

**GOVERNMENT OF INDIA
RAILWAYS
LOK SABHA**

STARRED QUESTION NO:579
ANSWERED ON:05.05.2005
HIKE IN STEEL PRICES USED IN RAILWAY
Barad Shri Jashubhai Dhanabhai

Will the Minister of RAILWAYS be pleased to state:

referring to reply given to Unstarred Question No.4291 dated August 26, 2004 regarding Hike in Prices of Steel used in Railway and state:

- (a) the details of recommendations made by the Committee constituted to study the issue of abnormal hike in the price of steel;
- (b) whether the Government has examined the recommendations made by the Committee;
- (c) if so, the details thereof;
- (d) the follow-up action taken by the Government on its implementation; and
- (e) if not, the reasons for delay in examination of the recommendations?

Answer

MINISTER OF RAILWAYS (SHRI LALU PRASAD)

(a) to (e) A statement is laid on the Table of the Sabha.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF STARRED QUESTION NO.579 BY SHRI JASHUBHAI DHANABHAI BARAD TO BE ANSWERED IN LOK SABHA ON 05.05.2005 REGARDING HIKE IN STEEL PRICES USED IN RAILWAY.

(a) to (e): The Committee constituted to study the abnormal hike in prices of steel has recommended that the contractor may be compensated in the works contract against the steep hike in steel prices, where steel forms a component more than 15% of the value of the work and where price variation clause exists. In case of works contract where price variation clause does not exist, there was no unanimous recommendation, four members of the committee recommended for providing compensation while the other two members did not agree to provide any relief. In the case of stores supply contracts, the committee was unanimous in their recommendation for not giving any compensation for contracts having price variation clause and for not agreeing to incorporate price variation clause in the current fixed price contracts, which are under execution. The Committee also recommended that in future contracts, price variation clause in the tender conditions may be suitably modified to incorporate variations in prices of steel and cement with respect to Wholesale Price Index of respective sub-groups. The recommendations of the Committee were examined and it was decided that the same principles should operate for works contract also as for stores contracts and since no relief is being given in case of stores supply contracts, there is no reason for adopting a different procedure for compensating the contractor in works contract.