**AASHTO-AGC-ARTBA Joint Committee**

**Joint Position Statement JPS-2-16**

**Title: Considering Risk Allocation among the Parties**

Risk allocation affects both project delivery and cost. Getting it right is paramount.

A long-standing and oft-repeated principle of sound risk allocation is that risks should be assigned to the parties best able to manage them. Successful and equitable risk allocation during all phases of a project can minimize its total cost and the potential for disputes during construction.

Contractors price risk and contingencies according to the complexity of the project. . Assigning inappropriate risk to contractors can inflate bid levels and increase project costs.

The risk allocation process carries wide-ranging implications. If the owner-agency’s risk assessment for a project differs significantly from that of the contracting community, then bids or proposals for that project may come in well outside the budget or time frame estimated by the owner. It is therefore critical that all parties to a project “speak the same language” throughout the risk allocation process–whether it relates to individual projects or the state’s transportation improvement program in general.

Given the ongoing importance of risk-related issues, the Joint Committee will form a representative working group to enhance mutual understanding of the various perspectives on risk allocation. This group will review current materials on risk, consider various types of risks and their potential solutions, encapsulate its discussions through new collaborative documents as appropriate, and organize educational sessions for the benefit of the states and the entire construction industry. The Joint Committee encourages the Federal Highway Administration to assist in facilitating these efforts.