

No.003/MSC/1
Government of India
Central Vigilance Commission

Satarkta Bhavan, Block "A"
GPO Complex, I.N.A.
New Delhi-110023
Dated the 13th August, 2003

OFFICE ORDER NO. 38/8/03 dated 8.08.2003

Subject:- Intensive examination of a contract by CTE's Organisation of CVC.

From time to time, the cases investigated by CVC/CTE where serious lapses/irregularities have been noticed would be put on the web-site for information of all the CVOs so that they learn from these cases and take suitable remedial action in their own organization to prevent similar occurrences.

“This case relates to the examination of contract for purchase of optic fibre cables by a P.S.U. The case valuing Rs.14 cores (approx.) was examined by CTE organization in June, 2003. Some of the lapses observed are as under:-

(i) In response to the global tender, 18 firms submitted their offers in a two-bid system. Out of these, 2 offers were rejected on technical and commercial grounds and the price bids of the remaining 16 bidders were opened on August 12, 2002. The contract was awarded to the lowest bidder (L-1) on October, 31 2002 for full quantity of 2700 Kms. Along with jointing kits and special tools and tackles at the total evaluated price of Rs. 13.92 crores, which was 50% less than the estimated cost of Rs.27.40 crores.

(ii) Supplies had been delayed and a quantity of 600 kms. Remained unsupplied after the expiry of the original schedule of 4 months of letter of intent. Meanwhile, the P.S.U. had invited fresh tenders for 370 kilometers of the same size of optic fibre cable for which the price bids were opened on April, 30 2003. In this tender not only the existing contractor quoted much lower price (about 13%) but other firms also quoted lower prices in comparison to the prices quoted in earlier tender for a much larger quantity of 2700 kilometers. This reduction would have taken place gradually over the last 6 months. But it seems, that the P.S.U. officials failed to monitor the contract properly and get the prices reduced during the currency of the contract specially when there was a 'Fall Clause' in the contract according to which the firm was supposed to give an undertaking along with all the bills to the effect that there was no reduction in the sale price and that the stores have not been offered or sold to any other organization at a price lower than the price in the contract. No such undertaking/declaration from the firm was taken with any of the bills, thus extending financial benefit to the firm.

(iii) Despite the knowledge of lower prices in the fresh tender opened on April, 30 2003 for 370 kilometers the price for the balance unsupplied quantity beyond the original delivery schedule was not amended till the date of inspection in June, 2003. The price for the outstanding quantity of 600 kilometers of cable and jointing kits as on April, 30 2003 needs to be proportionately reduced- this works out to Rs.38 lakhs (approximately).

(iv) The terms of stipulation in the contract for delayed deliveries, the total contract price is to be reduced by 1% for each week of delay or part thereof subject to a maximum of 10% of the total contract value. However, total deduction on this account had been made only for the value of delayed supplied and not for the full contract value in terms of the provisions in the contract. After the matter taken up by CTE organization and realizing their omission, P.S.U. have withheld a total amount of Rs. 1.19 crores. They have been asked to ensure recovery of 10% of the contract value.

Sd/-
(Anjana Dube)
Deputy Secretary