



Welcome to an overview & interactive session on

Contract Management

stcshc

-Jan-18

Contract Management

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Why Contracts?

- Transportation is main business of Railways..
- Make or Buy
- if economical or expedient, for the proper execution of works of constructions , repairs or maintenance on lines under construction and on open lines.
- Safety & Technical aspects!
- Independency
- Monopolistic attitude
- Flow of supply of Materials for POH of wagons or coaches

What tender?

- Best value for public money.
- Four components
 - Preparation of tender papers.
 - Invitation of offers.
 - Submission of offers.
 - Selection of contractors.

Fair Play

- **Public advertisement in the most public manner**
- **Notice in railway offices**
- **Advts in vernacular/local newspapers**
- **Advts in national papers**

Precautions prior to invitation

- The executive must be clear about
 - ❖ What exactly is required to be done.
 - ❖ Where it is to be done.
 - ❖ By when it is reasonably possible to be completed.
 - ❖ To what extent Railways will be able to help/assist in execution work.
 - ❖ The realistic estimated cost, payment terms.
 - ❖ Whether drawings for the work are approved by the authorities competent to approve.

Precautions prior to invitation (Contd.)

- ❖ **Soil survey, wherever necessary has been done.**
- ❖ **Whether the estimate is sanctioned.**
- ❖ **Case Study- In one case a work of re-plastering the electrical wiring, plugs, sockets which were old were also required to be replaced. However, no provision in the estimate had been kept for the magnitude of work involved.**
- ❖ **The site of work is ready for handing over.**
- ❖ **Supply of Railway material should be done with due caution.**

Model Tender Notice

- Tender notice should in all cases state-
 - ✓ Place and time where contract documents can be seen.
 - ✓ Place and time where blank tender form can be obtained.
 - ✓ Amount to be paid.
 - ✓ The place, the date and time at which tenders are to be submitted and open.

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Tender Documents

- Preparation of tender documents.
 - Approved by competent authority, detailed site inspections.
 - Schedule of rates- SSR items, non SSR items- basic rates should be worked out and vetted by finance, percentage rates preferred.

Vetting of Tender Schedule

- Tender schedule should be approved by JAG/SAG officers but vetting of tender schedules not necessary if detail estimate is sanctioned.
- But all this pre-supposes that the JAG officer will ensure within scope of sanction of detailed estimate.
- No conditions with financial implication.

DETERMINATION OF CONTRACT

- The subject has been covered by G.C.C. clause 60 & 61.
- Railway reserves the right as per terms of agreement to determine a contract due to reasons elaborated in clause 61/1 of G.C.C.

General Principles for contracts

- **Terms of contract must be precise and definite.**
 - **What the contractor is to do, when, where and whose satisfaction.**
 - **What the Railway Administration is to do.**
 - **What payment is to be made.**
 - **The responsibility of the contractor.**
 - **Terms of variations and modifications.**
 - **Measures to be adopted in event of breach of contract by either party.**

Contd.

- **Methods of settling disputes.**
- **Legal and financial advise.**
- **Terms of contracts once entered should not be varied.**
- **Conditions of unusual character.**
- **Provision for safeguarding railway property.**

Conditions of the contract

Standard general conditions of contract are uniform.

Special conditions have serious financial implications therefore should be carefully drafted.

In case of a conflict between GCC and special conditions the special conditions will prevail.

CLASSIFICATION OF WORKS

- Zonal Works -

- Special Works

- Track Works

CLASSIFICATION OF WORKS AND SUPPLIES

Zone works- such as works of ordinary repairs and maintenance of a petty nature in particular zone or area.

- new works, additions and alterations
- special repair works
- supply of building materials
- all ordinary repair and maintenance works
- Conveyance of materials eg., bricks, lime, sand etc., which are likely to be required in a zone during the year.
- subject to the contract value of each work not exceeding monetary limit fixed from time to time.

CLASSIFICATION OF WORKS AND SUPPLIES(Contd..)

- Special works - such as the construction of a bridge, the formation of an embankment, etc.,
- Supplies of building materials
 - bricks, tiles, lime, thatching materials (bamboos, straw, matting, etc.,)
 - doors, windows, ballast, boulders, moorum, stone chips, stone sets, fire-bricks.
 - which are not usually stocked or purchased by the Stores Department.
- Track Works
 - Laying of rails, sleepers, screening of ballast, lifting and lowering of track and such other works connected with the laying of track etc.,

CLASSIFICATION OF CONTRACTS

■ Lump sum contracts

- the contractor engages to carry out a work or effect supply as specified and within a given period, for a fixed total sum.

■ Schedule contracts-

- to carry out a work or effect supply as specified and within a given period, at fixed unit rates

■ Piece-work contracts

- only unit rates or prices for various kinds of work or materials are agreed upon without reference either to the total quantity of work to be done or materials supplied; or to the quantity of work to be done or materials supplied within a given period

LIST OF APPROVED CONTRACTORS

- No work or supply should ordinarily be entrusted for execution to a contractor whose capability and financial status have not been investigated before hand and found satisfactory.
- List is prepared in consultation with FA & CAO/Sr.DFMs
- capacity to undertake and carry out works satisfactorily
- previous experience on similar works to that to be contracted for
- The upper monetary ceiling for Approved list of Contractors will be Rs. 1 crore
- List would be reviewed every year for deletions w.e.f 1st July and reviewed once in six months for additions w.e.f 1st Jan & 1st July.
- Separate list for Open line and for Construction organisation.

The Approved List - categories

- (i) Class - Upto Rs.10 lakhs (Division wise or Specific geographical area)
- (ii) Class - More than Rs.10 lakhs and upto Rs.25 lakhs (Division wise or Specific geographical area)
- (iii) Class - More than 25 lakhs and upto Rs.50 lakhs (Division wise or Specific geographical area)
- (iv) Class - More than Rs.50 lakhs and upto Rs.1 crore. (Railway as a whole)

The Approved List will be valid for a period of 3 years.

The composition of the Committee

Class of Contractors	Selection Committee Composition	Accepting Authority
Class	One SAG Officer each of Executive Department and Finance Department	Executive Department PHOD
Class	One JAG Officer each of Executive Department and Finance Department	DRM in the Division and/SAG Officer in the Executive Department
Class	One Senior Scale Officer each of Executive Department and Finance Department	Sr.DEN (Coordination in Division and Dy.CE(Con.) in Construction

The basis for calling tenders and entering into contracts

- The regulation for tenders and contracts.
- The general and special conditions of contracts.
- The specifications for materials and works.
- The schedule of rates
- Amendments when considered necessary
- Drawings, Estimates etc.
- Agreement form.

TENDERS

- Value above Rs.50,000/- should be in the public interest.
- Most open and Public manner with adequate notice.
- Can be dispensed upto Rs.4 lakhs with Finance Concurrence. (1 (d) of SOP part.A)
- Quotations will be the base to decide contract.
- Minimum THREE quotations.

CLASSES OF TENDERS

- **Open Tenders** Advertisement in News papers and uploading in SWR website (www.southwesternrailway.in)
- **Limited Tenders** By direct invitation to a limited number of firms/contractors
- **Single Tender** By invitation to one firm/Contractor.

Open Tenders

- tender by public advertisement in the local and prominent newspapers. (with 30 days time)
- To be uploaded in SWR website
- eligibility criteria (can be relaxed with FC and GM specialized nature of work and urgency on case to case basis)

Open Tenders

- following documents should be submitted along with tender.

List of Personnel & Organization

List of Plant and Machinery

List of Works completed in the last three financial years

List of works on hand indicating description of work, contract value, approximate value of balance work yet to be done and date of award.

❖ Indigenous or Global tenders

LIMITED TENDERS

- should be invited from the contractors borne on the
- direct invitation to the firms/contractors
- Notice for inviting Limited tenders shall be published in local newspapers and displayed on the notice boards kept in the concerned internet where ever possible. (Sudhir Chandra Committee report)
- Category of works decided by zonal Rlys.

SINGLE TENDERS

■ invitation to one firm/contractor only

- ❖ approval of CA with Finance Concurrence
- ❖ as per SOP max. Rs.20 lakhs per case - beyond GM
- ❖ Floods, Cyclones, accidents, sabotage, enemy action, explosions and extreme urgency to restore communication
- ❖ To be reported to GM for incorporating in his PCDO to CRB.

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Single Tender

- Award of work on single tender to be restricted to restoration works like accidents, breaches and other emergencies, specialized nature.
- Administrative approval.
- Rate reasonability.
- No time extension.
- No post facto concurrence.
- Tender committee normally one step higher than open tender.

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SPECIAL LIMITED TENDERS

- On Works of Specialized nature
- Works of urgent nature
- Consultancy works
 - ❖ PHOD
 - ❖ should be preferably be more than six but not less than four.
 - ❖ Need not necessarily be in the approved list..

TWOPACKET SYSTEM OF TENDERING

- may be adopted in specifically identified situations
- for obtaining consultancy services for highly technical works where parameters cannot be precisely pre-defined
- for execution of works which are either technically complicated or specialized in nature and/ or which are executed very rarely.
- The defined duly concurred by FA & CAO/FA & CAO (C) and approved by GM/CAO.

Global tender

- This is also an Open tender
- Technical expertise is not available indigenously
- No producer/firm mfg. in India
- Local agents quote higher rates
- OEMs available in foreign countries
- Only one firm is available in India (monopoly)

TENDER FORMS

- Tender forms should show the contents of the contract documents.
- ✓ the amount of earnest money to accompany the tender
- ✓ the nature of security deposit, if any,
- ✓ authority of acceptance of the tender
- ✓ Applicability of General Conditions of Contract
- ✓ Any special conditions proposed with prior finance concurrence for inclusion in the tender forms.

TENDER NOTICE

- sufficient notice should be given for the submission of tenders,
- should not be less than a month - 30 days for Open tenders, 21/15 days for Limited tenders
- The tender notice should in all cases state
 - the place and time where contract documents can be seen.
 - the place and time where blank tenders forms can be obtained.
 - the amount, if any, to be paid for such documents.
 - the place where, the date on which and the time when tenders are to be submitted and are to be opened.

COST OF TENDERS FORMS (Works)

Tender Value	Cost (Rs.)	Sales Tax (%)	Postal Charges (Rs)
Upto 5 lakhs	1000	12.5	500
5 to 20 lakhs	2000	12.5	500
20 to 50 lakhs	3000	12.5	500
50 lakhs to 2 crs	5000	12.5	500
2 crs to 50 crs	10000	12.5	500
50 crs and above	25000	12.5	500

For Drawings or plans extra Rs.200/- per No.

COST OF TENDERSFORMS (Stores)

Tender Value	Cost (Rs.)	Sales Tax (%)	Postal Charges (Rs)
Upto 5 lakhs	150	12.5	75
5 to 15 lakhs	500	12.5	75
15 to 50 lakhs	1000	12.5	75
50 lakhs and above	2000	12.5	75

EARNEST MONEY (Works)

- a security against loss, in the event of the contractor failing to undertake the contract
- should be in cash or in the form of deposit receipts, pay orders, demand drafts
- in the form of Guarantee Bonds should not accepted.

Value of Tender	% of Tender value
Upto 25 Crs.	2% (to be rounded off to nearest Rs.10
Beyond 25 Crs.	50 lakhs + 1% of difference value between 25 crs and value of the tender.

EARNEST MONEY (Stores)

- a security against loss, in the event of the contractor failing to undertake the contract
- should be in cash or in the form of deposit receipts, pay orders, demand drafts
- in the form of Guarantee Bonds should not accepted.

Value of Tender	% of Tender value
Up to 10 Crs.	2% (to be rounded off to nearest Rs.100) Sub. To a max. of Rs.5 lakhs
Beyond 10 Crs.	2% Sub. To a max. of Rs.10 lakhs

SECURITY DEPOSIT (Works)

- to be paid by contractor in token for the due fulfillment of a contract.
- The amount of security deposit required will be **5% of the contract value.**

a deposit of cash;
Government securities
deposit receipts, pay orders, demand drafts and guarantee bonds
of the nationalized banks;
guarantee bonds executed or deposit receipts tendered by all scheduled banks;
a deposit in the Post Office Savings Bank;
a deposit in the National Savings Certificates ;
a deposit receipt or a guarantee bond of the Railway co-operative credit society
twelve years National Defence Certificates; ten years Defence Deposits;
National Defence Bonds; and
Unit Trust Certificates at 5 per cent below market value or at the face value
whichever is less.
Indian Railway Finance Corporation Ltd (IRFC) Bonds whether tax- free or taxable.

SECURITY DEPOSIT (Stores)

- to be paid by contractor in token for the due fulfillment of a contract.
- The amount of security deposit required will be 10% of the contract value sub. to upper ceiling of Rs.10 lakhs for contract s valuing upto Rs.10 crs. & Rs.20 lakhs for contract valuing above Rs.10 crs.

a deposit of cash;
 Government securities
 deposit receipts, pay orders, demand drafts and guarantee bonds
 of the nationalized banks;
 guarantee bonds executed or deposit receipts tendered by all scheduled banks;
 a deposit in the Post Office Savings Bank;
 a deposit in the National Savings Certificates ;
 a deposit receipt or a guarantee bond of the Railway co-operative credit society
 twelve years National Defence Certificates; ten years Defence Deposits;
 National Defence Bonds; and
 Unit Trust Certificates at 5 per cent below market value or at the face value
 whichever is less.
 Indian Railway Finance Corporation Ltd (IRFC) Bonds whether tax- free or taxable.

PERFORMANCE GUARANTEE

- The successful bidder should give a Performance Guarantee in the form of an irrevocable bank guarantee amounting to 5% of the contract value.
- After letter of acceptance but before signing of the agreement.
- Should have a validity up to expiry of the maintenance period.

PERFORMANCE GUARANTEE

- Will be released after satisfactory completion of the work and maintenance period is over.
- When contract rescinded, the SD should be forfeited and PG shall be encashed.

OPENING OF TENDERS

- Tenders should be opened at the specified time date and place by the Officer nominated for this purpose.
- All advertised tenders must be opened in the presence of a representative of the Accounts Department.
- As regards tenders of other departments, presence of the Accounts representative may be restricted to opening of tenders of the approximate value of Rs.10,000 and above.

The Tender Opening register should show..

- ✓ Serial Number
- ✓ Date of Opening
- ✓ Name of the Work
- ✓ Tender Notice No. & Date
- ✓ Name of Tenderer
- ✓ ITCC Details

Tender Opening register

- o EMD particulars
- o Rate Quoted
- o Nature of Tender (Late & Delayed Tender)
- o Number of forms sold
- o Number of forms received and opened
- o Signature of Tender Opening Officials
- o Executive officer and Accounts representative

Briefing Note

Tender Notice No.

Name of the work

Completion Period

Approximate cost as per tender notice

No. of tenders sold

No. of offers received

Sanctioned cost with details

Work Chargeable to (Full Allocation to be indicated)

Earnest Money

Date of opening

Validity of Tender / OFFER.

BRIEFING NOTES FOR THE TENDER COMMITTEE

- the tabulation statement & briefing note duly authenticated should be submitted
- clearly indicating complete and latest information with regard to lowest contract rates for the same or similar materials or work for the particular or contiguous area
 - The conditions of supply or undertaking to work
 - The latest data in regard to the availability of materials and prices thereof and the working conditions etc. so as to correlate the present quotation with those obtained earlier
 - Any special conditions attached to the rates and works or supplies referred as well as the technical data required for dealing with the tenders under consideration
 - Any other relevant information worthy of consideration in the contract.

- **Delayed** :
the time of opening but **after the due date and the time of receipt** of tenders should also be opened and dealt with in the same manner as in the case of tenders received in time.
- **Late** Tenders received **after the specified time of opening** should be opened by the concerned Branch Officer and marked as Late Tender on the envelope as well as on the tender papers.

CONSIDERATION OF TENDERS

- Working credentials of the tenderers.
- Solvency
- Financial status
- Technical competency
- Current work load on hand
- Confidential reports, if any (Performance certificates)
- Reasonableness and work ability of rates
- Ceiling cost as per building Index in case of tenders for construction of quarters.
- Supply of samples in cases of material supplies including ballast.
- Special conditions quoted or deviations from standard specifications, if any.

Role of Convener

- He should possess normally full knowledge of work to be executed, all special features, site conditions, specifications of the work, credential of the tenderers, time frame, urgency.
- Market survey for rate analysis and implication of special conditions, if any, are also to be evaluated by him.
- He must fully brief the TC members.

Role of Finance Member

He must ensure that :

- ☞ All tenderers have fulfilled the pre-requisite conditions, i.e.
- ☞ Tenders are in properly issued form
- ☞ Tenders are signed by authorized persons
- ☞ All tenders are correctly filled and if there are corrections and over-writings then they have been initialed by tender opening officials
- ☞ Tenders have been opened correctly
- ☞ Earnest money is requisite and in acceptable form

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Role of Finance Member

- ☞ All valid tender offers are serially placed and put up in a comparative statement along with a briefing note, duly vetted.
- ☞ All special conditions have been mentioned and those having financial implications are evaluated.
- ☞ The arithmetical accuracy of the offer.
- ☞ A proper rate analysis has been prepared and placed on record by the Convener.

Role of Finance Member

- ☞ The funds position and whether the work is sanctioned
- ☞ The partnership deed and any legal issue involved is examined.
- ☞ All special conditions having financial repercussions have been examined
- ☞ Consistent approach is taken in dealing with tender for all similar cases, as he is a common member for all tenders.

Third Member

- ③ He must ensure that
- ☞ Rules are followed in general
- ☞ Reasonableness of rates has been properly examined
- ☞ A uniform and consistent approach has been adopted in dealing with the tender
- ☞ In cases of difference of opinion between members of TC he gives his definite opinion.

Responsibility of TC as a whole

- ☞ It is the collective responsibility of the TC to give a definite recommendation with full facts and reasons bringing out all the known facts, background and valid apprehensions which have formed the basis for its recommendations.
- ☞ It must also clearly specify the authority competent to consider recommendations of the TC.

Role of Tender Accepting Authority

 TAA is finally and ultimately responsible for the acceptance, although the TC is also responsible for its recommendations. Therefore, TAA, while considering the TC proceedings, should examine :

-  Work is essentially required and is covered by sanction and funds are available.
-  In case of Open Tender, full opportunity has been given to all the tenderers. This includes sufficient notice for the tender.
-  That response has been adequate, i.e. the number of tenders sold vis-à-vis number of offers received. In case of poor response, this aspect should be specially examined.
-  Reasonableness of offers has been properly examined by the TC.

GENERAL PRINCIPLESTO BE FOLLOWED TO ENTER INTO CONTRACTS AND AGREEMENTS

- The fundamental principles for the guidance of authorities :
- The terms of contract must be precise and definite,
- no room for ambiguity or misconstruction
- legal and financial advice should be taken in the drafting of contracts
- Standard forms of contracts should be adopted
- terms of contract once entered into, should not be materially varied

GENERAL PRINCIPLES TO BE FOLLOWED TO ENTER INTO CONTRACTS AND AGREEMENTS

- except in consultation with the competent financial authority.
- uncertain or indefinite liability or any condition of an unusual character should not be entered into
- Provision must be made in contracts for safeguarding Government property entrusted to a contractor.
- In entering into a long term agreements or contracts consideration should be given to the desirability of providing for the Railways unconditional power to cancel the agreement at any time after the expiry of six months notice to that effect.
- The Auditor General and under his direction, other Audit authorities have power to examine contracts and to bring before the public accounts committee

Authority to Terminate contract

- In terms of para 1270 E regarding the termination of contract and execution of the balance work at the risk and cost of the contract shall not be taken at a level lower than that of the authority who signed the contract

Notice of Termination

- **7 days Notice:** *In case of default on the part of the contractor when competent authority has decided to terminate the contract, a notice of 7 days in advance within the period of validity of the contract will be issued without prejudice to the contractor under the signature of an officer not below the rank of an Executive Engineer.*
- *The acknowledgement of the acceptance of this notice must be obtained from the contractor*

Notice of Termination

- **48 Hours Notice:** Before actual rescission of a contract, another notice of 48 hours in advance, will have to be issued.
- Railway should also specify the specific action contemplated about forfeiture of earnest money security deposit, claim of liquidated damage by getting the residual work done at the risk and cost for the amount of penalty likely to be imposed etc., duly vetted by the Law Department.
- The receipt of acknowledgement must have to be obtained from the contractor.



