

FIFTY-SIXTH REPORT
COMMITTEE ON
PUBLIC UNDERTAKINGS
(1988-89)

(EIGHTH LOK SABHA)

OIL & NATURAL GAS COMMISSION—UNDUE BENEFIT
OF Rs. 5.10 CRORES TO A CONTRACTOR
(MINISTRY OF PETROLEUM AND NATURAL GAS)



Presented to Lok Sabha on 25 April, 1989
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LOK SABHA SECRETARIAT
NEW DELHI

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CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE	(iii)
COMPOSITION OF STUDY GROUP II OF COMMITTEE ON PUBLIC UNDERTAKINGS	(v)
INTRODUCTION	(vii)
PART I	
BACKGROUND ANALYSIS	1
UNDUE BENEFIT TO A CONTRACTOR	1
PART II	
CONCLUSIONS/RECOMMENDATIONS OF THE COMMITTEE	27
APPENDIX	38

COMMITTEE ON PUBLIC UNDERTAKINGS

(1988-89)

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(iv)

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Study Group—II on Indian Oil Corporation Ltd.; Cochin Refineries Ltd.; O.N.G.C.—Aspect Study on audit paras : (i) Undue benefit to a contractor, (ii) Avoidable payment to a contractor, (iii) construction of NR-1 and NH Well Platforms, (iv) Avoidable payment of Rs. 89.06 lakhs made to a foreign contractor beyond the terms of contract and (v) Extra expenditure of Rs. 70.31 lakhs on the purchase of pour point depressant.

1. Shri K.P. Singh Deo—*Convener*
2. Shri Kamal Morarka—*Alternate Convener*
3. Shri Harish Rawat
4. Shri E. Ayyapu Reddy
5. Shri V. Narayanasamy

INTRODUCTION

1. the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Fifty-sixth Report on Oil & Natural Gas Commission. Undue benefit of Rs. 5.10 crores to a contractor.

2. The Committee's examination of the working of the Commission was mainly based on audit para XXXVIII from the Report of the Comptroller & Auditor General of India, 1986 Union Government. (Commercial) Part VIII.

3. The Committee took evidence of the representatives of Oil & Natural Gas Commission on 29 September, 1988 and also of the representatives of the Ministry of Petroleum & Natural Gas on 22 November, 1988.

4. The Committee considered and adopted the Report at their sitting held on 6 April, 1989.

5. The Committee wish to express their thanks to the Ministry of Petroleum and Natural Gas and Oil & Natural Gas Commission for placing before them the material and information they wanted in connection with examination of the subject. They also wish to thank in particular the representatives of the Ministry of Petroleum and Natural Gas and Oil & Natural Gas Commission who appeared for evidence and assisted the Committee by placing their considered views before the Committee.

6. The Committee also place on record their appreciation of the assistance rendered by the Office of the Comptroller & Auditor General of India.

NEW DELHI
24 April, 1989

4 Valsakha, 1911 (S)

VAKKOM PURUSHOTHAMAN
Chairman

Committee on Public Undertakings

PART I

BACKGROUND

1.1 According to Audit, ONGC floated global tenders in September 1981 for design, procurement, fabrication, start up and commissioning of three off shore well platforms—SK, NV and NX also known as K VX project in the Bombay High Area. The tenders were required to be submitted as per the terms and conditions stipulated in the bid package, prepared by its consultants, Engineers India Limited (EIL). Among other things, Section 25 of the bid package stipulated that the contract price would be firm subject to adjustment for variations in the weight of structural steel used and the length of the pipelines laid in accordance with the unit price per tonne as given in the Schedule of prices.

1.2 In response to the invitation of tenders, the following seven bids were received from foreign contractors :—

1. M/s. ETPM
2. M/s. Myeoperi Mannesmann
3. M/s. M.A.N.
4. M/s. Fred Olsen
5. M/s. H.H.I.
6. M/s. Brown & Root
7. M/s. M.I.I.

1.3 On technical evaluation of bids, it was found that majority of the bidders had included in their offers certain technical and techno-commercial exceptions to the bid package. Consequently, all the tenders were called for discussion. As a result of negotiations, the tenders withdrew their exceptions including the one relating to Section 25 of the bid package. Finally, the contract was awarded to M/s. ETPM of France (March 1982) at a lump-sum price of US \$ 81.216 million.

Undue benefit to a Contractor

1.4 It has been reported by Audit that in their original offer, the firm (M/s ETPM of France) had stipulated that upward variation in the actual

weight of steel would be adjusted but there would be no adjustment for reduction in the weight of steel. The firm, however, agreed later as a result of negotiations to conform to the original bid package. The telex of intent issued on 25th March 1982 awarding the contract to the firm had specifically mentioned that the contract was as per the scope of the work, the prices shown thereunder, specifications and other requirements as well as other terms and conditions as stipulated in the bid package and as further agreed to by the contractor through his letter No. BOP/359/0422.28/P 16114 dt 6.3.82 and no nil dated 21.3.1982. However, at the time of executing the final agreement with the contractor in August 1982, the old exception relating to Section 25 of the bid package and withdrawn earlier, was incorporated in the agreement to the disadvantage of the Commission without bringing it to the notice of the competent authority.

1.5 During evidence, when enquired whether the quotations of M/s. ETPM were the lowest, the Chairman, ONGC stated that the quotations of ETPM were, on evaluated basis, the lowest.

1.6 When asked to explain as to what he meant by 'evaluated basis', the Chairman, ONGC stated :—

“The people are asked to quote in terms of a certain evaluation criteria which is laid down. There are certain terms and conditions both on the technical and commercial side that are laid down. If any of the contractors takes certain exception to those conditions, to give you an example, 'Liquidated damages' is one of the criteria for loading. If a party does not accept our liquidated damages for completing the project on schedule, on a certain date, certain loading is done because these are platforms which have to produce oil. Just to give you an idea this particular platform was producing approximately 20,000 barrels, and at that point of time, if you take the process, if there is a delay of one month, it will mean a loss of approximately Rs. 20 crores per month to the Indian economy. That means, you will have to spend Rs. 20 crores extra due to delay in completion is very very important. So, there are certain other conditions laid down which become the loading criteria. When the tenders are opened, then they study each of those quotations and where the loading is to be given, the loading is added to that party's quotations and then that is called the "evaluated price."

To elaborate it, ONGC informed in a written reply :—

“Before opening of price bids, Bid Evaluation Criteria is drawn indicating the basis on which tenders are required to be evaluated specifically indicating the items which are to be loaded to the prices offered by the bidders. Such Bid Evaluation Criteria is given to the bidders before opening of the price bids. In case after opening of price bids certain deviations are noticed which need loadings for a like to like comparison, the bidders offers are loaded also for these deviations.”

1.7 During evidence, ONGC informed the Committee that according to terms of established procedure, the tenders on receipt were sent to Engineers India Limited (EIL) who were very intimately involved with the evaluation of all tenders, for their evaluation and recommendations. On receipt of the recommendations of EIL, the Tender Committee used to meet and evaluate the tenders and submit their report to the Purchase Committee. The Purchase Committee in turn submit their recommendations to stores Committee. Thereafter, these recommendations are submitted to the Chairman of ONGC for his approval before they are sent to the Government.

1.8 When enquired about the Constitution of Tender Committee and the Steering Committee, the representative of ONGC stated that the Tender Committee was constituted generally by designation. It was laid down in the book of delegated powers that whosoever was the man holding that designation became Member of that particular Tender Committee. It was further stated that for centralised purchases exceeding the value of Rs. 35 lakhs, the Tender Committee consisted of officials at the level of Director of Stores and Purchase, Director of Finance & Accounts and the Identing Department, The Steering Committee comprises of Members of ONGC and three senior Officers of the Government.

1.9 The Committee wanted to know the competent authority who could award a foreign contract. The Chairman, ONGC informed that “the competent authority within the Commission is the Chairman. He has then to send the proposal to the Government for approval. Final authority is thus the Government.”

1.10 During oral evidence of the representatives of the Ministry of Petroleum & Natural Gas, the Committee enquired about the level at which the agreement was checked and approved in the Ministry. The Secretary, Ministry of Petroleum & Natural Gas informed the Committee

that ONGC was competent to approve the contract.....“It comes to us only for the release of foreign exchange. On our advice Ministry of Finance release the foreign exchange.” To clarify, the witness stated :—

“There is an Oil and Natural Gas Commission Act, 1959 followed by the Oil and Natural Gas Rules 1960. In Chapter V, Section 25 of ONGC Rules, 1960 under contracts, it says that the Commission can enter into any contract provided that a provision exists in the budget as approved by the Government. If there is budget or plan provision, the Commission is competent enough to enter into any contract irrespective of the value, provided that the scheme has been accepted by the Government. In this also, we are in the picture only for the release of foreign exchange.”

1.11 When the attention of the witness was drawn to the statement of Chairman, ONGC wherein he had stated that the recommendations of Tender Committee and Purchase Committee were examined by the Steering Committee, the witness then stated :—

“The Steering Committee is only for foreign exchange part. The accelerated production programme of ONGC involving almost Rs. 3000 crores was of the highest priority. In order to speed up the process of foreign exchange clearance, the Government set up a Steering Committee consisting representatives from the administrative Ministry as well as the Ministry of Finance so that when the foreign exchange component comes to the Steering Committee, the Finance Ministry and the administrative Ministry both would have formed their opinion and the final approval of the Government for the foreign exchange would be quicker. The Steering Committee is with reference to the approval of foreign exchange. As far as a contract is concerned, it is within the competence of the Commission.”

1.12. The Ministry of Petroleum and Natural Gas, in their written reply also stated :—

“The proposals for release of foreign exchange received from the ONGC in respect of contracts having higher foreign exchange components are examined by the Government (Ministry of Petroleum and Natural Gas and Department of Economic Affairs) from the foreign exchange angle. Once the foreign exchange is released by this Ministry, ONGC is not required

to get Government's approval for the signing of the relevant contracts. The provisions in the various contracts are decided by the ONGC with the approval of the competent authority."

1.13 According to Audit, the contract for K VX project as a whole was considered by the members of the Steering Committee on 1.3.1982 who gave certain directions and guidelines for future course of action which did not relate to foreign exchange part but it contained details of contract. To this, representative of the Ministry of Petroleum and Natural Gas stated :—

"This contract as I said, comes to Government only for the foreign exchange part. In order to enable the Govt. to have an appraisal at the micro stage the representatives of the Govt. sit on the Steering Committee whenever there is a foreign exchange component in the contract. The steering Committee also comprise of all other representatives who have a right to ask any question regarding the contract, as they like."

The witness added :—

"As far as foreign exchange is concerned and when it exceeds a particular figure it has to go to the Government. As I told you the sanction of the Government is necessary."

1.14 The witness also admitted that "the Steering Committee can look into the merits of the contract."

1.15 Asked on what basis the foreign exchange was recommended, the representative of Ministry stated that the proposal is sent to the Government by the Commission saying that this is the work to be done. The Government examines the proposal and sees how much foreign exchange is involved. After examination, they approve the foreign exchange."

1.16 ONGC had informed the Committee that all the tenderers for K VX Project were foreign contractors. When asked whether there were no indigenous parties to undertake this type of work, Chairman, ONGC stated during oral evidence :—

"As you know, ONGC has formulate as one of its objectives to support indigenous efforts to achieve self-reliance in oil related equipment, materials and services. On the basis of this, we have three different companies and the fourth is

coming up. They are : Mazag Docks, Hindustan Shipyard, Burn Standard. The fourth is Larsen & Toubro in the private sector which is trying to come up.

Very recently, we have taken a decision to form a consortium with the help of confederation of engineering industries so that our requirements are told much in advance to the indigenous parties to enable them to reduce the delivery time.

We have now involved them in our planning process and issuing, in fact, letter of intent well in advance to enable them to plan their future for certain types of structures. All efforts are being made."

1.17 Asked as to when a competent Indian Company was expected to undertake such type of work the witness stated :—

"Competence is a relative term. Mazagon Docks have strengths in some areas. They have capacity to complete platform. Hindustan Shipyard have strengths both in terms of quality and commercial approach and have successfully completed jacket. But we have to go step by step. Burn Standard have started with topside facilities. They are first, on the top side and heli-deck and then they will go through the bottom structure, what is called jacket. All the three companies have developed a certain amount of competence."

1.18 When enquired about the criteria adopted to evaluate technically this particular contract with ETPM, ONGC in a written reply, stated that in view of the introduction of two bid system, they felt that all the bids should be reviewed at preliminary stage and the bids should be adjudged technically acceptable. In order to follow this procedure, the evaluation criteria was divided into following two major heads :

- (i) Criteria for short-listing the bids to arrive at technically acceptable bids, and
- (ii) Criteria for detailed evaluation/loading of the bids.

1.19 The details of evaluation criteria, as furnished by ONGC in their written reply, are given in Appendix.

1.20 The Committee enquired whether any time frame for completion of the project was laid down in bid package and whether the

platforms were completed within that time limit. Chairman of ONGC then explained :—

“It is a fact that time frame was laid down in the tender. Liquidated damages were also part of the bid document. The evaluated lowest tenderers were Hyundai of Korea, Modor-nott of Dubai and ETPM from France. These are the three lowest evaluated tenders. In the case of Hyundai, their quotation was not complete. But the lowest was ETPM who had accepted to meet our contract time and it was completed as per the time frame.”

When further asked as to what exactly was the time schedule, the representative of ONGC than stated that it was end of April, 1983.

1.21 The Committee desired to know as to what were the dates of completion as indicated by various contractors in their bid and whether or not they accepted the liquidated damages clause. ONGC in their written note furnished the following information :

Name of Bidder	Completion date	Whether accepted liquidated damages (LD) Clause
1	2	3
1. M/s. ETPM	15.5.1983	Agreed
2. M/s. Mycooperi Mannesmann	15.5.1983 (Alternative proposal for fabrication in Indian Yard 15.2.1984)	Not agreed
3. M/s. M.A.N.	26.4.1983	Not agreed
4. M/s. Fred Olsen	22.1.1984	Agreed
5. M/s. H.H.I.	30.4.1983 (Jackets) 7.10.1983 (Permanent Decks) 30.11.1983 (Completion)	Not agreed

1	2	3
6. M/s. Brown & Root	30.4.1983 (Jackets with Temp deck) 30.12.1983 (Completion)	Not agreed
7. M/s. M.I.I.	16.5.1983 D+15 days a grace period (Jackets with temp. decks)	Not agreed

["Although the Bid Evaluation Criteria indicated the mechanical completion date as 30th April, 1983, while evaluating the bids, the offers of all the bidders who confirmed the completion dates pre-monsoon 1983 were considered for further evaluation. Keeping above in view, the offer of only one bidder i.e. M/s. Fred Olsen did not meet this completion schedule."]

1.22 Asked as to how different loading factors were distinguished and what were the differences in the loading factors between ETPM and other companies, the representative of ONGC informed during evidence :—

"Parties give the Bids and we examine these bids. Then we find out in which of the matters the parties have taken exceptions. Before opening the price bids we determine which are the areas where exceptions are there and which can be quantified and loaded and we decided in advance on what basis these will be loaded. So there is a pre-determined policy before opening the price. On that basis deviations are loaded. Certain deviations are in the nature of loading criteria, and such deviations are accepted and loaded but there is a price for that. This is the basis on which the loading is done. We received replies from the three firms who were very close. There were some differences also in the sense that someone was asking for a particular amount of advance of time whereas some one else was asking a different amount. We had to bring them at par. There is a loading for advance payment, something was on the steel, something else was

on escalation in fuel cost and something was on liquidated damages. Suppose we have formula and bidder suggests another formula. Then we have to bring everybody at par. We therefore, determine the loading criteria. That is before opening of the prices. On these basis the prices are loaded."

1.23 In The post-evidence replies furnished to the Committee ONGC stated that in terms of lumpsum price and loading factors, the lowest price quoted by the three contractors were as follows :—

Evaluation of Price after Considering "Sealed Envelopes" (US \$) 20.3.83				
Sl. No.	Description	Hyundai	Mc dormott	ETPM
1	2	3	4	5
1.	Adjusted Lumpsum Price	67,064,450	67,763,119	80,185,942
2.	Cost of spare parts	2,114,374	2,114,374	2,114,374
3.	Additional worked at SR.	—	218,345	—
		69,178,824	70,095,838	82,300,316

LOADING

1.	Advance payment	1,760,442	—	726,685
2.	Structural steel	1,662,300	3,900,454	—
3.	Escalation in fuel cost	1,462,500	—	—
4.	Basis of bidding/Design criteria.	—	5,016,717	—
5.	Final Hoolup/Commissioning	—	450,000	—
6.	Weatherdown time	1,018,290	—	299,916
7.	Start up spares	—	—	140,000
8.	Cost of top deck	972,000	851,000	—

1	2	3	4	5
9.	Delay in completion due to temp. deck	816,000	816,000	—
10.	Pile Remedial works	565,700	—	—
11.	Liquidated damages	4,023,867	6,798,146	—
12.	Payment procedures	—	243,550	—
	Total loading	12,281,069	18,075,867	1,165,701
	Grand Total	81,459,893	88,171,705	83,466,017
	Pipeline work	No bid	11,085,764	7,278,000
	Total	No bid	99,257,469	90,744,017

1.24 ONGC has further stated in the written reply that "after receiving the loading chart from the bidders, their evaluated prices were vetted and finally computed prices of the lowest three bidders were as under :-

Hyundai (H.H.I.) of Korea	US \$ 81.46 million
ETPM of France	US \$ 83.466 million
McDermott (M.I.I.) of Dubai	US \$ 88.172 million

1.25 M/s. H.H.I. quotations were not complete as they had not quoted for pipe line work. After negotiations M/s. ETPM reduced their lumpsum price to US \$ 77.935 million.

1.26 It has also been stated by ONGC that in the evaluation of the bids as per Bid Evaluation Criteria, ETPM's bid was found to be the lowest and thus was recommended for award of the contract which was agreed to by the Steering Committee and they cleared the proposal on 22.2.1982.

1.27 Accordingly, Telex of Intent dated 25.3.1982 was issued to M/s. ETPM awarding the contract for K VX Project to them.

1.28 While discussing the question of the weight of steel, the Committee desired to know as to what was the original clause 25.2 of the bid document; and also the Clause 25 as redrafted in consultation with Member off-shore, ONGC in their written reply stated as follows :—

The original clause 25.2 of the bid document was as under :—

“Notwithstanding above, the contract price shall be adjusted for the following variations;

- (a) Should the actual weight of steel as measured according to the provisions of Section 12 vary from the estimated weights provided in the contract, the credit or debit to the Contract Price will be made in accordance/with the unit rates specified in the Contract for such structural weight variation.
- (b) The payments for the pipelines will be adjusted for the actual lengths laid in accordance with unit rates in the contract for the respective lengths of the pipeline.”

1.29 Approved clause 25.2 of the contract as incorporated in the final agreement was as under :—

“25.2 Notwithstanding the above, the Contract price shall be adjusted for the following variations :

- (a) Should the actual weights for each of the structural components of the platforms as installed at Bombay High site exceed the weights for such components set out here below, Contractor shall be reimbursed for such extra tonnage at the unit price per metric tonne as given in the schedule of price. There shall be no downward adjustment to the Contract lumpsum prices should the said installed weight of any individual component be below the weights given below :—

In Metric Tonns

Superstructure	279	275	275
Helideck	80.6	80.6	80.6
Jacket	1,330	1,101	1,143
Piling	1,480	1,260	1,320
Appurtenances	390	380	380

1.30 The Committee pointed out that in the Telex of Intent it was mentioned that the contract was as per the scope of work, the prices shown thereunder, specifications and other terms and conditions as stipulated in the bid package and as further agreed to by the contractor through his letter No. BOP/359/0422.20/P. 16114 dated 6.3.1982 and No. Nil dated 21.3.1982. The Committee enquired that when the firm had withdrawn their exception to clause 25 of the bid package regarding structural weight adjustment, why was the same condition as stipulated in the original bid package not incorporated in the final agreement. The Chairman, ONGC then stated :—

“This issue of weight adjustment, according to Clause 25.2 which is there in the bid document, is neither a rejection criterion and nor a loading criterion in terms of our evaluation.”

He further explained :—

“When you evaluate a tender, there are certain things which are stipulated, e.g. if it is not agreed to then it will become a loading criterion and as a result the evaluation price goes up and he is at a disadvantage. There are certain qualifications which are rejection criteria. For example if he does not meet the delivery date. This is the rejection criterion. But this particular issue of weight adjustment is neither a loading criterion nor a rejection criterion. We have had a number of inquiries on this case. It has come out that it was an issue which should have been brought up even though it was not a rejection or a loading criterion. But it was not brought up and that is why various inquiries are going on to find out who is responsible for it.”

The Chairman, ONGC however, added :—

“When the letter of intent was issued certain contract negotiations were to take place because finally the contract was to be signed. During that point of time certain members of the project team bought out the issue that this has not been accepted by the ETPM. Discussions took place at the level of Member, off-shore who was there at that point of time, he is not here now as he has left the organisation. And as per the record available, it was finalised in consultation with him that this may be accepted. That is why when we have to fix the responsibility, we are going through various inquiries and we will take action in terms of our procedure and law.”

1.31 Since the competent authority within the Commission was stated to be the Chairman, ONGC, the Committee enquired as to how that particular clause of weight adjustment was substituted without his knowledge. The Chairman, ONGC stated :—

“There are two aspects, One is at the level of approval, it was not brought up before the Steering Committee. To that extent it is an error.”

The witness added :—

“The proceedings of the Steering Committee and the Tender Committee normally go up to the Chairmen, but that was not done.”

1.32 Thereafter the witness admitted that there was a mistake. In this connection, the Chairman, Audit Board explained as under :—

“There are two angles from which the issues are to be seen. While floating the tender, the Company has worded this clause in a particular manner that both the credit and debit will be adjusted but the firm while quoting stated that it would ask for the additional payment if there was increase in the quantity, but for decrease it will not accept reduction. As a result of the final negotiations it had withdrawn this condition, that means whatever clause was put in the original tender notice was to be retained. As the Chairman was pointing out, as a result there was no special loading for this particular factor. Whatever they have mentioned in tender notice remained as it was, hence while putting up the papers to the authority who was to accept the tender, unless there was any deviation the question of bringing it to his notice did not arise. When it comes to the Chairman or to the Government for approval, they are presented the overall picture of the evaluation of the contract price, what is the period by which it should be completed, what are the deviations. Here there was to be no such deviation in this respect, So, after the approval was given, they started drafting the final agreement.

As far as the Government is concerned, from the angle of accepting the tender only. they will be coming into the picture but not for approval of the drawn up agreement,”

1.33 The Committee pointed out that the contract is reported to have been approved previously at all levels. Therefore, had the final agreement been signed as per tender conditions, there would have been no need to seek approval of higher authorities i.e. Chairman or the Government. But in this case there were deviations from the tender condition and mischief was done and Chairman, ONGC had also admitted that there was a mistake. Thereupon, the Chairman, ONGC explained :—

“The point of view of the Project Team is that the party has not accepted to withdraw the exception. They have only accepted the loading on the higher side, which was a specific question raised with the ETPM in writing. They then agreed to withdraw that portion of their bid. The lower side adjustment remains as it is in their quotations. That is how, the issue was not raised upto the level of the Steering Committee or the Chairman according to the present communications.

Now, I come to the aspect of signing of the contract. As per the delegation of powers, Member (off-shore) has full powers to sign the contract or delegate it to the General Manager to sign the contract. While this issue came up for discussion at the Project Team level, Member (Off-shore) gave the view that the clause as put in by the party should be accepted.”

1.34 When further asked as to whom did he (Member, Off-shore) gave his views and was it given verbally or in writing, the witness stated :—

“He told the General Manager about it, He mentioned it during their discussions and it is on record.....The discussions that took place at various levels have properly been recorded and only after discussions took place at the level of Member (Off-shore) the decision was taken, While signing the contract, the General Manager also recorded that he had discussed it with the Member (Off-shore) who authorised him on phone to sign the contract and that the formal authority would be sent later. But that was not sent.”

1.35 Asked whether General Manager can sign the contract simply on the basis of telephonic talk and should not the matter have been brought to the notice of Chairman, ONGC, the witness stated :—

"As I Mentioned earlier, the General Manager has full powers to sign it provided, financial sanction of the competent authority exists and that the contract is vetted from the legal and financial point of view. The inquiry has been started only because a certain member has not signed. Otherwise, there would not have been any doubt and there would be no need to hold the inquiry and responsibility could have been fixed."

1.36 When pointed out that the General Manager might have the authority to sign but not to waive the condition as stipulated in the tender document. the witness stated during evidence.

"He/has not waived any of the conditions. It is on record that this matter has been discussed by his people. There are two preceding notes which are referred to therein. They have personally discussed this matter with Member (Off-shore). Before signing the contract, the General Manager even took the precaution of speaking to the Member and he clarified that it has been done in consultation with him and asked him to sign, telling him that the formal authority would follow."

1.37 When their attention was drawn to the letter of the contractor wherein the contractor has withdrawn his exception, a representative on ONGC stated during evidence :—

"It is like this. One is the condition in the bid about the upward and downward adjustments. Another was the deviation that we had indicated. There was some assumed tonnage. When we invite tenders, we have to do it. So we had assumed the weight as 9,805 tonnes. The party had given a bid on the basis of 9063 tonnes. Keeping the implications of downward and upward adjustments, we made it clear to the party that their price would have to be based in 9805 tonnes as pointed by our consultants. This has not been properly recorded, thus giving rise to all doubts, as if the condition has been withdrawn. He has not withdrawn the condition. He only agreed to 9805 tonnes. and that is the variation in the condition which is withdrawn. The variation in the quantity specified by us and given by him is withdrawn and not the condition. There is no reference whatsoever to clause 25(2). These are all matters of fact."

1.38 It was pointed out that the validity of the above argument of ONGC was rejected by the Ministry when the matter was put to them. In

response to the clarification sought by the Ministry on the audit objection, the Ministry asked the Commission to fix the responsibility and take appropriate action against those found responsible for the excess payment.

1.39 During evidence when the comments of the Ministry of Petroleum & Natural Gas were invited with regard to the insertion of old exception of ETPM relating to clause 25 of the package, the Secretary of the Ministry stated :—

“Sir, as has been pointed out in the Audit para in the original tender document this condition of variation in prices corresponding to variation in the use of steel was incorporated. When M/s. ETPM of France made their tender bid, they made an exception not agreeing to downward variation of the price. On that basis the ONGC decided that as they were not agreeing to any variation in prices and they had offered a different quantity of steel than the one estimated by Engineers India Ltd. the additional quantity of steel should be loaded on to their bid. In the discussions the firm said they accepted the quantity of steel estimated by EIL and withdrew the steel quantity they had stipulated and requested for finalisation of the agreement and the agreement was finalised. According to the report of the ONGC what the firm withdrew was their stipulation regarding the quantity of steel to be used.....After the Audit para was received by the Ministry we sent for all the papers concerning this particular clause and also obtained the remarks of the ONGC. The Ministry noticed that originally the contractor had but in certain estimate of steel which was differing from that of the Engineers India Limited. Subsequently, they modified it to the same quantity that EIL had indicated. On that basis, the contract was signed with them.”

1.40 Asked whether in Ministry's view the final agreement when signed with M/s. EPTM differed from their original offer, the witness stated :—

“The final picture whether there were any malafides, will emerge as I submitted, later on when the report of CBI is available to the Ministry. But as it appears from the papers now, this is what ETPM had done: They had made an estimate of the steel that would be required for this structure. Later on, they

accepted in the contract that so much steel would be the estimate and then they actually used the steel and made it. They did not accept that there would be any less payment if they used less steel.....They had only agreed to the quantification of the steel."

1.14. Keeping in view the variation in the wordings, the Committee enquired whether ONGC noticed the difference in clause 25 as framed at the time of approval by the Government and the wordings of final agreement as signed with the firm and was there any variation in the language. The representatives of ONGC stated as follows :-

"No Sir, Actually, when we issue the letter of Intent to the firm, at that time final contract is not drawn, nor do we send any contract document to the Government. This is the practice followed throughout. Therefore, to presume that some contract was there at the time of issuance of the letter of Intent to the firm is not correct. So, there is no question of comparing it with something."

1.42 The Committee pointed out that ONGC had made an offer which had both debit and credit. The firm offer was only for debit and not for credit i.e. for upward adjustment ONGC would pay but for downward adjustment the firm (M/s. ETPM) would not allow any deduction for lump sum price. Asked in what manner the Government had approved the contract, the representative of ONGC stated :-

"In our system, we seek the approval of the major terms and conditions of the contract."

1.43 When further asked whether the framed contract was sent to the Government and to this the witness stated "*it was not sent*". Thereupon, the Committee pointed out that even though there was a snag between the offer made by ONGC and response of the firm (M/S ETPM), still the matter was not referred to Government by ONGC. When further asked a specific question whether ONGC accepted the offer of the firm, the witness then stated "Yes, Sir". Thereupon the Committee observed that this means that the Contractor had never agreed to their (ONGC) offer. The Committee then asked whether that was the position. To this, the Chairman of ONGC explained :-

"Let me clarify. This issue came up in the morning also. What we pointed out at that time was that there has been a lapse

in this matter. Actually this issue should have been brought up by the Project team to the Chairman and then through the Steering Committee to the Government. It was not done. The point at issue which is being discussed now is slightly different. The interpretation of our Hon. Audit was that what they had withdrawn was both plus and negative, whereas what was given to the firm was only the difference in their estimated tonnage and the tonnage of our designers or engineers. But there was no reference to clause 25 in the reference to the firm. Reference was only to the loading which they withdraw. They said they would give us the same tonnage, or if they went beyond that tonnage, only then they would charge the money from us, otherwise upto the EIL tonnage, they would not charge any money."

1.44 Asked whether the deviation was accepted by the competent authority, the witness then stated :

"At a particular time, this deviation unfortunately could not be quantified because nobody could say what would be the fabricated weight. Now we have the difference but at that time our expectation was that it would be closer to the tonnage of 9,800. rather than the actual tonnage which was about 8,800. That was not appreciated at that point of time and this issue was not brought up. So, the question of competent authority accepting or rejecting did not arise because this issue was not highlighted. This issue came up at the time of contract signing."

1.45 The Committee enquired that was it proper on the part of Project Team to bring it to the notice of Member (Offshore) only and not to the notice of Chairman, ONGC or for that matter to the Government. To this, the Chairman of ONGC stated :-

"This issue should have been brought up. That is why we have referred this case to an enquiry both within the Commission and outside the Commissionit has been referred to me only at the stage of Audit report and when the Government wrote that letter to inquire into it futher."

1.46 The Committee have noticed that in the execution of work, there was a total reduction of 988.458 MT in the requirement of structural

steel corresponding to the value of Rs. 5.10 crores (US \$ 5.40 million), as detailed below :-

	Contracted weight of three platforms	Actual weight	Difference	Unit rate per MT	Total (US \$)
Super structure	829.0	712.758	116.141	7863	913661.12
Helideck	241.8	130.784	11.016	6100	67197.60
Jacket	3574.8	3250.800	323.200	7060	2281792.00
Piling	4060.0	3718.200	341.800	2140	731452.00
Appurtenance	1150.00	953.800	196.200	7150	142830.00
			988.458		5390933.00

1.47 The Committee enquired that where steel has been used for the fabrication of platforms, has the project Team of ONGC or EIL examined the nature and size of steel, the factors responsible for reducing the weight from original requirement of 9805 MT to about 1000MT less and the extent to which it has affected the strength of the platforms and whether EIL's certificate was obtained about the sizes of members and thickness, jacket and deck etc. Thereupon, the representative of EIL explained :-

“In the beginning of the project, that is, in 1980, we got all the basic parameters from the ONGC. These were the locations of the platforms which were three in this case, the water depth, wind parameter currents, amount of oil which is going to be produced, soil etc. These were the basic parameters which we got from the ONGC, We conceptualised it so as to do the basic engineering, which means we can produce a bid package which could give the magnitude of the job of how much steel is going to be there and what are the size of the equipment etc. For this, we have got in-house capability of carrying out analysis. On the basis of in-place analysis, we carried out the study to find out what are the sizes of members of jacket and deck etc. What we did not do at that time was the transportation analysis. For the transportation

of the jackets, some of the members needed thickening. We had foreseen the requirement and had the conservative estimate of the steel tonnage and based on that we prepared the bid package. But we did not indicate the estimated tonnage which was later given to the bidder when they come for the negotiations. After that, once the bids are obtained, we evaluate them and wherever bidders weight is less than our weight, we load for that amount, multiplied by the unit weight of that particular item and come up to the load price. There are other items also for which loading is done. There are ten or eleven items for which we can load. When the negotiations took place, everybody had given number of deviations which were discussed but they did not lead to the rejection of the bid. There were certain deviations, not withdrawn by bidders and we were loading them thinking that price which he is quoting is on the lower side. We wanted to be sure that there was no chance for the weight to increase. We had built that cushion. Based on our engineering when the contract is awarded, the contractor does the detailed engineering. We do only the basic engineering just to give a magnitude of the job. Then contractor gets all the exact parameters and does the detailed engineering. In the detailed engineering, exact members, size and the spacing are indicated. Once that engineering is completed and approved for construction, then the fabrication starts. During the fabrication, supervision is done by the ONGC and the EIL and all the weights are certified. From the very beginning to the installation stage, EIL engineers are involved in all the aspects."

1.48 When asked whether the reduction of the quantity of steel had not induced any weakness in the total structure itself, the witness then stated :—

"There is no weakness in any of the member of the platform. Reduction in the weight is not due to any weak engineering or any member weakening. We try to put estimated steel tonnage at the bid stage so that it is always on the higher side and there is no chance for the price to increase."

1.49 When asked whether EIL supervised the operation to ensure that the construction was conforming to the required measurement of the

weight. To this, the witness stated that "we were seeing weight, we were seeing the quality and we were seeing the dimensions...we verify all the weights. But the exact picture will emerge only when we know whether all the three platforms have been fabricated. Once all the fabrications have been completed, then only we know what is the tonnage."

1.50 The Committee pointed out that from technical point of view weight is an important point, if the weight was reduced the structure would scumble down. The Committee enquired that if after completion of work it is found that there was less weight and did not conform to the measured weight, then what would be the remedy. The witness then replied :—

"Weight is only an indication that the structural tonnage is of a particular order. When we know that, weight adjustment will be both on the plus and on the minus side."

1.51 In this connection, representative of ONGC also informed the Committee as follows :—

"There are various factors of which weight is one. As the EIL representative mentioned, When we put a structure in the off-shore there is a certain strength required to sustain the water current and wind force. Similarly there is cyclone twice a year in the Arabian Sea in April-May and in October-November. Then we consider what can happen in fifty or hundred years. There is a company from which the report is made. They take the measurements and arrive at a solution that this kind of cyclone could occur in the next fifty or hundred years. Those are the forces which are considered for designing this technique. Then we have to put the equipment. Jacket is a stool and the equipment is placed on this stool. We put pumps, platform for landing helicopters, store oil and other things, etc. That weight is first estimated. Then we see the need for the stool structure which will stand in the sea and which will be able to take this weight and also sustain the forces of wind, wave, water current etc. This we have to estimate by employing an agency to know as to what it will be in the next fifty or hundred years. Based on this there are computer programmes where the analysis is done as to what should be the strength of each members in the stool, the legs, the bottom, etc. The weight is computation in the end. When this is done, the weights are approved. All this exercise is undertaken to see that the contractor

does not give us a weight which is many times high. The initial estimation of weight by EIL is for that purpose. But the actual weight arrived at is a derivation after the total technical arrangements are satisfied."

1.52. The Committee then enquired that why was the deviation from agreed conditions i.e. reduction in weight of structural steel not detected by ONGC for several years and it came to their knowledge only after the lapse was pointed out in the C&AG Report. There upon, the General Manager of ONGC informed :

"As you are aware the ONGC has multi-area organisational functions. This operation is being done in one of the many areas. In this case it was in Bombay. We have totally six areas and these areas have also their sub areas. For example in Calcutta we have Tripura, Mizoram, Bihar and West Bengal. Four States are being looked after by the Calcutta area. Similarly the Southern area consists of Andhra Pradesh Madras and Pondicherry. All these areas are consisting of fairly large groups. So if I check something in Calcutta and if there is something lacking, I am supposed to tell the Chairman. If I, as the General Manager, don't tell him then it is not possible for the Chairman to find it out.

In the same manner if any person in a sub area fails to send me an indication it is not possible for me to know it except in the normal reviews. Even in the review if he does not tell me, I would not know."

To supplement, the Chairman, ONGC stated :

"We are vigilant no doubt. We have certain systems like internal audit, review meetings and both failing the C&AG auditing officials will know these things.

As you know, some of these problems have warranted the reorganisation of our Bombay area. In 1984 July we reorganised the whole working to make sure that if one member fails to inform, there is always another system to take care.

The questions of delegation of powers came because we were vigilant. When these problems took place there was

very wide delegation of powers for certain members which were given in the year 1979.

All those were rehashed and in 1984 we took a new system of delegated powers. We reorganised the regions. That was precisely to see how we can effectively act and get good results. If everything has to be referred back to the Chairman nothing will move in time. We have to take decisions fast. That is why certain amount of mistake tolerance has got to be there."

* * *

".....Sir, at that point of time there was certain delegation of powers given to the members of the Commission but after the C&AG report came and when we enquired into the matter we found there was a lapse on the part of the employee not bringing it to the notice of the competent authority."

1.52 The Committee pointed out that though the contractor had at no point of time agreed to the required condition, yet the contract was awarded to the firm (M/s. ETPM) without the knowledge of higher authorities, as has also been admitted by ONGC. ONGC could not detect this lapse earlier through their own internal audit and their attention was drawn to this fact only after C&AG had given its report to this effect. Thus the method adopted by ONGC to know as to where the things were going wrong did not click.

1.53 When enquired as to what measures have been adopted by ONGC to plug these loopholes and in how many cases such type of lapses have occurred in the past. If it has not occurred in the past then how did this lapse occur in this particular case. The Chairman, ONGC then explained :

"In late 81 and early 82, we appointed a group to go into our system of working in order to find out the areas of our weakness and strength and also to find out the ways to improve the situation. As a result of their action, we brought out a total reorganised structure at Bombay. We used to have one member who was responsible for everything whether it was pertaining to technical side or to drilling side. So, everything was under one man. It resulted in every high concentration of powers in one person with the result the Commission Headquarter would know nothing. We reorganised ourselves and the case was submitted to the Government in 1982. We submitted that the whole system is to be reorganised and

reorganised structure was approved by the Government in 1984. It was implemented in July, 1984. That was precisely to make sure that if one person is given so much power then he may not be able to bring up all the issues for the information of the higher management, therefore, it is better if the whole work is divided into four people. So that the decision making will be faster and secondly since there will be more than one member, you will come to know of the problems faster. That has helped us very much."

* * *

"In 1979-81, we were the new entrants. Certain amount of work was done. There used to be a single bid system for the contractors. We introduced two bid system. We revised that deficiency again and today you will find the problems are absolutely minimum. In fact this case, which we are discussing today, is the first case under the two bid systems which was introduced in the Commission. This is the first of its type.

The two bid system is that we open first the technical bids, discuss it and try to bring it on par and then open the prices. This particular case was done at a very fast speed because there was a deadline in terms of the date of letter of intent. A certain amount of procedural mistake has taken place."

1.54 The Secretary of the Ministry of Petroleum & Natural Gas informed the Committee during evidence that ONGC and their consultant (EIL) are monitoring the project. EIL had a check on the progress of the project. The Government are not monitoring the implementation of project. They are monitoring the timing of the project, the expenditure as a whole benefits and return of the project.

1.55 Keeping in view the colossal loss to the Government, the Committee enquired whether it was not necessary to introduce clear cut guidelines and monitoring system to protect the interests of the Government as otherwise any organisation which has been established by an Act of Parliament could go away this type of losses. In reply, the witness stated that "you are very correct that public money is involved and we have to be watchful about the public money being spent...We will certainly examine whether any further any further precautions are necessary."

1.56 When the Committee enquired as to how CBI enquiry in the matter was initiated the Chairman, ONGC stated :-

‘Sir, when we explained our position on the audit objection to the Government, the Government in their own wisdom and being a higher authority gave a direction on two accounts. Firstly, to enquire into the case in order to fix the responsibility and secondly to black list the firm. I think these were the two stipulations I appointed an Inquiry Committee to look into this. Then we ordered an inquiry of this particular case. Concurrently the case was given to the vigilance department of ONGC. We were trying to enquire in the normal manner, if there was any malafide involved in this. The vigilance department of ONGC gave its report which was submitted to the Government and we sought their permission to hand over the case to CBI in December, 1987. If you permit me, I will read from the letter dated December 16, 1987 :

The matter is within my administrative competence. It does not appear necessary to place it before the Commission, so far as the conduct of a certain Member is concerned. But since so and so has left the Commission and evidence of private party for pin-pointing serious lapses in the deal, is necessary. There seems to be no alternative but to entrust the matter to the Central Bureau of Investigation.”

1.57 When asked as to what action has been taken on the direction given by the Ministry of Petroleum and Natural Gas to blacklist the firm (M/s. ETPM), the Petroleum Secretary stated :-

“The firm has not been black-listed for the reason that the firm had originally taken an exception regarding the quantity of steel later on, they accepted the quantity of steel incorporated by EIL. Therefore, they did not deviate from the contract.”

1.58 Asked whether the decision of entrusting the case to CBI was taken at the suggestion of ONGC, the Petroleum Secretary stated, “Yes, they said, it is better that the matter is fully clarified and entrusted to CBI.....ONGC officials gave a certain interpretation. That interpretation was forwarded by the ONGC Management to us. But the ONGC Manage-

ment also said that this is a question that requires a detailed examination by the outside authority and therefore, the ONGC itself said that this matter deserves deeper investigation."

1.59 As regards instituting of CBI inquiry, the Secretary, Ministry of Petroleum & Natural Gas informed the Committee :-

"When the matter came to the notice of Government, Government asked ONGC to take action and fix responsibility. ONGC got an inquiry made. The inquiry said, there was an lapse and no question of fixing the responsibility. However, the Chairman of ONGC said, 'In this case, perhaps evidence of private party was also necessary and it might not be possible for ONGC to do it. Therefore, he said, 'In order to clarify this matter fully, an inquiry by CBI was necessary.' This was in response to the letter sent from the Ministry. To protect the image of the organisation he said, let there be CBI inquiry and let it clear it. The Ministry is also alive to the fact that there should not be any breach of suspicion attached to the whole matter. Therefore, the Ministry agreed that the matter be referred to CBI. The question whether this would involve only Mr. Malhotra or any other person is a matter which would be known when CBI report comes."

1.60 The Committee pointed out that no doubt the payment had been made as per the contract but some manipulation had been made at the time of signing the contract. Thereupon, the witness stated that according to the contract no overpayment had been made. But, in framing the contract, any malafide was done by anyone, was the subject of the CBI inquiry which was still in progress. However, he assured the Committee that he would personally talk to the Director of CBI to expedite the matter.

PART II

CONCLUSIONS/RECOMMENDATIONS OF THE COMMITTEE

The Committee note that ONGC floated global tenders in September 1981 for design, procurement, fabrication, start up and commissioning of three off-shore well platforms called K VX Project in Bombay High area. The terms and conditions stipulated in the bid package were prepared by Commission's consultants Engineers India Limited (EIL). Among other things, Clause 25 of the bid package stipulated that the contract price would be firm subject to adjustment for variations in the weight of structural steel used and the length of the pipelines laid in accordance with the unit price per tonne as given in the Schedule of prices.

2. The Committee also note that in response to tenders invitation, seven bids were received from foreign contractors. On technical evaluation of bids, it was found that majority of the bidders had included in their offers certain technical and techno-commercial exceptions to the bid package. As a result of negotiations, the tenderers withdrew the exceptions including the one relating to Clause 25 of the bid package and the contract was finally awarded to M/s. ETPM of France in March 1982 at a lump-sum price of US \$ 81.216 million.

3. The Committee also note that in their original offer, M/s. ETPM had stipulated that upward variation in the actual weight of steel would be adjusted but there would be no adjustment for downward variation in the weight of steel. However, the firm, as a result of negotiations, agreed to conform to the original bid package and telex of intent was issued by ONGC on 25th March, 1982 awarding the contract to M/s. ETPM. The telex of intent had specifically mentioned that the contract was as per the scope of the work, prices shown thereunder, specifications and other requirements as well as other terms and conditions as stipulated in the bid package and as further agreed to by the contractor through his letters dated 6th and 21st March, 1982. However, at the time of executing the final agreement with the contractor in August 1982, the old exception relating to Clause 25 of the bid package, withdrawn earlier, was incorporated in the final agreement to the disadvantage of the Commission without bringing it to the notice of competent authority, i.e., the Chairman, ONGC.

4. The Committee examination has revealed several shortcomings in the signing of the contract and also in the execution of the project. These have been dealt with in the succeeding paragraphs.

5. The Committee are informed that according to established procedure tenders on receipt are sent to EIL, the consultants of ONGC, for evaluation and on their recommendation these are further evaluated by Tender Committee. Tender Committee reports to Purchase Committee which in turn submits its recommendations to Stores Committee. Recommendations are finally submitted to the Chairman of ONGC and thereafter sent to Government for approval. At the Government level, the matter is examined by Steering Committee consisting of representatives of ONGC, Administrative Ministry and Ministry of Finance. The Committee have also been informed that under ONGC Act 1959 and rules framed thereunder, Commission is fully empowered to enter into any contract irrespective of its value provided the provision therefor exist in the budget or in the plan and the scheme has also been approved by the Government. The Government's role for according approval is stated to be confined only to the release of foreign exchange and not for approval of details of drawnup agreement.

6. The Committee are shocked to note that in spite of the various checks exercised by different Committees in the Commission and also by the Steering Committee at the Government level, such material change has been introduced in the present contract entered into with ETPM firm of France to the disadvantage of the ONGC and benefit to the contractors and for which responsibility is not fixed on any individual or group of individuals.

7. The Committee also do not share the views expressed by Government that under the ONGC Act 1959, the Government's role in according approval is restricted only to the release of foreign exchange and not for approving details of drawn up agreement. There is no denying that had the final agreement been drawn in accordance with the tender scheme as approved by Government, further approval of Government to the details of drawn-up agreement would not be necessary. But in the present case there was a material deviation which changed the scope and characteristic of the tender conditions for adjustment of weight structure and as such the approval of the Government with regard to deviations made from the bid documents approved by the Government earlier and incorporated in the final agreement was all the more necessary.

8. Even if it is admitted that the Government's role is confined to the release of foreign exchange needed for the project and they are not supposed

to go into the details of drawn-up agreement, they are certainly not barred from examining in general the provisions of the contract before the release of foreign exchange. As such they cannot escape the responsibility of ensuring that there is no unauthorised deviation from the agreed terms and conditions of contract. Furthermore, since the administrative Ministry is answerable to Parliament for all acts of omission and commission and irregularities, committed, if any, by the undertakings under its control, the Ministry of Petroleum and Natural Gas cannot absolve itself from the responsibility for the deliberate lapse committed by officers of Commission on the pretext of delegation of powers under the Act. In Committee's view, had the Ministry been vigilant in this case, the loss to the tune of Rs. 5 10 crores suffered by ONGC could have been avoided. The Committee have already commented in their 55th Report dealing with the installation of two LPG Bottling Plants at Bangalore with regard to the ineffective monitoring system followed by the Ministry of Petroleum and Natural Gas. That holds good for this particular case also.

9. The Committee are distressed to note that when the Chairman, ONGC is the competent authority in the Commission to enter into any contract, how is it that the exception relating to Clause 25 of the bid package which had been withdrawn earlier by the contractor after negotiations was surreptitiously incorporated in the agreement without bringing it to his notice. Obviously, this creates an impression in the mind of the Committee that there is something wrong with the working of the Commission which needs to be thoroughly examined so as to ensure that such serious lapses do not recur in future. The Committee would like to be apprised of the steps taken in this regard.

10. The Committee are surprised at the views expressed by ONGC that the issue of weight adjustment according to clause 25 which was there in the bid document was neither a rejection criterion nor a loading criterion in terms of their evaluation. The Chairman, ONGC, however, admitted during evidence that it was an issue which should have been brought up even though it was not a rejection or loading criterion. The Project Team is also reported to have held the view that what the firm (ETPM) had agreed to withdraw was only that portion of their bid which related to loading on the higher side but their condition of no adjustment in lump sum price in the reduction in the weight of the steel remained as it was there in their quotation. The Secretary of the Ministry of the Ministry also stated during evidence that the firm had only agreed to the quantification of the steel and they did not accept that there would be less payment if they used less steel.

11. The Committee are not convinced of the stand take by Government/ONGC because when this irregularity in the contract was brought out by audit, the Government had themselves not accepted the explanation of the Commission in that regard and after having upheld the views expressed by audit had asked the Commission to fix responsibility on the person responsible for the lapse. Therefore, the Committee do not see any justification on the part of Government to change their stand.

12. The Committee are fully inclined to agree with Audit that the bidder (ETPM) in order to gain the contract had agreed to withdraw their exception relating to Clause 25 but later got it surreptitiously incorporated in the final agreement to the disadvantage of the Commission. The Committee feel that this could not have been done without manipulation and connivance of WNGC officials with the firm (ETPM). The Committee are of the view that after the matter was brought to the notice of the Government/ONGC by Audit, the firm should have been black-listed which has not been done in the judgement of Government and ONGC.

13. The Committee have also been informed that discussion for adjustment with regard to variation in the actual weight of steel etc. took place at the level of Member Off-shore who was serving in the organisation at that point of time and he had specifically recommended that the condition for no adjustment for reduction in weight of steel, as laid down by the firm might be accepted. The Member Off-shore is now reported to have left the service on ONGC in 1985 with all the terminal benefits. This alarming irregularity in the contract was brought out by audit in 1987.

14. The Committee have also been informed that as per delegation of powers, Member Off-shore had the full authority to sign the contract or to delegate powers further to the General Manager to sign the contract. The contract is reported to have been signed with the firm at the level of General Manager. While signing the contract, the General Manager had also recorded that the Member Off-shore had authorised him on phone to sign the contract and that the final authority in writing in that regard would be sent later. Unfortunately, the authority in writing was not received later from the Member Off-shore. The General Manager after signing the contract also did precious little to obtain the written authority from the Member Off-shore and also did not bother to bring the matter to the notice of the Chairman at any stage. In fact, the Chairman, ONGC had also admitted before the Committee in this regard that it was a lapse and the matter should have been brought to the notice of the Chairman by Project Team and also to the Government through the Steering Committee. The

Committee are astonished to note that in the absence of the written authority from the Off-shore, the General Manager signed the contract just on the basis of telephonic conversation and waived the vital condition of the tender document approved by Government. The whole issue smacks of a shady deal. The Committee do not approve of the system whereby the General Manager is given absolute authority to sign the final agreement on the basis of telephonic conversation under the pretext of delegation of powers. While expressing their displeasure over signing of the agreement by the General Manager, the Committee do not wish to comment further on this issue at this stage as the matter is being investigated by CBI. The Committee hope that Government would have the CBI Enquiry expedited. They would like to be apprised of the findings of the CBI Enquiry and action taken thereon at the earliest.

15. The Committee find that in response to the tender invitation all the bids for K VX Project were received only from the foreign contractors. It has also been observed that the indigenous competence in the fabrication of off-shore wells-platforms has not been developed so far in the country and the country continues to depend on the foreign sources in this vital field. However, the Committee were informed during evidence that three companies in public sector viz. Mazagon Docks, Hindustan Shipyard and Burn Standard and one in private sector i.e., Larsen and Toubro have developed certain degree of competence in oil related equipments, material and services. A decision is also reported to have been taken recently to form a consortium with the help of confederation of Engineering Industries by involving them in the planning process so that the country's oil related requirements could be assessed much in advance and indicated to the indigenous firms to enable them to plan their future plans accordingly. The Committee regard it as a steps in the right direction be cause the development of indigenous competence in the fabrication of off-shore well-platforms would not only lead to self-reliance but go a long way in conserving foreign exchange resources.

NEW DELHI:
24 April, 1989
4, Vaisakha 1911 (Suka)

VAKKOM PURUSHOTHAMAN,
Chairman,
Committee on Public Undertaking

APPENDIX

Criteria adopted by ONGC for short-listing of bids and also for detailed evaluation loading of bids

1. Short-listing the bids

1. Mechanical Completion dates :

The following Mechanical completion dates were adopted for evaluation :

- (a) Mechanical completion with permanent decks for all 3 platforms —30th April, 1983.
- (b) (i) Completion of installation of all the 3 jackets with temporary decks—30th November, 1983.
- (ii) Mechanical completion of all the 3 platforms with permanent decks— 30th November, 1983.

In case any bid did not meet the completion dates given at either (a) or (b) above, the bids would be rejected.

2. Scope of work

In case any bid did not contain the proposal for either fabrication or installation of the Platforms, the bid was to be rejected.

3. Pile driving hammers

The bid package stipulated the requirement of following hammers.

Menck	4600	1 No.
Menck	3000	2 No.
Menck	1800	1 No.
Vulcan	020	1 No.

Out of above, in case a bidder was not able to offer the following hammers or equivalent thereof, as a minimum requirement, the bids were to be rejected.

Menck	4600	1 No.
Menck	3000	1 No
Vulcan	020	1 No.

4. *Major exceptions*

(a) In case a bidder did not guarantee the availability of required equipment for pipe remedial works, whenever required either by separate mobilization or by mobilizing alongwith the derrick barge, the bids were to be rejected.

(b) if a bidder took exception to the on-shore weather down time as specified under clause 5-3.2(a) Pt. II, the bids was to be rejected,

5. *Assessment of capability/experience of the bidders*

All the bids were to be assessed with a view to adjudge whether the bids were technically acceptable or otherwise. For this assessment, the following guidelines were adopted.

(a) Experience of the bidder in fabrication/installation of similar platforms since 1978.

(b) Existing yard facilities/fabrication capacities and marine spread proposed by the bidder.

(c) In case of joint ventures/sub-contracting part of work, the capability and experience of the sub-contractor and partners of the joint ventures.

(d) Exception taken by the bidders on the major design criteria listed in the bid package and its addendum.

The following criteria was adopted for detailed evaluation of technically acceptable bids.

II. Detailed evaluation

Lumpsum Amount

The total lumpsum amount for the complete work as defined in Annexure A-3 of the bid package was to be completed and this shall form the basis of evaluation.

1. *Advance Payment*

If advance payment was asked for by any of the bidders, loading would be done for interest @ 1-1/4% P.M.

2. *Years Spares*

For the purpose of evaluation, the cost of spare parts was to be estimated at the rate of 10% of the highest equipment cost/quoted in the bids, plus respective bidders percentage fee. In case bidder had not furnished any percentage fee, the highest percentage fee quoted by other bidders would be adopted.

3. *Optional items*

The cost of optional items would be worked out separately and this would not be included in the total lumpsum cost for evaluation. Cost of additional facilities of temporarily flowing through a water injection line to SL, if quoted separately, would be added to the lumpsum amount.

4. *Escalation in fuel cost*

In case a bidder proposed escalation in the fuel prices, the difference between price indicated in the bidder's tender and a price of US \$ 425 per M. Ton, for estimated quantity of the total fuel to be consumed would be loaded for particular bid.

5. *Structure Steel*

The structural steel tonnage quoted by the bidders would be evaluated vis-a-vis the tonnage estimated by EIL. If the tonnage quoted by the bidder was more than EIL tonnage than no adjustment would be made. However, if the tonnage quoted is less than EIL estimate, the bidders price would be loaded by the difference in tonnage using unit rates quoted by the bidders.

6. *Pile driving hammers*

In case a bidder took exception for providing the specified hammers, loading for rental rates would be made for 15 days per platform or as per schedule of the bidder for completion of piling work, whichever was higher. In case no rates were available in of any the bids, the loading would be done based on the rates estimated by the EIL/ONGC based on a piling schedule of 15 days per platform.

7. *Pile Remedial works*

In case of bidders taking an exception to providing the required drilling equipment on board of derrick barge, loading would be done at stand by rates of marine spread for period of mobilization of the equipment to off-shore site for 10 days, or the rental rate schedule for pile—top drilling rig for a period as referred in para (6) above, whichever was less.

8. *Pre-installation survey*

The loading in those case where a bidder took exception to undertake pre-installation survey, would be for an estimated amount of US \$ 500,000/-.

9. *Saturation driving system*

If the bidder did not agree to provide saturation diving unit, the offer would be loaded by US \$ 1.5 million.

10. *Final hook-up commissioning*

Wherever execution to this work was taken by a bidder the offer would be loaded by US \$ 1,50,000/- per platform.

11. *Weather down time*

In case a bidder took exception to the Clause 5.3 2 (c) of volume-I, in respect of off-shore. Weather down time, the offer would be loaded at the rate of 5 days per platform at stand-by rate of marine spread. In case of exception to weather down time clause 5.3.2(b) during the transportation of the works, the offer would be loaded at the rate of 1 day per platform at stand-by rate of marine spread.

12. Since ONGC has agreed to consider the completion schedule with temporary drilling decks, no loading would be made on the offers based on temporary deck concept.

Any other pertinent exception having a cost implication would be assessed and loaded accordingly.