

CHAPTER IV

PRICE PREFERENCE

4.1 Definition of Price Preference

Price Preference means preference given to industries of the State of Haryana inter se or over those of other States in the matter of price in Government purchases. Various categories of industrial units are entitled to graded price preference depending upon the status and location.

4.2 Object of Price Preference

The objects of price preference are :—

- (i) to promote the competitive capacity of industries of the Haryana State vis-a-vis the industries of other States and of the Cottage, tiny & Small Scale industries vis-a-vis the large scale industries.
- (ii) to encourage the growth of industry in the State particularly in Cottage, tiny and Small Scale sector.
- (iii) to achieve balanced growth of industries in various regions of the State.

4.3 Basic Principles of Price Preference

Para (iii) of preamble of Stores Purchase Rules lays down the following guiding principles for allowing price preference :—

“(iii) for the development of industries to the utmost extent the following order of preference shall be maintained consistent with economy and efficiency :—

(a) * — — * — — * — — * — —

(b) In case of manufactured goods :—

- (i) The products of Cottage and Small Scale Industries in Haryana shall be purchased in preference to the products of cottage and small scale industries of other States and the products of large scale industries.
- (ii) Article so manufactured in Haryana shall be purchased in preference to articles manufactured in other States of India”.

4.4 Extent of Price Preference

Haryana Government have allowed price preference to the Industrial units located in Haryana in the Govt. purchases vide Government circular letter No. 1212-51 B-11-77/7165, 10(4)-19-51B-00-78 and 11(1)-4-S11B-11-80, dated 9-3-77, 3-5-79, 12-8-81 and Annexures I, II & III respectively.

The quantum of price preference allowed is as under :—

- (a) Large and Medium Scale industries both in the backward area and other areas in Haryana.....@5%
- (b) Small Scale units situated in Non-backward areas in Haryana.....@10%
- (c) Small Scale units situated in backward areas in Haryana.....@15%
- (d) Tiny units situated in Rural areas.....@20%

Backward areas and non backward areas are declared by Govt. in Industries Deptt. from time to time.

The State Government vide orders No. 11(i)-4-51B-11-80, dated 21-12-1981 have also allowed price preference @20% to the Haryana Welfare Society for deaf and dumb and Hind Kusht Nivaran Sangh only for the goods manufactured by them.

4.5 Eligibility

State Government have vide Order No. 37/24 78-41B(I) dated 1.2.1984 withdrawn the price preference admissible to units which were set up prior to 1.11.83 and have made only new units set up on or after 1.11.1983 entitled to price preference on the above rates. The relevant extract from the Govt. order is reproduced below :—

“Price preference at existing rates will continue but it will be limited to new units only. This incentive will be available to units in Zone-C for 5 years, in Zone B for 7 years and in Zone-A for 9 years. However, the total price preference so claimed by a unit will not exceed its fixed capital investment in the new assets. In case price quoted by a unit of Haryana is the same as that of a unit located in someother State Purchase preference will be given to the units located in Haryana.”

The various zones referred to above comprise of the following areas :—

Zone 'A' :— Comprises Centrally and State Notified backward areas. Centrally notified areas are Mohindergarh, Bhiwani, Hissar and Jind districts. The State declared backward areas include Kalka and Naraingarh Tehsils of Ambala district, Nahar Tehsil of Rohtak district and Mewat Region of Faridabad and Gurgaon districts (Hathin, Nuh, Punhana, Ferozpur Jharka and Toaru blocks).

Zone 'B' :— Rest of areas except those mentioned in Zone 'A' and Zone 'C'.

Zone 'C' :— Faridabad and Ballabgarh Complex Administration areas.

In terms of the above orders, the amount of price preference benefit to which a particular unit is eligible is not to exceed the value of the fixed Capital investment. Accordingly the ledgers of the firms are maintained in the alphabetical order in the following forms :—

Sr. No.	File No.	Name of the item	Total value of order	Excess payment made on account of price preference	Progressive Total
1	2	3	4	5	6

These ledgers are permanent record and have to be kept in safe custody by the Branch Incharge who will be responsible for attesting of the entries there of and also get them authenticated from their branch Officers and hand them over to their successors on the eve of their transfer/retirements.

4.6 Pre-requisites for allowing price preference

While considering the tenders for price preference the following points are kept in view :—

- (i) The tenderers from Haryana must claim price preference in their tenders.
- (ii) The tenderers must be registered with the Director of Industries Haryana for the purpose of price preference.
- (iii) The tenderers must be in possession of a valid certificate of price preference at the time of claiming such preference, and attach the same with the tender otherwise their claim will not be considered at all unless allowed by DS & D to produce the same later.
- (iv) The certificate must categorically specify the various items manufactured by the unit and the annual production capacity in respect of such items.
- (v) The manufacturing units must have the irregistered office for Sales office located in Haryana so that the benefit of Sales Tax should accrue to Haryana State.
- (vi) The items tendered must conform to required specifications and offer must be found to be technically and commercially valid.

4.7 Procedure for working out entitlement for price percentage

The State Government has laid down the following procedure for working out the entitlement of price preference to various categories of Industrial units of Haryana, vide their letter No, 80(4)(7)-61-B-II-80, dated 23-11-84 :—

1) Interse Price preference to Haryana manufacturers when there is no offer from outside the State :

"In case no offer is received from Industries outside Haryana, inter-se price preference is to be given to various categories of units within Haryana. If the lowest valid offer from large/medium scale industries is Rs. 100/-, the lowest valid offer received from S.S.I. units (non-backward areas) is upto Rs. 105/- the lowest valid offer received from S.S.I. units (backward area) is upto Rs 110/- and the lowest valid offer received from tiny units under the R. I.S. is upto Rs. 115/-, then orders are to be placed first on the tiny units under the R.I.S. to the extent to their capacity, after that on the S.S.I. units in backward areas to the extent of their capacity, thereafter on S.S.I. units in non-backward areas to the extent of their capacity and after these 3 sources have exhausted, orders may be placed on large/medium scale units.

Offers beyond price preference limit will stand eliminated. Also the relative price preference between the categories of units will be taken into consideration even when offers from all 4 categories have not been received."

ii) *Interse price preference to Haryana manufacturers when there is an offer outside the State :*

"When there is an offer from industrial units outside Haryana, purchase price preference may be given to industrial units within Haryana and interse price preference to these units will also be given. If the lowest valid offer from outside Haryana is Rs. 100/- the lowest valid offer of large/medium scale units within Haryana is upto Rs 105/-, the lowest valid offer from S.S.I. units in non-backward areas of Haryana is upto Rs. 110/-, if the lowest valid offer of S.S.I. units in backward areas of Haryana is upto Rs. 115/-, and if the lowest valid offer of the units under R.I.S. in Haryana is upto Rs, 120/-, then order should be placed on the tiny units first to the extent of their capacity, then on S.S.I. units in backward areas to the extent of their capacity, thereafter on S.S.I. units in non-backward areas to the extent of their capacity, after that on large/medium scale units in Haryana to the extent of their capacity and after that on units outside Haryana.

As long as there is any offer within the price preference range from any unit located in Haryana, such units will be given preference over the units located outside Haryana.

It is also reiterated that Haryana Welfare Society for Deaf and Hind Kusht Niwaran Sangh, Haryana, are to be treated as tiny units in the matter of price preference."

ANNEXURE I

(referred to in para 4.4)

No. 1212-51B II-77/7165

From

Commissioner & Secretary to Govt. of Haryana,
Industries Department.

To

All Heads of Departments, Registrar Punjab and
Haryana High Court, Commissioners of Divisions,
Deputy Commissioners, District and Session
Judges in Haryana.

Dated Chandigarh, the 9th March, 1977.

Subject :—Price preference to Industrial units located in Haryana in the matter of
purchase for Govt. departments.

Sir,

I am directed to say that according to Rule 21(a) of the Procedure and Rules for the Purchases of Stores by all Departments and Offices of the Govt. of Haryana, contained in Appendix 14 of the Punjab Financial Rules, Volume II as substituted by the Punjab Government Notification No. 5330-4FD II-61 dated 3rd August, 1961, 15% price Preference was to be given to Small Scale and Cottage Industries of the State over :—

(i) Large Scale Industries of the State and other States.

(ii) Small Scale and Cottage Industries of other States.

2. During the year 1973, Finance Department while issuing instructions for effecting economy in expenditure, discontinued the Price Preference and allowed only Purchase Preference at minimum or equal to minimum prices only to the manufacturers located in Haryana. While calculating the actual cost of an item to the State, the incidence of Sales Tax (Central or Local) and transport was invariably to be kept in view.

3. Govt. have reconsidered the matter and have now decided to give Price Preference as under :—

- | | |
|--|------|
| 1. Small Scale Units situated in Non-backward areas of Haryana | 10%. |
| 2. Small Scale Units situated in backward areas of Haryana. | 15%. |
| 3. Large and Medium Scale Industries both in backward and other areas of Haryana | 5%. |

Govt. have also decided to stop with immediate effect the existing practice of giving Purchase Preference.

4. The policy decision indicated above will also be applicable to the Purchases made through the Standing/Special Purchase Committees appointed by the Govt. from time to time. The other Provisions contained in Appendix 14 will be adhered to as before.

5. You are requested to bring these instructions to the notice of all concerned for strict compliance, in future, while making Purchases within their Financial Powers.

6. This issues with the concurrence of Finance Department conveyed vide their U.O. No. 35-2FD-III-77 dated 15-2-77.

7. The receipt of this circular may please be acknowledged.

Yours faithfully,

Sd/-

Deputy Secretary Industries,
for Commissioner & Secretary to Govt. Haryana.

ANNEXURE II

(referred to in para 4.4)

Copy of letter No. 10(4)-19-5IB-00-78 dated the 3rd May, 1979 from The Commissioner and Secretary to Govt. Haryana, Industries Department addressed to All Heads of Departments, Registrar Punjab and Haryana High Court, Commissioner of Ambala and Hissar Divisions, All Deputy Commissioners, District and Session Judges in Haryana.

Subject :—Price preference to Industrial Units located in Haryana in the matter of purchases for Govt. Department.

I am directed to refer to Haryana Govt. letter No. 1212-5-IB-77/7165 dated 9-3-77, on the subject noted above wherein it was decided to give price preference as under :—

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|--|-----|
| 1. Small scale units situated in non-backward areas of Haryana | 10% |
| 2. Small scale units situated in backward areas of Haryana | 15% |
| 3. Large and Medium scale Industries in both backward and other areas of Haryana | 5% |

2. Now Govt. have also decided to give 20% price preference to tiny units in Rural Areas.

3. You are requested to bring these instructions to the notice of all concerned for strict compliance in future, while making purchases within their Financial Powers.

4. This issues with the concurrence of Finance Department, conveyed vide U.O. No. 1736-2 (ii)-II-5-FD-II-79, dated 2-5-79.

ANNEXURE III

(referred to in para 4.4)

Copy of letter No. 11(1)-4-5 IBII-80 dated 12th August, 1981 from the Commissioner & Secretary to Govt. Haryana, Industries Department, addressed to all Heads of the Department, Registrar Punjab & Haryana High Court, Commissioners of Ambala and Hissar Divisions, all Deputy Commissioners, District and Sessions Judges in Haryana.

Subject :—Price preference to Industrial Units located in Haryana in the matter of purchases for Govt. Departments.

Sir,

I am directed to refer to Haryana Govt. letter No. 1212-5 IBII-77/7165, dated 9-3-77 and letter No. 10(4)-19-5 IBII-78 dated 3-5-1979, on the subject noted above wherein it was decided to give price preference as under :—

- | | |
|---|------|
| 1. Small Scale Units situated in non backward area of Haryana. | 10%. |
| 2. Small Scale Units situated in backward area of Haryana. | 15%. |
| 3. Large and Medium Scale Industries both in backward and other areas of Haryana. | 5%. |
| 4. Tiny Units in Rural Areas. | 20%. |

2. Now Govt. have also decided to give 20% price preference to Haryana Welfare Society for Deaf and Dumb and Hind Kust Nivaran Sangh, Haryana like others tiny units with the conditions that their goods should be of required specifications.

3. You are requested to bring these instructions to the notice of all concerned for compliance in future, while making Govt. purchases within their financial power.

4. This issues with the concurrence of Finance Department conveyed vide their U.O. No. 2679-FD-III-81, dated 10-7-81.