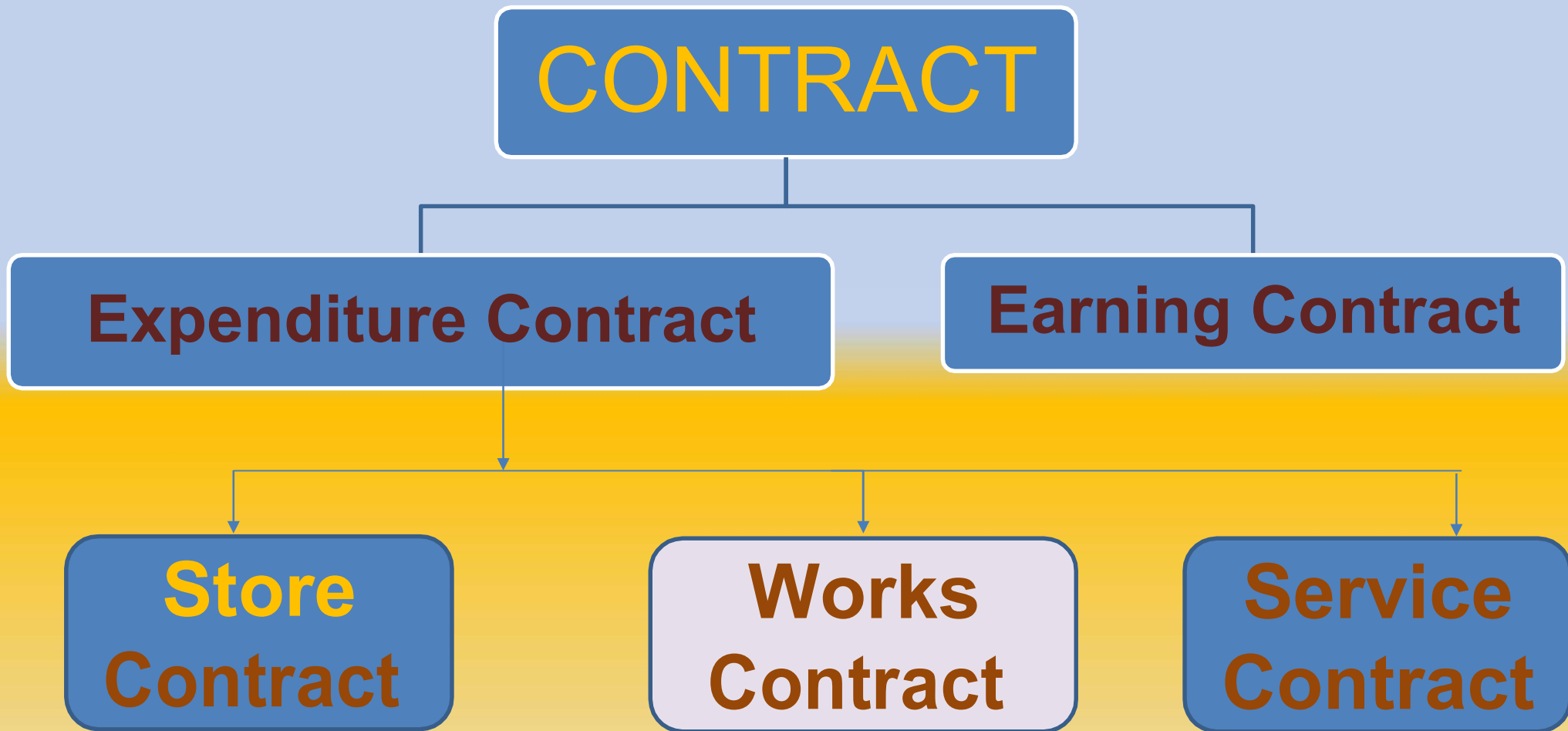


TYPES OF CONTRACTS



EARNING CONTRACT

- It is for earning of Non-Fare revenue for the Railways
- Mostly handled by commercial department.
- Such as Contracts for
 - Leasing of parcel vans
 - Leasing of cycle/car parking spaces
 - Advertisement rights at station and other railway premises
 - Leasing of shops at platforms and circulating area
 - Annual contract for leasing of land for private sidings

WORKS CONTRACT

(Para 1203 of Engg. code)

All works and supplies relating to the Engineering Department and other engineering (electrical general, TRD, S&T, Mechanical) department are executed through the agency of contractors.

Types of works contract are

(i) Zonal Works

(ii) Special Works: All construction and maintenance contracts other than zonal works & supply works fall under this category, e.g. construction of bridge, formation of an embankment etc.

WORKS CONTRACT

(iii) Supplies of building materials.-

Such as supply of bricks, tiles, lime, doors, windows, ballast, moorum, fire bricks, pitching stone etc. These materials are not purchased by the Stores Department.

Contracts relating to these three classes are termed as 'Work Contracts'.

STORES CONTRACT

- This type of contract is being dealt by stores department.
- In this type of contracts materials for various department of Railways are procured, such as
 - Purchase of Medicines and equipments for medical department
 - Purchase of Machines and spare parts for electrical departments

STORES CONTRACT (Contd)

- Purchase of copper wires for TRD and cables for S&T departments
- Purchase of gang tools, uniforms, boots etc for class IV staff
- Purchase of consumables such as K-oil, grease, diesel etc.

STORES CONTRACT

Exemption-

Procurement of sleepers, ballast and all track materials such as rails, rubber pads, liners, ERC, switches, X-ing, SEJ etc are done at HQ level by Track-procurement wing of Engineering department.

SERVICE CONTRACT

- This is a new type of works contract introduced in the railway system.
- Separate GCC has been issued by Railway Board for Service Contract.
- Service contract GCC is similar to works contract GCC with additional safeguards on welfare on labours employed viz. Minimum wages act, payment of Bonus, PF, ESIC, HRA etc. Additional provision of different insurance scheme viz. Atal Pension yojana etc

SERVICE CONTRACT

- This contract deals with the types of works which involves deputing of manpower for various types of activities such as
 - Platform cleaning contract
 - Watchman for hospital, office, depots etc.
 - Housekeeping contract for daily/routine maintenance for hostels
 - Catering contracts for hostels of CTI's (Centralized Trg Institutes)
 - OBHS (On Board Housekeeping Service)contract on Trains

Works Contract

FORMS OF WORKS CONTRACT

- SCHEDULE CONTRACT
- PIECE WORK CONTRACT (e.g. Zonal contract)
- LUMP SUM CONTRACTS
- EPC CONTRACTS
- CONSULTANCY CONTRACT
- SERVICE CONTRACTS

SCHEDULE CONTRACT

- It is the the Simplest form of Contract.
- In this type of Contract rates and quantity of various activities are fixed beforehand at the time of award of contract.
- The contractor agrees to carry out a work as specified, within a given period, at the fixed/accepted unit rates for each of the various items in the schedule of work.

SCHEDULE CONTRACT

- The total amount to be paid to the contractor will depend on actual quantities of the work done against each item of schedule of work (as measured in the Measurement Book).
- It is the Most commonly used type of contracting format in Railways

SCHEDULE CONTRACT

- QUANTITY of each item in schedule of work should be precisely known before inviting tender.
- POOR QUANTITY CALCULATION WILL RESULT IN unnecessary VARIATIONS
- DRAWINGS wherever needed SHOULD BE AVAILABLE beforehand.
- BILLING of each item should be based on DETAIL MEASUREMENT.

SCHEDULE CONTRACT

- No lump sum payment is permitted except for earthwork item.
- There is very **LITTLE FLEXIBILITY** in time period, quantity of individual items, rates & other contract conditions, **AFTER AGREEMENT IS SIGNED**
- **BUT** such types of contract often **GENERALLY RESULTS IN ECONOMIAL OFFERS**

PIECE WORK CONTRACT

- The **zonal contracts** adopted on the Railways fall under this category. Also called fixed rate contract.
- In this type of contract only unit rates for various kinds of the works are agreed upon, without reference to the schedule of quantity of work to be done, within a given period.
- Generally time period of such contracts is one year

PIECE WORK CONTRACT (contd)

- The Railway indicates the approximate total cost of work based on USSOR value (% above or below).
- After the contract is executed/signed the specific work orders or supply orders are placed based on master schedule of the rates.
- The rate of progress of work may not be specified but if it is unsatisfactory the contract can be terminated.
- To avoid the vitiation or undue benefit, the approximate cost in each group of the works of master schedule is specified.

PIECE WORK CONTRACT (contd)

- **Prerequisite:** Availability of an updated master schedule of the rates (USSOR)
 - If the schedule of rates is old, for some items the rates will be profitable and for some items loss making. There is likely a tendency on the part of the contractor not to execute loss making items.
- Maximum value of one work order is Rs 5.0 lakhs

PIECE WORK CONTRACT (Zone)

ITEMS WHICH CAN BE EXECUTED

- New Works, additions and alterations to existing structures, special repair works and supply of building materials subject to the contract value of each such work not exceeding Rs.5 lakh. (Authority: Railway Board letter No.2001/CE-I/CT/17 dated 27.0917: Advance correction slip no. 51 of Engg. code)
- All ordinary repairs and maintenance works
- Supply of building materials/fittings/spares e.g. bricks, lime, sand, sanitary fittings, paints, tiles/stones etc. which are likely to be required in a zone during the year.

PIECE WORK CONTRACT (Zone)

Time Period:-

- Time period of such contracts is normally for one year i.e. from **1st of July to 30th of June.**
- If any special advantage viz. favourable rates, is likely to be received, longer time period of more than one year may be adopted with concurrence of finance officer.
- No work orders to be approved against old contracts after opening of new tenders.
- Work orders of old contracts should be completed before 30th June.

PIECE WORK CONTRACT (contd)

Merits:

- Detailed advanced planning is not required.
- As and when petty repair works arise, the work orders can be placed.
- Very convenient for the subordinate officials if implemented properly.

PIECE WORK CONTRACT (contd)

Demerits:-

- Most of the expenditure on such contracts is on unimportant and non-plan work.
- Very difficult to keep track of individual work.
- As the value of individual work-orders are very small, it results into poor supervision and hence generally bad quality of work.

LUMP SUM CONTRACTS

- Such type of contracts are suitable for repetitive works e.g. construction of 100 nos. of type II quarters, replacement of old wiring in 200 nos. of type-III quarters etc.
- To carry out a work as specified and within a given period for a fixed total sum;
- payment being dependent on his completing the work to specification and time, irrespective of the actual quantities.

LUMP SUM CONTRACTS

- For handling variations (+/-) a scale of rates or prices need to be agreed upon by which enhancement of or reduction from the lumpsum may be regulated in the event of any departures from the work as specified being made subsequently under the order of competent authority.
- The payments in between can be made on completion of the various stages and should be prescribed/decided before inviting tender.

LUMP SUM CONTRACTS

Merits:

- easy to finalize,
- do not result in the tender vitiating,
- do away with the need of the detailed measurements, and readily indicate the cost of work.
- Very easy for subordinate officials as it involves less paperwork and field measurement.

EPC CONTRACTS

- EPC stands for Engineering, Procurement, Construction and is a prominent form of contracting agreement in the construction industry and is the need of the hour
- It is very common for high value contract.
- But Railway has been very late in adopting such type of contracting system.

EPC CONTRACTS

- The engineering and construction contractor will carry out the detailed engineering design of the project, procure all the equipment and materials necessary, and then construct to deliver a functioning facility or asset to their clients.
- Companies that deliver EPC Projects are commonly referred to as EPC Contractors.

NEED FOR EPC CONTRACT

Conventional item-rate contracts are generally prone to time & cost overrun due to:

- Involvement of multiple agencies- generally a new line/doubling project involves 15 to 20 different types of contractors
- Failure of even one contract delays the whole project
- Lack of flexibility in replacing failed agency on real time basis

NEED FOR EPC CONTRACT

- Allocation of construction risks are largely to Railway, particularly the onus of design which many times lead to:
 - Delays in design and drawings by the Railway
 - Variation in items and quantities

NEED FOR EPC CONTRACT

Problems in Conventional item-rate contract:

- Considerable time of Project Engineers is consumed in processing of:
 - Variation in quantity of items
 - Introduction of NS items
 - Variation in contract price

OBJECTIVE OF EPC CONTRACT

- Implementation of project to specified standards with a fair degree of certainty relating to time & cost
- transferring the construction risk to contractor.
- Awarding contract for a LS price ensures predictability and financial discipline both for Government & Contractor.

OBJECTIVE OF EPC CONTRACT

- Well defined system of obligation associated with damages both for Railway & Contractor.
- Assigning risk to the party who is in a better position to mitigate it
 - Providing encumbrance free land and obtaining statutory clearances has been assigned to Railway
 - design, site uncertainty (day to day issues), sub contracting etc. are assigned to contractor.

PERCEIVED ADVANTAGE OF EPC

- Effective project management - less no. of contracts to manage.
- Engagement of professionally managed agencies.
- Well defined system of obligation associated with damages both for Railway & Contractor.

PERCEIVED ADVANTAGE OF EPC

- Assigning risk to the party who is in a better position to mitigate it e.g. land, statutory clearances assigned to Railway whereas design, site uncertainty, sub contracting are assigned to contractor.
- Milestone based payments.

CONSULTANCY CONTRACT

- Consultancy Contracts are required for advisory services for works requiring highly specialized technical assistance and such expertise not available with railway.
- These could be
 - Pre-investment studies for new lines (ROR of the project),
 - Design of OHE system as per proposed alignment
 - Design of SSP/TSS for Railway electrification project

CONSULTANCY CONTRACT

- Specialized design of structures using advanced software such as bridge or multistoried buildings,
- Acoustics and illumination in auditorium or important buildings viz. illumination scheme of Crly HQ building at Mumbai,
- Architecture or landscaping of important structures viz. IRICEN Building, Division office building at Pune

CONSULTANCY CONTRACT

To incurrence of expenditure in engaging /obtaining consultancy services from outside (for calling tender)

GM	Rs. 10 Crore per case with concurrence of PFA
	Further delegation is as under
CAO	Rs 50 lakh each case, with annual ceiling of Rs.5 cr.
PCE/ CHDD	Rs 20 lakh each case, with annual ceiling of Rs 1.5cr
DRM	Rs 10 lakh each case with annual ceiling of Rs. 1.5cr

Minimum level of tender acceptance - SAG level

Means minimum level of TC- JAG/SG

CONSULTANCY CONTRACT

- For single tender –
- TC shall be of SAG level.
- Generally single tender for consultancy for consultancy is considered for
 - Railway PSU (RITES/IRCON)
 - other PSU's
 - Agency of national/international repute

CONSULTANCY CONTRACT

- For single tender –
 - If contract is to be fixed only on single tender basis due to spl circumstances-
 - GM' personal approval is a must irrespective of value of contract