

No. 11041/2/2002/Admn-III

November 4, 2003

POLICY MATTERS-ADMINISTRATION/FINANCE (64/2003)
(Decision taken on Finance Division file No. NHAI/F&A/Policy Matter/2003/210)

Sub: Rate of recovery of mobilization advances

It has been observed that there are some inconsistencies in the provisions in some of the contracts relating to the rate of recovery of mobilization advances paid to the contractors. For example, in the case of contract for package KU-IV, sub-clause 60.7(d) states that the entire advance shall be repaid as percentage deductions from the interim payment certified by the Engineer and the deductions shall commence from the interim payment certificate following the one in which the total value of all interim certificates has reached 30% (thirty percent) of the contract price less provisional sums. The deductions are to be made at the rate of 10% (ten percent) of the gross amount of all interim payment certificates in which the advances were made until such time so that the loan shall be completely repaid when 90% of the contract price has been paid.

2. It is observed that there is an inconsistency regarding the rate of recovery prescribed in the above provisions. Recovery at a uniform rate of 10% over 60% payment i.e., (90-30%) would mean a recovery of only 6% of the contract price as against 15% of the contract price paid as advance to the contractor.

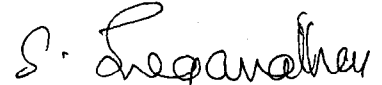
3. The relevant provisions in the contracts relating to the rate of recovery of mobilization advances paid to the contractors have been reviewed and it has been decided to adopt the following procedure to remove the inconsistencies:

- (i) Revise the recovery schedule in consultation with the contractor (which should be beneficial to NHAI as compared to the recovery schedule prescribed in the contract).
- (ii) Enter into a supplementary agreement with the contractor in this regard reflecting the change in the provisions of the recovery of advances.
- (iii) In respect of future contracts, where a total advance of 15% of the contract price is payable to the contractors, the following provisions for recovery of advance may be incorporated in the standard bid documents-

Contd...2/-

“Recovery shall be made @ 25% of the gross amount of all Interim Payment Certificates (i) after the progress payments made to the contractor reach a level of 30% of the contract price or (ii) on completion of 40 (forty) per cent of the contract period after the commencement of the work, whichever is earlier, provided that the entire advance is recovered (i) before 90% of the contract price has been paid to the contractor, or (ii) before the expiry of the prescribed period of completion (including any extension of time which has been granted) whichever is earlier.”

This issues with the approval of the Chairman.



[S. Loganathan]

General Manager (Admn.)

All Members
All CGMs/CVO/CPD/GMs
All DGMs/Managers
All PIUs/CMUs/SPVs

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