

ANNEXURE D: FORMULA FOR PRICE ADJUSTMENT

The amounts payable to the Contractor shall be adjusted in respect of the rise or fall in the cost of labor, materials, and other inputs to the Works, by applying to such amount the formula prescribed below.

The adjustment to the monthly statements in respect of changes in cost shall be determined from the following formula:-

$$PAF_n = A + b \frac{UL_n}{UL_o} + c \frac{L_n}{L_o} + d \frac{P_n}{P_o} + e \frac{D_n}{D_o} + f \frac{S_n}{S_o} + g \frac{C_n}{C_o}$$

Where:

- PAF_n is a price adjustment factor to be applied to the amount for the payment of the work carried out in the subject month, where any variations and daywork are not otherwise subject to adjustment;
- A is a constant, representing the non-adjustable portion in contractual payments;
- $b, c, d, \text{ etc.},$ are weightages or coefficients representing the estimated proportion of each cost element (labour, cement and reinforcing steel etc.) in the Works or Sections thereof, net of Provisional Sums and Prime Cost; the sum of $A, b, c, d, \text{ etc.},$ shall be one;
- $UL_n, L_n, P_n, \text{ etc.},$ are the current cost indices or reference prices of the cost elements for month “n”, applicable to each cost element; and
- $UL_o, L_o, P_o, \text{ etc.},$ are the base cost indices or reference prices corresponding to the above cost elements at the date specified below.

Sources of Indices and Weightages:

The sources of indices shall be those listed in table below as approved by the Engineer.

Base, Current, and Provisional Indices:

The base cost indices or prices shall be those prevailing on the day 28 days prior to the latest date for submission of bids. Current indices or prices shall be those prevailing on the day 28 days prior to the last day of the period to which a particular monthly statement is related. If at any time the current indices are

not available, provisional indices as determined by the Engineer will be used, subject to subsequent correction of the amounts paid to the Contractor when the current indices become available.

Adjustment after Completion:

If the Contractor fails to complete the Works within the Time for Completion, adjustment of prices thereafter until the date of completion of the Works shall be made using either the indices or prices relating to the prescribed time for completion, or the current indices or prices, whichever is more favorable to the Employer, provided that if an extension of time is granted, the above provision shall apply only to adjustments made after the expiry of such extension of time.

Weightages:

The weightages for each of the factors of cost given in table below shall be adjusted if, in the opinion of the Engineer, they have been rendered unreasonable, unbalanced, or inapplicable as a result of varied or additional work executed or instructed. Such adjustment(s) shall have to be agreed in the variation order.

Source of indices and the weightages or coefficients for use in the price adjustment formula shall be as follows:

Cost Element	Description	Coefficient	Weightage	Applicable index
1	2	3	4	5
(i)	Fixed Portion	A	0.50	-
(ii)	Unskilled Labour	b	0.15	Government of Pakistan (GoP) Federal Bureau of Statistics (FBS) Monthly Statistical Bulletin for the city of Lahore
(iii)	Skilled Labour	c	0.10	
(iv)	Petrol	d	0.03	
(v)	High Speed Diesel (HSD)	e	0.05	
(vi)	Reinforcing Steel	f	0.10	
(vii)	Cement – in bags	g	0.07	
		Total	1.00	

Notes:

- 1) Indices for “(ii)” to “(vii)” are taken from the Government of Pakistan Federal Bureau of Statistics, Monthly Statistical Bulletin for the city of Lahore. The base cost indices or prices shall be those for the month falling 28 days prior to latest day for submission of bids. Current indices or prices shall be those for the month falling 28 days prior to the last day of the billing period or as per completion period mentioned in bidding documents or if EOT granted by Competent Authority, whichever is earlier.
- 2) For unskilled labour, the index shall be the wage for labour (unskilled) as published in Government of Pakistan Federal Bureau of Statistics, Monthly Statistical Bulletin for the city of Lahore.
- 3) For skilled labour, the index shall be the wage for mason (raj) as published in Government of Pakistan Federal Bureau of Statistics, Monthly Statistical Bulletin for the city of Lahore.
- 4) For Petrol, the index shall be the rate of Petrol Super as published in Government of Pakistan Federal Bureau of Statistics, Monthly Statistical Bulletin for the city of Lahore.
- 5) For High Speed Diesel (HSD), the index shall be the rate of High Speed Diesel as published in Government of Pakistan Federal Bureau of Statistics, Monthly Statistical Bulletin for the city of Lahore.
- 6) For reinforcing steel, the index shall be the rate of ½” round MS Bars as published in Government of Pakistan Federal Bureau of Statistics, Monthly Statistical Bulletin for the city of Lahore.
- 7) For Cement, the index shall be for one bag of cement (local) as published in Government of Pakistan Federal Bureau of Statistics, Monthly Statistical Bulletin for the city of Lahore.

Any fluctuation in the indices or prices of materials other than those given above shall not be subject to adjustment of the Contract Price.