

**GOVERNMENT OF INDIA
HEAVY INDUSTRIES AND PUBLIC ENTERPRISES
LOK SABHA**

UNSTARRED QUESTION NO:1702
ANSWERED ON:04.08.2005
PURCHASE PREFERENCE POLICY
Rao Shri Sambasiva Rayapati

Will the Minister of HEAVY INDUSTRIES AND PUBLIC ENTERPRISES be pleased to state:

- (a) whether the Government has decided to extend the Purchase Preference Policy for Central Public Sector Enterprises for three years;
- (b) if so, the details in this regard;
- (c) whether the Government has exempted some PSUs from the purchase preference policy; and
- (d) if so, the details alongwith the reasons therefore?

Answer

THE MINISTER OF STATE (INDEPENDENT CHARGE) IN THE MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES
(SHRI SONTOSH MOHAN DEV)

(a) to (d) The Government has extended the Purchase Preference Policy (PPP) for products and services of Central Public Sector Enterprises (CPSEs) for another 3 years with clear stipulation that it will be terminated with effect from 31.3.2008. The purchase preference support will be extended to the contracts including civil works and turnkey contracts of the value of Rs. 5 crore but not exceeding Rs. 100 crore; it will apply to CPSEs and their subsidiary companies, but not to joint ventures with private partners; a minimum value addition of 20% by the CPE/Subsidiary company by way of manufacturing and/or services would be prerequisite for availing of purchase preference. In case the Public Sector Enterprise (PSE) does not meet the minimum qualifications, it will be subject to payment of liquidated damages or any other penalty as per the contract. The administrative Ministries are responsible to prepare a list of CPSEs which may or may not require purchase preference support. Ministry of Power has been granted exemption from the PPP, subject to the condition that they will place certain orders to BHEL on a negotiated basis price benchmarked through competitively bid projects every year. The Ministry of Power and Department of Heavy Industry will work out at the beginning of the year, the number and value of the orders to be placed upon BHEL during the financial year. The Ministry of Power was already being considered exemption from the policy by the Ministry of Finance on case to case basis, hence the exemption in the existing policy.