CONTRACT MANAGEMENT

Problems & Solution

IRITM-Lucknow

RP Saxena

GOALS OF CONTRACT MANAGEMENT

- **RAILWAY**
  - **GET THE WORK DONE TIMELY**
  - **OF SPECIFIED QUALITY**
  - **AT MINIMUM COST**
  - **REQUIRMENT**
  - **STRONG INFRASTRUCTURE**
  - **PROMPT DECISION MAKING**
  - **ASSURED FUNDING SCHEDULE**

Major Problems in Field

- Large number of contract
- Lack of infrastructure / man power at every stage- no supervision/monitoring
- Lack of define funding schedule
- Authority is not commensurate with accountability – Targets without funds
- Procedures are more important than Results
- No system of grievance reprisal-Pre arbitration
- Lack of assured block/power for track work
- Decision delay-fear of vigilance /Audit/RTI
- Attitude Problem–contractor is Opposite Party
- Land acquisition/Environment clearance etc

Most Serious Problem

- Create New Assets without any arrangement for maintenance Infrastructure
- No Annual maintenance contract
- Kannyakumari Garden few yr back
- Kannyakumari garden now



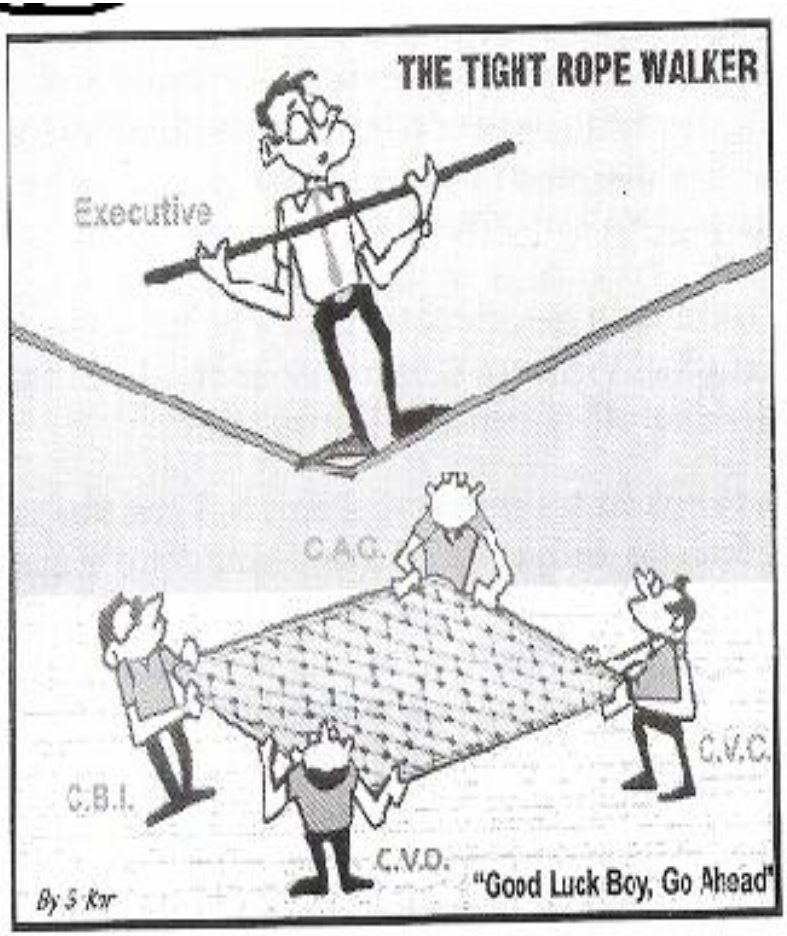


Psychological Fear-Decisions

Agencies waiting with net to catch

- **Account**
- **Vigilance**
- **Audit**
- **CBI**

To assist all above agency ,there is RTI -



CONTRACT MANAGEMENT

- **PRE-TENDER STAGE – DOCUMENTS PREPARATION**
- **TENDER FINALISATION- TRANSPARENCY**
- **EXECUTION- MONITORING,SUPERVISION**
- **ARBITRATION -DEFENDING**

CONTRACT MANAGEMENT
PRE-TENDER STAGE

- **PROBLEMS IN SITE SURVEY, DESIGN, DRAWING**
  - **LACK OF EXPERTISE**
  - **LACK OF MANPOWER**
  - **INADEQUATE TIME**
- **SOLUTION**
  - **EXPERIENCED AND TRAINED STAFF**
  - **PLANNING & DESIGN CONSULTANT**

CONTRACT MANAGEMENT PRE-TENDER STAGE

- **PROBLEMS IN PREPARATION OF TENDER DOCUMEMENT , SPL CONDN ,SCHEDULE, SPECIFICATION**
  - **LARGE NO OF SMALL VALUE TENDERS**
  - **ASSESSMENT OF RATE (LAR, ANALYSIS)**
  - **LACK OF STANDARDISATION OF NEW PRODUCTS**

CONTRACT MANAGEMENT PRE-TENDER STAGE

- **SOLUTION**
  - **HIGH VALUE TENDERS**
  - **SMALLER WORKS THROUGH ZONAL CONTRACTS**
  - **INCREASE IN POWERS OF QUOTATIONS.**
  - **ACCEPTANCE OF SMALL VALUE WORK BY EXECUTIVE ITSELF (NO TC)**

CONTRACT MANAGEMENT PRE-TENDER STAGE

- **SOLUTION**
  - **UNIFIED SOR**
  - **INTRODUCTION AND STANDARDISATION OF NEW PRODUCTS**
  - **SOFTWARE SOLUTIONS FOR TENDER DOCUMENTS AND LAR DATA BASE**

CONTRACT MANAGEMENT TENDER FINALISATION STAGE

- PROBLEM OF DELAY
  - LARGE NO. OF TENDERS
  - LACK OF MONITORING
  - VERIFICATION OF CREDENTIAL
- SOLUTION
  - PLAN FOR SMALLER NO. OF TENDERS
  - APPROVED LIST OF CONTRACTOR
  - LIMITED TENDER
  - PRE QUALIFICATION TENDER

CONTRACT MANAGEMENT TENDER FINALISATION STAGE

- PROBLEMS
  - LACK OF COMPETITION
  - HIGH RATE
- SOLUTIONS
  - MAKE RLY CONTRACTS MORE ATTRACTIVE
    - CHANGE ATTITUDE TOWARDS CONTRACTORS, TRANSPARENCY, AVOIDING DELAY
  - HIGH RATE SHOULD NOT BE A PROBLEM IN OPEN TENDER,
  - AVOID RETENDER – MAY LEAD TO HIGHER COST

CONTRACT MANAGEMENT EXECUTION

- PROBLEM OF DELAY IN EXECUTION
- SOLUTIONS
  - PREPARATION OF SCHEDULE OF WORK
    - BAR CHART FORM FOR SMALL CONTRACTS
    - NETWORK FORM FOR MAJOR/ MORE COMPLEX CONTRACTS
  - WORK OUT RESOURCES REQUIRED TO BE DEPLOYED BY CONTRACTOR
  - MONITOR
  - PENAL OR CORRECTIVE ACTION

CONTRACT MANAGEMENT EXECUTION

- **PROBLEM OF DELAY IN EXECUTION**
- **SOLUTIONS**
  - PLAN FOR SUPPLY OF SITE/DRG/MATERIAL AS PER THE SCHEDULE
  - MAINTAIN PROPER ACCOUNTAL OF DELAY – HINDRANCE REGISTER
  - TIMELY DECISIONS
  - REGULAR REVIEW MEETING WITH CONTRACTOR
  - GRIEVANCE REDRESSAL OF PROBLEMS

CONTRACT MANAGEMENT EXECUTION

- **PROBLEM OF SUPERVISION IN EXECUTION**
  - **LACK OF QUANTITY AS WELL AS QUALITY**
- **SOLUTIONS**
  - **IMPROVED SYSTEM OF MEASUREMENTS FOR VOLUMINOUS ITEMS LIKE E/WORK, STEEL STRUCTURAL WORKS**
  - **MEASUREMENT AND BILL PREPARATION BY CONTRACTOR**
  - **RELEASE OF PART PAYMENT (SAY, 80%) WITHOUT TEST CHECK, FOR ON A/c BILLS**
  - **PROJECT MANAGEMENT CONSULTANTS (PMC)**

CONTRACT MANAGEMENT QUALITY

- PROBLEM
  - POOR QUALITY
  - LACK OF QUALITY CULTURE, CONTRACTOR HAVING A PRE-CONCEIVED NOTION OF QUALITY
- SOLUTIONS
  - PREPARATION OF METHOD STATEMENT
    - APPROVAL OF WORK/ HOLD POINTS
  - QUALITY ASSURANCE PLAN
    - MATERIAL SOURCE, TEST FREQUENCY, LAB

CONTRACT MANAGEMENT QUALITY

- PROBLEM OF POOR QUALITY
- SOLUTIONS
  - QUALITY REQUIREMENTS TO BE MADE CLEAR TO THE CONTRACTOR OBJECTIVELY AND IN THE VERY BEGINNING OF EXECUTION
  - CHANCES OF DISPUTES ARISING REDUCE

CONTRACT MANAGEMENT VARIATION

- **PROBLEM OF VARIATION**
  - **IT IS CONTRADICTORY TO THE BASIC PHILOSOPHY OF AWARDING OF WORK ON COMPETETIVE BIDDING**
- **SOLUTIONS**
  - **IT SHOULD BE REALISED THAT VARIATION IS UNAVOIDABLE, BUT CAREFUL PLANNING WOULD LIMIT IT**

CONTRACT MANAGEMENT VARIATION

- PROBLEM OF VARIATION
- SOLUTIONS

- ADMINISTRATIVE APPROVAL SHOULD BE POSSIBLE
- VARIATION STATEMENT SHOULD BE GOT APPROVED AT LOGICAL STAGES – SHOULD IT BE DEFINED?

CONTRACT MANAGEMENT CLAIMS/DISPUTES

- CLAIMS SHOULD BE OBJECTIVELY EVALUATED BY RLY OFFICIALS
- CONTRACTORS' GENUINE CLAIMS CAN BE PAID TO A LARGE EXTENT WITHIN THE AMBIT OF OUR CONTRACT CONDITIONS
- FOR FIGHTING THE WRONG CLAIMS, EFFECTIVE LEGAL ACTION MAY BE REQUIRED

WHY DISPUTES ARISE

- CONRACT CONDITIONS ARE ONE SIDED
- FEAR PSYCHOSIS / INDECISIVE EXECUTIVE
- CONTINGENCIES/UNFORSEEN ITEM
- NO GRIEVENCE REDRESSAL SYSTEM
- DEFECTIVE CONTRACT MANAGEMENT

DEFECTIVE CONTRACT MANAGEMENT

- PREMATURE TENDERING
- FAILURE TO PROVIDE ESSENTIAL PROMISES
- DELAY IN PREPERATION OF BILLS
- WRONGFUL RECESSION OF CONTRACT
- DELAY IN PROCSSSING FOR EXTRA ITEM & VARIATONS

WHY ARBITRATION IN RLY

- EXISTANCE OF ARBITRATION CLAUSE
- NO LOSS ONLY GAIN
- SIMPLICITY OF PROCEDURE

CONTRACT MANAGEMENT

- **Myths**
- Drawing good CPM/PERT Charts makes a good Contract Manager
- Saving lots of money makes a good Contract Manager
- Adhering to laid down rules and sticking to good and impressive formats for reporting makes a good Contract Manager.
- Using advance soft wares and computer driven techniques such as MS Projects makes a good Contract Manager.
- Interpreting Contract provisions verbatim makes a good Contract Manager

CONTRACT MANAGEMENT

- **Realities**
- Understanding the Costs, requirements, limitations of employed technology, materials, keeping in view the overall delivery, makes a good Contracts Manager.
- Having more reliance on softer nuances rather than being rule bound makes a good Contracts Manager.
- Using Simpler, objective tools to monitor various stages of progress leading to overall performances makes a good Contracts Manager
- Dividing the task in various small accomplishable milestones, and monitoring the achievements both at micro as well as macro level makes a good Contracts Manager.
- Taking Speedy decisions, and resorting to required mid Course corrections makes a good Contracts Manager.

How to make a Bad contract

- Be very legal and verbose while drafting the text of Contract documents.
- Keep the provisions as inequitable and amorphous as possible
- Make sure that your Contractor is responsible for any thing, which may or not effect the performance
- Make sure your Contractor is selected through a very subjective process.
- Never check and verify the antecedents physically, rely only on the paper submitted by him to you.
- Keep changing your project team as frequently as possible.
- Always remain indecisive, for vigilance /audit /CBI/CVC is watching you.
- Insure your communication with other constituents and also in house is scanty vague.

Things should Never be done in contract management

- Award the contract on exorbitant rates
- Execute work in good faith without sanction or estimate or tender
- Execution & acceptance of substandard work- quality check
- Payment for works not executed –overpayments ,false payments
- Manipulation in tender such as
- Exaggerating performance of favorite tenderer & failures of Rivals
- Projecting artificial urgency –time is valuable
- Doctoring briefing note to project someone as most suitable
- Bypassing lowest bidder without convincing reasons
- Call negotiation for reduction of rates but accepting it after negotiation even if no appreciable reduction achieved in negotiation
- Non application of mind in tender Acceptance
- Do a thing for which your conscious is not permitting-Right or wrong –conscious will give you one signal –respect or overshoot

Thank you