

3. The Government have examined the request of the Managing Director, Tamil Nadu Water Supply and Drainage Board and the suggestions of the Senior Deputy Accountant General (Works) regarding clarifications to be issued for the G.O.(Ms).No. 60, Public Works (G2) Department, dated 14.03.2008 and accordingly constituted a Committee of Engineers to examine the issues involved and suggest suitable recommendations on the same.

4. Based on the recommendations of the Committee of Engineers on the issues referred to by the Managing Director, Tamil Nadu Water Supply and Drainage Board and the Senior Deputy Accountant General (Works) and further discussions with the departments of Highways and Finance, the Government after careful consideration hereby make the following amendment to para 3 (1) of Government Order first read above.

AMENDMENT

In the said Government Order, for sub para (1) of para 3 the following shall be substituted, namely:-

"(1) Price Adjustment

(a) Contracts of more than 12 months

Full price adjustment on all the components including cement, steel, bitumen and Petroleum, Oil and Lubricants (POL) shall be applicable to the works with contract period of more than 12 months instead of the present system of 18 months.

(b) Contracts of 12 months and below.

In respect of contracts of 12 months and below, price adjustment shall be applicable in respect of cement, steel, bitumen and petroleum, oil & lubricants (POL) only.

- (i) Price adjustment clause will be applicable for all works where value of work put to tender costing Rs.100 lakhs and above. However, No Price Adjustment will be applicable for Maintenance and Repair works.
- (ii) Price adjustment will apply only when the rates exceed or decrease by 3% or more as compared to the estimate rates (RBI Index Price).
- (iii) The price adjustment shall be calculated only on the departmental estimated cost of the work.
- (iv) In respect of bitumen and POL, it may be considered on 'pass through' basis with payment of actual rates / price at the rates charged by Indian Oil Corporation.

- (v) All works for which price escalation/variation is contemplated must have milestones fixed in physical terms and have a prefixed time-line for use of inputs-clearly indicating the nature and quantum of eligible inputs to be used for the work for the relevant period between two mile stones. Price variation/escalation will be applicable for those quantities 'actually' used by the contractor including additional quantities, if any, used or achieved ahead of the time-line. However, if the contractor does a certain quantity of the work in the third quarter which ought have been done in earlier quarter, price variation/escalation will still be applicable on that quantity at the rates applicable in the relevant quarter as per time-line or period of actual use whichever is less.
- (vi) Liquidated damages will be imposed on the contractor for the lapses / shortfall in achieving the rate of progress as per existing schedule.
- (vii) The price adjustment mechanism will cease to operate for value of work executed beyond the agreement period. But agreement period shall include the "actual period" for which the work was "suspended officially" and extension of time permitted for any valid reasons such as, war, natural calamities, like flood, earthquake and other risks arising out of acts of God during the agreement period; work delayed due to the land acquisition process; change in design, change in scope of work, etc., which is given in writing by the Tender Calling Officer of the respective work.
- (c) Price variation will be calculated once in a quarter (i) in respect of cement and steel for the works with contract period upto 12 months and (ii) in respect of all components except bitumen and Petroleum, Oil & Lubricants (POL), for the works with contract period of more than 12 months, as per the specified formula from the last date of submission of bid upto the end of agreement period provided, if the agreement is signed within the minimum specified time, failing which, the price variation will be applicable from the date of agreement only, based on the wholesale price indexes of RBI. The quarter would be reckoned with reference to the quarter of the calendar year in which the last date on bid submission is fixed. In case of delayed agreement, the quarter in which the agreement is signed will be reckoned for the purpose of calculation of price adjustments.
- (d) In order to avoid Revised Administrative Sanction proposals, provision for escalation can be included in the original estimate itself at the rate of 5% of cost of works for every one year of the duration of the contract.
- (e) Price variation will be operated by the respective Divisional Engineers / Executive Engineers.
- (f) Tender excess shall not be allowed on the tendered value of the work towards the probable increase in costs due to factors covered under para 3 (1) (a), 3 (1) (b) and 3 (1) (c). In such cases, if a cost increase

Is foreseen due to factors not covered under the above clauses, tender excess may be considered and provided based on justification of such factors and this power shall vest only with the State Level Tender Award Committee/ Commissionerate of Tenders."

5. The revised Price Adjustment System shall come into effect prospectively and shall be available only for those tenders which have been called for on (or) after the date of this Government order. However, the amendment to Clause 3(1)(f) may be deemed to come into effect from 14.3.2008.

The above Price Adjustment mechanism will be put on trial and reviewed after one year from the date of implementation.

6. This order issues with the concurrence of Finance Department vide its U.O. No.105/DS(B)/09, dated 1.4.2009.

(BY ORDER OF THE GOVERNOR)

S. RAMASUNDARAM
PRINCIPAL SECRETARY TO GOVERNMENT

To

The Engineer-in-Chief, Water Resources Department & Chief Engineer (General), Public Works Department, Chennai-5.
The Chief Engineer (Buildings), Public Works Department, Chennai-5.
The Chief Engineer (General), Highways Department, Chennai-5.
All Chief Engineers, Public Works Department.
All District Collectors.

The Managing Director, TWAD Board, Chennai-5
The Accountant General, Chennai-18 / 35.
The Senior Deputy Accountant General (Works), Chennai-18

Copy to:

The Secretary to Chief Minister, Chennai-9.
The Principal Secretary to Government, Finance Department, Chennai-9.
The Principal Secretary to Government, Highways & Minor Ports Department, Chennai-9.
All Secretaries to Government, Chennai-9.
The Senior PA to Minister (Finance), Chennai-9.
The Senior PA to Minister (Public Works & Law), Chennai-9.
The Senior PA to Minister (Highways), Chennai-9.
The National Informatics Centre, Chennai-9.
The Secretary, State Information Commission, Chennai-18.
All Departments of Secretariat, Chennai-9.
All Sections of Public Works Department, Chennai-9.
The Chairman, Builders' Association of India (Southern Centre), "Casa Blanca", 2nd Floor, No.11, Casa Major Road, Egmore, Chennai-8.

// FORWARDED / BY ORDER //

A. Arunachalam
SECTION OFFICER
19/9/09