

## SECTION 2.1 SPECIAL CONDITIONS OF CONTRACT

### 2.1.1 Pricing Data

**2.1.1.1 Price adjustments due to escalation** - In some instances (contracts exceeding 12 months) it might be in the best interest of the Municipality to allow price adjustments based on escalation. What the best option should be will require a careful analysis of all related aspects that will influence the adjusted price, including the cost for the additional administrative work. If the Bid Specification Committee resolves to allow price escalation as part of the contract, this should be specified in the bid documents, including the formula and the time frames at which intervals such price adjustments should be considered.

**The following formula is applicable if adjustments of prices are allowed:**

$$P_a = (1 - V)P_t \left( D1 \frac{R1t}{R1o} + D2 \frac{R2t}{R2o} + D3 \frac{R3t}{R3o} + D4 \frac{R4t}{R4o} \right) + VP_t$$

Where:

- $P_a$  = The new escalated price to be calculated.
- $(1-V) P_t$  = 85% of the original bid price. Note that  $P_t$  must always be the original bid price and not an escalated price.
- $D1, D2$  = Each factor of the bid price eg. labour, transport, clothing, footwear, etc. The total of the various factors  $D1, D2, \dots$  etc. must add up to 100%.
- $R1t, R2t$  = Index figure obtained from new index (depends on the number of factors used).
- $R1o, R2o$  = Index figure at time of bidding.
- $VP_t$  = 15% of the original bid price. This portion of the bid price remains firm i.e. it is not subject to any price escalations.

**2.1.1.2 Price adjustments due to fluctuation in the rate of exchange** - The price adjustments based on ROE fluctuations, should be allowed only on the imported contents of the commodity to meet only the suppliers' additional costs of the imported content. Where the whole or a portion of the bidding price may be affected by the revaluation of currencies or any fluctuation in the ROE, the bidder shall, in accordance with the bidding requirements, state in his bid the amount to be paid in foreign currencies or to be remitted abroad, as well as the rate of exchange applied in the conversion of that amount into South African currency in calculating the bid price. All rate of exchange claims shall be accompanied by proof from the bank or sourced from an official website such as the South African Reserve Bank of the existing exchange rate.

That Price adjustments only be considered on an quarterly basis and that the request for price adjustment must reach Hessequa Municipality on or before the 15<sup>th</sup> of the specified month in order to obtain approval and to implement from the 1<sup>st</sup> of the following month. That price escalations may be susceptible towards benchmarking against current industry cost.

**Failure to adhere to the beforementioned may result in your tender being declared non-responsive.**

DECLARATION,

I, THE UNDERSIGNED (NAME) .....  
CERTIFY THAT THE INFORMATION FURNISHED ABOVE IS CORRECT. I ACCEPT THAT THE MUNICIPALITY  
MAY ACT AGAINST ME SHOULD THIS DECLARATION PROVE TO BE FALSE.

AUTHORISED SIGNATURE: .....

NAME: .....

CAPACITY: ..... DATE: .....