

**GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)**

No.85/WI/CT/7 .Pt.I.

New Delhi, dated 18/19-4-2006.

Addressed to: As per list attached.

**Subject: General Conditions of Contract-Price Variation Clause
(PVC)- Amendment thereto.**

Ref:(i) Board's letter No.80/W1/CT/10
dated 25.04. 1980.

(ii) Board's letters No.85/W1/CT/7
dated 20.01.1987 and 04..04.1996.

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References had been received from various Railways seeking modification in the existing Price Variation Clause in Works Contracts as a result of sharp rise in the prices of Steel and cement during the last few years. The matter has been considered and Board have decided as under:

- (i) Prices of Steel and Cement are to be linked with the Wholesale Price Index of the respective subgroups as per RBI Index Numbers. Henceforth, the formula for calculating the amount of variation on account of variation in prices of Steel and Cement would be as indicated below: -

$$Ms = R \times (Ws - Wso) / Wso$$

$$Mc = R \times (Wc - Wco) / Wco$$

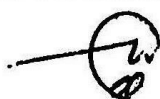
Where

Ms = Amount of price variation in material (Steel).

Mc = Amount of price variation in material (Cement).

R = value of Steel or Cement supplied by Contractor as per on account bill in the quarter under consideration.

Wso = Index No. of Wholesale Price of subgroup (of Steel and Iron) as published in RBI Bulletin for the base period.



W_s = Index No. of Wholesale Price of subgroup (of Steel and Iron) as published in RBI Bulletin for the First month of the quarter under consideration.

W_{co} = Index No. of Wholesale Price of sub-group (of Cement) as published in RBI Bulletin for the base period.

W_c = Index No. of wholesale price of subgroup (of cement) as published in RBI bulletin for the first month of the quarter under Consideration.

- (ii) In view of the fact that the price variation of steel and cement would be calculated separately, material component should get reduced in the general PVC formula. It has, therefore, been decided to reduce the percentage of material component from 40% to 25% and increase the fixed component from 15% to 30%. Boards letter No. 85/WI/CT/7 dated 20.1.1987 would stand amended to that extent. The proportion of different components to be adopted in the revised formula for calculating price variation under "Other Works Contracts" is amended as under:-

Components	Existing Percentage	Revised Percentage
Labour component	30%	30% (no change)
Material component	40%	25%
Fuel component	15%	15% (no change)
Fixed component	15%	30%

There would be no change in the Percentages of different components in contracts of other category, namely, Earthwork , Ballast Quarry products and Tunneling.

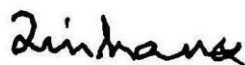
- (iii) The revised weightage would be applied on the value arrived at after deducting the cost of Steel & Cement from the total contract value.



- (iv) The tender schedule should have separate items for 'Supply of Steel' and, 'supply of Cement' for RCC/PSC work to know the cost of steel and cement actually consumed at any given point of time.
- (v) Payment/recovery on account of variation in price shall continue to be restricted to the ceiling of 10% (15-5) and 20%(25-5) as the case may be, as laid down in Board's letter No.85/W1/CT/7 dated 04.04.1996.
- (vi) There will be no change in other provisions contained in Board's letters No. 80/W1/CT/10 dated 25.04.1980 , No.85/W1/CT/7 dated 20.01.1987 and No.85/W1/CT/7 dated 04.-4.96.
- (vii) The contract agreements should clearly indicate that price variation implies both increase as well as decrease in input prices and, therefore, price variation during the currency of the contract may result in extra payment or recovery, as the case may be.
- (viii) These provisions shall be applicable with prospective effect.
- (ix) This issues with the concurrence of Finance Directorate of the Ministry of Railways.

Please acknowledge receipt.

Hindi version will follow.


18.4.96

(N.K.SINHA)
Exec.Director,Civil Engineering(G)
Railway Board.