

Schedule 8: Contract Price Adjustment and/or Rate of Exchange Variation

8. Pricing Instructions:

- 8.1 The Contract Price Adjustment mechanism and/or provisions relating to Rate of Exchange (RoE) Variation, contained in this schedule is compulsory and binding on all tenderers.
- 8.2 Failure to complete this schedule or any part thereof may result in the tender offer being declared non-responsive.
- 8.3 Tenderers are not permitted to amend, vary, alter or delete this schedule or any part thereof unless otherwise stated in this schedule, failing which the tender offer shall be declared non-responsive.
- 8.4 Tenderers are not permitted to offer firm prices except as provided for in the Price Schedule, and if the tenderer offers firm prices in contravention of this clause the tender offer shall be declared non-responsive.

PLEASE NOTE THAT NO ADDITIONAL QUALIFICATIONS TO THE CONTRACT PRICE ADJUSTMENT MECHANISMS WILL BE PERMITTED

PRICE ESCALATION MECHANISMS FOR PRICE LIST ITEMS 1 TO 7

The tenderer is to indicate the percentage portion of the tendered price that will be adjusted by **Manufacturer/Supplier Price List, CPI and PPI** for items 1 to 4 (totalling to 100%).

Price items 5-7 will be subject to CPI only.

<i>Price Items</i>	<i>Product</i>	<i>Consumer Price Index (CPI) %</i>	<i>Producer Price index (PPI) %</i>	<i>Manufacturer/Supplier Price List %</i>
<i>example</i>	Chemical	20	30	50
1-2	Pricing Schedule Items (1-2) Concentrated Sulphuric Acid			
3-4	Pricing Schedule Items (3-4) Battery Acid			
5-7	Pricing Schedule Items (5-7) Risk Assessment, Training and Emergency Response	100		

RoE is intended for full import of the product being offered and if applicable please refer to Schedule 10.

SUPPLIER/MANUFACTURER PRICE LIST VARIATIONS

If the contract is subject to variation based on **SUPPLIER/MANUFACTURER PRICE LIST VARIATIONS**, the following will be applicable:

The tenderer may apply for an adjustment on a 6 monthly basis (as from date of tender closing). Tenderers must supply the following documentation when applying for a price variation:

- The price list that the tender was based upon **clearly indicating the item numbered according to the tender pricing schedule.**
- The new price list **clearly indicating the item according to the tender pricing schedule** from the same supplier/manufacturer from date of tender

- **Detailed calculations** indicating how the “new” price is established
- Covering letter on a letterhead from contractor requesting the variation.
- All documentation to be signed by relevant parties (supplier/manufacturer and contractor)

prior to the date upon which the price variation would become effective. The effective date of any price increases granted will be at the date when all the above mentioned documentation is submitted. In instances where the contractors price claimed is less than entitled, the lesser price will be accepted. Orders placed prior to the effective date will not be allowed to be varied.

The CPA calculation is based on a manufacturers price change with a mark-up component. Only the difference in cost will be allowed to be varied and under no circumstances may the contractor increase their profit margin.

In the event of a contractor changing their supplier/manufacturer during the tenure of the contract, any request for price variations will not be considered unless the contractor obtains prior approval from the City.

Process that will be followed:

Contractor submits all the documentation indicated above **prior** to the effective date of the variation. The City will consider the variation and based on the documentary evidence, the City may approve the variation.

Letters authorising the price variation will be communicated to the contractor.

All purchase orders from the effective date will be generated at the approved contract price.

TENDERS WHO ARE NOT THE MANUFACTURER/SUPPLIER

NOTE: TENDERERS ARE REQUIRED TO COMPLETE BELOW.

Increase using Supplier/Manufacturer Price Lists

The tender price shall be subject to adjustment based on Supplier's/Manufacturer's Price Lists.

Supplier/Manufacturer _____

Date of Price List/Quotation upon which tender is based _____

Price List/Quotation Reference Number _____

N.B. The above information must be provided for each item supplied to the Tenderer.

Copies of price lists on which tender prices are based **must** be enclosed for all items.

The items referenced to the Pricing Schedule must be clearly identified on the price list.

Tenderers will be entitled to claim only the difference between the cost of the product at the time of tendering and the new cost. Documentation together with detailed calculations to this effect must be submitted.

CONSUMER PRICE INDEX (CPI):

Tenderers shall be entitled to claim contract price adjustment in accordance with the Consumer Price Index as published by STATSSA: Consumer Price Index (P0141–Table B2 – CPI headline year-on-year rates).

The contract prices shall remain firm for the first 12 months (from date of closing of tender) and no claims for contract price adjustment will be considered. 90% of the selected portion will be subject to adjustment annually based on the average Consumer Price Index (CPI) as follows:

From start of 13th month (from date of closing) to the end of the 24th month (from date of closing):

The base month shall be two (2) calendar months prior to the date of closing of tender and the end month shall be three (3) calendar months prior to the 12th month from date of closing of tender.

From start of 25th month (from date of closing) to 36th month (from date of closing):

The base month for the price adjustment shall be three (3) calendar months prior to the 12th month from date of closing of tender. The end month shall be two (2) calendar months prior to 24th month from date of closing of tender.

From start of 37th month (from date of closing) to the end of the contract:

Base month for the price adjustment shall be three (3) calendar months prior to the 24th month from date of closing of tender. The end month shall be two (2) calendar months prior to 36th month from date of closing of tender.

The average CPI will be calculated from the base month to the end month (both included) divided by the number of months.

The claim will be based on the average between the “base month” and the “end month” e.g.:

$7 + 6 + 9 + 6 = 28$, $(28/4) = 7$ therefore the claim will be 7%.

10% of the selected portion will remain fixed.

Where prices are subject to adjustment, only the method prescribed in this tender document shall apply. If a Tenderer proposes any alternative method of price adjustment, its tender offer will be considered to be non-responsive and may for that reason be disqualified at the sole discretion of the City.

PRODUCER PRICE INDEX (PPI):

Tenderers shall be entitled to claim contract price adjustment in accordance with Table 1 Final Manufactured good – P0142 published by Stats SA.

The contract prices shall remain firm for the first 12 months (from date of closing of tender) and no claims for contract price adjustment will be considered. 90% of the selected portion will be subject to adjustment annually based on the Producer Price Index (PPI) as follows:

From start of 13th month (from date of closing) to the end of the 24th month (from date of closing):

The base month shall be two (2) calendar months prior to the date of closing of tender and the end month shall be three (3) calendar months prior to the 12th month from date of closing of tender.

From start of 25th month (from date of closing) to 36th month (from date of closing):

The base month for the price adjustment shall be three (3) calendar months prior to the 12th month from date of closing of tender. The end month shall be two (2) calendar months prior to 24th month from date of closing of tender.

From start of 37th month (from date of closing) to the end of the contract:

Base month for the price adjustment shall be three (3) calendar months prior to the 24th month from date of closing of tender. The end month shall be two (2) calendar months prior to 36th month from date of closing of tender.

The PPI calculated for the period will be the difference between the indices of the end month and base month $(PPI_n - PPI_b)$ divided by the base month index (PPI_b) .

For example, If the base month has a Producer Price index = 101.5 and end month has a Producer Price index = 108.5, the producer price index adjustment rate will be:

$$= \{(PPI_n - PPI_b)/PPI_b\} \times 100 = \{(108.5 - 101.5)/101.5\} \times 100 = 6.9\%$$

10% of the selected portion will remain fixed.

Where prices are subject to adjustment, only the method prescribed in this tender document shall apply. If a Tenderer proposes any alternative method of price adjustment, its tender offer will be considered to be non-responsive and may for that reason be disqualified at the sole discretion of the City.

RATE OF EXCHANGE (RoE)

Only Contractors that are directly importing goods may claim rate of exchange variations. Contractors must take out Forward Cover on each purchase order.

Process that will be followed:

- On receipt of a purchase order, the contractor must arrange for a quotation for Forward Cover from their banking institution.
- This Forward Cover quotation must be submitted to the City within seven days from date of receipt of the purchase order.
- Only if the Forward Cover rate is approved, may the Contractor engage in a formalized contract with their banking institution and submit the Forward Cover contract to the City. This must be done within two days from the City's approval.
- On delivery of the product, the Contractor must submit the following documentation:
 - The Bill of Lading/Waybill/Customs Invoice (clearly indicating the items as identified on the purchase order).
 - Calculations detailing the difference in the rate of exchange at the time of entry and the date of tender. This must be submitted on a covering letter and Schedule 10.

The Tenderer is to list the Items that will be subject to RoE in the Table below

Items subject to RoE:		
Item Number	Description	Price in Foreign Currency

(Attach to APPENDIX if insufficient space available)

FOR TENDERERS WHO ARE DIRECTLY IMPORTING THE PRODUCTS:**NOTE: TENDERERS ARE REQUIRED TO COMPLETE BELOW AT THE TIME OF TENDERING:**

Exchange Rate on which tender is based: _____: 1 = SA Rand: _____

Name of Bank: _____

Date of quoted rate of exchange: _____

Tenderer to indicate which documentation (Bill of Lading/Waybill/Customs Invoice) will be applicable: _____

If any other documentation other than these are applicable, the tenderer must clearly indicate so above

CONTRACT PRICE ADJUSTMENT REQUESTS:

The detailed request with motivations for price increases must be submitted to the project manager: Janet.Chunderduri@capetown.gov.za