

AIRPORT AUTHORITY OF INDIA
O/o ED(Engg.), MIS&STD

No. AAI/CHQ/Engg-C/MIS&STD./2057

Date: 16/06/2025

Circular

Subject: Systematic improvements in Engineering contracts.

1. In one of the recent case Admin Dte. has suggested systematic improvements in EPC contracts based on the investigation conducted and the lapses observed, following issues for implementation in future contracts through systematic improvements:
 - I. EPC contracts are fixed-price agreements where scope deviations frequently lead to significant cost overruns. Contractors often exploit these changes by charging premium rates beyond the original scope, resulting in inflated costs and unwarranted financial burden. As EPC contracts require strict schedule compliance, such deviations also disrupt project timelines. Delays from these changes extend completion dates and affect operational readiness. Furthermore, these modifications often trigger legal disputes and arbitration proceedings, indicating inadequate initial planning. The cumulative effect of such deviation's compromises project quality while escalating costs, ultimately undermining the project's overall performance and intended outcomes.
 - II. Maintaining EPC contract integrity requires comprehensive pre tender planning to minimize deviations that cause time and cost overruns, along with legal and operational issues. Strict enforcement of compliance measures is crucial to keep projects on schedule and within budget parameters. This approach ensures project objectives are met while preserving the fundamental purpose of fixed-price contracts. Therefore, research and scope of work should be finalized before floating the tender and frequent changes after the tender must be avoided.
 - III. A comprehensive SoP must be established for verification cases to ensure thorough examination of all critical aspects by concerned officials. This should include implementing a detailed checklist covering essential parameters that must be validated before finalizing tender awards. Such systematic protocols will help prevent oversight of crucial factors during the verification process and strengthen the overall tender evaluation framework.

- IV. In all cases seeking approval the proposal should invariably mention the authority competent to approve the proposal/ variations/ modifications in order to avoid procedural over-lapse. Additionally, in cases of modifications in any scope of work, the scope must be circulated only after the approval is accorded by the competent authority as per AAI Engineering Works Manual, 2017.

This issues with the approval of competent authority.


16/6/25

ED(Engg.) MIS & STD.
Airports Authority of India

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