

Contracts

Classification of Contracts in Railways

Contracts	
A. Expenditure Contracts	B. Revenue contracts (Earning Contracts)
a. Store/Supply Contracts	
b. Works Contracts	
c. Service Contracts	

Governed by Para 1203 of the Engineering Code, a Works contract consists of all works and supplies relating to the Engineering Department executed through the agency of contractors.

Types of Contracts in Railway

- a. Works Contract
- b. Schedule Contract
- c. Piece Work Contract
- d. Zonal Contract
- e. Lump-sum Contract
- f. Consultancy Contract
- g. EPC Contract (construction)
- h. Stores/Supply Contracts (Stock items and non-stock items)
- i. Service Contracts

Classes of Works Contracts- All works and supplies relating to the Engineering Department executed through the agency of contractors may be broadly classed as follows-

- a. Zone Works:** Such as works of ordinary repairs and maintenance and others of petty nature in a particular zone, or area;
- b. Special Works:** Such as the construction of bridge, the formation of an embankment, etc., other than zone works;
- c. Supplies of Building Materials:** Such as bricks, tiles, lime, doors, windows, ballast, moorum, fire bricks, pitching stone, etc., which are not usually stocked or purchased by the Stores Department.

Contracts relating to above three classes will for the purpose of Engineering Code be termed as **Work Contracts** as distinguished from **Stores Contracts** which pertain to the supply of stores arranged by the Stores Department.

Forms of Works Contracts- The following forms of contract are primarily intended for application to Works Contracts (vide Para 1204-E-c. f. para 408-S)-

- (i) Lump sum contract
- (ii) Schedule contract
- (iii) Piece work contracts

Schedule Contract

It is the simplest and most common form of Contract, in which rates and quantity of various activities are fixed. The contractor agrees to carry out work as specified, within a given period, at the fixed or accepted unit rates for each item comprising such work. The sum to be paid will depend on actual quantities of the work done against each item of work (measured).

Piece Work Contracts (Zonal contracts)

Under E1208, a contract under which only unit rates or prices for various kinds of work or materials are agreed upon, without reference either to the total quantity of work to be done or materials supplied; or to the quantity of work to be done or material supplied within a given period.

Zonal Contract on the Railways (refer para E1209) fall under the category of Piece Work contract (c.f. para 406S), wherein the Railway indicates the approximate total cost of work. It is often advantageous to allot all minor works and repair and maintenance work to one contractor, who is also made responsible for conveyance and supply of engineering materials.

Consultancy Contracts- As per clause 2.1.1 of General conditions of contract for Services, contracts for services are generally defined by-

1. Scope- Services expressed in term of functions, processes, activities or projects;
2. Governance-Decision power, role and responsibilities
3. Operation-Day to day operating procedures
4. Financial arrangement- Fee structure and settlement arrangement
5. Performance- Expected output, level of service & reporting
6. Implementation

Quality of service and timely availability of services is essential for the satisfactory performance of a service contract. For evaluation of bids of consultancy service, the technical criteria must be defined by the tender inviting authority in consultation with associate finance and approval of the technical authority.

Works Contracts in Mechanical Department

Responsibility for works and supplies related to a particular work handed over to the contractor for a fee. Thus, in Mechanical Department, Works Contracts are generally departmental functions outsourced to an external agency, such as-

1. **Annual Maintenance Contract (AMC)** or Repair Contract (RC) of key machines and important equipment - by single tender on OEM or otherwise,
2. **Outsourced Works-** For labour saving, such as stripping, bogie shot blasting, etc.,
3. **Non-core Activities-** Such as loading/unloading, Shop floor, cleaning, transportation (Inter-shop or outside), etc.

Differences between GCC of Works and Services

S.No.	Item	Works	Services
1	EMD rounded to	₹ 100	₹ 10
2	EMD of successful tenderer	Retained as SD	Returned to the tenderer after submission and verification of prescribed PG (Because SD is not applicable)
3	EMD exemption	MSME & Start-ups registered with DIPP	Start-ups registered with DIPP only
4	PG -% of Contract value	5%	10%
5	Submission of PG	Within 21 days from LOA	Within 30 days from LOA
6	Penal interest for delayed PG	12% from 22 nd day to 60 days	10% from 31 st day to 90 days
7	Termination of Contract on failing of PG submission	After 60 days from LOA	After 90 days from LOA
8	SD	5%	Nil

9	LD-Liquidated Damages	0.5% of 1% of Contract value for each week or part of the week	Shall not exceed 5% of Contract value plus token penalty
10	Forfeiture of PG	No link with LD	LD exceeds 50%-25 % of PG to be forfeited
			LD exceeds 75%-50 % of PG to be forfeited
11	Vitiation	Sanction of Competent Authority as per Single Tender to be obtained. However 1. up to 50 Lakhs - 10% Vitiation permitted 2. Above 5 Lakhs - 5% Vitiation permitted	Payment shall be restricted to the lowest calculated value of all valid offers
12	Two packet system	Above ₹ 10 Crores Tenders	Above ₹ 50 Lakhs tenders
13	PV Clause	Above ₹ 5 Crores	More than 18 months contract - irrespective of its value
