

No. RW/NH-11052/2/86-NHIII/DI

Dated the 5th June, 1992.

To

The Secretaries (dealing with National Highways), Public Works Departments of all States and Union Territories; Director General Border Roads.

Subject: Price/Purchase Preference for Production and Servicing of Public Enterprises.

I am directed to refer to this Ministry's letter of even number dated 5th February, 1988 for grant of 10% price preference to Public Sector Undertakings. In this connection, Ministry of Industry (Department of Public Enterprises) in their O.M. No. DPE/13(19)/91-Fin. dated 7th May, 1992 have revised the policy directions. A copy of their O.M. is enclosed for ready reference. It will be observed therefrom that the Government has since decided to do away with the scheme of giving price preference to Public Enterprises. It is, therefore, requested that the latest policy directions contained in the Ministry of Industry (Department of Public Enterprises) O.M. dated 7.5.1992 quoted above may kindly be followed strictly for all N.H. projects. Whether for award of contracts or procurement of any materials.

Enclosure to letter No. RW/NH-11052/2/86-NHIII DI dated the 5th June 1992.

Subject: Price/Purchase preference for Production and Servicing of Public Enterprises.

As the Administrative Ministries/Departments are aware, a scheme of purchase/price preference for the goods and services of public enterprises in competition with those of the private sector in the matter of purchase by Government Departments and other PSES was in operation since June, 1971. The underlying objective behind this scheme was that the capacity created in the public sector should be fully utilised. The scheme provided for price preference not exceeding 10% to the public sector enterprises.

2. The policy of giving purchase/price preference to public enterprises has been recently reviewed by the Government in the light of the New Industrial Policy Statement made in July, 1991 which laid emphasis on giving greater thrust to performance improvement. In the context of liberalisation and opening of many areas to the private sector, it is necessary that public enterprises function on commercial principles in an environment of competition. Thus, the protection so far provided to the public sector in the form of price/purchase preference is no more relevant in the present environment. Considering all these changes, the Government has since decided to do away with the scheme of giving price preference to public enterprises. A copy of the order issued vide D.O.M. No. D.P.E./13(19)/91 Fin. dated 13th January, 1992 to this effect is enclosed.

3. It has, however, come to notice that in spite of withdrawal of the facility of price Preference so far enjoyed by the public enterprises, there are still instance wherein some of the enterprises are pressing the administrative Ministry to get them price preference from Government Departments. This approach is against the new policy and needs to be curbed. The public enterprises are now expected to function on commercial principals.

4. Ministries/Department of Govt. of India are requested once again to ensure that the latest policy described above is strictly followed.

Copy of letter No. PPE/13(19)/91-Fin dated the 13th Jan. 1992 of Ministry of Industry

Office Memorandum

Subject: Price/Purchase preference for production and servicing of Public Enterprises.

Reference is invited to O.M. No. BPE/GL-008/80/23.1.80/BPE/MM dated 15.10.80 on the above subject. (Copy enclosed).

In the new environment of a liberalised Industrial Policy and the emphasis on performance improvement of public enterprises to function on commercial principles etc., further protection in the term of price/purchase preference is not quite relevant in the new competitive environment. The matter was reviewed by the Government and the decision is as under:-

- Instead of granting price Preference to public enterprises Government may grant purchase preference to the public enterprises.
- In all such cases, while the quoted prices of public enterprises is not within the 10% of the lowest valid price bid, such a price bid may be rejected without any further consideration.
- Where the quoted price is within 10% of the lowest price, other things being equal, purchase preference may be granted to the public enterprise concerned, at the lowest valid price bid.
- The above purchase preference may be made operable for a period of 3 years as transition within which public enterprises should adjust themselves to the new environment of competitiveness and efficiency so that the entire policy of price/purchase preference may be withdrawn within the next 3 years, from the date of issue of this O.M.