



Proceedings of the Government of Karnataka

Sub: Provision for Price Adjustment for Specified
Materials for works – Clarification – reg.

Read: 1. G.O. No.FD 59 PRO CELL 2004, dated:26.11.2004
2. G.O. No.FD 3 PCL 2008, dated:21.11.2008

Preamble:

In Government Order reference at (1) above the instructions regarding Price Adjustment methods applicable were specified. Clarification are being sought on the method of computing Price Adjustment, whenever the contract period is extended due to lapse of part of the contractor and also when the contract period is extended due to no fault of the contractor. The rationale behind admissibility of Price Adjustment is to compensate the contractor on price fluctuations when extensions of time is given beyond the stipulated date of completion for reasons not attributable to the contractor. However, while extending such benefits it should be ensured that this will not result either in additional financial burden to Government or result in undue benefit to the contractor. Therefore after examining all aspects Government issues the following orders.

Government Order No:791 Exp-12/2015, Bangalore,
Dated:26.02.2016

In the circumstances explained in the preamble and in partial modification of the Government Order referred at (2) above, the following method, of price adjustment is applicable.

Case-1, When time extension is granted for the reasons not attributable to the contractor.

Price Adjustment is admissible as per terms of contract for the work carried out during the extension of the time granted for completion of work.

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Case-2, When the time extension is granted for reasons attributable to the contractor

Price Adjustment is admissible upto the original contract period only and for the period of extension, price adjustment is not admissible and payment for such extension shall be at tendered rates only.

Case-3, When extension of time is granted for the reasons attributable to employer followed by reasons attributable to the contractor

Price Adjustment is admissible as per terms of contract for the work carried out during the original period of completion and during the extension of time granted for completion of work for reasons attributable to employer. For the work carried out during the extension of time granted due to delay attributable to the contractor Price Adjustment is not admissible and the contractor shall be paid only at the Tendered rates.

Case-4, When delay occurs initially attributable to contractor and later attributable to Employer

Extension of time in such cases is to be granted by first appending extension of time due to delay by employer to the original contract period, although the delay is initially due to contractor and later by the employer. The extension of time granted due to delay by the contractor shall be considered as the last phase after extension due to delay by employer is added to the original contract period.

Price Adjustment is admissible to the delay attributable to the employer. The Price Adjustment for the initial delay attributable to the contractor is not admissible and the contractor shall be paid only at the Tendered rates.

General Clarification:

I - By way of abundant caution, it is also clarified that 'quarter' in this G.O. and G.O. at reference (1) and (2) above means a period of three consecutive months as detailed below:

(i) For reckoning the average base price index

Three consecutive calendar months preceding the calendar month of opening the Tender.

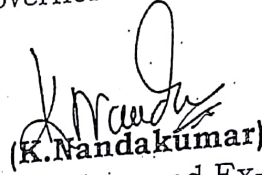
(ii) For reckoning the value of 'R'

Three consecutive Calendar months including the calendar month in which work was started in the first instance and thereafter next quarter shall be consecutive three months following the preceding quarter.

II - The value of R defined in Government order referred at (1) above is redefined as below:

R = Total value or work done during the quarter. It would include the amount of secured advance for materials paid for (if any) during the quarter, less the amount of the secured advance recovered during the quarter. It will exclude value for works executed under variations for which Price Adjustment (if any) will be worked out separately based on the terms mutually agreed. It will also exclude the value of work done during the quarter which was programmed to be done prior to this quarter as per the work schedule in the agreement.

By Order and in the name of the
Governor of Karnataka


(K. Nandakumar)

Special Officer and Ex-officio
Deputy Secretary to Government
Finance Department (PWFC)


S. S. S. S.

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