

Appendix - Q

GOVERNMENT PROCUREMENT AND TENDERING PRACTICES

Air India, Indian Airlines, Vayudoot, and Pawan Hans are all public sector undertakings. Most of the Indian aerospace industry companies listed in Part IV of this report are also public sector undertakings. As such, they follow public sector procurement and tendering practices prescribed by the Bureau of Public Enterprises (BPE), Ministry of Industry.

The Public Sector undertakings prepare their revenue budget and capital budget for the financial year beginning on 1st April and ending on 31st March. The budget requires the approval of the Board of Directors and of the administrative Ministry. Normally all capital works should have been included in the capital budget for the year. In exceptional circumstances new items can be purchased provided they are included in the revised budget for the year.

According to the guidelines issued by the BPE on August 20, 1986, a public sector undertaking has powers to incur expenditure up to Rs. 200 million on capital equipment without the prior approval of the Government. For purchases above Rs. 200 million, the proposal, after the approval of the Board of Directors and the administrative Ministry, has to be cleared by the Public Investment Board and the Cabinet Committee for Economic Affairs.

All capital works and equipment form a part of the project which is shown in the budget. If the equipment is a low-value item, quotations can be obtained from vendors on the approved list. For all major purchases national tenders (if the equipment is manufactured indigenously), or global tenders, are floated. Tenders may be invited in two parts: technical bids and price bids. Technical bids are opened first and vetted by the user Department. The price bid is opened only if the vendor is found professionally competent.

A tender committee containing representatives of the user Ministry, a non-user Ministry and the Finance Ministry opens the tenders in the presence of the vendors or their representatives. After the scrutiny and vetting by the user Ministry, the Finance Ministry submits its comments on the recommendations of the user Ministry and forwards them to the Chairman for approval. Normally the lowest bid submitted by a qualified tenderer is awarded the work. However, if the lowest bidder is not considered technically competent or reliable, the second lowest tenderer is invited to match the price quoted by the lowest tenderer to get the work. The tender committee is required to give justification when the work is awarded to a vendor who has not given the lowest quotation.