

RISE AND FALL IN BITUMEN PRICES

POLICY STATEMENT

There have been significant variations in the price of bitumen in recent years, due to fluctuating international oil prices. These variations have been significantly greater than fluctuations in the CPI.

Variations in the price of bitumen cause cost risks to both the department of Main Roads and contractors on MR roadworks projects.

MR is seeking to equitably share this risk by applying a rise and fall provision to the price of bitumen in roadworks contracts.

APPLICABILITY

The rise and fall provision shall apply only to contractor-supplied bitumen and not to principal-supplied bitumen.

The rise and fall allowance is based on Class 170 bitumen - on the basis that price differences for other classes of bitumen (eg. Class 320, commonly used in asphalt) fluctuate by similar amounts to Class 170.

The rise and fall provision shall be limited to the price of bitumen only.

CONTEXT

The following supplementary condition of contract is to be included as additional clause 42.1 in all roadworks contracts involving contractor supply of bitumen:

42.1 Adjustments for the Cost of Bitumen

(a) Notwithstanding that the Contract has been identified as not subject to Rise and Fall at Item 6D of the Annexure to the General Conditions of Contract (C6832), the Contract Value shall be subject to adjustment for variations in the cost of bitumen supplied by the Contractor. The adjustment shall be effected in the claims for payment submitted by the Contractor in accordance with Clause 42 of the General Conditions of Contract.

Any cost adjustment shall be calculated from the formula $D = (C-B) \times A$, where

A = the quantity of bitumen derived from

1. the calculation of residual bitumen at 15 degrees Centigrade where the product is sprayed bituminous surfacing or a tack coat;
2. the approved design binder content where the product is asphalt;
3. the approved residual binder content where the product is a bituminous slurry surfacing.

B = the price of Class 170 bitumen applicable at 9:00am on the Reference Date;

C = the price of Class 170 bitumen on the 15th day of the month during which the work is performed; and

D = the applicable cost adjustment for this payment claim.

The Reference Date shall be the 15th day of the month prior to the time for lodgement of tenders for the contract occurred.

The price of Class 170 bitumen shall be the average General Market Price of bitumen of the Queensland manufacturers.

Where the binder for asphalt is modified bitumen, the portion of all additives shall be taken to be included within the design binder content for the purposes of this calculation for rise and fall.

(b) Where the Annexure (C6832) indicates that Rise and Fall is applicable, the adjustment to the Contract Value of bitumen products supplied by the Contractor shall be separately determined in accordance with this Clause 42.1(a).

OBJECTIVES AND BENEFITS

To equitably share risk by including a rise and fall provision (limited to the price of bitumen only) in MR contracts.

CONSULTATION

Consultation was carried by members of the Department of Main Roads Senior Management Team as well as members of the Australia Asphalt Pavement Association (AAPA).

EVALAUTION

This policy shall be reviewed by Capability and Delivery Division in January 2004.

REFERENCES

General Conditions of Contract (C6832)