Appendix to Proposal

Schedule of Cost Indexation

If in accordance with GC 13.7, prices shall be adjustable, the following method shall be used to calculate the price adjustment:

Prices payable to the EPC Contractor, in accordance with the Contract, shall be subject to adjustment during performance of the Contract to reflect changes in the cost of labor and material components, in accordance with the following formula:

$$Pn = a + b\, Ln / Lo + c\, En / Eo + d\, Mn/Mo + \ldots\ldots$$

Where:

"Pn" is the adjustment multiplier to be applied to the estimated contract value in the relevant currency of the work carried out in period "n", this period being a month unless otherwise stated in the Contract Data;

"a" is a fixed coefficient, stated in the relevant table of adjustment data, representing the non-adjustable portion in contractual payments;

"b", "c", "d", ... are coefficients representing the estimated proportion of each cost element related to the execution of the Works as stated in the relevant table of adjustment data; such tabulated cost elements may be indicative of resources such as labor, equipment and materials;

"Ln", "En", "Mn", ... are the current cost indices or reference prices for period "n", expressed in the relevant currency of payment, each of which is applicable to the relevant tabulated cost element on the date 49 days prior to the last day of the period (to which the particular Payment Certificate relates); and

"Lo", "Eo", "Mo", ... are the base cost indices or reference prices, expressed in the relevant currency of payment, each of which is applicable to the relevant tabulated cost element on the Base Date.

The cost indices or reference prices stated in the Table of Adjustment Data shall be used. If their source is in doubt, it shall be determined by the Engineer. For this purpose, reference shall be made to the values of the indices at stated dates (quoted in the fourth and fifth columns respectively of the table).

If the currency in which the Contract price is expressed is different from the currency of the country of origin of the labour and/or materials indices, a correction factor will be applied to avoid incorrect adjustments of the Contract price. The correction factor shall be: Z_0 / Z_1, where,

Z_0 = the number of units of currency of the origin of the indices which equal to one unit of the currency of the Contract Price on the Base date, and

Z_1 = the number of units of currency of the origin of the indices which equal to one unit of the currency of the Contract Price on the Date of Adjustment.

Table of Adjustment Data

Table A : Local Currency

[In Tables A, B, and C, below, the Proposer shall (a) indicate its amount of local currency payment, (b) indicate its proposed source and base values of indices for the different foreign currency elements of cost, (c) derive its proposed weightings for local and foreign currency payment, and (d) list the exchange rates used in the currency conversion. In the case of very large and/or complex works contracts, it may be necessary to specify several families of price adjustment formulae corresponding to the different works involved.]

Index code	Index description	Source of index	Base value and date*	Proposer's related currency amount	Proposer's proposed weighting
a	**Nonadjustable (25%)**	—	—	—	a: 0.25
b	**Labour**				b: 0.15 to 0.25*
c	**HI-Speed Diesel**				c: 0.10-0.15
d	**Material**				**d**: 0.42-0.5
d-1	*Material (1)*				d-1: ______*
d-2	*Material (2)*				d-2: ______*
	………				
e	**Machinery and Equipment**				**e**: 0.08-0.10
			Total		**1.00**

** To be specified by the Proposers. Whereas "a" is a fixed percentage, while the Proposer should specify range within maximum percentage allowed for material and labour for b, c, d, e, f, g & h such that the total weighting = 1.00. Source of index for local curreny is 'Pakistan Bearaue of Statistics'.*

Table of Adjustment Data

Table B : Foreign Currency

Index code	Index description	Source of index*	Base value and date*	Proposer's related source currency in type/amount	Equivalent in FC1	Proposer's proposed weighting
a	**Nonadjustable (50%)**	—	—	—		a : 0.5*
	Labor:					
b	Expatriates					b: 0.03-0.05*
c	Local					c: 0.12-0.15*
d	**Material :**					d: 0.25-0.3
d-1	*Material (1)*					d-1:______*
d-2	*Material (2)*					d-2:______*
e	**Machinery & Equipment**					e: 0.05-0.07*
				Total		**1.00**

* To be specified by the Proposers. Whereas "a" is a fixed percentage, while the Proposer should specify range within maximum percentage allowed for material and labour for b, c, d, e, f, g & h such that the total weighting = 1.00.