

Chapter IV: Municipal Services

Delhi Jal Board

4 Irregular payment of escalation charges

Incorrect application of rules led to extra payment of Rs.29.62 lakh to a contractor on account of escalation charges.

Clause 10CC of standard conditions of the contract provides for payment of compensation to the contractor on account of increase in the cost of labour and material during the stipulated period of the contract. The section 33.8.2 of CPWD Works Manual 1998 provided that the said clause would not be applicable in contracts where the stipulated period of completion was six months or less. The new CPWD Works Manual 2003 (Section 32.8.2) envisaged that clause 10 CC would not be applicable in all contracts where the stipulated period of completion was eighteen months or less.

Delhi Jal Board awarded the work of replacement of old damaged water lines¹ in various parts of South-II Zone to M/s. Northern Sanitation in February 2001 at a total cost of Rs.5.48 crore. The work was required to be completed within 12 months i.e. between March 2001 and March 2002.

Scrutiny of records in the office of the Executive Engineer, South-II, Jal Sadan revealed that due to slow progress of work, the Department on 10 April 2003 debarred the contractor from tendering in Delhi Jal Board for a period of two years and decided to execute the balance work at the risk and cost of the contractor by inviting fresh tenders.

The balance work was awarded to M/s. Tirupati Cement Products at a total cost of Rs.6.44 crore (67.75 per cent above the estimated cost of Rs.3.84 crore) in April 2005 at the risk and cost of the previous contractor with stipulated date of start and completion as 26 April 2005 and 25 February 2006 respectively. The work was completed on 20 February 2006 and final bill of Rs.6.44 crore was paid on 5 September 2006.

It was seen in audit that M/s Tirupati Cement Products claimed an amount of Rs.29.62 lakh as escalation under clause 10 CC which was paid by the Department in December 2006. Payment of escalation charges to the second

¹ Replacement of old damaged AC/PVC/CI water line by 100 mm Ø and 150 mm Ø CI water line in various parts of South-II Zone

contractor was irregular as the period of completion of the work with this contractor was only 10 months and therefore, no escalation was permissible as per provisions of CPWD Works Manual 2003.

DJB stated (August 2007) that in the instant case, the CPWD Manual 1998 was applicable and not CPWD Works Manual 2003 as the Contract Agreement was signed in 2001 i.e. prior to 2003 and thereafter the balance work was carried out at the risk and cost with the same terms and conditions. It further added that CPWD Manual 1998 allowed the payment under clause 10CC in all the contracts where stipulated period of completion was more than six months. As in this case (balance work), the stipulated period of completion was 10 months and hence payment under 10CC was made to the contractor as per terms and conditions, which was in order.

The reply of the Board is not acceptable since the balance work was awarded in April 2005 by inviting fresh tender in January 2005. The work was also executed within 10 months of award of contract. Therefore, the instant case is covered under section 32.8.2 of CPWD Works Manual 2003.

Thus, insertion of clause 10CC in the contract and incorrect application of Manual provisions resulted in avoidable payment of Rs. 29.62 lakh to the contractor.

The matter was referred to the Government in May 2007; their reply was awaited as of November 2007.