

- v) We would however like to intimate you that though the project has got delayed, the escalation being paid to the construction agency is based on the frozen wholesale price indices and labour wages indices on the original contractual date of completion. Thus there shall be no increase in escalation on account of delay in project completion.
- vi) During execution of the project however the costs have risen on other counts as below
- a) Increase in the cost of cement prevalent during initial costing and during the execution of works. Increase in cost of DU on this account works to approximately 1%.
 - b) Increase in the costs of steel due to revised policy of the organisation to purchase steel only from the 3 major manufactures i.e. M/s SAIL, TATA, RINL, instead of local manufacturers. The increase due to this change in policy works out to approximately 5% of the costs of DUs.
 - c) Increase in the Wholesale Price Index – As per the standard clause no. 10cc of CPWD which forms a part of the contract agreement for the Jaipur Project, any increase in the wholesale price index subsequent to the submission of price bids is to be reimbursed by way of a standard formula to the construction agency. It was seen that the wholesale price index at the time of submission of price bids was 211.50 and the WPI on the scheduled contractual date of completion was 266.72. Thus it may be seen that there was 26% rise in the WPI in the original contractual period which accordingly raised the costs of DUs by approximately 8.5%.
 - d) Increase in the minimum labour wages – Again as per the clause no. 10cc of CPWD any increase in the minimum labour wages during the execution of the project subsequent to submission of price bids is to be reimbursed to the contractor on quarterly basis. It may be seen that minimum labour wages on the date of submission of price bids was Rs.87.81 per day and the minimum labour wages on the original completion date was 186.00 which indicates a rise of 111.82% and the costs of DUs was therefore increased by approximately 10%.
 - e) A fresh tax in the form of Labour Cess was imposed on the execution of construction project with effect from July 2009 in the State of Rajasthan. This tax also increased in the costs of DUs by approximately 1%.
- vii) The working of escalation is not due to any change in specifications and is mainly due to only increase in the wholesale price indices issued by the Chief Economic Advisor, M/o Industry & Labour, wages notified by the State Govt/ Govt of India and the escalation amount paid to the construction agency as per the standard terms & conditions of contract. The escalations are payable to the construction agency on quarterly basis and thus the increase is not sudden but has been gradual. However, the interim costing with all expenditures upto date was carried out recently and was intimated to the beneficiaries.