

No. NHIII/Coord/7/78

*Dated the 12th July, 1978*

To

All State Governments & Administrations of Union Territories  
(Departments dealing with National Highways).

Subject : Payment of escalation to contractors entrusted with the execution of Projects

I am directed to say that the Public Accounts Committee in their Report on Haldia Dock Project have expressed unhappiness over the high escalation claims admitted in respect of some of the contracts. The Committee have desired that Government should carefully examine the merit of the claims keeping in view the relevant factors so that the Project is not saddled with high costs.

2. I am, therefore, to request that the observations of the Public Accounts Committee, as mentioned in the preceding paragraph, may kindly be kept in view by all concerned while examining, dealing with and processing the claims for escalation and extra payments preferred by contractors very carefully regulated by their contract terms and conditions. I am also to add that necessary instructions may please be issued to the State Chief Engineers concerned to ensure that situations leading to the escalation and extra payments to contractors are avoided as much as possible and that these factors are also kept by them in view while drawing up the contracts.