

REPORT OF THE COMMITTEE ON DEMAND OF CWC /MSWC FOR 8% SUPERVISION CHARGES ON H&TC BILLS IN CASE OF PRIVATE GODOWNS UNDER PEG

1. INTRODUCTION:

1.1 FCI H.Qrs. vide communication No.E.3(28)/08/HLC/STG.IV/Vol. IV dated 03.06.2015 has constituted a committee under the chairmanship of ED(WZ) consisting of CGM(Fin.),H.Qrs , GM (Maharashtra), GM (Lucknow), GM (Punjab) and GM(S&C), Hqrs. The mandate before the committee was to deliberate and recommend on the demand of CWC / MSWC for payment of 8% supervision charge on H & T bills in case of PEG godowns.

1.2 The demand of CWC / SWCs was placed before the HLC who in their meeting held on 25.05.2015 decided to pay 8% supervision charges for the godowns constructed by CWC / SWCs on their own land. However, regarding payment of 8% supervision charges on H&T bills to nodal agencies for godowns constructed by private investors under PEG scheme, the matter was referred to the committee as mentioned above.

2. DELIBERATIONS HELD BY THE COMMITTEE:

2.1 The committee met on the following dates:

Sr. No.	Date of meeting	Remarks
1.	15.06.2015	In the Committee Room, FCI, Hqrs.
2.	20.01.2016	After MPR meeting.
3.	29.1.2016	In committee room, Hqrs and through Video Conferencing with GM (UP); GM (Punjab) and GM(Mah.). GM(Stg), CWC was also present, representative of MSWC through VC.

2.2 Committee in its first meeting held on 15.06.2015 deliberated in detail the operations being carried out in PEG godowns in different regions under different scenarios and noted that there is no uniformity in the actions being taken by various regions on this issue. Committee was of the view that it is important to ascertain the amount spent by nodal

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agencies towards supervision of H&T operations and storage operations and thus decided to collect concerned data in **Annexure I to V.**

2.3 During its second meeting held on 20.01.2016, committee noted that despite repeated reminders and even after lapse of six months, CWC/SWCs of a number of Regions could not furnish the requisite information. Thus, it was decided to proceed with whatever information had been received from the regions.

2.4 Committee again met on 29.01.2016 in committee room of Hqrs including GM(UP), GM(Punjab) and GM(Maharashtra) through video conferencing in the Committee Room of FCI, Hqrs., New Delhi. The deliberations made during the meeting are as under:

3. INSTRUCTIONS ON THE SUBJECT / PEG GUIDELINES:

3.1 As per para 14 of PEG-2008 scheme and 10.1 of PEG-2009 scheme, supervision charges payable to the nodal agencies in respect of godowns constructed by private investors will be upto maximum limit of 15% of the approved rent.

3.2 The committee was informed that the matter regarding payment of 8% supervision charge in addition to 15% supervision charge payable to nodal agencies in respect of godowns constructed by private investors was examined earlier in Hqrs in consultation with Finance Division on the reference received from FCI, RO, Haryana. It was observed that under PEG scheme, provision of 8% supervision charge on H&T bills in addition to 15% supervision charge payable to the nodal agencies, has not been made and thus was not be agreed upon. The decision was communicated vide FCI letter dated 18.12.2012 **(Annexure-VI).**

4. LOGIC GIVEN BY CWC/MSWC FOR CLAIMING 8% SUPERVISION CHARGES ON H&T BILLS:

4.1 CWC/MSWC argued that in general hiring of godowns from CWC/SWC, they are paid 8% supervision charges on H&T bills while in case of PEG godowns constructed by private investors, same is not being paid.

4.2 In appointment of H&T contractors, they have to incur overhead expenses on account of tender process, supervision of H&T works, maintenance of audit account, bill clearance, legal

issues etc. which cannot be managed only through the 15% supervision currently being paid as per exiting norms of PEG scheme.

4.3 Clause no. 6.1 of Agreement of Guarantee to be executed between FCI and Nodal agencies for PEG godowns constructed by private investors entails that "*The Handling and Transportation (H&T) arrangements in the Depot shall be arranged by CORPORATION itself. FCI shall reimburse the actual charges for different operations undertaken by the Handling and Transportation Contractor as per existing procedure.*"

5. DATA / INPUTS RECEIVED FROM THE FIELD AND ANALYSIS THEREOF:

5.1 The committee noted that the details of quantum of capacity sanctioned so far where the payment of 8% supervision charges on H&T bills will arise are as under:

TYPE	CAPACITY	IMPLICATION
FCI AS NODAL AGENCY	6.74 LMT	NIL- as HTC appointed by FCI
CWC-SWC OWN	35.67 LMT	Already allowed by HLC dated 25.05.2015
OTHER PRIVATE GODOWNS	108.82 LMT	Under purview of the committee.
TOTAL	151.23 LMT	

5.2 GM(Punjab) informed that there is no demand by Nodal Agency as regards supervision on H &T and as loading is not supervised by nodal agency, there is no demand to pay supervision charges to this effect.

5.3 From the details gathered in Annexure I to V the detailed analysis has been done for other private capacities and expenditure on various heads in certain regions as at **Annexure- VII-XI**. The details of the same are as under:

State	Capacity (in LMT)	Annual rent accrued for year 14-15 @ approved rent (in lakh Rs.)	15% supervision charge of approved rent (in lakh Rs.)	Expenditure on staff 14-15		H&T bill for 2014-15 (in lakh Rs.)		8% of H&T bill for 14-15 (in lakh Rs.)	Total turnover for 2014-15 (in lakh MT)	H&T bills per LMT of turnover (in lakh Rs.)
				Amount (in lakh Rs.)	As % of accrued rent	Amount (in lakh Rs.)	Salary as % of HTC bill			
U.P.	7.81	4054	608	1948	48%	3489	56%	279	24.80	141
Maharashtra	1.56	1075	161	195	18%	2541	8%	203	8.65	294
A.P.+ Telangana	1.50	604	91	56	9%	545	10%	44	4.33	126
Rajasthan	1.40	717	107	40	6%	342	12%	27	3.85	89
Gujarat	0.45	290	44	28	10%	868	3%	69	3.79	229

The above capacities except that of UP Region are with lease and services. In UP Region the capacities are with lease only and an additional amount of Rs. 1.60 per quintal per month is being paid towards Maintenance and Preservation. As such expenditure on manpower as percentage of rent is 48% in UP, much more as compared to other regions. In other region it is approx. 15 % of the rent and 15% supervision on rent is sufficient to cover the same.

Salary as percentage of H&T bill is above 8% in AP+Telangana and Rajasthan. These two regions have least amount of H&T bill per LMT of turnover. However, the same is just 9% and 6% of the rent and sufficient to cover the same from 15% supervision charge on rent.

6. POINTS RAISED BY CWC / MSWC IN THE MEETING

6.1 CWC/MSWC proposed that 8% supervision charge on H&T bills should be paid in both the above cases otherwise supervisory operations in the godowns constructed through private parties are not financially viable.

6.2 They pointed that they have to deploy additional manpower/resources for supervising the additional work of HTC. Particularly, statutory provisions, billing, documentation for fixing liability on HTC, vigil during transportation of stock etc.

6.3 They further stated that they have to keep records for several years to prove compliance of provisions of CLAR Act, EPF, Minimum Wages Act etc and also contest the litigations arising even after conclusion of contract.

6.4 It was also stated by them that if the demand is not considered then CWC/MSWC will be constrained to relinquish their role as nodal agency.

7. ASSESSMENT:

7.1 Rule Position:

a) As per para 14 of PEG-2008 scheme and 10.1 of PEG-2009 scheme, supervision charges payable to the Nodal Agencies in respect of godowns constructed by private investors will be upto maximum limit of 15% of the approved rent.

b) Clause no. 6.1 of Agreement of Guarantee to be executed between FCI and Nodal agencies for PEG godowns constructed by private investors entails that *"The Handling and Transportation (H&T) arrangements in the Depot shall be arranged by CORPORATION itself. FCI shall reimburse the actual charges for different operations undertaken by the Handling and Transportation Contractor as per existing procedure."*

MSWC/CWC contended that above provision provides for payment of 8% supervision charges over and above reimbursement of actual HTC charges. It was clarified by the committee that above provision calls only for appointment of H&T contractors as per existing procedure and should not be misconstrued for payment of 8% supervision charge on H&T bills.

7.2 The data regarding expense on manpower for supervision work shows that in most of the cases the 15 % supervision charge on rent is sufficient to meet the expenses on manpower deployed for supervision. The expenses are higher in Maharashtra where the cost of RO/ZO/Hqrs has also been included in the cost of supervision. In Maharashtra the cost has been inflated than the actual and seems unrealistic and as such cannot be considered.

7.3 In UP, it has been observed that the quantum of manpower reported to be deployed in PEG godown is not actual but based upon the sanctioned strength. GM(UP) has indicated that actually much less manpower has been deployed by nodal agency and in many depots common manpower has been deployed in multiple depots including in their owned depots.

The nodal agency has not provided details of expenses exclusively spent on PEG godowns. As such, in view of observation that in actual not more than 2-3 persons are deployed exclusively in PEG godown, demand of 8% supervision charges may not be considered.

7.4 Ground Position:

On confirmation from the field it was observed that Nodal Agencies hardly provide any additional staff during rake operations. FCI has to involve itself at railhead for ensuring proper unloading of rakes. The details of the same are at **Annexure-XII**.

8. CONCLUSION;

8.1 The instructions provide for maximum limit of supervision charges as 15% of rent. The instructions on HTC arrangement provides for reimbursement of actual HTC charges and not 8% supervision charges on HTC bill.

8.2 The 15% supervision charges on rent is sufficient to meet the expenses on existing manpower deployed in PEG godowns for supervision work. On the other hand the expenditure on supervision by the agencies is much less than the income from 15% supervision on rent.


8.3 In fact the additional manpower is not deployed by agencies during rake operations at railhead and during transportation. As such no additional supervision charge over and above 15% of rent can be paid. During rake handling the major expense is on transportation, payment of additional supervision charge on this element has no logic when we are paying 15% of rent as supervision charges.

8.4 It was also noted that rates of H&T Contractors appointed by CWC/SWCs are much higher than those appointed by FCI. Thus, in case they choose to relinquish their role as nodal agency, it may lead to substantial saving on account of H&T works by FCI.

9. RECOMMENDATIONS:


Considering the above points, the Committee recommends that there is no rationale for giving 8% supervision charge on HTC bill in addition to 15 % supervision charge on rent.

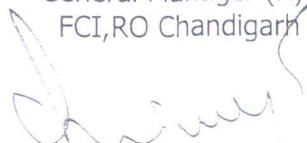

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