

BEST PRACTICE FOR ADJUSTING PRICE IN CONTRACTS

Presenter:

D H BURROWES

MJIQS,MRICS,MCI Arb

September 2023



THE IMPORTANCE OF PROVIDING FOR PRICE ADJUSTMENT

To quantify the impact of the changes in cost resulting from escalations in the price of labour materials, plant fuels, and insurance.

To mitigate price risk by ensuring transparency.



CONTRACTUAL PROVISIONS

- CIC CONTRACT..... CLAUSE 31
- FIDIC , [Red, Yellow Books.....CLAUSE 13.7 and 13.8
- GCC CLAUSE 13.7 and 13.8
- AIA Not accommodated



COMPARISON OF ADJUSTMENT MECHANISMS

CIC CONTRACT

- Basic price list required
- Actual Invoice needed
- Increase paid net
- Handling Charges may be added

FIDIC CONTRACT

- Based on Formulae
- Contract must include the Table of Adjustment.
- Reliable price indices required
- Level of sophistication required.

TRADITIONAL METHOD OF CALCULATING ESCALATIONS

BASIC PRICE LISTING

- Labour (JIC rates at signing contract)
- Cement
- Steel
- Sand
- Paints

PRICE AS PURCHASED FOR USE

- Labour (Current JIC Rates)
- Cement
- Steel
- Sand
- Paints

FORMULAE

- $P_n = a + b \frac{I_n}{L_o} + c \frac{E_n}{E_o} + d \frac{F_n}{F_o} \dots\dots\dots$
- The P_n is the multiplier
- “a” is a fixed amount that equates to the non adjustable portion of the Contract
- “b” “c” and “d” are coefficients representing the proportional effect the element has on the contract.
- “ L_n ” “ E_n ” and “ F_n ” are Current price of item chosen or Current Price index
- “ L_o ” “ E_o ” and “ F_o ” are base prices of item chosen or Base Price Index.



NOTE :

**A WRITTEN NOTICE IS A
CONDITION PRECEDENT.**

**USE PROFESSIONALS WHO
ARE COMPETENT IN
PREPARING AND
NEGOTIATING
ESCALATIONS.**

THANK YOU..... QUESTIONS ?

D. H BURROWES

BURROWES & WALLACE

BURROWES & CHARTERED QUANTITY SURVEYORS

