10.1 Extension of Time with Cost

Extension of time often results from disruption or stoppage of the works arising from lack of instructions, detailed drawings, suspension of works by employer, discrepancies between Contract Drawings and Bill of Quantities, failure to give possession of sites to Contractors and variation to works.

Due to extension of time, Contractors often claim for loss and expense arising from matters such as cost of delay in the non use or extra hired periods of plant, extra cost of removing unused plant, and cost of waste of materials or of extra power, lighting and watching and so on.

10.1.1 Projects Where Contractors were paid Loss and Expense

*Grand Baie Sewerage Project - Contract WW 120 - Design and Construction of 1,000 House Connections at Pointe aux Cannoniers and Grand Baie*

A sum of Rs 5,161,871 was paid to the Contractor in October 2008 for loss and expense.

The contract for the Design and Construction of 1,000 House Connections at Pointe aux Cannoniers and Grand Baie was awarded on 16 July 2004. The project was completed in January 2006.

In March 2005, the Contractor was instructed to suspend house connections as the Grand Baie Waste Water Treatment Plant was not ready to receive effluents from the sewerage network. The suspension lasted until 15 July 2005.

Under the conditions of the contract, the instruction of the Consultant to suspend part of the works constituted a “compensation event” for which the Contractor was entitled to recover loss and expense.

In May 2006, the Contractor submitted 13 items of claims amounting to a total of Rs 11,252,825 including claims for allowance for construction plant, unabsorbed head office overheads, cost of insurance and performance bond.

There was disagreement over the claim and an Amicable Settlement Committee was set up in May 2008 to deal with the disagreement.

In October 2008, a sum of Rs 5,161,871 was paid to the Contractor on recommendation of the Amicable Settlement Committee.

*Rehabilitation of Infrastructure on CHA Estates - Contract WW86X*

A total sum of Rs 35.3 million was paid in October 2008 to the Contractor on account of extension of time with costs of Rs 28.5 million and interest of Rs 6.8 million for the long time...
gap to reach a settlement. An additional sum of Rs 9.5 million was paid for cost of arbitration.

The contract for the Rehabilitation of Infrastructure on CHA Estates was awarded on 21 February 2002. The works were completed on 22 December 2004.

The implementation of the project was delayed and disrupted by failure of the Contracting Authority to provide possession of some of the sites and also due to variation works. As a result, in January 2006, the Contractor submitted a claim of Rs 66.1 million for loss and expense arising from late possession of sites, additional off site costs due to delays, increase in basic labour, material and equipment costs.

There were disputes as regard the payment of the claim. An arbitrator was then appointed to settle the case.

Following a mutual agreement, the Contractor was entitled to an extension of time from 1 April 2004 to 22 December 2004 and a total sum of Rs 35.3 million was paid in October 2008.

10.1.2 Projects Where Contractors claimed Loss and Expense

**Plaines Wilhems Sewerage Project- Contract WW81F – Construction of Reticulation Network and House Connections**

In December 2009, the Contractor submitted a claim for additional costs of Rs 116.2 million associated with extension of time and disruption to the normal progress and sequence of works on account of delaying circumstances such as:

- **Delays to start Catchment H and Phase 3**
  
  Delays occurred in the following: approval of road closure and traffic diversions, finalising of working drawings and instruction to start work.

- **Delays due to Late Payment**
  
  Under the terms of conditions of Contract, the Contractor may reduce the rate of work if payments are delayed. Because of late payment under interim payment certificate no. 6, the Contractor reduced the rate of work resulting in delays and hence, claimed for extension of time with cost.

- **Loss of Production due to Deeper Excavations**
  
  Completion of Catchment H was delayed due to abnormally high rock content and increase in depth. Loss of production was based on length of pipe which should have been laid if work had been proceeding at the programmed rate.

  The Contractor claimed extension of time for 315 days, of which 170 days have been recommended to be granted with cost by the Project Coordinator.
Baie Du Tombeau Sewerage Project - Contract 110A - Construction of Sewerage and Water Supply Works

In August 2009, the Contractor submitted a claim of Rs 18.7 million for extension of time with associated costs as a result of late delivery of pipes for water supply works, restriction of Authorities on road closures and diversions and delay in possession of roads and in obtaining way leaves.

A Consultant has recommended payment of Rs 13.8 million.

Conclusion

Lack of proper planning was the main cause of delays.

Extension of time with costs results in additional costs over and above the original contract price. While at times this may be inevitable with regards to long term contracts, measures should always be taken to minimise costs.

Sewerage projects are long term with high costs implication. All stages of works should be properly planned to avoid delays, otherwise additional costs will always be incurred to meet loss and expense of Contractors.

10.2 The Bagatelle Dam Project

The contract for the trail embankment investigation was awarded to a private firm in July 2009 for Rs 11.9 million, including VAT. The latest claim from the private Contractor for trial embankment’s work amounting to Rs 5,048,212 was certified by the lead Consultant in November 2009 and, after examination by officials of the Water Resources Unit, was transmitted to the Ministry for payment. The amount claimed was fully paid in December 2009.

In February 2010, Audit detected an overpayment of Rs 1,352,000 in the said claim. The discrepancy was readily apparent from the main summary of the claim, as the amount claimed in respect of a defined component of the contract exceeded the contractual amount by some Rs 1,229,000.

Ministry’s Reply

Management would recover the amount overpaid in subsequent payment certificate.