipbuilding contracts.

This paper provides a description of the elements of such contracts, and the purpose of each such element of the contract, all in a manner that is suitable for persons who are not lawyers.

The ultimate purpose of this paper, by providing insights based on actual shipbuilding contractual experiences, is to assist readers in the avoidance of contract

management difficulties as well as the more significant contractual disasters.

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