

Our ref: BCA ID 86.10.18

Procurement Policies Department
Business Development Group

30 November 2022

Dear Sir/Madam,

CIRCULAR ON EX-GRATIA COST SHARING AND PRICE FLUCTUATION FOR STRUCTURAL STEEL IN ONGOING PUBLIC SECTOR CONSTRUCTION CONTRACTS

This circular informs the Built Environment sector on ex-gratia cost sharing and inclusion of price fluctuation clause for structural steel in applicable ongoing public sector construction contracts with substantial usage of structural steel.

Background

2 Material prices for common construction materials such as concrete, steel reinforcements (rebars) and structural steel have been rising steadily since early 2021. Structural steel, a common construction material used in building and civil engineering works has experienced substantial price increase throughout 2021 and prices remain high in 2022. As most of the construction contracts are priced in lump sum, the material price increase has impacted the supply chain at varying degree. Such situation could potentially affect delivery of public sector projects with substantial usage of structural steel.

3 The Public Sector Standard Conditions of Contract (PSSCOC) has price fluctuation clause (Clause 33) for concrete and steel rebars as these are key materials universally used in construction projects. However, price fluctuation for structural steel is currently not included in PSSCOC.

Ex-gratia cost sharing and inclusion of structural steel in material price fluctuation clause for ongoing construction contracts

4 In view of the above which arose from multiple unprecedented circumstances (e.g. delays due to COVID-19, supply chain disruptions), Government Procuring Entities (“GPEs”) will allow a one-off ***ex-gratia cost sharing and material price fluctuation for structural steel***:

- a) ***for public sector ongoing construction contracts awarded before 1 Jan 2021 with substantial structural steel usage of 500 tonnes or more.*** Contractor wish to claim for cost sharing and price fluctuation ***shall provide the necessary substantiation for the GPE’s assessment.***
- b) ***using Import Price Index (IPI) of Manufactured Goods for ‘Iron and Steel’ as published by Singapore Department of Statistics (DOS) as the material price index.*** Link to access

the index can be found in <https://tablebuilder.singstat.gov.sg>. Refer to Annex A for indices from Jan 2021 until Sep 2022.

For avoidance of doubt, this Circular does not cover (i) contracts that have structural steel price fluctuation clause included, and (ii) contracts which GPEs have already offered ex-gratia cost-sharing or price fluctuation for structural steel prior to date of this Circular. **As this is an ex-gratia scheme, GPEs' decisions are final.**

5 Details for cost sharing and material price fluctuation for ongoing contracts:

a) Eligibility	Applicable to construction contracts that are: (i) Awarded before 1 Jan 2021 with an estimated quantity of structural steel usage of 500 tonnes or more; (ii) Not terminated under Clause 31 of the Public Sector Standard Conditions of Contract (PSSCOC) or equivalent as of 30 Nov 2022; and (iii) Not certified to be substantially completed under Clause 17 of the PSSCOC or equivalent as of 30 Nov 2022.
b) Period of cost sharing and price fluctuation	(i) Cost sharing (Retrospective) – Structural steel material cost increase incurred from 1 Jan 2021 to 30 Nov 2022 (both dates inclusive). This shall be applicable for structural steel used in <u>permanent works</u> only. ¹ (ii) Price fluctuation (Prospective) - From 1 Dec 2022 until 30 Sep 2023 ² (both dates inclusive).
c) Base Index	Jan 2021
d) Base Rate	Base rate to be determined by GPEs.
e) Details on cost sharing and price fluctuation	(i) <u>For both cost sharing and price fluctuation:</u> Step 1: GPEs will incorporate a 10% base risk deduction <u>before</u> any cost-sharing or price fluctuation. This is to take into account that contractors and GPEs are expected to bear some price fluctuations as part of normal business risks (or “base risk”). Hence, cost-sharing or price fluctuation would not be activated for the particular month when the current index is within +/- 10% range of Base Index (i.e. IPI within 90 to 110). Step 2: to use 50% co-sharing as default. (ii) <u>For price fluctuation</u> , the Contract Sum will be adjusted upwards or downwards to take account of any rise or fall in material prices respectively – calculated based on the methodology/formulae adopted. GPEs have the discretion to determine and exclude the quantity of structural steel for temporary works that can be recycled.

¹ Such retrospective cost sharing is exceptional and arising from the multiple unprecedented circumstances including significant increase in structural steel prices coupled with delays due to COVID-19. For avoidance of doubt, GPEs have the flexibility not to provide cost-sharing if GPEs have officially concluded with contractors on final accounts.

² For period after 30 Sep 2023, BCA will continue to monitor and review the impact of price trends and assess the need for extension to the price fluctuation period.

<p>f) Main contractors should pass down relevant cost-sharing to subcontractors / specialists (subcon)</p>	<p><u>For retrospective cost sharing for cost increase incurred from 1 Jan 2021 until 30 Nov 2022:</u></p> <ul style="list-style-type: none"> • The main contractor (main con) after receiving the cost sharing payment is required to submit to GPE its own payment responses issued to its subcons and/or suppliers, as proof of passing down the relevant cost sharing. • If the main con fails to submit the required documents, GPE reserves the right to notify the main con that the cost sharing amount would be recovered by the GPE in full in subsequent interim payment where applicable. <p><u>For prospective price fluctuation from 1 Dec 2022 until 30 Sep 2023:</u></p> <ul style="list-style-type: none"> • The main con is required to submit in the prospective monthly payment claims a declaration that the price fluctuation amount received from the GPE has been paid to the respective subcons and/or suppliers accordingly. • The main con is also required to provide a breakdown on how it intends to distribute the price fluctuation amount in the current claim between the main con and relevant subcons/suppliers. GPEs has the right to check with main con upon receiving any feedback from subcon on non-payment by main con.
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6 **Private sector construction contracts:** Contracting parties can take reference from this circular and include cost sharing and price fluctuation arrangement for structural steel in ongoing or new contracts. For avoidance of doubt, contracting parties in private sector contracts can negotiate any other provisions beyond the scope of this circular (e.g. if the parties decide to include higher % of cost-sharing or having longer duration for material price fluctuation).

Clarifications

7 For clarification on this circular, please direct your queries to <https://www.bca.gov.sg/feedbackform/> if you have any clarifications on this circular.

Thank you.

Ng Man Hon
 Director, Procurement Policies Department
 Building and Construction Authority

(Transmitted via email)

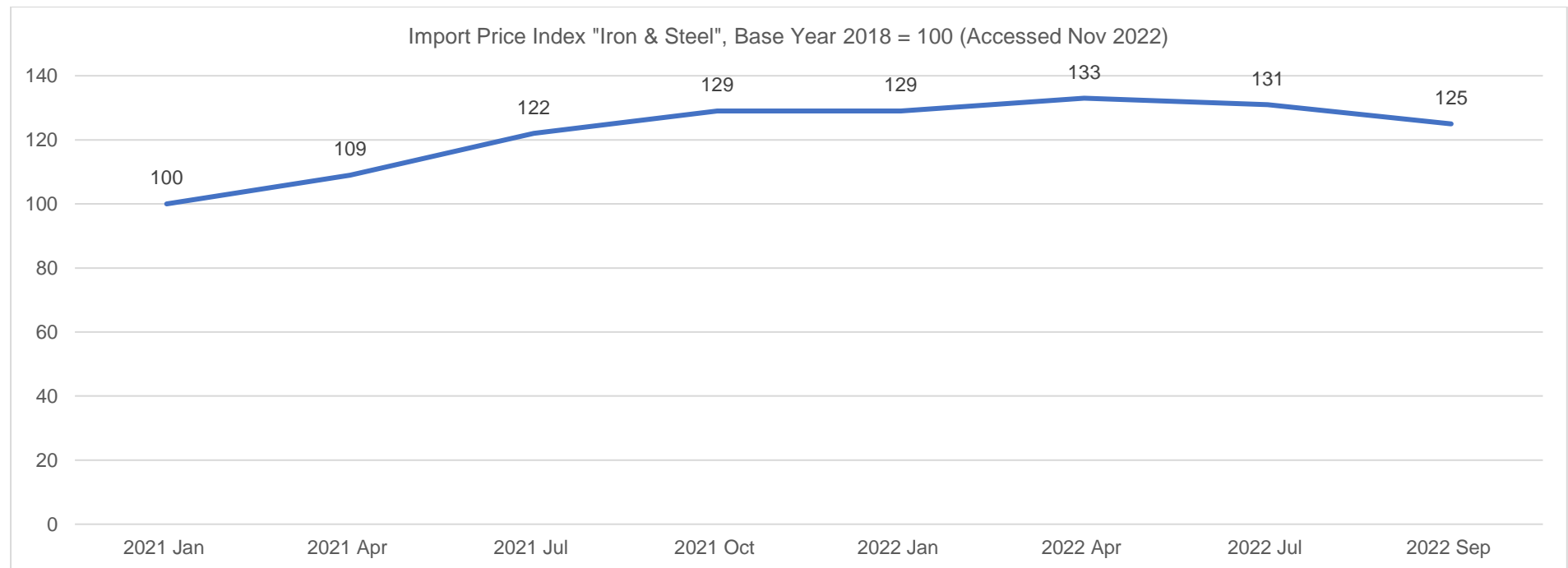
Enc:

- Annex A - Import Price Index (IPI) of Manufactured Goods for 'Iron and Steel' as published by the Singapore Department of Statistics

Annex A – Import Price Index (IPI) of Manufactured Goods for ‘Iron and Steel’ as published by the Singapore Department of Statistics
 (source: <https://tablebuilder.singstat.gov.sg/table/TS/M212611>; i.e. “International Trade Price Indices: Import Price Index, By Commodity Division (2-Digit Level), Base Year 2018 = 100”)

Year/Month	2021 Jan	2021 Feb	2021 Mar	2021 Apr	2021 May	2021 Jun	2021 Jul	2021 Aug	2021 Sep	2021 Oct	2021 Nov	2021 Dec
Index	100	102	106	109	112	118	122	124	127	129	129	130
Year/Month	2022 Jan	2022 Feb	2022 Mar	2022 Apr	2022 May	2022 Jun	2022 Jul	2022 Aug	2022 Sep			
Index	129	129	130	133	133	132	131	127	125			

Note: IPI rounded to whole number to be used for cost-sharing and price fluctuation.



Important Note: In the event of any discrepancy between any data presented in this Annex and the IPI published by Singapore Department of Statistics, the ***IPI published by Singapore Department of Statistics will prevail***. Data are the latest available at the time of access. Some statistics, particularly those for the ***most recent time periods, are provisional and may be subject to revision at a later date.***