ITEM NO. 04 (B-12)

1. Name of the Subject: Providing Mechanized Facility Management Services at NDCC Phase-II

2. Name of Department: Electricity Department

3. Brief History of the subject:

NDCC Phase-II Block-C Building is a prestigious building of NDMC. In a meeting held in the chamber of Financial Advisor, NDMC, it was decided that NDCC Phase-II building needs to be maintained at par with international standards of building maintenance. It was also decided that the building would be outsourced to single agency for various services required for its maintenance.

**4. Detailed proposal on the subject:**

An estimate amounting to `2,75,84,780/- based on current prevailing labour rates as per the Govt. notification and rate of the current annual maintenance contract was prepared for the following services in Block ‘C’ of NDCC Phase-II:

1. Providing services of ‘Mechanized & Automated House Keeping Job’ (Including rent for tools & equipment, repair, maintenance & insurance, housekeeping chemicals and consumables & manpower) as per maintenance schedule.

2. Running, maintenance and operation of ‘DG Sets’ as per the scope of work and maintenance schedule specified.

3. Running maintenance and operation of ‘HVAC system’ as per the scope of work and maintenance schedule specified.

4. Operation of ‘Lifts’ as per the scope of work of specified.

5. Running maintenance and operation of ‘Electrical system’ as per the scope of work and maintenance schedule specified.

Council vide resolution No. 02(B-17) dated 28/03/2012 accorded administrative approval and expenditure sanction of `2,75,84,780/- to the estimate (Annexure-I).

CEE-II accorded technical sanction to the estimate and tenders with estimated cost of work amounting to `2,37,19,780/- were called through e-tendering. The tender alongwith technical bid containing eligibility criteria and financial bid was uploaded on website and published in leading newspapers.

Pre-bid conference was held in the office of CEE-II in presence of NDMC officials and representative of firms on 15/05/12 and no technical deviations were pointed out by the representatives of the attending firms.

Eligibility bids were opened on due date i.e. 22/05/2012 and offers from the following three firms were received. These firms also furnished earnest money.

1. M/s. AVON Facility Management Services Pvt. Ltd.
2. M/s. BVG India Ltd.
3. M/s. Swastik Electrotech Private Ltd.

After scrutiny of the downloaded documents, M/s. BVG India Ltd. and M/s. Swastik Electrotech Pvt. Ltd. were found eligible for opening of their financial bid and the same was approved by CEE-II.

The financial bids of the two eligible firms were downloaded and opened on 08/06/2012. Comparative statement of quoted rates was also downloaded. M/s. BVG India Ltd. emerged the lowest bidder with tendered amount of `3,23,73,689.04/-, 13.23% above the justified amount of `2,85,93,405/-.

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| --- | --- | --- | --- |
| **S.No.** | **Name of firms** | **Quoted Rate****(`)** | **Justified Rate****(`)** |
| 1. | M/s. BVG India Ltd. | 3,23,73,689.04**L-1** | 2,85,93,405.00 |
| 2. | M/s. Swastik Electrotech Pvt. Ltd. | 3,45,06,625.19 | - |

After due examination of Planning and concurrence of finance department vide Dy.No.1671/Finance/R-Elect. dated 30/0712 and approval of Chairperson dated 06/08/12 negotiation were held with the L-1 firm by a team under the Chairmanship of CEE-II and comprising of CE(C-II) and Director (Finance) as members.

During negotiation firm offered a rebate of 08% on their quoted rates which was confirmed by M/s. BVG India Ltd. vide their letter No.BVG/Del/12-13/NDMC/225 dated 16/08/2012. The negotiated amount after considering rebate offered by the firm works out as under:

Tendered amount : ` 3,23,73,689/-

Less: Rebate @ 8% : (-) ` 25,89,895/-

Negotiated amount : ` 2,97,83,794/-

The negotiated amount of M/s. BVG India Ltd., amounting to `2,97,83,794/- is 04.16% (approx) above the justified amount of `2,85,93,405/- duly checked by Planning was found reasonable & justified. Finance accorded “No Objection” to the proposal of the department vide Dy.No.1861/Finance/R-Elect dated 06/09/12 to process the case for seeking approval of Competent authority for award of work to L-1 firm M/s. BVG India Ltd. at their negotiated amount of `2,97,83,794/-.

**5. Financial Implications:** `2,97,83,794/-

6. Implementation Schedule: 12 months.

7. Comments of Finance Department:

1) There is huge variation between the justified cost and estimated cost worked out by the department. The justified cost has been worked out 20.54% above the estimated cost. The reasons for the same needs to be brought on record.

2) It is observed that the same firm i.e. M/s. BVG India Ltd. who was awarded tender last year, has emerged the L-1 firm. Last year, rates quoted by the said firm were `2,24,51,985/- whereas the rates offered now are `3,23,73,680/-. As

such, the rates offered this time are 44.19% above the last year’s rates. The reasons for the same needs to be brought on record. The L-1 firm has quoted abnormally high rates compare to justification prepared by the Department in respect of item No.2&3. The department may compare the quoted rates of the firm with similar awarded rates of other government agency in this regard.

3) As per provision of para 20.4.3.2 of CPWD Manual, variation upto 5% over the justified rates may be ignored, variation upto 10% may be allowed for peculiar situation and in special circumstances with recorded reasons. However, the tenders beyond this limit should not be accepted. Whereas, in this case the tender are 13.23% above the justified cost and department has proposed to conduct the negotiation with the firm. The reasons may be clarified.

1. Furthermore, as per CVC’s various guidelines, there should not be any negotiation with the L-1, except in certain exceptional circumstances after recording valid, logical reasons for doing so. The department may bring on record the exceptional circumstances with detail justification and desired result intended to achieve by conducting the negotiations with the firm especially in respect of item No.2&3 which are quoted abnormally high by L-1.

Further, finance advise the department to process the case to competent authority for consideration after clarifying the above observations of Finance Department in detail alongwith their clear recommendations.

1. Comments of the Department on the comments of Finance Department:

With reference to observations of Finance replies are as under:-

1. The variation of 20.54% between the justified cost and estimated cost worked out by the department is due to the following reasons:-

The subject cited work is mainly a labour oriented Job where in approx 90% Labour is involved and only 10% material component. There has been an increase in the labour wages of approx 9.12% between the time of framing of estimate and preparing justification of rates after opening of the tender. The details are given below:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Rates as on****31/10/2011** | **Rates as on****12/06/2012** | **% Increase in Rates** |
| **Skilled labour** | 301.00 | 328.00 | 8.97% |
| **Unskilled labour** | 247.00 | 270.00 | 9.31% |
|  | Average = | 8.97 + 9.31 =2 | 9.12% |

At the time of framing the estimate, 15% contractor overhead & profit was not considered which has been considered in the justification of rates statement after opening of the tender.

Considering enhancement of labour wages & adding contractor overheads & profit the overall increase is about 24.12% on the sanctioned estimate whereas the justified cost is 20.54% above of the estimated cost put to tender. As such the difference between estimated cost and justification cost are reasonable and justified.

2. As already clarified in Para-I above, the subject work is mainly a labour oriented job. The labour rates are dynamic and linked to labour Index and inflation. The increase in labour rates of skilled and unskilled workers between the period 14/06/10 i.e. date of submission of the bids by tenderer in last contract & 22/05/12 i.e. the date of submission of the financial bid in the present tender is 32.62% as detailed given below:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Labour Rates at the time of submission of last bid on 14/06/10** | **Labour Rates at the time of submission of bids in this tender on 22/05/12** | **Enhancement** |
| **Skilled labour** | 248.00 | 328.00 | 32.25% |
| **Unskilled labour** | 203.00 | 270.00 | 33.00% |
|  |  | Average = | 32.62% |

By considering enhancement of 32.62% in the existing awarded contract of M/s. BVG India Ltd., the cost comes out to `2,97,75,703.00 (2,24,51,895 + 32.62%), where as the justification prepared on 12/06/2012 is `2,85,93,405.00 which is still 3.97% below the last tendered rates equalized & brought upto the current level after indexing as detailed above as such justification is reasonable and justified.

As regards the rates quoted by the firm for Item No. 2 & 3 being abnormally high, than the justified rates it is clarified that negotiation have been proposed to bring down the quoted rates to the justified level.

3&4. The reasons for recommending for negotiations are as under:-

Provision of CPWD manual toward negotiation are understood very clearly wherein variation upto 5% over the justified rate is allowed to be ignored and variations upto 10% are allowed for peculiar situations and in special circumstances with recorded reasons. This tender case is 13.23% above the justified cost and department is of the firm opinion that in case the tender is recalled there is every likelihood of the present firm not consenting to extend the tender further because of steep hike in the labour rates as detailed in Para-2 above besides the fact that finalization of new tender would also entail considerable time, thus jeopardizing the continuity of facility management services of NDCC Phase-II which is now occupied by MHA. Department is also of the opinion that the L1 firm can be persuaded to bring the quoted rate within the limit specified in the manual. However if the firm does not reduce their quoted rates within the limit specified in the manual, there would be no alternative except to reject and recall the tender.

Besides above the existing contract awarded to M/s. BVG India Ltd. has been extended for a period of eight months with the approval of the competent authority

duly concurred by the finance department as the existing contract was valid up to 31/12/11.

1. In the 1st proposal of extension of three month up to 31/03/12 the firm had given their consent vide their letter dated 10/10/2011for extension of time of the existing contract subject to following:-

The firm mentioned that the current minimum wages with requisite statutory and future revision in minimum wages by Delhi Government from time to time.

Since January 2011, the minimum wages has been revised four times from Rs.203/- to Rs.256/-, Rs.225/- to Rs.283/- and Rs.248/- to Rs.312/- respectively for Unskilled, Semi-Skilled and skilled employees, thus there is an increase by 26.10% and proportionally there is also visible increase in regards to cleaning chemicals, consumables and machine consumables etc.

ii In the 2nd proposal of extension of three month up to 30/06/12 the firm has given their consent vide their letter dated 14/03/2012 for extension of time of the existing contract subject to following:

The firms mention that the current minimum wages with requisite statutory and future revision in minimum wages by Delhi Government from time to time.

Since January 2011, the minimum wages has been revised four times from Rs.203/- to Rs.256/-, Rs.225/- to Rs.283/- and Rs.248/- to Rs.312/- respectively for Unskilled, Semi-Skilled and skilled employees, thus there is an increase by 26.10% and proportionally there is also visible increase in regards to cleaning chemicals, consumables and machine consumables etc.

iii In the 3rd proposal of extension of two month up to 31/08/2012 the firm has given their consent vide their letter dated 10/06/2012 for extension of time of the existing contract subject to that:

“However we request you to hasten the process of tender formalities at the earliest as the minimum wages got revised yet again resulting further losses.”

9. Final view of Finance Department:

 “In view of the negotiated rates being 4.16% above the justified cost as worked out by the department and checked by the Planning Division. Also, since rates are now stated to be reasonable and justified for award of work, we have no objection to the proposal of the department to process the case for seeking approval of competent authority for award of work to L-1 firm M/s. BVG India Ltd. at their negotiated amount of `2,97,83,794/- for the work of providing Mechanized Facility Management Services at NDCC Phase-II”.

10. Legal Implication of the subject: Nil

11. Details of previous Council Resolution, existing law of parliament and assembly on the subject:

Council vide Resolution No.02(B-17) dated 28/03/2012 accorded administrative approval and expenditure sanction of `2,75,84,780/- to the estimate for the work of Providing Mechanized Facility Management Services at NDCC Phase-II **(Annexure-I) (See pages 30 - 31 ).**

12. Comments of the department on the comments of Law Deptt: Nil

13. Final view of Law Department (wherever necessary): No legal issue.

14 Certified that all CVC’s guidelines have been followed while processing the case:

 It is certified that all CVC’s guidelines have been followed while processing the case.

15. Recommendations:

The case may be placed before the Council for approval to award the work of Providing Mechanized Facility Management Services at NDCC Phase-II to M/s. BVG India Ltd. at their negotiated amount of `2,97,83,794/- (`Two crore ninety seven lacs eighty three thousand seven hundred ninety four only). Since the work is of urgent nature, approval of Council is also solicited to place work order on the firm in anticipation to confirmation of the minutes of Council Meeting.

1. **Draft Resolution:**

Resolved by the Council that approval is accorded to award the work of Providing Mechanized Facility Management Services at NDCC Phase-II to M/s. BVG India Ltd. at their negotiated amount of `2,97,83,794/- (`Two crore ninety seven lacs eighty three thousand seven hundred ninety four only). Approval is also accorded to place the work order in anticipation to the confirmation of minute of the Council Meeting.

**COUNCIL’S DECISION**

Resolved by the Council:

1. That approval is accorded to award the work of Providing Mechanized Facility Management Services at NDCC Phase-II to M/s. BVG India Ltd. at their negotiated amount of `2,97,83,794/-.
2. That further action may be taken by the Department in anticipation of confirmation of the Minutes by the Council.

**ANNEUXRE -I**

**ITEM NO. 02 (B-17)/28.03.2012**

1. **Name of the Subject: Providing Mechanized Facility Management**

**Services at NDCC Phase-II**

2. **Name of Department:** Electricity Department

3. **Brief History of the Subject:**

The NDCC Phase-II building is allotted to Ministry of Home Affairs (M.H.A.), National Investigating Agency (N.I.A.), Advisor to Prime Minister of India etc. For maintenance of the services this building is outsourced to a single agency for smooth operation & maintenance of all the existing services

4. **Detailed proposal on the Subject:**

An estimate amounting to Rs.2,75,84,780/- based on current prevailing labour rate as per the Govt. Rules current trend of salary of Supervisors & Maintenance Head and rate of the current annual maintenance contract has been prepared for the following services in Block ‘C’ of NDCC Phase-II:

1. Providing services of ‘Mechanized & Automated House Keeping Job’ (Including rent for tools & equipment, repair, maintenance & insurance, housekeeping chemicals and consumables & manpower) as per maintenance schedule.

2. Running, maintenance and operation of ‘DG Sets’ as per the scope of work and maintenance schedule specified.

3. Running maintenance and operation of ‘HVAC system’ as per the scope of work and maintenance schedule specified.

4. Operation of ‘Lifts’ as per the scope of work of specified.

5. Running maintenance and operation of ‘Electrical system’ as per the scope of work and maintenance schedule specified.

The estimate is consisting of two parts i.e. Part-A comprising the schedule of work, to be done by Facility Management Agency & Part-B contains the Material cost which will be required for day to day maintenance of service in a year.

Finance has concurred the detailed estimate amounting to Rs.2,75,84,780/-, vide Dy.No.125/Finance/R-Elect. dated 03/02/12 with the remark that sufficient budget provision in relevant budget head may be ensured before incurring the liability. In this regard budget provision of Rs.3.0 crores has been made in the budget book, BB-2012-13 at 02/230/52/215/P-160.

5. **Financial Implication:** Rs.2,75,84,780/-

6. **Implementation Schedule:** 12 months.

7. **Comments of Finance Department**:

Finance Deptt. has concurred the case with the remarks that sufficient budget provision in relevant budget head may be ensured before incurring the liability.

8. **Comments of the Department on the comments of Finance Department**:

Budget provision of Rs 3.0 Crores has been made in the budget book, BB-2012-13 at 02/230/52/215/P-160.

9. **Final views of the Finance Department:** As above at Sr. No.7

10. **Legal Implication of the subject:** NIL

11. **Details of previous Council Resolution, Existing Law of Parliament and Assembly on the subject**:

Item No. 14 (B-19) Council meeting No. 07/2009-10 on dated 30/09/09 **(Annexure – I, See pages 11 – 12 ).**

12. **Comments of the Department on the comments of Law Department:** Nil

13. **Final view of Law Department (wherever necessary)** – Nil

14. **Certificate that all CVC guidelines have been followed, while processing the case**:

Certified that CVC guidelines have been followed while processing the case.

15. **Recommendation**:

 Detailed estimate amounting to Rs. Rs.2,75,84,780/- may be placed before the Council for according administrative approval and expenditure sanction.

16. Draft Resolution:

 Resolved by the Council to accord administrative approval and expenditure sanction to the detailed estimate, amounting to Rs,2,75,84,780/- for the work of Providing Mechanized Facility Management services at NDCC Phase-II. Approval is also accorded to invite tender in anticipation to the confirmation of minutes of the Council Meeting.

**COUNCIL’S DECISION**

Resolved by the Council to accord administrative approval and expenditure sanction to the detailed estimate, amounting to Rs,2,75,84,780/- for the work of Providing Mechanized Facility Management services at NDCC Phase-II.

It was also resolved by the Council that further action may be taken by the Department in anticipation of confirmation of the minutes by the Council.