Government of India (Bharat Sarkar)
Ministry of Railways (Rail Mantralaya)
(Railway Board)

No.85/WI/CT/7. New Delhi, dt. 20.1.1987.

The General Managers,
All Indian Railways, including CLW, DLW, ICF & MTP Railways, Calcutta.

The Chief Administrative Officers,
MTP (Railways at Bombay and Madras.

The Chief Project Officer,
MTP (Railways), Delhi.

The General Manager (Construction)
Southern Railway, Bangalore.

The General Manager,
Wheel & Axle Plant, Bangalore.

The Director General,
RDSO, Lucknow.

The General Manager (Construction),
North Frontier Railway, Guwahati.

The Officer on Special Duty,
Rail Coach Factory, Kapurthala.

The Chief Administrative Officer,
DCW/Patiala and COFMOW/New Delhi.

The Principal Railway Staff College,
Baroda.

Sub:- General Conditions of Contract - Price Variation Clauses - amendment thereto.

The Railway Board had nominated a Committee comprising Railway Officers to make an indepth study of the existing price variation clauses of General Conditions of Contract and recommend changes as considered necessary.

2. The Committee has since submitted its Report and based on its recommendations the Board, in partial modification of the existing instructions, have decided the following:-

(i) Price variation clause will not apply if the price variation is upto 5%. Re-imbursement/recovery due to variation in prices shall continue to be made only for the amount in excess of 5% of the amount payable to the contractor, as hitherto.

(ii) Price variation clause should be applicable only to contracts where the stipulated period of completion is more than one year.

Contd.....2/-

Price variation clause will however, not apply to zonal contracts as they are normally operative for one year only.

(iii) The price variation clause may be applicable to contracts valuing Rs.10 lakhs and above. However, Chief Engineer will have the discretion not to provide any price variation clause for contracts valuing between Rs.10 lakhs and Rs.25 lakhs on account of some special considerations if he deems fit.

(iv) No maximum value for the price variation is to be prescribed.

(v) The fixed cost of the contract value on which no price variation would be permissible may be kept at 15% of the value of the contract.

(vi) For all extensions of time granted to the stipulated date of completion of work, the price variation clause will be applicable except extension(s) granted under Clause 17(4) of General Conditions of contract, in respect of the contracts where time was the essence of the contract.

(vii) Revised guidelines for the percentage component of labour, material, fuel etc. in the general category of contract being executed by Railways are given in the Annexure. Chief Engineer will, however, have the discretion to vary these percentages, if required, in consultation with FA & CAO on account of nature of the work.

(viii) The price variation should be based on the average price index of the 3 months of the quarter instead of the price index of the first month of the quarter under consideration.

(ix) The demands for escalation of the cost may be allowed on the basis of provisional indices made available by the Reserve Bank of India. Any adjustment needed to be done based on the finally published indices is to be made as and when they become available.

(x) Before calling for tenders the approval of an Officer not below the rank of SA Grade should be obtained who will satisfy himself about all the pre-requisites required for calling tenders having been fulfilled. He will particularly look into the reasonableness of the period provided for the completion of the work.

Contd.....3/-

3. This has the sanction of the President.

4. The Board desire that the above provisions should be made applicable to all contracts entered into on or after 1.4.87.

5. This issues with the concurrence of the Finance Directorate of the Ministry of Railways.

( J.S.Mundrey )
Executive Director, Civil Engg.
Railway Board.

No.86/WI/CT/7. New Delhi, dt. 20.1.1987.

Copy forwarded for information to:-

i) The ADAI(Railways), New Delhi (with 140 spare copies).

ii) The F.A.&. C.A.Os/ All Indian Railways.

iii) The Directors of Audit/ All Indian Railways.

( J.S.Mundrey )
Executive Director, Civil Engg.
Railway Board.

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Annexure.

Statement showing the percentage of labour components, material components, fuel components, etc. in various types of works.

| | Existing | Proposed |
|---|---|---|
| (A) Earthwork Contracts: | | |
| Labour component | 55% | 50% |
| Fuel component | 5% | 20% |
| Other material components | 5% | 15% |
| Fixed component | 35% * | 15% |
| (B) Ballast and Quarry Products Contracts: | | |
| Labour component | 45% | 55% |
| Fuel component | 5% | 15% |
| Other material components | 10% | 15% |
| Fixed component | 40%* | 15% |
| (C) Tunneling Contracts: | | |
| Labour component | 40% | 45% |
| Fuel component | 5% | 15% |
| Explosive component | 12.5% | 15% |
| Detonators components | 2.5% | 5% |
| Other material component | 5% | 5% |
| Fixed component | 35% * | 15 |
| (D) Other Works Contracts: | | |
| Labour component | 30% | 30% |
| Material component | 30% | 40% |
| Fuel component | 5% | 15% |
| Fixed component | 35% * | 15% |

* Will not be considered for any price variation.

Since, it is not possible to legislate the above percentages for every type of work, Chief Engineer/Chief Engineer(Construction), may vary these percentages in consultation with FA&CAO & CAO(Cons.) keeping in view the special features and complexities of the work involved. It should, however, be borne in mind that whatever %ages are to be adopted they should first be decided and indicated in the price variation clause to be included the special tender Conditions before floating the tenders so that the tenderers are fully aware of them while quoting their rates.