

**ESTIMATES COMMITTEE
1960-61**

HUNDRED AND FIFTH REPORT

(SECOND LOK SABHA)

MINISTRY OF TRANSPORT AND COMMUNICATIONS

(Department of Communications)

Action taken by Government on the recommendations contained in the Eleventh Report of the Estimates Committee (Second Lok Sabha) on the Ministry of Transport and Communications (Department of Communications)—Indian Telephone Industries Ltd.



**LOK SABHA SECRETARIAT
NEW DELHI**

January, 1961

Pausa, 1882 (Saka)

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CORRIGENDA

Hundred and Fifth Report of the Estimates
Committee (Second Lok Sabha).

Page 37, col. 3, line 11: For "paper"
read "power".

Page 37, col. 4, last line: For "national"
read "notional".

Page 59, col. 1: For "32" read "82".

Page 62, col. 5, line 10: For "on"
read "of".

Page 63, col. 4, line 21: For "the"
read "be".

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ESTIMATES COMMITTEE

1960-61

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(iv)

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Shri M. C. Chawla—*Under Secretary.*

INTRODUCTION

I, the Chairman of the Estimates Committee, having been authorised by the Committee, present this Hundred and Fifth Report of the Estimates Committee of the Second Lok Sabha on action taken by Government on the recommendations contained in the Eleventh Report of the Estimates Committee (Second Lok Sabha) on the Ministry of Transport and Communications (Deptt. of Communications)—Indian Telephone Industries Ltd.

2. The Eleventh Report of the Estimates Committee was presented to the Lok Sabha on the 23rd April, 1958. Government furnished their replies indicating action taken on the recommendations contained in this Report and other information required in this connection between the 8th March, 1960 and 9th November, 1960. The replies were examined by a Study Group of the Estimates Committee on the 9th September, 1960 and 21st December, 1960.

3. The Report has been divided into five Chapters:

I—Report.

II—Recommendations that have been accepted by Government.

III—Replies of Government that have been accepted by the Committee.

IV—Replies of Government that have not been accepted by the Committee.

V—Recommendations on which final replies of Government are still awaited.

4. An analysis of action taken by Government on the recommendations contained in the Eleventh Report (Second Lok Sabha) is given at Appendix V. It would be observed therefrom that out of 83 recommendations in the Report, 53·6 per cent of the recommendations have been accepted. Of the rest, the replies of Government in respect of 33·1 per cent of the recommendations have been accepted by the Committee while those in respect of 13·3 per cent of the recommendations have not been accepted by the Committee.

NEW DELHI;

January 17, 1961

Pausa 27, 1882 (Saka)

H. C. DASAPPA,

Chairman,

Estimates Committee.

CHAPTER I

REPORT

Production

In 1948, Government of India entered into an agreement with M/s. Automatic Telephone and Electric Company Limited, Liverpool (U.K.), hereinafter referred to as A.T.E. for providing essential know-how and technical assistance for the purpose of establishing a Telephone Factory in India. Clause 13 of the Agreement provided *inter alia* for various payments to A.T.E. on account of patent rights, royalty, know-how and manufacturing data, and services of technicians and other experts to be made available by them to the Indian Telephone Industries Limited hereinafter referred to as I.T.I. It was contemplated that about Rs. 87 lakhs would be paid to A.T.E. during the 15 years of the agreement. No project report was, however, prepared and submitted by the A.T.E. to the Government of India. In para 24 of their 11th Report (Second Lok Sabha), the Committee, therefore, observed that they were not in a position to comment on the actual progress of production in the I.T.I. From the estimated figures of payment of Rs. 2 lakhs* on account of royalty which was based on the invoiced output of the I.T.I., to be made to the A.T.E. for the period 1949-50 to 1957-58, it appeared to them that the actual production of the company had fallen short of what was contemplated at the time of signing the agreement.

2. In reply, Government admitted that the estimate of Rs. 87 lakhs on account of payment to be made to the A.T.E. during the course of 15 years of the agreement had proved to be very much on the high side, but that it was not due to any short-fall in production as originally estimated. No other reasons have been put forth by Government for such a high estimate. Government, however, stated that the exact procedure for the calculation of royalty had not been finalised at the time of framing of the original estimates, which were, therefore, based on rough calculations.

3. In the absence of a Project Report and the break-up of the figure of Rs. 87 lakhs, referred to above, the Committee find it difficult to accept Government's contention that there was no shortfall in

*At the time of factual verification of the Report, the Ministry of Transport and Communications (Department of Communications) invited attention to its Office Memorandum No. 19-TF(4)/58 dated the 5th October, 1960, wherein it had furnished to the Committee the following revised figures of payment on account of royalty :—

From 1949-50 to 1956-57	Rs. 2,89,055
Estimated payments for 1957-58 and 1958-59.	Rs. 5,45,000
Total :—	<u>Rs. 8,34,055</u>

production as originally estimated. They are surprised that important matters like the procedure of calculation of royalty and total amount to be paid therefor should have been left undecided while finalising the agreement. The fact that the estimate of Rs. 87 lakhs has proved to be excessive also indicates that adequate thought was not given to the question in working out the details of the agreement. The Committee trust that greater care would be exercised by Government in such matters in future.

4. As the agreement with the A.T.E. is due to expire in 1963, the Committee would like the Government to settle their accounts with the firm expeditiously.

Project Report

5. With regard to the absence of a Project Report pointed out by the Committee in para 7 of their 11th Report (Second Lok Sabha), Government replied that had there been a Project Report from the very beginning, that would have led to the purchase of plant and machinery much in excess of that actually purchased in the absence of any project report, since in that case, I.T.I. would have ordered all plant and machinery on the basis of the Project Report. The Committee are surprised at this explanation. In their opinion, it should have been the normal and prudent practice to get a Project Report from the Collaborators. A Project Report would undoubtedly help in keeping a watch on the timely and proper execution of the Project at various stages, its cost, programme of production, etc. They trust that, in future, Government will ensure that a Project Report is invariably obtained from the Collaborators before launching upon any Project.

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Serial No. of recommendation as in Appendix V of 11th report	Reference to para No. of the Report	Summary of Recommendations	Reply of Government
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- 2 The Committee feel that the limitations referred to in clauses 1 and 10 of the Agreement with the A.T.E. have precluded the I.T.I. from extending its operations to other areas where it could find a ready market especially now that the I.T.I. has the capacity and means to undertake production for this purpose. They were informed in this connection that the A.T.E. had already been addressed by the I.T.I. to modify these clauses so as to include some more territories for I.T.I. to do business for a specified period. While the Committee hope that these efforts will meet with success, they would nevertheless suggest that in similar cases where the Government of India may enter into agreements with foreign firms for the establishment of industries in the country, due care should be taken not to fetter themselves by restricting the territory of operation.

The recommendation has been noted and is being brought to the notice of all other Ministries and Departments of the Government of India.

In this connection it may, however, be noted that so far as the I.T.I. Ltd. is concerned, clauses 1 and 10 have not in fact operated to I.T.I.'s disadvantage considering that even in respect of the territories to which it was open to them to export their products, it has not been possible for them, for various reasons (e.g. competition from other older and well established foreign firms), to export any sizeable quantity of their products, let alone establishing themselves therein.

(Ministry of Transport and Communications O.M. No 19-TF/4-58, dated 5-9-1960.)

3 12 While the clauses (4 and 5) appear quite satisfactory from the legalistic point of view, the Committee feel that in their practical operation, these have placed the I.T.I. in a disadvantageous position inasmuch as :

(a) these clauses virtually prevent the I.T.I. from getting any technical know-how from any other manufacturers for the production of items which are either outside the scope of the agreement or which the A.T.E. themselves are not in a position to manufacture efficiently, the reason being that while such manufacturers may be willing to pass technical know-how to I.T.I. for adequate consideration, they may not do so, if the information is to be passed on to A.T.E. who may be their competitors;

(b) any information of a development nature resulting from research or development work carried out by any organisation in this country and made available to I.T.I. would automatically be accessible to the A.T.E. who could utilise it.

While the A.T.E. have been giving to I.T.I. information from time to time about patents and I.T.I. have been meeting the cost of their application and maintenance, there has been no occasion so far for the I.T.I. to pass on to A.T.E. information regarding inventions or developments made by them or information in regard to patents which have become vested in/or have been acquired by the I.T.I. Thus, in actual practice clauses 4 and 5 have not operated to the disadvantage of I.T.I. In any case, the observation of the Committee is being brought to the notice of the other Ministries/Departments for future guidance.

(Ministry of Transport and Communications O.M. No. 19-TF/4-58, dated 12-8-1960.)

4 15 The Committee fail to understand why information is not available in the Ministry to show how clauses 4 and 5 were included in the Agreement. They would suggest that while examining the implications of various clauses contained in Agreements

The recommendation has been noted and is being brought to the notice of all other Ministries and Departments of the Government of India for guidance.

(Ministry of Transport and Communications O.M. No. 19-TF/4-58, dated 5-9-1960.)

which Government might enter into with foreign firms or consultants, a contemporary record of the discussions leading to the acceptance of the provisions contained therein should invariably be kept in the Ministry concerned.

5 18 The Committee consider the inclusion of clause (9) in the Agreement as very unfortunate. They recommend that as a rule Government should not fetter themselves too much by such obligations and should, if at all necessary, commit to get only a part of their requirements from the Company with whom they enter into such agreements.

6 20 The Committee hope that full advantage of the Agreement will be taken to get as many persons trained at the A.T.E. works or by their experts as possible within the currency of the Agreement.

The recommendation has been noted and is being brought to the notice of all other Ministries and Departments of the Government of India.

(Ministry of Transport and Communications O.M. No. 19-TF/4-58, dated 5-9-60.)

The recommendation of the Committee will be borne in mind and full advantage will be taken of the provisions in the Agreement regarding training of Indian personnel at the A.T.E. Works to the extent that is considered necessary in the interest of the Indian Telephone Industries Ltd.

(Ministry of Transport and Communications O.M. No. 19-TF/4-58, dated 8-3-1960.)

9 26 and 27 Though the Committee were assured that the Agreement had on the whole worked satisfactorily, and had achieved its main purpose, there had been cases where:
(i) the I.T.I. had to purchase plant and machinery from the A.T.E. in excess of that was strictly required and that some of this machinery is still lying idle (*vide* paragraphs 70 & 104);

While this Ministry do not entirely agree with the view that these initial difficulties would have been altogether eliminated if there had been a Project Report, they agree that similar difficulties arising in future in the operation of the agreement should be settled by mutual discussion between the Indian Telephone Industries and the Automatic Telephone and Electric Co. Ltd. The Ministry

(ii) there had been delays in the matter of getting manufacturing data and other technical information especially in the matter of Carrier Equipment as a result of which production in the transmission division has been delayed by 1—1½ years.;

(iii) there had been difficulties in the matter of getting supplies of certain materials through the A.T.E. which has also resulted in higher prices being paid than for direct supplies (These prices are stated to have been got rectified later) ; and

(iv) there had been difficulties in the settlement of bills resulting in avoidable delay in payments. The Committee feel that these difficulties could have been avoided at least partially had there been a project report. However, they hope that these and similar other points will be amicably discussed by the ITI with the A.T.E and resolved to the extent possible and every effort made to secure the effective utilisation of the agreement.

The Committee would recommend that the Board of Directors should take maximum responsibility and function on business principles and not look to Government for guidance in matters where decisions could be taken by it.

feel that if there had been a Project Report from the very beginning, this probably would have led to purchase of Plant and Machinery much in excess of that actually purchased in the absence of any Project Report, since in that case, Indian Telephone Industries would have ordered all plant and machinery on the basis of the Project Report. The estimated requirements of plant and machinery given by the Automatic Telephone and Electric Co. Ltd. in the Report would not have been different from those which they gave to the Indian Telephone Industries for the purpose. As pointed out earlier, Indian Telephone Industries departed from Automatic Telephone and Electric Co.'s advice and ordered machinery according to its requirements as it gained experience of the factory.

(Ministry of Transport and Communications O.M. No. 19-TF/4-58, dated 12-8-1960.)

The Government agree with the recommendation that the Board should take maximum responsibility and function on business principles subject to the restrictions placed by the Memorandum and Articles of Association of the Company and the provisions of the Indian Companies Act.

(Ministry of Transport and Communications O.M. No. 19-TF/4-58, dated 8-3-1960.)

The Committee consider that the Board of Directors should concentrate on policy matters and measures to improve efficiency, economy and production and that there should be suitable delegation of powers to the authorities on the spot for execution of day-to-day work. It will be appreciated that unless there is effective delegation, there can be no efficient functioning. The Committee would recommend that with this end in view the delegation of powers to lower authorities should be reviewed by the management. They would further suggest that it should also be ensured by the various authorities that the powers delegated to authorities below them are actually exercised.

The Board of Directors ordinarily deal with matters of policy and larger questions relating to financial, administrative and production matters. Suitable delegation of authority has been made to the Managing Director and other officers with regard to other matters. The Managing Director is responsible for ensuring that the powers delegated to the various subordinate officers are actually exercised by them. The type of questions of lesser importance to which attention has been drawn by the Committee are in fact discussed by the Finance and Staff Committee of the Board, the minutes of which are then circulated to the Board. The Board rarely spends much time on these matters. The Board have since delegated powers to the Managing Director, covering financial, administrative and other matters.

(*Ministry of Transport and Communications O.M. No. 19-TF/4-58, dated 8-3-1960.*)

The Committee would consider the increase of profit margins as unobjectionable so long as they assist in self-financing future development projects. At the same time, they would point out that the basic objective of a public enterprise like the I.T.I. should not only be to realize a financial profit but to produce the required products, to achieve the optimum output and to ensure production by economic and efficient methods.

The suggestion regarding the basic objective of a public enterprise has been noted. The I.T.I. have always kept this in view and the question of raising the margin of profit from 7% to 10% is being examined by them in consultation with the Posts and Telegraphs Department and the Ministry of Finance.

(*Ministry of Transport and Communications O.M. No. 19-TF/4-58, dated 8-3-1960.*)

23 In regard to the amounts provided for depreciation the Committee observed variations which seem to have no relation to either increase in machinery or in production. The Committee suggest that this should be examined by the Management.

24 59 The Committee consider that provision for replacement should be based on some scientific formula.

Provision for depreciation is now made on the straight line basis at the rates based on the lives of different types of assets which have been fixed. In addition, the Company has a Replacement & Renewal Reserve to which appropriations are made when profits permit. The balance in the Fund at the end of 1958-59 is Rs. 12.50 lakhs, which is considered adequate. The suggestion made by the Estimates Committee for evolving some scientific formula is being pursued.

(Ministry of Transport and Communications O.M. No. 19-TF/4-58, dated 8-3-1960.)

25 60 The Committee would suggest that, as a rule, provision should be made for General Reserve since such reserves go to strengthen the internal finances of an undertaking.

The recommendation of the Estimates Committee has been noted by the Indian Telephone Industries

(Ministry of Transport and Communications O.M. No. 19-TF/4-58, dated 8-3-1960.)

26 61 The Committee do not feel happy that a commercial undertaking like I.T.I. should have allowed outstandings of the order of Rs. 138 lakhs to accumulate especially from a department whose representative functions on its Board of Directors. They consider this as particularly unbusinesslike in view of the fact that because of this locking up of funds, the I.T.I. had to borrow from the Government and the State Bank of India. These

The matter is being pursued actively. The outstandings have been substantially reduced inasmuch as the amount was brought down from Rs. 130 lakhs in March, 1957 to Rs. 92.7 lakhs in March, 1958 and allowing for payments made by the Posts & Telegraphs in March, 1958 but received in April, 1958, the amount would stand at Rs. 79.7 lakhs. For the year 1957-58, the total amount billed against Posts and Telegraphs was

borrowings amounted to Rs. 127 lakhs as on 31-3-57 and the interest was about Rs. 5 lakhs. The Committee recommends that action to liquidate all the outstandings should be vigorously pursued by I.T.I. with the concerned departments.

Rs. 256 lakhs and the total payments received amounted to Rs. 356 lakhs including payments in arrears.

The amounts due from P.&T. Department have been reduced further. They stood at Rs. 65 lakhs in March, 1959 and have gone down to about Rs. 57 lakhs in August, 1959. An arrangement has also been recently evolved whereby I.T.I. will get full payment from P. & T. within 20 days of submission of bills. This is expected to improve the position further.

(*Ministry of Transport and Communications O.M. No. 19-TF/4-58, dated 8-3-1960.*)

28

As regards the 90% value required to be paid to the I.T.I. on despatch of goods, the Committee would suggest that since there is already P. & T. inspection staff stationed at the I.T.I. the desirability of sending immediately a copy of the I.T.I. delivery Challan accompanied by the inspection certificates to the D.A.G., P. & T. concerned, who could on its receipt arrange payments to the I.T.I. should be considered.

63

An agreement has very recently been reached by I.T.I. with the Posts and Telegraphs Department under which they have agreed to pay 100% of the cost of goods within 20 days of presentation of bills by I.T.I. to the Posts and Telegraphs Cost Check Unit attached to the Indian Telephone Industries. The Director General, Post and Telegraphs, will ensure that the terms of the agreements are acted upon by the various paying units. Payments to I.T.I. are authorised by the Paying Units and not by the Dy. A.G., P. & T.

(*Ministry of Transport and Communications O.M. No. 19-TF/4-58, dated 8-3-1960.*)

29 64 It is wrong for any authority to place an order for supply of goods without being in a position to pay for them which is also no ground for not paying for an obligation incurred. The Committee recommend that the D.G., P. & T. should examine all such cases and issue strict instructions in the matter.

Suitable instructions have since been issued by D.G., P.&T. to all Heads of Circles and Administrative Offices to ensure that prompt action is taken to issue sanction to the estimates which are within the competence of the Heads of Circles and the Subordinate Offices. It has also been enjoined therein, that the estimates which require sanction by the P. & T Directorate should be submitted promptly by the Heads of Circles and Administrative Offices to enable Directorate to issue sanctions to the estimates, by the time equipments orderd for, are despatched.

30 65 As regards sales-tax the Committee fail to understand why its payment should continue to be objected to by the P. & T. units even after the question of inter-State sales tax has been settled and particularly for the periods prior to 6-9-55 and after 1-7-57. They suggest that immediate instructions should be issued in the matter by the D.G., P.&T. in regard to these periods. As regards intermediate period the matter was stated to be under consideration of the Law Ministry. The Committee hope that an early decision will be reached in the matter.

The Director General, Posts and Telegraphs, issued necessary instructions to his subordinate units in the matter on 26-4-1958. As regards the intermediate period, the matter is still under consideration of the Law Ministry.

(*Ministry of Transport and Communications O.M. No. 19-TF/4-58, dated 8-3-1960.*)

On 5-10-1960, the Ministry informed that it has been held by the Ministry of Law that during the intermediate period from 7-9-1955 to 30-6-1957 the States were not competent to levy sales tax on Inter-State transactions.

(*Ministry of Transport and Communications O.M. No. 19-TF/4-58, dated 5-10-1960.*)

- 31 As regards non-payment of Bills on account of rejections, the Committee would suggest that instead of disallowing bills and holding up payment, the feasibility of first making full payment of Bill and thereafter making adjustment for rejections by means of credit notes should be considered. This procedure they understand exists in the case of supplies made to the Railways and Defence.
- 36 The Committee do not appreciate wide variations between the actuals and Budget figures, in the case of an undertaking like the I.T.I. which has an assured business on the basis of the cost of production. They feel that such wide variations render effective financial control difficult and that to minimise them the standard of budgeting which in turn depends on proper accounting and costing should be improved.
- 39 The Committee consider it desirable that the Annual Accounts and Reports of public undertakings placed before the Parliament should be made far more detailed and exhaustive than at present. These should clearly bring out the financial working of the undertaking as well as of its various manufacturing departments and branches, an analysis of account with particular reference to administrative expenses, overheads, staff strength and measures to control them, actual production of various items and its costs and trends, relations with users, personnel and training matters, etc., together with illustrative graphs and charts wherever possible. In this connection, the Committee
- 66 The procedure suggested by the Committee would now be followed.
(*Ministry of Transport and Communications O.M. No. 19-TF/4-58 dated 8-3-1960*).
- 74 The Committee's recommendation has been noted and the I.T.I. are trying to ensure that variations between Budget figures and actuals are reduced to the minimum possible.
(*Ministry of Transport and Communications O.M. 19-TF/4-58 dated 8-3-1960*).
- 78 The question raised by the Committee regarding the form of presentation of the annual accounts and the reports of Public Undertakings was brought to the notice of the Department of Company Law Administration who have since issued instructions in the matter *vide* No. 1(14)-C.L.VI/59 dated the 16th April, 1959 (Appendix I).
(*Ministry of Transport and Communications O.M. No. 19-TF/4-58, dated 12-8-1960*).

would suggest that the Annual Report and Accounts of the Nationalised Industries in U.K. might be considered as a model. Further, in order to enable Parliament and Parliamentary Committees to make a proper study of these undertakings, their annual accounts and reports for the preceding financial year should be laid before the Parliament before the commencement of Budget discussions.

41

86(i)

The Committee would recommend that the I.T.I. should impress on the P.& T. whose representative functions on the Board of Directors of the I.T.I. the necessity of intimating actually the firm requirements sufficiently in advance and of not making changes in them frequently. They feel that this should be possible by undertaking proper planning in the P & T. In this connection it is important to point out that for economical working schedules once fixed should not be frequently altered since such changes result not only in decreased productivity but also in loss of work-flow and insufficient use of man-power and machines.

The position is now much better and the P. & T. Department are placing order in advance.

(Ministry of Transport and Communications O.M. No. 19-TF/4-58 dated 8-3-1960).

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The Committee feel that the manufacture of the transmission equipment needs to be given greater attention in the I.T.I. than at present specially considering its revenue-earning capacity as well

It may be pointed out that the Indian Telephone Industries had no experience of manufacture of Transmission Equipment and even the Automatic Telephone and Electric Co., which is a firm

as future demand. The Committee understand that in the export field also, there are greater chances of marketing transmission equipment than telephone exchange equipment. They, therefore, suggest that the programme of transmission equipment of the I.T.I. should be reviewed in the light of the above remarks.

of very long standing, had to struggle hard before their equipment came up to the required standards. It takes considerable time to establish any new type of manufacture. For meeting the entire requirements of the P. & T. Department, a much larger factory would have been needed and it would not have been possible to find suitable trained personnel for the factory. Training in the new lines of manufacture and setting up of manufacturing and inspection processes take time and the Indian Telephone Industries has been trying to complete these processes in as short a time as possible.

(Ministry of Transport and Communications O.M. No. 19-TF/4-58 dated 8-3-1960).

43 92 The Committee suggest that the feasibility of further production of screws and die-casts and similar other items should be explored so as to utilise fully the spare capacity.

The utilisation of surplus capacity is kept constantly in view by the Indian Telephone Industries. During 1957-58, the factory secured commercial orders amounting to a production of 30,817 machine hours and the number of components produced was about 75 lakhs. The factory also took up some other jobs like Die Casting, Plating and Heat Treatment etc.

(Ministry of Transport and Communications O.M. No. 19-TF/4-58 dated 8-3-1960)

44 94 The Committee understand, that some difficulty is being experienced by the B.E.L. and I.T.I. in regard to the manufacture of certain parts and components for each other since B.E.L. follows

There is at present considerable co-ordination between the I.T.I. and Bharat Electronics Ltd., in this matter. The I.T.I. is manufacturing the Channel terminating equipment in certain wireless

the metric system while the I.T.I. follows the traditional F.P.S. system. They suggest that this matter should be expeditiously examined with a view to standardisation as well as production.

48 103 The Committee recommend that further efforts to tap export markets on commercial lines should be vigorously pursued by the I.T.I.

49 106/107 The Committee are concerned to observe that the I.T.I. purchased from A.T.E. more plant and machinery than was required for the production, as a result of which considerable portion of it was lying idle. It is evident that there has been lack of proper planning as well as coordination between I.T.I. and A.T.E. in the matter. There appeared to be some misunderstanding even in regard to the schedule of manufacture. There was no project report and the recommendations of the A.T.E. also do not seem to have been scrutinised by the I.T.I. They would therefore recommend that greater care should be exercised in the procurement of Plant and Machinery at least in future. Further, the imbalance in the capacity of different types of machinery which is said to be causing bottlenecks in production should be rectified.

systems for the Bharat Electronics Ltd., as their sub-contractors.

(Ministry of Transport and Communications O.M. No. 19-TF/4-58 dated 8-3-1960).

This has been noted and necessary action is being taken.

(Ministry of Transport and Communications O.M. No. 19-TF/4-58, dated 8-3-1960)

In a growing factory organisation, some spare machine capacity is inevitable. This is particularly so when emphasis is placed on cutting down the imports and where ancillary feeder industries are lacking.

The purchase of excess machines was not due to any lack of co-ordination. The reason was that in initial stages, the Indian Telephone Industries had to purchase machines in accordance with the advice of the Automatic Telephone & Electric Co., who adopt the Product Control Basis, i.e., for each item or for a group of items, they keep a complete machine shop. The Product Control System has certain advantages no doubt ; but as India cannot afford to have idle capacity in machines, the I.T.I. decided, as it gained experience not to adopt this system.

The existing idle machinery and surplus capacity should also be utilised to the best advantage.

As they gained experience of the factory working, they made purchases according to their own requirements.

(*Ministry of Transport and Communications O.M. No. 19-TF/4-58, dated 8-3-1960.*)

On 5-10-1960 the Ministry of Transport and Communications informed that utilisation of machines have now considerably increased due to —

(a) substantial increase in production ; and

(b) by the addition of a few machines to minimise the imbalance.

(*Ministry of Transport and Communications O. M. No. 19-TF/4-58, dated 5-10-1960.*)

51 III The Committee consider that it should be possible to minimise overstocking and yet avoid bottlenecks by proper planning and by stipulating realistic delivery dates for materials and by imposing penalties for failure on the part of suppliers to supply the materials in time. At the same time, a commercial organisation like the I.T.I. should also take full advantage of periods when the prices of materials are at a low level to obtain and stock them and for this purpose, the Board of Directors should exercise latitude with proper discretion.

The recommendation has been noted by I.T.I.

In spite of precautions the stores are not received in time either due to difficulties on the part of manufacturers or difficulties in transport etc. So long as it is necessary to import raw materials from abroad, it is necessary to keep a much bigger stock than is done by the manufacturers in the Western countries. The stocking is to be done with due regard to the time involved in the purchase of raw materials, the quantities in hand and the consumption of stock upto the date of receipt of fresh supplies with sufficient margin given for various contingencies.

In regard to indigenous materials also, due allowance is to be made for supply of correct raw materials etc. It frequently happens that the materials actually supplied do not conform to the specifications approved at the time of placing of orders, with the result that the materials have to be returned to the suppliers which causes much dislocation of work. Further, the delivery periods are also uncertain with regard to certain types of materials like indigenous steel items. The suppliers in such cases are not prepared to accept penalty clauses as the programme of manufacture of steel has often to be revised according to the priorities allotted from time to time. Sufficient margin has to be kept for all these factors in stocking raw materials.

(*Ministry of Transport and Communications O.M. No. 19-TF/4-58, dated the 8-3-1960*).

The Committee would suggest that the P. & T. Department should undertake a survey of telephone requirements of the country at regular intervals.

Statistics of waiting list in all exchange areas are being compiled every quarter by the P. & T. Department, which give an idea of the size of the pending demands of telephone requirements in the country.

(*Ministry of Transport and Communications O.M. No. 19-TF/4-58, dated the 8-3-1960*).

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The Committee would suggest that the P. & T. Department should consider the economics of drawing up necessary plans to meet the demand—existing and potential—after taking into account the fact that it would bring in revenue to Government.

In this connection they would also suggest that the feasibility of setting up a "Telephone Development Fund" after taking into account the revenue earned by the Telephone system, as well as such Schemes as the OYT (Own Your Telephone) etc. should be considered. Further the possibility of negotiating loans from the World Bank or some other similar agency to finance the expansion of the Telephone system in the country, should also be considered.

The suggestion will be kept in view in drawing up future plans.

It may be mentioned that a Telephone Development Fund with contributions received as advance rentals under the "Own Your Telephone" scheme is already available in the Department. This is, however, too small to finance developmental needs of telephones as contributions are limited. The P. & T. Department has also a Renewal Reserve Fund for carrying out replacement of existing assets due to normal wear and tear as also obsolescence. In the light of the prevailing abnormal high prices and of the revolutionary scientific progress in technological improvement, making obsolescence an increasingly important factor, the fund is also found to be too small. This aspect is under examination of the P. & T. Department in consultation with the concerned authorities.

As the P. & T. Department has limited capacity for earning foreign exchange, the suggestion that a loan from the World Bank should be obtained to finance telephone development system in the country has obvious limitations. This will, however, be kept in view at the time the Third Five Year Plan details are worked out in respect of the P. & T. Department.

(*Ministry of Transport and Communications O.M.*
No. 19-TF/4-58, dated the 8-3-1960).

The Committee suggest that efforts should be made to persuade the Hindustan Cables Limited to increase its production capacity and that there

The requirements of the P. & T. Department are fully taken into account in planning for the expansion of the Hindustan Cables. A represen-

should be more effective co-ordination between the P. & T. and the H.C.L. for this purpose.

tative of the P. & T. Department is also on the Board of Directors of the Company. Further, for the present, the Managing Director is also an Officer on deputation from that department. All these factors serve to ensure effective co-ordination between the P. & T. and the Hindustan Cables.

(*Ministry of Transport and Communications O.M. No. 19-11F/4-58, dated the 8-3-1960*).

Expansion of the Hindustan Cables Factory has already been completed for the manufacture of 300 miles of coaxial cables per annum valued at Rs. 70 lakhs on single shift basis. During 1960-61, the factory is expected to manufacture 120 miles of coaxial cables.

Plans to expand the factory for the manufacture of (i) 2000 miles of dry core cables per annum, (ii) plastic insulated switch board cables and (iii) installation of a wire Drawing Plant with a capacity of 1500 tons per annum on double shift basis, at an estimated cost of Rs. 373 lakhs have recently been agreed to by the Planning Commission. Necessary further action is being taken by the Ministry of Commerce & Industry to finalise these expansion programmes in consultation with the other Ministries concerned and also to provide for funds to the extent of Rs. 180 lakhs during the Third Five Year Plan period to meet the capital cost of the Project.

The above expansion programme of the Hindustan Cables Limited part of which has already been completed as stated above is the minimum required for meeting the increased requirements of the P. & T. Department.

(*Min. of Transport and Communications O. M. No. 19-TF/(4)-58 dated the 21-10-1960*).

61 134 While the Committee are in no position to comment on the technical reasons adduced for replacing the auto Exchanges of Bhavnagar, Gwalior and Mysore by manual one, they consider it most unfortunate that even 7-8 years after this change was made the reconversion to auto exchanges has not been made. The Committee trust that no further avoidable time would be lost in restoring this facility which existed in these places till 1950.

The P. & T. Department have noted the recommendation of the Committee and have initiated suitable action in the matter. They expect that by 1962-63 the necessary Auto Exchange Equipment will be brought into service at these places.

(*Ministry of Transport and Communications O.M. No. 19-TF/4-58, dated the 8-3-1960*).

63 139 For the successful running of a telephone industry it is of utmost importance that Research Unit should work as a close adjunct to the manufacturing Centre so that developments made could be quickly translated into production units. The Committee would suggest that this question should be examined further.

Action is being taken for setting up of a proper Research Organisation for the Indian Telephone Industries. The nucleus organisation has already been set up in the shape of a Development Wing which, during the short period of its existence, has done very good work. It may, however, be mentioned that while research work in the long run will result in the lowering of the cost of production and improvement in the quality of equipment, it is bound to increase the overheads to some extent.

(*Ministry of Transport and Communications O.M. No. 19-TF/4-58, dated the 8-3-1960*).

64 141

The Committee urge that greater attention should be given to Research activities. For this purpose, they would suggest that the I.T.I. and P. & T. should concentrate first on building up a nucleus of adequately trained research staff who could build-up a research organisation gradually. Simultaneously a phased and co-ordinated programme for expansion of research activities in the I. T. I. as well as in the P. & T. Department should be drawn up. In this programme, due stress should be laid on the utilisation of indigenous raw materials as well as on improving the production processes in the I.T.I. Finally, every effort should be made to maintain contacts with A.T.E. and other Tele-Communication Manufacturers in regard to their research activities.

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The Committee feel that the existing coordination for Research is not adequate. They would, therefore, suggest that there should be greater integration between the research activities of the I.T.I., P. & T., Railways, Defence and Universities so that limited resources and facilities in this field might be used to the best advantage. For this purpose the Committee would suggest the setting up of a Tele-Communication Research Council consisting of experts drawn from these organisations.

There is very close co-ordination between the Indian Telephone Industries and the Posts & Telegraphs Research Centre in all matters concerning tele-communication research, design and development. This co-ordination is maintained not only by way of exchange of information in the formulation and final stages, but close liaison is maintained at all stages and exchange of information takes place regularly at appropriate levels. The A.T.E. have also started sending reports to the I.T.I. about some of their development and research activities.

(*Ministry of Transport and Communications O.M. No. 19-TF/4-58, dated the 8-3-1960.*)

There is no objection to the proposal for setting up a Tele-Communication Research Council to integrate the research activities in this field and to ensure that the available resources and facilities are put to the maximum advantage. The Ministry of Scientific Research & Cultural Affairs will be requested to take necessary steps for working out details etc. in regard to the establishment of such a Council.

(*Ministry of Transport and Communications O.M. No. 19-TF/4-58, dated the 6-10-1960.*)

The Committee suggest that the question of taking suitable undertaking from those especially trained for employment in I.T.I. should be considered.

All employees who are given training are required to execute an agreement according to which they have to serve the Factory for a limited period. However, in one case it was held by a Court that these agreements cannot be enforced after appointment and that further employment would, thereafter, be governed by the provisions of Standing Orders and that an employee cannot be compelled to serve the Company or pay any compensation which is not in consonance with the provisions of the Standing Orders. Legal advice is being obtained for amending the agreement suitably with a view to making a provision for payment of liquidated damages to the I.T.I. in such cases.

(*Ministry of Transport and Communications O.M. No. 19-TF/4-58, dated 8-3-60.*)

The Committee fail to understand the justification for the grant of a conveyance allowance to 6 senior officers of I.T.I. and the entertainment allowance to the Managing Director. In this connection, reference is invited to para 66 of the Committee's 27th Report (1st Lok Sabha) on the Hindustan Insecticides Ltd.

Orders have since been issued discontinuing the grant of Conveyance Allowance to the officers of the P. & T. Deptt. on foreign service with the I.T.I., *w.e.f.* 1st April, 1960. In view, however, of the increased responsibilities that these officers are required to undertake while they are serving with the ITI, it has been decided to grant them a Duty Allowance in addition to their pay, at 20% of pay, subject to a ceiling of Rs. 300/- per month.

As regards entertainment allowance, Govt. of India have decided that *w.e.f.* 1-4-60, all Govt. undertakings should adopt the system of debiting expenditure on official entertainment directly

to the accounts of the undertaking instead of granting entertainment allowances to individual officers *vide* Ministry of Finance Office Memorandum No. 9 (40)-Est. II (B)/58, dated the 2nd November, 1959. In respect of existing officers, who are already drawing entertainment allowance, it has been decided that they should be given option to continue to get entertainment allowance, if they so desire, during their incumbency.

(*Ministry of Transport and Communications O.M. No. 19-TF/4-58 dated 12-8-1960.*)

The incentive Scheme has been introduced from the 2nd June, 1958, in some of the Shops and is being progressively extended.

(*Ministry of Transport and Communications O.M. No. 19-TF/4-68 dated 8-3-1960.*)

A scheme for payment of Attendance Bonus was approved by the Board at their meeting held on the 26th September, 1959.

(*Ministry of Transport and Communications O.M. No. 19-TF/4-58 dated 198-3-1960.*)

The Committee trust that the I.T.I. would before long introduce the Wage Incentive system on a scientific basis and thus stimulate production.

The Committee would suggest that the workers and staff should be educated to reduce absenteeism and that recognition should be given to those who are prompt and always on the job. In this connection they would invite reference to the recommendation made in para 99 of their 67th Report on the H.A.L. for the introduction in all State Undertakings of an 'Attendance Bonus Scheme' as in the H.A.L.,

The Committee would suggest that the schemes of rewarding suggestions as well as the awards so far made may be better publicised so as to enable the workers to appreciate the types of suggestions that they should make e.g., those which would make for savings in labour, time and materials, accident prevention, increased sales, etc. Further when a suggestion is not accepted, the reason may be given to the employee submitting the suggestion if possible.

The suggestion scheme is well publicised, but the rewards paid are at present not very attractive. The question of increasing the amount earmarked for rewards is under consideration and it is hoped that this will lead to increase in the number of suggestions. [Reference is also invited in this connection to Railway Board's Office Memorandum No. 58-B(C)-6000/II/11th Report, dated the 21st August, 1958, to the Estimates Committee.]

The Railway Board stated as below :—

“Necessary instructions have been issued to the Railway Administrations under Railway Board's letter No. E(G)58PTI-12 dated 10-7-1958.”

Fig

(Ministry of Transport and Communications O.M. No. 19-TF/4-58 dated 8-3-1960).

The Committee would suggest that it might be impressed on the Railway Administration to attend to the late running of workmen's trains so as to minimise detention and consequent loss of production in I.T.I.

Reference is invited in this connection to Railway Board's Office Memorandum to the Estimates Committee No. 58-B(C)/II/11th Report, dated the 7th June, 1958.* The train is now running much better and the loss during a period of recent three months was :—

May, 1959	.	.	94 man hours.
June, 1959	.	.	183 man hours.
July, 1959	.	.	41 man hours.

*The Railway Board stated as below:—

“Presumably, the reference is about the unpunctual running of No. 328 Bangalore City-Bangarpet Passenger between Bangalore City and Krishnarajapuram Stations, by which train the workers employed in the Indian Telephone Industries travel daily.

The Southern Railway Administration have already been asked to take special and effective steps to improve the performance of the train.”

(*Ministry of Transport and Communications O.M. No. 19-TF/4-58 dated 8-3-1960*).

The Committee would recommend that the I.T.I. should formulate a phased programme for the training of their technical personnel in the expanding sphere of tele-communication equipment in the A.T.E.'s Works and also establish with the assistance of the A.T.E. training programme in the I.T.I. itself for the purpose.

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(*Ministry of Transport and Communications O.M. No. 19-TF/4-58 dated 8-3-1960*).

- 78 168 The Committee would suggest that the desirability of putting a more senior officer, serving or retired with experience of Tele-communication Engineering in charge of the I.T.Is. Training School should be considered.
- 79 169 (i) In view of the expansion of the I.T.I. and the need to correlate the number under training to the number of employees, which is now over 4,600 the Committee would suggest that the adequacy of the training schemes should be reviewed.
- 170 170 (ii) They would also suggest that the I.T.I. should recruit and train qualified apprentices, draftsmen, tool-makers, designers and that for this purpose necessary training schemes should be started.
- 80 171 The Committee would suggest that there should be a continuous reviews of the training schemes and programmes so as to introduce modern methods of production and work.
- 81 172 The Committee would suggest extension of the scheme known as "Training Within Industry" which they understand is invaluable. In addition, they would also suggest that courses for executive development need to be encouraged in order to ensure an adequate supply of persons,
- The suggestion made by the Committee that a more senior officer should be put in charge of the Training School is being pursued by I.T.I.
(Ministry of Transport and Communications O.M. No. 19-TF/4-58, dated 8-3-1960).
- Arrangements would be made for training a larger number of persons.
(Ministry of Transport and Communications O.M. No. 19-TF/4-58 dated 8-3-1960).
- I.T.I. has started a Technical School where some theoretical classes are being conducted. This will be extended to include draughtsmen, tool-makers and designers.
(Ministry of Transport and Communications O.M. No. 19-TF/4-58 dated 8-3-1960).
- This suggestion is accepted and will be followed.
(Ministry of Transport and Communications O.M. No. 19-TF/4-58 dated 8-3-1960).
- This suggestion is accepted and will be followed.
(Ministry of Transport and Communications O.M. No. 19-TF/4-58, dated 8-3-1960).

who possess the necessary ability, capacity and expertness for managerial assignments at each level as the need arises.

The Committee feel that it would be desirable to appoint a Technical Committee consisting of one or two Tele-communication Engineers and a Chartered and/or Cost Accountant under the Chairmanship of an experienced industrialist to review the working of the I.T.I. during the last decade. This Technical Committee may also look into the affairs of the P&T Workshops. They also recommend that this be done at an early date and its report made available to Parliament in due course so that it along with this Report would enable Parliament to make a correct assessment of the working of and the progress made by I.T.I. and P&T Workshops.

As indicated in the remarks against S. No. 41, the actual production in the I.T.I. was 85% and not 41% of the total capital investment. This figure can also be arrived at in a different way--by taking the value of total production and deducting the cost of components obtained from outside for use in production. It can be assumed that such components used in a year would be half of the components obtained in the previous year plus half obtaining during that year. This assumption is a reasonable one as I.T.I. attempt to carry six months' stock on an average. Taking the figures given in Paras 70, 84 and 87 of the Report the total production during the three years 1954-55 to 1956-57 was Rs. 1,023 lakhs and the outside components $\frac{106.76 + 62.69}{2} + 45.8 + 33.30$,

or Rs. 164.1 lakhs which gives a percentage of 84, very nearly the same as worked out by the other method. For the year 1956-57, the percentage comes to

$$377 - \frac{33.3 + 62.7}{2}$$

377 or 87%. This percentage would improve slightly but there are always some items which telephone manufacturers have to obtain from others and this figure

is considered very good. In fact, in other countries telephone factories depend on others to a much larger extent.

There have been delays in the manufacture of transmission equipment but considering the complicated problem that had to be faced, the transmission division has done a very good job. The I.T.I. is manufacturing Single Channel, 3-Channel and 12-Channel Open Wire Systems. It has also taken up the manufacture of part of the equipment required for the Co-axial Cable Scheme and a number of other items for special needs. Considering that a beginning was made in the transmission field only in 1952-53, and that the first production was in 1953-54, the progress made so far is satisfactory. Efforts are being made to effect economies wherever possible and though there may be scope for improvement, there is no scope for substantial economies. The fact that it has been possible to make substantial reduction in the price of the equipment would substantiate the claim of the Indian Telephone Industries that this aspect is receiving due consideration.

The Committee, in para 70, have stated that the increase in salaries and wages do not compare unfavourably with the increase in production. The expenditure trend on staff cannot be regarded as unfavourable to the undertaking. It has also been stated earlier that the accounting system is well suited to the requirements of the Factory.

Comments relating to overheads have also been given earlier. In any mechanised factory the overheads are bound to be high and a comparison between the overheads in the I.T.I. and the P&T Department Workshops is not quite apt, particularly because the P&T Workshops are not manufacturing goods of the same kind and quality as the I.T.I. The I.T.I. is supplying substantial quantities of turned parts to various private factories like the Kirloskars, Kamanis, T.I. Cycles, United Electricals, etc. at competitive rates. These concerns would not have gone in for these purchases if the rates were not competitive.

As regards the suggestion for the appointment of a Technical Committee for enquiring into the progress of the I.T.I., while the Government appreciate the reasons behind the recommendation, they consider that the proper time for such an enquiry would be sometime before the period of expiry of the present agreement with the A.T.E. The Committee would then be able to assess in full the progress made by I.T.I. under the arrangements and also be able to make suitable recommendations regarding further continuance of the collaboration with the A.T.E. The proposed Committee may be appointed in 1961 or so to

give sufficient time for a review being made before the expiry of the agreement in 1963. This Committee can also review the working of the P&T Workshops, with a view to bringing a larger measure of co-ordination.

In this connection it may be added that a number of eminent Tele-communication Engineers, Scientists and Experts, who have visited the I.T.I. have all commended favourably on its working. One of them, the late Dr. J. C. Ghosh, stated in his inaugural address before the Annual General Meeting of the Institution of Tele-communication Engineers in New Delhi on the 29th December, 1956, "the Indian Telephone Industries, whose present weekly production is 1000 telephones, 750 exchange lines and more than one carrier telephone system, is a concern which in efficiency and provision of amenities to its employees may serve as a model for others in both public and private sectors." The production has since gone up to 1800 telephones, 800 main exchange lines, seven small exchanges and more than four channels for carrier equipment per week.

(Ministry of Transport and Communications O.M.
No. 19-TF/4-58, dated 12-8-1960).

In O.M. No. 19-TF(4)/58 dated the 9th November, 1960 the Ministry of Transport and Communications informed the Committee that "Production has now gone up further at the Indian Telephones Industries Ltd., and the figures of the present weekly production (1960-61) are as follows :—

(1) Telephones	2,300
(2) Exchange Lines	1,557
(3) Long distance transmission channel equipment	29 Channels.

C H A P T E R—III

REPLIES OF GOVERNMENT THAT HAVE BEEN ACCEPTED BY THE COMMITTEE

S. No. Reference as per to para summary No. of the Report	Summary of Recommendations/Conclusions	Reply of Government
1	3	4
8	<p>25 The Committee suggest that the provisions entitling A.T.E. to one seat on the Board of Directors of the I.T.I. may be reviewed and discussed if considered desirable with A.T.E. in the light of the changes made in this regard in the Agreement entered into by the HMT Ltd., and Hindustan Steel Ltd., with their foreign consultants, as a result of which the latter function only as Technical Consultants.</p>	<p>The financial interests of the A.T.E. in the I.T.I. are to the extent of Rs. 10,00,500—roughly 2.5% of the total share capital of Rs. 4 crores. The agreement with the A.T.E. provides <i>inter alia</i> that A.T.E. may, at any time, relinquish their share capital at par in favour of Government. Despite the fact that dividend has been paid by I.T.I. only during the last 4 years, and that the rate of dividend has been ranging between 2 and 2½%, the A.T.E. have not chosen to exercise the option provided in the Agreement. Furthermore, A.T.E.'s representative on the I.T.I.'s</p>

Board has generally been helpful and I.T.I. has been able to gain by the longer experience of A.T.E. in this line of manufacture.

In this connection it may be added that the circumstances in which the financial participation of the foreign firms in H.M. T. and Hindustan Steel Ltd. was terminated were peculiar and bear no similarity to I.T.I.'s case.

(Ministry of Transport and Communications O.M. No. 19-TF/4-58, dated 12-8-1960)

15 40 The Committee consider that while important financial matters should be considered by the Board of Directors, there should be sufficient delegation of authority below that level for which purpose they have already recommended a Board of Management. They, therefore, suggest that the continuance of the Finance Committee may be re-examined.

The Board of Directors consider that in actual practice the discussion of various financial matters by the Finance Committee makes the work of the Board much easier and works for considerable saving in time and smooth functioning of the Board. Recently one of the non-official directors has also been included in the Finance Committee of the Board. The Board Members consider it highly desirable that the present arrangement should be continued.

(Ministry of Transport and Communications O.M. No. 19-TF/4-58, dated, 8-3-1960)

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43 The Committee feel that it might perhaps be more economical to entrust the work relating to the clearance of stores received from abroad and forwarding them to the Head Office, at present handled by the three Branches of I.T.I. to the clearing and shipping agents approved by the Government of India. They would suggest that this question may be examined in consultation with the Ministry of Transport and Communications.

The work of clearance of stores has in fact been entrusted to the Clearing and Shipping Agents, approved by the Government of India. The Branch Offices or the Regional Offices as they are now called, serve a different purpose. They separate out the various items received in one consignment, and send them to the various customers distributed throughout India. All this work of distribution would have to be done at Bangalore which would have involved considerable delay and extra expense if there were no Regional Offices at Calcutta and Bombay. There is considerable follow-up action to be taken with regard to these consignments which work is also handled by these Regional Offices. The continuance of these Regional Offices is, therefore, considered necessary for the proper functioning of the Indian Telephone Industries' sales and distribution organisation.



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44 The Committee feel that the justification for the continuance of Delhi Branch may also be re-examined to see whether this work can be done through some other agency, such as one of the Committees discussed in the Report.

46 While the Committee agree that under the circumstances it might be necessary for the I.T.I. to keep some maintenance staff to look after the PAXs installed in the areas served by its various Branches, they would suggest that the I.T.I. should

(Ministry of Transport and Communications O.M.
No. 19-TF/4-58, dated 8-3-1960).

The staff at the various branches has been kept absolutely to the minimum necessary for the functioning of these organisations. It is necessary that the PAX maintenance work should continue to be handled by the Indian Telephone Industries as it is an essential part of Sales Organisation that good service and proper maintenance of the PAX equipment should be ensured for the subscribers much of the success of the Sales Organisation depends on the after sales service and proper

examine the whole question of maintaining these Branches, in their present form and strength particularly in case it is found economical to entrust the handling work to the clearing agents.

mentioned of the equipment. It may also be mentioned that during the year 1957-58, the service and maintenance organisation showed a net profit of 10.8 per cent. The continuance of the Delhi Branch is, therefore, considered necessary.

(*Ministry of Transport and Communications O.M. No. 19-TF/4-58, dated 8-3-1960*).

20' 53 Since the capital output ratio in the I.T.I. is only 72%, it is evident that efforts will have to be made by the I.T.I. to increase their production to the optimum capacity for use at home as well as by tapping export markets and undertaking manufacture of ancillary items.

It may be pointed out that the value of production is not a proper yardstick for judging the efficiency of production as it does not take into account the element of reduction in the cost of manufacture. Quantitative production should be the proper basis for judging the production output of a Factory.

As an instance, it may be mentioned that in 1948, the lowest rate paid by the Posts & Telegraphs for an imported automatic telephone instrument was Rs. 108/-. Against this, the price during 1957-58 charged to the Posts & Telegraphs was only Rs. 79.19 which again has shown a downward trend and since October, 1958 has been further brought down to Rs. 74/- approximately.

The reduction in the prices of certain other items of telephone equipment have been even more marked. Considering the telephone as an index, the cost

of production, based on the earlier rates of Rs. 108/- per telephone instrument, would be 108/79·19 time the value of reduction. On this basis, the output ratio would be 98 per cent against 72 per cent mentioned by the Committee.

It has also been explained earlier that the borrowings from the State Bank had become necessary because of certain arrears of payments against Posts & Telegraphs. If these borrowings from the State Bank are excluded, the total participating capital for 1956-57 would be only Rs. 464 lakhs and the ratio would come to 1:1 approximately by applying the conversion factor appropriate to that year. The figures for 1957-58 given indicate better results.—

Total paid-up Capital	. . .	Rs. 400 lakhs
Loans from State Bank	. . .	Rs. 11 lakhs
Loans from Government	. . .	Rs. 76 lakhs
TOTAL	. . .	Rs. 487 lakhs
Production	. . .	Rs. 434 lakhs

Applying the same conversion factor (108/79·19) value of production is Rs. 586 lakhs.

Ratio of participating capital (476) to Production (586) is 1:1·2.

(Ministry of Transport & Communications O.M. No. 19-TF/4-50, dated 8-3-60).

The Committee doubt whether the declaration of a dividend by the Board of Directors in 1955-56 and 1956-57 without making provisions for Royalty to be paid to A.T.E. for 1954-55 and selling price variation for 1955-56 was in consonance with the accepted commercial practice.

The payment of dividend at 2½% and 2% for these years cannot be considered unreasonable having regard to the fact that no dividend was paid by Indian Telephone Industries to the share-holders since its formation in 1950. Moreover, adequate provision for rebate to P. & T. Department had been made under materials variation and Cost variation and selling price variation accounts. Profits shown were, therefore, real and were available for distribution. The royalty to be paid for 1954-55 had not been finalised and no payment has so far been made to the A.T.E. on this account.

(Ministry of Transport & Communications O.M. No. 19-TF/4-58 dated 8-3-1960).

The Committee consider that the main reason for the outstandings is the lack of promptness on the part of the I.T.I. in rendering bills or in chasing those which are not paid within a reasonable time and also on the part of the P. & T. units in paying or taking any action on the bills rendered to them for supply of goods. The Committee recommend that strong action should be taken against those who allowed the dues to accumulate both in the I.T.I. and in the P. & T. units and that there should in future be greater co-ordination between the two in the settlement of dues.

The large outstanding against Posts & Telegraphs Department in previous years were partly due to want of an agreed rate list for the checking up of the prices charged. With the introduction of the new rate list by the I.T.I., these difficulties have been removed to a large extent which has been reflected in the reduced outstandings. Part of the outstandings relating to Sales Tax could not be settled due to certain legal difficulties. These have also since been resolved and the Director General, Posts & Telegraphs, has issued instructions in this matter to his subordinate

units. The Ministry is satisfied that the out-standings were not due to the negligence or carelessness on the part of any individual officer. In this connection a reference is also invited to Government's reply to Serial No. 26 (Para 6f). (Item No. 26 of Chapter II).

(Ministry of Transport & Communications O.M. No. 19-TF/45-58, dated 12-8-1960).

Considering the total turn over, the value of write-offs is not considered high. However, the Indian Telephone Industries is making every effort to keep it down.

[Ministry of Transport and Communications O.M. No. 19-TF/4-58 dated 8-3-1960).

In para 70 the Committee have themselves remarked that the increases in wages do not compare unfavourably with the increases in actual production (ITI's effort). In any case, it may be explained that although there has been a definite increase in production quantitatively, this is not fully reflected in the value of production because of the fact that there has been a fall in prices of equipment compared to the prices which prevailed in 1953-54. For example, a telephone instrument which used to cost Rs. 108/- in 1953-54, cost Rs. 79 only during 1957-58. If this fall in the prices of equipment manufactured in the I.T.I., which otherwise reflects a satisfactory improvement, is taken into account, the national value of

69 The Committee are concerned to see this abnormal rate of write-offs (about Rs. 45,000 per annum) in the company and would suggest that the management should examine them carefully.

71 The Committee feel that the expenditure trends do not reveal a very satisfactory picture in many directions, especially since in the year 1957-58 when though the total production figure showed an increase of about 29% since 1954-55 the budgeted expenditure on salary and wages, fuel and paper and depreciation as also the total revenue expenditure were much higher. The Committee suggest that the Management and the Board of Directors should regularly have the expenditure of I.T.I. carefully analysed and take action to control disproportionate increases wherever they are noticed.

production will be found to compare favourably with the increase in wages and salaries. This position is clearly depicted in the statement (Appendix II) which shows the increase in the value of production for the years 1954-55, 1955-56, 1956-57 and 1957-58 along with the percentage increase in the number of employees, revenue expenditure and staff expenditure.

[*Ministry of Transport & Communications O.M. No. 19-TF/4-58, dt. 8-3-1960*].

37 75 The Committee regret that till this report was finalised, information in regard to action taken by the Government on the 2nd Report of the Chief Cost Accounts Officer of the Government of India was not made available to them by the Government. They however feel that sufficient action has not been taken thereon by the I.T.I. Even the Board of Directors do not seem to have taken any specific note of the two Reports of the C.C.A.O., which is rather unfortunate. They would, therefore, recommend that the Board of Directors should arrange for immediate action in regard to these recommendations of the C.C.A.O.

Detailed comments on the report of the Chief Cost Accounts Officer are contained in Appendix 4 to the report of the Committee. It has been mentioned there that Indian Telephone Industries did not agree with many of the views expressed by the Chief Cost Accounts Officer and it was desired to discuss the various recommendations with him. But unfortunately no discussion could take place before he retired from service. It may, however, be pointed out that the present cost accounting system in vogue in Indian Telephone Industries is under constant vigilance of the Statutory Auditors of the Company, the Director of Commercial Audit under the control of the Comptroller & Auditor General of India and

the Cost Check Unit of the Posts & Telegraphs Department. They have not so far commented adversely on the system in vogue in the Indian Telephone Industries. The cost accounting system in vogue in Indian Telephone Industries takes into consideration the agreement between the Indian Telephone Industries and Automatic Telephone & Electric Co., and the agreement between Indian Telephone Industries and the Posts and Telegraphs Department and is functioning smoothly having regard to the financial clauses of these two agreements.

However, to get another opinion regarding the soundness of the Cost Accounting system of the I.T.I., the Ministry of Finance will be requested to ask the new Chief Cost Accounts Officer in that Ministry to go into the Cost Accounting Organisation of the Indian Telephone Industries again and make any suggestions for improvement which may be considered necessary, after consultation with the Management of the Industry.

[*Ministry of Transport & Communications O.M. No. 19-TF/4-58, dated 8-3-1960*].

(ii) In the last three years the actual production (the I.T.I.'s efforts) has been Rs. 110 lakhs, Rs. 139 lakhs and Rs. 176 lakhs respectively, i.e. Rs. 425 lakhs which comes to only about 41% of the total production of Rs. 1023 lakhs during the period. The Committee, therefore, recommend that

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efforts should be made to improve the extent of actual production in the I.T.I.

therefore, be compared with Rs. 425 lakhs which represents the production cost of equipment manufactured by I.T.I. exclusive of capital items etc. mentioned above. If these are taken into account, the total figure would come to Rs. 870 lakhs in round figure, which should in fact be taken as the I.T.I.'s effort. The percentage would then be 85 approximately, instead of 41.

*Ministry of Transport & Communications O.M.
No. 19-TF/4-58, dated 8-3-1960.*

The Committee would recommend that in order to ensure the utilisation of this surplus capacity and to minimise dependence on imports, the I.T.I. should undertake production of as many other items both in the tele-communication and non-telecommunication fields as possible. For this purpose, the I.T.I. should first clearly determine what items can be manufactured by them after making a survey of the idle capacity as well as the capacity of the machinery to produce these items. Thereafter the I.T.I. should conduct a market survey of the demand for all such items keeping in view the capacity already available in the country. To enable such surveys to be made they would suggest the appointment by the

It is not quite clear how the Committee has arrived at the conclusion that there is an excess of manpower in the I.T.I. The standards of output of the factory are high. The surplus capacity of the machines has also been brought down very much and it would be necessary to have some new machines installed in the near future. The only machine shops which are working single shift are Miscellaneous Machine Shop, Tool Room and Jobbing Machine Shops.

The Assembly Shop which has no machines is also working single shift. Some spare capacity in machines is always necessary for a growing factory like the I.T.I. in order to make it self-sufficient

Government of a Committee analogous to the Engineering Capacity Survey Committee which had been appointed by Government some time back. Finally, the I.T.I. should draw up necessary plans for starting manufacturing operations on the basis of the survey.

in more and more items of components. The machine utilisation figures have shown a progressive increase as indicated below:—

1952-53—35%; 1953-54—56%; 1954-55—82%;
1955-56—91%; 1956-57—112%; 1957-58—131%

[*Ministry of Transport & Communications O.M. No. 19-TF(4)-58 dated 12-8-1960*].

The Estimates Committee's recommendation regarding the setting up of an Engineering Capacity Survey Committee for the Indian Telephone Industries, was based on the assumption that there was surplus capacity available at the Indian Telephone Industries, which needs to be utilised. In the reply furnished by Government to S. No. 45 *vide* this Ministry's O.M. No. 19-TF/4-58 dated 12-8-1960, it was explained that the standards of the out-put of the factory were high and that there was a progressive increase in the machine utilisation also. The need for installing new machines was also indicated there. In view of the position explained there, the necessity of setting up a Committee analogous to the Engineering Capacity Survey Committee would not, therefore, arise.

[*Ministry of Transport & Communications O.M. No. 19-TF(4)-58, dated 21-10-1960*].

46 97 The Committee recommend that strenuous efforts should be made to reduce the overheads to a reasonable figure and thus to reduce the cost of production. This, they feel can be done by increasing production and simultaneously undertaking a review of the staff position. In this connection they would invite attention to their recommendation at S. No. 37 above.

It may be explained that higher the mechanisation in a factory, the higher will be the overheads as the direct labour utilised will become less and less with the increase in mechanisation. No comparison can, therefore, be drawn between the I.T.I. and P & T. Workshops. Further, the P. & T. Workshops have no organisation for sales, purchase and stores-keeping, which work is done by the Chief Controller of Telegraph Stores and the Office of the Director General, Posts & Telegraphs. Moreover, the I.T.I. has to do the engineering of automatic exchanges while the P. & T. Workshops are not required to do this work in the case of manual exchanges which they manufacture.

The overheads in the case of I.T.I. have come down to 500 and a further reduction may be expected now that a scheme of Wage Incentives has also been introduced. It may be further pointed out that the important thing to take into consideration in this matter is the total cost and not the percentage of overheads.

[Ministry of Transport and Communications O.M.
No. 19-TF/4-58, dated 8-3-1960].

The Committee feel that it should be possible for the I.T.I. by proper advertisement and negotiations to find Agents on payment of reasonable remuneration. As regards appointment of agents abroad the Committee would suggest that as far as possible preference should be given to Indian Nationals resident abroad.

The Committee consider the existence of Stores Purchase Committee in the I.T.I. as a very desirable feature which may be adopted with advantage by other State Undertakings.

In view of the fact that the annual purchases of the I.T.I. amount to Rs. 2·5·3 crores, the Committee would suggest that the feasibility of associating non-officials with the Stores Purchase Committee may be examined by the I.T.I.

It may be pointed out that no reliable firms were willing to take up the work of selling the I.T.I. equipment except on a very high commission. The Board of Directors of the Company have reviewed the question and they are of the opinion that the present arrangement is the best particularly as it enabled the Company to have a good control over the services side of the problem.

Indian nationals residing abroad are given preference as far as possible, but it may be pointed out that the countries where the equipment is to be sold prefer their imports to be done through their own nationals, for example, the P. & T. Department of Indonesia has intimated that they are intending to forward their official orders for equipment through the Indonesian national importer.

[*Ministry of Transport & Communications O.M.*
No. 19-TF/4-58, dated 8-3-1960].

This is being brought to the notice of the other Ministries.

The I.T.I. are of the view that the present arrangements are working quite satisfactorily and that no particular advantage would be gained by associating a non-official with the Stores Purchase Committee.

[*Ministry of Transport & Communications O.M.*
No. 19-TF/4-58, dated 8-3-1960].

52 115

(i) The Committee recommend that in view of the position regarding the extent of imports of raw materials, components etc. (even apart from plant and machinery) as well as of other telephone equipment, more concerted measures to locate and develop indigenous sources should be taken in co-ordination with the Development Wing. An increasing use should also be made of the system of sub-contracting which at present amounts to five per cent only.

(ii) The Committee feel that indigenous manufacturers should be encouraged to improve the quality of supplies and that the position is bound to improve gradually. They would also suggest that a system of decentralised purchases should be adopted by the I.T.I. However, to obtain better results in all these matters the Committee feel that it would be desirable to appoint a Telegraph and Telephone Equipment Committee on the lines of the Railway Equipment Committee.

The Indian Telephone Industries is making determined efforts to locate indigenous sources of supply of raw materials and is in constant touch with the Development Wing of the Ministry of Commerce & Industry and the dependence on the imports of raw materials is being progressively reduced, though there are severe limitations and no forecast can be made at present as to when such dependence on imported raw materials can be entirely eliminated.

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Indian Telephone Industries experience of sub-contracting has not been a happy one and as it involves lowering of standards which cannot be agreed to, there is no alternative, at present, but to manufacture most of the items at the factory itself. Further sub-contracting will lead to lesser machine utilisation in the Factory.

It is also doubtful whether the Committee of the type envisaged will be able to achieve any appreciable results as the Tele-Communication equipment is of a special type and is not available commercially unlike the Railways where a number of items can be obtained from open market.

[Ministry of Transport & Communications O.M. No. 19-TF/4-58, dated 12-8-1960].

The Committee would suggest that the need for streamlining the organisational set-up of P. & T. Workshops with a view to ensuring greater co-ordination with I.T.I. even if common management for the two be not immediately feasible as well as of rationalising the manufacturing operations in these units to fit in with the Telephone Expansion Schemes of the P. & T. Department should be constantly kept in view while making the reorganisation.

A common management for the I.T.I. and the P. & T. Workshops is not possible because of different locations, historical background, development, practices and procedures regarding finance operations, staff, etc. Even though both the organisations are manufacturing concerns, the P. & T. Workshops are meant primarily to cater to the needs of the P. & T. Department, and for repairs of telegraph and telephone equipment in use in the P. & T. Department and also to undertake any special jobs of manufacture or installation for the P. & T. in times of emergency. This requires certain amount of flexibility. Even though the Workshops are managed by a separate Board, they are closely linked with the P. & T. Department to ensure maximum co-ordination with that Department. With the formation of the P. & T. Board the Workshops Board will function as a sub-Board.

In the case of the I.T.I. though the main customers are the P. & T., the Company being the sole manufacturers of Tele-communication equipment in the country, has also to meet the demands of other Government Depts., public bodies and private individuals and firms. The requirements of the P. & T. Department are, no doubt, taken into account by the I.T.I. in fixing the company's production programmes. Otherwise also co-ordination between the Workshops and the I.T.I. is ensured through the Production Co-ordination Committee consisting of representatives of P. & T. Workshops and I.T.I. set-up to co-ordinate

matters relating to production at the two organisations and to avoid duplication. Further, the Chief Engineer of the P. & T. Department, who is a Director of the I.T.L., is also the Chairman of the P. & T. Workshops Board.

[*Ministry of Transport & Communications O.M. No. 19-TF/4-58, dated 12-8-1960*].

57 129 The Committee would suggest that to facilitate effective co-ordination, the desirability of placing the Hindustan Cables Limited under the administrative control of the Ministry of Transport and Communications (Department of Communications) should be considered.

A reference in this connection is invited to D.O. letter No. 1524-MI/58, dated the 3rd August, 1958 from Minister of Industries to the Chairman of the Estimates Committee. (Appendix III).

[*Ministry of Transport & Communications O.M. No. 19-TF/4-58, dated 12-8-1960*].

58 131 The Committee feel that with better planning it should be possible to reduce the time lag between the installation of capacity and its utilisation considerably, to see that capacity is utilised simultaneously with its installation. They recommend that this matter should be carefully examined.

The position regarding provision of sub-lines in auto exchanges is as follows:—

Ordinarily, as a matter of economic planning principle, the installation of exchange equipment is done in blocks. In large exchanges, the increment may be a few thousand lines at a time. In a telephone system, exchange capacity should be provided in advance to meet

about two to three years' requirements—in other words—exchange capacity should be available for nearly two to three years' normal expansion.

2. The conditions in many of our systems are abnormal in that the provision of capacity is in arrears as compared to the demand. In such cases, P. & T. Department considers that, after reserving some capacity for future emergencies, all pending demands should be given soon after exchange capacity has been increased.

3. Instructions have been issued by P. & T. that as many connections as possible be given from the waiting list soon after the cut over of a new exchange equipment. A number of factors have operated, especially in large exchanges, which do not permit the immediate absorption of all the capacity that is provided. Some of the factors are as follows:—

(i) Where an old exchange is being replaced by a new one in a new location, certain portions of the existing cable plant can be freed only after the existing lines are transferred to the new exchange. Considerable work is to be put subsequently into the underground cable network to re-arrange it and make it suitable for new connections. This difficulty has arisen extensively in the Calcutta network.

Here a very large manual system was replaced by 15 new automatic exchanges and the entire area redemarcated. The last manual exchanges were replaced in January, 1958. The rate of giving new connections showed a significant rise after the conversion was completed. As against about 500 connections per month in 1957, an average of nearly 700 connections have been given in 1958. This is further being stepped up.

(ii) Due to foreign exchange situation there is some difficulty in getting adequate supplies of underground cables.

(iii) The work involved in giving new connections is considerable. The size of establishment and organisation for this purpose is, in a normally functioning telephone system, determined by the average rate of giving new connections. Expenditure in wiring and fitting subscribers' premises can be incurred only after the applicants make a definite commitment and pay the charges in advance. It is, therefore, not possible for the Department to start the work at subscribers' premises very

much in advance of the actual availability of equipment. On the other hand, the size of establishment and organisation cannot be increased disproportionately to give all possible connections in a very brief period of time, *i.e.*, just before, and after the cut over of exchange equipment. If that is done the establishment would lie idle until the next large instalment of exchange equipment is brought into service. Thus, economy necessitates that even where there is pending demand, the installation of connections is carried out progressively. To the extent possible, delays are of course, reduced.

4. As regards the four specific systems mentioned by the Committee, the figures as on 31-12-1958 are as follows:—

System	Equipped capacity	Estimated Connectable capacity (Approximate)	Working connections
Calcutta . . .	58,210	52,300	46,404
Bombay . . .	42,305	38,100	37,231
Madras . . .	12,510	11,300	9,521
Delhi . . .	26,060	23,500	23,696

The Bombay exchanges are working practically to full capacity after keeping a reserve for emergencies. In Delhi, the safe capacity has already been exceeded and P. & T. have been forced to stop connections in practically all the exchanges. In Calcutta, the rate of giving new connections is being stepped up. In Madras, some capacity has recently been added and new connections are being given.

[*Ministry of Transport & Communications O.M. No. 19-TF/4-58, dated 8-3-1960.*]

59 132 The aim of the Posts & Telegraphs Department should clearly be to keep these five elements (as stated in para 132 of the Report) in balance relative to each other for any imbalance would result in inefficiency either in the form of poor service or in uneconomic utilisation of capital equipment such as idle capacity etc.

The P. & T. Department is working on the basis that the balancing of the 5 elements in telephone networks is an ideal which must be aimed at. This involves coordination of hundred of component items. There are severe restrictions encountered like paucity of suitable accommodation, limited financial allocations, difficulties of foreign exchange tending to hold up supply of important items of components, from abroad e.g., underground cables, switch-board cables, power plants, air-conditioning plants etc. The progress in regard to the execution of the Co-axial Cable scheme intended to provide for an adequate trunk

service between all the important cities in the country has been slow because of foreign exchange difficulties and the scheme is now being executed only by sections.

A balanced and co-ordinated programme also depends on the adequacy of trained personnel. The P & T Department has taken note of these problems and is trying to overcome them as best as possible.

[*Ministry of Transport & Communications O. M. No. 19-TF/4-58 dt. 8-3-1960*]

The Committee would suggest that the scheme to provide auto Exchanges in replacement of manual Exchanges should be expedited.

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Recent assessment indicates that automatic equipment is more economical for exchanges with capacities above 300 lines. Below 300 lines, the automatic equipment would also be cheaper, provided a trunk circuit is not required to be connected to the exchange. As automatic exchange equipment involves more initial capital expenditure (about three times the manual equipment) and also requires special buildings, it has not been possible to attend to the early large scale conversion of manual systems into auto systems. Further, priority is also required to be given to the extensions of the existing automatic systems over conversion of the manuals into autos, as demands in the existing automatic systems are found to be rising rapidly.

[*Ministry of Transport & Communications O.M. No. 19-TF/4-58 dt. 8-3-1960*]

62 135 The Committee recommend that the question of restoring the Rural Auto Telephone system in Saurashtra, as well as expanding it elsewhere should be urgently examined.

With the Federal Financial Integration, the rural telephone systems in Saurashtra became the property of the P. & T. Department. The P. & T. maintain these rural telephone systems but the actual cost of maintenance, including repairs and renewals, is being recovered from the State Government. Recently, the rural telephone systems were renovated at a cost of nearly Rs. 9 lakhs. These rural telephone systems are operated by the State Government. It is understood that the Bombay Government have not found these systems to be remunerative and they have appointed a Committee to go into the working of these systems and the report of this Committee and the decision of the Bombay Government are awaited.

2. The question of replacing any of the exchanges in the rural network by automatic exchanges was not taken up at any stage and it is not also proposed to take up this question unless asked by the State Government as they will have to bear the cost. Except in two towns, Bhavnagar and Porbander, the entire system consisted of only magnets telephone exchanges and single wire earth return circuits. The automatic telephone exchange at Porbander was old and had to be replaced by a manual board with trunk facilities. The automatic exchange at Bhavanagar had suffered damage by fire and had to be replaced by a manual board

with trunk facilities. Considering the importance of Bhavnagar the Department has already approved of the replacement of the existing Bhavnagar Manual system by a 1000 lines automatic exchange. This Automatic Exchange system is likely to be cut into service by about 1961—62. In a number of places where rural telephone exchanges exist long distance public call offices have been opened to provide access for the people to the general trunk system. Since the time of taking over of the rural systems by the P. & T., no portion of these rural systems has been abandoned or closed.

3. Apart from the rural system which was taken over from the State Government, there was another telephone system in Halar District in Nawar State which was purchased by the Department in 1961 from the Nawar State Electric Supply Company Ltd. This consisted of 2 urban exchanges at Jamnagar connected to 11 magneto exchanges at various places in the District. This entire rural system consisted of earth return circuits and magneto switch boards. None of these exchanges were automatic exchanges.
4. So far as the urban exchanges at Jamnagar were concerned, the system was modernised and replaced by a C.B. system some time in 1954 and was connected to the general trunk network. The rural magneto exchanges were, however, allowed to remain connected to this C.B. exchange system at Jamnagar. This rural system

is not at all remunerative to the Department. The matter was discussed with the erstwhile Government of Saurashtra and with the approval of that Government it was decided that this system in Halar District, will be departmentalised that is, departmental public call offices connected to the trunk network will be opened at all the places where rural magneto exchanges exist and the exchange connections from these rural exchanges will be transferred to the public call Offices as PCO extensions. P. & T. have already opened 3 PCOs according to the Scheme and the proposals for opening PCOs at 3 other places have been approved.

5. It will thus be seen that while the P. & T. Department has every intention to modernise this rural Halar telephone system as well, there is no intention on the part of the department to shut down any of these systems if modernisation cannot be brought out immediately. P. & T. have at present no plan to open any rural automatic exchanges in any of these places as such exchanges cannot be financially justified. Installation of rural automatic exchanges in replacement of existing exchanges will depend upon the traffic and financial justification of each case and the concurrence of the State Government in so far

as the systems operated by them are concerned. However, the Department has not and is not considering the abandonment of the rural telephone networks at present.

6. The rural telephone system of the type obtaining in Saurashtra has very limited local usefulness and is unsuited for being connected with the National Trunk system. These systems cannot, therefore, form a model for the P. & T. Department's expansion programme of telephone facilities to small towns and rural areas where the trunk call facility is quite important.

7. The Department has all along been keen on extending telephone facilities to the rural and undeveloped areas. Wherever justified, P.C.Os. with trunk facility or small telephone exchanges of the automatic or manual type are being provided. The policies with regard to the expansion of telephone facilities in the rural and undeveloped areas have been liberalised so that telephone exchange facilities at the District headquarters towns and P.C.O. facilities at Sub-divisional and tehsil headquarter stations (including corresponding units in the States of Bihar, Orissa and West Bengal which have no tehsils in their administrative set up) can be provided on a loss basis provided the aggregate loss is kept within certain specific limits. In addition, it has been decided that during the Second Plan) 100 P.C.Os. should be opened in remote localities

which are far away from the existing telephone net-work.

The following figures will indicate the progress made in this direction:—

As on	As on	As on
31-8-1951	31-12-1957	31-12-1958
<i>i.e.</i> beginning of the First Plan.		

Public Call Offices	338	1,554	1,723
Telephone Ex-changes.	464	981	1,081

(Ministry of Transport and Communications O.M. No. 19-TF/4-58, dt. 8-3-1960).

66 145/146 The Committee feel that in an industrial and commercial undertaking it should be possible to control increases in man power especially when the overheads are high. They recommend that vigorous and determined attempts should be made to control staff strength and to correlate it with production.

In para 70, it has been observed that the increase does not compare unfavourably with the increase in the actual production (that is Indian Telephone Industries' effort). The Staff utilised in the factory is kept at the minimum and any increase in the staff is allowed only after a detailed examination and full justification.

It will be observed from the Chart at Appendix II furnished in reply to para 70 of the report that the overheads and other expenses are rising at a slower rate than production. It will also be seen from the reply furnished to para 70 of the Report that the rise in the proportion of salaries and wages is higher than in the case of the total revenue expenditure. It has also been stated in the same paragraph that the increases in the salaries and wages do not compare unfavourably with the I.T.I.'s efforts.

(Ministry of Transport and Communications O. M. No. 19-TF/4-58 dt. 8-3-1960).

67 148/149 (i) The Committee consider the abnormal increase of Factory staff without corresponding increase in production an indication that the productivity of labour has been on the decline in the I.T.I. They recommend that the management should give urgent attention to this problem. For this purpose) the Committee would suggest that a detailed job analysis and proper time and motion study be undertaken immediately in the various shops in the I.T.I. since only then can the optimum efficiency of an operative business be measured.

(ii) Since the present system of fixing standards in the I.T.I. has not succeeded in effectively controlling staff strength the Committee would recommend a review of the methods adopted.

(i) The increase in non-supervisory/factory staff, provided it is not disproportionate with the increase in production, is not an unhealthy sign in an industry. As indicated in paragraph 70 of the Report, the increase in salaries and wages of staff is not incommensurate with the increase in production. Detailed job analysis and proper time and motion studies have already been conducted in the I.T.I. and all this information is available for each job, small or big, and the factory strength is sanctioned on the basis of this information. Incentive Scheme has also been introduced on the basis of this information with effect from June, 1958.

(ii) As explained above, the staff strength is effectively controlled, based on proper job analysis and time and motion study.

(Ministry of Transport and Communications O.M. No. 19-TF/4-58 dt. 8-3-1960).

74 While the committee appreciate the welfare measures existing in the I.T.I. they would suggest that the I.T.I. should consider the desirability of creating a separate Welfare Fund to be managed by a Committee consisting of workers only.

The present arrangement is working very well. In fact, the Co-operative Society was running the Canteen in the Factory and the Stores in the Township. Due to mismanagement, this Society incurred heavy losses and at the insistent request of the workers, the Management had to take over the working of this Society. In view of the past experience it is not considered desirable to have a welfare fund managed entirely by a Committee consisting of workers only. However, as has been mentioned by the Committee in para 160 of the report, the employees are encouraged to take more and more responsibility by associating them with the Managing Committee of the various Clubs and Societies.

(Ministry of Transport and Communications O.M.
No. 19-TF/4-58, dt. 8-3-1960).

75 The Committee would suggest that the proposal to buy more buses should be carefully examined by the I.T.I. especially, when transport facility is causing a heavy recurring financial loss to the I.T.I. In this connection they would suggest that the feasibility of having a common pool of transport for all the Government concerns in Bangalore or some of them located in neighbouring localities should be considered.

The number of buses hired from the Hindustan Aircraft Ltd. has been reduced from 24 to 13. However due to the fact that the charges for bus hire had to be reduced in view of the reduction effected in the Hindustan Aircraft, the amount of subsidy for transport has gone up.

The suggestion regarding having a common pool of transport is difficult to implement as the factories

CHAPTER IV

REPLIES OF GOVERNMENT THAT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

S.No. (as in Appendix V to the 11th Report)	Reference to Paragraph No. of the Report	Summary of Recommendations/Conclusions	Reply of the Government	Comments
1	2	3	4	5

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7 The Committee feel that it would have been advantageous to get a project report from the A.T.E. not merely to serve as a short term and long-term plan but also as a means of watching and judging the progress made from time to time and that in its absence it is somewhat difficult to make a correct assessment of the actual progress.

While this Ministry do not entirely agree with the view that these initial difficulties would have been altogether eliminated if there has been a Project Report, they agree that similar difficulties arising in future in the operation of the Agreement should be settled by mutual discussion between the Indian Telephone Industries and the Automatic Telephone & Electric Co. Ltd., The Ministry feel that if there had been

The Committee trust that Government shall, in future, ensure that a Project Report is invariably obtained from the Collaborators before launching upon any project.

a Project Report from the very beginning, this probably would have led to purchase of Plant and Machinery much in excess of that actually purchased in the absence of any Project Report, since, in that case, Indian Telephone Industries would have ordered all plant and machinery on the basis of the Project Report. The estimated requirements of Plant and machinery given by the Automatic Telephone & Electric Co. Ltd., in the Report would not have been different from those which they gave to the Indian Telephone Industries for the purpose. As pointed out earlier, Indian Telephone Industries departed from Automatic Telephone & Electric Co.'s advice and ordered machinery according to its requirements as it gained experience of the Factory.

(Ministry of Transport and Communications, O.M. No. 19-TF/4-58, dated 12-8-1960).

7 It would appear that the actual production in the I.T.I. has

24 While it is admitted that the estimate of Rs. 87 lakhs on

The Committee are surprised that important matters like the proce-

fallen short of that contemplated at the time of the Agreement. The Committee therefore, feel that there is no reason to feel complacent in regard to the progress made by the I.T.I. so far. They recommend that this matter may be re-examined by the Management.

account of payment to be made to the Automatic Telephone & Electric Co. Ltd., during the course of 15 years under clauses 13(a), (b) and (c) of the Agreement has proved to be very much on the high side, the Ministry are unable to agree with the conclusion that this is due to short fall in the production as originally estimated. The exact procedure for the calculation of royalty had not been finalised at the time of framing of the original estimates which were, therefore, based on rough calculations. It may be pointed out that the I. T. I. has been closely keeping to the production targets set for it from time to time. The original production targets set for I.T.I. were 25,000 telephone instruments and 20,000 exchange lines per year. These targets were very much exceeded in 1954-55 and since

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dure of calculation of royalty and total amount to be paid therefor should have been left undecided while finalising the agreement. The fact that the estimate of Rs. 87 lakhs has proved to be excessive also indicates that adequate thought was not given to the question in working out the details on the agreement. The Committee trust that greater care would be exercised by Government in such matters in future. As the agreement with the A.T.E. is due to expire in 1963, the Committee would like the Government to settle their accounts with the firm expeditiously.

then production has been on the increase. The actual production figures for the year 1957-58 were in excess of 60,000 telephone and 43,700 exchange lines, and for 1958-59 they have been more than 84,000 telephones and 51,000 exchange lines. The I.T.I. has also been gradually taking up other lines of manufacture which were not thought of at the time when the estimates were framed; for example, manufacture of Transmission Equipment. An inference drawn regarding production on the basis of figures relating to royalty payable to the A.T.E. will, therefore, be erroneous and it would be desirable to go by quantitative production, i.e. actual volume of production of the different items of equipment manufactured in the I.T.I.

(Ministry of Transport & Communications O.M.No. 19-TF-4/58 dated 8-3-1960)

10	The Committee recommend that early action be taken to ap-	The Indian Telephone Industries was established primarily	The Committee would reiterate the recommendation made in
30			

point a Chairman with requisite qualifications and aptitude who holds no post in the Secretariat or has served his connection with the administration. They would further suggest that persons with business experience who might have no interests in private undertakings and also persons of experience in financial matters and in telecommunication engineering should be associated with the Board in terms with the recommendations contained in the Committee's Sixteenth Report. (1st Lok Sabha.) To the extent possible, they could also act as functional advisers in various matters and provide technical services in the fields of production, performance, measurement, etc.

to meet the requirements of the Posts & Telegraphs Services. It was, therefore, considered that the Secretary of the Ministry of Communications, would be in the best position, as Chairman of the I.T.I. to secure for the Company the required amount of co-operation and co-ordination from the P. & T. Department. Government have already informed the Estimates Committee in reply to the general question raised by the Committee in its Sixteenth Report that as sufficient experience has not been gained with the working of the present system, they proposed to continue the system for some more time before reviewing it.

It will also have to be pointed out that there are at present two non-official Directors on the Board who have been appointed on the basis of their Industrial experience. As far

para 6 of their 19th Report
(2nd Lok Sabha).

their interests in private undertakings are concerned they are not likely to conflict with the interests of the Indian Telephone Industries since the manufacture of telephone equipment is confined to this particular Government undertaking. Experience in telecommunication engineering is provided by the Chief Engineer, Posts & Telegraphs who is also a Member of the Board and experience in financial matters is provided by the Joint Secretary, Ministry of Finance, who is a Member of the Board of Directors.

In any case the general question of continued appointment of Government officials on the Board of Directors of Government Companies/Corporation is engaging the attention of the Government.

(Ministry of Transport & Communications O.M. No. 19-TF/4-58, dated 5-9-1960).

13 The Committee feel that it should be possible for the heads of the major depart-

37

The Committee do not quite understand why the Managing Director (who is a technical

13

ments in the I.T.I. at least e.g., the Transmission and Engineering Departments to function directly under the Managing Director, especially since the present incumbent is himself a technical officer, while the General Manager might control the other important Departments. Under this arrangement, it might be possible to abolish the post of Manager. The Committee would recommend that the organisational set up of the I.T.I. should be reviewed in the light of the above remarks, as well as of the position obtaining in modern undertakings elsewhere.

in other Government undertakings, particularly those at Bangalore. Although one of the officers has been designated as General Manager and another officer as Manager (this designation has since been changed to Joint General Manager without any change in his duties and responsibilities or emoluments), there is no overlapping of responsibility between them as they are in charge of separate departments of the factory. The Managing Director is in overall charge of the entire factory and it will not be possible for him to undertake direct responsibility for some of the departments at present coming under the control of the Joint General Manager (previously called Manager) or the General Manager. Some re-organisation has, however, been effected under which the head of the Transmission Research Department has been placed

officer) with the help of one General Manager should not be able to look after the whole work of I.T.I. Now that the Government have placed the head of the Transmission Research Department under the managing Director. One General Manager can reasonably be expected to coordinate the work of about a dozen Heads of the Departments of the Co. Further the practice of having a Joint General Manager also seems to be a special feature of the I.T.I. For these reasons and those given in para 37 of the 11th Report (2nd Lok Sabha) the Committee reiterate their recommendation.

directly under the Managing Director.

It may be added that against the total wage bill on account of pay and allowances for 1958-59, of Rs. 86.22 lakhs, the total cost of management was only Rs. 1.22 lakhs, or 1.41% of the total bill. This is considered to be a reasonable figure and the management cannot be regarded as 'top heavy'.

(*Ministry of Transport & Communications O.M. No. 19-TF/4/58, dated 12-8-1960*).

14 To ensure better coordination, the Committee would suggest the formation of a Board of Management as in the H.A.L., etc. consisting of the Managing Director and Senior Officers of the I.T.I. to assist the Managing Director in the exercise of his powers, functions and responsibilities not in an informal manner but by holding meetings at regular intervals maintaining records of proceedings, etc. In this connection, they might mention

38 The Managing Director has periodical meetings with all Heads of Departments where the individual problems of each department are discussed freely across the table with the Managing Director. This greatly helps in keeping the Managing Director in touch with the different factory departments and at the same time devolves the responsibility for taking the decisions on all major questions on the Managing Director himself.

It is not clear why the I.T.I. Ltd., should find it difficult to form a Board of Management on the lines of H.A.L. and B.E. The Committee reiterate their recommendation.

that the practice of having Boards of Management which involves collective and to that extent considered decision-making and encourages joint responsibility among senior officers, has become extensive in most enterprises.

It is understood that in the Hindustan Aircraft Ltd., also, the Board of Management is largely an advisory body and the present system of the Indian Telephone Industries, under which the Managing Director convenes weekly meetings of Heads of Departments to discuss individual problems of the various departments substantially serves the same purpose.

(Ministry of Transport & Communications O.M No. 19/TF/4-58, dated 8-3-1960).

19

The Committee feel that the present system of having different Co-ordination Committees and procedures for P & T Railways and Defence is not quite satisfactory. They, therefore, feel that a better arrangement might be to have

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The requirements of the various departments have practically little in common. The railways are interested mostly in Control Equipment and the requirements of the Defence Ministry are also peculiar to them. In fact, the Defence

If a Sub-Committee is constituted for each of the user departments, the Main Committee can deal with certain common problems of all departments. Such a procedure the Committee hope will go a long way in ensuring better coordi-

one co-ordination Committee with 3 to 4 Sub-Committees each dealing with the requirements of different User Departments and also a small office since that might ensure a closer co-ordination in production as well as in research programmes between the I.T.I. on the one hand and the different user departments on the other.

authorities have asked that the assembly of their equipment should be separated from the general equipment. A Common coordination committee for all these departments with 3 or 4 sub-committees will be a very unwieldy affair. It would also be most difficult to fix suitable dates of the meetings to suit the convenience of all the three departments. Since all these departments are interested in different types of equipment, their interests are best served by having separate co-ordination committees for them.

nation between the various users departments. The Committee therefore reiterate their recommendation.

(Ministry of Transport & Communications O.M. No. 19/TF/4-58, dated 8-3-1960).

32 67 In respect of arrears of payments, due to I.T.I. from Railways and Defence, the Committee would suggest that the existing procedure followed in the case of P.&T. together with the above suggestions

Though about 3 years have passed, the position regarding outstandings has not improved which is regretful. The Committee recommend that the matter regarding the clearing of outstandings from the Rlys.

The question of clearing the outstandings in the case of Railways and Defence is also being pursued very actively. Both these departments are being persuaded to agree to 100% payment on receipt of proof

should be made applicable in their case also and that the necessary discussions for the purpose be undertaken immediately.

of despatch on the lines of the agreement reached with the Posts & Telegraphs Department.

(Ministry of Transport & Communications O.M. No. 19-TF/4-58, dated 8-3-1960).

and Defence and 100% payment to I.T.I. on receipt of the proof of Despatch in future be taken up at higher level for an early decision.

33

The Committee observe from the terms and conditions of supply that no interest is levied by the I.T.I. on delayed payments on account of supplies of goods etc. They would suggest that the desirability of levying a charge of this nature in accordance with normal commercial practice should be considered.

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In view of the assurances given by the Departments and the instructions issued by them to subordinate units and the efforts being made to secure 100% payment on proof of despatch, it is not considered necessary to press for the payment of interest charges on the outstanding dues.

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Charging of interest on late payment of Bills is usual business practice. The I.T.I. should introduce such a charge, more so because it has to pay interest to State Bank of India, on its cash-credits, some of which it can be said are necessitated by non-payment of Bills in time. The Committee reiterate their recommendation.

38

(i) The Committee recommend that the entire system of accounting—financial, cost and store—should be urgently got examined afresh by an expert

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The Committee's recommendation for the setting up of an expert Committee to go into the system of accounting—finance, and stores,—in all the

The Committee understand that an Expert Committee has been appointed by Government to look into the various aspects of Accounting. They would there-

team especially to be set up for the purpose.

(ii) Incidentally the Committee would observe that during the examination of various State undertakings they invariably found that the costing system followed by them was not always what it should be in a commercial and industrial undertaking. They therefore, suggest that the Government should urgently consider the setting up of an expert Committee to go into the system of Accounting—Finance, Cost and Stores—in all the State Undertakings with a view to making it fool-proof and achieving standardisation of Accounting Procedure, to the extent possible, at least in all manufacturing units.

State Undertakings with a view of making it fool-proof and achieving standardisation of accounting procedures to the extent possible, was brought to the notice of the Ministry of Finance, who have since sent a reply to the Lok Sabha Secretariat (Estimates Committee) *vide* their Office Memorandum No. 2(1) -P.C./59, dated the 10th June, 1959—(Appendix IV).

(Ministry of Transport & Communications O.M. No. 19-TF/4-58, dated 12-8-1960).

refore suggest that this Committee may keep this recommendation of Estimates Committee in view.

69 153

The Committee consider that the real reasons for the large number of resignations in the I.T.I. should be carefully investigated with particular reference to the conditions of

This matter has been very carefully investigated by I.T.I. and it has been found that the main reason is that the scales of pay in the I.T.I. do not compare favourably with those

The Committee hope that Government will devise suitable measures to make the terms of appointment of technical personnel in the I.T.I. more attractive.

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service enjoyed by the personnel and remedial measures taken to the extent possible so as to avoid recruitment and personnel difficulties. They would also suggest that other Central Government Undertakings at Bangalore and representatives of staff might be associated with this investigation.

in force elsewhere, particularly in Bangalore.

(*Ministry of Transport & Communications O.M. No. 19-TF/4-58, dated 8-3-1960*).

CHAPTER V

RECOMMENDATIONS ON WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED

S. No. as in Appendix V to the 11th Report	Reference to Paragraph No. of the Report	Summary of Recommendations/Conclusions	Reply of Government
40	80	The Committee would suggest that the justifications of a separate cost check staff maintained by the P. & T. at the I.T.I. might be examined by the Ministry of Transport & Communications (Department of Communications) in consultation with the Ministry of Finance and the Comptroller and Auditor-General of India.	The matter is under consideration with Comptroller and Auditor General of India. (Ministry of Transport & Communications O.M. No 19-TF/4-58 dated 5-10-1960)

NEW DELHI;
January 17, 1961.
Pausa 27, 1882 (Saka)

H. C. DASAPPA,
Chairman,
Estimates Committee,

APPENDIX I

(Vide S. No. 39 Chapter II)

No. 1(14)-CL.VI/59

GOVERNMENT OF INDIA

MINISTRY OF COMMERCE & INDUSTRY

(Department of Company Law Administration)

Reserve Bank Building, Parliament Street,

New Delhi-1, the 16th April, 1959/Chaitra, 1881

OFFICE MEMORANDUM

SUBJECT: Government companies—annual reports to be placed before Parliament—section 639 of the Companies Act, 1956.

The undersigned is directed to invite a reference to paragraph 4 of this Department letter No. 1/5/58-PR, dated the 2nd June, 1958 to the Government of Mysore, copy of which was endorsed to all Ministries of the Government of India, in which the scope and the manner of presentation of the annual reports of Government companies were discussed. The Administrative Ministries have no doubt noticed that the Estimates Committee of Parliament in its 11th Report on the Indian Telephone Industries (Private) Ltd. (S. No. 39 of Appendix V of its Report—summary of recommendation) has since made the following suggestions on the subject:—

“The Committee consider it desirable that the Annual Accounts and Reports of Public undertakings placed before the Parliament should be made far more detailed and exhaustive than at present. These should clearly bring out the financial working of the undertakings as well as of its various manufacturing departments and branches, an analysis of accounts with particular reference to administrative expenses, over-heads, staff strength and measures to control them actual production of various items and its costs and trends, relations with users, personnel and training matters, etc. together with illustrative graphs and charts wherever possible. In this connection, the Committee would suggest that the Annual

Report and Accounts of the Nationalised Industries in United Kingdom might be considered as a model. Further, in order to enable Parliament and parliamentary Committees to make a proper study of these undertakings, their annual accounts and reports for the preceding financial year should be laid before the Parliament before the commencement of Budget discussions”.

2. The National Coal Board, U.K., in its report for the year 1955, the pattern of which has been commended by the Estimates Committee has furnished details under the following heads:—

- (i) Results of the year, financial and production, etc.;
- (ii) Demand and distribution *e.g.*, position and prospects of imports and exports, consumption of coal, etc.;
- (iii) Technical progress *e.g.*, research works, techniques of management, mechanisation, etc.;
- (iv) Organisation *e.g.*, general and policy of management;
- (v) Men in industry *e.g.*, Manpower, welfare works, training schemes, conditions of service, etc.;
- (vi) Summarised financial results for the year *i.e.*, the annual accounts with the necessary schedules, etc.;
- (vii) Statistical tables and graphs indicating—
 - (a) output of coal;
 - (b) output per man hour;
 - (c) number of wage earners on the books;
 - (d) percentage of absentees;
 - (e) average number of shifts per man;
 - (f) age distribution of men on the books;
 - (g) fatal and reportable accidents;
 - (h) consumption and stock of coal;
 - (i) average earnings etc.

While the Administrative Ministries will no doubt consider in due course to what extent and in what manner the pattern of the annual reports of the nationalised undertakings in the U.K. can be followed in this country, this Department would suggest that having regard to the fact that information on many aspects of the working of public undertakings registered as companies under the Companies Act, 1956 would be already available in their balance sheets and profit and loss accounts and their Directors' Reports, the Annual Report required to be submitted by the Administrative Ministry concerned for submission to Parliament under Section 639 of the Companies Act may contain only such additional information as may supplement the

information already available in the aforesaid documents. The precise form and content of this Annual Report would, therefore, vary not only from industry to industry but also from company to company and it may be difficult to prescribe a standard form for such Reports. Nevertheless having regard to oft-expressed desire in Parliament, as evinced by the latest recommendations of the Estimates Committee for fuller information about the working of Government companies, this Department would stress the need for making the Annual Reports prepared by the Ministries on Government Companies in accordance with the provisions of section 639 of the Companies Act, 1956 as informative as possible so as to render the financial accounts of these Companies more intelligible and meaningful to the public in the context of their management policy. In this connection, this Department trusts that the pamphlet (Annual company reports—Simplified Presentation of Statutory Accounts) already circulated to Government companies and the suggestion of the Director of Commercial Audit in regard to the desirability of preparation of manufacturing accounts which had been brought to the notice of all Administrative Ministries in this Department Office Memorandum No. 1(11)CL-VII/59 dated the 30th March, 1959 will facilitate the supply of the requisite additional information by Government in a form and manner which would highlight the more significant aspects of their operations and render them more readily intelligible to outsiders.

T. S. MENON,

Under Secretary to the Govt. of India.

To

All Ministries of the Govt. of India.

APPENDIX III

(Vide S. No. 57 Chapter III)

No. 1524-MI/58

MINISTER OF INDUSTRY

New Delhi, 3rd & 4th August, 1958.

My dear Shri Balwantbhai,

In the Eleventh Report of the Estimates Committee for the year 1957-58 on the Ministry of Transport and Communications, the Estimates Committee had suggested that, to facilitate effective coordination, the desirability of placing the Hindustan Cables (P) Ltd. under the administrative control of the Ministry of Transport and Communications (Department of Communications) should be considered.

“This question as to which Ministry should exercise administrative control over a particular factory or industrial project was very carefully gone into early last year in connection with the reorganization of the scope of some Ministries and the view was taken then that, excepting where special considerations come into force, as in the case of some projects like Hindustan Aircrafts under the Defence Ministry or the Hindustan Steels under the Ministry of Steel, Mines and Fuel, all Government industrial projects should be generally under the Commerce and Industry Ministry, in view of their basic importance as Government managed industries and also to facilitate integrated development in different public sector projects.”

It may also be pointed out, in this connection, that Hindustan Cables is not the only case where the administrative control vests in this Ministry, while the consumer Ministry is another *viz.*, Transport & Communications Ministry. I will give two more examples to illustrate this point. The D.D.T. factory and the Pencillin Factory at Pimpri are also under the control of this Ministry, while the consumers are different. Again, in the case of fertilisers, both the Sindri and Nangal Fertilisers are under this Ministry, though their entire production is supplied to the Fertiliser Pool administered by the Food and Agriculture Ministry. In all these cases, the principle accepted is that, in regard to the technical and production management of the factories, the Commerce & Industry Ministry would be the most suitable administrative authority and the necessary close liaison will be maintained with the consumer interests, the Ministries and the private sector industries so as to ensure effective coordination in respect of both current production and future planning.

Coming back to the specific case of Hindustan Cables, I can assure you that the requirements of the Department of Communications are fully taken into account in planning for the expansion of this factory and also other possibilities of internal and export markets, if possible. Apart from there being the Representative of the Post & Telegraph Department on the Board of Directors, the present Managing Director of the Company is also an officer of that Department. There is besides an independent officer of that Department for testing the quality of product. All these arrangements together serve to ensure effective coordination in actual administration.

I trust, that, in the light of these facts, you may agree that it is not necessary to consider any further the question of transfer of administrative control from this Ministry to the Department of Communications. The Ministry of Communications has also considered this matter and concurs with the above view.

With kindest regards.

Yours sincerely,
Sd. MANUBHAI SHAH

APPENDIX IV

(Vide S. No. 38 Chapter IV)
No. 2(1)-P.C./59

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(Project Coordination Cell)
New Delhi, the 10th June, 1959
OFFICE MEMORANDUM

SUBJECT: Eleventh Report of the Estimates Committee (1957-58) on the Indian Telephone Industries.

The undersigned is directed to refer to para 77 of the 11th Report of the Estimates Committee (1957-58) recommending that—

“The entire system of accounting—financial cost and stores—should be urgently got examined afresh by an expert team specially to be set up for the purpose.

Incidentally the Committee would observe that during the examination of various State Undertakings they invariably found that the costing system followed by them was not always what it should be in a commercial and industrial undertakings. Therefore, they suggested that Government should urgently consider the setting up of an expert committee to go into the system of accounting, financial cost and stores—in all the State Undertakings with a view to making it fool proof and achieving standardisation of accounting procedure to the extent possible at least in all manufacturing units.”

2. As regards the system of financial accounting, in the case of public undertakings which are governed by the provisions of the Companies Act, they are required to maintain their balance sheet and profit and loss accounts in accordance with the provisions of sub-sections (1) and (2) of section 211 of the Companies Act, 1956 and under section 619(3) (b) *ibid*, it is open to the Comptroller and Auditor General to prescribe the forms in which information required by him for conducting supplementary or test audit should be furnished. In the case of statutory corporations like Damodar Valley Corporation, Air India International, Air Lines Corporation, Delhi Road Transport Authority etc. the form of their accounts is regulated by the provisions

of the acts or the rules made thereunder and they are also subject to audit by the Comptroller and Auditor-General. In the case of Government Company Undertakings which are run departmentally such as Railways, P. & T. etc. their accounts enter into the formal accounts of Government and the form of such accounts is prescribed by the Comptroller & Auditor-General with the approval of the President under the provisions of Article 150 of the Constitution. It is considered that a broad pattern of accounts for giving an accurate picture of financial results exists already in each type of undertaking and improvements could be introduced as experience is gained in individual cases. In view of the recommendation of the Taxation Enquiry Commission in paragraph 33 of Chapter X, Volume I of their report, *viz.*, that greater measure of uniformity in accounting procedure of different State Undertakings should be secured, the Comptroller and Auditor-General has enjoined on his inspecting officers to keep these views in mind and to suggest improvements wherever necessary.

3. With regard to the system of cost accounting, as the Estimates Committee are aware, in para 121 of 39th Report (1956-57), it was recommended that the responsibility of laying down a system of cost and periodical reviews should be entrusted to a centralised authority, *viz.*, the Cost Accounts Branch in the Ministry of Finance. The views of this Ministry on this recommendation were communicated to the Lok Sabha Secretariat in this Ministry's O.M. No. F. 15(25)-EII (A)/56 dated the 1st of April, 1959. In the latest report of the Estimates Committee on Ministry of Finance (Department of Expenditure), the views of this Ministry contained in the O.M. referred to above have been taken into account and one of the revised recommendations of the Committee is that the Ministry of Finance might draw up a programme so as to complete one round of examination of cost accounting systems of the various public undertakings in as short a period as possible. This, along with other recommendations, is being examined and a further communication will be sent to the Estimates Committee.

Sd. K. L. GHEI,

Joint Secretary to the Govt. of India.

To

The Lok Sabha Secretariat.

APPENDIX V

Analysis of the action taken by Government on the recommendations contained in the Eleventh Report of the Estimates Committee (Second Lok Sabha).

1. Total number of recommendations	..	..	83
2. Recommendations accepted by Government	..	..	44½
Percentage of total	..	..	53.6
3. Recommendations not accepted by the Government but replies in respect of which have been accepted by the Committee	..	..	27½
Percentage of total	..	..	33.1
4. Recommendations not accepted by Government (including those which are still under consideration by Government).			
No.	..	..	11
Percentage to total	..	..	13.3

LIST OF AUTHORISED AGENTS FOR THE SALE OF PARLIAMENTARY PUBLICATIONS OF THE LOK SABHA SECRETARIAT, NEW DELHI-1

Agency No.	Name and Address of the Agent	Agency No.	Name and Address of the Agent	Agency No.	Name and Address of the Agent
1.	Jain Book Agency, Connaught Place, New Delhi.	20.	The English Book Store, 7-L, Connaught Circus, New Delhi.	37.	Amar Kitab Ghar, Diagonal Road, Jamshedpur-1.
2.	Kitabistan, 17-A, Kamla Nehru Road, Allahabad.	21.	Rama Krishna & Sons, 16-B, Connaught Place, New Delhi.	38.	Allied Traders, Motia Park, Bhopal.
3.	British Book Depot, 84, Hazratganj, Lucknow.	22.	International Book House, Private Ltd., 9, Ash Lane, Bombay-1.	39.	E.M. Gopalkrishna Kone, (Shri Gopal Mahal), North Chitrai Street, Madura.
4.	Imperial Book Depot, 268, Main Street Poona Camp	23.	Lakshmi Book Store, 42, M. M. Queensway, New Delhi.	40.	Friends Book House, M.U., Aligarh.
5.	The Popular Book Depot (Regd.), Lamington Road, Bombay-7.	24.	The Kalpana Publishers, Trichinopoly-3.	41.	Modern Book House, 286, Jawahar Ganj, Jabalpur.
6.	H. Venkataramiah & Sons, Vidyandhi Book Depot, New Statue Circle, Mysore.	25.	S K Brothers, 15A/55, WEA, Karol Bagh, New Delhi-5	42.	M.C. Sarkar & Sons (P) Ltd., 14, Bankim Chatterji Street Calcutta-12.
7.	International Book House Main Road, Trivandrum,	26.	The International Book Service, Deccan Gymkhana, Poona-4.	43.	People's Book House, B-2-829/1, Nizam Shahi Road, Hyderabad-1.
8.	The Presidency Book Supplies, 8-C, Pycroft Road, Triplicane, Madras-5.	27.	Bahri Brothers, 188, Lajpat Rai Market, Delhi-6.	44.	W. Newman & Co-Ltd., 3, Old Court House, Street, Calcutta.
9.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	28.	City Book-sellers, Sohan-ganj Street. Delhi.	45.	Thacker Spink & Co. (1938) Private Ltd., 3, Esplanade East, Calcutta-1.
10.	Book Centre, Opp. Patna College, Patna.	29.	The National Law House, Near Indore Library, Indore.	46.	Hindustan Diary Publishers, Market Street, Secunderabad.
11.	J.M. Jaina & Brothers, Mori Gate, Delhi-6.	30.	Charles Lambert & Co., 101, Mahatma Gandhi Road, Opp. Clock Tower, Fort, Bombay.	47.	Laxami Narain Aggarwar Hospital Road, Agra.
12.	The Cuttack Law Times Office, Cuttack-2.	31.	A.H. Wheeler & Co., (P) Ltd. 15, Elgin Road, Allahabad.	48.	Law Book Co., Sardar Patel Marg, Allahabad.
13.	The New Book Depot, Connaught Place, New Delhi.	32.	M.S.R. Murthy & Co., Visakhapatnam.	49.	D.B. Taraporevala & Sons Co. Private Ltd. 210, Dr Naoroji Road, Bombay-1.
14.	The New Book Depot, 79, The Mall, Simla.	33.	The Loyal Book Depot, Chhipi Tank, Meerut.	50.	Chanderkant Chiman Lal Vora, Gandhi Road, Ahmedabad.
15.	The Central News Agency, 23/90, Connaught Circus, New Delhi.	34.	The Good Companion, Baroda.	51.	S. Krishnaswami & Co., P.O. Teppakulam, Tiruchirapalli-2.
16.	Lok Milap, District Court Road, Bhavnagar.	35.	University Publishers, Railway Road, Jullundur City.	52.	Hyderabad Book Depot, Abid Road (Gun Foundry), Hyderabad.
17.	Reeves & Co. 29, Park Street Calcutta-16	36.	Students Stores, Raghunath Bazar, Jammu-Tawi.	53.	M. Gulab Singh & Sons (P) Ltd., Press Area, Mathura Road, New Delhi.

Agency No.	Name and Address of the Agent	Agency No.	Name and Address of the Agent	Agency No.	Name and Address of the Agent
54.	(R) C.V. Venkatachala Iyer, Near Railway Station, Chalakudi (S.I.)	70.	Gandhi Samriti Trust, Bhavnagar.	86.	The Krishna Book Depot, Publishers, Booksellers, Stationers & News Agents, Main Bazar, Pathankot, (E.P.)
55.	(R) The Chindambaram Provision Stores, Chindambaram.	71.	People's Book House, Opp. Jaganmohan Palace, Mysore-1.	87.	Dhanwantra Medical & Law Book House, 1522, Lajpat Rai Market, Delhi-6.
56.	(R) K. M. Agarwal & Sons, Railway Book Stall, Udaipur (Rajasthan).	72.	'JAGRITI', Bhagalpur-2 (Bihar.)	88.	The United Book Agency, 48, Amrit Kaur Market, Paharganj, New Delhi.
57.	(R) The Swadesamitran Ltd., Mount Road, Madras.	73.	The New Book Company (P) Ltd., Kitab Mahall 188-90, Dr. Dadabhai Naoroji Road, Bombay.	89.	Pervaje's Book House, Book Sellers & News Agents, Koppikar Road, Hubli.
58.	The Imperial Publishing Co., 3, Faiz Bazar, Daryaganj, Delhi-6.	74.	The English Book Depot 78, Jhoke Road, Ferozepore Cantt.	90.	B. S. Jain & Co., 71, Abupura, Mazaffarnagar (U.P.)
59.	The High Commission of India Establishment Department Aldwych, London, W. C. 2.	75.	Minerva Book Shop 9, Jor Bagh Market, New Delhi-3.	91.	Swadeshi Vastu Bhandar Booksellers etc., Jamnagar.
60.	Current Book Stores, Maruti Lane. Raghunath Dadaji Street, Bombay-1.	76.	People's Publishing House, Rani Jhansi Road, New Delhi-1.	92.	Bhogilal L. Fanna, Book stall Contractor, Railway Junction, Rajkot.
61.	International Consultants Corporation, 48 C, Marredpally (East) Secunderabad (A.P.)	77.	Shri N. Chaoba Singh, Newspaper Agent, Ramlal Paul High School Annexe, Imphal, Manipur.	93.	Sikh Publishing House (P) Ltd., 7-C, Connaught Place, New Delhi.
62.	K.G. Aseervadam and Sons, Cloughpet, P.O. Ongole, Guntur Distt. (Andhra.)	78.	Minerva Book Shop, The Mall, Simla-1.	94.	G.R. Lakshmiopathy Chetty & Sons, General Merchants & News Agents, Newport, Chandragiri, Chittoor Distt. (Andhra Pradesh).
63.	The New Order Book Co., Ellis Bridge, Ahmedabad.	79.	Universal Book Company, 20, Mahatma Gandhi Marg, Allahabad.	95.	Hind Book House, 82, Jan Path, New Delhi-1.
64.	The Triveni Publishers, Masulipatnam.	80.	Madhya Pradesh Book Centre, 41, Ahiliya Pura, Indore City (M.P.)	6.	Bookwell, 4-Sant Naran- kar Colony, Kingsway Camp, Delhi-9.
65.	Deccan Book Stall, Ferguson College Road, Poona-4.	81.	Mittal & Co., 85-C, New Mandi, Muzaffar- nagar (U.P.)	97.	The S.S. Book Emporium "Mount-Joy" Road, Basavangudi, Bangalore-4.
66.	Jayana Book Depot. Chapparwala Kuan, Karol Bagh, New Delhi-5.	82.	Firma K.L. Mukhopa- dyay, 6/1A, Banchharam Akrrur Lane, Calcutta- 12.	98.	Sahitya Sangam, Book- sellers, 44, Lok Manya Vastu Bhandar, Dadar, Bombay-28.
67.	Bookland, 663, Madar Gate, Ajmer (Rajasthan).	83.	Freeland Publications (P) Ltd., 11-A/16, Lajpat Nagar, New Delhi-14.	99.	Shalig Ram & Sons Booksellers, Madar Gate, Aligarh (U.P.)
68.	Oxford Book & Stationery Co., Scindia House, Connaught Place, New Delhi.	84.	Goel Traders, 100-C, New Mandi, Muzaffar- nagar (U.P.)		
69.	Makkala Pustaka Press, Balamandira, Gandhi- nagar, Bangalore-9.	85.	Mehra Brothers, 50-G, Kalkaji, New Delhi-19.		