JCT Fluctuations Options B and C

JCT Fluctuations Option B

(Labour and materials cost and tax fluctuations)

Deemed calculation of Sub-Contract Sum or Sub-Contract Tender Sum – labour rates etc.

B.1 The Sub-Contract Sum or Sub-Contract Tender Sum shall be deemed to have been calculated in the manner set out below and shall be subject to adjustment in the events specified hereunder.

.1 The Sub-Contract Sum or Sub-Contract Tender Sum (including the cost of employer’s liability insurance and of third party insurance) is based upon the rates of wages and the other emoluments and expenses (including holiday credits) which will be payable by the Sub-Contractor to or in respect of:

.1 workpeople engaged upon or in connection with the Sub-Contract Works either on or adjacent to the site; and

.2 workpeople directly employed by the Sub-Contractor who are engaged upon the production of materials or goods for use in or in connection with the Sub-Contract Works and who operate neither on nor adjacent to the site and to the extent that they are so engaged

in accordance with:

.3 the rules or decisions of the Construction Industry Joint Council or other wage-fixing body which will be applicable to the Sub-Contract Works and which have been promulgated at the Sub-Contract Base Date;

.4 any incentive scheme and/or productivity agreement under the Working Rule Agreement of the Construction Industry Joint Council or provisions on incentive schemes and/or productivity agreements contained in the rules or decisions of some other wage-fixing body; and

.5 the terms of the Building and Civil Engineering Annual and Public Holidays Agreements (or the terms of agreements to similar effect in respect of workpeople whose rates of wages and other emoluments and expenses (including holiday credits) are in accordance with the rules or decisions of a wage-fixing body other than the Construction Industry Joint Council) which will be applicable to the Sub-Contract Works and which have been promulgated at the Sub-Contract Base Date;

and upon the rates or amounts of any contribution, levy or tax which will be payable by the Sub-Contractor in his capacity as an employer in respect of, or calculated by reference to, the rates of wages and other emoluments and expenses (including holiday credits) referred to herein.

.2 If any of the said rates of wages or other emoluments and expenses (including holiday credits) are increased or decreased by reason of any alteration in the said rules, decisions or agreements promulgated after the Sub-Contract Base Date, then the net amount of the increase or decrease in wages or other emoluments and expenses (including holiday credits) together with the net amount of any consequential increase or decrease in the cost of employer’s liability insurance, of third party insurance and of any contribution, levy or tax payable by a person in his capacity as an employer shall, as the case may be, be paid to or allowed by the Sub-Contractor.
.3 There shall be added to the net amount paid to or allowed by the Sub-Contractor under paragraph B.1.2, in respect of each person employed by the Sub-Contractor who is engaged upon or in connection with the Sub-Contract Works either on or adjacent to the site and who is not within the definition of workpeople in paragraph B.12.3, the same amount as is payable or allowable in respect of a craftsman under paragraph B.1.2 or such proportion of that amount as reflects the time (measured in whole working days) that each such person is so employed.

.4 For the purposes of paragraphs B.1.3 and B.2.3:

.1 no period of less than 2 whole working days in any week shall be taken into account and periods of less than a whole working day shall not be aggregated to amount to a whole working day;

.2 “the same amount as is payable or allowable in respect of a craftsman” shall refer to the amount in respect of a craftsman employed by the Sub-Contractor (or by any subcontractor under a sub-subcontract to which paragraph B.4 refers) under the rules or decisions or agreements of the Construction Industry Joint Council or other wage-fixing body and, where those rules or decisions or agreements provide for more than one rate of wage, emolument or other expense for a craftsman, shall refer to the amount in respect of a craftsman employed as aforesaid to whom the highest rate is applicable; and

.3 “employed by the Sub-Contractor” shall mean an employment to which the Income Tax (Pay As You Earn) Regulations 2003 apply.

.5 The Sub-Contract Sum or Sub-Contract Tender Sum is based upon:

.1 the transport charges referred to in a basic transport charges list submitted by the Sub-Contractor and set out or referred to in the Particulars for JCT Fluctuations Option B and incurred by the Sub-Contractor in respect of workpeople engaged in either of the capacities referred to in paragraphs B.1.1.1 and B.1.1.2; or

.2 the reimbursement of fares which will be reimbursable by the Sub-Contractor to workpeople engaged in either of the capacities referred to in paragraphs B.1.1.1 and B.1.1.2 in accordance with the rules or decisions of the Construction Industry Joint Council which will be applicable to the Sub-Contract Works and which have been promulgated at the Sub-Contract Base Date or, in the case of workpeople so engaged whose rates of wages and other emoluments and expenses are governed by the rules or decisions of some wage-fixing body other than the Construction Industry Joint Council, in accordance with the rules or decisions of such other body which will be applicable and which have been promulgated as aforesaid.

.6 If:

.1 the amount of transport charges referred to in the basic transport charges list is increased or decreased after the Sub-Contract Base Date; or

.2 the reimbursement of fares is increased or decreased by reason of any alteration in the said rules or decisions promulgated after the Sub-Contract Base Date or by any actual increase or decrease in fares which takes effect after the Sub-Contract Base Date,

then the net amount of that increase or decrease shall, as the case may be, be paid to or allowed by the Sub-Contractor.

Deemed calculation of Sub-Contract Sum or Sub-Contract Tender Sum – labour levies and taxes

B.2 The Sub-Contract Sum or Sub-Contract Tender Sum shall be deemed to have been calculated in the manner set out below and shall be subject to adjustment in the events specified hereunder.

.1 The Sub-Contract Sum or Sub-Contract Tender Sum is based upon the types and rates of contribution, levy and tax payable by a person in his capacity as an employer and which at the Sub-Contract Base Date are payable by the Sub-Contractor. A type and a rate so payable are in paragraph B.2.2 referred to as a ‘tender type’ and a ‘tender rate’.

"Deemed calculation of Sub-Contract Sum or Sub-Contract Tender Sum – labour levies and taxes"
.2 If any of the tender rates other than a rate of levy payable by virtue of the Industrial Training Act 1982 is increased or decreased, or if a tender type ceases to be payable, or if a new type of contribution, levy or tax which is payable by a person in his capacity as an employer becomes payable after the Sub-Contract Base Date, then in any such case the net amount of the difference between what the Sub-Contractor actually pays or will pay in respect of workpeople as referred to in paragraphs B.1.1.1 and B.1.1.2 or because of his employment of such workpeople and what he would have paid had the alteration, cessation or new type of contribution, levy or tax not become effective shall, as the case may be, be paid to or allowed by the Sub-Contractor.

.3 There shall be added to the net amount paid to or allowed by the Sub-Contractor under paragraph B.2.2, in respect of each person employed by the Sub-Contractor who is engaged upon or in connection with the Sub-Contract Works either on or adjacent to the site and who is not within the definition of workpeople in paragraph B.12.3, the same amount as is payable or allowable in respect of a craftsman under paragraph B.2.2 or such proportion of that amount as reflects the time (measured in whole working days) that each such person is so employed. The provisions of paragraph B.1.4 shall apply to this paragraph B.2.3.

.4 The Sub-Contract Sum or Sub-Contract Tender Sum is based upon the types and rates of refund of the contributions, levies and taxes payable by a person in his capacity as an employer and upon the types and rates of premium receivable by a person in his capacity as an employer being in each case types and rates which at the Sub-Contract Base Date are receivable by the Sub-Contractor. Such a type and such a rate are in paragraph B.2.5 referred to as a 'tender type' and a 'tender rate'.

.5 If any of the tender rates is increased or decreased or if a tender type ceases to be payable or if a new type of refund of any contribution, levy or tax payable by a person in his capacity as an employer becomes receivable or if a new type of premium receivable by a person in his capacity as an employer becomes receivable after the Sub-Contract Base Date, then in any such case the net amount of the difference between what the Sub-Contractor actually receives or will receive in respect of workpeople as referred to in paragraphs B.1.1.1 and B.1.1.2 or because of his employment of such workpeople and what he would have received had the alteration, cessation or new type of refund or premium not become effective shall, as the case may be, be paid to or allowed by the Sub-Contractor.

.6 The references in paragraphs B.2.4 and B.2.5 to premiums shall be construed as meaning all payments howsoever they are described which are made under or by virtue of an Act of Parliament to a person in his capacity as an employer and which affect the cost to an employer of having persons in his employment.

.7 Where employer’s contributions are payable by the Sub-Contractor in respect of workpeople as referred to in paragraphs B.1.1.1 and B.1.1.2 whose employment is contracted-out employment within the meaning of the Pension Schemes Act 1993, the Sub-Contractor shall, subject to the proviso hereto, for the purpose of recovery or allowance under paragraph B.2 be deemed to pay employer’s contributions as if that employment were not contracted-out employment; provided that this paragraph B.2.7 shall not apply where the occupational pension scheme, by reference to membership of which the employment of workpeople is contracted-out employment, is established by the rules of the Construction Industry Joint Council or of some other wage-fixing body so that contributions to such occupational pension scheme are within the payment and allowance provisions of paragraph B.1.

.8 The references in paragraphs B.2.1 to B.2.5 and B.2.7 to contributions, levies and taxes shall be construed as meaning all impositions payable by a person in his capacity as an employer howsoever they are described and whoever the recipient which are imposed under or by virtue of an Act of Parliament and which affect the cost to an employer of having persons in his employment.

Deemed calculation of Sub-Contract Sum or Sub-Contract Tender Sum – materials, goods, electricity and fuels

B.3 The Sub-Contract Sum or Sub-Contract Tender Sum shall be deemed to have been calculated in the manner set out below and shall be subject to adjustment in the events specified hereunder.

.1 The Sub-Contract Sum or Sub-Contract Tender Sum is based upon the market prices which were current at the Sub-Contract Base Date of the materials, goods, electricity, fuels or any other solid, liquid or gas necessary for the execution of the Sub-Contract Works, and upon the duty or tax payable at that date on the disposal of waste from the site.
.2 If after the Sub-Contract Base Date the market price of any of the above things increases or decreases, or the duty or tax on the disposal of waste from the site increases or decreases, then the net amount of the difference shall, as the case may be, be paid to or allowed by the Sub-Contractor.

.3 The references in paragraphs B.3.1 and B.3.2 to market price(s) shall be construed as including any duty or tax (other than any VAT which is treated, or is capable of being treated, as input tax by the Sub-Contractor) by whomsoever payable which is payable under or by virtue of any Act of Parliament on the import, purchase, sale, appropriation, processing, use or disposal of any of the things described in paragraph B.3.1.

**Sub-contract work – incorporation of provisions to like effect**

B.4 .1 If the Sub-Contractor subcontracts any portion of the Sub-Contract Works to a sub-subcontractor he shall incorporate in the sub-subcontract provisions to the like effect as the provisions of JCT Fluctuations Option B (excluding this paragraph B.4) including the percentage stated in the Particulars for JCT Fluctuations Option B pursuant to paragraph B.13 which are applicable for the purposes of this Sub-Contract.

.2 If the price payable under such a sub-subcontract as referred to in paragraph B.4.1 is increased above or decreased below the price in such sub-subcontract by reason of the operation of the said incorporated provisions, then the net amount of such increase or decrease shall, as the case may be, be paid to or allowed by the Sub-Contractor under this Sub-Contract.

**Notification by Sub-Contractor**

B.5 .1 The Sub-Contractor shall notify the Contractor of the occurrence of any of the events referred to in such of the following provisions as are applicable for the purposes of this Sub-Contract:

.1 paragraph B.1.2;
.2 paragraph B.1.6;
.3 paragraph B.2.2;
.4 paragraph B.2.5;
.5 paragraph B.3.2;
.6 paragraph B.4.2.

.2 Any notification required to be given under paragraph B.5.1 shall be given within a reasonable time after the occurrence of the event to which it relates, and notification in that time shall be a condition precedent to any payment being made to the Sub-Contractor in respect of the event in question.

**Agreement – Contractor and Sub-Contractor**

B.6 The Contractor and the Sub-Contractor may agree what shall be deemed for all the purposes of this Sub-Contract to be the net amount payable to or allowable by the Sub-Contractor in respect of the occurrence of any event such as is referred to in any of the provisions listed in paragraph B.5.1.

**Fluctuations – Final Sub-Contract Sum**

B.7 Any amount which from time to time becomes payable to or allowable by the Sub-Contractor by virtue of paragraphs B.1 to B.3 or paragraph B.4 shall be taken into account in calculating:

.1 the Final Sub-Contract Sum; and
.2 any amounts payable to the Sub-Contractor and which are calculated in accordance with clause 7.11.3.1.

The calculation to which this paragraph B.7 refers shall be subject to the provisions of paragraphs B.8 to B.10.1.
Evidence and computations by Sub-Contractor

B.8 As soon as is reasonably practicable the Sub-Contractor shall provide such evidence and computations as the Contractor may reasonably require to enable the amount payable to or allowable by the Sub-Contractor by virtue of paragraphs B.1 to B.3 or paragraph B.4 to be ascertained; and in the case of amounts payable to or allowable by the Sub-Contractor under paragraph B.1.3 (or paragraph B.4 for amounts payable to or allowable under the provisions in the sub-subcontract to the like effect as paragraphs B.1.3 and B.1.4) – employees other than workpeople – such evidence shall include a certificate signed by or on behalf of the Sub-Contractor each week certifying the validity of the evidence reasonably required to ascertain such amounts.

No alteration to Sub-Contractor’s profit

B.9 No addition to or deduction from the Sub-Contract Sum or inclusion in the calculation made by virtue of paragraph B.7 shall alter in any way the amount of profit of the Sub-Contractor included in that Sum.

Position where Sub-Contractor in default over completion

B.10 .1 Subject to the provisions of paragraph B.10.2 no amount shall be taken into account in the computation of the amount stated as due in an interim payment or in the final payment in respect of amounts otherwise payable to or allowable by the Sub-Contractor by virtue of paragraphs B.1 to B.3 or paragraph B.4 if the event (as referred to in the provisions listed in paragraph B.5.1) in respect of which the payment or allowance would be made occurs after the date of the failure by the Sub-Contractor to complete as notified by the Contractor under clause 2.21.

.2 Paragraph B.10.1 shall not be applied unless:

.1 the printed text of clauses 2.16 to 2.19 is unamended and forms part of the Conditions; and

.2 the Contractor has, in respect of every notification by the Sub-Contractor under clause 2.18, given his decision as to such revision, if any, of the period or periods for completion of the Sub-Contract Works as he considers to be in accordance with that clause.

Work etc. to which paragraphs B.1 to B.4 not applicable

B.11 Paragraphs B.1 to B.4 shall not apply in respect of:

.1 work for which the Sub-Contractor is allowed daywork rates under clause 5.9;

.2 changes in the rate of VAT charged on the supply of goods or services by the Sub-Contractor to the Contractor under this Sub-Contract.

Definitions for use with JCT Fluctuations Option B

B.12 In JCT Fluctuations Option B:

.1 the Sub-Contract Base Date means the date stated as such in the Sub-Contract Particulars (item 3);

.2 “materials” and “goods” include timber used in formwork but do not include other consumable stores, plant and machinery;

.3 “workpeople” means persons whose rates of wages and other emoluments (including holiday credits) are governed by the rules or decisions or agreements of the Construction Industry Joint Council or some other wage-fixing body for trades associated with the building industry;

.4 “wage-fixing body” means a body which lays down recognised terms and conditions of workers;
“recognised terms and conditions” means terms and conditions of workers in comparable employment in the trade or industry, or section of trade or industry, in which the employer in question is engaged which have been settled by an agreement or award to which the parties are employers’ associations and independent trade unions which represent (generally, or in the district in question, as the case may be) a substantial proportion of the employers and of the workers in the trade, industry or section being workers of the description to which the agreement or award relates.

**Percentage addition to fluctuation payments or allowances**

**B.13** There shall be added to the amount paid to or allowed by the Sub-Contractor under:

.1 paragraph B.1.2,
.2 paragraph B.1.3,
.3 paragraph B.1.6,
.4 paragraph B.2.2,
.5 paragraph B.2.5,
.6 paragraph B.3.2

the percentage stated in the Particulars for JCT Fluctuations Option B.

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**Particulars for JCT Fluctuations Option B**

Percentage addition for paragraph B.13 ________________ per cent

List of basic transport charges as referred to in paragraph B.1.5.1

________________________________________________________

________________________________________________________

________________________________________________________

________________________________________________________
JCT Fluctuations Option C

(Formula adjustment)

Adjustment of Sub-Contract Sum or Sub-Contract Tender Sum – Formula Rules

C.1 .1 .1 The Sub-Contract Sum or Sub-Contract Tender Sum shall be adjusted in accordance with the provisions of JCT Fluctuations Option C and the Formula Rules current at the Sub-Contract Base Date issued for use with JCT Fluctuations Option C by the JCT (‘the Formula Rules’) and as follows:

.1 where the Sub-Contract is for the supply and fixing of materials or goods or the execution of work to which one or more of the Work Categories referred to in section 2, Part I of the Formula Rules applies, adjustment shall be under the formulae (but subject to rule 7) in that Part of the Rules;

.2 where the Sub-Contract is for the supply and fixing of materials or goods or the execution of work to which one of the formulae set out in section 2, Part III of the Formula Rules applies, adjustment shall be under the relevant formulae in that Part of the Rules.

.2 Any adjustment under JCT Fluctuations Option C shall be to sums exclusive of VAT and nothing in JCT Fluctuations Option C shall affect in any way the operation of clause 4.4.

.2 The Definitions in rule 3 of the Formula Rules shall apply to JCT Fluctuations Option C.

.3 The adjustment referred to in JCT Fluctuations Option C shall be effected (after taking into account any Non-Adjustable Element stated in the Main Contract Particulars included in the Numbered Documents) in all payments made under the provisions of the Conditions.

.4 Where JCT Fluctuations Option C of the Main Contract Conditions does not apply to the Main Contract but JCT Fluctuations Option C applies to the Sub-Contract, the amount of any Non-Adjustable Element shall be that inserted in the Particulars for JCT Fluctuations Option C.

.5 If any correction of amounts of adjustment under JCT Fluctuations Option C included in previous payments is required following any operation of rule 5 of the Formula Rules, such correction shall be given effect in the next payment to be made.

Interim valuations

C.2 Interim valuations shall be made before the issue of each interim payment and any adjustment under JCT Fluctuations Option C shall be effected in all such payments. The Sub-Contractor shall be entitled to make to the Contractor any representations on the value of the work to which formula adjustment is to be made.

Fluctuations – articles manufactured outside the United Kingdom

C.3 For any article to which rule 4(ii) of the Formula Rules applies the Sub-Contractor shall set out in the Particulars for JCT Fluctuations Option C the market price of the article in sterling (that is the price delivered to the site) current at the Sub-Contract Base Date. If after that date the market price of the article inserted in that list increases or decreases then the net amount of the difference between the cost of purchasing at the market price inserted in such list and the market price payable by the Sub-Contractor and current when the article is bought shall, as the case may be, be paid to or allowed by the Sub-Contractor. The reference to market price in this paragraph C.3 shall be construed as including any duty or tax (other than any VAT which is treated, or is capable of being treated, as input tax by the Sub-Contractor) by whomsoever payable under or by virtue of any Act of Parliament on the import, purchase, sale, appropriation or use of the article specified as aforesaid.
Power to agree – Contractor and Sub-Contractor

C.4 The Contractor and the Sub-Contractor may agree any alteration to the methods and procedures for ascertaining the amount of formula adjustment to be made under JCT Fluctuations Option C, and the amounts ascertained after the operation of such agreement shall be deemed for all the purposes of this Sub-Contract to be the amount of formula adjustment payable to or allowable by the Sub-Contractor in respect of the provisions of JCT Fluctuations Option C. Provided always:

.1 that no alteration to the methods and procedures shall be agreed unless it is reasonably expected that the amount of formula adjustment so ascertained will be the same or approximately the same as that ascertained in accordance with Part I or Part III of section 2 of the Formula Rules whichever is applicable; and

.2 that any agreement under this paragraph C.4 shall not have any effect on the determination of any adjustment payable by the Sub-Contractor to any sub-subcontractor.

Position where Monthly Bulletins are delayed, etc.

C.5 .1 If at any time prior to the issue of the Final Payment Notice formula adjustment is not possible because of delay in, or cessation of, the publication of the Monthly Bulletins, adjustment of the Sub-Contract Sum or Sub-Contract Tender Sum shall be made in each interim payment during such period of delay on a fair and reasonable basis.

.2 If publication of the Monthly Bulletins is recommenced at any time prior to the issue of the Final Payment Notice, the provisions of JCT Fluctuations Option C and the Formula Rules shall apply for each Valuation Period as if no delay or cessation had occurred and the adjustment under JCT Fluctuations Option C and the Formula Rules shall be substituted for any adjustment under paragraph C.5.1.

.3 During any such period of delay or cessation the Contractor and the Sub-Contractor shall operate such parts of JCT Fluctuations Option C and the Formula Rules as will enable the amount of formula adjustment due to be readily calculated upon recommencement of publication of the Monthly Bulletins.

Formula adjustment – failure to complete

C.6 .1 .1 If the Sub-Contractor fails to complete the Sub-Contract Works within the period or periods for completion or any revised period or periods as provided for in clauses 2.16 to 2.19, formula adjustment of the Sub-Contract Sum or Sub-Contract Tender Sum under JCT Fluctuations Option C shall be effected in all payments issued after the expiry of such period or periods (or any revision) by reference to the Index Numbers applicable to the Valuation Period in which the aforesaid date of expiry (or any revision) falls.

.2 If for any reason the adjustment included in the amount of any interim payment which is or has been issued after the date of failure by the Sub-Contractor to complete as notified by the Contractor under clause 2.21 is not in accordance with paragraph C.6.1.1, such adjustment shall be corrected to comply with that paragraph.

.2 Paragraph C.6.1 shall not be applied unless:

.1 the printed text of clauses 2.16 to 2.19 is unamended and forms part of the Conditions; and

.2 the Contractor has, in respect of every notification by the Sub-Contractor under clause 2.18, given his decision as to such revision, if any, of the period or periods for completion of the Sub-Contract Works as he considers to be in accordance with that clause.
Particulars for JCT Fluctuations Option C

Note: An asterisk * indicates text that is to be deleted as appropriate.

C.1 JCT Formula Rules are those current at the Sub-Contract Base Date

C.1.4 Non-Adjustable Element: ______________% (not to exceed 10%)

C.3 Fluctuations – articles manufactured outside the United Kingdom

List of market prices of such articles which the Sub-Contractor is required by the Sub-Contract Documents to purchase and import (see JCT Formula Rules, rule 4(ii)):

___________________________________________________________________
___________________________________________________________________
___________________________________________________________________
___________________________________________________________________

Formula Rules

rule 3 Definition of Balance of Adjustable Work – the work which is subject to formula adjustment but which is neither allocated to a Work Category, nor is Specialist Engineering Works:

___________________________________________________________________
___________________________________________________________________
___________________________________________________________________
___________________________________________________________________

rule 3 Base Month: _____________________________

rule 8 Method of dealing with ‘Fix-Only’ work:

* rule 8(i)/
* rule 8(ii)/
* rule 8(iii)

rule 11a or 11b Work Categories applicable to the Sub-Contract Works and classification of items as referred to in rule 11a or rule 11b[1]:

___________________________________________________________________
___________________________________________________________________
___________________________________________________________________

rule 43 Weightings of labour and materials – electrical installations or heating, ventilating and air conditioning installations or sprinkler installations:

<table>
<thead>
<tr>
<th>Labour</th>
<th>Materials</th>
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[1] Under rule 7 of the Formula Rules, adjustment of structural steelwork shall only be effected under Part III rule 63 notwithstanding that Part I (Work Categories) applies to formula adjustment for the value of the Sub-Contract other than structural steelwork.
Electrical ___________________% ___________________%
Heating, ventilating and air-conditioning ___________% ___________________%
Sprinkler ____________________% ___________________%

rule 55a The separate materials index for sprinkler installations
* will/will not apply

rule 61a Lift installations. Adjustment shall be effected
* upon completion of manufacture of all fabricated components/
  * upon delivery to site of all fabricated components

rule 64 Structural steelwork installations:
(i) Average price per tonne of steel delivered to fabricator’s works
  £ _________________________
(ii) Average price per tonne for erection of steelwork
  £ _________________________

rule 70a Catering equipment installations:

<table>
<thead>
<tr>
<th>Items[3]</th>
<th>materials and shop fabrication %</th>
<th>supply of factor items %</th>
<th>site installation %</th>
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[2] The weightings for sprinkler installations shall be inserted where weightings different from those for heating, ventilating and air conditioning are to apply. See rule 55.

[3] List each item and apportion the value.