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நிதி மற்றும் வெகுசன ஊடக அமைச்சு

MINISTRY OF FINANCE AND MASS MEDIA

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මගේ අංකය } PE/COP/POLI/Circulars
 எனது இல. }
 My No. }

ඔබේ අංකය }
 உமது இல. }
 Your No. }

දිනය } 18 .09.2018
 திகதி }
 Date }

Public Enterprises Circular No. PED 01/2018

All Secretaries to the Ministries,

Chairmen of Public Corporations, Statutory Boards and State Owned Companies

Procurement of Motor Vehicles for the State Owned Enterprises (SOEs)

Your attention is drawn to the National Budget Circular No 03/2018 dated 16th July 2018 with regard to procurement of motor vehicles for use of Government Agencies under Outright Purchase, Financial Leasing Method and Operational Leasing Method. This Circular is issued further to comply with the National Budget Circular No 03/2018 with regard to the SOEs.

01. Applicability

Provisions of this circular will be applicable for vehicles requested by the SOEs which are not funded through the Consolidated Fund.

02. Assessment of Vehicle Requirement

i. All requests for procuring vehicles should be forwarded through the Secretary of the respective line ministry along with the duly filled form in *Annex I* of this Circular to Director General, Department of Public Enterprises of the General Treasury. Before submitting the vehicle request of SOE to the General Treasury, it should be reviewed by the Board of Directors of the respective SOE considering the following criteria.

a) The requirements of the Section 8 of the Finance Act No 38 of 1971 should be fulfilled by the respective SOE if applicable.

- b) Justification of the requirement of vehicle/s with a proper analysis by the SOE.
- c) Requirement and details of the existing vehicle fleet of the SOE.
- d) Age and conditions of the existing vehicle/s to be replaced.
- e) Average repair cost of existing vehicles/s during the past 3 years.
- f) Number of officers entitled for assigned vehicles and number of vehicles available with the SOE.
- g) Adequate budgetary provisions should be available in the approved budget of the SOE in the relevant financial year.
- h) Vehicle requirement should be included in the annual procurement plan of the SOE in the relevant financial year.
- i) Details of the number of vehicles disposed as per the Public Finance Circular No. 02/2015 dated 10/07/2015.
- j) Provisions of this Circular and any other factors appropriate for such review.

03. Approval of the General Treasury

Prior approval of the Director General, Department of Public Enterprises should be obtained before commencing of the procurement process of vehicles. Such approval, will be granted by the Director General, Department of Public Enterprises based on the need assessment and the financial viability of the SOE.

The specimen letters of approval for each mode of procurement described in para 05 are given in *Annex II, III, and IV*.

04. Procurement Procedure

As per the approval given in para 03 of this Circular, relevant SOE shall procure vehicles by applying the following methods stipulated in (A), (B) and (C) by strictly adhering to the Government Procurement Guidelines.

The relevant SOE should select the least cost option by evaluating each option based on the discounted future cash flows.

A. Outright Purchase Method

Unregistered (Brand New) vehicles can be procured under this method within the price ceiling given in respect of the following categories (A vehicle imported under the concession vehicle permit cannot be procured).

Category No.	Category of Officers/Type of Vehicle	Price Ceiling including all taxes
i	Vehicles to be procured for foreign funded projects for which, loan repayment is done by respective SOE (Vehicle requirements should have been clearly identified by the respective SOE in consultation with the DGPE at the initial implementation stage of the project).	As decided by the Director General of Public Enterprises (DGPE) considering the market prices of vehicles.
ii	Utility vehicles such as tractors, Lorries, Trucks, Gully Browsers, Backhoes, Vehicle mounted cranes, Buses, ambulances, Crew cabs, three wheelers, motor cycles and special purpose vehicles etc.	

B. Finance Leasing Method

- I. Following procedure should be adhered in procuring vehicles under the Financial Leasing Method.
 - a. **Selection of Leasing Companies:** The prospective leasing facility provider shall be one of the State Banks selected following the Government Procurement Guidelines.
 - b. **Placing Purchase Order:** The relevant SOE should place the Purchase Order with the vehicle supplier through the relevant leasing facility provider in accordance with the terms and conditions of the lease agreement.
 - c. **Leasing Payment Method:** Payment of the lease should be made by the vehicle/s procuring agency to the leasing provider in 60 equal monthly installments i.e. principal payment and interest payment.
 - d. **Insurance of the Vehicle:** Vehicle/s should be insured for the market value by the respective SOE.
 - e. **Ownership and Transferability:** Vehicle/s procured under this method should be inventoried by the relevant SOE and such vehicles cannot be transferred or disposed until the payment of the final installment.

- f. **Recording of Information:** SOEs should record information such as vehicle registration number, vehicle type, leased value and status of lease payment, assigned officers, as per each category etc. and provide the same to the Comptroller General, Office of the Comptroller General, General Treasury.
- g. **Accounting:** The recognizing of the lease assets (vehicles) should be properly accounted as per the relevant Sri Lanka Accounting Standards by the respective SOE.
- II. Un-registered (Brand New) vehicles not more than 1600cc engine capacity (engine capacity except category i) can be procured under this method within the price ceiling given in respect of following categories.

Category No.	Category of Officers	Price Ceiling including all taxes (Rs. Mn. Per vehicle)
i	Chairman	Decided by the DGPE based on the categorization given by the PED Circular No. 3/2015
ii	Managing Director/General Manager/ Executive Director/Working Director/ Director General/Chief Executive Officer	12.00
iii	Chief Operation Officer/Chief Finance Officer/any other Officer who has entitlement to use official vehicle as per the Section 2 of the Public Enterprises Circular Number 1/2015	10.00

- III. In special circumstances, considering the nature of activities un - registered (Brand New) vehicles not more than 3000cc engine capacity can be procured under this method subject to the recommendation of the Director General, Department of Public Enterprises within the price given in respect of following categories.

Category	Type of Vehicle	Price Ceiling including all taxes (Rs. Mn. Per vehicle)
i	Double Cab	10.00
ii	Van with seating capacity not exceeding 16	10.00

C. Operational Leasing Method

- I. Vehicles not more than 3000 cc engine capacity can be procured under this method within the rental ceilings given in respect of following categories.

Category	Type of Vehicle	Monthly Rental Ceiling excluding VAT (Rs. per vehicle)
C.I. I	Double cab	165,000
C.I. II	Van with a seating capacity not exceeding 16	170,000

- II. The respective SOE is responsible for the procurement of relevant vehicles, having applied the Government Procurement Procedure through competitive bidding process, subject to the condition that vehicle supplier (lessor) provides a fully maintained vehicle for a period of five years (60 months) on a fixed rental basis, fulfilling the following terms and conditions.
- a. **Eligibility of the supplier (lessor):** Eligible supplier should be a vehicle agent who is a franchise holder of world renowned vehicle brands available in Sri Lanka, financial institution licensed under the Central Bank of Sri Lanka or a car rental service (i.e. Rent a Car Companies) with at least 10 vehicles in the fleet.
 - b. **Vehicle Condition:** Vehicles to be obtained under this method should either be brand new or unregistered vehicles with a millage less than 1000 km.
 - c. **Services to be provided:** The lessor should bear all routine maintenance costs including expenses on accidental repairs as well as insurance and other related fees. If repairs and maintenance works take more than 24 hours, as

per the requirement of the lessee, the lessor is required to provide a replacement vehicle as similar type.

- d. **Driver and fuel:** The relevant SOE is responsible for employing drivers and providing required fuel for the vehicles procured under this method.
- e. **Exclusions:** Vehicles imported under any Concessionary Permit Scheme of the Government cannot be leased out under this method.
- f. **Agreement between Lessor and Lessee:** An agreement including all the terms and conditions should be signed between the relevant SOE (lessee) and the vehicle supplier (lessor). A specimen of the agreement that may be used by the relevant SOE with appropriate changes is available in the **Annex V**.
- g. **Accounting:** Recognition of expenditures and other disclosures should be made in accordance with the relevant Sri Lanka Accounting Standards.
- h. **Payment Method:** The relevant agency should ensure making the rental payments on monthly basis to the lessor as per the agreement signed and should not have payment in arrears that will be brought forward to the following year.
- i. **Record of Information:** A separate register on the vehicles procured under this method should be maintained by the respective SOE. Information such as vehicle type, vehicle registration number, rent value and period, assigned officers, etc. should be recorded appropriately and provide the same to the Comptroller General, Office of the Comptroller General, General Treasury.

05. Disposal of Vehicle

- i. All Heads of SOEs shall ensure disposal of vehicles as per the instructions given in Public Finance (PF) Circular No. 02/2015 dated 10th July 2015.
- ii. Sales proceeds of disposal can be used for the purpose of new purchases by the SOE.

06. Misappropriation of Government Vehicles

- i. Officers who avail transport allowances in lieu of assigned vehicles or officers who use assigned vehicles, are not entitled to use any other pool vehicle.
- ii. SOE should not procure any vehicle without following the instructions given in this Circular.


- iii. All Heads of SOEs should ensure that an officer who is entitled to an assigned vehicle as per the designation, is assigned only one (01) vehicle.
- iv. In respect of projects under sub section i of 04 (A) of this circular, requests for procurement of vehicles should be decided by a committee chaired by the Secretary of the line ministry after scrutinizing the requirements against specific number of vehicles which may have been permitted to procure as per the agreement. Officers who are entitled to assigned vehicles should not be allocated any vehicle procured under any project other than the assigned vehicle.
- v. All Heads of SOEs should ensure that vehicles which are procured under the provisions of this Circular, should not be misused or misappropriated. Deviation from the provisions of this Circular is subject to take disciplinary actions by the relevant authority.

07. Cancellation of Previous Circulars

The Public Enterprises Circular No. 4/2016 dated 30.05.2016 and Circular No. 01/2016 (1) dated 19.10.2016 are hereby rescinded.

08. Clarification

Any clarification regarding this Circular may be obtained from Mr. P.H.A.S. Wijayarathne, Additional Director General (Policy) (011 - 2484627) or Mr. H.A.N.S. Kumara, Director (011 - 2484625) of the Department of Public Enterprises.


R.H.S. Samaratunga
Secretary to the Treasury

- Copies:
1. Secretary to the President
 2. Secretary to the Prime Minister
 3. Secretary to the Cabinet of Ministers
 4. Auditor General
 5. Director General, Department of National Budget

Approval of the Department of Public Enterprises for Procurement of Vehicles

1. Name of the State Owned Enterprise

2. Type of Vehicle/s requested

Category	Number of Vehicles	Method of Procurement (Outright purchasing/ Financial Leasing/ Operational Leasing)	Purpose of purchasing (assigned/ pool)	If assigned, pl. specify (Officer category)	In case of replacement, details of the existing vehicle	
					Year of manufacture	Registration number
Motor Car						
Double Cab						
Van						
Other(pl. specify)						

3. Reason/s for the requirement of vehicle/s

4. Source of funding

5. Details of existing vehicles in the State Owned Enterprise

Vehicle Type	Number of Vehicles			Availability of Rented/hired Vehicles
	Age less than 05 years	Age 05-10 years	Age more than 10 years	
Motor Car				
Double Cab				
Van				
Other (pl. specify)				

6. Any other information required in the circular

7. Contact information and recommendation

7.1. Contact Officer's name and telephone No.

7.2. Recommendation

.....

Chairman

Date.....

7.3 Having reviewed of the decision of the Board of Directors, the following vehicle/s is/are recommended

Types of vehicle	No. of vehicles	Method of Procurement (Outright/Financial Leasing/Operational Leasing)	Purpose of purchasing (assigned/ pool)	If assigned, pl. specify (Officer category)
Motor Car				
Double Cab				
Van				
Other(pl. specify)				

.....
 Secretary to the Ministry
 Date

Secretary,
Ministry of

Approval for the procurement of vehicle on Outright Purchase Method

This has refers to your letter No.dated on the above subject.

Approval is hereby granted to procure following vehicle/s to the as per the Public Enterprises Circular No. /2018 dated 2018 under the following conditions.

Vehicle category	No. of vehicles	Maximum market price (including all taxes) Rs. per vehicle	Remarks

2. The vehicles purchased should be inventoried and inform the same to the Comptroller General, General Treasury and Director General, Department of Public Enterprises.
3. All other approvals and regulations required by laws, FR (if applicable), procurement guidelines, Cabinet decisions, approval of the Board of Directors etc. shall be obtained/followed prior to incurring the expenditure.
4. Adequate provisions should be available in the annual budget approved by the Board of Directors for the relevant year.
8. All Procurements should be in accordance with the procurement plan developed and approved by the Board of Management, in line with the Annual Budget.
9. Please note that economy and efficiency in the use of vehicles be exercised at all levels and purchasing should be done only after a proper need assessment.
8. This approval is subject to the provisions stipulated in the PED Circular No. 01/2018 and valid for a period of one year from the date of issue.
9. It is advice the Head of the SOE to adhere to the ceiling of each category of this Circular before commencing the procurement process of vehicles.

Director General
Department of Public Enterprises

Copies to : 1. Institution of
2. Auditor General
3. Director General, Department of Public Finance

Secretary,
Ministry of

Approval for the procurement of vehicle under the method of Financial Leasing

This has reference to your letter No.dated on the above subject.

Approval is hereby granted to procure following vehicle/s under the method of financial leasing from(name of the bank who provide leasing facility) to the Institution of as per the Public Enterprises Circular No. /2018 dated 2018 subject to the following conditions.

Vehicle category	No. of vehicles	Maximum Price Ceiling (including all taxes) Rs. per vehicle	Remarks

2. The vehicles purchased should be inventoried and inform the same to the Director General, Department of Public Enterprises and Comptroller General.
3. All other approvals and regulations required by laws, FR, Procurement Guidelines, Cabinet decisions, Approval of Board of Directors etc. shall be obtained/followed prior to incurring the expenditure. A separate register should be maintained for the vehicles procured under the financial leasing method.
4. The leasing payment is made by Institution of to the leasing facility provider (name of the leasing provider) in 60 months period in equal installment i.e. principal payment and interest. The interest rate is per annum.
5. (Name of vehicle/s procurement agency) is responsible for insuring vehicle/s at the market value, obtaining licenses, payment of applicable charges and vehicle's maintenance.
6. Adequate provisions should be available in the annual budget approved by the Board of Directors for the relevant year.
7. All Procurements should be in accordance with the procurement plan developed and approved by the Board of Management, in line with the Annual Budget.
8. Please note that economy and efficiency in the use of vehicles be exercised at all levels and leasing should be done only after a proper need assessment.
9. This approval is valid for a period of one year from the date of issue.

Director General
Department of Public Enterprises

- Copies to :
1. Auditor General
 2. Comptroller General
 3. Manager, (Name of the State Bank) - pl. make necessary arrangements to provide leasing facility at (interest rate) for purchasing the above vehicle/s under the Financial Leasing method.
 4. Department/Institution of

Secretary,
Ministry of

Approval for the procurement of vehicle under the Operational Leasing Method

This has refers to your letter No. datedon the above subject.

Approval is hereby granted to procure following vehicle/s to the Institution of as per the Public Enterprises Circular No. /2018 dated 2018 under the following conditions.

Vehicle category	No. of vehicles	Maximum monthly rental (excluding VAT) Rs. per vehicle	Remarks

2. All other approvals and regulations required by laws, FR (if applicable), procurement guidelines, Cabinet decisions, Approval of the Board of Directors etc. shall be obtained/followed prior to incurring the expenditure. A separate register should be maintained for the vehicles procured under the operational leasing method.
3. Adequate provisions should be available in the annual budget approved by the Board of Directors for the relevant year.
4. All Procurements should be in accordance with the procurement plan developed and approved by the Board of Management, in line with the Annual Budget.
5. Please note that economy and efficiency in the use of vehicles be exercised at all levels and leasing should be done only after a proper need assessment.
6. This approval is valid for a period of one year from the date of issue.

Director General
Department of Public Enterprises

Copies to : 1. Department/Institution of
2. Director General, Department of Public Finance
3. Auditor General

(Specimen)
AGREEMENT TO HIRE MOTOR VEHICLE/S (for Operational Leasing)
(Agreement No»

This Agreement is made and entered into this..... Day of(year) by and between a company duly incorporated under companies Act No. ----- having its registered office at under Registration Certificate No.-----in the Democratic Socialist Republic of Sri Lanka and (hereinafter called and referred as the " the owner" which term or expression as herein used shall where the context so requires or admit mean and include the saidand its successors and assigns of the PARTY OF THE FIRST PART.

AND

..... of (Name of the State Owned Enterprises) in the said Republic (hereinafter called and referred to as the "the Hirer" which term or expression as hereinafter used shall mean and include the said and his/her heirs, successors and assigns) of the PARTY OF THE SECOND PART.

WHEREAS the Hirer is desirous of hiring from the Owner the motor vehicle/s belonging to the Owner and described in the First Schedule to this agreement (hereinafter referred to as the "Vehicle/s") and the Owner has agreed with the Hirer to hire the vehicle/s to the Hirer subject to and upon certain terms and conditions which have been accepted by the Hirer and the parties hereto desire to embody all of same in a formal written agreement.

NOW THIS AGREEMENT THEREFORE WITNESSETH that in consideration of the parties hereto doing, observing and performing all of the respective terms, conditions, covenants, stipulations and obligations contained in this Agreement to be done, observed and performed respectively by either of them, the parties hereto hereby agree as follows:-

1. HIRE OF VEHICLE

Subject to and upon the terms and conditions contained in this Agreement the Owner shall provide the vehicle/s to the Hirer on hire and the Hirer shall hire the vehicle/s as from the Date and during the entirety of the definite and ascertained period of Sixty Months (60) commencing from the Date -----and ending on the Date --- (hereinafter referred to as "the period, terms and conditions of the Agreement").

2. INSURANCES AND LISENCES

- (a) The Owner shall at its own cost keep the vehicle/s comprehensively insured throughout the period with an insurer chosen by the Owner at its absolute discretion. The hirer shall acquaint himself with the scope of the insurance cover taken by the

- (b) The Owner shall keep the vehicle/s licensed throughout the period by having a valid revenue license and applicable charges (eg. Emission tax etc.) in respect of the vehicle/s from a relevant authority.

3. HIRE CHARGE

- (a) The Hirer shall pay to the Owner on or before the 30th day last working day of each and every month within the period, a monthly hire charge of the sum of Rupees «Hire Charge In Words» (excluding VAT) in respect of each above mention month or the said sum of money plus such amount as shall be computed at the rate of Rupees «Rate per Km In words»+ (excluding VAT) (Rs.«Rate per Km In Nos»/-+(excluding VAT) per each kilometer in respect of every kilometer in excess of Three thousand kilometers (3,000 Km) in the event that the vehicle/s has/have during such month run in excess of Three thousand kilometers (3,000 Km) provided however that the Hirer shall not be entitled to any reduction whatever in the monthly hire charge in the event of the vehicle/s running less than the said of Three thousand kilometers (3,000 Km) in any particular month, it being a condition of this agreement that the agreement is being entered into on the basis that the Hirer shall use the vehicle/s each month for running of Three thousand kilometers (3,000 Km) per month at the minimum.

4. MAINTENANCE OF VEHICLE/S

- (a) The Hirer shall ensure that the vehicle is maintained in good order and condition throughout the period. The Owner shall take further arrangement for the vehicle to be regularly serviced and maintained and for all repairs necessary to the vehicle/s to be promptly attended to and be done only by the Owner or any other company nominated by the Owner for that purpose.
- (b) All such routine services, all the maintenance and repairs of the vehicle, shall be borne by the Owner.
- (c) The owner shall bear the cost of expenses on accidental repairs and other related fees. If the repairs/maintenance work takes more than 24 hours, the owner shall provide a replacement vehicle of a similar type and condition.

5. USE OF VEHICLE/S

- (a) It shall be the responsibility of the Hirer to ensure that the vehicle/s is driven only by drivers who are qualified to do so and that the vehicle/s is driven by such drivers, with due diligence and care, so as to avoid any harm or damage to the vehicle/s.
- (b) The Hirer shall not do any act nor allow or suffer any omission which may directly or indirectly negate, nullify or render invalid the Insurance Policy over the vehicle/s obtained by the Owner in accordance with Clause 2(a) of this agreement.
- (c) The Hirer shall not use or suffer the vehicle/s to be used for any illegal purpose and in the event of the Owner, as the registered Owner of the vehicle/s being charged

before a court, tribunal, forum, person or body for or in connection with or relating to any offence

whatsoever arising from or in respect of the vehicle/s and/or the use of the vehicle/s during the period, including but not limited to a fatal or other accident, the Hirer shall forthwith thereupon keep the Owner freed, absolved and indemnified there from and any and all liabilities arising there from by appearing before such court, tribunal, forum, person or body and accepting full responsibility for such offence as the Hirer and the person in possession and custody of the vehicle/s at the time of the commission of such offence.

- (d) The hirer shall keep the owner also freed and indemnified at all times from all claims whatsoever whether in civil law or any other statutory or common law or otherwise howsoever that may arise from or in respect of in connection with the vehicle/s and/or the use of the vehicle/s during the period and the Hirer shall bear all costs of the litigation and other expenses of the Owner in any action, suit or proceedings that may be brought, instituted or commenced in that respect before any court, tribunal, forum, person or body against the owner whether jointly with the Hirer or otherwise and the Hirer shall meet in full any judgment, order, decree or award made against the Owner pursuant thereto.

6. TERMINATION OF AGREEMENT

- (a) The Hirer may terminate this Agreement with the consent of the owner after giving three months notice in writing, if the vehicle is not maintained properly by the owner/hirer or immediately in case of a major mechanical fault which recurs very often, provided however, that such mechanical failure is not caused by negligence and misuse by the hirer.
- (b) The Owner and Hirer may however determine the Agreement to have been prematurely terminated prior to the expiry of the period under mutual agreement for any valid reason. In that event either party shall give three months prior notice to the other party. The Hirer shall upon such premature termination of the Agreement deliver the vehicle/s to the Owner in good order and condition and pay all dues of the Owner.

7. ASSIGN ABILITY OF THE AGREEMENT

- (a) The Hirer may not assign this Agreement or any rights there under in any manner howsoever and shall not part with the custody and control of the vehicle/s howsoever during the validity of the Agreement. The Hirer shall upon the termination of the Agreement at the end of the period or prematurely deliver the vehicle/s in good order and condition in accordance with the relevant provisions contained in this Agreement.

First Schedule Above Referred To

Reg. No	Make	Model	Colour	Chassis No	Engine No
«RegNo»		«Model»	<<Colour»	«Chassis»	<<Engine»

IN WITNESS WHEREOF the said owner---- and the said Hirer----- have hereunto and to one others of the same tenor and date as These Presents set their respective hands at COLOMBO on this --- date ---- --(year)

WITNESSES:-

The Common Seal of the said (}
owner) (Private) Limited }
was affixed in the presence of

- 1.

- 2.

The Common Seal /the official Seal }
of the said was affixed }
in the presence of

- 1.

- 2.