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## American Subcontractors Association, Inc. Subcontractor's Negotiating Tip Sheet Price Escalation

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### Sample Language

#### ASA Recommends:

"A change in the price of an item of material of more than 5 percent between the date of the subcontractor's bid proposal and the date of installation shall warrant an equitable adjustment in the subcontract price."

#### What You May See in the Wild:

"The Contractor agrees to pay the Subcontractor for the performance of its work hereunder the following sum or sums, which shall unless otherwise specified, include all taxes, insurance premiums, charges for permits and all other fees and charges, and shall be firm and binding on the Subcontractor for the work and not conditioned upon a firm completion date or on any labor increases or material escalation costs which might occur during the course of construction."

#### Additional Resources:

ASA Subcontract Addendum (2011), ¶ 2. Available to ASA members at [www.ASAonline.com](http://www.ASAonline.com).

### Impact on the Subcontractor

- Subcontractor may build contingencies into its bids, thus threatening its ability to win contracts.
- Subcontractor may have to absorb all the costs of inflation of labor and materials, even when the owner and/or contractor cause extended delays in the project.
- Failure to address price escalation during the subcontract negotiation process may lead to unnecessary disputes during the project.

### Negotiating Tips

**When the GC Says:** "I need the subcontract price to be firm. Neither I nor the owner wants to worry about price increases that are out of our control."

**The Sub Should Say:** "My bid proposal included this price escalation clause. One of the reasons I could give you such a low bid was because I didn't have to build contingencies into my price."

**When the GC Says:** "We're going to get this project done quickly. I don't expect any delays."

**The Sub Should Say:** "Then the escalation clause really shouldn't be a factor. We'll be in and out before we get any surprise price increases."

**When the GC Says:** "We can address unexpected price increases later if they arise."

**The Sub Should Say:** "You and I both know that leaving issues like this unresolved can lead to disputes later. Let's address this now so we can focus all of our energies on building the best project possible."