PRESS NOTE

Chief Technical Examiner Organisation's Performance during June 2005.

In June, **2005**, Chief Technical Examiner's Organisation (CTEO) undertook 13 new cases for intensive examination besides processing old cases. Recovery to the tune of Rs.2.96 crores, for the month, on account of CTE's observations, was confirmed by various Organisations. The number of files closed/disposed in CTEO during the month was 24.

Some of the major irregularities observed during the CTE's Inspection of two cases during this month, are illustrated as under:

Case I

i. In a case of award of Mechanical package costing Rs.2000 Crores approximately by a Central PSU it was observed that the bid evaluation criteria envisaged a large number of factors for loading with unrealistic presumptions. For example, the Steam Generator (SG) (Boiler) **efficiency** was loaded **for every 0.1%** variation from the base for 25 years, presuming therein that efficiency can be consistently measured to such minute precision. Further, the quoted efficiency was found to vary widely. These were not consistent as seen from the offers submitted by the bidders. For example the successful bidder had quoted a figure of **84.92 %** in the case of one project but quoted **86.26 %** in the case of another within a short period indicating a wide range variation in efficiency for the product. The inter-se-position of quoted L-1 changed after evaluation by loading and L-2 became L-1. Similarly, one of the components' wear and tear has been worked out for 25 years, whereas it is common knowledge that these components are replaced every two to three years. Incorporation of such clauses give a leeway/handle to alter the Inter-se-seniority and award the contract to the chosen bidder. Further, the PSU hardly has any recourse after a period of 4-5 years after the commissioning of the Plant, when it comes to light that the efficiencies prescribed or committed in the contract have either not been attained / not attainable. By then, the ineligible Bidder has already been favored with the contract for such a large sum of a few thousand crores.

ii. In the same case the PQ criteria appeared to be skewed in favour of a particular firm, to whom work was awarded. It was unusual to note that for a project of **2000** MW, only two works of 200 MW were envisaged. Against this the firm produced two certificates having completed works of 200 MW and 210 MW only. Incidentally, these two certificates were also provided by the firm after the opening of the bids.

Case 2

iii. In another case of award of E&M package costing Rs.1572 Crores approximately by a Central PSU, the case was finalized without properly examining the eligibility criteria vis-à-vis the proposal submitted by the bidder. The eligibility criteria envisaged major share of contribution by the Leader in the case of Joint Venture bidders. The Joint Venture bidder who was selected confirmed this as being complied with. As per the proposal and distribution of work submitted by the Joint Venture (to whom the project was finally awarded), major share of contribution was to be by the Leader (the Foreign Partner), but however a close look at the proposal indicates the share of contribution and the distribution of work as per the Price bid was different. In the initial offer, the leader being a foreign company indicated major supplies from their off-shore work but in the price bid, the distribution of works appeared in such a way that major portion would be supplied from Indian partner.

iv. In the same case as per the Government policy for Mega Power projects, as per the bid provisions, a Price preference is granted by increasing the bid price by 15% of the CIF component contained in the bid. The Joint Venture quoted their prices in a way giving them advantage of 15%Purchase preference allowed to indigenous manufacturers while the item was being brought in by their partner from abroad and shown as Ex-Works supplies. In the Schedule 1 of the price bid which consists of only CIF component, the JV kept disproportionately lower amounts and kept higher amounts in Schedule 2 to be paid in foreign currency so as to avoid the financial loading by 15% of the CIF component in Schedule 2 leading to it's advantage resulting in disadvantage to the other bidder (a JV between a Central PSU as Leader and a foreign partner).