

**Government of India  
Ministry of Railways  
(Railway Board)**

No.2001/RS(G)/779/4

New Delhi, dt.05-08-2002.

The General Managers,  
All Indian Railways  
Including CLW, DLW, ICF, RCF & WAP.  
East Coast Railway, Bhubaneswar,  
East Central Railway, Hajipur,  
North Central Railway, Allahabad,  
North Western Railway, Jaipur,  
South Western Railway, Bangalore,  
West Central Railway, Jabalpur,

The General Manager (Const.),  
N.F. Railway, Guwahati.  
CAOs(Const.), All Indian Railways (except N.F. Railway).  
The Director General, RDSO, Lucknow.  
The General Manager,  
Central Organisation for Rly. Electrification, Allahabad.  
The General Manager, Metro Railway, Kolkata.  
CAO, Diesel Component Works, Patiala.  
CAO, COFMOW, Rly. Offices Complex, Tilak Bridge, New Delhi.

**Sub : Cartel formation by approved vendors.**

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A number of references have been received from Railways/PUs regarding cartel formation by approved vendors and consequent substantial increase in rates in tenders. In such cases, even the negotiations have not helped in obtaining significant reduction in prices. This issue was discussed in detail in 56<sup>th</sup> Conference of Controller of Stores at Railway Board on 13<sup>th</sup>/14<sup>th</sup> June, 2002 and it emerged that most of the approved vendors are taking undue advantage of Railways policy of bulk quantity procurement only from approved sources.

2. After having considered the matter in detail, it has been decided that the tender documents may include following conditions:-

- a) Wherever all or most of the approved firms quote equal rates and cartel formation is suspected, Railways reserve the right to place order on one or more firms with exclusion of the rest without assigning any reasons thereof.

contd...2/-

- b) Firms are expected to quote for a quantity not less than 50% of tendered quantity. Offers for quantity less than 50% of tendered quantity will be considered unresponsive and liable to be rejected in case cartel formation is suspected. Railways, however, reserve the right to order on one or more firm any quantity.
- c) The firms who quote in cartel may be warned that their names are likely to be deleted from list of approved sources.

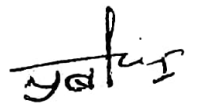
3. Selection of one or more firms as per para-2 (a) above, may be on the basis of past performance records, capability, capacity, quality performance, location, after sales service response etc. subject to rates being considered reasonable. Wherever tendered quantity is quite large and the capacity of approved firms individually is small, minimum 50% quantity limit as per para-2 (b) may be suitably modified in tender conditions. Further, Railways may report the details of firms found involved in forming cartel to source approving authority for considering down gradation/deletion of names of such firms from list of approved sources.

4. The instructions contained in Board's letter No.99/RS(G)/709/1 dt. 6.9.99 of ordering not more than 15% of quantity on Part II approved sources and 5% of quantity on new source are to be followed in normal circumstances. Wherever there is suspected cartel formation from approved sources, after recording the reasons, Railways are permitted to place orders on Part II sources and new sources beyond present limit of 15% and 5% respectively subject to rates being reasonable and firms otherwise considered capable.

5. Despite above measures, if there is no success in breaking cartel, further recourse as may be deemed fit, including taking up the matter with MRTP Commission or proposed Competition Commission of India (as and when it is set up) may be considered.

6. This issues with concurrence of finance directorate of Ministry of Railways.

(Hindi version will follow)



(P.C. Sharma)  
Executive Director Railway Stores(G)  
Railway Board.

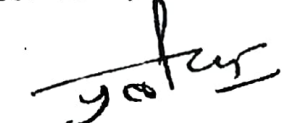
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New Delhi, date:5.8.2002.

**Copy to:**

1. The COSs, all Indian Railways/Production Units.
2. FA&CAOs, all Indian Railways & Production Units.
3. Executive Director, Iron & Steel, 3, Koila Ghat Street, Kolkata.
3. The Director of Audit, All Indian Railways.
4. The Managing Director, RITES, New Delhi House, Barakhamba Road, New Delhi.



(P.C. Sharma)  
Executive Director Rly. Stores (G),  
Railway Board.

**Copy to:-**

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AM(Sig.), EDRS(C), EDRS(P), EDRS(S), EDV(S), EDF, EDF(S),  
EDME(W), EDME(Traction), EDME(Chg.), EDEE(Dev.), EDEE(G),  
F(S)-I, F(S)-II, and all other officers and Branches of Stores Dte.



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**Sub: Guidelines for approval of vendors in order to prevent cartel formation.**

A number of references have been received from the Railways/PUs regarding cartel formation by the approved vendors and consequently substantial increase in rates in the tenders. Following steps may be taken so as to discourage the tendency on the part of approved firms to quote high rates in cartel.

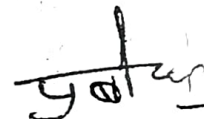
- i) While approving firms, an undertaking may be obtained from them that they will not be part of a cartel with other vendors and will be quoting competitive rates in the tenders. The firms who quote in cartel may be warned that their names are likely to be deleted from the list of approved vendors.
- ii) Railways should report details of firms involved in forming such cartels, to approving authority for considering down gradation/deletion of names of such firms from the list of approved vendors. Simultaneously, urgent steps should be taken for approval of more vendors for items where cartel problem exists.

contd...2/-

- iii) The procedure for approval of the firms should be made more transparent and the details of the procedure for approval of new firms may be put on the web site and also published in a form of a booklet for information of the vendors. Time frame and the criteria for approval of new vendors as well as for upgradation from Part-II to Part-I category may be clearly indicated.

This issues with the concurrence of finance directorate of Ministry of Railways.

(Hindi version will follow)



(P.C. Sharma)

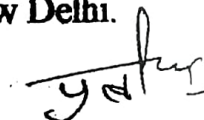
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EDME(Chg.), EDEE(Dev.), EDEE(G), F(S)-I, F(S)-II, and all other officers and  
Branches of Stores Dte.