

**GOVERNMENT OF INDIA  
ROAD TRANSPORT AND HIGHWAYS  
LOK SABHA**

UNSTARRED QUESTION NO:4029  
ANSWERED ON:15.12.2009  
REPORT OF C AG ON NHA  
Reddy Shri Magunta Srinivasulu

**Will the Minister of ROAD TRANSPORT AND HIGHWAYS be pleased to state:**

- (a) whether issues relating to the lack of standardisation of work under the National Highways Authority of India (NHA) were raised in the report of the Comptroller and Auditor General of India (C&AG);
- (b) if so, the details thereof; and
- (c) the reaction of the Government thereto and the remedial measures being taken in this regard?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF ROAD TRANSPORT & HIGHWAYS (SHRI R.P.N. SINGH)

(a) to (c) Yes, Sir. The Comptroller and Auditor General of India (C&AG) of India vide para 4.2 of their Report No. 7 of 2005 Union Government (Commercial) Public Sector Undertakings; has pointed out that National Highways Authority of India (NHA) did not standardize the length of stretches for award of contracts to facilitate cost comparison for award and execution of work. Extracts of C&AG Para No. 4.2 and Action Taken Report in respect of 'Recommendation Serial No. 5- Standardization of Stretches' submitted by the Government, duly vetted by C&AG of India, is enclosed as Annexure.

ANNEXURE

ANNEXURE REFERRED TO IN REPLY TO PARTS (a) TO (c) OF LOK SABHA UNSTARRED QUESTION NO. 4029 FOR ANSWER ON 15TH DECEMBER, 2009 ASKED BY SHRI MAGUNTA SREENIVASULU REDDY REGARDING 'REPORT OF C&AG ON NHA'.

EXTRACT OF REPORT OF C. & A. G. OF INDIA, NO. 7 OF 2005 UNION GOVERNMENT (COMMERCIAL) PSUs. – Para 4.2 Standardization of stretches

The contracts for widening and strengthening of highways stretches were awarded in length ranging between 5 km and 126 km. NHA did not standardize the lengths of the stretches for award of contracts to facilitate cost comparison at the time of preparation of estimates, award and execution of works. An analysis of contracts for nine stretches relating to three sets of contiguous stretches awarded concurrently indicated that the cost per km varied widely from Rs.1.86 crore to Rs.4.20 crore.

The awarded cost per km varied in respect of these stretches even though these were similar in respect of terrain, number of structures involved etc. The financial impact of such variations amounted to Rs.110.23 crore (Annexure-IX). NHA did not analyse the reasons for variations. In respect of three stretches in Vijayawada-Chilikaluripet, the same contractor executed the contracts but disparity in rates was noticed resulting in extra expenditure of Rs.26.34 crore.

In the case of tenders for three contiguous stretches the highest rates were accepted for the package where the scope of typically high-rated items of work like bridges (one) and culverts (51) was less whereas the lowest rates were accepted for the stretch with higher number of bridges (two) and culverts (58). Acceptance of the tenders at such varied cost without any justification resulted in extra cost of Rs.34.46 crore calculated in comparison with the lowest accepted rates.

Wide variations are indicative of deficiencies in the contract system on account of lack of parameters to ensure and control the contract price per unit length for the projects under similar site conditions. Non-standardisation of stretches and cost even after five years of implementation of NHDP was not in line with the Government directive (August 2000) that NHA should analyse cost of projects along with comparative cost of latest awarded/approved projects on a like-to-like basis and to give specific justification for substantive variations. In absence of possibility of standardization of stretches, the NHA should have in the alternative devised an effective cost control system so that the kind of variance pointed out in audit could be addressed.

Remedial Measures to establish an alternative Cost Control System:

NHA to undertake the followings tasks:

- (i) Study of DPRs of National Highways Development Projects sub-projects with a view to find out the possible variation and

inconsistencies in the project preparation with regard to prescribed guidelines and design standards and to examine the cost estimation methods adopted and unit rates for various items of works considering the leads and basic rates of materials etc.

(ii) Study of the work executed in respect of the DPR selected under Task

(i) above to analyse the possible reasons for the variation in the provisions of DPRs and actual execution of work.

(iii) Review of specifications and design standards.

(iv) Review of analysis of rate and standardization of Bill of Quantities (BOQ).

(V) Review of construction technology. The detailed scope of work under the above assignment has been elaborated in Terms of Reference International Consulting firm for providing consultancy services for reviewing costs of construction of projects

As the NHAI Authority has established alternative cost control system, Audit had no further comments.