

Directorate General of Works  
Central Public Works Department

1 MAY 1987

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N.D.G.W/CON/2  
No. 8

Dated: New Delhi, 22.4.1987

ENDORSEMENT

Subject:- Standing Order No.266 - Introduction of new  
Sub-Clause 10(CC) to Clause 10 of Contract  
Forms PWD 7 & 8 - Revision of.

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A copy of Standing Order No.266 dated 9.3.87 issued by the Ministry of Urban Development vide their No.28012/76/85-W4 is circulated for information and necessary action to all the CES/SES/EEs etc. This superceeds the earlier Standing Order No.256 issued vide this Office Endorsement No.CE/CON/756 dated 31.5.1983.

(Hindi version will follow)

*A. S. Sidhu*

(A.S. Sidhu)  
F.O.to D.G.(Works)

To

1. All CES/SES in CPWD (including Horticulture Directorate, Delhi Admn., and Arunachal Pradesh).
2. All SES/EEs in CPWD (including Horticulture Directorate, Delhi Admn. and Arunachal Pradesh).
3. The Central Builders Association (Regd.), 44/1, Regal Building, New Delhi.
4. Builder's Association of India, G-1/G-20, Commerce Centre, 7th Floor, Tardeo, Bombay-400034.
5. F.O. to DDG(BW), Deptt. of Telecom., 6th Floor, Samachar Bhawan, New Delhi-1.
6. CE(Civil) Construction Wing, AIR Samachar Bhawan, New Delhi.
7. SE-in-Charge, AIIMS, Ansari Nagar, New Delhi.
8. Engineer Member, DDA, Vikas Minar, New Delhi.
9. Director of Audit, CW & M, New Delhi.
10. Municipal Engineer, Municipal Corporation of Delhi, Town Hall, New Delhi.
11. Chief Technical Examiner, CVC, New Delhi.
12. Chief Engineer, Ministry of Development, PWD, Bhutan.
13. Ministry of Urban Development, New Delhi.
14. Director of Accounts, Works Audit Section Directorate of Accounts, Panaji, Goa.

Contd....2/-

15. Chief Engineer (Irrigation and Flood), Delhi Administration Old Secctt., Delhi.
16. Director, Light House and Light Ship, Ministry of Shipping and Transport, East Block, R.K. Puram, New Delhi.
17. The Joint Secretary, Govt of Pondichary, PWD Secctt., Pondichary.
18. The Chief Engineer & Administrator, Andaman & Lakshdwee, Harbour Works, Port Blair.
19. Shri K.K. Khanna, C/o Post Box No.284, Market Road, New Delhi.
20. Institute Engineer, I.I.T., Hauz Khas, New Delhi-16.
21. University Engineer, University of Delhi, Delhi-7.
22. Engineer-in-Chief, Army Headquarters, Kashmir House, New Delhi.
23. Chief Engineer, NDMC, New Delhi.
24. C.C.A., Ministry of Urban Development.

(Issued from File No. 413/87-CWBd)

Copy of Standing Order No.266 issued by the Ministry of Urban Development vide their No.28012/76/85-W4 dated 9.3.87.

Standing Order No.266

The existing clause 10(cc) of the forms PWD 7 & 8 of the Book of Forms First edition (first reprint) referred to in para 1 of the CPWD code introduced vide Standing Order No.256 dated 9th May 1983 may be submitted as under:

"Clause 10(cc) - If the prices of materials (not BEING materials supplied or services rendered at fixed prices by the department in accordance with clauses 10 & 34 hereof) and/or wages of labour required for execution of the work increase, the contractor shall be compensated for such increase as per provisions detailed below and the amount of the contract shall accordingly be varied, subject to the condition that such compensation for escalation in prices shall be available only for the work done during the stipulated period of the contract including such period for which the contract is validly extended under the provisions of clause 5 of the contract without any action under clause 2 and also subject to the condition that no such compensation shall be payable for a work for which the stipulated period of completion is 6 months or less. Such compensation for escalation in the prices of materials and labour, when due, shall be worked out based on the following provisions:-

(1) The base date for working out such escalation shall be the last date on which tenders were stipulated to be received.

(2) The cost of work for which escalation will be payable shall be reckoned as 85% of the cost of work as per the bills, running or final and from this amount the value of materials supplied under clause 10 of this contract or services rendered at fixed charges as per clause 34 of this contract, and proposed to be recovered in the particular bill, shall be deducted before the amount of compensation for escalation is worked out. In the case of materials brought to site for which any secured advance is included in the bill, the full value of such materials as assessed by the Engineer-in-charge (and not the reduced amount for which secured advance has been paid) shall be included in the cost of work done for operation of this clause. Similarly when such materials are incorporated in the work and the secured advance is deducted from the bill, the full assessed value of the materials originally considered for operation of this clause, should be deducted from the cost of the work shown in the bill, running or final. Further the cost of work shall not include any work for which payment is made under clause 12 or 12(a) at prevailing market rates.

(3) The components of materials, labour, P.O.L., etc. shall be pre-determined for every work and incorporated in the conditions of contract attached to the tender papers and the decision of the Engineer-in-charge in working out such percentages shall be binding on the contractor.

(4) The compensation for escalation for materials and P.O.L. shall be worked out as per the formulae given below.

$$(i) \quad V_M = W \times \frac{X}{100} \times \frac{(MI - MI_0)}{MI_0}$$

$V_M$  = Variation in material cost i.e. increase or decrease in the amount in rupees to be paid or recovered.

$W$  = Cost of work done worked out as indicated in sub para 2 above.

$X$  = Component of materials expressed as percent of the total value of work.

$MI$  &  $MI_0$  = All India whole sale Index for all commodities for the period under reckoning as published by the Economic Adviser to Government of India, Ministry of Industry and Commerce, for the period under consideration and that valid at the time of receipt of tenders, respectively.

$$(ii) \quad V_F = W \times \frac{Z}{100} \times \frac{(FI - FI_0)}{FI_0}$$

$V_F$  = Variation in cost of fuel, oil and lubricant, increase or decrease in rupees to be paid or recovered.

W = Value of work done, worked out as indicated in sub para 2 above.

Z = Component of P.O.L. expressed as a percent of total value of work as indicated under the special conditions of contract

FI & FI<sub>0</sub> = Average index number of wholesale price for group (fuel, power, light and lubricants) - as published weekly by the Economic Adviser to Government of India, Ministry of Industry for the period under reckoning, and that valid at the time of receipt of tenders, respectively.

(5) The following principles shall be followed while working out the indices mentioned in para 4 above.

(a) The compensation for escalation shall be worked out at quarterly intervals and shall be with respect to the cost of work done during the three calendar months of the said quarter. The first such payment shall be made at the end of three months after the month (excluding) in which the tender was accepted and thereafter at three months' interval. At the time of completion of the work, the last period for payment might become less than 3 months, depending on the actual date of completion.

(b) The index (MI/FI etc.) relevant to any quarter for which such compensation is paid shall be the arithmetical average of the indices relevant to the three calendar months. If the period up to date of completion after the quarter covered by the last such instalment of payment, is less than three months, the index MI and FI shall be the average of the indices for the months falling within that period.

(c) The base index, MI<sub>0</sub>, FI<sub>0</sub> etc. shall be the one relating to the month in which the tender was stipulated to be received.

(6) The compensation for escalation for labour shall be worked out as per the formula given below:-

$$(i) \quad V_L = W \times \frac{Y}{100} \times \frac{L_I - L_{I_0}}{L_{I_0}}$$

V<sub>L</sub> = Variation in labour cost i.e., amount of increase or decrease in Rupees to be paid or recovered.

W = Value of work done, worked out as indicated in Sub para 2 above.

Y = Component of labour expressed as a percentage of the total value of the work.



- $L_{10}$  = Minimum daily wage in Rupees of an unskilled adult male mazdoor, as fixed under any law, statutory rule or order as on the last date on which tenders for the work were to be received.
- $L_1$  = Minimum wage in rupees of an unskilled adult male mazdoor, as fixed under any law, statutory rule or order as applicable on the last day of the quarter previous to the one during which the escalation is being paid.

(7) The following principles shall be followed while working out the compensation as per Sub-para 6 above.

(a) The minimum wage of an unskilled male mazdoor mentioned in Sub-para 6 above shall be the higher of the following two figures; namely those notified by Government of India, Ministry of Labour and those notified by the local administration, both relevant to the place of work and the period of reckoning.

(b) The escalation for labour also shall be paid at the same quarterly intervals when escalation due to increase in cost of materials and / or P.O.L. is paid under this clause. If such revision of minimum wages takes place during any such quarterly intervals, the escalation compensation shall be payable for work done in all quarters subsequent to the quarter in which the revision of minimum wages takes place.

(c) Irrespective of variations in minimum wages of any category of labour, for the purpose of this clause, the variation in the rates for an unskilled adult male mazdoor alone shall form the basis for working out the escalation compensation payable on the labour component.

(8) In the event the price of materials and/ or wages of labour required for execution of the work decrease/s, there shall be downward adjustment of the cost of work so that such price of materials and/ or wages of labour shall be deductible from the cost of work under this contract and in this regard the formula herein before stated under this clause 10(cc) shall mutatis mutandis apply, provided that -

(i) no such adjustment for the decrease in the price of materials and/or wages of labour aforementioned would be made in case of contracts in which the stipulated period of completion of the work is six months or less;

(ii) the Engineer-in-charge shall otherwise be entitled to lay down the principles on which the provision of this sub-clause shall be implemented from time to time and the decision of the Engineer-in-charge in this behalf shall be final and binding.

Provided always that the provision of the preceding clause 10(c) shall not be applicable for contracts where provisions of this clause are applicable but in cases where provisions of this clause are not applicable, the provisions of clause 10(c) will become applicable."

sd/-

(S.C. GUPTA)

SECTION OFFICER (SPECIAL)