

GOVERNMENT OF ANDHRA PRADESH

ABSTRACT

GOAP – IT&C Dept – eProcurement – Future Business Model & Pricing structure w.e.f 1-4-2004, Creation of eprocurement fund to be administered by APTS limited - Orders – Issued

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INFORMATION TECHNOLOGY & COMMUNICATIONS DEPT  
eProcurement

G.O. Ms.No. 4

Date: 17-02-2005  
Read the following:

1. Agreement with M/s. C1 India dated 17-06-2002.
2. G.O.Ms.No.2 of IT&C dept dated 15-01-2003.
3. G.O.Ms.No.36 of I&CAD dept dated 7-03-2003.
4. Minutes of the 10<sup>th</sup> Steering Committee meeting held on 21-11-2003 on eprocurement.
5. G.O.Rt.No.297 of IT&C dept dated 25-11-2003.
6. G.O.Rt.No.251 of IT&C dept dated 3-8-2004
7. G.O.Ms.No.20 of IT&C dept dated 6-7-2004
8. Sub-committee report dated 1-10-2004.
9. Minutes of 12<sup>th</sup> Steering Committee meeting held on 12-10-2004 on eProcurement conducted by Chief Secretary to Govt. A.P.

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ORDER:

GOAP have taken up eProcurement as one of the major eGovernance initiatives. It automates the procurement and purchase procedures of AP Govt. starting from demand aggregation to procurement and fulfillment of contract. Andhra Pradesh is the first state in the country to initiate e-Procurement. The basic objective of this project is to use the tools of IT to introduce best practices in electronic procurement across Govt. departments.

- 2) Based on the technical and commercial evaluation of bids received in response to a Request for Proposals (RFP), the consortium led by M/s. C1 India was chosen as the partner for implementation of e-Procurement solution under PPP model for GOAP. A generic agreement between GoAP and C1 India was signed on 17<sup>th</sup> June 2002 with a validity of 9 months up to 16<sup>th</sup> March 2003 for the pilot phase, within which period both the parties would endeavor to form a JV or

any other business model for the operation and maintenance of the exchange at mutually agreeable terms. The agreement was subsequently extended by the Steering Committee up to 30<sup>th</sup> September 2004. The pricing for the eprocurement services payable to C1 India are (i) The transaction fee @ 0.24% of tender award value payable by successful bidder (ii) Rs. 4500/- towards tender hosting charges for each tender payable by tender inviting authority. The Government vide G.O.Ms.No: 36, I&CAD dept, dated 7<sup>th</sup> March 2003 has issued orders to make suitable provision in the estimate of the concerned work to meet the transaction fee expenses by the successful bidder.

- 3) The pilot project covering 5 departments namely – APTS, Irrigation, R&B, APSRTC & APMHIDC was launched on 29<sup>th</sup> January 2003. Subsequently the Tribal Welfare Engineering Department, Panchayat Raj Engineering Department, APS police housing corporation, Animal Husbandry department, Public Health Engineering Department have joined eprocurement. The eprocurement project in the initial and extended pilot phase has brought in significant transparency in procurement process, demonstrated benefits to the Government by way of substantial savings due to competitive bids by maintaining anonymity of bidders, decrease in tender cycle time besides empowering the contractors to submit tenders remotely.
- 4) In view of the successful implementation of pilot phase and benefits resulted from eProcurement, the Government have issued orders vide G.O.Ms.No: 20, IT&C dept, dated 6-7-2004 directing all the Departments/PSUs/Local bodies to procure all works with an estimated cost value of Rs. 10.00 lakhs and above, goods & services with an estimated cost value of Rs. 5.00 lakhs and above through eProcurement only.
- 5) In the 10<sup>th</sup> Steering Committee meeting held on 21-11-2003, it was decided to appoint M/s. PwC consultant to study various options including JV formation and pricing structure to be adopted with effect from 1.4.2004 and accordingly M/s PwC was appointed as consultants vide G.O 5<sup>th</sup> cited. Based on the PwC study the JV option was found to be not feasible as other state governments and GOI were not

responding favorably to join in the JV and higher transaction fee @ 0.45% of completed tender value under the JV model, it was mutually decided by GoAP and C1 to drop JV option and take forward the eprocurement platform with ASP business model.

- 6) Several user departments have expressed opinions that the transaction fee towards processing of tenders at 0.24% is on higher side and it should be reduced. The Finance Dept suggested a cap for the high value tenders. The Board of Chief Engineers in their meeting held on 3-7-2004 has resolved to request the Government to reduce the transaction fee substantially. In view of the above, the Government vide GO 6<sup>th</sup> has constituted a sub-committee with Secretary (Proj), I&CAD, Secretary, TR&B, Secretary, PR&RD, MD, APTS and Secretary, IT&C as members Principal Secretary, IT&C as chairman to study the report furnished by the Consultants M/S PwC, negotiate with C1 India finalise the business model with new pricing structure to take the e-procurement project further ahead.
- 7) The subcommittee examined the draft report submitted by M/s PwC, negotiated with M/s C1 India on future business model and price structure. The sub committee noted that a reasonable transaction fee around the levels of the price of tender documents and bidding cost in the manual system could be levied on all the participating bidders in lieu of Government taking on the burden of paying the transaction fee. Among other things, the committee has proposed to constitute an eProcurement fund, in order to sustain the eProcurement initiatives and to carry research and development of applications to automate workflow processes involved in pre-procurement and post-procurement stages by collecting charges from the successful bidders and accordingly submitted report with recommendations to the steering committee, on the future business model & pricing structure for eprocurement platform to be operated and maintained by C1 India.
- 8) The Steering Committee under the chairmanship of the Chief Secretary, GoAP, in the 12<sup>th</sup> meeting held on 12<sup>th</sup> October 2004, has examined the recommendations made by the sub-committee and passed resolutions on future business model and pricing structure.

- 9) The Government after careful examination hereby issue the following orders on New Business Model & Pricing Structure for eProcurement services and Creation & Administration of eprocurement fund to take forward eprocurement.

**New Business Model and Pricing Structure**

- (a) M/s. C1 India would provide the eProcurement services on ASP (Application Service Provider) model to all the departments/PSUs/Local bodies of GoAP for a period of three years with effect from 1<sup>st</sup> April 2004.
- (b) The Deployment architecture, Team size, Escrow Account for eprocurement software and residual value of software at the end of three year agreement period shall be as per the recommendations of subcommittee.
- (c) The participating bidders will pay M/s C1 India a transaction fee @ 0.04% of ECV (estimated contract value) with a cap of Rs.10,000/- (Rupees ten thousand only) for all works with ECV upto Rs.50 crores, and Rs.25,000/- (Rupees twenty five thousand only) for works with ECV above Rs.50 crores, at the time of bid submission electronically. For tenders wherever ECV is not available i.e., for goods and services, the transaction fee shall be calculated on quoted value. Service tax as levied by the GOI on transaction fee, electronic payment gateway charges shall be borne by the bidders.
- (d) There will be no tender hosting charges payable to C1 India by the departments.
- (e) The pricing structure is applicable for 2 years from 1.4.2004 to 31.3.2006 and also to the tenders completed beyond the value of Rs. 1000/- Crores during 2003-04. Review will be taken up in February 2006 for arriving at the rate of transaction fee applicable for the FY 2006-07.
- (f) All GoAP departments would exclusively use the platform serviced by M/s. C1 India for procurement of works, goods and services costing above Rs. 10 lakhs ECV subject to fulfillment of agreed service levels and customizing the

software to the requirements of departments, in all cases except those specifically exempted from eProcurement by the Steering Committee.

- (g) APTS shall develop an alternate eProcurement platform for works, goods and services costing Rs.10 lakhs and below for all departments/PSUs/Local bodies of GoAP.
- (h) PKI enabled eProcurement solution shall be operationalised with effect from 1<sup>st</sup> March 2005, The APTS shall issue digital signature certificates to the contractors/suppliers, departmental users, to conduct transactions on the eProcurement platform with digital signatures. All the departments/PSUs have to direct the suppliers/ contractors registered with them to obtain digital signatures from APTS on payment of charges. Auto bid version of eProcurement solution i.e., TMS- Version 2 will 'Go Live' with effect from 21<sup>st</sup> February 2005 in order to further reduce the tender cycle time.
- (i) If any of the PSUs are currently collecting the bid-processing fee from the bidders, they may continue to levy such charges on the top of transaction fee payable to M/s C1 India.

#### **EProcurement Fund**

- (a) An eprocurement fund shall be created to sustain eProcurement initiatives, to finance research & development of software applications for work flow automation of processes in the user departments, to buy the eprocurement software from M/s C1 India at the end of the year agreement period at the residual rates recommended by the sub committee, by charging successful bidders on eProcurement platform. This charge is in addition to the transaction fee paid by the bidder to M/s C1 India.

- (b) APTS shall act as Fund manager under the control of IT&C department. The guide lines for the fund will be decided by a committee comprising Secretary TR&B, Secretary (Proj) I&CAD, Secretary PR, MD APTS, representative of Secretary Finance(R&E) and Secretary IT&C as convener.
- (c) User departments shall collect 0.04% of ECV (estimated contract value) with a cap of Rs.10,000 (Rupees ten thousand only) for all works with ECV upto Rs.50 crores, and Rs.25,000/- (Rupees twenty five thousand only) for works with ECV above Rs.50 crores, from successful bidders on eProcurement platform before entering into agreement / issue of purchase orders, towards eprocurement fund in favour of Managing Director, APTS. There shall not be any charge towards eProcurement fund incase of works, goods and services with ECV less than and upto Rs. 10 lakhs
- (d) For the tenders finalised on the platform after 1-4-2004, the user departments shall send the differential amount likely to be accrued between transaction fee actually collected at the old rates i.e., @ 0.24% from successful bidders and the actual transaction fees payable to C1 India based on the new transaction fee structure, to the MD, APTS towards eprocurement fund,
- (e) The Government reiterates its resolve to implement the orders issued vide G.O.Ms.No: 20 dated 6-7-2004 to operationalise eprocurement in all the Government departments / PSUs / Local bodies. All the Government departments, major PSUs like APSRTC, APTransco, APGenco, SCCL, APSIDC have to implement eprocurement latest by 1<sup>st</sup> March 2005. Henceforth, Irrigation &CAD dept shall procure EPC works through eprocurement platform.

10. The concurrence of Finance Department is obtained vide their U.O.No.7644/496/Exp (GADII)/04 dated 3-11-2004 on creation & modalities of eprocurement fund.
11. A copy of this order is also available on the web at [www.ap-it.com](http://www.ap-it.com) and also at [www.apts.gov.in](http://www.apts.gov.in).

**(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)**

**J.C. MOHANTY**

**Principal Secretary to Government**

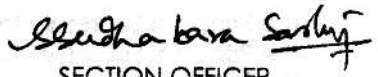
To

The Principal Secretary to Government, I&CAD Department  
The Principal Secretary to Government, PR&RD Department  
The Principal Secretary to Government, MA&UD Department  
The Secretary to Government, TR&B Department  
The Principal Secretary to Government, Social Welfare Department  
The Principal Secretary to Government, Energy Department  
The Principal Secretary to Government, Agriculture and Co-operation Department  
The Secretary to Government, Animal husbandry, Dairy development and fisheries Dept  
The Principal Secretary to Government, Backward classes welfare Department  
The Principal Secretary to Government, Higher education Department  
The Principal Secretary to Government, Secondary education Department  
The Principal Secretary to Government, Environment, forest, science and technology Dept  
The Principal Secretary to Government, Home Department  
The Principal Secretary to Government, Housing Department  
The Principal Secretary to Government, Industries and Commerce Department  
The Principal Secretary to Government, Labour Employment, training and factories Dept  
The Principal Secretary to Government, Finance Department  
The Secretary to Government, Law Department  
The Principal Secretary to Government, Minorities Welfare Department  
The Principal Secretary to Government, Revenue Department  
The Principal Secretary to Government, Planning Department  
The Principal Secretary to Government, Public Enterprises Department  
The Principal Secretary to Government, Youth advancement, Tourism and Cultural Dept  
The Secretary to Government, Woman development, child and disabled welfare Dept  
Commissioner, Endowments Dept  
Commissioner of Food, Civil supplies and consumer Dept  
The General Administration (GPM&AR) Department  
The General Administration (Services) Department  
M/s. C1 India Pvt Ltd., TGV Mansion, Khairatabad, Hyderabad.  
The Managing Director, APTS.  
The Chairman & Managing Director, SCCL,  
The Chairman & Managing Director, APTransco,  
The Managing Director, APSIDC,  
The Managing Director, APSTRIC,  
The Managing Director, APGenco,  
The Managing Director, HMWS&SB,  
The Managing Director, APHMHIDC,  
The Managing Director, APSTC,  
The Managing Director, APSPHC,

The Managing Director, APIIC,  
The Executive Officer, TTD.

Copy to:  
PS to Principal Secretary, IT&C Dept  
PS to Secretary, IT&C Dept  
PS to Chief Secretary  
The Accountant General (Audit), A.P., Hyderabad  
The Accountant General (Accounts), A.P., Hyderabad  
SF/Spare

//FORWARDED BY ORDER//

  
SECTION OFFICER  
*Sneha*