

Excise “e – auction “

The right of retail vend of Arrack and Toddy shops is auctioned every year by the Government through internet. The lease period is from 1st July to 30th June of the subsequent year. During the current lease year 129 arrack and 126 toddy shops are in existence. The details of number of arrack and toddy shops in the four regions of this Union Territory are as follows:

REGION	ARRACK SHOPS	TODDY SHOPS
Pondicherry	100	95
Karaikal	29	31
Mahe	NIL	NIL
Yanam	NIL	NIL
TOTAL	129	126

Prior to the year 2001-02 auction of arrack and toddy shops was conducted through conventional method of oral bidding. The shops are auctioned one by one in the conventional procedure in alphabetical order of the names of the places where the shops are located which stretches the auction period to about 15-20 days. The physical congregation of bidders, about 1000 in number at the auction venue leads to diverse problems relating to logistics, traffic, law and order (intimidation, clashes, assault, physical prevention of intending bidders, threat to life etc) In spite of preventive measures, the problems have been persisting. From the administrative side, elaborate arrangements like police bundo bust, barricading and illumination of roads, vehicular traffic diversion, erection of temporary pandal, food arrangements, mobilization of additional staff (60 – 70) etc are made. Such large scale arrangements and mobilization of staff used to jeopardize normal activities in the areas as well as in the department for 15-20 days. Besides, it was understood that the bidders in secret meetings amongst themselves establish cartels due to which government was not able to realize the optimum revenue due from the Toddy and Arrack Shops. The answer to all these maladies lies dispersing the bidders from the venue of the auction. In a nut shell the problems involved are as follows: -

- I) Large congregation at one place leading to attendant problems for the administration as well as public
- II) Instance of intimidation/obstruction to intending bidders
- III) Possibility of cartel formation among the bidders leading to loss of revenue.
- IV) Complaints against auctioning authority arising out of lack of transparency
- V) Immense amount of paper work and long duration of auction period.
- VI) Huge expenditure on the auction process.

Innovative Procedure : -

In the year 2001 for the annual auction of Toddy and Arrack shops, a new concept was considered to reduce the physical congregation of intending bidders at the auction venue. It was decided to do away with the conventional oral bidding for conducting the auction and take recourse to on line auction through Internet for the purpose. This would keep the contending bidders away from the auction venue and also from each other. The services of Auction India. Com company was made use of to develop a software to the Departments specifications for conduct of auctions through web-site www.auctionindia.com..

As preparatory arrangements separate meetings were held with the intending bidders. As expected, the Department faced stiff resistance from this group. It took several rounds of meetings and practical demonstration to break the resistance. Separate meetings were held with the owners of Internet browsing centres to assess the facilities available. Based on the suggestions evolving out of these meetings several modifications were carried out in the software including facility for bi-lingual (English and Local language) presentations. This was followed by a series of training classes seperately held for intending bidders and internet browsing operators. Two days prior to the actual auction, a mock auction was conducted at the web site to familiriaz the bidders with the process, which had a good participation.

The salient features of the Internet auction are as follows:

The intending bidders are advised to register themselves indicating a "USER NAME" at the web-site using a password of their own choice and also register with the concerned Deputy Commissioner (Excise) on payment of requisite fees like EMD for pre-qualification of participation. For the purpose of securing and anonymity they are allowed to use "alter-names" While bidding. Based on their security deposit and solvency furnished by the bidders, the bidding is limited and regulated by the programme. The auctions are held for shops in batches, commune wise with staggered timings. Separate web-pages are used for each batch. The bidding time-limit is kept 10 minutes for each bid with auto extention of time if bid continues. Public are also allowed access to the web-site to see the progress of auction and ascertain the status of each shop on auction. All the statutory steps that are otherwise followed in oral auction are included in the process.

The system provided the following benefits:-

- 1) Avoidance of a large congregation of bidders and inquisitive crowd at a single venue necessitating elaborate arrangements.
- 2) Avoidance of direct contact between the bidders to obviate possibilities of cartel formations or intimidations.
- 3) Completion of the auction in much lesser time.
- 4) Provision of an efficient and transparent system that is fair to all bidders and acceptable under the provisions of Excise Laws.
- 5) Provision of detailed, time stamped audit trail.

- 6) Provision of facility, for real time interaction and record the proceedings.
- 7) Normal routine functions of the Excise Department was not disturbed.
- 8) Expenditure involved in the conduct of auction through internet was comparatively less and resulted in savings, not to speak of other indirect benefits in the form of benefits to people at large in avoiding harassment arising out to traffic diversion etc.
- 9) Instead of a closed door auction where access was restricted it provided a transparent system where progress of auction can be watched by any person.
- 10) Lastly, the project resulted in an improvement in revenue in as much as the bidding registered an increase of 15.71 % overall above the upset price fixed for the auction. This system created a level playing field for all the competitors involved in the bidding process and generated additional revenue to the Government as detailed below.

Lease Year	Revenue realised	Increase in revenue	Percentage of increase
2000-01	29.22 Crores	---	---
2001-02	32.23 Crores	3.01 Crores	10.30 %
2002-03	33.44 Crores	1.21 Crores	3.75 %
2003-04	42.98 Crores	9.54 Crores	28.53 %
2004-05	46.04 Crores	3.06 Crores	7.12 %
2005-06	50.47 Crores	4.43 Crores	9.62 %
2006-07	55.30 Crores	4.83 Crores	9.58 %
2007-08	60.04 Crores	4.74 Crores	8.57 %
2008-09	66.27 Crores	6.22 Crores	10.37 %
2009-10	73.79 Crores	7.52 Crores	11.36 %
2010-11	76.86 Crores	3.06 Crores	4.15 %
2011-12	84.40 Crores	7.54 Crores	9.81 %
2012-13	91.76 Crores	7.36 Crores	8.73 %

Success of the Innovation : -

The spectacular success of the project led the Government of Puducherry to declare that this procedure shall be introduced in other areas involving auctions, tenders, etc. This also earned a specific mention in the budget speech of the Chief Minister in the Assembly session of March-April, 2002 and in the speech of her Excellence the Lieutenant Governor at the 49th meeting of the National Development Council held in New Delhi on 1st September 2001.
