

STANDING INSTRUCTION NO. 310Sub: OPERATION OF CLAUSE 10-CC OF PWD-7 & 8 --- CLARIFICATION.

Some doubts have been raised regarding operation of clause-10-CC in the event of levy of compensation under clause 2 of the contract (PWD-7 & 8). It is being interpreted that in the event of levy of compensation, the contractor shall not be compensated at all for the component of the works carried out beyond the date of imposition of levy under clause 2. It is not a correct interpretation of the clause. The provision clearly specifies that such compensation for increase in prices of material and labour shall vary the amount of the contract. This escalation shall be payable as per the details given in the clause 10-CC. The compensation is payable on the quarterly average basis which amounts to variation in the contract which continues during the stipulated period of the contract including such periods for which the contract is validly extended under the provision of clause 5 of the contract without any action under clause 2. In case of action under clause 2, further enhancement in amount is not allowed. The enhancement already allowed continues for the work executed beyond that date.

To make it further clear let us assume that the base index at the time of receipt of tenders say 01.01.85 was 100. The contract was validly extended under clause 5 without levy of compensation upto 01.01.88, when compensation was levied under clause 2 of the contract. The work actually completed on 31.03.88. On 01.01.88, the cost index raised to 180 which further rose to 190 by 31.03.88. The intension of the clause is not to give benefit to the contractor for the rise from 180 to 190 but not to deprive him of the rise from 100 to 180. Beyond 01.01.88 till 31.03.88, the payment of the compensation to the contractor shall be restricted to that corresponding to the index of 180 and shall not be paid for further rise beyond that. The question of paying him only to the level of 100 beyond 01.01.88 simply does not arise.

This issues with the approval of Engineer Member.

  
( K.K. Muroja )  
Director(Works)

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