GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 2007/CE-1/CT/18 New Delhi, 7th March, 2008

To,

As per list attached.

Sub: Empowerment of Field Organizations (Works Contract matters).

Ref: Board's letter No. i) 2003/CE.I/CT/4/Pt.1 dated 12/16.05.2006
ii) 72/W-I/CT/12 dated 11.3.1981
iii) 94/CE.I/CT/4 dated 17.10.2002
iv) 94/CE.I/CT/4 dated 17.09.97
v) 2007 / CE-I/CT/18 dated 28.09.2007
vi) F(X)II/2006/PW/17 dated 04.12.2006,

Subsequent to the issue of Board's letter dated 28.9.07 cited as reference (v) above, Board have reviewed certain aspects of existing works contract management practices for the purpose of further empowerment of field organizations in works contract matters. Accordingly, certain existing clauses in GCC have been modified and certain new clauses have been introduced as detailed below:-

1. Stage Payment on supply of steel in the Works Contract.

As per the existing procedure, payment for steel supplied by a works contractor is generally arranged only after actual usage of steel in the work. However, it has now been decided that where considered necessary by CAO/C in contracts of value more than Rs. 15 crore each, a suitable clause for making stage payment for steel physically brought by the contractor to the site (even before its actual use in the work), may be incorporated as part of the tender conditions. This clause, inter alia, should cover the following aspects :-

a) The material shall be strictly in accordance with the contract specifications.

b) The tender schedule shall provide for individual NS rate to be quoted by the tenderers for steel separately.

c) The material shall be delivered at site and properly stored under covered sheds in measurable stacks.

d) The quantities of materials shall be brought to the site only in such installments that would facilitate smooth progress of work and consumed in reasonable time.

e) Proper accountal in the material register to be maintained in the prescribed format at the site for the receipt and use of the material.

f) Ownership of such material shall be deemed to vest with the Railways for which the contractor should submit an indemnity bond in prescribed format.

g) Before releasing the stage payment, the contractor shall insure the material at his own cost in favour of Railways against theft, damages, fire etc.

h) Stage payment in all such cases shall not be more than 75% of the rate of steel awarded in the contract. The balance payment shall be released only after the material is actually consumed in the work.

i) The price variation claim for steel would continue to be governed as per extant PV clause and with reference to delivery at site.

2. Security Deposit

As per the Board's letter No.2003/CE.I/CT/4/Pt.1 dated 12/16.05.2006, following conditions for security deposit was prescribed:

"Unless otherwise specified in the special conditions, if any, the Security Deposit/Rate of recovery/Mode of recovery shall be as under:-

(a) Security Deposit for each work should be 5% of the contract value,

(b) The rate of recovery should be at the rate of 10% of the bill amount till the full security deposit is recovered,

(c) Security Deposit will be recovered only from the running bills of the contract and no other mode of collecting SD such as SD in the form of instruments like BG, FD etc. shall be accepted towards Security Deposit.

Security Deposit shall be returned to the contractor after the physical completion of the work as certified by the Competent Authority. The Competent Authority shall normally be the authority who is competent to sign the contract. If this Competent Authority is of the rank lower than JA Grade, then a JA Grade Officer (concerned with the work) should issue the

certificate. The certificate, inter alia, should mention that the work has been completed in all respects and that all the contractual obligations have been fulfilled by the contractors and that there is no due from the contractor to Railways against the contract concerned. Before releasing the SD, an unconditional and unequivocal no claim certificate from the contractor concerned should be obtained".

In partial modification to the above instructions, it has now been decided that:-

(i) After the work is physically completed, security deposit recovered from the running bills of a contractor can be returned to him if he so desires, in lieu of FDR/irrevocable Bank Guarantee for equivalent amount to be submitted by him.

(ii) In case of contracts of value Rs.50 crore and above, irrevocable Bank Guarantee can also be accepted as a mode of obtaining security deposit.

3. Two Members Tender Committee for tenders of value of Rs.20 lakh and less each.

In partial modification of Board's letter No.72/W-I/CT/12 dated 11.3.1981, it has been decided that for Works Tenders of value upto Rs.20 lakh, the Tender Committee shall hereafter be constituted with only two Members out of which, one should essentially be from the Accounts Deptt. and the other from the concerned Executive Deptt. However, the existing practice of three member Tender Committee will continue to be applicable for tenders of value more than Rs.20 lakh each.

4. Minimum Tender Notice Period for contracts of small value.

In partial modification to para 1238 of Engineering Code, it has been decided that CAO/C/DRM be empowered to reduce the minimum tender notice period of one month to 21 days where considered necessary without Finance concurrence. Needless to say, this should be resorted to only after the bid document, site survey reports, plans etc. are ready and that such reduction in Tender Notice period does not restrict the level of competition. Further reduction of this Tender Notice period from 21 days (but not less than 15 days in any case) in rare exceptional circumstances in the case of small value works shall be exercised by CAO/C with the concurrence of the FA&CAO/C.

5. Eligibility Criteria for Works Tenders.

In partial modification to para 2.3.4.1 and 2.3.4.2 of Board's letter No. 94/CE-I/CT/4 dated 17.10.2002 and subsequent amendments thereon, Board have reviewed the eligibility criteria that are presently adopted and have decided as under:-

The existing eligibility criteria may normally be taken as a general guideline for adoption in works tenders. However, in case of special circumstances, warranting some relaxation in the eligibility criteria, CAO/C with the personal concurrence of FA&CAO/C may effect relaxation in the existing eligibility criteria prescribed in para 2.3.4.1 and 2.3.4.2 of Board's letter dated 17.10.02 referred above, and subsequent amendments thereon. This relaxation would need personal approval of CAO/C and exercise of this power shall not be re-delegated. Moreover, these powers shall be exercised judiciously duly recording the special circumstances surrounding the tender in question and not in a routine manner.

6. Incentive Bonus Payment Clause.

Considering the need of early and time bound completion of throughput enhancement works primarily those coming under the Plan Heads 'Doubling' and 'Traffic Facilities', it has been decided to introduce an Incentive Bonus Payment Clause as part of tender conditions in tenders relating to such throughput enhancement works. This clause, inter alia, should cover the following parameters:

(i) The incentive bonus payable shall not be more than 1% of the initial contract value or revised contract value whichever is less for every one month of early completion ahead of the original completion period or revised completion period whichever is less.

(ii) The maximum incentive payable shall not be more than 6% of the original contract value or revised contract value whichever is less.

(iii) This incentive scheme shall not apply if extension to the original completion period is given irrespective of on whose account (Railways account or contractors account).

(iv) Period less than a month will not be reckoned for the incentive bonus calculation.

7. Adoption of Two Packet System of tendering for high value contracts.

Instructions already exist vide Board's letter No.94/CE-I/CT/4 dated 17.09.97 for adopting two packet system of tendering for large value works. These instructions are again reiterated and Railways may follow two packet open tender system instead of resorting to single packet open tender for high value tenders. The Railway may also resort to prequalification tender to avoid delays in verification of credentials of contractors.

8. Single Tender

As per Engineering Code para 1214-A, General Managers are empowered to award contracts on single tender. In partial modification to this para, it has now been decided to empower CAO/C with the personal concurrence of FA&CAO/C to float and finalise single tenders of value not more than Rs.2 crore each only for the purpose of early completion of last mile of throughput enhancement works relating to 'Doubling' and 'Traffic Facility' plan heads. Tender Committee in all such cases would be at SAG level with acceptance by CAO/C. The exercise of this power would be done personally by CAO/C with the personal concurrence of FA&CAO/C.

9. Application of Mobilization Advances Clause and Interest Rate for Mobilization Advances.

The rate of interest on advances extended by Railways to contractors was downwardly revised to 14% vide Board's letter No.2007/CE.I/CT/18 dated 28.09.2007. On a further review of this clause, Board have decided as under:-

a) The interest rate applicable to mobilization advance is further reduced from 14% to 12%.
b) The mobilization advance clause henceforth be restricted only to high value tenders of value Rs. 10 Crore and above each.

10. Amendment to Price Variation Clause in Works Contract.

In partial modification to item 2 (iii) of Board's letter No.2007/ CE-I/CT/18 dated 28.09.2007, it has been decided to delete the existing lower limit of 5% for disallowing the PV claim.

11. Part Estimate

In partial modification to item 40(5) of Board's letter No. F(X)II/2006/PW/17 dated 04.12.2006, GMs are now authorized to sanction part estimate costing upto 2% of the total value of the work, as originally sanctioned in the budget to incur expenditure towards preliminary activities viz., FLS, Geotechnical Studies, Design, Preparation of Plans, Drawings etc.

These modified clauses/provisions shall be applicable with prospective effect in all future works contracts.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Please acknowledge the receipt.

(T Gupta)
Executive Director Civil Engg.(G)
Railway Board

No.2007/CE-I/CT/18 07.03.2008

Copy forwarded for information to:

i. FA&CAOs and FA&CAO/Cs – all Indian Railways
ii. Dy. Comptroller and Auditor General of India (Railways), Room No. 224, Rail Bhawan, New Delhi (with 46 copies)

07/3/2008
For ***Financial Commissioner (Railways)***