

DELHI DEVELOPMENT AUTHORITY
(OFFICE OF THE ENGINEER MEMBER)

No.F.5(330)92-93/PC/1984

Dated: 4/31/93

CIRCULAR NO. 383

Subject: Call of Tenders on Item Rate Basis

...

Tenders for residential, non-residential and development works are being invited by different Zones/Divisions of DDA on percentage rate basis, inspite of a number of circulars having been issued by this office, enjoining upon the officers to follow the guidelines mentioned in the CPWD Manual Volume-II for call of tenders on appropriate form. The C.T.E. has been taking a serious view of the fact that DDA has not been inviting tenders on Item Rate basis inspite of repeated observations made by the CTE's Organisation in this regard.

2. According to CPWD Manual Volume-II, which is followed by DDA for execution of it's works, tender form PWD-7 (Percentage Rate Tender) is normally to be used for works costing Rs 1 lac. and below at stations where CPWD has it's own Schedule of Rates. This form is also allowed to be used for repetitive type of works relating to standard approved design of residential quarters in Delhi area. In other cases, CPWD Manual Volume-II provides for calling of tenders on Item Rate basis, i.e. on form PWD-8.

3. In percentage rate tenders, the contractor is required to quote an overall percentage over the estimated rates for various items, while in an item rate tender the contractor is required to quote separate individual rates for the different items. It is, therefore, possible in item rate tenders,

For perusal pl.

contd...2/-

LE(WZT)

5/3
Copy to all SEs/SE(P), EBs/EEs(P) for n.a.

P. Hatwani

5/3/93

to compare the estimated rates, the prevailing market rates and the contractor's quoted rates for different items of work for a better appreciation of the tender. In percentage rate tenders, a comparison of only the total cost is available and it is not possible to relate the rates of individual items to the prevailing market rates of those items, making it difficult to identify the items for which the contractor has quoted very high/low rates. Obviously, the procedure is more scientific in item rate tenders. The element of uncertainty and guess, which is inherent in the percentage rate tenders, is altogether absent in the case of the item rate tenders. It is for this reason that the call of tenders on item rate basis is recommended for all major works in the CPWD Manual Volume-II.

4. To the repeated observations of the CTE's Organisation on this aspect, the standard reply sent by DDA in almost all cases has been that the CPWD Manual allows for use of percentage rate tenders for repetitive type of works and the calling of tenders on this basis by DDA is in order, because type designs are followed in DDA for residential buildings.

5. The CTE's Organisation has, however, pointed out that this provision is for works where the quantities of various items get standardised and no deviations are expected. In the case of DDA, a number of instances have been quoted by the CTE where there have been large variations in the quantities of items actually executed, as compared to the quantities provided in the agreement, resulting many times in undue benefits accruing

contd...3/-

to the contractors by way of increase of quantities of profitable items. There can be no doubt that in the cases where the quantities of various items to be executed are not correctly worked out, there are more contractual implications in the percentage rate agreements than in item-rate agreements. This is because the rates payable for individual items in the case of item rate agreements are generally in the vicinity of prevalent market rates, while in the case of percentage rate agreements, the rates payable for individual items (as worked out by adding the accepted percentage to the schedule-rate) may be very different from the realistic market rates of such items, as the percentage accepted is worked out after taking into account the losing as well as gaining items of the schedule.

6. Notwithstanding the implications of deviations in the percentage rate tenders, the fact also remains that percentage rate tenders are less complicated and easier to operate. Under the circumstances, on the basis of a suggestion made by the CTE's Organisation in one case, it has been decided as follows:-

(i) When a particular type design is followed for the first time, a detailed estimate on the basis of structural and architectural design and drawing shall be prepared and tenders invited on item rate basis i.e. in Form PWD-8.

(ii) Once actual quantities executed become available in respect of a particular type design on the basis

contd.../-

of actual execution at site for superstructure, these quantities may be considered for subsequent call of tenders on percentage rate basis, i.e. on Form PWD-7 in case more tenders are to be floated for the same type design. However, the quantities for the foundation and developments items within the pocket have to be worked out separately in each case.

(iii) Save the circumstances explained 1 & 2 above, the tenders for all the works must be invited on the prescribed form as stipulated in CPWD Manual Volume-II.

H.D. Sharma

(H.D. SHARMA)
ENGINEER MEMBER
D.D.A.

JCEC(42)

1. All Chief Engineers, DDA;
2. All SEs, DDA (with 10 spare copies for Ex. Engineer);
3. Directors (Hort) North & South (with 5 spare copies for Divisions)
4. Director (MM) (with 2 spare copies for Store Divisions)
5. E.O.I, II & III in E.M. Office.

Copies for favour of information to:-

1. Vice-Chairman, DDA;
2. Finance Member, DDA;
3. Chief Accounts Officer, DDA;
4. Chief Engineer (OC), DDA; and
5. Chief Engineer (Design), DDA.

H.D. Sharma

(H.D. SHARMA)
ENGINEER MEMBER
D.D.A.

Completed
11/3/93

Delhi Development Authority
Engineers
Chief Engineer (West Zone)

No. CEC(42)/12(44)93/CEW/891

Date 11/3/93

Copy to:

SE(LP)II

SE, CC-5, 13, 17, EE, WD-1, 2, 3, 5, 6, 7, 8, 9, 10, 12, 13, 15
for information and necessary action

11/3/93

T.O. to CE/W