

Title: Direct And Expense Relating To Remoteness Of Damages

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Abstract:

Direct loss and expense is a very important element in construction contracts. However, due to the imbalance relationship between employer and contractor, direct loss and expense is taken lightly and often treated as a mere "business decision". Direct loss and expense is closely related to Section 74(1) and (2), Contract Act 1950, which is similar to the rule in *Hadley v Baxendale*. This study is aimed at reducing the uncertainty and difficulties in the event of claiming direct loss and expense that is denied under the reason of "remote and indirect loss or damage". This study is carried out to determine whether direct loss and expense is related to remoteness of damages and which limb of rule of *Hadley v Baxendale*, each head of claims lies under. The heads of claims include loss of profit, finance charges, overheads and loss of productivity. This study was carried out mainly through documentary analysis of law journals. It was found that loss of profit falls under both limbs of *Hadley v Baxendale*. Loss of profit under special circumstance is claimable, provided there is contemplation at the beginning about such arrangement. The other three heads of claims fall under the first limb of *Hadley v Baxendale*, claimable if they are caused by employer's interruption arising naturally in the course of running a operation. It is hoped that it may provide some rough ideas or guidelines for the parties in the construction industry on direct loss and expense.