

GOVERNMENT OF INDIA
MINISTRY OF WORKS, HOUSING & SUP



REPORT
OF THE
SUB-COMMITTEE
OF THE

Conference of the representatives of the State
Governments and Central Government
Commercial Undertakings.

(January 10, 1962)

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GOVERNMENT OF INDIA

MINISTRY OF WORKS, HOUSING AND SUPPLY

Report of the Sub-Committee of the Conference of the representatives of State Governments and Central Government Undertakings

1.1. A Conference of the representatives of the State Governments and Central Government Commercial Undertakings was held at New Delhi on the 29th July, 1961 under the Chairmanship of the Minister for Works, Housing and Supply, to discuss the Rules followed by the different purchasing authorities of the Central Government/State Governments/Commercial Undertakings for the supply of articles for the Public Services and to discuss the need for a uniform purchase procedure for all Government purchases.

1.2. At the Conference, it was decided that a Sub-Committee under the Chairmanship of Shri N. E. S. Raghavachari, Director-General, Supplies and Disposals, should be appointed with the following terms of reference:—

- (a) to go into the various purchase procedures and general terms and conditions followed by the State Governments and Central Government Undertakings and to recommend model rules of procedure, and suitable terms and conditions of contract;
- (b) to prepare a list of stores which could be more profitably procured by the Central Purchase Organisation on behalf of the State Governments and Central Government Commercial Undertakings also.

1.3. It was further decided that the Sub-Committee should consist of the following members:—

A. Members representing the Trade and Industry:

1. Shri H. P. Nanda
2. Shri R. C. Tewari
3. Shri P. C. Cheryan—*Representing the Associated Chambers of Commerce of India.*
4. Shri D. M. Desai—*Representing All India Manufacturers' Organisation.*
5. Shri R. L. Rajgarhia—*Representing Engineering Association of India.*

B. Representatives of State Governments:

1. Shri N. R. Rao—*Maharashtra.*
2. Shri P. N. Agarwal—*Uttar Pradesh.*

3. Shri C. R. Krishnamoorthy—Kerala.
4. Shri C. Narasimha Moorthy—Mysore.
5. Shri R. P. Khanna—Bihar.

C. Representatives of Central Government Commercial Undertakings

1. Shri P. S. Gupta—Hindustan Steel Ltd.
2. Shri G. N. Krishnaswami—Hindustan Aircraft Ltd.
3. Shri Baldev Singh—National Small Industries Corporation Ltd.
4. Shri Jyoti Swaroop—Fertilizer Corporation of India, Nangal Unit.
5. Shri T. S. Ramanathan—Heavy Electricals Ltd.
6. Shri K. Venkatachalam—Neyveli Lignite Corporation Ltd.

1.4. The Engineering Association of India nominated Shri K. L. Chowdhury to represent their Association in place of Shri R. L. Rajgarhia.

1.5. The Sub-Committee was directed to submit its recommendations within the next three months.

1.6. The members of the Sub-Committee representing the State Governments and Central Government Commercial Undertakings were requested to send copies of their up-to-date terms and conditions and procedures followed by them. A copy each of the following documents was forwarded to all the members for their perusal:

- (1) Draft rules for purchase of articles for public Services.
- (2) Pamphlet containing the conditions of contract governing the D.G.S. & D Contracts.
- (3) Form No. D.G.S. & D. 100, 100B for issuing tender enquiries to the Trade by D.G.S. & D.
- (4) Form No. D.G.S. & D. 118 and WSB 62 for placement of orders by D.G.S. & D.

1.7. The first and the second meetings of the Sub-Committee were held at New Delhi on the 30th and 31st August, 1961, which were attended by all the members of the Sub-Committee except Shri D. M. Desai. Shri H. P. Nanda did not attend the meeting on the 31st August, 1961. Officers of the D.G.S. & D. and the Ministry of Works, Housing and Supply participated in the discussion on both the days.

1.8. The final meeting of the Sub-Committee was held at New Delhi on the 29th December, 1961. The meeting was attended by Sarvashri H. P. Nanda, R. C. Tewari, K. L. Chowdhury (Representatives of the Trade and Industry), Sarvashri R. P. Khanna and N. R. Rao (Representatives of State Governments) and all the six

representatives of the Central Government Commercial Undertakings. The Report was finalised at the meeting.

2.1. In the first meeting of the Sub-Committee held on the 30th August, 1961, the Chairman read out the terms of reference to the Sub-Committee and pointed out, that, the subject to be discussed had been suggested by the members of the Trade and Industry, represented on the Central Purchase Advisory Council who had emphasized from time to time, the difficulties the Trade and Industry were experiencing on account of multiplicity of rules, procedures, conditions of contract etc., followed by the Purchase Organisations at the centre and in the States and semi-Government Commercial Undertakings.

The Chairman further stated that the Trade and Industry felt that the uniformity in the rules and procedure would on the one hand, lead to considerable saving to the purchasers and on the other, give a greater stimulus to the development of indigenous industry. They were also of the view that the standard terms and conditions of contract which governed contracts placed by the Central Purchase Organisation were by and large, reasonable and could well be adopted by other purchasing agencies, with such modifications as may be necessary to meet their special requirements.

The Chairman informed all present that the Works, Housing and Supply Ministry had circulated copies of the following documents to the representatives of the State Governments and semi-Government Commercial Undertakings, represented on the Sub-Committee.

- (i) Draft rules for purchase of articles for public Services.
- (ii) Pamphlet containing the conditions of contract governing the DGS & D Contracts
- (iii) Form No. DGS & D 100, 100B for issuing tender enquiries to the Trade by DGS & D.
- (iv) Form No. DGS & D 118 and WSB 62 for placement of orders by DGS & D.

These members were also requested to forward copies of the procedures and terms and conditions followed by them in respect of their purchases. Such documents had been received only from some of the Members.

2.2. The Chairman also felt that the question of recommending model rules of procedure and suitable terms and conditions of contract, could not be taken up at present in view of the differences on some of the fundamental procedures followed by the different purchasing agencies. It would be a step in the right direction, if the Sub-Committee discussed the different principles underlying the procedures followed by the different purchasing organisations, and arrive at mutually acceptable recommendations. Only after the views of the State Governments etc. on these recommendations are known, the question of drafting model rules could be considered.

2.3. Moreover, DGS&D were revising their General Conditions of Contract. They should also take into consideration the discussions at the Conference and the Sub-Committee, with a view to evolving a simpler/shorter General Conditions of Contract. After the General Conditions of Contract have been revised, they may be circulated to all the Purchasing Organisations of the Government.

3.1. On conclusion of Chairman's opening remarks the items of the Agenda were then taken for discussion.

3.2. *Earnest Money.*—As a result of discussion it was observed that different purchasing agencies were following different practices in this regard. Whereas the Bihar Government were taking earnest money from all the firms, the Maharashtra Government did not collect earnest money from those firms which are either registered with them or with the DGS & D. Hindustan Aircraft did not take earnest money in respect of supply contracts but Hindustan Fertilizers were taking earnest money in a limited number of cases only depending upon the type of contracts.

3.3. As far as the DGS & D are concerned, no earnest money is being collected in respect of any tender enquiry, and their experience has not been discouraging, in that rarely any firm which had been awarded a contract had refused to execute the order.

3.4. *Recommendation.*—All firms, who are either registered with the DGS & D or the buyer, may be exempted from payment of earnest money. Others may be exempted on merits if they apply for exemption or where the order is likely to be of a small value.

4.1.1. *Security Deposit.*—The procedure followed by different purchasing agencies is different. The representatives of some of the State Governments felt that on account of the following reasons, they considered it advisable to get security deposit from the successful tenderers:—

- (a) they are dealing with small manufacturers and intermediaries;
- (b) some of the firms may change their name and character overnight;
- (c) Non-supply of the stores will cause considerable inconvenience to the indentors;
- (d) the contract agreement is concluded by the Stores Purchase Department but the subsequent correspondence is carried on by the Departments themselves.

4.1.2. The representative of the Maharashtra State Government stated that they did not take any Security Deposit from those tenderers who are either registered with the DGS & D, New Delhi or those registered with the C. S. P. O., Bombay up to the orders worth Rs. 25,000/-. Above this limit also, some of the reputable firms are exempted from payment of Security Deposit and signing the agreement.

The representative of the U.P. Government stated that they took security deposit from firms with whom contracts were placed for the first time. In respect of subsequent contracts security deposit was taken only from those firms whose past performance was not satisfactory. It was observed that the Commercial Undertakings were not taking any security deposit from registered suppliers.

4.2. The representatives of the Trade and Industry expressed the view that in all cases where they were asked to make security deposits, which meant blocking up of their capital, it was ultimately the buyer who paid for the losses to the supplier on account of blocked capital, by indirectly paying higher prices. They further stated that certain importers, who had received specific instructions from their principals abroad, that no security deposits would be given by them in respect of the contracts for their products, were consequently debarred from quoting which reduced the extent of competition. They were therefore of the view that no security deposit should be taken at least in respect of those firms which were either registered with the DGS & D or with buyer or who were firms of sufficient repute and standing.

4.3. As far as the DGS&D are concerned, no security deposit is taken from registered firms. No security deposit is also taken if the firms are registered for allied stores or if they are satisfactory past suppliers. Where the firms default, the contract is cancelled at their risk, and repurchase made at their cost.

4.4. As regards the form of Security Deposit, Shri Tewari and Shri Nanda wanted to know whether in cases where the Security Deposit was insisted upon, bank guarantees from scheduled banks or a performance bond from an Insurance Co. could be accepted. This they felt, if agreed, would give considerable facilities to the Trade. They further stated that some of the purchasing organisations of the Government were already accepting these forms of Security Deposit.

4.5.1. *Recommendation.*—It was generally agreed, that as far as possible no security deposit should be collected from firms who are either registered with the DGS & D or the buyers, and that it should be collected only from firms who are un-registered, unknown, and untried. The discretion in the matter would, however, rest with the purchasing organisation, who may, if they so consider necessary, ask for security deposit even from the registered suppliers.

4.5.2. The quantum of security deposit collected should be flexible, and should not ordinarily exceed 5% in all cases. Wherever possible, a lower percentage should be collected especially, if the contracts are of a large value.

4.5.3. The question of accepting bank guarantee from scheduled banks or performance bond from the Insurance Companies in lieu of Security Deposit should be examined and adopted wherever feasible.

5.1.—*Registration of Firms.*—It was observed that the firms who were registered with the DGS&D were not automatically registered with the State Governments and some of the Central Government

Commercial Undertakings. It had been suggested by the representative of Trade & Industry that the contractors borne on the list of registered suppliers of the DGS&D, should be automatically accepted for registration by the State Governments and Central Government Undertakings. It was explained by the Chairman that the DGS&D registered firms as their approved suppliers, only after very careful scrutiny of their capacity, financial standing etc. He, therefore, felt that the State Governments and Commercial Undertakings would not be taking any risk in automatically bringing the firms registered with the DGS&D, on their list of registered and approved suppliers. In addition, the State Governments should also register those contractors who apply to them directly after undertaking proper scrutiny. While discussing this item, Shri Gupta of Hindustan Steel pointed out that they had been receiving from the Railway Board lists of firms which had been removed from the approved list of the Railways. He wanted to know, if such lists received from purchasing organisations other than the DGS&D should also be taken cognisance of. After some discussion, it was agreed that only the list of registered suppliers prepared by the DGS&D should be accepted by the State Governments and Central Government Commercial Undertakings for the purpose of registration of those firms as their approved suppliers. The other Purchase Organisations need not circulate their lists to other Purchasing Organisations.

5.2. Recommendation.—The firms registered as approved suppliers with the DGS&D should be automatically accepted for registration by all the State Governments and Central Government Commercial Undertakings. The State Governments may also have a separate list of firms registered by them. In cases where firms registered with the DGS&D, have defaulted against contracts entered into by State Governments etc. they may report such cases to the DGS&D, who would take prompt and suitable action against such firms, and if necessary remove them from their list. Such removal should also be communicated to all State Governments etc.

6.1. Tender Fees.—It was observed that the tender fees charged by most of the State Governments and Central Government Commercial Undertakings were quite reasonable.

6.2. Recommendation.—As far as possible, only a nominal tender fee should be levied by the purchasing authority, and the tender fee should not be treated as a source of revenue.

7.1. Specification.—The Chairman pointed out the advantage of giving clear specifications at the time of going out to tender instead of mentioning as per sample etc. The outmoded specifications, he stated, should be replaced by the latest specifications published by ISI etc., which have been arrived at after taking into account the indigenous availability of stores.

7.2. Recommendation.—As far as possible, specifications should be definite, upto date, and should not be so rigid so as to restrict competition. As far as possible purchases may be made upto I.S.I. specifications.

8.1. Inspection Procedure.—Shri Krishnamoorthy representing the Government of Kerala stated that they were utilising the services of

the DGS&D Inspection Wing where the value of the orders was substantial. They were also considering the question of establishing a separate Inspection Wing, but they felt that the volume of work would not justify a separate establishment. At present the inspection against smaller orders was done by the indenting officer or his representatives.

8.2. Shri Ramanathan of Heavy Electricals stated that they were inspecting the goods at their Factory before acceptance. In respect of large value orders, or equipment requiring stage by stage inspection, their inspectors carried out inspection at the manufacturers' premises. Where stores were ordered from abroad, their collaborators inspected the equipment before shipment.

8.3 Shri Narasimhamoorthy of the Mysore Government felt that to the extent possible DGS&D Inspection Wing can be used, but added that a separate organisation in the States was also necessary to carry out such inspections which cannot for obvious reasons be entrusted to the DGS&D.

8.4. Shri Gupta of Hindustan Steel Ltd., pointed out that the DGS&D Inspection Wing would have to be expanded considerably if they were to undertake the inspection of the goods purchased by Central Government Undertakings also. Though uniform pre-inspection is desirable, different departments were reluctant to agree to a centralised inspection.

8.5 Shri Agarwal of the U.P. Government emphasised the need for better coordination between the Inspection Wing of the DGS&D and the State Governments and stated that as far as possible DGS&D Inspection Wing should be utilised by the State Governments in respect of orders placed with suppliers outside their respective States.

8.6. Chairman agreed with the views expressed by Shri Gupta that if DGS&D were to undertake inspection on behalf of Central Government Commercial Undertakings the inspection wing would have to be expanded considerably. He stated that adequate inspection facilities can be created even in places, where industries have been recently established and where the value of the DGS&D orders would not alone justify the positioning of an inspector. He also pointed out that if he were to know the approximate value of their purchases, and the types of stores for which the State Governments and Central Government Commercial Undertakings might agree to utilise the services of the DGS&D Inspection Wing, he can undertake a planned expansion of the Inspection Wing.

8.7. Shri Krishnamoorthy of Government of Kerala pointed out that they were receiving complaints from their Heads of Departments in respect of the equipment, especially plant and machinery, inspected by the DGS & D Inspection Wing. Chairman agreed that wherever such instances are brought to his notice, he would initiate prompt action to investigate the matter and tighten up the inspection. He further stated that these complaints may be due to

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genuine differences of opinion regarding the tolerances etc as laid down in the specifications. The Inspectors are already being asked to get fully acquainted with the requirements of the indentors by visiting their factories, if necessary, and by a complete study of the specifications, or by familiarising themselves with the end use of the products and manufacturing processes. They are also examining the specifications from time to time with a view to devise additional tests for exhibiting clearly any hidden defects in the material. He was considering the question of dispensing with preliminary inspection in respect of common user items or products of reputed dealers subject to quality control, with a view to ensure prompt supplies off the shelf to the indentors, from the Regional Branches of the firms.

8.8.1. *Recommendation.*—As far as possible, the DGS & D Inspection Wing should be utilised, especially in the case of complicated stores or stores purchased outside the State.

8.8.2. A list of inspection offices of the DGS & D should be circulated to the State Governments and Commercial Undertakings.

8.8.3. The State Governments/Central Government Undertakings should be requested to furnish a list of stores for which they may desire to have the inspection by the DGS&D Inspection Wing and also the value of such purchases to enable the DGS&D to undertake planned expansion of the Inspection Wing.

9.1. *Terms of Payment.*—DGS & D are at present allowing 90% on proof of despatch and 10% after the consignee has received and accepted the stores. 80 per cent and 20 per cent payment is also made in respect of contracts for plant and machinery. Progress payments are made in respect of items like river crafts etc. Where the cost of raw materials is considerable, the fabricators of stores are allowed 'on account' payment for raw materials on the execution of an hypothecation bond. Such progressive terms of payment are possible only if there is previous inspection before actual despatch.

9.2. The U.P. Government allows firms with satisfactory past performance 80% payment on production of Railway Receipt, 10 per cent on receipt of materials, and 10 per cent after check of materials. Some firms with very satisfactory past performance are allowed 90% on production of R/R and 10% after receipt and check. Other suppliers are allowed full payment only after receipt, and check though in some cases 80% and 20% payment is also allowed. Separate payment terms are also negotiated in the case of FOR despatching station contracts. Shri Agarwal of the U.P. Government stated that different payment terms followed in regard to different firms was due to the fact that the State Governments had no centralised inspection arrangements as available with the DGS&D.

9.3. The Government of Maharashtra allows 90% and 10% payment terms to firm registered with them or the DGS&D. In other cases 75% and 25% payment are allowed. As regards delays in payment, he agreed that centralised payments would solve the difficulties to a considerable extent. The Government of Mysore are allowing 90% on production of R/R and 10% after receipt and inspection. The Government of Kerala are allowing 100% payment

on receipt of stores and verification. In Bihar, generally, the payments are made after receipt of materials, but in cases where prior inspections have been held, some advance payments are also allowed on proof of despatch. In cases where the articles are not easily available, advance payments, varying in each case, may also be allowed after obtaining approval of Finance Department.

9.4. The Hindustan Aircraft allow 100% payment after receipt, inspection and check, and sometimes also give 100% advance payment, where the stores have been pre-inspected.

On the suggestion of the representative of Hindustan Steel, it was agreed that one more method of payment *viz.*, through "Letters of Credit" would be added to the existing clause on the subject, in view of the fact that the Public Sector Undertakings have to make payment by Letters of Credit against foreign purchases.

9.5. Chairman pointed out that if the time lag between the receipt of stores and actual payment was considerable, the cost of stores would be affected to that extent. Shri Tewari stated that the Trade and Industry were generally satisfied with the 90% payment allowed by the DGS&D, and were also appreciative of the provision for making balance 10% payment, if consignee's receipt is not forthcoming, within a stipulated period. Shri Tewari however wanted that the provision regarding payment of balance 10% bill without production of receipt certificate, from the consignee, in cases the receipts certificate is delayed by the consignee, should be incorporated as a condition of contract. Chairman agreed to examine, if the current administrative instructions on the subject could be incorporated as a condition of payment in the General Conditions of contract, so that the number of cases where the consignees' receipts are not forthcoming may be reduced to the minimum.

9.6. The question of having a centralised system of payment was further discussed on the next day. The Trade and Industry welcomed it. It was also generally felt that centralised inspection and centralised payment can only go together. Where centralised inspection is not possible, it has to be examined whether centralised payment is desirable. Till such time the State Governments are in a position to establish Centralised payment system, they may consider the possibility of payment of suppliers bills through the banks, on submission of bills accompanied by documents. In the case of Public Sector Undertakings it was suggested that, as far as possible they may adopt the commercial practice of making payments through banks.

9.7.1. *Recommendation.*—Wherever pre-inspection has been undertaken as far as possible, the DGS&D payment procedure may be followed.

9.7.2. The question of having centralised paying agencies in the States, where they have centralised purchases, may be examined so as to avoid delays in payment. In case it is not possible to have it for all types of stores, the State Government may have centralised payment arrangements in the case of some specialised stores.

9.7.3. The Public Sector Undertakings, may try to get as close to the commercial practice of making payments of suppliers' bills as possible, especially if they can get some discounts for making prompt payments. Payment may be made through the banks on presentation of complete documents.

9.7.4. Complaints from the Trade and Industry regarding delay in payment by the indentors should be attended to by the CPO, Central Government Undertakings or the State Governments promptly, so that prompt payments are effected to the suppliers.

10. *Penalties, Liquidated Damages.*—After discussion it was observed that the suppliers were not experiencing any difficulties regarding penalty clauses in the contracts, entered into by the various purchasing organizations of the Government.

11.2. Shri Tewari felt that the new arbitration clause incorporated some of the State Governments had no provision in their contracts regarding Arbitration. Some State Governments and also the Commercial Undertakings were however following the old DGS & D Arbitration procedure which provided for appointment of two Arbitrators, one by the buyer and the other by the supplier, and reference to an umpire, in case of disagreement between the two arbitrators.

11.2. Shri Tewari felt that the new arbitration clause incorporated in DGS&D contracts according to which the cases are to be referred to the sole arbitration of the DG or his nominee, or in the alternative disputes are to be referred to a court of law, was very unfair to the supplier, as it virtually denied him, the facility to resort to arbitration, in cases where the supplier did not agree to the sole arbitration of the DG. He felt that to instil confidence in the Trade and Industry at least cases over 5 lakhs should be governed by the old arbitration clause. It was pointed out to him that the new arbitration clause had been in force for more than five years, and was introduced only on the analogy of the CPWD Contracts, Disposals Contracts and Food Purchase Contracts. As the experience of the DGS&D. in respect of the old arbitration clause was not happy, in that many cases were subjected to inordinate delays due to the delaying tactics adopted by the firms and their arbitrators, the new clause could not be modified. Chairman felt that the suppliers were getting speedy decisions, and were able to adopt a cheaper and easier method of settling their disputes, under the new Arbitration Procedure.

11.3. Shri Gupta of Hindustan Steel pointed out that the arbitration procedure obtaining in the DGS&D, under which only one arbitrator is appointed, is not likely to be acceptable to the trade, if it is adopted by the Public Sector undertakings, and the Undertakings would not be able to appoint an officer of the Ministry of Law as their arbitrator. The representative of the Trade and Industry felt that the arbitration procedure as followed by the Director General of Supplies and Disposals if adopted by the State Governments will create more complications. They preferred the old procedure of appointing two arbitrators one by each party.

11.4.1: *Recommendation:* In the case of State Governments, who have not yet adopted arbitration procedure in respect of their contracts, they may consider the adoption of either the old procedure, which was followed by the DGS&D, or the new procedure at present followed by the DGS&D, in which case a judicial officer may be nominated by the State Government for the purpose.

11.4.2: In respect of the disputes arising out of their purchase contracts entered into by the Central Government Undertakings, it was agreed that a clause providing for arbitration by two arbitrators/Umpires should continue, and the arbitrators chosen from the panel of arbitrators maintained by the Federation of Indian Chambers of Commerce & Industry.

12.1. *Purchase of Special Plant and Machinery.*—Shri Gupta of Hindustan Steel felt that the conditions of contract for the supply and delivery of stores as are generally being purchased by DGS&D are well known and can perhaps be unified for the purpose of Government Undertakings without much difficulty. A bigger problem however is the compilation of the broad terms and conditions for the procurement of foreign equipment whose value usually runs into tens of crores of rupees, its transportation over the high seas, landing and clearing at the Indian Port, inland transportation to the site, civil engineering foundations, erection and installation of the equipment, performance guarantees, terms of payment and training of Indian personnel etc. Although the circumstances would vary from Project to Project, there would always be a number of broad terms and conditions which would remain more or less the same. There is not much past experience available anywhere in India in this direction other than that gathered by the projects in recent years by own experimentation (HSL being one of the first in the field on a large scale) and therefore there is a crying need for drafting the terms and conditions to suit such cases so that each project may not have to do its own research or experimentation, which can only involve waste of time and some times large sums of money.

Shri Gupta further stated that there was immediate need for drawing up the special conditions of contract for the guidance of the Public Sector Undertakings as most of them had either already invited tenders or would be going out to tender in the near future, for purchase of Plant and machinery required for the implementation of their Schemes approved in the Third Five Year Plan.

12.2. Shri Tewari suggested that DGS&D should examine the terms and conditions of the contracts entered into by the Public Sector Undertakings, and incorporate the desirable features in their own General Conditions of Contract for plant and Machinery. Some terms, which are now included in individual A/Ts only, may have to be standardised and included in the General Conditions of Contract.

12.3. *Recommendation.*—The drafting of such special terms and conditions may be handed over to the Project Co-ordination Committee under the Minister of Commerce and Industry or their Sub-Committee.

13.1. *Turn Key Contracts.*—The question whether in respect of major plants involving considerable construction work, the civil Engineering portion should be entrusted to the main contractor or separate contractors, or undertaken by the purchaser himself was considered.

13.2. The Mysore Government themselves undertake such Civil Engineering Works, in consultation with the Suppliers, according to the specifications and drawings furnished by them. The Hindustan Steel had experienced that entrusting the entire job to one supplier, ensured better co-ordination and timely fulfilment of the commissioning of the plant and at times even ahead of the schedule. In respect of separate contracts, there was usually some delays.

13.3. The representatives of the Trade and Industry pointed out that they would not be able to enter into collaboration agreements with foreign firms and supply maximum indigenous equipment, if turn key contracts are awarded. In reply it was stated that in such cases, the invitation to tender made it clear, that preference will be given to those, who utilised the maximum indigenous resources and materials, and the foreign firms were themselves looking out for Indian Collaborators.

14.1. *Rate/Running Contracts:* The Chairman then mentioned the difficulties faced by the DGS&D in cases where some of the Departments of the State Governments and Public Sector Undertakings resorted to direct purchases outside the rate contract but at rate contract prices. This tendency, if continued on a large scale, will make the rate contract meaningless, as the firms would find it advantageous to sell outside the rate contract but enter into a rate contract for the purposes of price fixation.

Chairman also felt that it would be breach of the rate contract, which is entered into on behalf of all the Direct Demanding Officers if the supply is drawn outside the rate contract. The extreme step of withdrawing the facility to operate the rate contract would have to be considered in such cases.

14.2.1: Shri Rao of the Government of Maharashtra pointed out that due to the location of certain Rate Contract holders outside the State, the goods sent through the goods train, arrived at the destination in a very bad condition. They, therefore, preferred to obtain the stores from the nearest dealer. Due to the monetary limit in the rate contract and the difficulty in bulking their requirements in respect of different departments, they had to purchase outside the rate contract. Shri Krishnamoorthy of the Government of Kerala felt that some of the officers in the State may not have been declared as D.D.O.'s and as such have to make purchases outside R/C. Hindustan Steel felt that if purchases are made outside the rate contract, they save the departmental charges of 1%, avoid delays due to inspection and are also able to obtain immediate supply.

14.2.2: The Heavy Electricals were able to obtain the vehicles etc. at Bhopal, at prices, sometimes below the Rate Contract prices, due to the difference in rate of sales tax, price etc. The goods were also available immediately.

14.3: It was mentioned that Hindustan Steel etc. have not been allowed to operate against the Rate Contracts of the Chief Controller of Printing and Stationery. It was proposed that the Rate Contracts of CCP&S should be thrown open to the Public Sector Undertakings, also like those of the DGS&D. An example of the very wide disparity in the prices of firms selling typewriters was quoted.

14.4: Chairman drew the attention of the State Govts. to the fact that in respect of scarce materials or items in short supply, the Plan Schemes of some State Governments might be hampered, if some of the other State Govts. booked much ahead of the time all the available capacity. The bargaining power of the C.P.O. would be considerably enhanced if all the purchases are made within the terms of the rate contract, so that where the demand for certain items is more, they can tap alternative sources, obtain better prices, terms of supply and expeditious and uniform rate of supply.

14.5: The DGS&D can also consider the question of arranging supplies from different points of the country, to enable the D.D.O. to draw their supplies from the nearest point. To start with, if a forecast of the requirements of A.C.S.R. conductors, power cables, transformers and C.I. Pipes of certain sizes, Road Rollers, House Service Meters, Flourescent tubes, Liquid Chlorine, etc. are furnished to the DGS&D, they can enter into effective long term arrangements.

14.6.1: *Recommendations*—As far as possible supply should be drawn from within the DGS&D's rate contracts.

14.6.2: In case of delay in supply or difference in prices, DGS&D may be asked to investigate.

14.6.3: DGS&D should consider the question of entering into rate contract for supply from different points of the country.

14.6.4: In respect of demands of State Governments the incidence of their respective State Sales Tax may be ignored.

14.6.5: *State Purchase Organisations as D.D.O's:*

Shri Rao of the Government of Maharashtra pointed out that, as the Central Purchase Organisation of the State was itself not a D.D.O. against DGS&D Rate Contract, they had difficulty in obtaining the requirements of stores of their indentors who are not D.D.O's

If a request is made to the DGS&D on this behalf, DGS&D may declare the specified officers of the Central Purchase Organisation of the State Governments as D.D.O's against any Rate Contract.

15. *Stores to be procured through the Central Purchase Organisation:*

As regards the drawing up of a list of stores which could be procured more profitably through the DGS&D, a list of items in short supply etc. and a list of Rate|Running Contracts current as on 15-9-61 were circulated to all State Governments etc, on 23-10-61 for their comments|suggestions if any. The suggestions received ~~from~~

the State Governments etc. are being examined by the DGS&D with a view to bringing more items on Rate/Running Contracts or long term arrangements wherever possible. The revised list will be circulated to all State Governments etc. by the D.G.S.&D., for their information so that they can intimate their estimated annual requirements.

16. *Public Opening of tenders:*

In respect of their contracts for complete plants, the Fertilizer Corporation of India (Nangal Unit) do not open their tenders in public. At the Conference held on 29th July, 1961, the Sub-Committee was directed to examine the reasons for this undertaking not following the recognized procedure of opening tenders in public. After some discussion, the representative of the Fertilizer Corporation agreed to examine this aspect further. It was suggested that at the time of opening tenders, it would be enough if only the prices quoted are read out.

17. *Purchases by the National Small Industries Corpn: Ltd., New Delhi in Special circumstances:*

The representative of the N.S.I.C. explained that certain of their purchases could not be made according to the procedure followed by the production units in the public sector or the procedure being formulated by the Sub-Committee. For instance in the buying of machinery by N.S.I.C. to be given to small units on hire purchase or procurement of footwear for export against foreign orders, it was not always possible to call for tenders, or insist on security deposit etc. The view point was accepted by the Committee.

Sd/-
(N.E.S. Raghavachari)
(CHAIRMAN)
Director General, Supplies &
Disposals, Ministry of W.H.&S.

New Delhi:
Dated: 10th January, 1962.