

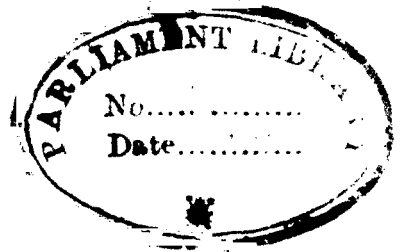
PUBLIC ACCOUNTS COMMITTEE

1953-54

TENTH REPORT

[Appropriation Accounts (Railways)
and
(Posts and Telegraphs), 1950-51]

VOL II—APPENDICES



LOK SABHA SECRETARIAT
NEW DELHI
June, 1954

CORRIGENDA

Tenth Report of the Public Accounts Committee on the Appropriation Accounts (Railways) and (Posts and Telegraphs), 1950-51— Vol. II—Appendices.

- Page (i), CONTENTS: for 'Appendix' read 'Appendices'.
- Page (ii), Appendix XLV, line 2: for "pril" read "April".
- Page (ii), Appendix XLV, line 3: for "ents" read "ments".
- Page (iii), Col. 1, for 'XV' read 'XLVI'.
- Page 5, S. No. 9, Col. 6, line 9: for 'NR & S.R.' read 'N.R. & S.R.'.
- Page 13, S. No. 25, Col. 6, line 6: for "fomulate" read "formulate".
- Page 22, S. No. 57, Col. 5, line 1: for "prurchase" read "purchase".
- S. No. 59, Col. 6, line 3: after "Noted" insert ' '.
- S. No. 59, Col. 6, line 12: for 'a' read 'as'.
- Page 22, S. No. 59, Col. 6, line 13: for 'The' read 'the'.
- Page 22, S. No. 60, Col. 4: delete 'g'.
- Page 24, S. No. 63, Col. 4: for 'Minisrties' read 'Ministries'.
- Page 24, S. No. 63, Col. 5, last line: for 'technicalities' read 'technicalities'.
- Page 26, Col. 6, line 3: for 'subjec' read 'subject'.
- Page 26, S. No. 68, Col. 5, line 2: for 'bhalf' read 'behalf'.
- Page 27, Col. 6, line 5: for 'Department' read 'Departments'.
- Page 31, S. No. 84, Col. 5, line 6: for 'consultotion' read 'consultation'.
- Col. 6, line 1: for 'raken' read 'taken'.
- Page 32, S. No. 86, Col. 5, line 4: for 'embezelments' read 'embezzlements'.
- Page 37, S. No. 110, Col. 5, line 5: after 'Expenditure' delete 'a'.
- Page 38, S. No. 112, Col. 2: for '1949-5' read '1949-50'.
- Page 38, S. No. 113, Col. 5, line 3: for 'mindly' read 'mindedly'.
- Page 39, S. No. 117(ii), Col. 6, line 1: for 'propsed' read 'proposed'.
- Page 42, S. No. 124-D, Col. 5, line 2: after 'con' insert ' '.
- Page 43, S. No. 127, Col. 6, line 5: after 'Pakistan': for ' ' read ' '.
- Page 43, Foot Notes, line 2: for 'Fiifth' read 'Fifth'.
- line 2: for 'Reportt' read 'Report'.
- Page 44, S. No. 128, Col. 6, line 3: for 'ministrial' read 'ministerial'.
- Page 45, S. No. 132, Col. 6, line 12: for 'Crtificates' read 'Certificates'.
- Page 46, S. No. 135, Col. 6, line 3: after 'recommenda' insert ' '.
- Page 50, S. No. 154, Col. 5, line 6: for 'or' read 'for'.
- Page 51, S. No. 156, Col. 5, line 3: for 'investe' read 'investi';
- line 9: after 'Investigation' delete ' ';

- line 13: for 'Railwhys' read 'Railways'; and
 line 19: for '(Railway)' read '(Railways)'.
- Page 52, S. No. 158, Col. 6, line 2: for 'contacts' read 'contracts'.
- Page 53, S. No. 161(i), Col. 5, line 7: for 'of the' read 'off of'.
- Page 54, S. No. 163, Col. 3: read '19'.
- Page 57, line 5: for 'A', read '9A'.
- Page 72, sub-para (iv), line 1: after 'Boxes' insert '/'.
- Page 76, sub-heading 'Capital (Paid up)': for 'Scheduled' read 'schedule'.
- Page 77, S. No. 15, heading—EQUIPMENT AND STORES, last Col.:
 for '70,77968' read '70,77,968'.
- Page 78, Heading, for "CAPITAL AND ASSETS" read "CAPITAL AND LIABILITIES".
- Page 80, Heading, for 'APPEDIX' read 'APPENDIX'.
 Foot-Notes, line 3: for 'ontract' read 'contract'.
- Page 84, para 3, sub-para (a) *Savings in Establishment*, line 1: for 'catefory' read 'category'.
- Page 86, Summary, Heading—Northern, sub-para 3, line 3: for 'loubled' read 'doubled'.
- Page 88, Heading: for 'Progress Report' read 'Progress Reports'.
- Page 89, Heading: for 'contd.' read 'contd.'.
- Page 89, Summary, Heading—Southern, line 3: for 'cover' read 'over'.
- Page 91, Heading: for '1963' read '1953'.
- Page 99, Foot Note, last sub-para, line 2: for 'oveall' read 'overall'.
- Page 102, para 1, line 4: for 'locomotive' read 'locomotives'.
- Page 113, sub-para (ii), Heading—*Second and Third Orders*: for '101500' read '101,500'.
- Page 114, statement, Col. 6: for '135,066' read '135,966'.
- Page 122, statement, sub-heading—purchases—Balance on 31.3.51—
 last figure: read '31,00.51' for '1,0051'.
- Page 127, statement, Heading—Railways: for 'Northern Eastern' read 'North Eastern'.
- Page 127, Heading—Vegetarian Refreshment rooms: for '*1,96,534' read '**1,96,534'.
- Page 146, statement, last Col.—Heading: for 'effceted' read 'effected'.
- Page 181, line 38: for 'Secoured' read 'Scoured'.
- Page 181, line 43: for 'Secoured' read 'scoured'.
- Page 183, S. No. 6: for 'Anhydrou' read 'Anhydrous'.
- Page 185, para 2—last sub-para, line 11: for 'snice' read 'since'.
- Page 192, ANNEXURE III, Col. 2, Heading: for 'Assests' read 'Assets'.
- Page 196, para 1, item (ii): for 'Administraition' read 'Administration'.
- Page 197, para 4, line 8: for 'Conrol' read 'Control'.
- Page 210, ANNEXURE I, sub-para (c), Heading—Statistics, line 8:
 for 'asses' read 'assess'.

- Page 216, para 6—statement, under column—Designation, line 14: for 'Enginer' read 'Engineer'.
- Page 220, Q. (8), line 3: for 'funrished' read 'furnished'.
- Answer to Q (8), item (a), line 2: for 'purchased' read 'purchased'.
- Page 230, Heading—*Heavy unused cash balances*, statement, Top right-hand corner: for '(rrupees)' read '(rupees)'.
- Page 234, statement at the bottom: insert '(In rupees)' at the top right-hand corner.
- Page 234, statement at the bottom, S. No. 2: for 'share' read 'shares'.
- Page 235, statement at the top, Heading: for 'accounts' read 'account'.
- Page 235, S. No. 5: for 'Developement' read 'Development'.
- Page 236, statement in the Answer to Question 2(c), S. No. 4: for '52,01,48c' read '52,01,48'.
- Page 253, statement contained in the Answer to Question 2(d), against Class III Engineering, under Col. 31st March, 1951: for '87' read '187'.
- Page 269, statement, Heading, last Col: for 'Details' read 'Duties'.
- Page 269, statement, against Under Study Stage III, last Col., line 6: for 'wll' read 'well'.
- Page 269, statement, against 'Accounts', last Col.: for 'account' read 'accounts'.
- Page 273, statement contained in para 14, under Heading—Revised time Schedule, line 4: for '1950' read '1956'.
- Page 277, para 2, statement, item 3(c): for 'fire' read 'Wire'.
- Page 280, Col. 5, fourth line from bottom: for 'Bangaore' read 'Bangalore'.

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APPENDIX I

Statement showing action taken or proposed to be taken on the recommendations of the Public Accounts Committee.

Serial No.	Year of Report	Paragraph of the Report	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1.	2	3	4	5	6
1	1948-49 (I)* 1947-48 (Post-Partition).	14 4-R	Finance	The Ministry of Finance should take suitable action in cases in which it is established that the responsibility of framing budget estimates or controlling the expenditure has not been properly discharged.	A note has been submitted to the Committee.
2	1948-49 (I)	15	Do.]	(i) In order to obviate cases of large lapses of funds resulting from the non-adjustment of debits for supplies and services rendered during a financial year, a suitable procedure should be devised whereby action is taken sufficiently in advance by the indenting authorities to ascertain from the suppliers whether the supply of goods was likely to materialize. If the payment was not likely to be made in time, the funds provided for the purpose should be surrendered.	A note has been submitted to the Committee.
	1949-50 (VII)**	14	Do.	(ii) All spending authorities should be reminded of the principle which appears to have been overlooked in a number of cases, namely, that suitable steps should be taken to ensure that provision on account of stores or supplies indented is made correctly during the financial year concerned. In case, the supplies are not likely to mature during that year, steps should be taken to surrender the funds and the provision in that behalf should be made in the next year's budget estimates or revised estimates.	A note has been submitted to the Committee.

*1948-49 (I) denotes First Report of the P.A.C. on the Accounts of 1948-49 and unfinished Accounts (Civil) of 1947-48 (post-partition).

**1949-50 (VII) denotes Seventh Report of the P.A.C. on the Accounts (Civil) of 1949-50 and unfinished Accounts (Civil), 1948-49.

1	2	3	4	5	6
3	1948-49 (I)	15	Finance	<p>The Ministry of Finance in exercising its 'banking' control should take into account wider considerations and bring it to bear upon the Ministry accountable for the proper spending of the funds entrusted to it that it should exercise strict financial control in all such cases where funds are spent through the agency of the State Government. The Ministry of Finance should issue strict instructions that explanations for variations between the Grants and the Expenditure should be furnished expeditiously by the Ministries in order to obviate delay in the compilation of the Appropriation Accounts.</p>	<p>Necessary instructions have been issued in regard to the expeditious furnishing of explanations for variations between the grants and expenditure.</p>
4	Do.	16	Do.	<p>Most of the administrative authorities are ignorant of proper budgetary procedure and lack of knowledge and experience of financial control over expenditure. The Ministry of Finance should not only devise measures for tightening financial control but their representatives should <i>inter alia</i> also watch and advise the administrative authorities in their control over the progress of expenditure.</p>	<p>Necessary instructions have been issued.</p>
5	Do.	17	Do.	<p>(i) Planning and preparation of estimates proceed on a very unsatisfactory basis and money asked for one purpose is often spent on a different activity or a major activity is allowed to be postponed and a minor scheme or activity proceeded with. There is also no real coordination between the activities which a Ministry propose to undertake during the year and the financial side of such activities. The present system of preparation and scrutiny of estimates should be overhauled</p>	<p>Necessary instructions have been issued.</p>

thoroughly and a methodical and systematic procedure devised whereby the budget is prepared on a more accurate data which is duly 'vetted' by both the administrative and financial authorities.

(ii) The Ministry of Finance should associate itself with the administrative Ministry concerned from the very inception of the preparation of the budget estimates and assist them in coming to proper decisions rather than sit on judgment over their proposals.

6 1949-50 (VII)

15

. All Ministries except Ministry of W. H. & S.

Each Ministry should organise a cell within their framework for exercising control over expenditure in accordance with the budgetary grants as well as for prompt and satisfactory disposal of audit objections and the implementation of the recommendations of the Public Accounts Committee.

The Ministry of Finance (R. & E.) have stated :

"Noted. Satisfactory arrangements exist in this Department for attending to these items of work."

The Ministries of Rehabilitation, Food and Agriculture (Food Divn.), Transport have submitted a note each.

The Ministries of N.R. & S.R., Production, I. & P. and Commerce and Industry, etc. have opened separate Budget Branches.

The Ministries of Railways, Communications, Law, Home Affairs, etc. have noted.

The D.G., P. & T. has stated : " Such a cell already exists in the P. & T. Directorate."

The Ministry of Finance (E.A.) have submitted a note.

The Ministries of Rehabilitation, Food and Agriculture (Food Division), Transport, Commerce and Industry, Labour and External Affairs, etc. have submitted notes.

7 1948-49 (I)

18

. Finance

All other Ministries

In order to check the tendency of the spending authorities to incur expenditure in excess of the sanctioned grants or appropriations, it is essential that the Ministries in general, and the Ministry of Finance in particular, should devise measures urgently whereby expenditure under each grant and sub-head under that grant is booked immediately after it is incurred. The progress of expenditure should be watched

by the authority administering the grant so that before incurring further expenditure, it should ensure that the fresh expenditure is within the limit of sanctioned allotment. This is, of course, without prejudice to the legitimate use of the Contingency Fund.

The Ministry of N.R. & S.R. have stated :
 " This Ministry has been obtaining progressive monthly expenditure statements from the budgeting authorities with a view to watching that expenditure does not outrun the grant " .

The Ministries of Home Affairs and Communications have stated :
 " Steps have already been taken to see that the expenditure is booked accurately. Constant watch on the progress of expenditure is being kept. "

The Ministries of Health, Production, Education and Law and W. H. & S. etc. have noted the recommendations.

The D. G. P. & T. has issued necessary instructions. The recommendations of the Committee are already laid down in the Departmental Codes.

8 1948-49 (I) . . . 19

• Finance

• All other Ministries

The reconciliation of the figures of expenditure booked by the spending Departments concerned with those booked by the respective Accounts Officers is one of the ' potent methods ' by which the flow of expenditure can be regulated and the tendency to over-spend curbed. To achieve this end, the spending departments should maintain their accounts properly. The Financial Advisers attached to the Ministries, etc. should guide the Administrative authorities in regard

The Ministry of Finance (R. & E.) have stated :
 " Necessary instructions have been issued. "

The Ministries of Rehabilitation, Food and Agriculture, N.R. & S.R., Transport, States and Defence have submitted notes.

The Ministries of Health, Production, Education, External Affairs, etc. have noted the recommendations for information and guidance.

to the maintenance of accounts and for watching the progress of expenditure. They should also look into the accounts of Ministries/Departments periodically in order to see that these are being maintained properly. In the U.K., the responsibility for keeping the entire accounts rests with the Ministries/Departments concerned. Steps should be taken to introduce changes in this respect gradually but effectively.

The Ministry of Home Affairs have stated :

"Submission of the reconciliation statements have already been introduced from the year 1951-52." The Ministry of W.H. & S. have noted the recommendation and brought the same to the notice of subordinate and attached offices under them.

The Ministry of Communications have stated :

"Accounts are being kept in accordance with the advice of the Ministry of Finance."

The D. G. P. & T. have stated as below :

"Necessary instructions have been issued in the matter. The question of transfer of responsibility for keeping accounts from the A. G. P. & T. to the D. G. P. & T. is under the consideration of the Government."

Do.

21

Do.

In regard to proper utilization of the grants made to the State Governments, etc. for various Development schemes launched by them, the Central Government should conduct broad checks to see that the objectives with which such allocations are made are achieved as intended and within the targets laid down.

The Ministry of Finance (E.A.) have stated as below :

"Half yearly reports are being received from the various States in respect of development projects etc. receiving Central Assistance indicating the progress of the work and expenditure."

The Ministries of N R. & S. R., Commerce and Industry, Food and Agriculture etc. have noted.

The Ministries of Rehabilitation, Transport, W. H. & S. and Defence have submitted a note each.

The Ministry of Communications have stated :

"The subjects administered by these organisations are *Central* ones and as such no grant is made to State Governments."

10 1948-49 (I)

25

Finance

 All other Ministries.

In all cases of misuse of public money, reckless disregard of financial rules, extravagances and losses resulting from negligence of officials, responsibility should be fixed on the individual officers and the Ministry concerned. The Administrative Ministry should not content itself merely with passing strictures against the officers concerned but should take some positive action against them for wastes of public funds caused through their wilful actions or contributory negligence. In order to tone up administrative integrity and efficiency, it is absolutely essential that officials found guilty of such acts are dealt with promptly and severely. Officers responsible for failing to take action or delaying action against the delinquent officials should also be suitably punished.

The Ministry of States have stated as below :

“ Noted for guidance. Sufficient checks have been provided to see that the grants are spent by the State Governments for the purposes for which they have been sanctioned. The Finance Ministry’s advice is taken from time to time regarding the further checks to be prescribed.”

The Ministries of Home Affairs and Labour have forwarded copies of the recommendations to all concerned for necessary action.

The Ministry of Finance (R. & E.) have submitted a Memo.

The Ministries of Rehabilitation, Production, Commerce and Industry, etc. have noted the recommendation. The Ministries of Food and Agriculture and Transport have submitted a note each.

The Ministries of Home Affairs, W.H. & S. and States have noted the recommendations and brought it to the notice of all concerned for careful note and compliance.

The D. G. P. & T. have stated :

“ Necessary instructions have already been issued.”

The Ministry of Defence have stated: “ Action is invariably taken against offending officials as also against

Do.

The financial effect of any relaxation of the specifications in a contract should be taken into account before it is agreed to ; the contracts should be businesslike and the drawing Officers should exercise every possible care, vigilance and prudence before they commit the Government to any financial embarrassment. Any departure from rules of procedure should not be permitted at all as it paves the way for all kinds of evils and consequential losses, frauds, embezzlements, thefts, pilferages, bribery and corruption.

those who fail or delay to take appropriate action against delinquent officials."

The Ministry of Labour have stated: "Instructions already issued by the Ministry of Finance in this regard have been circulated to all concerned".

The Ministry of Railways have noted.

The Ministry of Finance (R. & E.) have issued suitable instructions to all Ministries.

The Ministries of Transport, Communications, Rehabilitation, etc. have noted the recommendation.

The Ministry of Railways have issued necessary instructions to all Railway Administrations.

The Ministries of Food and Agriculture, Commerce and Industry, Home Affairs, W.H. & S., States and Labour have noted the recommendation and issued suitable instructions to all the attached and subordinate offices under them.

The Ministry of Defence have stated :

"The instructions issued by the Ministry of Finance have been communicated to all concerned in the Defence Services".

The D. G. P. & T. have issued necessary instructions.

The Ministry of Finance have submitted a Memo.

The Ministries of Home Affairs, Works, Housing and Supply, States and Labour have noted the recommendation and circularised the same to all concerned for compliance.

The Ministries of Railways, Rehabilitation, N. R. & S. R., Commerce & Industry, Transport, etc. have noted the recommendation.

The investigation of any loss must not be unduly protracted, as any element of procrastination is likely to assist the delinquents to manipulate the acts, to tamper the record, to concoct evidence and thus to escape punishment. This matter should receive the unremitting attention of all the administrative Departments of the Government of India.

Do.

1	2	3	4	5	6
					The Ministry of Defence have stated : " The instructions issued by the Ministry of Finance in this regard have been communicated to all concerned in the Defence Services".
13	1948-49 (I)	151	Finance	With reference to Para. 33 of the Audit Report, 1950, the progress made in the adjustment of the outstanding balances in respect of payments made to the U. K. Government on behalf of Pakistan should be reported to the Committee.	A Memorandum has been submitted to the Committee.
14	Do.	153	Do.	<p>(i) The progress made in taking over the work relating to payment of military pensions from the U. K. Government should be reported to the Committee.</p> <p>(ii) A note setting forth the actual percentage of the ratio of expenditure incurred on agency fees to the pensions paid by the Commonwealth Relations Office should be furnished to the Committee.</p> <p>(iii) The Ministry of Finance should ascertain from the appropriate Ministry whether the Commonwealth Relations Office was in any way rendering any assistance towards the promotion of welfare of the Indians settled in the Colonies like Mauritius, New Guinea, etc. and, if so, whether they would continue to do so even after the Indian High Commissioner had taken over the work relating to military pensions.</p>	<p>The Ministry of Finance (E.A.) have stated: " The matter is under consideration."</p> <p>The Ministry of Finance (E.A.) have submitted a note.</p>
15	Do.	154	Do.	Since the Insurance Organization is intended for the benefit of the Insurance Companies, etc., it should be considered whether the fees levied should not be adequate to cover the expenditure. A report in the matter should be submitted to the Committee.	The Ministry of Finance (E.A.) have submitted a Memorandum to the Committee.

16	Do.	22 & 157	Do.	A note should be submitted to the Committee stating whether the Ministry of Finance had withdrawn any of the powers delegated to the old India Office and whether the H. C. for India in London exercised the same financial powers as were enjoyed by other Ambassadors and, if not, why not.	The Ministry of Finance (R. & E.) have submitted a Memorandum to the Committee.
17	Do.	162	Do.	A note stating the steps taken by Government to revise the charges for printing of stamps to meet the rising cost should be submitted to the Committee.	The Ministry of Finance (E.A.) have submitted a Memorandum to the Committee.
18	1948-49(I) 1949-50(VII)	38 & 157 84	Do.	The Committee should be apprised of the detailed procedure laid down by the Ministry of Finance in regard to the expeditious disposal of audit objections pursuant to the recommendations contained in para. 38 of the First Report (1951-52).	The Ministry of Finance (R. & E.) have submitted a Memorandum.
19	1948-49(I)	40	Do.	The Ministry of Finance should present to the Public Accounts Committee a skeleton of the form devised in consultation with the Comptroller and Auditor-General in which the Accounts embracing the receipts and debts sides will be prepared to enable the Committee to make an early start in the matter of scrutinising the Receipt and Borrowing sides of the Accounts.	The P.A.C. (1953-54) have already approved the skeleton forms forwarded by the Ministry of Finance and asked them to take up compilation of the Accounts in question.
20	1949-50(VII)	57	Do.	The Pakistan Government should be persuaded to pay the first two instalments of its partition debt to India amounting to Rs. 18 crores during the current financial year.	Noted.
21	Do.	143	Do.	A note setting forth the salient features of the accounting procedure followed on the Bhakra-Nangal Project after getting it vetted by Audit should be furnished.	The Ministry of Finance (R. & E.) have stated : "Action is being taken to furnish the requisite note duly vetted by Audit as expeditiously as possible."

1	2	3	4	5	6
22	1949-50(VII)	80	<p>Finance</p> <hr/> <p>All other Ministries</p>	<p>(i) The element of interest on capital outlay and other overhead charges involved in the running of a particular scheme should be taken into account while calculating the amount of profit or loss accruing therefrom.</p> <p>(ii) No departure should be made from the commercial trading principles in the case of all trading operations undertaken by the State.</p>	<p>The Ministry of Finance (R. & E.) have stated as below :</p> <p>“The recommendation is accepted in principle and the procedure for its implementation will be settled in consultation with the Comptroller and Auditor-General”.</p> <p>The Ministries of Transport, Food & Agriculture each have submitted a note.</p> <p>The Ministries of Rehabilitation, N.R. & S.R., D.G. P. & T., etc. have noted the recommendations.</p> <p>The Ministry of Commerce & Industry and Ministry of Production have stated :</p> <p>“ The subordinate organisations have been asked to take the element of interest into account while arriving at the final results.”</p> <p>The Ministries of Home Affairs and States have stated :</p> <p>“ Instructions from the Finance Ministry are awaited”.</p> <p>The Ministry of Railways have stated :</p> <p>“ The extant orders already provide for the inclusion of the element of interest on Capital Outlay and other over-head charges in arriving at the net saving or increase in revenue for the purpose of judging the remunerativeness of schemes.”</p>
23	Do.	87	Do.	<p>To enable the Members of Parliament to properly appraise the financial working of any State enterprise and to judge the productivity of expenditure involved in it, the details of the provision of funds</p>	<p>The Ministry of Finance (E.A.) have stated as below :</p> <p>“ The financial results of the working of the enterprises for the previous year (if by previous year is meant</p>

made in this respect as set forth in the Explanatory Memorandum on the Budget should invariably be accompanied by a Statement of the financial results of the working of that enterprise for the previous year.

the year previous to the Budget year) will not be available as the Budget Estimates are presented before the close of the year. But every effort will be made to include a statement of the financial results of the working of the various enterprises for the last financial year for which the complete results are available."

The Ministries of Rehabilitation, Food & Agriculture, Works, Housing & Supply, D. G. P. & T., etc. have noted the recommendations.

The Ministry of Railways have stated as below:

"The Explanatory Memorandum on the Railway Budget contains a statement of the financial results of the working of the Railway undertakings for the previous year."

The Ministry of Food & Agriculture (Food Dn.) have stated as below:

"The Food Division has no such State enterprises, except Purchase of Foodgrains in respect of which the required particulars are given in the Explanatory Memorandum on Budget."

The Ministry of Finance (R. & E.) have stated as below :

"The recommendation has been accepted in so far as 'Works' expenditure is concerned in regard to which a beginning is being made in the C.P.W.D. The question of extending the system to other sectors will be considered in the light of the experience gained in the C.P.W.D."

Finance	(i) The Ministry of Irrigation and Power should consider the desirability of the early introduction of the Administrative Audit system in the various multi-purpose river valley projects which are at present being executed under their control.
Irrigation & Power	
External Affairs	
All other Ministries.	

(ii) In order to make the internal check over the Accounts of the Indian Missions abroad effective, the Ministry of External Affairs should appoint, as the Head of the Foreign Service Inspectorate, an Officer of the Indian Foreign Service who may be fully conversant with the technique of administration and also have financial outlook.

(iii) All other Ministries who are charged with the huge spending of public moneys should consider the early introduction of the Administrative Audit system.

The Ministry of Irrigation and Power have stated:

"The matter is under consideration". The Ministry of Food & Agriculture (Food Dn.) and Works, Housing & Supply have submitted a note each. The Ministries of N.R. & S.R., and Commerce and Industry have noted the recommendations.

The Ministry of Production have stated as below:

"Noted. The approved form of management in respect of most of the Industrial Undertakings under this Ministry, however, is a Ltd. Co. constituted under the Indian Companies Act and the question of introduction of Administrative Audit in them does not seem to arise."

The Ministry of Defence have stated : "This system is in vogue already in the M.E.S."

The D.G., P. & T. and the Ministry of Health have stated:

"The matter is under consideration." The Ministry of Food & Agriculture and the Ministry of Rehabilitation have noted the recommendations.

The Ministry of Transport have stated :

"This Ministry is not charged with huge spending of public moneys and as such do not require any introduction of the Administrative Audit system."

The Ministry of Communications have stated:

"Necessary instructions indicating precisely the lines on which such

a system is to be introduced are awaited from the Ministry of Finance.”

The Ministry of Railways have stated: “This is already in vogue on the Railways as the organisation of the Financial Adviser and the Chief Accounts Officer forms part of the Railway Administration under the General Manager.”

- 25 1949-50 (III)† . . . 2 . . . Finance The introduction of a satisfactory system of Exchequer Control with a view to ensuring that the Grants voted and Appropriations made by Parliament are not exceeded is urgently needed.
- 26 Do. 2 Do. It is improper that the Comptroller and Auditor-General should be saddled with the responsibilities of compiling Accounts of the Union and the State Governments, and also of auditing the same.
- 27 Do. 2 Do. Separate Accounts Offices for the various Ministries and the major spending Departments should be set up as soon as possible.
- 28 Do. 3(3) Do. Immediate preparatory steps should be taken in consultation with the Comptroller and Auditor-General to separate Audit from Accounts, both at the Centre and in the States, the pace being limited by the time required to bring about the necessary changes of organisation.

The Ministry of Finance (E.A.) have stated as below: “This will involve drastic changes in the present Treasury and Accounting system which will take some time to formulate in consultation with the Comptroller and Auditor-General.”

The Ministry of Finance (E.A.) have stated as below: “The separation of accounts from Audit has been accepted in principle, but considering the administration and other difficulties, this reform will have to be phased over a period in consultation with the States and the Comptroller and Auditor-General. A beginning has been made with the accounts of the Postal Life Insurance Scheme and as a stage in the process Government are also relieving the Comptroller and Auditor-General of the payments work done by him.”

† 1949-50 (III) denotes Third Report of the P.A.C. on the ‘Exchequer Control over Public Expenditure’.

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29	1949-50 (III)	4	Finance	The Central Government, while making the Annual Grants to the States, should clearly specify the conditions under and the purpose for which these Grants should be utilised, so that there is no risk of the grants being diverted to unintended purposes, and the Audit authorities have no difficulty in judging whether the expenditure is in conformity with the conditions and purposes of the Grant.	The Ministry of Finance (R. & E.) have stated : "Noted. This procedure is already being followed."	
30	Do.	5	Do.	The Comptroller and Auditor-General should have the right to audit the expenditure of the State-sponsored concerns by whatever name they may be called, because they are financed from the Consolidated Fund.	The Ministry of Finance (E.A.) have stated as below: "The Committee's recommendation is noted and will be borne in mind when the powers and duties of the Comptroller and Auditor-General are prescribed by Law under Article 149 of the Constitution."	
31	1948-49 (I) and 1949-50 (III)	24	Do.	Corporations for the management of Government industrial undertakings should be set up under the authority of Acts passed by Parliament.	The Ministry of Finance (R. & E.) have stated: "This is under examination and a report will be submitted as early as possible." The Ministry of Production have stated: "The matter is under consideration."	
31-A	1949-50 (III)	.	Para. 5 of the Introduction.	Do.	Urgent steps should be taken by the Governments concerned to relieve the Audit Department of pre-audit and payment work.	The Ministry of Finance (E.A.) have stated: "This has been accepted in principle by Government. The A.G. C.R. has since been relieved of payment work. The Comptroller and Auditor-General is in correspondence with the State Governments about the transfer of the treasury work."

32	1948-49 (I)	26(ii)	Commerce and Industry.	The decision to waive the recovery of the amount from the officer concerned for having utilized the cars from a pool of cars for private purposes in the case referred to in para. 23 (c) of the Audit Report (Civil), 1950, was not correct. The officer should not have been treated leniently when there was a <i>prima facie</i> charge of malfeasance against him. A thorough investigation should be made by the Ministry in all the charges levelled against him and a report submitted to the Committee.	A note has been submitted to the Committee.
33	Do.	169	Do.	With reference to the case referred to in note 2 at page 105 of the Appropriation Accounts (Civil), 1948-49, the action taken against the officer concerned should be reported to the Committee.	A note has been submitted to the Committee.
34	Do.	171	Do.	Action taken to prevent continued loss on account of fees for Deposits and Registrations of Trade Marks should be reported to the Committee.	A note has been submitted to the Committee.
35	Do.	174	Do.	The results of the investigation promised to be made by the Secretary to the Ministry in the case involving leakage of the Government decision regarding levy of increased export duty on oil seeds before the issue of Government Communique should be reported to the Committee. A note setting forth the steps taken to prevent such leakages which had serious repercussions not only on the trade but also resulted in loss of revenue should also be furnished.	A note has been submitted to the Committee.
36	Do.	175	Do.	Action taken to improve the state of affairs existing in the Library attached to the Office of the D.G., Commercial Intelligence and Statistics, Calcutta, as also the measures proposed for pooling all available statistical data in one place should be reported.	A revised note has been submitted to the Committee.

I	2	3	4	5	6
				It should also be stated whether the officer concerned has been granted further extension of service and, if so, for what period.	
37	1949-50 (VII)	118	Commerce and Industry.	A statement showing the recoveries on account of the outstanding dues made during the year 1952-53 in connection with the State Trading Scheme 'Import of Steel' should be furnished.	A Statement has been submitted to the Committee.
38	Do.	169	Do.	In connection with the working of the State Trading Scheme 'Purchase of Woollen goods', the Committee should be apprised whether the outstanding recoveries of Rs. 80,000 have since been finalised.	The Ministry have stated : "Necessary information will follow".
39	1949-50 (VII)	116	Do.	The figures for the overall adjustment with the various States in connection with the purchase and distribution of standard cloth should be finalised in consultation with Audit and the accounts settled without any further delay and a report submitted to the Committee.	A note has been submitted to the Committee.
40	1949-50 (IV)*	23	Do. <hr/> Finance	A judicial enquiry should be held immediately to fix responsibility for handling this transaction including the delay in the disposal of cloth and, thereafter, action should be taken against the Officers who failed to safeguard the interests of the Public Exchequer.	The Ministry of Commerce and Industry stated as below: "The Fourth Report of the Public Accounts Committee regarding Import and Sale of Japanese Cloth had already been examined and the Minister for Commerce and Industry laid a statement on the Table of the House on the subject on 11-8-53. The Ministry of Finance (R. & E.) have stated as below : "Items Nos. 40, 41 and 43 concern the Ministry of Commerce

and Industry primarily and the Commerce and Industry Minister has already laid a statement on the Table of the House explaining the position."

- 41 1949-50 (IV) . . . 22 . . . Do Steps should be taken without any further loss of time to recover the sum of Rs. 15 lakhs outstanding from Messrs. Banwari Lal & Co. The expediency of instituting legal proceedings against the firm should also be considered.
- 42 Do 24 . . . Home Affairs . . . The looseness of procedure which was responsible in the present case for the eventual loss of over half a crore of rupees to the Public Exchequer should be investigated by Government immediately and clear instructions laid down for future for the examination of proposals involving huge financial commitments at all levels, namely, Cabinet, Ministerial and Secretarial.
- 43 Do Para. 3 of the Commerce and Industry Introduction of the Fourth Report. Finance
- The Ministry of Commerce and Industry has stated as below:
 "As regards recovery of Rs. 15 lakhs from Messrs. Banwari Lal & Co, it has been decided to refer the matter to arbitration. This is also covered by the statement referred to against Item 40 above."
- Necessary action will be taken on receipt of the printed copy of the Report.
(Printed copies of the Fourth Report of the P.A.C. were furnished to the Ministry on 11-8-1953).
- The Committee may be informed whether the financial position of Messrs. Banwari Lal & Co. had been ascertained before the cloth was sold to them and on what references and guarantees the transaction was entered into with them. The Judicial Committee recommended to investigate into the handling of the whole transaction should also enquire whether the financial standing of the Company had been properly verified by the Officers concerned before entering into any business dealings with it.
- The Ministry of Commerce and Industry have stated as below :
 "This item is also covered by the Statement referred to under Item 40 above."

17

*Denotes Fourth Report of the P.A.C. on the 'Import and Sale of Japanese Cloth'.

1	2	3	4	5	6
44	1948-49(I)	58	Production	Government should consider the question of capitalising the amount of losses incurred due to the lack of covered accommodation for the storage of salt by providing necessary shelter for the purpose.	A note has been submitted to the Committee.
45	Do.	129	Do.	The Ministry should consider the desirability of contributing the balances lying in the Coal Production Fund to the Coal Mines Stowing Board. The amount of balance in the Fund should also be reported to the Committee.	A note has been submitted to the Committee.
46	1949-50 (VII)	71	Do. <u>All other Ministries</u>	Whenever any statement is made before the Committee, it should be based on facts and figures.	The Ministries of Railways, Rehabilitation, Food and Agriculture, Production etc. have noted the recommendation.
47	Do.	72	Production	With a view to the speeding up of inter-departmental adjustments for coal supplied to the Government Departments, the Ministry should simplify the method of recovery in consultation with the Coal Commissioner and the Controller of Coal Accounts.	A note has been submitted to the Committee.
48	1949-50 (VII)	73	Production	With reference to the review on the Scheme for the production and supply of coal contained at page 615 of the Appropriation Accounts (Civil), 1949-50, the Committee should be informed of the exact amount that was remitted by Messrs. Sir Lindsay Parkinson & Co. Ltd., abroad before they went into liquidation.	A note has been submitted to the Committee.
49	1949-50 [(VII)(II)]**	42	Do.	A note stating the latest position in regard to the price of indigenous Penicillin as compared with the imported Penicillin should be submitted to the Committee at the time they take up consideration of the Appropriation Accounts for 1951-52.	Noted.

Works, Housing and
Supply

All other Ministries

In order to prevent any loss of public moneys, Government should consider the expediency of black-listing such of the contractors who fail to refund the amount paid to them in excess and a list containing their names and addresses marked 'Secret' should be circularised to all the Ministries of the Government of India at frequent intervals.

The Ministry of W.H. & S. have submitted a note.

The Ministry of Finance have issued necessary instructions so far as organisations under the Economic Affairs Department are concerned.

The Ministries of Food and Agriculture, Production, Commerce and Industry etc. have noted the recommendations.

The Ministry of Defence have stated:

"Appropriate action is being taken in the case of A.S.C. and M.E.S. contracts with which the Ministry are concerned".

The Ministry of Transport have stated:

"Noted. So far as Roads Organisation is concerned, the road works sanctioned by the Roads Organisation are executed through the Agency of the C.P.W.D. or State P.W.D. The contracts are, therefore, let out by these Departments and not by this Ministry."

The Ministry of Communications have stated:

"The recommendation is being implemented."

The Ministry of Railways have issued necessary instructions to the Railway Administration.

The Ministries of Food & Agriculture, Transport, etc. have noted the recommendation.

The Ministry of Home Affairs have stated:

"Noted. It will be appreciated if a copy of the note prepared in this connection by the Ministry of W.H. & S. is supplied to this Ministry".

The Government of India should enter into a reciprocal arrangement with the Pakistan Government under which all cases of frauds and irregularities committed by the Officers who were serving under the undivided Government of India should be reported to the respective Governments under whom they are employed at present.

The Ministry of Railways and the D.G.P. & T. have stated :
"Action under consideration."

The Ministry of W. H. & S. has stated as below:

"The Ministry of Finance who were consulted have referred this to the Ministry of Home Affairs to be examined by them in consultation with the Partition Secretariat and the External Affairs Ministry as this is a matter concerning all the 'Services'."

The Ministry of External Affairs have stated as below:

"This matter is under consideration. A detailed note explaining the arrangement aimed at will be sent to the P.A.C."

The Partition Secretariat has stated as below:

"The Partition Council had laid down a procedure for dealing with the employees against whom disciplinary proceedings were pending on the date of partition. The decisions were communicated to all Ministries from time to time."

The enquiries have been completed and the note has been submitted to the Committee.

- 53 Do. . . . 50 . . . Do. . . .
 The Ministry should appoint a small Committee to enquire into the reasons for keeping excessive stocks of stationery and typewriters in the Central Stationery Office, Calcutta.
- 54 Do. . . . 105 . . . Do. . . .
 With reference to the case referred to in para 24(a) of the Audit Report (Civil), 1951, a detailed note giving justification for the payment of a sum of Rs. 51,323 to a certain C.P.W.D. contractor along with a copy of the sanction accorded by the Ministry of Finance should be furnished.
- 55 1949-50 [(VII)(11)]† 44 . . . Commerce & Industry.
 A revised note on the working of the State Trading Scheme 'Imported paper stocked by the late Ministry of Industry & Supply' should be submitted after getting it vetted by the A.G., F.R. & S.
- 56 1948-49 (1) . . . 26 (V) . . . External Affairs
 D. G. P. & T.
 Early steps should be taken to prescribe a proper procedure whereby adequate administrative and financial control is ensured in the Office of the High Commissioner for India in the U. K. The case mentioned in Para. 25 (c) of the Audit Report relating to the loss of Gandhi Memorial stamps amounting to ₹106-8-5 bears an adequate testimony to the fact that there had been laxity in the administration of the High Commissioner's Office. A note stating the results of the investigation made by the D. G., P. & T. in the matter and action taken, if any against the officials concerned should be submitted to the Committee.
- 21
 A note on the matter has been prepared which will be submitted to the Committee after getting the figures, mentioned therein, verified by Audit.
- A note has been submitted to the Committee.
- A revised note will be submitted in due course.
- The Ministry of External Affairs have stated as below :
 "The matter is under investigation and a note will be sent as soon as a final decision has been reached with the D. G., P. & T. Regarding administrative and financial control in the Office of the High Commissioner for India in London, a note has already been submitted."
 The D. G., P. & T. have stated as below :
 "Certain information called for from the High Commissioner, London and the Indian Legation, Berne is awaited for finalising the investigation".

1	2	3	4	5	6
57	1948-49 (I)	32	External Affairs	The matter relating to the purchase of whisky by the High Commissioner for India in the U. K. should be examined further by the Ministry of External Affairs in consultation with an officer nominated by the Comptroller and Auditor-General and the result of their findings reported to the Public Accounts Committee in due course.	The matter is under consideration. A note will be sent shortly.
58	Do.	182	Do.	The possibility of transferring the work connected with the Scheme 'Contribution to Provinces etc. in respect of expenditure on Orphans' to the Central Ministry of Rehabilitation should be considered instead of maintaining a separate establishment for this purpose in the Ministry of External Affairs.	A note has been submitted to the Committee.
59	1949-50 (VII)	16	External Affairs Finance	A Committee should be appointed to examine the adequacy of the existing budgetary and financial control exercised over the Indian Embassies and Missions abroad and to suggest measures to ensure better financial checks over expenditure incurred by them.	The Ministry of External Affairs have stated as below : "Noted Action is being taken and the results will be communicated in due course." The Ministry of Finance (R. & E.) have stated as below : "Noted. The Foreign Service Inspectorate constituted under the External Affairs Ministry will, together with a representative of the Finance Ministry, function also as The Committee contemplated in the recommendations."
60	1949-50 (VII)	16	Do.	In order to make the control of the Financial Adviser attached to the Indian High Commissioner in London more effective	The Ministry of External Affairs have stated :

over the financial transactions of the High Commissioner, he should be independent of the control of the High Commissioner and responsible to the Ministry of Finance in so far as tendering of financial advice is concerned and that the kinds of cases in which the concurrence of the Financial Adviser should be obligatory should be clearly defined in the rules.

"The matter is under examination."

The Ministry of Finance (R. & E.) have stated as below :

"This is being examined in consultation with the Ministry of External Affairs".

61 1949-50 (VII). . 19

Home Affairs

The withdrawal of money in advance of requirements is an irregularity which

The Ministry of Railways have stated as below :

All other Ministries

may eventually lead to loss, if not to fraud.

"There is no type of withdrawal of money on Railways coming within the purview of the Committee's recommendations".

The Ministries of Finance, Home Affairs, Food and Agriculture, W. H. & S., Labour, Transport and the D. G. P. & T. etc., have noted the recommendations and circularised the same to all concerned for careful note and strict compliance.

The Ministry of Defence have stated :

"Rules already exist in the Defence Services to prevent irregularities of this sort. The recommendation has, however, been noted."

62 Do. . . 37 . . Home Affairs

In order to ensure speedy disciplinary action being taken against officials who are found guilty of neglecting public interests or of dereliction of duty, the desirability of amending Article 311 of the Constitution should be considered with a view to securing a fair balance between the interests of the State and the individual public servant.

The proposal is being examined.

63	1948-49 (D)	26 (VI)	<p>Transport</p> <hr/> <p>All other Ministries.</p>	<p>A careful study should be made of the procedure and practice followed in this respect in other democratic countries.</p> <p>With reference to the case mentioned in Para. 27 of the Audit Report, it is considered unsatisfactory that an officer who is incharge of cash and accounts in an office should plead as an excuse that he could not attend to this work properly as he had some other duties to perform. The Ministries should take a very serious view of such defalcations and irregularities and bring the offender to book without allowing him to take shelter under technicalities.</p>	<p>The Ministry of Transport have stated as below :</p> <p>“Noted. The matter has been considered at full length previously in a self-contained memorandum furnished to the last Committee.”</p> <p>The Ministries of Food and Agriculture, W. H. & S., Commerce and Industry, have noted the recommendations and issued necessary instructions to all attached and subordinate offices under them.</p> <p>The Ministries of Railways, Rehabilitation, N. R. & S. R. etc., have noted the recommendation.</p>
64	Do.	54	Transport	<p>The Government of India should obtain early payment of the amount which the Government of the U. K. had already agreed to pay in respect of Indian registered ships requisitioned by them during the last war. This should be done without prejudicing the question of the final settlement which should be expedited. A report showing the action taken in the matter and embodying the various stages of the financial settlement should be furnished to the Committee at an early date.</p>	<p>A note has been submitted to the Committee.</p>
65	1949-50 (VII)	22	<p>Transport</p> <hr/> <p>Finance</p> <hr/> <p>All other Ministries.</p>	<p>(i) In order to eradicate loss of public moneys as a result of embezzlement of revenue by Cashiers, only those persons who can pledge adequate securities both in the form of cash and property should</p>	<p>The Ministry of Finance have submitted a note.</p> <p>The Ministry of Defence have stated : “The existing regulations in the Defence Services about security</p>

be entrusted with the duties of handling the cash.

(ii) In accordance with the established procedure laid down in the Accounts and Financial Codes, the receipts should be remitted daily to the bank immediately after these are collected. The higher authorities should carry out the verifications of all remittances of public moneys with a full sense of responsibility.

deposits from Cashiers are being examined and if the regulations are not adequate, further instructions will be issued."

The Ministry of Rehabilitation have stated :

"Cashiers employed in this Ministry and its attached and subordinate offices have furnished securities in one of the forms enumerated in para. 277 of G. F. R., Volume I and not in cash and property only as recommended by the P. A. C. The matter has been taken up with the Ministry of Finance."

The Ministry of Communications have stated :

"This system is already being followed."

The Ministries of N. R. & S. R., Commerce and Industry, Food and Agriculture etc. have noted the recommendation.

The Ministries of Transport, Food and Agriculture, Production, Communications, Prime Minister's Secretariat, Ministry of External Affairs and the Ministry of Home Affairs state that the system is already being followed by them.

The D. G. P. & T. has stated that necessary instructions have been issued.

The Ministries of Health and Law have stated :

"Instructions from the Finance Ministry are awaited."

25

The Ministry of Railways have stated as below :

“The extant orders on the subject already provide for adequate safeguards to prevent loss of public money as a result of any embezzlement by Cashiers being required to furnish adequate securities as enjoined in paras. 2053 and 2054 of the State Railway General Code.

(ii) Procedure is already in vogue on the Railways, according to which daily receipts of cash are required to be remitted to the Bank daily immediately after they are collected.”

66	1949-50 (VII)	51	Transport	For the development of National Highways, early action should be taken towards the enactment of legislation as envisaged in item 23 of the Seventh Schedule—List I of the Constitution.	A note has been submitted to the Committee.
67	Do.	52	Do.	(i) The finances of the Delhi Transport Service should be put on a stable footing. (ii) The timely submission to Parliament of Audit Reports on the Accounts of the Delhi Road Transport Authority as required by sub-section (3) of Section 38 of the D. R. T. A. Act, 1950 should be impressed upon that Authority.	A note has been submitted to the Committee.
67-A	Do.	67	Do.	The reaction of the State Governments to the scheme of the Road Rollers should be furnished to the Committee. It should also be stated as to who was responsible for not accepting the debits.	
68	Do.	68	Transport <u>All other Ministries.</u>	In case, a scheme of manufacture has to be undertaken on behalf of several indentors, the proper course would be for the	The Ministries of Transport, Rehabilitation, Production and W. H. & S. etc. have noted the recommendations.

Ministry concerned to evolve a suitable Scheme for financing such a scheme including provision for recovery of advances from the parties concerned.

The Ministry of Railways have stated as below :

“On Railways the works are undertaken on behalf of other Government Department, public bodies or private firms on obtaining prior acceptance of the plans and estimates of the works and in the case of Government Departments expenditure as incurred is transferred while private parties are required to deposit the cost in advance. Necessary provision exists for the purpose in the Indian Government Railway Codes for the Engineering Department (Chapter XX) and Mechanical Department (Chapter XII).”

69 Do. . . . 28

Food and Agriculture .

Government should consider the desirability of either handing over the entire Creamery at Anand to a private agency or to the Government of Bombay after the expiry of the present lease.

A note has been submitted to the Committee.

A note comparing the amount of rent on account of the buildings and machinery leased to the Government of Bombay with that charged for similar buildings etc. from the Commercial Departments of the Government of India may be furnished to the Committee.

70 Do. . . . 29

Do.

(i) The Committee should be apprised of the principles governing the grant of loans for 'Grow More Food Schemes' to the States and the repayment thereof.

(i) A note has been submitted to the Committee.

(ii) The Government of India, while granting further loans to the States, should make a correct appraisal of the situation in the light of the recommendations made in the Report of the Planning Commission towards the attainment of self-sufficiency in food.

(ii) A note has been submitted to the Committee.

71 1949-50 (VII)

31

Food and Agriculture.

Government should fix some target date by which such of the non-tractor parts as are not required for use in the Central Tractor Organisation should be disposed of as any delay in this direction is likely to result not only in the deterioration of the stores but also their forced sale at a much depreciated value.

A note has been submitted to the Committee.

72 Do.

32

Food and Agriculture

All other Ministries.

The Ministries of Food and Agriculture, Rehabilitation, W., H. & S., Commerce and Industry, D.G.P. & T., etc., have noted the recommendation.

The Ministry of Defence have stated :
"The principle is already in force."

The Ministry of Home Affairs have stated :

"This rule is already observed. A copy of this recommendation has been sent to all concerned for careful note and compliance."

The Ministry of Railways have issued necessary instructions.

The Ministry of Food and Agriculture have submitted a note.

(ii) Government should take early decision on the findings contained in the Report of the Enquiry into the Purchase and Utilization of Agricultural implements from Messrs. Pashabbhai Patel & Co. by Shri H. V. Divatia.

73	Do.	33	Food and Agriculture	Government should consider the desirability of examining reduction in idle time in the tractor units by proper planning for the working of the land reclamation schemes by means of mechanical ploughing, eliminating thereby considerable waste of expenditure.	A note has been submitted to the Committee.
74	Do.	34	Do.	An overall maximum limit of all categories of Stores <i>i.e.</i> , general stores, petrol, oil and lubricants etc. (not spare parts only) to be held by the Central Tractor Organisation at any one time should be fixed as required under the rules.	A note has been submitted to the Committee.
75	1949-50 (VII).	76	Do.	The decision arrived at by Government on the question whether the Ministry should continue to run the fertiliser pool (consisting of indigenous production and the imported fertiliser) or whether they should leave the whole business to trade should be intimated to the Committee.	A note has been submitted to the Committee.
76	Do.	77	Do.	A statement showing the actual increase in production due to the use of fertilisers <i>vis-a-vis</i> the normal production per acre State-wise should be furnished to the Committee.	A note has been submitted to the Committee.
77	Do.	79	Do.	To enable the Committee to examine the financial implications of the utilisation of the old tractors, a note setting forth information on the following points should be furnished: (i) the number of hours the tractors worked ; (ii) the number of hours the tractors remained idle during the year 1951-52 State-wise ; (iii) the amount recovered from each of the State Governments in respect of heavy tractors ; and	A note has been submitted to the Committee.

(iv) to what use the tractors that remained idle were put to.

78 1949-50 (VII)(II)** 5 Food and Agriculture A note has been submitted to the Committee.

A detailed note setting forth the background of the grant of loans on account of the G.M.F. Schemes to the States in the light of the recommendations made by previous Committees on Public Accounts from time to time as also those contained in the Report of the Planning Commission should be submitted to the Committee.

79 1949-50 (VII) 85 Education The note is under preparation.

A note stating the reasons for placing the Visva-Bharati University on a different footing as compared to the two other Central Universities viz., Banaras Hindu University and Aligarh Muslim University in regard to audit of its Accounts should be submitted.

80 Do. Do. 14(f) and 223 Do. A note has already been submitted to the Committee.

A detailed note giving explanations for the non-surrender of the saving of Rs.13,52,562, under sub-head D-4' should be furnished after getting it vetted by the Accountant General, Central Revenues.

81 Do. Do. 41 Do. Necessary legislation setting up the University Grants Committee is under consideration.

The Committee should be apprised in due course of the recommendations made by the University Grants Commission in regard to the basis for allocation of grants-in-aid to the Central and other Universities.

82	Do.	.	.	86	Natural Resources & Scientific Research	<p>(i) The Accounts of the Council of Scientific and Industrial Research which are at present being audited on a 'consent basis' only should be audited by the Comptroller and Auditor-General of India on a statutory basis.</p> <p>(ii) The audited Accounts of the Council along with the Audit Report should be placed on the Table of the House along with the Annual Accounts of the Government of India.</p>	The recommendations of the Committee as to the Audit of the Accounts of the C.S.I.R. by the Comptroller and Auditor-General of India on a statutory basis has been referred to the C.S.I.R. for their observations by its governing body. Necessary action to be taken on the recommendations will be intimated to the Committee as soon as the observation of the Council is received in this Ministry.
83	Do.	.	.	69	Do.	With reference to the review on the financial working of the State trading scheme, 'Purchase of Machinery for Mica Miners' furnished by the Ministry, a revised note should be submitted after reconciling the figures of net profit as shown therein with those of the Accounts Office.	A note has been submitted to the Committee.
84	Do.	.	.	20	Rehabilitation	The Ministry should undertake a review of the more important audit objections which revealed leakage of Government money and gross mismanagement on the part of the administrators of the various camps in consultation with the Accountant-General, Food, Rehabilitation and Supply and see whether they could fix responsibility on particular individuals and determine the action to be taken against them.	Steps have been taken to collect the necessary information which will be supplied to the Committee in due course.
85	Do.	.	.	20	Do.	A note reviewing the conduct of the various Commandant Officers concerned who had been put in charge of the different Refugee Camps with special reference to the strength of the camp inmates that they had to look after and other responsibilities entrusted to them, in that respect, should be furnished.	Steps have been taken to collect the necessary particulars from the State Governments. The required notes will be submitted as soon as complete information becomes available.

** Denotes Part II of the Seventh Report of the P.A.C.

86	1949-50 (VII).	21 & 207	Rehabilitation . . .	A note showing the list of Officers employed in the various camps against whom disciplinary action had been taken for frauds, embezzlements and abuse of their powers indicating (i) how many of them had been removed from service; (ii) whether prosecutions had been launched against any of the delinquent officials and what steps had been taken to ensure, that they did not secure any similar employment under any other State Government, should be furnished.	(i) A list of Officers employed in various camps against whom disciplinary actions have been taken for frauds, embezzlements, etc. have already been furnished to the Committee. (ii) Action is being taken to furnish the particulars of such officers to the various State Governments so that they do not secure employment under them.
87	Do. . . .	35	Labour	The Committee should be apprised, in due course, of the findings of the Training and Employment Service Organisation Committee as also the action taken thereon by the Ministry.	
88	Do. . . .	42	Health <hr/> All other Ministries	The provisions of Rule 207(2) of the General Financial Rules, Vol. I, which lays down that 'only so much of the grant should be paid during any financial year as is likely to be expended during that year' should be strictly observed by all Ministries.	The Ministries of Railways, Health, Rehabilitation, Production, D.G.P. & T. etc. have noted the recommendation. The Ministries of Transport, W., H. & S., Communications and Food and Agriculture have stated : " This is already being done". The Ministry of Labour has brought the recommendation to the notice of the concerned authorities.
89	Do. . . .	45	Information and Broadcasting . . .	A note stating the positive measures taken by the Ministry for effecting economy in the All India Radio should be furnished.	
90	Do. . . .	45	Do. . . .	The Committee should be informed of the gap that has yet to be covered to reach the target figure of one million licences.	

91	Do.	.	.	44	Do.	.	.	.	Government should explore the avenues for charging the newspapers a certain amount of royalty, nominal or otherwise, for the publication of daily radio programmes. This aspect of the matter may also be considered by the Press Commission.	
92	Do.	.	.	46	Do.	.	.	.	The Ministry should examine the question of payment to news agencies on the basis of wordage supplied or used instead of on the basis of the number of radio licences at the time of the next revision of the agreement with the agencies concerned.	
93	1949-50/[(VII) (II)]*	.	.	47	Do.	.	.	.	A note stating the number of Pakistani Nationals engaged in the Film Industry in India and Indian Nationals, if any, engaged in the Film Industry in Pakistan should be furnished.	
94	1949-50 (VI)†	.	.	32	Irrigation & Power	.	.	.	The question of apportioning responsibility between the various Officers who have been responsible for the non-observance of the Stores Accounting Rules and not organizing a proper set-up should be taken up by Government immediately.	The investigations have revealed that no one can be definitely charged with deliberate defiance of the procedure. The services of the Executive Engineer complained against have been terminated.
95	1949-50 (VI)	.	.	33	Do.	.	.	.	In case it is not possible to have the loose ledger sheets printed through the Controller of Printing and Stationery in time, Government should sanction local purchase, as any amount spent in this behalf is likely to yield benefits to the Project as a whole and prevent frauds or misuse of stores etc.	The ledger sheets have been received and utilised.

* 1949-50 [(VII) (II)] denotes Part II of the Seventh Report of the Public Accounts Committee on the Accounts (Civil), 1949-50 etc.

† 1949-50 (VI) denotes Sixth Report of the P.A.C. on the Hirakud Dam Project.

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96	1949-50 (VI)	34	Irrigation & Power	The entire job of opening ledgers for all categories of stores <i>viz.</i> , those imported from abroad, those purchased locally and those indented through the D. G., Supplies & Disposals should be completed by the end of the current year and the stores found surplus should be disposed of.	An Officer has been deputed for the preparation of the list of stores and the work is expected to be completed very shortly.
97	Do.	35	Do.	The rules regarding the accounting of stores as laid down in the Central Public Works account Code and as supplemented by the Hirakud Dam Project Accounting Rules should be rigidly enforced and no deviation from the prescribed procedure permitted.	The Chief Engineer, Hirakud Dam Project has issued instructions to all Superintending Engineers to follow rigidly the rules regarding the accounting of Stores.
98	Do.	36	Do.	The question of transferring the surplus stores to other Project Administrations should be taken up immediately to avoid deterioration and consequent loss.	Necessary action is being taken by the Chief Engineer, H.D.P.
99	Do.	37	Do.	Stock-verification of stores which are not likely to be required on the Project in the next few years should be taken up immediately and a statement showing the price thereof prepared and got verified by the Financial Adviser and Chief Accounts Officer.	Accepted. As a matter of fact stock verification of all stores, including stores not likely to be required for the project during the next few year, is being done continuously by two Stock Verifiers and the prices are being fixed in consultation with the F.A. & C.A.O.
100	Do.	38	Do.	Stock-taking of all stores rendered surplus should be taken and their values assessed periodically. In case, the stores are not likely to be utilized in the near future, action to dispose them of according to rules may be taken in order to avoid further losses on account of wear and tear.	One sub-division has been allotted this work. Periodical reviews will duly be made and arrangements made for the disposal of stores.

101	Do. 39 . . .	Do.	In order to prevent the expenditure on the Project being inflated the reserve limit for stocking various categories of stores should be fixed in consultation with the Accounts authorities. The whole system of purchasing and stocking stores should be rationalised so as to eliminate unproductive expenditure and loss.	Accepted and is already in operation.
102	Do. 44 . . .	Do.	The question of dismantling the Railway track linking up the site of the Subsidiary Dam, which runs into several miles, may be considered as the amount involved in its construction as also its subsequent maintenance is not likely to prove commensurate in the long run.	A considerable portion of the track is still being used. Siding and the extension which are not required has been dismantled.
103	Do. 48 . . .	Do.	The Accounts of the Rail-Road Bridge over the Mahanadi should be gone into by a team consisting of an independent Bridge Engineer drawn from Madras or Bombay or Hyderabad States and a special Accounts Officer with a view to ensuring that the cost of the Hirakud Project is not inflated by any process of incorrect accounting.	The report of the Committee appointed for the purpose has been submitted to the Public Accounts Committee.
104	Do. 52 . . .	Do.	Profiting from the past experience, the Central Water & Power Commission should carefully study the implications of the various recommendations made in the Report of the French Engineers on the navigation of Mahanadi River both in respect of expenditure and the returns and its ultimate effect on the economics of the Project as a whole.	Development of navigation is not contemplated at present. The recommendations of the French Mission will be taken into consideration at the appropriate time.
105	Do. 65 . . .	Do.	Adequate disciplinary action against the various Officials responsible for the irregularities and disregard of public interest in handling the transaction for the purchase of deodar sleepers from Punjab should be taken.	The services of the X. E. N. concerned have been terminated.

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106	1949-50 (VI)	73	Irrigation & Power	Government should take adequate disciplinary action against the officers responsible for the import of bullocks from Punjab for compaction of earthwork at Hirakud and devise effective measures to prevent favouritism or nepotism in the grant of contracts.	Accepted. The question of taking disciplinary action will be taken up on receipt of a report from the Special Police Establishment to whom the case has been referred for investigation. Necessary instructions have been issued by the Hirakud Control Board <i>re</i> : enlistment of contractors.
107	Do.	76	Do.	In order that the Orissa Government may be in a position to assume responsibility for the running of the Project as soon as it is completed, preference should be given to the local people for employment in all categories of staff, as far as possible.	Accepted. The Policy has been to give preference to the local people. The Government of India have been in constant touch with the Orissa Government regarding the deputation of suitable officials, especially in the senior cadres and all qualified officers recommended by the State Govt. have been taken. A comparative statement showing the total strength of staff (gazetted and non-gazetted) on the Hirakud Dam Project and the number of Oriya domiciles employed as on 15/2/53 is appended * along with a statement showing the Oriya staff employed during the last two years as also a copy of a letter from the Chief Engineer, Government of Orissa, in which he regrets his inability to spare any more Assistant Engineers or Supervisors. <i>*(Circulated to Members separately).</i>
108	Do.	77	Irrigation & Power <hr/> Finance	The expenditure involved in the reclamation of land and resettlement of persons displaced from land submerged as a result of the construction of the Hirakud Dam should be regarded as an integral part of the cost of the Project at any rate upto the extent that land has to be reclaimed for the resettlement of the displaced population.	The Ministry of Irrigation and Power have stated as below : "This has since been accepted and orders have been issued accordingly."

109	Do. 85	Do.	The recommendation made at the various Departmental Conferences and as reiterated at a high-level conference held on the 7th September, 1948 at which the Auditor-General and the representatives of all the Ministries concerned were present, that it is necessary to appoint a 'high level' Financial Adviser at the Centre for all multi-purpose River Valley Projects and that there should be at the site of each Project a Joint Financial Adviser with a Chief Accounts Officer functioning under him, should be fully implemented.	The Ministry of I. & P. have stated : "This is under consideration and a decision can be taken only when the report of the C. & A. G. is received."
110	Do. 85	<u>Irrigation & Power</u> <u>Finance</u> All other Ministries	Serious attention should be paid to the necessity and importance of planning the financial, accounting and audit organisations for each new project involving considerable expenditure and such arrangements should be regarded as an integral part of the planning of the execution of a project as a whole.	The Ministry of I. & P. have accepted the recommendation. The Ministry of Railways have issued necessary instructions.
111	Do. 87	<u>Irrigation & Power</u> All other Ministries	In view of the fact that the success of the Five Year Plan will depend upon the capacity of the Government and their high authorities to inspire the highest qualities in the persons engaged in the active fulfilment of the Plan, the officers must be carefully selected for their technical capacity and for their ability to work as a team, with enthusiasm and missionary zeal for the progress of the country.	The Ministry of I. & P. have stated : "Accepted. Owing to dearth of technical personnel the field of selection is somewhat restricted and it is not always possible to get the best men to do the job". The Ministry of Works, Housing and Supply have submitted a note. The Ministries of Railways, Rehabilitation, Transport, production, D-G. P. & T. etc. have noted the recommendations.

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112	1949-5 (VI)	90	Irrigation & Power	The Central Water & Power Commission should be an advisory and consultative body with authority to undertake investigation of water and power resources of India, research, etc., and should not be permitted to undertake the actual execution of project.	Needs careful examination.
113	Do.	90	Do.	The Chairman and Members of the C. W. & P.C. should confine themselves single-mindedly to the job of Consulting Engineers and Advisers and no administrative Secretariat posts should be foisted on them.	This has been implemented.
114	Do.	91	Do.	In case of an enormous project like Hirakud undertaken by the Central Government in a remote locality, there should be a full-fledged high level General Administrator incharge of the project as a whole, controlling all aspects including land problems, irrigation and other economic matters. The General Administrator should be a specially selected Officer of wide and varied administrative experience who could be relied upon to exercise the maximum possible authority and powers in consultation with the Financial Officer of adequate status and powers and to pay due regard to local problems and sentiments and the wishes of the State Government.	This recommendation has not been accepted.
115	Do.	92	Do.	The C. W. & P. C. should frame a set of Rules for regulating their business and a record should be kept of all important decisions arrived at the meetings which should be held periodically for reviewing <i>inter alia</i> the progress of the execution of the various Projects entrusted to the	Implemented.

Commission and other cognate matters
viz., administrative, technical and financial.

116	1949-50(VII)	55	Irrigation & Power <u>Finance</u>	When the Central Water & Power Commission undertakes in future any investigation of river valley projects on behalf of the State Governments, they should, as a matter of rule, prepare preliminary estimates and have them administratively approved by the State Governments concerned before proceeding with the operations.	The Ministry of Finance have noted the recommendation. The Ministry of I. & P. have accepted the recommendation.
117	Do.	55 and 129	Do.	(i) A copy of the agreement entered into with the various States especially with Madhya Pradesh for the apportionment of expenditure on investigations incurred by the Central Government and a note outlining the steps taken from time to time towards effecting recovery of the State portion of the expenditure incurred on the investigation from the Madhya Pradesh Government; the total amount spent on that account, and, also whether the estimates of the probable cost involved in the investigation were forwarded to them and their administrative approval obtained, should be furnished. (ii) The matter <i>re.</i> apportionment of expenditure on investigations incurred by the Central Government on behalf of the Madhya Pradesh Government should be pursued with the Government at a ministerial level and they should be asked to honour their liability.	The Ministry of I. & P. have submitted a Memorandum. It is proposed to hold an <i>Inter State</i> Conference for the purpose as soon as possible.
118	Do.	55	Do.	The loans advanced to the Government of Punjab for the execution of the Bhakra-Nangal Project should be apportioned between the three participating States,	The Ministry of Finance (E.A.) have stated as below : "The Ministry of I. & P. are taking action in the matter."

				<p><i>viz.</i>, Punjab, PEPSU and Rajasthan in consultation with the Bhakra Control Board who is in overall charge of the Project. Thereafter, the Government of India should take necessary action to adjust the proportionate amount of loan against the State Governments concerned in order to obviate any difficulty that might arise in future at the time of final allocation of the costs to them.</p>	<p>The Ministry of I. & P. have stated : "Action is in hand by the Govt. of Punjab".</p>
118A.	1949-50 (VII)	143	Irrigation & Power	<p>A note stating the extent of the financial burden undertaken by the Government of India for the grant of more funds for meeting the additional liabilities involved in the change of specifications and scope of Bhakra Nangal Project after getting it vetted by the Ministry of Finance should be submitted to the Committee.</p>	<p>A note has been submitted to the Committee (Cf. Appendix XXXII to the Seventh Report).</p>
119	Do.	38	<p>Prime Minister's Secretariat</p> <hr/> <p>Secretariat of the Military Secretary to the President</p>	<p>The scope of various 'Entertainment Funds' maintained by Government of India should be precisely defined with a view to obviate any ambiguity or overlapping in the expenditure incurred by Government <i>vis-a-vis</i> the Sumptuary Allowance paid to the individual Cabinet Ministers. The extent of budgetary control exercised over the affairs of the Hospitality Organisation should be furnished to the Committee.</p>	
120	Do.	39	Cabinet Secretariat	<p>The Central Statistical Organisation should submit to the Committee a resume of the work done during the last year as also a copy each of the reports so far published by them.</p>	<p>A resume of the work of the Central Statistical Organisation has been submitted to the Committee. No expenditure is being incurred on account of employment of foreign experts on the statistical work.</p>

121	1948-49 (I)	178	Communications External Affairs	<p>The expenditure that is being incurred on the employment of foreign experts should also be furnished to the Committee.</p> <p>All possible resources to effect recovery of the sum of Rs. 1,15,080 due from the Nationalist Chinese (KMT) Government should be tapped.</p>	<p>The Ministry of Communications have stated as below :</p> <p>"The amount represents the share of the C. & W. also. Our share is only 50%. Efforts are being made to recover the amounts through C. & W. who owe some amount to Chinese (K.M.T)."</p> <p>The Ministry of External Affairs have submitted a note.</p>
121-A	Do.	179	Communications	<p>The appointment of an Internal Accounts Officer who understood the business control methods should be considered in order to ensure better accounting arrangements of the Overseas Organisation.</p>	
122	1949-50 (VII)	40	Do.	<p>Government should consider the desirability of making provision for inspection and audit of Accounts by the Comptroller and Auditor-General of India in the Articles of Association of the Indian Telephone Industries, Ltd., Bangalore similar to that existing in the Industrial Finance Corporation (Amendment) Act, 1952.</p>	<p>A note has been submitted to the Committee.</p>
123	Do.	43	Do.	<p>The final decision arrived at by Government in regard to the refund by the International Civil Aviation Organisation of excess amount paid by the Government of India on behalf of Pakistan Government as contribution for the period from 15th August, 1947 to 30th June, 1948, should be intimated to the Committee.</p>	<p>The matter has been taken up with the International Civil Aviation Organisation and the Government of Pakistan.</p>
124	1948-49 (I)	56	Comptroller and Auditor-General of India	<p>The Comptroller and Auditor-General should submit a report to the Committee in regard to the question of submission to Parliament the Audit Reports relating to the various Port Trusts in order to enable it to have an opportunity to appraise their financial position.</p>	<p>The Comptroller and Auditor-General has furnished a copy of his correspondence with the Ministries of Finance and Transport. Further action regarding the amendment of the Port Trust Acts has to be taken by the Ministry of Transport.</p>

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124-A	*1949-50 (VIII)	17	Works, Housing and Supply <hr/> All other Ministries	In order to ensure the best return for the disposal of Government stores, all contracts involving the sale of goods worth lakhs of rupees should be split up into sizeable and convenient lots at different places and separate tenders for each lot should be invited.	
124-B	Do.	18	Do.	(i) In case of big contracts involving lakhs of rupees, Government should invariably insist upon the institution of detailed enquiries regarding the antecedents and financial standing of the firms tendering for the Disposals goods. (ii) Government should consider the desirability of black-listing contractors with bad record on the 'Disposals' side also as is being done on the 'Purchase' side.	
124-C]	Do.	19	Finance <hr/> Cabinet Secretariat <hr/> All other Ministries	In order to ensure that sanctions to the write-off of losses of stores, cash etc. are accorded at appropriate levels and also to safeguard the interest of the Public Exchequer, a definite procedure should be laid down specifying the limits upto which the Officers at various levels in the Ministry of Finance and the administrative Ministry shall be competent to write-off losses within the overall limit fixed for the purpose. Approval of the Cabinet may be prescribed for the write-off of losses beyond a certain limit, say Rs. 5 lakhs.	The Ministry of Finance (R. & E.) have submitted a Memorandum.
124-D	Do.	Para 3 of the Introduction to the Report of the	Works, Housing and Supply <hr/> All other Ministries	Government should take serious notice of cases in which it comes to light that contract in favour of a firm in place of the one whose tender has been accepted has been	

				entered into by an Officer at the instance of the successful tenderer, without prior approval of Government. Early steps should be taken to issue appropriate instructions to Officers concerned dealing with contracts so that public money is not lost by such irregular transfer of contracts.	
125	†1949-50 (V)	26	Posts and Telegraphs Department.	A report stating the action taken by the P. & T. Department on the recommendations of the Committee set up to determine the average life of the assets of the Posts and Telegraphs Department for evolving a scientific and rational basis for contribution to the Renewals Reserve Fund should be submitted to the Committee.	A committee with Officer of the Telegraph Engineering Service as Chairman and an Officer of the Indian Audit and Accounts Service as Member was set up in December, 1951 and the report submitted by the Committee is under examination.
-	1948-49 (I)	67	Posts & Telegraphs Department.	The principle of discrimination in the grant of concession for the free supply of meals and tea to a section of the staff of the Calcutta Telephone District is unjust and should be discontinued. The decision arrived at in the matter should be reported to the Committee.	The matter is under examination and a note on the subject will be submitted to the Committee in due course.
127	Do.	69	Do.	The Postal Life Insurance Organisation should be run on commercial lines and not as a Government Department and that a balance sheet in respect thereof duly countersigned by the Audit Officer concerned appended to the Commercial Appendix to the Appropriation Accounts.	The question of running this organisation on commercial lines is under consideration. After the valuation of the Fund is completed and the Fund is divided between India and Pakistan a balance sheet will be appended to the Commercial Appendix. Statements showing (i) the business of the Post Office Insurance Fund (ii) the policies issued, discharged, lapsed and surrendered and (iii) receipts and payments during each year, will be incorporated in the Commercial Appendix beginning with the year 1951-52.

• Eighth Report of the P. A. C. (1953-54).

† Fifth Report on the Appropriation Accounts (Railways) and (Posts and Telegraphs), 1949-50.

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128	1948-49 (I) and *1949-50 (V)	70 37	<u>Posts & Telegraphs Department</u> <u>Communications</u> <u>Works. Housing and Supply.</u>	<p>The grave shortage of postal forms in the Post Offices should be remedied immediately. The Posts and Telegraphs Department should either be provided with a separate Press which should solely cater to their needs, or the control over the existing Press which undertakes their printing work, should be vested entirely in that Department. As an alternative to this arrangement, the Posts and Telegraphs Department should be permitted to make necessary arrangements with private presses for the printing of their forms. Government should take early remedial measures to resolve the difficulties experienced by the Posts & Telegraphs Department and this matter put on a satisfactory basis in the immediate future and apprise the Committee of the action taken in the matter.</p>	<p>The D.G.P.&T. have stated as below : "The question is still being examined at the ministerial level. The final decision when arrived at will be intimated to the Committee." The Ministry of W.H. & S. have submitted a note.</p>
129	*1949-50 (V)	24	<u>Posts & Telegraphs</u> <u>All Ministries</u>	<p>Though variations within a Grant are less important than variations in the Grant as a whole, large variations are to be deprecated as showing a certain degree of indefiniteness in estimating.</p>	<p>The D.G.P.&T., the Ministries of N.R.& S.R., Commerce and Industry, Transport, etc. have noted the recommendation. The Ministry of Defence have stated : "The recommendation is being examined in consultation with the Ministry of Finance (Defence Division)." The Ministries of Home Affairs, W. H. & S. and Labour have noted and circularised the recommendations to all concerned. The Ministry of Railways have issued necessary instructions.</p>

130	Do.	25	Do.	The Posts & Telegraphs Department may consider the desirability of adopting the Stores system existing on the Railways with necessary modifications to suit their set up.	The matter is under examination.
131	1949-50 (V)	27	Do.	Where the agency of contractors is employed for the handling of treasury work in the Post-Offices, adequate measures should be taken to ensure that in the event of misappropriation or loss of money which might exceed the amount of the security held by the Government, the entire amount could be recovered from them through a decree granted by the Civil Court.	The D.G.P.&T. has stated as below : "The matter is under examination in consultation with the Ministry of Law." The Ministry of Railways have stated as below : "So far as Ministry of Railways are concerned, the contractors are not employed for handling cash and the work is done departmentally".
132	Do.	28	<u>Posts & Telegraphs</u> <u>Finance</u>	The infructuous expenditure to the tune of Rs. 3½ lakhs incurred in connection with the issue of National Savings Certificates to Industrial Workers in the Bombay State displays a lack of foresight and imagination on the part of Government in the formulation of policy which proved to be a failure, and did not yield any tangible result in any way beneficial to the Government.	The D.G.P.&T. has stated as below : "The P.&T. Department had performed only an agency function on behalf of the Ministry of Finance and incurred no loss". The Ministry of Finance (E.A.) have stated as below : "The payment of bonus in the form of National Savings Certificates was in the nature of an experiment and Government did not expect premature encashment of the Certificates on a large scale which resulted in the expenditure".
133	1949-50 (V)	29	<u>Posts & Telegraphs</u> <u>Department</u> <u>Communications.</u>	The Department should take suitable disciplinary action against the Officer at fault.	The D. G.P.&T. have stated that necessary action is being taken in the matter.
134	Do.	30	Do.	(i) The findings of the U.P.S.C. in the case of the Divisional Engineer responsible for the irregularities disclosed in Para. 27 of the Audit Report, 1951 should be reported to the Committee.	The D.G.P.&T. have stated as below : "The findings of the U.P.S.C. are under examination in consultation with the Home Ministry and will be communicated to the Committee in due course."

*1949-50 (V) denotes Fifth Report of the P.A.C. on the Appropriation Accounts (Railways) and (Posts & Telegraphs) 1949-50.

1	2	3	4	5	6
				(ii) The Committee deprecate the tendency of the Department to promote Officers to higher posts during the pendency of the disciplinary cases against them.	The D.G.P. & T. have issued suitable instructions in the matter.
135	1949-50 (V)	30	All Ministries Posts & Telegraphs Department.	In order to eliminate any element of delay in instituting disciplinary action against an Officer, the Department concerned should invariably keep photostat copies of all documents which have an important bearing on the disposal of the case before filing them with a Court.	The Ministries of Railways, Rehabilitation, W.H. & S., Commerce and Industry etc. have noted the recommendation. The D.G.P.&T. have issued suitable instructions in the matter. The Ministry of Finance(R. & E.) have stated : "The Ministry of Home Affairs who are administratively concerned with the subject have issued general instructions which <i>inter alia</i> cover this point." The Ministry of Defence have stated : "Suitable instructions will be issued on receipt of the printed report of the P.A.C. from the Parliament Secretariat."*
136	Do.	31	Posts & Telegraphs Department.	With a view to preventing the recurrence of thefts of telegraph wires, the Department should investigate into the existing procedure for receipt, issue and custody of stores by the Telegraphs Linemen and ensure that there is no loophole which facilitates theft, pilferage, misappropriation, fraud etc.	The existing procedure and rules on the subject are quite clear and if followed strictly should not give rise to any loss. Suitable instructions for strict observation of codified rules have already been issued.
137	Do.	32	Do.	A Statement showing the findings of the Japanese Cable Committee as also action taken by Government in the matter should be furnished.	The findings of the Committee are being examined by the Ministry of Communications.

138	Do.	.	33	.	Do.	As a first step towards improving the state of affairs in the Telegraphs and Telephone workshops, suitable machinery should be devised for the training of the subordinate staff in the methods of workshops and store-accounting systems.	Action has been taken to give suitable training to the Subordinate Technical Staff under the supervision of an International Labour Office expert. The question of giving suitable training to the P. & T. Accountants is being examined.
139	Do.	.	34	.	Do.	In all cases of major works, the Audit authorities should be apprised of the financial and other aspects thereof so as to enable them to organise their own accounting and audit arrangements in time.	Noted.
140	Do.	.	34	.	Do.	The Committee do not find adequate justification for the maintenance of a large establishment consisting of 32 Gazetted Officers and 313 non-gazetted Officers for dealing with the affairs of the Calcutta Telephone Automatisation Project, when most of the work has so far been executed by outside agencies. The Department should without further delay chalk out a definite plan for the training of the staff in automatisation work and also assess the magnitude of the work, connected with planning and, thereafter, retrench the unnecessary staff to effect economy in expenditure. The progress of the project should be reported to the Committee in the next Audit Report.	A Memorandum has been submitted to the Committee.
141	Do.	.	35	.	Do.	The Memorandum explaining the circumstance that led to an infructuous expenditure of Rs. 42,148 in the opening of a Public Call Office in Jawhar State now merged in the Bombay State, should be submitted to the Committee through the Accountant-General, Posts & Telegraphs.	A Memorandum has been submitted to the Committee.
142	Do.	.	36	.	Do.	The Department should formulate a more rational and integrated policy in the matter of construction of buildings for accommodating Executive, Administrative and Audit Offices and gradually as the funds permit, embark upon the construction of essential buildings.	Noted.

143 1040-50 (V) . . . 38 . . . P. & T. Department
 All Ministries.

Early action should be initiated on the recommendations of the Committee soon after their Reports are made available and all notes/memoranda should be submitted to the Committee after getting them verified by Audit well in advance of the date on which the examination of the next year's Accounts relating to the Ministry concerned is put down.

144 1948-49 (II) * . . . 17(iii) . . . Railways

In order to prevent the recurrence of over-payments of the nature mentioned in para. 20 of the Railway Audit Report, 1950 the Railway Board should formulate proper procedure in consultation with the Ministry of Works, Production and Supply whereby the revision in the rate of coal is communicated immediately by the Coal Commissioner to the Railway Administrations concerned before it is actually put into force.

145 1948-49 (II) . . . 17(iv) . . . Do.

(i) In order to prevent recurrence of losses of the nature referred to in para. 28 of the Railway Audit Report, 1950, the Railway Board should examine the procedure regarding the remission of demurrage charges and submit a report to the Committee.

(ii) The Railway Board should consider the question of the revision of the existing powers delegated to various authorities on the Railways to sanction write-off of demurrage and wharfage charges in order to ensure that they are not abused by those authorities.

The D.G.P. & T. and the Ministries of Railways, Rehabilitation, Production, Commerce and Industry, Home Affairs, Labour, W.H. & S., Communications, etc. have noted the recommendation.

The Ministry of Production have agreed to the simultaneous issue of the notification regarding the revision of rates of over-loaded weigh-bridge coal consequent on the revision of prices of coal.

A Memorandum has been submitted to the Committee.

1949-50 (V)	18		Do.	(iii) The Railway Board should issue instructions to the Railway Administrations for ensuring that while sanctioning the waiving of demurrage and wharfage charges, the interests of the Exchequer are duly safeguarded.	Necessary instructions have been issued by the Railway Board.
146 1948-49 (II)	22		Do.	A Memorandum showing the results of the economy achieved in the working cost of the Railways consequent on the integration and regrouping of the entire Railway system into six zones should be furnished to the Committee.	A Memorandum has been submitted to the Committee.
147 1947-48 (Post-partition).	19-R 69-P	}	Do.	There should be no over-capitalization in the Railway Collieries and commercial principles should be adopted for purposes of providing for depreciation.	Action under consideration.
148 Do. and 1949-50 (V).	22-R 51-P 21	}	Do.	The progress made in the separation of Financial and Accounts functions on the Railways should be reported to the Committee.	Noted.
149 1949-50 (V)	7		Do.	The Railway Administrations should aim at closer estimating and exercise proper vigilance at the time of the preparation of the final estimates. It is essential that assumptions should approximate to facts as far as possible.	Necessary instructions have been issued to the Railway Administrations.
150 1949-50 (V)	7		Railways	(i) It is a matter of great importance that high standards of budgeting should be maintained by the Railway Administrations and the necessity of obtaining grants sufficient to cover expenditure which may be incurred within a year impressed upon them. (ii) The Railway Board should once again draw the attention of the Railway Administrations to the observance of financial checks and safeguards and the application of rigid financial control, as the immediate	Necessary instructions have been issued to the Railway Administrations.

*1948-49 (II) denotes Second Report of the P.A.C. on the Appropriation Accounts (Railways) and (Defence Services), 1948-49.

1	2	3	4	5	6
				responsibility for seeing that the budget is properly planned and expenditure is kept within sanctioned grants rests on the Railway Board.	
151	1949-50(V)	7	Railways <u>All Ministries</u>	In pursuance of the standing instructions contained in the Office Memorandum from the late Finance Deptt. No. D.6368-F, dated the 17th August, 1934 and as reiterated in the Office Memorandum from the Ministry of Finance No. F.10(10)-B/52, dated the 31st October, 1952, all notes/memoranda containing facts and figures which are susceptible of verification by audit authorities should, in the first instance, be referred to them before being submitted to the Committee.	The Ministries of Railways, Finance, W.H. & S., D.G.P. & T. etc., have noted the recommendation. The Ministry of Communications have stated : "This is already being done".
152	Do.	8	Railways	The Railway Board should in future adhere to a prescribed programme for the compilation and submission of the Appropriation Accounts to the Comptroller and Auditor-General of India.	Noted.
153	Do.	9	Do.	According to the provisions of Art. 150 of the Constitution, the Railway Board should have consulted the Comptroller and Auditor-General of India while introducing changes in the financial and accounting structure of the Railways with effect from the Accounts of 1952-53 as a result of the integration of the Indian Railways into a unified undertaking.	Noted.
154	Do.	10	Railways <u>Defence</u>	A conference should be arranged between the Ministries of Railways and Defence in order to arrive at an agreement for the final adjustment of the sum of about Rs. 8 lakhs which is outstanding or recovery from the Ministry of Defence on account of the rent for the land	The Ministry of Railways have stated as below : "A sum of Rs. 55,797/14/10 remains to be recovered out of the total amount of Rs. 8,63,795/2/2 due for recovery from the Defence Ministry when the Accounts for 1949-50

leased to the late Defence Department in the Vizagapatam Port.

were considered".
The Ministry of Defence have stated:
"Noted for action".

155 Do.

11

Railways

It was a mistake on the part of the Railway Administration to have referred to arbitration the two cases in respect of which the contractors had signed 'No claim' certificates.

Necessary instructions have been issued to the Railways.

The Officers, especially the Senior Officer of the rank of Deputy General Manager through whose negligence the pilferage of stores was facilitated especially at a time when commodities like cement and steel were in great demand in the market in view of controls then prevailing, have not been properly dealt with. The act of conveying mere displeasure of the Railway Board to him does not, in the opinion of the Committee, constitute an adequate punishment.

A note has been submitted to the Committee.

156 Do.

12

Do.

The Investigating team appointed by the Railway Board at the instance of the Public Accounts Committee to investigate into a number of typical cases where open tenders were not called for on the Assam Rail Link Project should continue their work on the lines suggested by the Committee. The existing Members of the Investigation Team may continue with the exception of the Engineer Member who should be replaced by a retired Engineer of the status of a Chief Engineer, Indian Railways. The Report of this Investigation Team together with the Comments of the Railway Board should be submitted to the Committee through the C. & A. G. before they take up examination of the Appropriation Accounts (Railway), 1950-51.

The report of the Investigating Team together with the comments of the Railway Board, has been submitted to the Committee through the Comptroller and Auditor-General.

1	2	3	4	5	6
157	1949-50(V)	12	<u>Railways</u> All Ministries	<p>In future, all cases where works are required to be carried out in an emergency, special procedure should be prescribed by a competent authority taking into account all the circumstances of the emergency. It is undesirable that a general permission to the authorities executing the work 'to take all necessary measures to ensure that the project is fulfilled' should be given (as was stated to have been done in case of Assam Rail Link Project). The extent to which the normal Code rules are to be relaxed should also be precisely stated. Further, the authorities exercising such extended powers should be directed to leave sufficient contemporary record of facts to enable the investigation authorities in future to judge whether such powers have been judiciously exercised.</p>	<p>The Ministries of Railways, Rehabilitation, etc. have noted the recommendations.</p> <p>The Ministry of W.H. & S. have stated : "Suitable provision is being made in the C.P.W.D. Code."</p> <p>The D. G. P. & T. and Ministry of Defence have stated : "that the matter is under consideration".</p> <p>The Ministry of Food & Agriculture have stated : "This is generally followed in all cases. The recommendations will again be brought to the notice of all concerned."</p> <p>The Ministry of Finance (E.A.) have stated : "Necessary instructions have been issued so far as organisations under the Economic Affairs Department are concerned."</p>
158	Do.	13	<u>Railways</u> All other Ministries	<p>'Cost plus' contracts should be avoided except when they are inevitable.</p>	<p>The Ministry of Railways have stated : "Noted. Cost plus contracts are in practice, entered into exceptional cases, only."</p> <p>The Ministries of Finance, Food and Agriculture, etc. have issued suitable instructions to all concerned.</p> <p>The Ministry of Transport have offered the same remarks as against Item 50 so far as Roads Organisation is concerned.</p> <p>Other Ministries have noted the recommendations.</p>
159	Do.	13	<u>Railways</u>	<p>The following defects have been found in the agreement with the Swiss firm</p>	<p>A supplemental agreement with the 'Schlieren' was concluded on the</p>

52

'Schlieren' for the manufacture of all-metal light-weight coaching stock in India and its working :

27th June, 1953.

- (i) Entering into an agreement even before the site of the factory was decided upon.
- (ii) Entering into a commitment binding Government to purchase a certain number of coaches from the firm over a period of years.
- (iii) Making of payments which amounted to financial assistance to the concern without security or banker's guarantee not only in the first year but also in the second year even though the first orders had not been complied with.
- (iv) Undertaking of a financial liability of an undefined nature without time limit based on a 'cost-plus' contract. Such defects should be avoided in any future contracts to be entered into with suppliers.

The above comments should be immediately taken into account in carrying out revision in the contract with the 'Schlieren' which it is understood, is already under consideration of the Railway Board.

160	Do.	15	Do.	A Memorandum setting forth the progress made in the maintenance of the Store Accounts at the Chittaranjan Locomotive Works should be submitted to the Committee in due course after getting it scrutinised by the Director of Railway Audit.	A Memorandum has been submitted to the Committee.
161	1949-50 (V)	16	Railways	(i) The Railway Board should impress upon the various Railway Administrations to effect recoveries of the outstanding debits from the station staff expeditiously and no consideration should be shown to them in the matter of postponement of write-off of the such recoveries.	Action under consideration.

				(ii) The Government should explore the possibilities of recovering heavy station outstandings amounting to about Rs. 12 lakhs. if necessary, by amending the Payment of Wages Act, 1936.	
162	1949-50 (v)	17	Railways	<p>(i) It is most unsatisfactory that payments made to TELCO over a period of 7 years are still treated as provisional and actual cost of production of locomotive boilers has not yet been worked out and accepted by Government. If there are difficulties in reaching agreement on cost, the matter must be referred for arbitration.</p> <p>(ii) As the TELCO manufacture also road-rollers, under-frames, etc. the need for an efficient and accurate cost-accounting and their check on behalf of Government is all the more necessary so that the costs are properly allocated among the several contracts.</p> <p>(iii) In the case of an Industry which caters entirely for Government purposes, such as the Locomotives or the Ammunition factory, there is obviously a strong case for the State-ownership and management of such an Industry.</p> <p>Government should come to an early decision on the advisability of their taking over from TELCO the manufacture of boilers and locomotives and running it as a State-owned Industry. If necessary, Government can invite participation of private capital in such State-owned concerns in the shape of Debentures.</p>	<p>A Memorandum has been submitted to the Committee.</p> <p>The recommendation has been duly noted by Government.</p>
163	Do.	1)	Do.	The danger of growth in Suspense Balance is one which should be jealously guarded against.	The position is being watched by the Ministry.

**Necessary instructions have been issued
to the Railways by the Railway Board.**

The Railway Board should issue specific instructions to the Railway Administration in regard to the handling of Government money by the Railway Staff and fixing of responsibility in the event of losses as recommended by the P.A.C. in their Report of 1951-52.

D.D.

22

164 Do.

APPENDIX II

Statement comparing expenditure with Grants for 1950-51

Number and name of Grant or Appropriation	Original Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure compared with original Grant or Appropriation More— Less—	Expenditure compared with Final Grant or Appropriation More— Less—
1	2	3	4	5	6
RAILWAYS	Rs.	Rs.	Rs.	Rs.	Rs.
A—EXPENDITURE CHARGED TO REVENUE—					
1. Revenue—Railway Board Voted .	34,43,000	34,43,000	33,54,560	—88,440	—88,440
2. Revenue—Audit. Voted .	28,76,000	29,80,000	28,33,471	—42,529	—1,46,529
3. Revenue—Miscellaneous Expenditure Charged . Voted .	61,52,000	77,56,000	61,98,465	—46,465	—15,57,535
4. Revenue—Working Expenses—Administration Voted .	22,76,77,000	23,50,32,000	23,36,04,671	—14,27,329	—14,27,329
5. Revenue—Working Expenses—Repairs and main- tenance Voted .	51,84,68,000	57,31,61,000	57,11,14,623	—5,26,46,623	—20,46,377
6. Revenue—Working Expenses—Operating staff. Voted .	35,52,81,000	36,14,82,000	35,40,39,375	—12,41,625	—74,42,625
7. Revenue—Working Expenses—Operation (Fuel) Voted .	28,32,24,000	30,73,15,000	30,72,35,876	—1,40,81,876	—79,124

8. Revenue—Working Expenses—operation other than staff and fuel Voted	9,97,37,000	12,71,03,000	13,35,32,952	13,38,00,952	+64,36,952
9. Revenue—Working Expenses—Miscellaneous expenses Voted	15,02,26,000	16,62,18,000	17,08,78,982	2,06,52,982	+46,60,982
A Revenue—Working Expenses—Labour Welfare. Voted	3,12,63,000	3,27,83,000	3,18,69,148	1,6,01,148	—9,13,852
10. Revenue—Payments to Indian States and Companies Voted	37,40,000	37,40,000	34,76,260	—2,63,740	—2,63,740
11. Revenue—Working Expenses—Appropriation to Depreciation Fund Voted	17,00,00,000	30,00,00,000	30,00,00,000	—13,00,00,000	..
12A. Open Line Works—Revenue—Labour Welfare. Voted	1,45,21,000	2,13,38,000	1,83,34,121	+38,13,121	—30,03,879
12B. Open Line Works—Revenue—Other than Labour Welfare Voted	2,29,76,000	2,69,73,000	2,09,18,563	—20,57,437	—60,59,437
13. Appropriation to Development Fund—Voted	10,00,00,000	10,00,00,000	10,00,00,000	..	..
14. Appropriation to Revenue Reserve Fund. Voted	2,00,65,000	4,24,21,000	5,05,30,701	+3,04,65,701	+81,09,701
20. Revenue—Dividend Payable to General Revenues Voted	31,84,98,000	32,56,52,000	32,50,64,432	—65,66,432	—5,87,568
TOTAL—RAILWAY EXPENDITURE CHARGED TO REVENUE	2,32,81,54,000	2,63,74,02,000	2,63,29,93,427	+30,48,39,427	—14,08,573
TOTAL. { Charged 227 Voted 30,48,39,200	2,32,81,54,000	2,63,74,02,000	2,63,29,93,200	—30,48,39,200	—14,08,800
B. EXPENDITURE CHARGED TO CAPITAL.					
15. Construction of new lines Voted	2,66,23,000	3,67,54,000	3,54,55,590	—88,32,590	—12,98,410
16. Open Line Works—Additions. Voted	14,33,52,999	17,15,06,000	19,52,91,186	5,19,39,186	+2,36,95,186
17. Open Line Works—Replacements Voted	2,77,61,000	4,21,93,000	2,33,88,786	—43,92,214	—1,88,24,214
19. Capital outlay on Vizagapatam Port Voted	10,60,000	10,60,000	9,099	—10,50,901	—10,50,901
TOTAL—RAILWAY EXPENDITURE CHARGED TO CAPITAL	19,87,96,000	25,16,03,000	25,41,24,661	+53,28,661	+25,21,661

APPENDIX III

Statement showing the excesses over Voted Grants.

1950—51 RAILWAYS

Item No.	Name of Grant	Final Grant	Actual Expenditure	Excess
		Rs.	Rs.	Rs.
1	8—Revenue—Working Expenses—Operation other than Staff and Fuel	12,71,03,000	13,35,39,952	64,36,952
2	9—Revenue—Working Expenses—Miscellaneous expenses.	16,62,18,000	17,08,78,982	46,60,982
3	14—Appropriation to Revenue Reserve Fund	4,24,21,000	5,05,30,701	81,09,701
4	16—Open Line Works—Additions	17,15,96,000	19,52,95,864	2,36,99,864

Statement showing the excess over Charged Appropriation

1950—51 RAILWAYS

Item No.	Name of Appropriation	Final Appropriation	Actual Expenditure	Excess
		Rs.	Rs.	Rs.
1	3—Revenue—Miscellaneous Expenditure	..	227	227

II

Statement showing the excess over Voted Grants.

1950—51 POSTS AND TELEGRAPHS DEPARTMENT

Item No.	Name of Grant	Final Grant	Actual Expenditure	Excess
		Rs.	Rs.	Rs.
1	96. Capital outlay on Indian Posts and Telegraphs Department (outside the Revenue Account)	5,97,27,000	6,28,06,935	30,79,935
2	97. Indian Posts and Telegraphs—Stores Suspense. (outside the Revenue Account)	1,000	1,13,73,975	1,13,72,975

Statement showing the excess over Charged Appropriation

1950—51

Item No.	Name of Grant	Final Grant	Actual Expenditure	Excess
		Rs.	Rs.	Rs.
1	8. Indian Posts and Telegraphs Deptt.	1,15,92,000	1,16,05,273	13,273

APPENDIX IV

Financial Results of the working of Indian Railways

It is customary to furnish to the Public Accounts Committee the financial results of the working of the Railways at the time of their annual meeting. In the meeting to be held in November 1953, the Committee will be discussing the Appropriation Accounts for Railways for 1950-51 and also examine the financial position of the Railways for that year as summarised in the Railway Board's Review of the Appropriation Accounts of Railways for 1950-51. In order that the Committee may have a better appreciation of the working of the Railways, the results for the years subsequent to 1950-51 are also given in the table below. The figures of actuals for 1951-52 and 1952-53 have been checked by the Director of Railway Audit.

	(In crores of Rupees)	
1951-52 (Actuals)	Revised Estimate	Actuals
1. Gross Traffic Receipts	288.06	290.82
2. Ordinary Working Expenses	195.72	194.04
3. Appropriation to Depreciation Reserve Fund	30.00	30.00
4. Payments to Worked Lines	0.22	0.31
5. Net Traffic Receipts	62.12	66.47
6. Net Miscellaneous Expenditure	6.71	4.72
7. Net Revenue	55.41	61.75
8. Dividend to General Revenues	33.35	33.41
9. Surplus	22.06	28.34

The actual expenditure during the year 1951-52 from Capital, Depreciation Reserve Fund and Development Fund was 23.21, 35.87 and 7.70 crores against the Revised Estimates of 19.76, 42.79 and 8.29 crores respectively.

	1952-53 (Actuals)	
	Revised Estimates	Actuals
1. Gross Traffic Receipts	269.55	270.56
2. Ordinary Working Expenses	188.85	187.96
3. Appropriation to Depreciation Reserve Fund	30.00	30.00
4. Payments to Worked Lines	0.25	0.21
5. Net Traffic Receipts	50.45	52.39
6. Net Miscellaneous Expenditure	6.86	5.21
7. Net Railway Revenue	43.59	47.18
8. Dividend to General Revenues	34.11	33.99
9. Surplus	9.48	13.19

The actual expenditure during the year 1952-53 from Capital, Depreciation Reserve Fund and Development Fund is 7.05, 40.89 and 8.10 crores against the Revised Estimate of 14.12, 47.28 and 9.60 crores respectively.

1953-54 (Budget).

	Budget Estimates
1. Gross Traffic Receipts	272.28
2. Ordinary Working Expenses	190.99
3. Appropriation to Depreciation Reserve Fund	30.00
4. Payments to Worked Lines	0.21
5. Net Traffic Receipts	51.08
6. Net Miscellaneous Expenditure	7.00
7. Net Railway Revenue	44.08
8. Dividend to General Revenues	34.77
9. Surplus	9.31

The expenditure during the year 1953-54 from Capital, Depreciation Reserve Fund and Development Fund is estimated at 18.97, 40.92 and 13.78 crores respectively.

2. The position of the Fund balances at the close of the three years subsequent to 1950-51 is indicated below:—

(In crores of Rupees)

	Position at the close of		
	1951-52 Actuals	1952-53 Actuals	1953-54 Budget
Depreciation Reserve Fund	122.02	116.36	101.24
Railway Revenue Reserve Fund	33.72	36.05	35.89
Development Fund	22.48	27.14	19.23
	178.22	179.55	156.36

APPENDIX V

Paragraph 21 of the Railway Audit Report, 1951—Stores Purchase Policy.

During the course of discussion at the meeting of the Public Accounts Committee held on 3rd September, 1952, the Auditor General raised the question in connection with the above mentioned paragraph, whether the Board obtained any explanation from the officer concerned for departing from the Code Rules in not recording reasons for accepting tenders other than the lowest in the purchase of stores for the Assam Rail Link Project and the Public Accounts Committee desired to be furnished with a self contained note on the subject.

2. As a result of reference to the North Eastern Railway, it is now learnt that on the old E.B., B. & A. and Assam Railways, the practice was to arrange all the tenders received in an ascending order of their values indicating on each tender (i) its position in that order and (ii) the total number of tenders received and in cases where the lowest tender was not accepted, it was recorded on the selected tender that it was the 'lowest suitable' and the lowest tender or lower tenders passed over were either 'crossed' or marked 'Unsuitable'. This practice was considered to be in conformity with the provisions of the relevant Code Rules in para. 342-S, which does not specify any degree to which reasons for rejection are to be detailed and recorded and the Accounts and Audit Departments of those Railways never objected to this practice. The Officer-in-Charge of the Stores purchases on the Assam Rail Link Project followed the same practice on the basis of his experience gained on those Railways. The Director of Railway Audit has, however, pointed out that the Chief Auditor, Eastern Railway had not been able to verify the practice outlined in this para. Further, in his view, the practice that is stated to have been followed on the Assam Rail Link Project is not in conformity with the provisions of the Code Rules contained in para. 342 of the State Railway Code for the Stores Department.

3. The general question of recording of reasons for rejecting the lowest or lower quotations was considered by the Board and instructions were issued on 3rd July 1953 for the guidance of Railways. The Board have emphasised that in all cases of rejection, full reasons for rejection should be recorded, so that if and when occasion arises, the reasons for such rejection should be available.

Copy of para. 342 from the Indian Railway Code for the Stores Department

The lowest tender should ordinarily be accepted unless such acceptance or rejection of tenders is left entirely to the discretion of the authority entrusted with this duty and no explanation can be demanded of the cause of rejection of his offer by any person making a tender. Such an explanation should, however, be recorded and may be called for by superior authority.

Copy of Railway Board's letter No. F(X)II-53/ST-3/1, dated 3rd July, 1953 to the General Managers, Indian Railways and C.L.W.

SUBJECT:—*Acceptance of tenders other than the lowest.*

Cases have come to the notice of the Board in which either no reasons or inadequate reasons for rejecting the lowest or lower quotations have been recorded. In some cases the only reason recorded was "unsuitable" and this has been adversely commented upon by Audit.

A reference is invited to paragraphs 342 and 402(vi)-S which require that an explanation of the cause of rejection of the lowest offer should be recorded by the authority entrusted with this duty.

The Board desires that in all such cases full reasons for rejection should be recorded in cases of rejection of the lowest or lower tenders so that if and when occasion arises, the reasons for such rejection should be available.

APPENDIX VI

Copy of Railway Board's letter No. 53-B-2498(11), dated the 31st July, 1953 to the General Managers, Indian Railways and C.L.W. and Engineer-in-Charge, Integral Coach Factory, Perambur.

In continuation of Board's letter No. 52-B-2498-67A dated the 5th July 1952, the following recommendation of the Public Accounts Committee arising from their Report on the Accounts of the year 1949-50, is also brought to the notice of the Railway Administrations for their information and guidance:—

“The financial effects of any relaxation of the specifications in a contract should be taken into account before it is agreed to; the contracts should be businesslike and the drawing officers should exercise every possible care, vigilance and prudence before they commit the Government to any financial embarrassment. Any departure from rules of procedure should not be permitted at all as it paves the way for all kinds of evils and consequential losses, frauds, embezzlements, thefts, pilferages, bribery and corruption.”

APPENDIX VII

Copy of Railway Board's letter No. 53/772/2/RE, dated the 27th July, 1953 to (1) The General Managers, Indian Railways (including C.L.W.), (2) Chief Administrative Officer, Integral Coach Factory, Perambur, Madras, (3) Director, Research, Railway Testing and Research Centre, Lucknow, (4) Secretary, Railway Board, New Delhi, and (5) Deputy Chief Controller Standardisation, Central Standards Office, New Delhi.

SUBJECT:—*Recommendation of the Public Accounts Committee regarding black-listing the contractors who fail to refund the amount paid to them in excess.*

The Public Accounts Committee in their Report on the accounts for 1949-50 have made the following recommendation:—

“In order to prevent any loss of public moneys, Government should consider the expediency of black-listing such of the contractors who fail to refund the amount paid to them in excess and a list containing their names and addresses marked ‘Secret’ should be circularised to all the Ministries of the Government of India at frequent intervals.”

The Board desire that these instructions should be strictly followed and a list giving full particulars of such contractors together with reasons for black-listing them should, in future, be sent to this office for circulation to other Ministries of Government of India.

APPENDIX VIII

Copy of Railway Board's letter No. 53/772/2/RE. dated the 18th July, 1953 to (1) the General Managers, Indian Railways (including C.L.W.), (2) Chief Administrative Officer, Integral Coach Factory, Perambur, Madras, (3) Director, Research, Railway Testing and Research Centre, Lucknow and (4) Secretary, Railway Board, New Delhi.

SUBJECT:—*Recommendation of the Public Accounts Committee regarding purchases.*

The Public Accounts Committee in their Report on the accounts for 1949-50 have made the following recommendation:—

“No officer should, as a rule, make any purchases without first obtaining the approval of the competent authority. No purchase should be made in excess of the actual requirements”.

The Board desire that these instructions should be strictly followed by all authorities under your control entrusted with purchase work.

APPENDIX IX

Copy of Director, Finance (Budget), Railway Board, D.O. letter No. 53-B-2498-I and II, dated the 11th April, 1953.

SUBJECT:—*Budgeting and control over expenditure.*

I am sending, herewith, extracts of para. 7 of the Report of the Public Accounts Committee on the Railways' Accounts for 1949-50 on the above subject. It would be noticed from the Committee's remarks that they have laid special stress on the following points:—

- (a) That the Railway Administrations should aim at closer estimating and exercise proper vigilance at the time of the preparation of the final estimates, and that it is essential that assumptions should approximate to facts, as far as possible;
- (b) That the Committee attaches the greatest importance to the **high standards of budgeting being attained by the Railway Administrations** and to the necessity of obtaining grants sufficient to cover expenditure which may be incurred within a year; and
- (c) That the attention of the Railway Administrations should once again be drawn to the rigid application of financial control with a view to see that the budget is properly planned and expenditure kept within sanctioned grants.

2. It need hardly be emphasized that in the present context of financial position, the recommendations of the Public Accounts Committee (a Committee of Parliament) should be given the greatest attention. Though the control of expenditure, so far as Working Expenses Grants are concerned has, more or less, been satisfactory, wide variations still persist under Capital Grants and under individual detailed heads thereunder. Endeavour should, therefore, be directed to ensure that, in future, such variations under individual heads are reduced to the minimum, by carefully framing the revised and final estimates of the year. In this connection, I would like to draw your attention to Board's letters No. APP. Gt. 5/49-50 of 9th September, 1952, and No. 52.B-2498-Pt.2. dated 23rd June 1952.

3. In regard to 1(b) above, the Committee have strongly criticised the failure of the Railway Administrations to make suitable provision for such an important event as the Kumbh Mela (For E. Ry. only).

4. I am directed to say that the observations of the Committee are widely circulated for the information and guidance of all concerned.

5. Please acknowledge receipt of this letter.

Extracts from para. 7 of the P.A.C. Report on the accounts for 1949-50

7. *Budgeting and Control over expenditure.*—From a reference to the Memorandum showing the financial results of the working of the Railways for 1951-52 placed before the Committee, they note that the improvement in estimating under the various heads taken as a whole which was noticed for the year 1950-51 has been maintained during the year 1951-52 and further that the tendency to over-estimate expenditure has become less marked. The Committee, also note that the Accounts under report afford several instances in which there have been excesses over estimates.

APPENDIX X

Copy of Railway Board's letter No. 53-B-2498(110) dated the 25th July, 1953 to the General Managers, Central, Eastern, Northern, North-Eastern, Southern and Western Railways and C.L.W., the Engineer-in-Charge, Integral Coach Factory, Perambur and the Chief Mining Engineer, Railway Board, 1, Council House Street, Calcutta.

SUBJECT:—*Financial, Accounting and Audit Organisations of major projects.*

The Public Accounts Committee in their Report on the Accounts for 1949-50 has made the following recommendation:—

“Serious attention should be paid to the necessity and importance of planning the financial, accounting and audit organisation for each new Project involving considerable expenditure and such arrangements should be regarded as an integral part of the planning of the execution of a project as a whole.”

The Board desire that the observations made by the Committee should be carefully noted for information and future guidance.

APPENDIX XI

Copy of Railway Board's letter No. 1309-TG dated the 22nd April, 1953 to the General Managers, All Indian Railways.

SUBJECT:—Remission and refund of demurrage and wharfage charges.

REFERENCE:—Railway Board's letter No. 1309-TG dated 8/8/1952.

An extract of para. 18 of the Public Accounts Committee's report on accounts for 1949-50 is enclosed for information and guidance.

An acknowledgment is requested.

Copy of para. 18 of the Public Accounts Committee's report on accounts for 1949-50.

18. *Write-off of demurrage and wharfage etc.*—The Committee do not regard with favour, in view of the present conditions of shortage of rolling stock, the practice of indiscriminate waiving of wharfage and demurrage charges by the Railway Officers. They desire that the Railway Board should issue instructions on the subject to the Railway Administrations asking them to take every possible care that while sanctioning the waiving of such charges, the interests of the Exchequer are duly safeguarded.

APPENDIX XII

Copy of Railway Board's letter No. 52-ACII/25/62, dated 20th March, 1953 to the General Managers, All Indian Railways.

Please refer to your reply to the Railway Board's letter No. 52-ACII/25/62 dated 21-6-1952 regarding handling of station collections. It is noticed that the instructions issued by some of the Railways do not lay down very clearly the procedure of handling of cash at various stages so as to enable personal responsibility being fixed in the event of loss or embezzlement. The procedure in force on your railway should be re-examined with a view to modifying it in accordance with the following general instructions:—

2. (i) *Safe collection and custody of cash.*—The Supervisor in charge, Head Clerk, Chief Goods or Parcel Clerk or the Station Master responsible for the custody of earnings should take over cash frequently from the counter during the course of the day recording in the Daily Cash Book the amounts in words and figures, corrections, if any, being fully attested. He will be personally responsible for the amounts so received till it is finally handed over to the Station Master or Assistant Station Master on duty. At the time of relief all cash must be counted in its entirety and signed for in full, showing the amount in words and figures by both the relieved and relieving Station Masters on duty. The relieving Station Master will then be personally responsible for its safe custody during his duty hours. The keys of the safe in which cash or cash bags are kept should always be in the custody of the person who is responsible for the cash.

(ii) *Safe deposit for transit.*—The Station Master who is responsible for custody of cash at the station should see that the amount is properly entered in the cash remittance note and the cash is correctly placed in the cash bag. He should satisfy himself that the cash bag is in sound condition before the cash is put into it. All operations in connection with placing the cash in the cash bag, its locking and sealing etc. should be carried out by himself or he should be present throughout, watching these operations. While these operations are carried out, excepting one or two essential staff, nobody else, whether Railway employee or outsider should be present in the room. The sealed cash bag awaiting despatch must be kept locked up in the station safe and on the arrival of the train must be deposited in the Travelling Cash Box/Safe by the Station Master on duty in the presence of the guard who should also examine the printed numbers, seals and the condition of the bag carefully and sign in full in the Guard's signature book in token of his having done so.

(iii) *Safe transit of cash.*—The guard is personally responsible for the safe transit of the Travelling Cash Box/Safe and delivery thereof at the destination station. At the end of his journey the guard must hand over the Travelling Cash Box/Safe to the Station Master on duty of the destination Station. Whenever there is a change of guard in the course of the journey of the Cash Safe/Box, the relieved guard will obtain the signature of the relieving guard for its safe handing over in good condition in his train report.

(iv) *Safe receipt at the destination station.*—The Cash Boxes Safes arriving at the destination station should be un-loaded before any shunting is done. These will be taken charge of by the Station Master on duty who will examine the locks and seals on them and remove them to the Traffic Strong Room or Cash Office Strong room as per arrangements. Cash Boxes/Safes should be opened one at a time personally by the Asstt. Station Master (Cash) who should examine the condition of cash bags and seals on them before handing over the bags to the Cashier. The seals of the Cash Boxes/Safes are to be removed carefully and preserved till such time as a certificate is given by the Chief Cashier that the earnings of the day in question have been received correctly. If the Cash Boxes/Safes are handed over to the Cashier unopened, the Cashier, when he takes them over from the Station Master on duty should see that each Cash Box/Safe is properly locked and sealed. Any defect in the locks or seals should be at once reported. The cashier will open Cash Boxes/Safes one by one in presence of Special Cash witness of Traffic Department and examine each bag and the seals on it carefully. He will record the particulars of all the Cash Boxes/Safes and their contents in the relevant registers which will be jointly signed by Asstt. Station Master (Cash) and Cashier or by the Cashier and Special Traffic Cash witness as the case may be.

(v) *Safe receipt of Cash by Cashier.*—The Cashier or his staff will open the Cash Bags one by one and count the contents in the presence of the Cash Witness of the Traffic Department and see that the contents tally with the Cash Remittance Note accompanying them. Any defect in the condition of bags or seals or any shortage in Cash should be at once reported to the Station concerned and further action taken according to the nature and importance of the case.

3. There should be surprise check by Gazetted Officers of the Traffic and Accounts Departments to ensure that the procedure is being followed.

4. Further detailed instructions should be framed by you in consultation with your Financial Adviser and Chief Accounts Officer.

Please acknowledge receipt.

APPENDIX XIII

Copy of Railway Board's letter No. 51-B-2713, dated the 24th August, 1953 to the General Managers, Central, Eastern, Northern, North Eastern, Southern and Western Railways and Chittaranjan Locomotive Works, the Engineer Incharge, Integral Coach Factory, Perambur, and the Chief Mining Engineer, Railway Board, 1 Council House Street, Calcutta.

SUBJECT:—Abandonment of Locomotive Building Works Project Kanchrapara—Recommendations of the Public Accounts Committee.

The Public Accounts Committee have made the following recommendations arising out of para. 11 of their Report on the Accounts for 1949-50 (copy enclosed):—

“It was a mistake on the part of the Railway Administration to have referred to arbitration the two cases in respect of which the Contractors had signed ‘no claim’ certificates.”

The Railway Board desire that the Railway Administrations should in future definitely refuse to go to arbitration unless such items where the contractors have already given a ‘no claim’ certificate are excluded from the statement of contractors’ claims instead of contesting these cases in the counter-statement filed with the Arbitrator as was done in the two cases in question.

COPY OF PARA 11 OF THE PUBLIC ACCOUNTS COMMITTEE'S REPORT ON THE ACCOUNTS FOR 1949-50.

11. *Abandonment of Locomotive Building Works Project Kanchrapara.*—The Committee regret to observe that the various irregularities disclosed in Para. 19 of the Audit Report in regard to the payment of compensation claims to the contractors on the basis of arbitration and loss of cement, steel and furniture valued at several lakhs of rupees that followed in the aftermath of the abandonment of the project of Kanchrapara as a result of the partition of the country are marked by wastage, neglect and incompetence of the Railway Officers who had handled the case. The Committee also find that in two cases even claims relating to items in respect of which the contractors had signed “No Claim” certificates previously were allowed to be referred to arbitration. The Committee observe that the Railway Administration should have insisted on the exclusion of these cases from the claims before agreeing to arbitration. They feel that it was a mistake on the part of the Railway Administration and can be cited as an example of ‘careless stewardship’ of the financial interests of the State.

The Committee also observe that the Officers especially the senior Officer of the rank of Deputy General Manager through whose negligence the pilferage of stores was facilitated especially at a time when commodities like cement and steel were in great demand in the market in view of controls then prevailing have not been properly dealt with as the act of conveying more displeasure of the Railway Board to him does not, in the opinion of the Committee, constitute an adequate punishment.

APPENDIX XIV

Note on the question of the disciplinary action against the Senior Officer raised in para. 11 of the Report of the Public Accounts Committee on the Accounts for 1949-50 [item 155(ii) of the recommendation].

In para. 11 of the Report on the Appropriation Accounts for 1949-50, the P.A.C. made the following recommendation:—

“The Officers, especially the Senior Officer of the rank of Deputy General Manager through whose negligence the pilferage of stores was facilitated especially at a time when commodities like cement and steel were in great demand in the market in view of controls then prevailing, have not been properly dealt with. The act of conveying mere displeasure of the Railway Board to him does not, in the opinion of the Committee, constitute any adequate punishment”.

The Railway Board have re-examined the case and they are satisfied that the expression of displeasure against the officer concerned is adequate as they agree with the findings of the High Level Executive Enquiry Committee that the Officer could not be said to have been neglectful of his duties or responsibilities in the matter of reasonable control and supervision during the relatively short period (a little over three months) during which he was incharge of the Depot.

APPENDIX XV

Railway Board's Office Memorandum No. 51-B-2706 Pt. 3, dated 31st July, 1953

SUBJECT:—*Para. 12 of the Fifth Report of the Public Accounts Committee on the Railway Accounts for 1949-50.*

The undersigned is directed to invite reference to para. 12 of the Fifth Report of the Public Accounts Committee on the Railway Accounts for 1949-50 and to state that the investigating team appointed in March, 1953 to carry on further investigations on the lines indicated therein regarding the reasonableness of rates paid for works on the A.R.L.P. have submitted their report. A signed copy thereof is sent herewith.*

The report has been considered by the Board and they are in agreement with the unanimous conclusions reached by the team.

To

The Parliament Secretariat, through the Comptroller and Auditor General of India.

*As the Report of the Investigating Team in the A.R.L.P. is a voluminous document, it has not been printed. A copy of this has been placed in the Parliament Library. [See classification No. IV. V (182)].

APPENDIX
Balance

Tata Locomotive and Engineering Co. Ltd.

CAPITAL AND LIABILITIES

	Rupees	Rupees	As at 31-3-52 Rupees
1. Capital (paid up):— (Detailed as per Scheduled 'D' page 14)		5,00,00,000	4,50,00,000
2. 5% MORTGAGE DEBENTURES (1960-65):— (Secured by first mortgage of mov- able & immovable properties and floating charge on all other assets, subject to all existing hypotheca- tions of Stock, Stores and Work-in- Progress and subject to a prior mortgage in favour of the Bihar State Government in respect of lands & quarters for staff hous- ing)	..	1,50,00,000	1,50,00,000
3. Capital Reserve	..	29,714	29,714
4. General Reserve	..	22,50,000	18,50,000
5. Reserve for taxation	..	1,23,928	1,23,928
6. Difference in Dollar Exchange Account	..	70,147	70,147
7. Provision for Depreciation :— (Details as per Schedule 'E' page 14)	..	2,15,25,271	1,31,41,367
8. Provision for leave salaries, Gratuity, etc. :— (Details as per Schedule 'F' page 15)		10,48,504	8,25,950
9. Loans :—			
Secured—			
(a) Loan from Bank (Cash Credit secured by hypothecation of Stock, Stores and Work-in-Progress) in- cluding liability of Rs. 79,31,800 on Usance Bills amounting to Rs. 80,00,000	1,12,76,632	..	55,78,351
Interest accrued on above	59,370	..	14,197
(b) Housing Loan from Bihar State Government (Secured by a first mortgage of lands & quarters for staff housing)	40,00,000	..	15,00,000
Interest accrued on above	1,24,153	..	43,770
		41,24,153	15,43,770
Unsecured—			
Loan from Bank	25,00,000		Nil
Interest accrued on above	25,000		Nil
		25,25,000	Nil

XVI

sheet as

at 31st MARCH, 1953

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PROPERTY AND ASSETS

	Rupees	Rupees	As at 31-3-52 Rupees
FIXED CAPITAL EXPENDITURE (at cost) —			
14. Gross Block. (Details as per Schedule 'G' page 15) (Provision for Depreciation as per contra).		6,41,06,427	5,57,52,595
15. EQUIPMENT AND STORES in transit		36,88,551	70,77,968
16. RAW MATERIALS, STORES, SPARE PARTS AND COMPONENTS (as per inventories valued & certified by the Managing Agents).		1,52,46,848	1,00,65,947
17. LOOSE TOOLS (as per inventories valued and certi- fied by the Managing Agents).		17,90,340	9,60,555
18. VEHICLES AND TRANSPORT		5,70,640	5,58,123
19. WORK-IN-PROGRESS (as certified by the Managing Agents, at cost.)		1,08,10,390	1,04,27,304
20. STOCK-IN-TRADE (as valued and certified by the Ma- naging Agents, at cost).		89,93,360	63,02,874
21. BOILER & LOCOMOTIVE DEVE- LOPMENT ACCOUNTS (Re- coverable from Government in terms of the Agreement with Govern- ment). Transferred from Profit & Loss Ac- count	82,34,779		
Transferred from Book Debts	63,14,213		
	<hr/>	1,45,48,992	Nil
22. BOOK DEBTS :— Considered good for which the Company holds no security other than the Debtor's personal secu- rity (including Rs. 1,02,292 lakhs due from Railways & Govern- ment Departments)	10,23,98,212		7,72,41,518
Less—Transferred to Boiler & Lo- comotive Development Accounts.	63,14,213		Nil
	<hr/>		<hr/>
Less—Advance & Progress payments received from Railways & Govern- ment Departments set off against deliveries —as per contra	9,65,83,999		7,72,41,518
	<hr/>		<hr/>
	8,81,52,488		6,41,05,995
	<hr/>		<hr/>
Considered doubtful	84,31,511		1,31,35,523
	16,011		6,469
	<hr/>		<hr/>
23. DEPOSITS FROM CONTRAC- TORS in Government Securities, at face value, as per contra		84,47,522	1,31,41,992
		Nil	11,500

CAPITAL AND ASSETS

	Rupees	Rupees	As at 31-3-52: Rupees
10. LIABILITIES :—			
(a) For capital expenditure	13,95,783		30,15,152
(b) For goods supplied	1,18,91,773		1,21,94,916
(c) For expenses	12,95,656		14,49,293
(d) For interest on Debentures	3,76,033		3,75,758
(e) Advance & Progress payments from Government Rs. 9,87,98,198			7,41,96,182
(f) Less — Set off against deliveries as per contra . Rs. 8,81,52,488			6,41,05,995
	1,06,45,710	10,80,32,919	1,00,90,187
(g) For other finance	3,32,527		2,72,003
(h) Deposits & Retention	3,32,243		5,57,553
(i) For Managing Agents' Remunera- tion	46,614		29,667
		2,63,16,339	2,79,84,529
11. DEPOSITS FROM CONTRACTORS in Government Securities, as per contra		Nil	11,500
12. PROFIT AND LOSS ACCOUNT :—			
Balance as per Profit & Loss Account		11,357	24,209
Total		13,43,60,415	11,11,97,662

13. CONTINGENT LIABILITIES :—

- (1) Arrears of Cumulative Preference share dividends of about Rs. 5,17,000.
- (2) Claim against the Company not acknowledged as debt Rs. 1,05,393.

As per our report annexed.

A. F. Ferguson & Co.

S. B. Billimoria & Co.

Chartered Accountants.

Bombay, 26th June, 1953.

PROPERTY AND ASSETS

	Rupees	Rupees	As at 31-3-52 Rupees
24. ADVANCES :—			
Advances against Goods	47,44,185		51,65,887
Sundry Debits at Tatanagar and Bombay	8,32,380		3,36,681
Deposits with Governments, Public Bodies & Others	49,979		55,445
	<hr/>	56,26,544	<hr/> 55,58,013
25. ADVANCE PAYMENTS AGAINST TAXES		Nil	95,812
26. INVESTMENTS :—			
Fully paid shares in Jamshedpur Co-operative Stores Ltd., at cost	250		250
3% Victory Loan 1957 at face value (Market Value as on 31-3-53 Rs. 11,356)	11,500		Nil
	<hr/>	11,750	<hr/> 250
27. CASH AND OTHER BALANCES :—			
In hand	60,731		1,87,129
In Current Account with Banks	3,36,184		9,57,910
In Current Account with Foreign Agents	73,709		56,774
	<hr/>	4,70,624	<hr/> 12,01,813
28. ASSETS EARMARKED AGAINST EMPLOYEES' ACCOUNTS :—			
Security Deposits of Employees etc. with Bank and in National Savings Certificates		47,427	42,916
Total		<hr/> 13,43,60,415	<hr/> 11,11,97,662

TATA INDUSTRIES LTD., Managing Agents,
S. MOOLGAOKAR
Director.

J. R. D. TATA
Purshotamdas Thakurdas
Chunilal V. Mehta
Cowasjee Jehangir
S. Moolgaokar
Y. N. Sukthankar
V. T. Dehejia

Chairman.

Directors.

Bombay, 26th June, 1953.

APPEDIX XVII

Tata Locomotive and Engineering Co. Ltd.

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 1953

	Rupees	Rupees	Previous Year Rupees
INCOME :—			
1. *Sale of Products and services		2,59,83,171	2,53,16,936
2. **Amount carried to Boiler & Loco- motive Development Accounts		82,34,779	Nil
3. Commission	2,97,984		1,21,951
4. Sale of miscellaneous Goods & Stores	2,58,800		4,17,875
5. Miscellaneous	2,92,193		2,02,493
		8,48,977	7,42,319
Total Income		3,50,66,927	2,60,59,255
EXPENDITURE :—			
6. Raw Materials, Stores, Spare Parts & Components consumed (<i>vide</i> Schedule "A" page 13)	2,54,50,793		2,16,03,668
7. Payments to and provisions for Employees (<i>vide</i> Schedule "B" page 13)	72,08,403		61,15,612
8. Other Expenses for Manufacture & Administration (<i>vide</i> Schedule "C" page 13)	19,71,072		20,31,405
9. Interest (paid Rs. 3,34,263 less earned Rs. 3,359)	3,30,904		1,61,662
10. Depreciation	84,40,000		64,50,000
11. Brokerage on Debentures—balance written off	Nil		45,000
	4,34,01,172		3,64,07,347
12. Less—Expenditure included in the above incurred on Capital Account	21,69,768		33,18,226
	4,12,31,404		3,30,89,121
STOCKS:—(Stocks-in-Trade & Work-in-Progress)			
13. Closing Stocks Rs. 1,98,04,250			1,67,30,179
14. Less.—Opening Stocks Rs. 1,67,30,179. Less : Overvaluation of the above Rs. 34,77,554.			
	Rs. 1,32,52,625		94,73,305

*Subject to adjustment pending final fixation of prices.

**As regards the second order for underframes, pending finalisation of the terms of the contract, no profit or loss has been provided.

	Rupees	Rupees	Previous Year Rupees
15. Accretion to Stocks deducted	65,51,625		72,56,874
Total Expenditure		3,46,79,779	2,58,32,247
16. Balance, being profit for the year		3,87,148	2,27,008
17. Add: Amount brought over from last year		24,209	47,201
		4,11,357	2,74,209
18. Less: Transferred to General Reserve		4,00,000	2,50,000
19. Balance carried to Balance Sheet		11,357	24,209

As per our report annexed. **TATA INDUSTRIES LTD.,** Managing Agents, S. Moolgaokar Director.

A. F. Ferguson & Co.
S. B. Billimoria & Co.
Chartered Accountants.

J. R. D. TATA Chairman.
Purshotamdas Thakurdas }
Chunilal V. Mehta }
Chowasjee Jehangir }
S. Moolgaokar } Directors

Bombay, 26th June, 1953.

Schedules Forming Part of the Profit and Loss Account for the year ended 31st March 1953.

A	Rupees	Rupees	Previous Year Rupees
RAW MATERIALS, STORES, SPARE PARTS AND COMPONENTS CONSUMED :—			
Stock as on 1st April, 1952	1,10,26,502		1,26,38,376
Add :—Undervaluation of the above	41,35,719		
	1,51,62,221		
Add :—Purchases	2,86,74,547		1,99,91,794
	4,38,36,768		
Less :—Issues on Capital Account	13,48,287		
		4,24,88,481	3,26,30,170
Less :—Stock as on 31-3-1953 :			
Stores, etc.	1,52,46,848		1,00,65,947
Loose Tools	17,90,840		9,60,555
		1,70,37,688	1,10,26,502
Consumed		2,54,50,793	2,16,03,668
B		Rupees	Previous Year Rupees
PAYMENTS TO AND PROVISIONS FOR EMPLOYEES :—			
Wages & Salaries including Dearness Allowance		65,14,470	55,48,295
Provision for Leave Salary, Gratuity, etc.		4,61,832	3,77,346
Company's contribution to Provident Funds		2,32,101	1,89,971
		72,08,403	61,15,612

Schedules Forming Part of the Balance Sheet as at 31st March 1953.

C	Rupees	Previous Year Rupees
OTHER EXPENSES FOR MANUFACTURE AND ADMINISTRATION :—		
Works Operation Expenses	13,84,893	13,89,554
Freight, etc. (exclusive of freight inward on Stores, etc. included in value of Stores, etc. consumed)	1,05,118	1,88,910
Insurance	59,697	82,395
Head Office & General Expenses	3,30,250	3,00,979
Managing Agents' Remuneration (inclusive of Rs. 24,000 office allowance) subject to adjustment	70,614	53,667
Directors' Remuneration	3,500	2,900
Auditor's Fees	17,000	13,000
	19,71,072	20,31,405

D	Rupees
CAPITAL :—	
AUTHORISED CAPITAL—	
200,000 5% Cumulative Preference shares of Rs. 100 each	2,00,00,000
400,000 Ordinary Shares of Rs. 100 each	4,00,00,000
100,000 Unclassified Shares of Rs. 100 each	1,00,00,000
	7,00,00,000
ISSUED AND SUBSCRIBED CAPITAL—	
For Payment in Cash—	
200,000 Preference Shares of Rs. 100 each	2,00,00,000
300,000 Ordinary Shares of Rs. 100 each	3,00,00,000
	5,00,00,000
CALLED UP AND PAID UP CAPITAL :—	
200,000 Preference Shares of Rs. 100 each fully paid up	2,00,00,000
300,000 Ordinary Shares of Rs. 100 each fully paid up	3,00,00,000
	5,00,00,000

Schedules Forming Part of the Balance Sheet as at 31st March 1953.

E	Rupees
PROVISION FOR DEPRECIATION :—	
As per last Account	1,31,41,367
Add : Amount provided in Profit & Loss Account this year	84,40,000
	2,15,81,367
Less : Adjustments in respect of Assets retired	56,096
	2,15,25,271

F	Rupees
PROVISION FOR LEAVE SALARIES, GRATUITY, ETC. :—	
Leave	2,98,566
Gratuity	7,16,381
Accident, etc.	33,557
	10,48,504

G				
Description of Assets	Balance as on 31-3-52	Additions	Deductions	Balance as on 31-3-53
	Rs.	Rs.	Rs.	Rs.
GROSS BLOCK :—				
Buildings	1,78,56,838	19,79,785	92,374	1,97,44,249
Plant, Machinery Equipment, etc.	1,83,19,962	1,11,28,463	20,917	2,94,27,508
Railway Sidings	13,38,599	38,897	1,01,712	12,65,784
Water System & Sanitation	13,41,348	7,23,261	1,848	20,62,761
Furniture, Fixtures & Office Appliances	7,91,440	1,60,379	1,658	9,50,161
Capital Work-in-Progress (including Planning Expenses).				
Balance as on 31-3-52	Rs. 1,61,04,408			
Less—Overvaluation of the above	Rs. 6,58,165			
	<u>1,54,46,243</u>	<u>34,24,516*</u>	<u>82,14,795**</u>	<u>1,06,55,964</u>
	5,50,94,430	1,74,45,301	84,33,304	6,41,06,427

*Includes Rs. 7,98,018 being interest on Debentures (*vide* para. 5 of the Directors' Report) and on Bihar State Government Housing Loan.

**Represents transfers from the opening balance of Capital Work-in-Progress to complete Asset Accounts during the year.

APPENDIX XVIII

Memorandum on economy achieved as a result of Regrouping.

In para. 22 of the Public Accounts Committee's Report on the Accounts for the year 1948-49, they made the following recommendation:—

"Economy effected by regrouping of Railways

The Committee hope that by the time next year's accounts are presented to them, the process of integration of the Railways in India in six zones would have been completed and the Railway Board would be able to apprise them about the economy effected in their working costs and the results achieved by the implementation of the re-organisation of Railways."

2. As the Committee is aware, on the 1st April 1950 with the integration of the *ex*-States Railways with the main Indian Government Railway System, there were 19 separate units. As explained by the Hon'ble Minister for Railways in his Speech, while introducing the Railway Budget for 1951-52, a decision was taken to regroup the Indian Railways comprising these 19 separate units into six zones. In implementation of this decision, the first zonal railway *viz.* the Southern Railway was formed on 14th April 1951. Two other zonal railways *viz.* Central and Western Railways were formed on the 5th November 1951. The remaining three zonal railways *viz.* Northern, North Eastern and Eastern Railways were inaugurated on the 14th April 1952. Thus, 1952-53 has been the first year during which the regrouped Railways have functioned as re-organised units. Therefore, it has not been possible earlier to present any report to the Committee.

3. In order to have a critical appreciation of the financial results and administrative efficiency achieved, the Railways were directed to give a detailed account of improvements in operation and services rendered to the public as a result of regrouping and the economy achieved during the year. The Railways have not been able to assess completely the monetary value of the savings achieved which, broadly speaking, fall under the following two categories:—

- (a) Savings in Establishment;
- (b) Operational economies.

(a) *Savings in Establishment.*

Under this category it has been reported that savings have been possible due to:—

- (i) Re-organisation and re-adjustment of cadres in Railway Offices.
- (ii) Abolition of interchange traffic points.
- (iii) Amalgamation of various offices.

The Central, Southern and Western Railways have attempted to estimate approximately the savings resulting from the regrouping at

about 22.64 lakhs. The Eastern, Northern and North Eastern Railways have not yet been able to determine whether any economy in establishment has been achieved.

(b) Operational economies.

A statement is attached detailing instances of operational improvements that have resulted on account of regrouping. The effect of operational economies as a result of regrouping can only be measured in terms of operational efficiency and improved services to the trade, industry and travelling public and not in terms of money. The attached statement will probably give an idea of the results achieved on the various Railways.

Other advantages resulting from regrouping relate to better utilisation of stores and stocks and reduction in stores balances, rationalisation of Workshops and workshop capacity etc.

4. Further information is being collected on the subject from the Railways and it is hoped that it would be possible to give a fuller appreciation to Parliament at the time of the presentation of the Railway Budget next year.

Summary of Progress Reports on

Central	Eastern	Northern																																																																
<p>Operating and Public Service improvements.</p> <p>(i) Less detention to Wagons at interchange traffic points.</p>																																																																		
<p>Interchange points at Wadi and Balharshah are abolished.</p> <p>Average detention to the through loaded wagons decreased from 16.45 hours to 13.22 hours at Wadi and from 15.1 hours to 12.6 hours at Balharshah.</p> <p>There has been substantial improvement in the working of transhipment points. At Manmad, an increase of 32% in broad gauge loaded wagons and 25% on metre gauge unloading has been effected.</p> <p>There has, therefore, been an appreciable improvement in the clearance of traffic from metre gauge to broad gauge and this has been achieved without causing serious difficulties at Manmad which is indicative of a decreased detention to wagons.</p> <p>Similar improvement has been achieved at Gwalior & Dholpur, but the extent of improvement cannot be stated in figures as the pre-integration figures are not available. The improvement in detention at these points has, however, reflected itself in increased availability of N. G. Wagons for loading.</p>	<p>The Eastern Railway is working two interchange points, Moghalsarai and Waltair.</p> <p>There has generally been less detention to wagons at Moghalsarai. The figures for February and March 1953 compared with the corresponding month of last year are—</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td></td> <td style="text-align: center;">February</td> <td style="text-align: center;">March</td> <td style="text-align: center;">February</td> <td style="text-align: center;">March</td> </tr> <tr> <td></td> <td style="text-align: center;">1952</td> <td style="text-align: center;">1953</td> <td style="text-align: center;">1952</td> <td style="text-align: center;">1953</td> </tr> <tr> <td>Up traffic</td> <td style="text-align: center;">29.3</td> <td style="text-align: center;">24.6</td> <td style="text-align: center;">26.2</td> <td style="text-align: center;">22.8</td> </tr> <tr> <td>Down loaded</td> <td style="text-align: center;">25.7</td> <td style="text-align: center;">26.0</td> <td style="text-align: center;">27.0</td> <td style="text-align: center;">18.8</td> </tr> <tr> <td>Empty</td> <td style="text-align: center;">13.4</td> <td style="text-align: center;">12.4</td> <td style="text-align: center;">13.3</td> <td style="text-align: center;">12.2</td> </tr> </table> <p>At Waltair the number of wagons dealt with has generally gone down but the average detention is less except during the months of July and December.</p>		February	March	February	March		1952	1953	1952	1953	Up traffic	29.3	24.6	26.2	22.8	Down loaded	25.7	26.0	27.0	18.8	Empty	13.4	12.4	13.3	12.2	<p>The interchange points at Chilo, Sujjangarh, Bhatinda, and Hissar have been abolished. The number of wagons transhipped at Moradabad and Bareilly has improved from 4315 and 12785 to 4402 and 16721 respectively.</p> <p>There has been general improvement in the number of trains run on Allahabad Division i.e. 12.1 to 13.1 trains per day without provision of any additional engine.</p> <p>The traffic handled at points where interchange was abolished has nearly doubled.</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td></td> <td style="text-align: center;">B.G. to M.G.</td> <td style="text-align: center;">M.G. to B.G.</td> </tr> <tr> <td colspan="3" style="text-align: center;"><i>Hissar</i></td> </tr> <tr> <td>April, 1952</td> <td style="text-align: center;">181/405</td> <td style="text-align: center;">671/394</td> </tr> <tr> <td>November 1952.</td> <td style="text-align: center;">317/509</td> <td style="text-align: center;">775/375</td> </tr> <tr> <td>December 1952.</td> <td style="text-align: center;">202/387</td> <td style="text-align: center;">591/324</td> </tr> <tr> <td colspan="3" style="text-align: center;"><i>Delhi Serai Rohilla</i></td> </tr> <tr> <td>April, 1952</td> <td style="text-align: center;">975/1937</td> <td style="text-align: center;">1211/775</td> </tr> <tr> <td>November 1952.</td> <td style="text-align: center;">1337/2638</td> <td style="text-align: center;">2784/1745</td> </tr> <tr> <td>December 1952.</td> <td style="text-align: center;">1620/3211</td> <td style="text-align: center;">2351/1486</td> </tr> <tr> <td colspan="3" style="text-align: center;"><i>Bhatinda</i></td> </tr> <tr> <td>April, 1952</td> <td style="text-align: center;">156/514</td> <td style="text-align: center;">662/282</td> </tr> <tr> <td>November 1952.</td> <td style="text-align: center;">414/884</td> <td style="text-align: center;">852/595</td> </tr> <tr> <td>December 1952.</td> <td style="text-align: center;">576/1209</td> <td style="text-align: center;">667/512</td> </tr> </table>		B.G. to M.G.	M.G. to B.G.	<i>Hissar</i>			April, 1952	181/405	671/394	November 1952.	317/509	775/375	December 1952.	202/387	591/324	<i>Delhi Serai Rohilla</i>			April, 1952	975/1937	1211/775	November 1952.	1337/2638	2784/1745	December 1952.	1620/3211	2351/1486	<i>Bhatinda</i>			April, 1952	156/514	662/282	November 1952.	414/884	852/595	December 1952.	576/1209	667/512
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<p>(ii) Improved turn-round of wagons.</p> <p>The wagon turn-round on Secunderabad Division (broad gauge) improved from 5.9 to 5.6. This improvement was achieved as a result of close liaison with the adjoining railways and unified control from the Headquarters.</p> <p>The Eastern and Northern are unable to supply any comparative performance prior to, and after, reorganising, owing to the transfer of three Divisions of the ex.-E.I. to Northern.</p>																																																																		
<p>(iii) Pooling of resources and better utilisation of rolling stock.</p> <p>Power assistance was given to broad gauge sections of Secunderabad Division. Engine link of passenger trains on Wardha-Balharshah section revised and Nagpur Division engines of 411 Dn. and 412 Up were worked through to Kazi-</p> <p>Some spare engines from the E.I. section were transferred to B.N. Railway to meet shortages. No pooling of rolling-stock is possible as the two constituent units diverge in different directions.</p> <p>Links have been recast and rationalized.</p> <p><i>Coaching stock.</i>—The combination</p>																																																																		

Regrouping upto 31st. March 1953.

North Eastern	Southern	Western									
<p>(i) There is a slight improvement in the average figures for Katihar Marshalling yard detention as shown below :—</p> <p>1951-52 23.7 hrs. 1952-53 23.1 "</p> <p>The number of wagons dealt with at Katihar are as under :—</p> <p>Average for 1951-52 16,397 Average for 1952-53 20,189</p>	<p>The artificial barriers on interchange points abolished resulted in less detention of wagons at Jalarpet and release of transhipment load at Arkonam and Bangalore.</p> <p>Average detention (in hours) to through loaded wagons at Jalarpet</p> <p>1950-51 88.8 1951-52 19.2 1952-53 17.2</p> <p>Transhipment loads released at the tranship sheds both B.G. and M.G. daily</p> <table border="1"> <thead> <tr> <th></th> <th>Arkonam</th> <th>Bangalore</th> </tr> </thead> <tbody> <tr> <td>B. G.</td> <td>M.</td> <td>M.</td> </tr> <tr> <td>G. G.</td> <td>G.</td> <td>G.</td> </tr> </tbody> </table> <p>1951 Oct. to Dec. 30 32 35 60 1952 Jan. to Dec. 31 32 39 65 1953 Jan. to May 40 34 40 70</p>		Arkonam	Bangalore	B. G.	M.	M.	G. G.	G.	G.	<p>The interchange points at Kasganj, Kanpur, Bhatinda, Hissar, Jaipur, Surendranagar and Dhankuka have been eliminated.</p> <p>Two new interchange points have come into being—</p> <p>Achnera, with North Eastern Rly. Loharu, with Northern Railway.</p> <p>Detention to wagons reduced by two hours at the interchange points abolished.</p> <p>At Surendranagar, the number of wagons interchanged has increased from 180 wagons per day in 1951 to 250 wagons per day now.</p> <p>Some difficulty is experienced at Achnera but it is expected to be solved with the completion of remodelling of the yard.</p>
	Arkonam	Bangalore									
B. G.	M.	M.									
G. G.	G.	G.									
<p>(ii) Comparative figures are not available but there is certainly an increase in the wagon turn-round figures owing to longer leads.</p>	<p>Wagon turn-round figures are not comparable as with the increase in lead over B.G. portion wagon turn-round has increased.</p> <p>As regards M.G. sections there has not been much change. But on the whole there has been little or no effect on actual turn-round of wagon.</p>	<p>The following are the comparable figures for the wagon turn-round :—</p> <table border="1"> <thead> <tr> <th></th> <th>1951-52</th> <th>1952-53</th> </tr> </thead> <tbody> <tr> <td>Broad Gauge</td> <td>6.3</td> <td>6.0</td> </tr> <tr> <td>Metre Gauge</td> <td>4.4</td> <td>6.2</td> </tr> </tbody> </table> <p>The improvement on B.G. cannot be ascribed to regrouping. On the B.G. system the position remains the same.</p> <p>The apparent deterioration on M.G. is due to longer lead.</p>		1951-52	1952-53	Broad Gauge	6.3	6.0	Metre Gauge	4.4	6.2
	1951-52	1952-53									
Broad Gauge	6.3	6.0									
Metre Gauge	4.4	6.2									
<p>(iii) With the abolition of formal interchange between ex-O.T. and ex-Assam it has been possible to pool more intensively the wagon resources of the combined system. Assam's heavy traffic, tea and jute, are at their peak in July to November while the</p>	<p>Consequent upon the pooling of stock the excess goods stock of ex-Mysore State Railway have been transferred to Northern M.G. Region.</p> <p>During the sugarcane season it was possible to transfer 59 wagons from the Northern M.G. Region</p>	<p>B.G.—Remained unaffected.</p> <p>M.G.—The position is more flexible resulting in better service to the public. Various trains have been extended. 8 YB engines were transferred from Jaipur railway to other</p>									

Summary of Progress Report on

Central	Eastern	Northern			
		Miles per day per engine in use			
		Broad gauge	E.I.	Metre gauge	
pet, with the result that long detentions to Secunderabad power at Balharshah were avoided.	of the ex-E.I. and B.N. has definitely proved advantageous, particularly in dealing with the requirements of Rath Jatra mela traffic.	July 1952	131.1	107.0	101.0
		August 1952	133.0	105.7	100.6
		September 1952	134.1	109.5	100.3
		October 1952	132.9	112.6	102.2
		November 1952	135.9	111.9	106.1
		December 1952	135.8	111.0	108.2
		January 1953	136.5	112.6	110.4
		February 1953	136.5	111.5	111.0
		March 1953	137.0	114.4	111.0

(iv) Movement of goods traffic, removal of congestion at junction stations, etc.

Congestion at Wadi and Balharshah removed. The total number of wagons interchanged daily at Wadi increased from 175 to 225 and at Balharshah from 211 to 242

Movement of traffic from North to South through Balharshah which was a difficult problem due to inadequate clearance capacity of N.S. Rly. has now improved as a result of unified control and closer coordination between the two Divisions. This has also slightly reduced pressure on the alternative route via Manmad.

50% of the empties received at Raichur and those released by the Sholapur Dn. are being worked via Wadi, thus saving an empty haulage of about 382 miles for such wagons.

Block loads of coal to the extent of 15 trains per month were also run via Balharshah Kazipet Wadi section.

Loading has improved on Secunderabad Dn. by 8.8%. On 31-3-53 the arrears of coal loading was only 28 wagons as against 803 at the time of integration.

There has been general improvement in the number of wagons loaded as shown below:—

	1951-52	1952-53
April	6,309	6,901
July	6,467	6,656
October	6,720	6,996
January	6,730	6,966

As regards the number of wagons interchanged at various junctions there is a distinct improvement in the off-take at Katni and a slight deterioration at Waltair.

Number of empties handed over at Moghalsarai shows general increase.

Average daily loading has also increased from 1,893 to 1,912.

Regrouping upto 31st March 1953—*contd.*

North Eastern	Southern	Western
sugarcane and sugar traffic on ex-O.T. is at its peak during December to June. This should in the course enable to concentration of resources to the mutual advantages of all concerned.	to the Southern M.G. Region as the sugarcane season in the Northern Region was over.	sections where they could be used with greater advantage.
	<i>Bangalore.</i> —Saving of 5 engines and increase by 16% in the number of miles per engine.	
	<i>Dharmavaram-Pakala-Katpadi Section.</i> —7 MS class engines used for shunting duties only on M.S. Ry. portion transferred to these sections and thus put to better utilisation.	
	<i>Gadag-Sholapur Section.</i> —With the transfer of 5 light G.S. class engines, which can run on this section, from M. S. Ry. portion, it has been possible to avoid double handling of goods trains and also to reduce the overall time of goods trains.	
	<i>Simplification of maintenance and repair work at shops.</i> —It has been arranged to have only YG & YP classes of engines in Southern M.G. Region and YB, YE, YD and WD classes in the Northern M.G. Region. This concentration means having only two classes of engines in the Southern M.G. Region and four classes in the Northern M.G. Region instead of six classes in each of the two regions.	

(iv) The congestion at Junction stations has increased but there has been an improvement in the total loading.

	Ex-O.T.	Ex-Assam	Fatch-garh	Total
1951-52	688	278	21	987
1952-53	698	303	44	1,045

Congestion owing to heavy B.G./M.G. tranship traffic at Arkonam and Bangalore city has been removed on account of unified control. In some cases excess traffic is being diverted to another route where capacity exists. Comparative figures of transhipment load released at transhipment sheds are as follows:—

	1951 Oct. to Dec.	1952 Jan. to Dec.	1953 Jan. to May
Arkonam—			
B.G.	30	31	40
M.G.	32	32	34
Bangalore City—			
B.G.	35	39	40
M.G.	60	65	70

Improvements have been made in the average transhipment to Viramgam from 34 wagons per day in 1951 to 50 wagons per day in 1952 and 1953.

On the metre gauge the number of wagons transhipped has increased from 30 wagons in 1951 to 45 wagons at present.

Summary of progress Reports on:

Central	Eastern	Northern						
<i>(v) Elimination of dual control.</i>								
Due to elimination of dual control at Wadi and Belharshah, average detention per sick wagon has improved to 21 hours from 32.5 hours prior to integration.	No remarks	Elimination of dual control at Loharu and Rewari has resulted in an additional expenditure of Rs. 1,33,000 per annum for the Northern Railway but a saving in the expenditure of the Western Railway.						
<i>(vi) Punctuality in the running of passenger trains.</i>								
Punctuality has improved on Secunderabad Dn. Mail and Express trains have improved from 80.8 to 84.3 on B.G. and from 82.9 to 92.2 on M.G. Similar improvements have been obtained on passenger, suburban and mixed trains also.	The overall punctuality is less than that obtaining on ex-E.I. Rly. more than that on ex-B.N. Railway.	The punctuality of trains has improved. In March 1953, the figures were as follows :—						
		<table border="0"> <tr> <td></td> <td style="text-align: center;">Arriving</td> <td style="text-align: center;">Not</td> </tr> <tr> <td></td> <td style="text-align: center;">right time</td> <td style="text-align: center;">losing time.</td> </tr> </table>		Arriving	Not		right time	losing time.
	Arriving	Not						
	right time	losing time.						
		<table border="0"> <tr> <td>B.G.</td> <td style="text-align: center;">90.2</td> <td style="text-align: center;">93.5</td> </tr> <tr> <td>M.G.</td> <td style="text-align: center;">85.2</td> <td style="text-align: center;">88.5</td> </tr> </table>	B.G.	90.2	93.5	M.G.	85.2	88.5
B.G.	90.2	93.5						
M.G.	85.2	88.5						
<i>(vii) New train services introduced, extended or accelerated.</i>								
About 16 new trains were introduced, run of 6 trains extended and three trains accelerated.	About 42 new trains have been introduced since regrouping, run of 78 trains extended and 15 trains accelerated.	8 new trains were introduced, run of 19 trains was extended and for 8 trains timing has been accelerated.						
<i>(viii) Introduction of more convenient and direct train services, etc.</i>								
Following trains were extended to provide through service between stations on either side of the Jn. Stations :—	Asansol-Benaras passenger trains extended to and from Shahjahanpur and further extended to run to and from Puri replacing Asansol-Puri Passenger trains.	The number of through carriages has been increased.						
Train No.	Before integration	After integration						
67Dn.	Wadi-Vizagapatam.	Raichur-Wadi-Vizagapatam.						
68Up	Vizagapatam-Bezwada-Wadi.	Vizagapatam-Bezwada-Wadi-Poona.						
69Dn.	Wadi-Bezwada.	Poona-Wadi-Bezwada.						
70Up	Bezwada-Wadi.	Bezwada-Wadi-Raichur.						

Regrouping upto 31st March 1963—*contd.*

North Eastern	Southern	Western		
(v) Dual control was abolished on Kasganj but with no material effect.	Dual control at Waltair and Bez-wada has been abolished.	The elimination of dual control at Surendranagar has enabled better coordination in the movement of goods traffic to Saurashtra.		
(vi) Regrouping has had no effect on punctuality of passenger trains. Such set-backs as have occurred are due to local conditions.	There has been an improvement in the punctuality in the running of passenger trains.	General improvement in punctuality due to better coordination.		
	Express trains	Other passenger trains		
		1951-52	1952-53	
	<i>B.G.</i>	Suburban ^v	75.6	80.2
	1950-51	Mail and Express—		
	1951-52	B.G.	68.2	71.2
	1952-53	M.G.	60.5	63.8
	<i>M.G.</i>	Other trains—		
	1950-51	B.G.	74.8	83.9
	1951-52	M.G.	79.1	82.4
	1952-53			
(vii) 34 new trains introduced, 28 trains extended.	No new trains introduced but taking into account only the Mail and Express trains a total acceleration of 515 minutes has been achieved.	Nil.		
(viii) Two <i>Janata</i> Express running on the ex-Assam Railway between Katihar and Amingaon and on the ex-O.T. between Katihar and Lucknow have been combined and made into a convenient through train from Lucknow to Amingaon. Agra-Kanpur Express has been extended to Gorakhpur.	Through carriage services have been introduced on 12 trains.	Nil.		

APPENDIX XIX

Memorandum on remission of wharfage and demurrage charges

In their Report of February 1952 on the accounts of the year 1948-49, the Public Accounts Committee expressed dissatisfaction over the manner in which waiver of demurrage charges in the case of special sidings was being handled and desired that the Railway Board should examine the whole question minutely and submit to them a Report, in due course, of the decision arrived at in the matter.

2. The Committee further desired that the question of the revision of the existing powers delegated to the various officers on the Railways to sanction write-off of demurrage and wharfage charges should also be examined to see that no abuse thereof was being made.

3. This observation of the P.A.C. is based on the particular case of remission of demurrage charges relating to Martin-Burns' and TISCO sidings figuring in the accounts for the year 1948-49. As a result of the remarks made by the P.A.C. on the Accounts of 1943-44, all Railways were instructed to tighten up their demurrage and wharfage rules and procedure. From the details supplied in Annexure C, Part II of the Appropriation Accounts of Railways, it would appear that the percentage of wharfage and demurrage waived to that accrued on the main budget lines amounted to:

24% in 1945-46	} Accounts year *	
17% in 1948-49		Do.
19% in 1949-50		Do.
45% in 1950-51		Do.

The upward trend noticed in the figures for the years 1949-50 and 1950-51 is to some extent attributable to the introduction of wharfage rates on a higher and prohibitive telescopic basis at several important stations. This meant an artificial increase in the amounts of wharfage accrued and waived.

4. It is submitted that demurrage and wharfage charges should not be considered as a normal source of revenue. The extent of free time that is given and the quantum of charge when the free time is exceeded will naturally depend on the condition of traffic, but in all circumstances, the criterion will be not so much the revenue to be derived from demurrage and wharfage as how soon the railways can have the wagon and godown space released for other customers.

5. In cases where the executive officers decide to waive a part of the demurrage and wharfage charges accrued, it should not be assumed that the customers are always to blame. In some cases, delivery cannot be effected owing to the delay in the arrival of the railway receipts. Although the Railways are not responsible in such cases, they cannot brusquely dispose of a request for giving consideration to this fact. There are several reasons why railways have to

*N.B.—App. Acs. for 1946-47 not compiled owing to partition. That for 1947-48 was compiled for 7½ months only.

take a decision regarding waiver of both demurrage and wharfage charges when they find that the result of their insisting on the collection of full demurrage and wharfage charges would be that the consignment might not be taken delivery of and ultimately they might be faced with a heavy claim for compensation. From the practical point of view, it is always profitable in such cases for the railway to make some remission in that wharfage and demurrage charges, if that will result in the consignment being delivered quickly.

6. With regard to special sidings, the administration of demurrage rules is a somewhat difficult problem. It is axiomatic that for proper functioning of the special private sidings, there should be an even flow of traffic in and out of them. But unfortunately in a country of the size of India, where traffic moves to and from the sidings sometimes over very long distances, it is not always possible for railway administrations to ensure this. It is often the complaint of siding owners that their work is hampered by what is called bunching in of wagons followed by periods when there are not enough loaded wagons coming in. During the period of bunching in of wagons, the siding capacity is exceeded and the siding owners, with the best will in the world, cannot work beyond the capacity, while in the lean period the normal organisation set up by the siding people for handling their inward traffic has not enough work. It is, therefore, the constant endeavour of the Railways to ensure an even flow of traffic to the sidings, but, as already stated, this cannot be always ensured. On occasions when bunching in does take place Railways have to make a concession, and demurrage accrued has to be waived, either in part or in full, according to the circumstances, on joint examination by the Railway administration and the siding owners.

7. In working private sidings, railways suffer from a further handicap in that loaded wagons are made over to siding owners before the railway charges are collected. This cannot be helped and is inherent in the working of private sidings. The result of this, however, is that occasions arise, though not very many, where the siding owners continue to receive loaded wagons, while the claims made by railways not only on account of demurrage but also on account of freight charges are not promptly met. In some extreme cases railways have been obliged to stop supplying wagons for loading, to bring the siding owners to their senses, but in all such cases it has not been possible for the railways to hold out long enough, as the State Governments, the Labour Commissioner and sometimes even other Ministries of Government of India intervene on grounds of stoppage of production, temporary unemployment of labour, etc., and ultimately owing to such pressure they had to restore normal working. Nevertheless, even an occasional recourse to such drastic methods has the effect of sobering the siding owners, as they have to move heaven and earth in having pressure brought to bear on railways for restoring wagon supplies. In spite of this occasional handicap, the system of providing more and more of private sidings has been of benefit both to the trade and the railways. So far as the latter are concerned, they are saved the heavy expenditure of increasing their goods depot and yard capacities and at the same time the industry is tied down almost permanently to the use of the rail route, which is an important safeguard against possible inroads by competitive road services.

8. In the particular case of demurrage charges accrued on Martin Burns siding, it is important to remember that during the year 1948-49 to which the demurrage charges relate, it is common knowledge that as a result of the partition and the wholesale exodus of Muslim drivers, firemen and other staff, there was a temporary dislocation in traffic working and special steps had to be taken to train up men to take the place of those who had left. It is, therefore, not surprising that in that year the normal working to and from Martin-Burns sidings, as also other sidings, was adversely affected and led to a number of differences between the Railway administrations and the siding owners whether the detention caused to the wagons in individual cases were due to the failure of the siding owners or of the railways. Martin-Burns' case, therefore, cannot be considered as typical of what is generally happening, although, as already stated, the working of private sidings presents certain peculiar difficulties inherent in their working.

9. Cases of the kind considered by the P.A.C. cannot entirely be ruled out in the working of private sidings. It is not also possible to devise a method which will prevent even an occasional recurrence of such cases in future. The criticism made by the P.A.C. has, however, been brought to the special notice of railways, asking them to scrutinise carefully and tighten up their existing checks and supervision, so that large sums of demurrage and wharfage are not allowed to accumulate and timely and regular action is taken to make the necessary recoveries from the siding owners to prevent as far as practicable the accumulation of large outstanding arrears.

10. Regarding the question of revising the existing powers delegated to various authorities on railways to sanction write-off of demurrage and wharfage charges in order to ensure that these powers are not abused by those authorities, instructions were issued in 1947 to railways that in refunding wharfage and demurrage charges for amounts higher than Rs. 200, the Accounts Officer must invariably be associated. This would appear to be healthy check on the action of the executive. The Railways were, however, again asked in August 1952 to scrutinise and tighten up the existing check on remission and refund of demurrage and wharfage charges and their views were called for whether the present procedure regarding delegation of power was working satisfactorily or whether a revision was considered necessary to ensure that there was no abuse of the delegated powers by the lower authorities. In reply almost all the Railways have stated that great care is exercised in the matter of waiver or refund of demurrage and wharfage charges and that the present procedure is working satisfactorily and no further revision is considered necessary.

This has been vetted by the D.R.A.

APPENDIX XX.

Paragraph 28 of the Railway Audit Report, 1951—Chittaranjan Locomotive Works—Review of Stores Accounts.

In connection with the above-noted Audit para., the Public Accounts Committee had desired to be furnished with further information as follows:—

“A revised note stating the precise position in regard to the Stores Accounts at the Chittaranjan Locomotive Works should be submitted, as the position as stated by the Railway Board presented a general statement and did not indicate the value of stores not checked.”

2. (a) Stores Accounts of the C.L.W. Project could not be maintained strictly in terms of the usual rules laid down in the Indian Railway Code for the Stores Department, in view of the peculiar circumstances under which the Project had to be started. The C.L.W. Project started functioning at Asansol in January 1948, on the abandonment of the Kanchrapara project in the wake of Partition.

(b) On the rather sudden transfer of the project from Kanchrapara to Mihijam and with a view to complying with the wishes of the Railway Board to set up the Works and the township within the shortest possible time, rush tactics had to be adopted to move the large accumulated materials from Kanchrapara. Considerable volume of building materials and other stores had been procured at Chandernagore when it was decided that the site of the Project should be shifted. Materials were rushed to Chittaranjan in train loads from the abandoned Project at Kanchrapara. In addition, orders for considerable quantities of stores had also been issued. Materials which were on order also began to pour in, in considerable quantities. The purchased and transferred stores continued to arrive at Chittaranjan in train-loads, and on an average, 110 wagon-loads a day were being received up to the end of the year 1949-50 which threw such a burden on the Stores Organisation in its infancy that it was found difficult to cope with the formalities prescribed under the Code Rules. The heavy volume of receipts continuously over a long time would have seriously strained even a full-fledged Stores Organisation.

(c) This happened at a time, also when experienced staff for the Project, particularly trained staff, could not be found, owing to the large scale reshuffling of staff on all railways following the Partition, and the acute demand for trained staff on the Railways themselves consequent on the increase in work resulting from the implementation of the C.P.C.'s recommendations. Thus, neither the Executive nor the Accounts Department of the C.L.W. Project could secure the services of adequate number of trained staff properly to cope with the rush of work which inevitably remained inadequately manned.

(d) For a long time—from the beginning of the Project in January 1948 to August 1949—the Accounts Department was under the charge of one Senior Accounts Officer and on the Stores side only one Assistant Controller of Stores was in position at Mihijam, to receive stores, distribute the materials to the consuming department and also to maintain the full accounts thereof. A second officer of District rank joined the Stores Department early in 1951. The Accounts Department was strengthened by the arrival of the Chief Accounts Officer in August 1949, and one additional Assistant Accounts Officer joined only in March, 1950.

(e) Debits for Stores transferred from Kanchrapara began to come only from October 1948, while the works started in January 1948 and regular Stores Accounting was adopted in June 1948. Between January and June 1948, there was thus no regular Stores Accounting. Receipts and issues were not systematically posted in the "Materials-at-site" Account of the Project. Under the system adopted for construction projects, only one set of control cards (i.e., Numerical Cards) is required to be maintained by the Executive. Even the "Materials-at-site" Accounts were not maintained properly as receipt notes were not prepared for the materials received and receipts were posted from challans, wagon registers etc. At the instance of the Accounts Department, the "Materials-at-site" Accounts were brought up to date and a procedure order was jointly issued by the Accounts and Engineering Departments early in June 1948 for introducing the depot system of Stores Accounting, in view of the large volume of stores transactions involved. Priced Ledgers were accordingly opened in the middle of June 1948 to record transactions from January 1948, from the records available, to embrace complete transactions from the inception of the Project.

(f) The debits raised by ex.-E.I. Railway were not supported by relevant complete particulars owing to the absence at Kanchrapara, of proper records and full accounting details due to serious dislocation of civic life following the partition and in the absence of detailed debits, the receipts and issues were priced only at the estimated rates. Financial adjustments were made debiting "stores" at approximate rates by credit to the "Purchase Account" when details of source were available or the "Stock Adjustment Account" when no such details were available.

(g) The priced ledgers opened in June 1948 soon, however, fell into arrears mainly due to the inability of the Executive to maintain proper Depot Accounting procedures. There was no standard classification of stores as laid down in the Stores Code and no Price List was prepared and no class ledgers were maintained. The Depots continued to post the Depot ledgers on the lines of "Materials-at-site" Account. The postings in the Priced Ledgers were thus incomplete and there was no machinery for periodical reconciliation of the Priced Ledgers with Depot Ledgers or with General Books, as laid down in the Code.

3. The position on 31-3-1949 was, therefore, as follows:—

(a) Depot Ledger balances were not susceptible of effective check to ensure that they represented the true position, as the receipt of

materials was haphazard, and there was no receipt note or any stock verification sheet in support of receipt transactions.

(b) The Priced Ledger balances also did not represent the true position as in the absence of proper receipt vouchers it could not be ensured that posting of receipts in the Priced Ledgers was complete. On the issue side, the position was equally inaccurate, as in the absence of details of debits from ex-E.I. Railway for stores transferred from Kanchrapara abandoned Project, estimated rates had to be adopted; thus both the quantities as also the value balances shown in the Priced Ledgers were unreliable.

(c) The depot ledger balances and priced ledger balances bore no relation with each other as receipt and issue vouchers were not prepared and periodical reconciliation of quantity balances in the two ledgers could not be effected. Similarly, the priced ledger balances bore no relation with the corresponding figures in the General Books as the system of periodically and regularly reconciling the priced ledger balances with those appearing in the financial books of the Project could not be adopted.

(d) As a result of the above accounting lapses, the total of closing balances in the old set of priced ledgers worked out to Rs. 22,54,408 against Rs. 24,64,244 in the general books under the head "Stores" resulting in a gap of Rs. 2,09,836 (more in general books) between the two closely related figures. As the priced ledger balances and general book figures were both faulty and unreliable, as explained above, the detailed investigation of the above difference with a view to arranging its proper adjustment was considered neither practicable nor effective. The continued maintenance of these unreliable and undependable priced ledgers was, in the circumstances, quite futile and there was no other course left open than to discard them and reconstruct, with advantage, new Priced Ledgers instead.

4. To rectify the above state of affairs, it was, therefore, decided to open new sets of Priced Ledgers with effect from 1-4-1949, adopting the depot ledger balances on that date as a convenient starting point. The priced ledger balances were re-valued at more reliable rates instead of the previous estimated rates. The value balance of recast Priced Ledgers came to Rs. 36.67 lakhs as against the general book figure of Rs. 24.64 lakhs; the difference of Rs. 12.03 lakhs was credited to the "Stock Adjustment Account" in accounts for March 1951. As the depot card balances had not been tallied with the actual ground balances in the depot by physical verification, extensive stock verification became a vital necessity.

5. Stock verification of almost all the items of stores was accordingly undertaken and completed during the years 1949-50 and 1950-51. The verification revealed many excesses in stock and unconnected receipts to the extent of about Rs. 15 lakhs, which amount was also taken to the debit of "Stores" by credit to "Stock Adjustment Account". Thus for the transactions up to 31-3-1949, both the depot

and priced ledgers were rectified through revaluation and stock verification and in this process adjustments were made in "Stock Adjustment Account" as under:—

Credit Rs. 12.03 lakhs on account of revaluation of the new Priced Ledgers opened on 1-4-1949;

Do. Rs. 5.37 lakhs on account of excess on stock verification ;

Do. Rs. 9.66 lakhs on account of unconnected materials accounted for through temporary receipt notes.

Do. Rs. .05* lakhs on account of reconciliation of priced ledgers with general books at the end of March 1951.

Do. Rs. .29* lakhs on account of other miscellaneous items.

Debit. Rs. 2.33* lakhs on account of loss on reclassification of stores.

Rs. 25.07 lakhs

6. Similarly, there was considerable confusion in other Suspense Accounts, which are operated upon in Stores Accounts as ancillary to the Suspense Head 'Stores', as detailed below:—

Purchase.—This head is credited on receipt of stores in the depot, and debited on making cash payments or on adjusting the debits received in connection with the supplies made by the I. & S. Department or other Railways. As already stated, prior to 31-3-1949, debits were received neither promptly nor in sufficient details to enable the Purchase Register being posted separately for each transaction. Lump-sum amounts were, therefore, posted in the register both under debit and credit columns, and these remained unlinked pending the receipt of full particulars. The magnitude of the unlinked debit and credit items at end of March 1951 was as follows:—

	Rs. lakhs
Credit	1.34
Debit	1.94

Stores in transit.—This suspense head prior to 1-4-1951 was operated upon only for transactions relating to transfer of materials from one depot to another which did not reach the receiving depot and were thus not accounted for by it in the same month in which the materials were issued. The unlinked debits and credits under this Head at end of February, 1951, were as follows:—

	Rs. lakhs
Debit	2.64
Credit	1.02

Miscellaneous Advances (Capital).—This suspense head is mainly operated upon for the advances made to suppliers and for accounting the cost of stores issued to fabricators. The unlinked debits and credits under this head relating to 'Stores' at end of March 1951 were as follows:—

	Rs. lakhs
Debit	29.59
Credit	2.92

7. If the Stores Accounts at Chittaranjan Locomotive Works had been maintained properly upto 31-3-1949, the unlinked transactions under the Suspense Heads mentioned above would not have been as

*These constitute normal adjustments under "Stock Adjustment Account".

heavy as indicated in the preceding paragraph. The linking of debits and credits which is the function of the Stores Accounts Branch was not carried out, mainly due to defective procedure and partly due to inadequacy and paucity of experienced staff. However, at the instance of the Railway Board, Senior Accounts Officer was placed on special duty to clear the Suspense balances relating to the period upto 31-3-1949 and other arrears as quickly as possible. As a result of his efforts, some progress has been made in this direction and the present position of outstandings in the above mentioned Suspense Heads is indicated below:

(Figures in lakhs of rupees)

Suspense Head	Outstanding balance upto end of 31-3-51	Clearance made upto end of Sept. 1952	Balance outstanding upto end of Sept. 1952	Clearance from 1-10-52 to 31-12-52	Balance still outstanding and under investigation
Stock Adjustment Account	25.00	10.50	19.00	-1.57	20.57
Purchases	Dr 194.00 Cr 134.00	115.00 74.00	79.00 60.00	10.00 5.00	69.00 55.00
Stores in transit	*Dr 2.64 *Cr 1.92	2.15 0.92	0.49 0.10	0.49 0.10	..
Miscellaneous Advances—Capital	Dr 29.59 Cr 2.92	25.73 2.77	3.86 15	.34 ..	3.52 0.05

8. From the above, it will be seen that while the entire outstandings have been wiped out from the Suspense Head "Stores-in-transit", appreciable clearance has also been made under the Suspense Heads "Purchases" and "Miscellaneous Advances—Capital". About Rs. 5 lakhs have also been cleared from the Suspense Head "Stock Adjustment Account" leaving a credit balance of nearly 20 lakhs. The C.L.W. Administration are continuously taking steps for expediting the clearance of the remaining outstandings under these Suspense Heads also, with a view to finalising the position to the maximum extent possible before accounts for March 1953 are closed. The Board are also carefully watching the position.

9. The outstandings under "Purchases" are cleared by linking the debit and credit items and normally if accounts are maintained efficiently, there should always be a net credit balance. It is, however, likely that the receipt of stores which should have passed through the "Purchase Account" by crediting this Head was not accounted for in the normal manner but came into the priced ledger through the

*These figures relate to outstandings on 28-2-51 as shown in the half-yearly review of suspense balances for period ending 31-5-51.

(a) This includes Rs. 9.80 lakhs on account of excesses in stock, Rs. 4.37 lakhs on account of unconnected receipts and Rs. 6.36 lakhs as a result of revaluation of stock on 1-4-1949.

NOTE: The figure of Rs. 25 lakhs shown as outstanding on 31-3-51 under Stock Adjustment Account represents the overall figure adjustable to the Stock Adjustment Account on 31-3-51 and not only to the extent to which the figures were actually booked in the general books.

"Stock Adjustment Sheets" prepared as a result of stock verification and was thus credited to "Stock Adjustment Account" instead of to "Purchases".

10. What is now outstanding is to properly link debits outstanding in "Purchases Account" to the extent of Rs. 69 lakhs with the unlinked credits lying in "Purchases" as well as in "Stock Adjustment Account" under items "Excesses in Stock" and "unconnected receipts" which also amount approximately to the same figure, viz. Rs. 69 lakhs. Thus, even though due to incomplete and faulty particulars we are not in a position to effectively link receipts of stores with payments made, it is obvious that unlinked payments bear correspondence with receipt of unlinked stores reflected in the credits under "Purchases" and "Stock Adjustment Account" though it is difficult to say, at this stage, that every item of payment and receipt will be effectively linked, it may happen when the present investigation reaches the stage when further linking is not possible that some unlinked payments may have to be set off against some unlinked receipts for want of proper records or information, with special approval.

11. (i) Except in one case of loss of 5.12 lakhs of bricks worth Rs. 20,776 no other physical loss of stores has been brought to light as a result of detailed investigations so far carried out by the Accounts Officer on Special Duty or as a result of critical scrutiny made by Audit.

(ii) With substantial credit amount lying in the "Stock Adjustment Account" and in "Purchases", to cover up unlinked debits representing payments in "Purchase Account", the present position cannot be considered alarming. All that is necessary now is to connect relevant debits and credits in the two Suspense heads, i.e. "purchases" and "Stock Adjustment Account" to rectify the past accounting lapses and concentrated efforts are being directed to achieve this object with as much expedition as possible. Lapses in accounting should, however, be judged in the light of the magnitude of transactions amounting to about Rs. 489 lakhs (receipts) and Rs. 372 lakhs (issues) handled at the Project upto 31-3-1951 and the unusual speed with which the work had to be pushed through.

12. As regards the maintenance of Stores Accounts with effect from 1-4-1949, the work is, more or less, current and satisfactory. Receipt and issue vouchers have been, and are being received regularly from the depot offices and thus are also being concurrently posted in the priced ledgers. The priced ledger cards are also being subjected to regular review in conformity with the Code provisions. The priced ledger balances have been reconciled with numerical ledgers upto 31-3-1951 and with general books upto 30-9-1951. Appreciable progress has also been made in this reconciliation in respect of the year ending 31st March 1953. Stock verification of stores is now being done regularly. Almost all the items have been verified at least once subsequent to 1-4-1949. A detailed statement is appended below for the information of the P.A.C., showing the exact position of work on 31-12-1952 as compared with that on 31-3-1949.

13. The memorandum has been vetted by the D.R.A.

STORES ACCOUNTS OF THE C.L.W.

STATEMENT COMPARING THE POSITION OF WORK AS ON 31-12-1952 WITH THAT ON 31-3-1949

S. No.	Items of work	Position on 31-3-1949	Latest position
1	Posting of priced ledgers	Incomplete	Current.
2	Review of priced ledgers	No review was done	Review upto 31-3-52 completed except in respect of 3,256 cards out of 14,000. In respect of 1952-53, 1,000 cards out of 9,200 have been reviewed.
3	Reconciliation between priced ledgers and Depot cards.	No reconciliation was done	Reconciliation completed upto 31-3-52, except in respect of about 4,932 cards out of 14,000. Of the cards operative on 31-12-52 i.e., 9,200, 1,548 cards have been reconciled.
4	Monthly reconciliation of Receipts and Issues with Class Summaries.	No reconciliation was done	Current.
5	Half yearly reconciliation of priced ledger balances with the general books.	No reconciliation was done	Reconciled upto 30-9-51. Reconciliation for half year ending March 1952 is almost complete.
6	Stock verification	No stock verification was done.	Almost complete. Only 300 man-days are in arrears.
7	Disposal of Stock sheets	Nil, as no stock verification was done.	715 Stock Sheets are in arrears. Out of this number, 363 relate to previous years and 352 to the current year.
8	Posting and reconciliation of Purchases.	Not done	2 months in arrears so far as reconciliation of debits and credits only is concerned. Reconciliation of balances has been done upto 31-3-51.
9	Review of purchases	Not done.	Systematic review could not be carried out due to arrears in reconciliation. This will be attended to as soon as the reconciliation is brought up-to-date.

APPENDIX XXI

Costing of the locomotives manufactured in the Chittaranjan Locomotive Works *vis-a-vis* by the Telco

The Public Accounts Committee in their First Report 1951-52, have recorded as under:—

“A memorandum outlining the technical and commercial aspects of the method of costing of the manufacture of locomotive by the Tatas as compared with the units manufactured in the Chittaranjan Locomotive Workshops should be furnished to them in due course after getting the details scrutinised by Audit.”

In para. 20 of their Second Report, the Committee reiterated their desire to be furnished with this memorandum in order to ensure that the Telco are not charging exorbitant prices as compared with those of the Railway Workshops.

2. It may be stated at the outset that the agreement entered into with the Telco provides for the maintenance of proper Cost Accounts and sets down the admissible and the inadmissible items for the calculation of production costs of boilers and locomotives. The details of the costing procedure for the Telco were drawn up by the Company and approved by the Government. The importance of installing a scientific costing system in the Chittaranjan Locomotive Works was also recognised by the Government and a suitable system has been devised and is being gradually put into operation. The cost accounting systems both in the Telco and the C.L.W. are based in all essential respects on accepted principles of modern scientific costing and are designed to yield the actual cost of the products turned out with reasonable accuracy. The systems are not, however, identical in all respects in view of the fundamental difference in the nature of ownership of the two organisations—one a limited company and the other a Government-owned and worked workshop—and of the fact that the details of the costing system in force at Telco have to be in conformity with the provisions of the agreement relating to the calculation of the production costs. A statement bringing out the more important points of difference in the technical and commercial aspects of costing procedures in force at Telco and Chittaranjan Locomotive Works is appended to this Memorandum.

3. While the methods of computing costs at Chittaranjan and Telco are generally comparable, the statement of differences between the two systems would show that while the cost of production at Chittaranjan will be adversely affected due to the comparatively higher wage structure and the expenses in maintaining the extensive township at Chittaranjan, that at Telco is affected by the higher depreciation charges and taxes, excise duty, royalties, insurance, etc.

4. The check of the cost accounts maintained by the Telco for the years 1945-46 to 1950-51 revealed that in actual working the accounts in certain respects were maintained in a manner which was apparently objectionable. To arrive at a decision on these objections, meetings were held with Telco representatives from time to time. There are, however, certain important items affecting cost of production on which no agreement has yet been reached in spite of numerous high level discussions. The following are the important objections outstanding:—

- (i) Allocation of the cost of block capital attributable to capacity required for the production of 50 locomotives and 50 boilers guaranteed by the Telco;
- (ii) Liquidation of the Boiler and Locomotive Development Accounts and Deferred Depreciation Fund;
- (iii) Distribution of Depreciation and Overheads of 'Common Assets'.

5. A comparison of the methods of costing of locomotives in Telco and C.L.W. called for by the P.A.C. is apparently intended to ensure that the Telco are not charging exorbitant prices for the locomotives produced by them. No comparison of the cost of production by two works has been made since neither Works have yet worked out the unit cost of any of the locomotives delivered. The assessment of correct cost of production in the case of Telco would be possible only after settlement of certain issues under discussion is reached. This comparison, even if it were possible, could not be conclusive as the Telco are manufacturing M.G. locomotives, while the C.L.W. are turning out B.G. locomotives and the parts are not interchangeable. Nor can any useful comparison be made with the imported prices as both the Telco and the Chittaranjan Locomotive Works are still in the stage of unbalanced production. Further, the initial out-turn has necessarily to bear the heavy overhead burden and will be comparatively more expensive than the cost of the locomotives manufactured when the works get into full economic production. During the initial phase of unbalanced production, when a steady and comparable standard could not be achieved, it would not be of any use to make a comparison of the cost of production of the same articles from batch to batch as they are likely to vary considerably. It may, however, be stated for the information of the Committee that Telco are being paid for Y.G. Locomotives manufactured by them at the rate of Rs. 3½ lakhs provisionally, which is the cost of imported locomotives of similar type as against Telco's present estimated cost of production of about Rs. 4.2 lakhs (exclusive of the element of initial depreciation).

6. As a safeguard against the payment of exorbitant prices to the Telco for the locomotives produced by them, a close and careful watch over the operation of the costing procedure and proper check of the cost accounts is being exercised by the Government. The Financial Adviser and Chief Accounts Officer of the Chittaranjan Locomotive Works has been made responsible for the check of bills, payment and accounting for the locomotives manufactured by the Telco. The adequacy and effectiveness of the costing system in operation at the Telco is constantly under his close observation. He has thus an opportunity to compare the production and costing methods at the

Telco with those at the C.L.W. and to suggest and bring about improvement necessary at either place. He is assisted in this task by an Accounts Officer, who is in position on the Telco Works and exclusively attending to the Telco accounts. These measures are considered quite sufficient to ensure the interest of the Government.

The memorandum has been vetted by the D.R.A.

Statement showing the differences in the costing system in the Chittaranjan Locomotive Works and in the Telco.

Details of the systems 1	Procedure at Chittaranjan 2	Procedure at Telco 3	Remarks 4
(i) Prime cost—Direct wages	<p>The workers are engaged on monthly rates of pay which are uniform in all the railway workshops and based on the Central Pay Commission's recommendations. The skilled workers are in the grade of Rs. 55—130.</p> <p>Bonus schemes for payment of wages have not yet been introduced. There is at present no piece-work system.</p>	<p>The workers are paid at daily rates ranging between Rs. 1-8-0 and Rs. 4 according to the degree of skill acquired. These daily rates are equivalent to monthly payments of Rs. 40 to 100.</p> <p>Production bonus and piece work bonus are paid to workmen. The production bonus is based on the outturn of locomotives, boilers etc. in a month, while piece-work bonus is based on the time saved.</p>	<p>The wage structure at Telco is comparatively lower than at Chittaranjan. The bonus systems in Telco operate to reduce direct wage-cost per unit of production. The effect is that the direct wages in the unit cost of production in Chittaranjan Locomotive Works are higher than at Telco.</p>
(ii) Supply of power and consumption of indigenous steel of Tatas origin.	<p>At Chittaranjan the supply of electric power is comparatively costlier than at Telco. During 1951-52 the rate at which C.L.W. obtained supply from D.V.C. worked out to 1.2 annas per unit. The total amount paid by the C.L.W. for the supply excluding consumption in colony amounted to Rs. 3,11,393. This amount exceeded similar amount incurred at Telco by Rs. 1,46,437, and production in C.L.W. during the same year being 20 locos the incidence of extra expenditure on this account worked out to about Rs. 7,300 per loco.</p>	<p>Telco get electric supply from Tisco and during 51-52 rate charged was .64 annas per unit on the average and the total amount paid by Telco on this account excluding supply to colony was Rs. 1,64,956.</p>	<p>The incidence of extra cost per loco on account of electric consumption will progressively decline as the outturn expands and larger units of electricity are consumed; since the tariff provides for a sliding scale with reduced charges per unit on higher slabs.</p>

The cost at which steel is supplied at C.L.W. is also comparatively higher. C.L.W. pay at the controlled rate plus place extra. The average consumption of steel in 1952 being 55 tons per Loco, the cost in C.L.W. on this account was higher to the extent of Rs. 1,045 per loco in comparison with the production at Telco.

Telco get a rebate of Rs. 19 per ton of steel purchased from Tisco.

(iii) *Overheads.*

(a) Bonus to supervisory staff .

In Chittaranjan, in common with other railway workshops, there is no system of payment of bonus to the supervisory staff in the workshops though special pay is being paid to the most of the shop foremen and some officers.

Assistant Foremen and Superintendents are paid bonus at the rate of one-third of the percentage of bonus earned by the workmen directly engaged on production.

(b) Gratuities and special contribution to Provident Fund, Workmen's Compensation payments and leave salaries.

Actual expenditure in a year is charged to production through overhead, as is the practice in other railway workshops.

In Telco, leave fund, Gratuity Fund and Accident Fund have been created to which percentage contributions are made by charge to production through overhead. Actual payments as they fall due are met out of these funds.

The procedure at Telco ensures an even cost of production. The difference in procedure is, however, not so significant as to cause wide disparity in production-costs.

Telco do not pay gratuity to employees drawing above Rs. 50 P.M.

(c) Jigs and fixtures

The initial outlay has been capitalised. Further additions, repairs and maintenance are charged to overheads.

Jigs and fixtures for general use are capitalised and treated as Stores. On the issue of the jigs and fixtures from stores their cost is charged, to the

- overheads. The cost of jigs and fixtures manufactured specially for a production programme is spread over the units produced.
- (d) Manufacture of small items, minor additions and improvements. The cost will be charged to overhead expenses, if within the New Minor Works limit of Rs. 25,000 in each case and in other cases to capital. The debit to overhead in respect of minor improvements, additions and replacements is subject to the limit of Rs. 2,500 in each case and Rs. 50,000 in any one year. The Telco procedure is authorised by the agreement with the firm. The procedure at Chittaranjan is in line with the rules of allocation on the Indian Railways.
- (e) Depreciation. Depreciation is worked out on the straight line basis with reference to the lives of assets as given in the Railway Codes, e.g., 5% on machinery, 2% on buildings. Depreciation is charged at the rates admissible under the Income Tax Act. In addition to the "normal" and "additional normal" depreciation, initial depreciation on all new plant, machinery buildings, etc. erected after 31-3-45 at 15% on buildings and at 20% on plant and machinery (during the year of outlay) is allowed under the Income Tax Act and included in the charge for depreciation. Though the procedure in Telco is covered by the agreement, it has the effect of excessive incidence of charge to the production in first few years and lowering the cost of production in later years. With a view to obtaining uniform cost, it has been agreed with the firm to spread the incidence of abnormal depreciation over a number of years by operating on a deferred depreciation Account.
- (f) Township and other amenities. Over Rs. 7 crores have been spent on the construction of the township. The maintenance and depreciation of the extensive township as also the expenses for providing modern amenities to staff, i.e. Community Halls, Institutes, Cinemas, Primary and Secondary schools, etc. work out to a considerable amount, which is charged to the jobs as "Town Administration overhead" as distinct from "administrative overheads." In Telco there is comparatively a small township, the expenses of which are included in the administrative expenses. This is a major item contributing to the increased cost of production at Chittaranjan *vis a vis* Telco.

(iv) Overheads peculiar to the two Works.

Contribution towards cost of 'Order' Police and additional police employed on the protection of railway property.

Note.—This charge is in accordance with the Railway procedure.

The agreement with the Telco, provides for the inclusion of the following items as admissible items of overheads :

Sales and turn-over taxes. Cost or insurance (including credits for recoveries under insurance policies).

Royalties.

Travelling expenses incurred in connection with staff leave.

Difference between the written down values of plant and machinery sold or discarded and their sale proceeds or scrap value.

Such expenses are not admissible to Government employees.

In the Chittaranjan Locomotive Works according to the Railway rules of allocation, all adjustments in connection with the abandonment or retirement of assets are made direct against the Depreciation Fund, the over-heads bearing no more than the stipulated contribution to the Fund. This has the effect of increasing production cost in Telco as compared to Chittaranjan.

Bad debts written off, including subsequent recoveries, if any.

Bank charges.

Managerial charges.

Managing agency remuneration.

Reasonable expenditure on sales Organisation, excise duty and cesses, cash and trade discounts, rebates, commission and price-reduction of any kind received by the Company.

Expenses on Research and Statutory Audit.

(v) Interest in the case of C.L.W. and Profits in the case of Telco.

Interest on the capital employed at Chittaranjan is calculated at the same rate as dividend payable to General Revenues, viz. at 4% and this interest is added on to the cost of production on a *pro forma* basis to give a correct appreciation of the cost of locomotives turned out by C.L.W.

Under the terms of agreement between the Government and Telco., profit at a guaranteed rate of 7% on the capital employed is to be paid to Telco. in period 'C' for boilers and the 'price period' for locomotives and will be included in the purchase price over and above the cost of production.

APPENDIX XXII

Note on the implication of the terminology 'after purchase' appearing in item 2 under 'Assets' in the Block Account of the Chittaranjan Locomotive Works, page 79, Part I, Capital Statement (comprising Loan Account).

Under the existing arrangements, the Capital Statement of each railway has to show broadly the sources from which the capital expenditure has been financed (*i.e.* liabilities) and how these moneys have been expended in the acquisition of assets of capital nature. For the latter purpose, the approved form of the Capital Statement gives the under-noted analysis:—

I. PURCHASE PRICE—

(a) Main lines—

(i) Cash paid	. . . . .
(ii) Liabilities assumed or purchased	. . . . .
Not redeemed	. . . . .
Net	. . . . .

(b) Branch lines

2. CAPITAL EXPENDITURE AFTER PURCHASE

3. FLOATING ASSETS—

(a) Stores	. . . . .
(b) Balance in Manufacture Accounts	. . . . .
(c) Miscellaneous Advances	. . . . .

A complete form of the Capital Statement can be seen at page 4 of the Block Accounts (including statements comprising the Loan Accounts) Balance Sheets and Profit and Loss Accounts of Indian Government Railways 1950-51.

It would be seen from the statement referred to above that while item 1 indicates the price paid for the purchase of a line as a running concern, thereby indicating the value of capital assets taken over on purchase, the expenditure further incurred in the acquisition of capital assets, including the construction and augmentation of mechanical workshops, is shown against item 2.

In the case under reference there being no 'purchase price' as in other cases, item 1 does not exist. The capital expenditure incurred in the building up of the C.L.W. falls under, and has been shown against item 2 of the said form. The words 'after purchase' in this context have no special significance, and have come into this statement consequent on the adoption of the standard form.

APPENDIX XXIII

Memorandum on the agreement between Government of India and Messrs. Schlieren, for manufacture of All-Metal Light-Weight Integral type coaches in India.

The Public Accounts Committee in their meeting held in September and November, 1952, to discuss the Railway Audit Report, 1951, examined the agreement entered into in 1949 between the Government of India and Messrs. Schlieren for the manufacture of All-Metal Light-Weight Integral type coaches in India and commented *inter-alia* as below on the Agreement and its working, *vide* para. 13 of the Committee's Fifth Report on the accounts of 1949-50 (Railways and Posts and Telegraphs):—

- (i) That the Agreement was entered into even before the site of the factory was decided upon;
- (ii) That the Government entered into a commitment binding itself to purchase a certain number of coaches from the firm over a period of years;
- (iii) That the advance payments made along with the orders amounted to financial assistance to the concern, and that without security of the assets of the Company, or by obtaining a Bank guarantee;
- (iv) That a second order of 50 coaches was placed on the firm and advance payments were made therefor, even though the first order had not been complied with.
- (v) That the Government undertook financial liability of an indefinite nature based on a 'cost plus' contract.
- (vi) That although the Government had already paid 8,80,000 Swiss Francs as basic fee, the only technical aid so far received was that the design of the coach had been finalised and three Draftsmen from India had been trained in their factory.

The Committee further observed that "such defects should be avoided in any future contracts to be entered into with suppliers. The Committee understand that the Agreement with Schlieren is under revision. They, therefore, recommend that these comments should be immediately taken into account in carrying out such revision. The Committee further desire that they should be supplied with the new agreement as soon as it has been entered into."

2. The Supplemental Agreement with Schlieren was concluded on 27th June, 1953, and as desired by the Public Accounts Committee, copies of this Agreement are forwarded herewith for their information. In the discussions and negotiations which preceded the Supplemental Agreement, the remarks made by Statutory Audit in para. 26 of the Railway Audit Report, 1951, as well as the comments of the Public Accounts Committee mentioned above, were kept in view.

3. The most important change effected is that the responsibility for establishing production of integral type coaches in India, in the shortest possible time, has now been undertaken by Schlieren conjointly with the Government. Whereas under the Agreement of 1949 Schlieren were required to function as Consulting Engineers only and give technical advice to the Government for establishing a factory or factories in India to produce light weight integral type coaches, under the Supplemental Agreement, Schlieren have agreed to undertake their full share of technical and executive responsibility for setting up the factory at Perambur and establishing manufacture of this type of coaches in India. In the original Agreement the production targets to be attained with the assistance of Schlieren as Consulting Engineers were not defined. In the Supplemental Agreement, *vide* Clause 4(c), the production targets, which have been agreed to as being reasonable and practicable of attainment, have been provided as shown below:

Target for the year	Total No. of unfurnished coaches	Number per year of Inter/Third Class unfurnished coach body shells and bogies complete to be turned out by using indigenously made parts excepting wheels and axles, springs and proprietary articles.
1st year of production	20	..
2nd year of production	100	20
3rd year of production	200	120
4th year of production	300	280
5th year of production and thereafter up to the end of the Agreement	350	350

(Production in the factory at Perambur should start in the second half of the calendar year, 1955)

4. The other salient features of the Supplemental Agreement are:—

(i) In the Agreement of 1949, Government undertook to place orders on Schlieren for 200 body shells and there was no specific arrangement for supply of component parts. In the Supplemental Agreement the number of complete body shells has been reduced to 150, but, in addition, components, parts etc., complete for 50 shells will be ordered. Such components will be necessary to start assembly work in Perambur as soon as the factory is ready for production if this capacity is not to stay idle and assembly work for these 50 shells will start at Perambur immediately the factory is ready. This method will also facilitate the training of the Indian staff in the welding and assembly work, which is the most difficult part of the manufacture of this type of coaches. The order for the

complete coaches will enable Schlieren to manufacture the sets of jigs and fixtures to be supplied to the Perambur factory by them satisfactorily.

(ii) On the basis of the actual costs as cost-audited by Messrs. Price, Waterhouse & Co. for the first 50 coaches, firm prices have now been fixed for the second order of 50 unfurnished coaches at present under execution by Schlieren as well as for the third order for 50 unfurnished coaches and for the fourth order for components, parts, etc., complete for 50 coaches, which have just been placed on them. In fixing the firm price, due allowance has been made, on a broad assessment, of the economies resulting from mass production, elimination of handicaps during the initial period of manufacture, costs of jigs, tools, fixtures, etc. The firm prices agreed to are as follows:—

Firm price (inclusive of profit)
per coach ex-Works
(Unpacked)

(Swiss Francs)

Second and Third Orders

100 unfurnished body shells	102,500	
Fourth order for components, parts, etc.	101 500	less actual assembly cost as per third order.

These prices are subject to variation if the prime cost fluctuates more than 5 per cent. either way.

The Public Accounts Committee had observed that the Government had undertaken financial liability of an indefinite nature based on a 'cost plus' contract. Apparently they refer to the two prototypes and the first order for 50 coaches placed on Schlieren and jigs, tools and fixtures to be supplied by the firm. The original Agreement provided that the two prototypes and the first 20 coaches of the first order should be paid on the basis of actual cost as cost-audited by an Auditor appointed by Government, with a 10 per cent. addition as profit margin and on the basis of the cost so established, a firm price will be determined for the remaining coaches of the first order as also for the subsequent batch orders. Originally the intention was that the first batch of 50 coaches would be of third class design and unfurnished but after the order for 50 III class unfurnished coach-body shells had been placed with the firm, it was subsequently altered to 50 completely furnished coaches of various classes so as to constitute complete train formations. The firm pointed out that, in view of these modifications, the coaches had to be produced out of sequence, and therefore mass production methods could not be fully adopted for the turning out of this lot of coaches. Messrs. Price, Waterhouse & Co. who were appointed by Government as Auditors to audit the cost accounts of Schlieren relating to the manufacture of the first order of 50 coaches, have certified that cost accounts could not be maintained separately for the first 25 shells only and that it has been technically impossible to segregate the costs incurred in respect of the first 25 coaches from those of the last. In view of this difficulty, Government have

agreed that the entire lot of 50 coaches in the first order should be paid on the basis of actual costs as shown below:—

First order for 50 furnished coaches

(Swiss Francs)

	Actual average cost per coach ex-Works (unpacked)	Profit	Total price ex- Works (Un- packed)	Packing (including profit) insurance Transport upto Port & remittance charges	Total F.O.B. Price (4+5)
1	2	3	4	5	6
50 Body Shells (unfurnished).	112,164	10,896	123,060	12,906	135,966
Average cost of fur- nishing.	95,865	5,000	100,865	3,497	104,362

It will be seen that the profit allowed on furnishing is a fixed sum of 5,000 S.F. per coach although the firm claimed a profit of 10 per cent. of the actual costs in regard to the furnishing also. It has not been possible to modify clause 4 (iv) of the Agreement of 1949 regarding the price to be paid for jigs, tools and fixtures. The Schlieren representative explained that the jigs and tools to be used at Perambur would be of a different type than those now used by them for manufacturing coaches for Indian Railways and as the new jigs and tools can only be made after some experimentation and proving, it was not possible to quote firm price for them and therefore the provision in the original agreement in this respect has been allowed to stand.

(iii) Firm delivery dates for the existing order for 50 coaches as also for the two new orders have been laid down and a penalty clause has also been inserted for delay in delivery beyond the prescribed dates. In the Agreement of 1949, although delivery periods were prescribed, there was no clause for enforcing any penalty in the event of delay.

(iv) Under the Agreement of 1949, advance payments were required to be made to Schlieren for the coaches ordered. In the Supplemental Agreement it has been laid down that such advance payments will be made on production of banker's guarantee.

It has been further agreed that no advance payment will be made for the fourth order, for components, parts, etc., complete for 50 coaches.

(v) Under the Agreement of 1949 payment of the annual basic fee was automatic and not connected in any manner with the actual production of coaches in India. Under the Supplemental Agreement the payment of the balance of the basic fee has been tied up with the setting up of the factory up to the stage of production and

thereafter with the actual attainment of the production targets as detailed below:—

8,80,000 Swiss Francs had already been paid to Schlieren under the Agreement of 1949. A sum of 2,20,000 Swiss Francs shall be paid to them on 1st July, 1954, by which time it is expected that the preparation of the detailed production plans of the workshop and all necessary action for procurement of plant and machinery will have been completed by Schlieren. The balance of Swiss Francs 14,00,000 will be divided in seven equal instalments of Swiss Francs 2,00,000 and the first instalment thereof will be paid in the second half of 1955, provided the Perambur Factory is ready to start production. Subsequent instalments will be paid annually subject to the attainment of the production targets stipulated for each year. In case the production target is not reached in any year, only the proportionate amount of fee will be paid and the balance will be held back in a blocked account.

(vi) Under the Supplemental Agreement Schlieren will not be paid any consultant's fee which was originally provided for in clause 11 (c) of the Agreement of 1949, but the method of computation of which was not specified. In lieu of this and in consideration of the fact that Schlieren have now undertaken the additional executive and technical responsibility for establishing production and attaining the production targets, they will be paid, in addition to the basic fee, an annual bonus at the following rates:—

Year of production	Bonus payable per coach manu- factured
	Swiss Francs
1st year	1,000
2nd year	750
3rd year	400
4th year	300
5th year	250
6th year	225

Thus the quantum of bonus payable each year would depend on the number of coaches actually produced in that year. The total amount of bonus, which will become payable if the production targets are fully attained, would be about 4,31,250 Swiss Francs.

5. It will be seen that the comments of the Public Accounts Committee have now been met by:—

- (i) enforcing submission of banker's guarantee to cover advance payments;
- (ii) fixing firm prices for the orders under execution or to be executed;
- (iii) enforcing penalty clause to ensure delivery of the coaches within the prescribed dates; and
- (iv) eliminating advance payments altogether for the fourth order.

The payment of the basic fee is no longer automatic but is connected with the establishment of production in the country. If the

production targets laid down for each year in the Supplemental Agreement are attained, as it is hoped they would be, about 1,300 coaches will be produced at Perambur under the executive and technical responsibility of Schlieren during the currency of the Agreement, at a total cost of about Rs. 13 crores. The total amount which the Government will pay to Schlieren for establishing the factory and attaining the production targets by way of basic fee and bonus will be about Rs. 32 lakhs, and this, compared to the total outturn, would not be excessive.

6. The construction of the factory at Perambur was taken up in 1951 and it is expected to be ready by the beginning of 1955. The plant and machinery required for the factory will be ordered within this year and most of them are expected to be received and erected in the factory by July, 1955. Arrangements are also being made for procurement of adequate stocks of raw materials required for this type of coaches. About one hundred Indian Technicians and other staff will be trained in Schlieren's works in Switzerland from now onwards upto July, 1955. The first batch of twelve men will be proceeding to Switzerland shortly. Besides, a technical School will also be set up at Perambur under a Training Superintendent to be deputed by Schlieren for the training of staff in India in the various technical processes associated with this type of coach, particularly welding. With the completion of these preliminaries the factory is expected to go into production in the second half of 1955.

7. The Director of Railway Audit has seen the Memorandum in draft.

APPENDIX XXIV

Memorandum for the Public Accounts Committee on the progress made in the clearance of expenditure held under objection as shown in Annexure 'A' to the Appropriation Accounts of Railways in India, 1950-51—Part II—Detailed Appropriation Accounts.

During the course of examination of the Appropriation Accounts for 1947-48 (15th August, 1947 to 31st March, 1948) and 1948-49, the Public Accounts Committee had expressed their keen desire that the large amount of expenditure held under objection on account of 'Want of Estimate', 'Excess over Estimate' etc., should be cleared as early as possible and the progress made in the matter reported to them from time to time. A memorandum showing the progress in the clearance of the outstandings reported in the Appropriation Accounts for 1949-50 was submitted to the Public Accounts Committee at their meeting held in September, 1952.

The special measures mentioned in the memorandum referred to above, continued to be taken both by the Railway Board and the Railway Administrations and as a result thereof, the amounts of unsanctioned expenditure on the various railways have been appreciably reduced as is indicated in the table below:—

1950-51		
	No. of items	Amount in thousand of rupees
(1) Objectionable items as appearing in Annexure 'A' to the Appropriation Accounts, Part II	17,091	29,01,56
(2) Amount since regularised upto 31st July, 1953	9,428	16,72,49
(3) Amount still outstanding	7,663	12,29,07

The table below gives the analysis of the clearance by items amounting to Rs. 25,000 each or more, and those amounting to less than Rs. 25,000 each, separately under 'Want of Estimate', 'Excess over Estimate' and 'Miscellaneous Irregularities'.

Particulars	Outstanding shown in the Appropriation Accounts		Clearance made so far	
	No.	Amount in thousands	No.	Amount in thousands
	(a) <i>Want of Estimate.</i>			
Items amounting to Rs. 25,000 each or more	339	22,15,16	213	14,33,66
Items below Rs. 25,000 each	909	36,68	424	25,86
(b) <i>Excess over Estimate.</i>				
Items amounting to Rs. 25,000 each or more	284	4,94,18	117	1,53,18
Items below Rs. 25,000 each	1275	50,05	569	20,69
(c) <i>Miscellaneous Irregularities.</i>				
Items amounting to Rs. 25,000 each or more	23	9,30	11	3,71
Items below Rs. 25,000 each	14261	96,19	7994	35,39
Total	17091	29,01,56	9428	16,72,49

The position on each of the Railways is indicated in the three annexures, separately for the items held under objection on account of 'Want of Estimate', 'Excess over Estimate' and 'Miscellaneous Irregularities'.

The Railway Board are still pursuing the matter vigorously with the Railways concerned so as to secure expeditious regularisation of the objectionable expenditure to the maximum extent possible.

The figures in the Memorandum have been scrutinised by the D.R.A.

Statement showing, by individual railways, the progress in the clearance of objectionable expenditure under "Wans of Estimate"
(Amount in thousands of Rupees)

S. No.	Name of Railway	Unsanctioned Expenditure included in the Appropriation Accounts for 1950-51				Unsanctioned Expenditure cleared upto 31st July, 1953				Balance outstanding									
		No. of items	Amount	No. of items	Amount	No. of items	Amount	No. of items	Amount	No. of items	Amount	No. of items	Amount	No. of items	Amount				
		Items of objection amounting to Rs. 25,000 each or more	Items of objection amounting to less than Rs. 25,000 each	Total	Items of objection amounting to Rs. 25,000 each or more	Items of objection amounting to less than Rs. 25,000 each	Total	Items of objection amounting to Rs. 25,000 each or more	Items of objection amounting to less than Rs. 25,000 each	Total	Items of objection amounting to Rs. 25,000 each or more	Items of objection amounting to less than Rs. 25,000 each	Total	Items of objection amounting to less than Rs. 25,000 each					
1	Assam*	31	2,08,55	49	2,31	80	2,10,86	11	24,07	28	1,57	39	25,64	20	1,84,48	21	74	41	1,85,22
2	B.N.*	7	40,65	7	55	14	41,20	7	40,65	7	55	14	41,20	...	...	...	...	...	...
3	B.R. & C.I.*	76	2,35,81	278	1,203	354	2,47,84	52	1,38,74	130	8,12	1,82	1,46,86	24	97,07	148	391	172	1,00,98
4	E.L.*	55	3,22,93	61	3,03	116	3,25,96	45	3,03,63	53	2,58	98	3,06,20	10	19,31	8	45	18	19,76
5	E.P.*	20	60,14	84	2,37	104	62,51	19	57,07	53	1,49	72	58,56	1	3,07	31	88	32	3,95
6	G.I.P.*	58	8,30,39	116	5,99	174	8,36,38	53	8,15,86	95	5,76	148	8,21,62	5	14,33	21	23	26	14,76
7	M. & S.M.*	50	61,31	107	3,80	157	65,11	10	29,89	62	2,53	72	3,42,40	40	31,42	45	127	85	32,69
8	O.T.*	6	55,18	4	12	10	55,30	4	1,98	4	12	8	2,10	2	53,20	...	...	2	53,20
9	S.L.*	10	3,3,12	10	18	20	3,1,30	4	1,66	6	10	10	1,76	6	3,29,46	4	8	10	3,29,54
10	C.C.A.*	...	...	3	33	3	33	...	...	3	33	3	33	...	...	...	...	...	...
11	C.L.W.*	1	1,22	...	...	1	1,22	1	1,22	...	...	1	1,22	...	...	...	...	...	...
12	Bihar*	2	1,06	74	2,43	76	3,49	1	69	1,66	1,98	67	2,67	1	37	8	45	9	82
13	Cutch*	...	...	1	4	1	4	...	...	...	...	...	...	...	...	1	4	1	4
14	Jaipur*	...	...	32	8	32	8	...	...	1	1	1	1	...	...	31	7	31	7
15	Mysore	3	2,16	22	25	25	2,41	...	...	2	...	2	...	3	2,16	20	25	23	2,41
16	Nizam	1	1,7,99	...	...	1	1,7,99	1	7,99	...	...	1	7,99	...	...	...	...	...	...
17	Saurashtra*	19	56,65	61	3,17	80	59,82	5	10,22	14	72	19	10,94	14	46,43	47	2,45	61	48,88
Total		339	22,15,16	909	13,6,08	1,12,48	22,51,84	213	14,33,66	524	25,86	737	14,39,52	126	7,81,50	385	10,82	511	7,92,32

* Provisional figures.

Statement showing, by individual railways, the progress in the clearance of objectionable expenditure under "Excess over Estimate"
(Amount in thousand of Rupees)

S. No.	Name of Railway	Unsanctioned Expenditure included in the Appropriation Accounts for 1950-51						Unsanctioned Expenditure cleared upto 31st July, 1953						Balance outstanding					
		Items of objection amounting to Rs. 25,000 each or more		Items of objection amounting to less than Rs. 25,000 each		Total		Items of objection amounting to Rs. 25,000 each or more		Items of objection amounting to less than Rs. 25,000 each		Total		Items of objection amounting to Rs. 25,000 each or more		Items of objection amounting to less than Rs. 25,000 each		Total	
		No. of items	Amount	No. of items	Amount	No. of items	Amount	No. of items	Amount	No. of items	Amount	No. of items	Amount	No. of items	Amount	No. of items	Amount	No. of items	Amount
1	Assam	3	1,51	...	...	3	1,51	...	...	...	...	...	...	3	1,51	...	...	3	1,51
2	B.N.*	12	26,93	17	44	29	27,37	10	14,24	16	43	26	14,67	2	12,69	1	1	3	2,701
3	B.B. & C.I.	44	50,21	17	4,75	191	54,96	28	31,64	58	2,20	86	33,84	16	18,57	89	2,55	105	21,12
4	E.I.	41	73,92	194	8,16	235	82,08	31	55,09	166	6,89	197	61,98	10	18,83	28	1,27	38	20,10
5	E.P.*	4	2,23	18	1,22	22	3,45	4	2,23	11	73	15	2,96	...	...	7	49	7	49
6	G.I.P.	72	2,36,61	431	15,33	503	2,51,94	16	31,57	134	3,48	150	35,05	56	2,05,04	297	11,85	61	2,16,89
7	M. & S.M.	34	41,09	103	4,04	137	45,13	12	4,34	64	2,25	76	6,59	22	36,75	39	1,79	353	38,54
8	O.T.	36	27,08	112	7,10	148	34,18	2	59	8	69	10	1,28	34	126,49	104	6,41	138	32,90
9	S. I.	28	18,96	151	5,21	179	24,17	10	4,74	101	2,86	111	7,60	18	14,22	50	2,35	68	16,57
10	C.C.A.	1	6,21	2	37	3	6,58	1	6,21	2	37	3	6,58	...	...	...	...	...	...
11	Vizagapatam	...	...	1	22	1	22	...	...	1	22	1	22	...	...	...	...	...	...
12	Bikaner*	...	...	6	40	6	40	...	...	6	40	6	40	...	...	...	...	...	...
13	Jaipur*	...	...	4	3	4	3	...	...	...	...	...	...	...	...	4	3	4	3
14	Mysore	1	41	16	1,18	17	1,59	...	...	...	...	...	...	1	41	16	1,18	17	1,59
15	Nizam	7	4,89	14	71	21	5,60	3	2,53	2	17	5	2,70	4	2,36	12	54	16	2,90
16	Saurashtra*	1	4,13	59	89	60	5,02	...	...	...	...	...	...	1	4,13	59	89	...	5,02
Total		284	4,94,18	1275	50,05	15,59	5,44,23	117	1,53,18	569	20,69	686	1,73,87	167	3,41,00	706	29,36	1,873	3,70,36

*Provisional figures.

Statement showing, by individual railways, the progress in the clearance of objectionable expenditure under "Miscellaneous Irregularities"

(Amounts in thousands of rupees)

S. No.	Name of Railway	Unsanctioned Expenditure included in the Appropriation Accounts for 1950-51						Unsanctioned Expenditure cleared upto upto 31st July 1953						Balance outstanding					
		Items of objection amounting to Rs. 25,000 each or more		Items of objection amounting to less than Rs. 25,000 each		Total		Items of objection amounting to Rs. 25,000 each or more		Items of objection amounting to less than Rs. 25,000 each		Total		Items of objection amounting to Rs. 25,000 each or more		Items of objection amounting to less than Rs. 25,000 each		Total	
		No. of items	Amount	No. of items	Amount	No. of items	Amount	No. of items	Amount	No. of items	Amount	No. of items	Amount	No. of items	Amount	No. of items	Amount	No. of items	Amount
1	Assam	1	51	45	55	46	1,06	...	...	19	50	19	50	1	51	26	5	27	56
2	A. R. L. P. *	...	...	17	31	17	31	...	...	10	5	10	5	...	...	7	26	7	26
3	B. N. *	...	...	845	10,72	845	10,72	...	...	363	5,10	363	5,10	...	...	482	5,62	482	5,62
4	E. I.	16	5,20	1569	12,32	1585	17,52	7	1,34	996	7,26	1003	8,60	9	3,86	573	5,06	582	8,92
5	E. P. *	1	99	2890	68,43	2891	69,42	1	99	748	21,54	749	22,53	...	...	2142	46,89	2142	46,89
6	G. I. P.	...	...	8675	88	8675	88	...	...	5785	46	5785	46	...	...	2890	42	2890	42
7	M. & S. M.	...	...	139	35	139	35	...	...	53	27	53	27	...	...	86	8	86	8
8	O.T. *	...	...	1	2	1	2	...	...	1	2	1	2	...	...	...	...	...	...
9	C. C. A.	3	1,38	...	...	3	1,38	3	1,38	...	...	3	1,38	...	...	...	...	...	...
10	C.L.W.	1	42	5	6	6	48	...	...	4	...	4	...	1	42	1	6	2	48
11	Bikaner *	...	...	8	1	8	1	...	...	8	1	8	1	...	...	...	...	...	...
12	Jaipur *	...	...	5	23	5	23	...	...	...	...	...	...	...	...	5	23	5	23
13	Rajasthan *	1	80	34	2,11	35	2,91	...	...	4	7	4	7	1	80	30	2,04	31	2,84
14	Saurashtra *	...	...	28	20	28	20	...	...	3	11	3	11	...	...	25	...	25	9
Total		23	9,30	14261	96,19	14284	1,05,49	11	3,71	7994	35,39	8005	39,10	12	5,59	6267	60,80	6279	639

* Provisional figures.

APPENDIX XXV

Memorandum for the Public Accounts Committee on the progress made in the clearance of the outstanding balances under Suspense reported in the Appropriation Accounts of Railways in India for 1950-51—Part II—Detailed Appropriation Accounts.

The P.A.C. in their meeting held in January, 1951 for examining the Appropriation Accounts for 1947-48 (Pre-partition) had drawn attention to the balances outstanding under suspense and desired that vigorous efforts should be made to clear the outstandings and also that the progress made in that direction should be reported to them at the time of the examination of the accounts for the year 1948-49. Besides complying with this, a memorandum on the clearance of the similar balances shown outstanding in the Appropriation Accounts for 1949-50 was also submitted to the P.A.C. in their meeting held in September, 1952 for examining those Appropriation Accounts.

2. The Railway Board have continued the drive for the clearance of these outstandings by, *inter alia*, making their periodical reviews more intensive. The progress made in the clearance of these balances as on 31st March, 1951 is indicated below :—

(Figures in thousands of Rupees).

	Balance on 31-3-51	Adjusted in 1951-52	Subsequent clearance upto the close of May, 1953	Balance
Miscellaneous Advances— (Revenue)—				
Credit	1,18,98	56,61	7,37	55,05
Debit	7,90,78	4,77,59	26,76	2,26,03
Miscellaneous Advances— (Capital)—				
Credit	1,56,00	80,07	28,91	47,02
Debit	9,87,08	5,02,79	1,28,92	3,55,37
Purchases—				
Credit	39,66,37	24,33,63	5,00,69	10,32,05
Debit	21,00,51	18,81,40	6,49,84	5,69,77

3. The position of the balances on the individual Railways is indicated in the annexure.

4. The Railway Board as well as the Railway Administrations are continuing their drive for further reduction in the outstandings.

5. The figures in the Memorandum have been scrutinised by the D.R.A.

Statement showing, by individual Railways, the progress in the clearance of balances under "Miscellaneous Advances—Revenue"

Name of Railway	Balance outstanding on 31-3-51		Adjusted in 1951-52		Subsequent clearance		Balance now outstanding	
	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.
Assam			5,12,429	25,40,332	9,806	2,70,410	3,90,086	14,95,027
B.N.	9,12,321	43,05,769	25,87,317	71,93,403	14,061	13,72,015	1,04,112	12,64,041
B.B. & C.I.*	27,05,490	98,29,519	36,417	55,94,733	3,40,244	7,13,746	4,04,048	17,26,218
E.I.	7,80,709	80,34,697	12,41,682	77,94,963	70,139	12,27,239	16,58,020	67,25,620
E.P.	29,69,841	1,57,47,822	6,29,522	37,49,785	1,39,886	4,19,469	2,08,484	6,11,254
G.I.P.	9,77,892	47,80,508	2,88,419	31,66,307	—1,048	1,64,135	2,07,434	20,60,273
M. & S.M.	4,94,805	53,90,715	50,142	58,28,571	55	7,91,611	16,790	32,74,701
O.T.	66,987	98,94,883	1,50,684	15,45,137	21,921	8,95,040	2,31,910	10,16,572
S.I.	4,04,515	34,56,749	662	15,74,185	101	1,80,340	19	5,15,377
Bikaner	782	22,69,902	7,918	1,27,262	30,335	2,02,220	24,716	2,14,006
Cutch*	62,969	5,43,486		3,656	389	724	360	54,891
Dholpur	749	59,271		75,762				266
Jodhpur	18,126	10,59,664	1,701	6,25,971	16,425	4,25,828		7,865
Mysore		5,87,662		2,81,087		1,53,340		1,53,335
Jaipur*		4,06,356		2,68,956	35	75,851		61,549
N. S.	74,476	69,58,769	66,227	60,75,858	8,249	8,44,982		37,929
Rajasthan*		1,43,313		47,084		95,623		606
Saurashtra*	24,02,234	53,48,330	63,344	10,65,193	81,830	9,29,887	22,57,060	33,53,250
Scindia	26,519	1,44,505	24,058	2,00,434		—86,580	2,461	30,651
TOTAL	1,18,98,450	7,90,37,950	56,60,522	4,77,58,739	7,32,428	86,75,880	55,05,500	2,26,03,331

*Provisional figures.

Statement showing, by individual Railways, the Progress in the clearance of balances under "Miscellaneous Advances—Capital"

Name of Railway	Balance outstanding on 31-3-51		Adjusted in 1951-52		Subsequent clearance		Balance now outstanding	
	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.
Assam	32,578	8,48,266	32,279	4,27,358	299	—10,793	..	4,31,701
A.R.L.P.	9,424	14,10,467	8,667	13,41,332	757	36,920	..	32,215
B.N.	47,259	15,93,660	7,973	14,24,878	..	9,070	39,286	1,59,712
B.B. & C.I.*	8,81,906	32,04,390	5,16,362	16,98,532	3,36,022	13,29,898	29,522	1,75,960
E.I.	62,77,400	2,98,38,422	18,20,683	1,51,82,232	11,87,097	50,84,642	32,69,110	95,71,548
E.P.	12,33,803	41,32,636	11,30,035	32,72,701	1,03,471	5,42,674	297	3,17,261
G.I.P.	8,92,143	72,11,895	8,65,529	68,76,049	11,725	2,99,403	14,889	36,443
M. & S.M. . . . .	..	40,04,326	..	38,00,828	..	16,031	..	1,87,467
O.T.	3,64,713	32,75,270	3,47,192	29,85,949	..	22,319	17,521	2,67,002
S.I.	772	3,35,793	288	2,47,660	57	64,952	427	23,181
C.C.A.	14,26,270	3,03,16,871	31,826	41,36,577	75,294	37,40,262	13,19,150	2,24,40,032
C.L.W.	19,67,880	50,95,748	19,51,331	46,68,525	11,765	1,07,097	4,784	3,20,126
Bikaner	1,42,517	24,76,361	1,29,338	21,31,009	8,223	1,11,030	4,956	2,34,322
Jodhpur . . . . .	..	129	..	..	..	..	..	129
Mysore . . . . .	..	10,06,311	..	2,16,644	..	—1,835	..	7,91,502
Jaipur* . . . . .	..	40,767	..	39,201	..	711	..	855
Rajasthan* . . . . .	..	2,16,331	..	50,199	..	1,37,337	..	28,795
Saurashtra*	22,48,046	36,18,308	10,90,530	16,96,570	11,55,077	14,02,653	2,439	5,19,085
Scindia	74,800	82,419	74,800	82,419	..	..	..	..
TOTAL	1,55,99,511	9,87,08,370	80,06,833	5,02,78,663	28,90,297	1,28,92,371	47,02,381	3,55,37,336

*Provisional figures.

Statement showing, by individual Railways the progress in the clearance of balances under 'Purchases'.

Name of Railway	Balance outstanding on 31-3-51		Adjusted in 1951-52		Subsequent clearance		Balance now outstanding	
	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.
Assam	1,72,47,643	1,03,04,907	98,30,215	59,21,704	9,99,111	8,54,311	64,18,317	35,28,892
A.R.L.P.	18,53,219	3,60,674	15,23,387	3,55,414	2,26,806	5,260	1,03,026	..
B.N.	3,07,60,732	62,30,018	2,13,27,279	45,39,557	29,15,318	7,86,510	65,18,135	9,03,951
B.B. & C.I.*	5,17,73,520	5,49,75,606	3,36,61,941	3,79,24,570	59,76,727	1,00,30,901	1,21,34,852	70,20,135
E.I.	8,54,67,659	8,16,51,949	5,09,82,562	4,41,74,717	1,65,03,973	2,36,15,787	1,79,81,124	1,38,61,445
E.P.	1,04,76,745	67,84,048	66,68,059	54,35,962	22,73,885	4,83,292	15,34,801	8,64,794
G.I.P.	7,47,79,500	6,42,83,651	6,05,14,271	5,46,98,257	98,85,091	71,71,842	43,80,138	24,13,552
M. & S. M.	1,98,50,759	1,97,56,569	96,16,506	1,02,80,016	10,62,967	83,46,494	91,71,286	11,30,059
O.T.	3,44,89,080	2,71,67,076	2,23,14,768	1,27,81,102	54,88,862	67,38,750	66,85,450	76,47,224
S.I.	62,45,702	27,77,266	36,57,801	16,58,213	2,659	8,266	25,85,242	11,10,787
C.C.A.	3,16,79,150	1,22,82,684	51,80,023	1,44,246	16,45,392	43,015	2,48,53,735	1,20,95,423
C.L.W.	1,34,33,863	1,94,41,010	63,03,800	65,68,900	19,09,645	67,54,413	52,20,418	61,17,697
Bikaner	25,32,928	42,383	13,92,760	25,135	4,08,302	..	7,31,866	17,248
Cutch* . . . . .	..	11,951	..	..	..	2,066	..	9,885
Jodhpur	18,69,088	6,72,525	13,81,942	6,47,934	2,14,644	23,538	2,72,502	1,053
Mysore	12,23,436	..	3,37,013	..	1,01,073	..	7,85,350	..
Jaipur*	9,97,074	..	1,89,921	..	21,912	..	7,85,241	..
N.S.	58,31,081	32,30,422	46,28,998	29,14,451	2,22,860	69,482	9,79,223	2,46,489
Rajasthan*	2,31,573	..	66,772	..	—2,660	..	1,67,461	..
Saurashtra*	56,37,986	..	36,93,020	..	2,12,841	..	17,32,125	..
Scindia	2,56,005	78,313	91,771	70,287	..	..	1,64,231	8,026
TOTAL	39,66,36,743	31,00,51,052	24,33,62,809	18,81,40,465	5,00,69,408	6,49,33,927	10,32,04,526	5,69,76,660

*Provisional figures.

APPENDIX XXVI

Para 6 of Railway Audit Report 1951-52, Part I—Loss in the working of the Catering Department

- “(i) A statement showing the amount of license fee charged for different kinds of vending contracts at Railway Stations in India may be furnished.
- (ii) A statement showing (a) total amount of earnings from the sale of food stuffs by establishments catered by the various Railway Administrations departmentally; (b) expenditure incurred on the running of these departments under ‘Staff’ and other ‘incidental charges’; (c) the amount of loss incurred in proportion to the total expenditure on the maintenance of such departments during the last three financial years may be furnished.”

Two statements containing the above information are enclosed. Departmental Catering is undertaken only on Eastern and Southern Railways.

Statement showing the amount of licence fees charged for different kinds of catering and vending contracts on Indian Railway.

RAILWAYS	Annual Licence fees realised from							Remarks
	Vegetarian Refreshment rooms	Non-Vegetarian Refreshment rooms	Restaurants	Restaurant Dining Cars	Buffet Cars	Platform Stalls including Platform vending	Total	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Central	*51,805	*84,771	3,840	No fee is levied.	No fee is levied.	2,99,484	4,39,900	
Eastern	*1,96,534	**65,989	12,012	-do-	-do-	2,14,213	4,88,748	
Northern	12,109	19,712	15,120	100	9,080	3,64,900	4,21,021	
Northern Eastern	4,759	7,430	2,168	288	864	1,83,183	1,93,692	
Southern	86,784	28,900	1,440	24	3,650	5,56,422	6,77,220	
Western	22,954	11,079	2,052	500	9,390	4,29,413	4,75,388	
TOTAL	3,74,945	2,17,881	36,632	912	22,984	20,47,615	27,00,969	

*Includes licence fees for certain stalls also for the Ex. N. S. Railway portion where a licence for Refreshment Rooms also includes the right of vending on Platforms.

**Includes licence fees for Tea Stalls also in respect of the Ex. B. N. Rly. portion of the Eastern Railway where consolidated licence fee for both Refreshment Rooms and Tea stalls are charged.

Statement showing the earnings, expenditure and loss incurred on Departmental Catering for the three years ending 1952-53 on the Eastern and Southern Railways where Departmental Catering is undertaken.

Particulars	Eastern Railway			Southern Railway			Remarks
	1950-51	1951-52	1952-53	1950-51	1951-52	1952-53.	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
(a) Total amount of earnings from the sale of food-stuffs	23,44,822	23,14,032	19,94,524	30,27,000	27,56,688	24,98,926	
(b) Expenditure incurred on							
(i) Staff charges	5,40,824	5,98,832	6,04,826	9,58,000	7,98,690	8,88,466	
(ii) Other Expenses	3,22,279	3,93,987	3,03,289	1,81,000	2,98,959	2,24,408	
(iii) Cost of Stores consumed	15,94,654	15,88,015	13,01,057	23,10,000	20,85,802	20,09,489	
Total Expenditure	24,57,757	25,80,834	22,09,172	34,49,000	31,83,451	31,22,363	
(c) Loss	1,12,935	2,66,802	2,14,648	4,22,000	4,26,763	6,23,437	
(d) Loss incurred in Proportion to total expenditure	4.6%	10.3%	9.7%	12.2%	13.4%	19.9%	

APPENDIX XXVII

Para. 14 of Railway Audit Report, 1952. Part II—Capital-at-charge of Railways and Depreciation Reserve Fund.

(In Lakhs of Rupees)

Year	Capital at-charge to end of the year.	Depreciation Reserve Fund		
		Appropriation to the Fund	Expenditure on renewals and re- placements debited to the Fund	Closing Balance.
1924-25	6,34,83	10,35	7,29	3,06
1925-26	6,54,02	10,67	7,99	5,74
1926-27	6,81,24	10,89	8,05	8,58
1927-28	7,13,72	11,38	10,95	9,01
1928-29	7,39,12	12,00	9,60	11,41
1929-30	7,69,98	12,59	11,76	12,24
1930-31	7,83,18	13,07	11,39	13,92
1931-32	7,89,64	13,46	8,26	19,12
1932-33	7,88,81	13,77	6,35	26,54
1933-34	7,86,76	13,56	8,07	32,03
1934-35	7,86,99	13,72	8,66	37,09
1935-36	7,89,02	13,26	9,16	41,19
1936-37	7,88,88	13,17	7,88	46,48
1937-38	7,53,80	12,59	7,69	49,90
1938-39	7,55,26	12,56	7,08	55,38
1939-40	7,58,62	12,59	6,53	61,44
1940-41	7,60,93	12,64	7,19	66,89
1941-42	7,54,73	12,68	5,35	74,22
1942-43	7,72,52	12,80	4,95	82,07
1943-44	7,80,73	16,87	6,64	92,30
1944-45	7,87,00	17,01	8,18	1,02,21
1945-46	7,96,85	17,25	12,01	1,07,45
1946-47	6,58,10	13,21	12,37	1,08,29
1947-48 (1.4.47 to 14.8.47)	} 6,67,43	6,86	2,66	1,12,49
1947-48 (15-8-47 to 31-3-48)		6,81	3,27	95,74
1948-49	7,01,89	23,11	17,28	1,01,57
1949-50	7,37,22	19,17	11,73	1,09,01
1950-51	8,27,04	33,59	26,63	1,23,65
1951-52	8,50,11	33,79	35,87	1,22,02
1952-53	8,57,38	34,42	40,89	1,16,36
1953-54 (Budget Estimate)	8,83,21	33,57	40,92	1,01,24

APPENDIX XXVIII

Note on para. 9 of Railway Audit Report, Part I, 1952—Irregular expenditure on the Cadet Division of the St. John's Brigade (Overseas).

The Public Accounts Committee desired to know what action has been or is proposed to be taken against the Officials in the Railway Board's Office responsible for the delay of 22 months caused in the disposal of the case referred to in the Audit para.

2. The delay of 22 months referred to, included the period required by the Railway to answer certain queries of the Railway Board and the actual delay in the Board's Office in dealing with the case was about 8 months. Having regard to the circumstances of the case, in Board's view this is not a fit case for taking disciplinary action against the staff in the Board's Office.

APPENDIX XXIX

Para. 9 of Railway Audit Report 1952, Part I—Great Indian Peninsula Railway—Irregular expenditure on the Cadet Division of the St. John Ambulance Brigade (Overseas).

Q. "What action is proposed to be taken against the Officer who sanctioned the formation of the Cadet Division without the approval of the Railway Board and delayed a report to the latter for two years?"

A. When the Cadet Division was first formed, no allowances were granted and the view obviously taken by the Administration was that Board's sanction to the formation of the Cadet Division was not necessary as the Cadet Division normally forms part of St. John Ambulance Brigade.

On the 22nd of January, 1946 the Railway Board sanctioned the payment, w.e.f. 1st April, 1945, of parade allowance to all members of St. John Ambulance Brigade (Overseas) including the members of Nursing Division. On receipt of this letter it was considered by the Administration that the parade allowance could also be given to the members of the Cadet Division and the Financial Adviser and Chief Accounts Officer concurred with this view at the time. Payments were accordingly made w.e.f. 1st January, 1946. Later, in January, 1947 when the payment of travelling allowance to the members of the Cadet Division was raised, it was realised by the F.A. & C.A.O.'s office that even the payment of parade allowance to the members of the Cadet Division was not exactly covered by the Railway Board's sanction and the position was therefore explained to the General Manager who was requested by the F.A. & C.A.O. to refer the matter to the Railway Board for obtaining their regularising sanction. The matter was accordingly referred to the Railway Board by the General Manager in October, 1947. The Board ultimately decided that it was appropriately a matter to be tackled by the Government in the wider national interests and the Cadet Organization should not be continued at the expense of the Railway Revenues in spite of the laudability of the object in view. In view of the position explained, no sanction was required when the Cadet Division was first formed. The necessity arose only when some allowances were paid out of Railway Revenues. It would also be observed that there was no serious delay in reporting the matter to the Railway Board after the view was taken by the Administration that the payment of parade allowance and T.A. to the members of the Cadet Division was not covered by the original order of the Railway Board.

NEW DELHI;

Dated 12th May, 1954.

APPENDIX XXX

Para. 10—Assam Rail Link Project—Irregular payment of Compensatory allowance

Q. "What disciplinary action has been taken against the staff in the F.A. & C.A.O.'s Office for the delay in the disposal of the Audit objection to the irregular payment of compensatory allowance to the staff employed on the A.R.L.P.?"

A. The views of the Engineer-in-Chief of the Assam Rail Link Project on the original letter of Audit were forwarded to the Deputy F.A. & C.A.O. by the former on 27th November, 1948. Unfortunately, these views which were acceptable to Accounts were not communicated to Audit until 20th December, 1949. On an examination of the records in the Accounts Office in detail, it is found that the letter from the Engineer-in-Chief was received in the Accounts Office by one Mr. A. T. Mukerji, Clerk, but the latter failed to take any action. Explanations for his failure in taking any action on this letter were taken and he was warned, which fact was also recorded in his service register. The Clerk concerned has since left service.

2. With a view to eliminating occurrences of this nature in future, the Railway Administration has introduced a revised system for chasing letters until their finalisation.

APPENDIX XXXI

Para. 12 of Audit Report Railways, 1952—Part I—Leakage of revenue at a station

Q. “(a) Why were 50 per cent. of the recoveries due from the firm accepted ?

(b) Why was there a delay of 2½ years in taking disciplinary action ?

(c) What steps are proposed to be taken to avoid such delays in future ?”

A. (a) A bill for payment on account of wharfage and demurrage charges due from the firm was preferred against them. They approached the Railway Administration for amicable settlement which failed and a suit was filed against the firm for the recovery of the Railway dues. The firm again came forward for mutual settlement which was reached on the basis of the firm agreeing to pay total amount of demurrage charges, 50 per cent. of the wharfage charges and full legal expenses. It will thus be observed that 50 per cent. payment was accepted in respect of wharfage charges only and not 50 per cent. of the total amount due from the firm. Settlement on the above basis was agreed to by the Administration to avoid prolonged legal proceedings and in view of the uncertainty of the ultimate outcome.

(b) The Goods Clerk concerned was charged on 7 different items relating to transactions which had taken place much earlier. The irregularities were first examined by a Committee of Inspectors. As they were considered serious, an Officers' enquiry committee was set up thereafter. As the Goods Clerk was governed by old Company rules under which orders for his removal could only be passed by the General Manager, the case thereafter had to be examined in detail by the Divisional Superintendent and the Chief Commercial Superintendent before its submission to the General Manager. All these entailed unavoidable delay as the case was complicated and several documents had to be examined at each stage. In Board's view there was no avoidable delay in taking the final disciplinary action.

(c) The Railway Board have recently issued instructions to all the Railways that suitable steps should be taken to ensure that action against the delinquent officials is taken promptly and a copy of these instructions, *vide* Board's letter No. E 52 PU 2-4, dated 14th December, 1953, is enclosed.

NEW DELHI;

Dated 15th January, 1954.

Copy of Railway Board's letter No. E. 52PU2-4, dated 14th December 1953 to the General Manager, All Indian Railways.

SUBJECT.—*Report and recommendations of the Public Accounts Committee, on the accounts for the year 1949-50.*

Attention is invited to the instructions contained in Board's letter No. E. 52PU2-4, dated the 3rd September, 1952, wherein the Railways were asked to ensure that officials found guilty of misuse of public money, reckless disregard of financial rules, extravagances and losses resulting from negligence etc., are dealt with promptly and severely. In their report on the accounts for the year 1949-50, the public Accounts Committee have made the following recommendation, *viz* :—

“The investigation of any loss must not be unduly protracted as any element of procrastination is likely to assist the delinquents to manipulate the facts, to tamper the records, to concoct evidence and thus to escape punishment. This matter should receive the unremitting attention of all the administrative departments of the Government of India.”

2. A number of cases have gone up before the Committee in which it was stated that action could not be taken against the delinquent officials because of the delay in making necessary enquiries in the matter and by the time their guilt was established they had either retired, died or left the country. The Committee have, therefore, been extremely critical of the inadequacy of administrative action. In this connection reference is invited to the provisions in Chapter XVIII of the Indian Railway General Code, Vol. I, which clearly lays down the responsibility of the different officers for losses of Government money, fraud etc. and the procedure for the reporting of losses, the conduct of departmental enquiries and sanction of the prosecution of delinquent staff in such cases. The Board desire that these provisions should be brought to the notice of all the officers on your Railway who should be advised to scrupulously observe them.

3. It may also be pointed out that one of the penalties which may be imposed upon a railway officer under Rule 1728 (iv)/1702(6) of the Indian Railway Establishment Code Volume I, is the recovery from pay of the whole or part of any pecuniary loss caused to Government by negligence or breach of orders.

4. As will be realised, suitable action against the delinquent officials can only be taken if the matter is pursued promptly. The Board, therefore, desire that you may kindly take suitable steps to ensure that action against the delinquent officials is taken promptly.

5. Attention is also invited to the procedure laid down in Rule 1802-G for reporting of cases. This should be strictly complied with so that effective remedial action may be taken in rectifying the defect in procedure which may have given raise to the loss, fraud, etc. quite apart from any punitive action taken against those at fault.

6. The receipt of this letter may please be acknowledged.

APPENDIX XXXII

Para. 16 of the Audit Report Railways 1952, Part II—Loss due to purchase of unsuitable stores

Q. "Why was the experiment not made on smaller scale?"

A. The experiment was confined to only 10 coaches against approximately 500 coaches built every year, e.g. 2 per cent., which in Board's view is the very minimum scale for an experiment of this nature that has to be progressed under widely differing conditions on various sections of the Railway system.

NEW DELHI;

Dated 15th January 1954.

APPENDIX XXXIII

Para. 17 of the Fifth Report of the P.A.C. (1952-53)—agreement with Telco for the manufacture of locomotive boilers—the up-to-date position regarding the execution of the agreement by the Telco with special reference to the date from which period 'C' would commence.

The Agreement dated 20th August, 1947, entered into by the Railway Board with Telco for the manufacture and sale of locomotive boilers and locomotives, contains *inter alia* the following provisions, *viz.*—

(a) Costs of production shall consist of the following items of expenditure incurred wholly for the performance of the government work but if any of the expenses are incurred for other purposes also, then only the equitable share attributable to the performance of the government work and worked out in accordance with an accepted method of allocating common expenses, should be taken as forming part of production costs under this agreement (*vide* preamble to Section I of Annexure I to the First Schedule of the Agreement).

(b) In the event of the factory undertaking any work not covered by this agreement, proportionate deductions from the total capital employed in the business should be made for such work on a basis to be approved by the government [*vide* Explanation (a) in Annexure II to the First Schedule of the Agreement].

In pursuance of the above provisions of the Agreement, negotiations are proceeding with Telco as to the basis for the distribution of the various overheads, *e.g.*, machine overheads, stores overheads and departmental overheads, between locomotives and boilers manufactured at Telco's works and other (non-railway) works undertaken and executed by Telco. Similarly, the method of distribution of capital-at-charge of the various common services and departments between the loco and boiler works and other (non-railway) works, is also under negotiation with Telco for the purpose of computation of profits during any price period or periods. A final settlement has not yet been reached, but from the progress that has been made so far it is expected that it will be possible to come to a final settlement within a month or so.

2. As regards the date from which period 'C' will commence, a reference is invited to para. 2 of the 'Note' submitted to the Committee (*vide* App. XXXII pp. 155-156 of the Fifth Report of the Public Accounts Committee 1952-53). From what is stated in the 'Note' it will be seen that Telco expected to reach the target of 100 boilers a year by December 1952. This expectation did not, however, materialise. In its 8th Annual Report for 1952-53, Telco have, however, made the following statement:—

“Output at the rate of 8 boilers per month which will entitle the Company to a profit under the agreement with the Government of India is expected to be reached by the end of the current year.”

According to the Monthly Progress of delivery of boilers and locomotives it is seen that in September, 1953 the Company delivered 3 boilers and 2 locomotives, and in October, 1953 4 boilers and 3 locomotives. The progress of delivery is being carefully watched by the Railway Board and the date from which period 'C' would commence would be fixed in agreement with Telco after watching the trend of production.

NEW DELHI;

21st November, 1953.

APPENDIX XXXIV

Para. 19 of the Audit Report Railways 1952—Part II—Fixation of Pay of a Military pensioner on re-employment

Q. "(a) Why was the payment of pay from September 1948 onwards not made provisionally subject to recovery ?

(b) What were the mitigating circumstances and the legal complications that led to the decision to waive wholly the recovery of over-payment ?"

A. (a) The question of re-fixation of pay of the officer concerned was specifically referred to the ex-B.B. & C.I Railway Administration by the Accountant General Bombay in the last week of September 1948 and it remained under their consideration upto March 1949. The question was then referred to the Railway Board when Capt. Austen was suitably intimated. Overpayment from March 1949 could have been recovered but the Board decided, after consulting the Ministry of Law and the Ministry of Finance, to waive the entire amount of overpayment, in view of the mitigating circumstances and the legal complications of the case.

(b) *Legal Complications.*—Capt. Austen's employment on the B.B. & C.I. Railway commenced in 1937 when that Railway was managed by a Company and the authorities decided that as Capt. Austen's service as an employee of a Company managed Railway was not under Government there was no occasion to take his Army Special Unemployment Pay into account in fixing his Railway pay. Later, on 1st January, 1942 when the management of the Railway passed on to Government, the case could have been reviewed, but both Capt. Austen and the Company management failed to take any action in the matter. Capt. Austen committed a breach of the rules as he failed to make requisite declaration but this could not be viewed too strictly as the management of the Company also failed to bring this to the notice of Government while negotiating for the absorption of its officers in Government Service. There was a consequent failure on the part of Government also in not bringing the rules to the notice of Capt. Austen as required by C.S.R. 510(A).

Mitigating Circumstances.—Capt. Austen had been drawing his full Railway pay in addition to Army Special Unemployment Pay for several years prior to 1st January, 1942 when the Railway came under Government management. This continued unnoticed for 7 years more until the point was raised by the Accountant General in 1948. This long period during which the higher pay was drawn, as also the uncertainty as to how Capt. Austen's pay would have been fixed on 1st January, 1942, if the full facts of the case were then known, and whether Capt. Austen would have then agreed to continue in service on new terms involving a drastic reduction in

pay from 1st January, 1942 and the fact that the Officer was practically at the end of his service when the irregularity was discovered, give an integrated view of the mitigating circumstances which, combined with the legal complications indicated above, led to the decision to waive the overpayments already made to him upto 19th June, 1950.

NEW DELHI;

Dated 15th January, 1954.

APPENDIX XXXV

Para. 20 of Audit Report Railways, 1952—Part II—Overpayment of running allowance to Loco Staff

Q. "Why were overpayments not recovered in this case when the staff had been warned that overpayments, if any, would be recovered in any case, and specially in view of the recommendations of the Public Accounts Committee made in para. 5 of the Report on the Military Accounts for 1943-44 under which overpayments to public servants must be regarded as a debt owed to the public?"

A. In certain similar cases when overpayment of running allowance had occurred due to misunderstanding of the orders of the Railway Board, the Board had agreed that no recovery of overpayment should be made as it would be a source of hardship for a large body of staff. When the inclusion of interim relief for the purpose of payment of running allowances on the *ex-S. I.* Railway came to the notice of the Railway Board, it was decided that no adjustment should be made on the *ex-S. I.* Railway also as it would cause hardship to a large number of staff and might lead to deterioration in staff relationship.

NEW DELHI;

Dated, 15th January, 1954.

APPENDIX XXXVI

Para. 24 of the Audit Report Railways, 1952—Part II—Loss due to non-revision of passenger fares

Q. "How do the Railway Board propose to regularise the loss?"

A. The Railway Administration is competent to write off the loss and will do so subject to any observations which the public Accounts Committee may make.

APPENDIX XXXVII

Para. 25 of Audit Report Railways, 1952—Part II—Fraud in the Luggage Office

Q. "(a) How much of the loss has by now been recovered from the security deposits of, or otherwise from, the individual employees?

(b) What safeguards have been adopted for the detection of irregular practice of the nature mentioned in item (ii) of sub-para. 2 of the above para.?"

A. (a) Responsibility has been fixed for the amount of Rs. 1,338 and this amount is in the process of recovery from the staff.

(b) In order to prevent commission of this type of fraud by collusion, the Railway Administration proposes to change the staff more frequently specially at important stations. Instructions are being issued to Inspecting Officials of the Commercial Department to undertake surprise checks from time to time on the working of the Luggage Offices. The checks to be exercised by Travelling Inspectors of Station Accounts are also being amplified. Besides, the question of introducing a cent per cent. check on the luggage returns with a view to eliminating altogether the possibility of the recurrence of such frauds, is also under examination.

APPENDIX XXXVIII

Para. 26 of the Audit Report Railways, 1952—Part II—Fraud in the Accounts Office

Q. "The case calls for severe action against the officials responsible. The case may be re-opened and a note stating the up-to-date position furnished to the Committee."

A. The Railway Administration has been asked to review adequacy of action taken against the officials responsible and a further report will be furnished to the Committee in due course.

APPENDIX XXXIX

Note stating the steps taken to rectify the defects in the internal check brought out in sub-paras. (ii) to (vi) of para. 28 of the Audit Report, Railways, 1952 (Part II) relating to efficiency of internal check.

Sub-para. (ii)

(a) *Regular and systematic test check of the work of staff by gazetted officers and subordinate supervising staff.*

The test check as required under the rules is now being conducted on all the Railways referred to in the Audit report.

(b) *Maintenance of scale check registers.*

The registers are now being maintained properly on the ex-E. I. Railway. On the B. B. & C. I. Railway, the cadre check of gazetted staff has been introduced with effect from 1st April, 1952. As regards non-gazetted staff, the scale check has been introduced from April, 1951 gradually. On the ex-M. & S. M. Railway, the scale check is now being conducted in full except for 7 offices in respect of which the scale check will be introduced on receipt of certain information called for from them.

(c) *Maintenance of objectionable items registers.*

The registers are now being maintained properly by all the Railways mentioned in the Audit report.

Of the amount of Rs. 15.17 lakhs representing provisional payments to staff of the E.P.R. as a result of implementation of C.P.C. recommendation, the clearance to the extent of Rs. 6.06 lakhs has since been effected. A simplified procedure has been evolved to regularise the provisional payments for the balance amount and it is hoped that the outstanding will be wiped out shortly.

(d) The works registers are now being maintained and completion reports for works are prepared on the ex-E. P. Rly.

(e) *Instances of non-observance of prescribed rules and orders partially or completely.*

ASSAM RAILWAY.

(i) The workshop referred to in the Audit report is the small Tindharia workshop which will be converted into a shed on the completion of the remodelling of the Gorakhpur workshop. It is not proposed to incur additional expenditure entailed in introducing the code procedure in regard to this small workshop during the interim period.

(ii) Arrangements have since been made to conduct the check of running allowances with initial documents annually.

CUTCH RAILWAY.

Necessary internal checks were introduced from February 1952.

R. I. RAILWAY.

On this Railway, Timesheets are prepared for each work order and not for each workman and as such reconciliation of wages drawn by each workman with that shown in the Timesheet is not possible. The reconciliation is however being carried out taking the whole shop as one unit i.e. the total amount booked in the Timesheets for the whole shop is reconciled with that in the Muster Rolls. This procedure is working satisfactorily and the E. Rly. has stated that the introduction of code procedure will entail heavy additional expenditure. That Railway has been asked to work out the financial implications involved in following the code procedure and on receipt of this information the matter will be examined further by the Board.

O. T. RAILWAY.

Arrangements have since been made for the check of running allowances of drivers and Guards with reference to the initial documents annually.

S. I. RAILWAY.

A unified procedure for the maintenance of Material-at-site accounts based on the procedure in vogue on the ex-M. & S. M. Railway is under compilation and will be adopted on the ex-S. I. portion after consulting the Deptts. concerned.

E. P. RAILWAY.**(i) Reconciliation of Time-sheets with Muster Rolls.**

It is proposed to set up an accounts section at Kalka shop shortly when necessary reconciliation will be introduced.

(ii) Comparison of workshop issue notes with the priced copies thereof.

The comparison has since been introduced with effect from April, 1952.

SAURASHTRA RAILWAY.

Necessary checks have since been completed.

JODHPUR RAILWAY.

Separate set of Journals and Ledgers for Revenue and Capital Accounts as well as Capital and Revenue Accounts of residential buildings are being maintained from the accounts for 1952-53. Steps have been taken to maintain the works registers in the prescribed form from the accounts for 1953-54. Arrangements have also been made for accounts verification of Revenue estimates over Rs. 20,000 before sanction.

SAURASHTRA RAILWAY.

The registers of sidings as prescribed in the code have since been opened and bills for siding charges due in respect of 54 out of 70 sidings have since been issued. As for the remaining 16 sidings, arrangements have been made to issue necessary bills against the parties concerned after ascertaining the Capital cost from the Engineering Deptt.

Sub-para. (iii): Maintenance of important registers:

The registers referred to in the Audit report are now being maintained on the *ex-Assam, B.B. & C.I., Jaipur State, Bikaner State and Scindia State Railways*. As regards *ex-Saurashtra Railway*, the established stores procedure was not followed on that Railway before integration. After integration, the procedure has been examined in detail and action taken gradually to bring the stores procedure in line with that prescribed in the code.

Sub-para. (iv):**(i) Condition of Provident Fund Accounts.**

The arrears on the *ex-B. N. and Mysore Railways* have since been wiped out. As regards *ex-G.I.P., E.I., Assam, and E. P. Railways*, special steps have been taken to tackle the arrears and the position is expected to be brought to normal at an early date.

(ii) Register of Foreign Service Contribution.

The registers are since being maintained on the *ex-E. I. Rly.*

On the *ex-O. T. Rly.*, there is only one man in whose case credit on account of foreign service contribution is required to be watched and regular receipt of this credit is being watched.

Sub-para. (v): Outstandings in the Stations and Accounts office Balance Sheets.

The present position of outstandings *vis-a-vis* that reported in the Audit report is shown below :—

<i>Station Balance Sheets</i>	As pointed out by Audit	Since cleared	Still outstanding	Percentage of clearance effected
	Lakhs	Lakhs	Lakhs	
O. T. Rly.	78·21	60·66	17·55	
Assam ¹	29·43	20·56	8·87	
G. I. P.	22·00 revised to 113·00	96·55	16·45	
B. B. & C. I.	69·39	66·41	2·98	
TOTAL	290·03	244·18	45·85	84%
<i>Accounts Office Balance Sheets</i>				
O. T.	99·00	87·76	11·24	
G. I. P.	70·00	59·10	10·90	
B. B. & C. I.	30·97	27·77	3·20	
TOTAL	199·97	174·63	25·34	87%

All possible efforts are being made by the Railways to liquidate the outstandings still persisting, promptly and regularly.

Sub-para. (vi): Delay in making available to Audit vouchers and documents required by them for test Audit.

Arrangements have been made by the *ex-E. P. & O. T. Rlys.* to supply the documents required by Audit promptly. On the *ex-M. & S. M. Rly.*, the documents are made available to audit as soon as required by them except when these are in the custody of labour inspectors. On the *ex-B.B. & C.I. Rly.* out of 364 vouchers called for by Audit, only 85 could not be made available. Efforts are being made to supply these vouchers also as early as possible.

NEW DELHI;

Dated, 15th January, 1954.

APPENDIX XL

Para. 31 of the Audit Report Railways, 1952—Part II—Refusal to accord ex-post-facto sanctions

Q. "What action is proposed to be taken to regularise the expenditure already incurred in each of the cases referred to in this para.?"

A. The irregularities referred to in the Audit para. are of a technical nature and do not involve any loss to the Railway Revenues. These will be removed from the Register of Objectionable Items, as they have been brought to the notice of the Public Accounts Committee, *vide* last sentence of para. 28 of their First Report for 1951-52.

NEW DELHI;

Dated, 15th January, 1954.

APPENDIX XLI

Para. 32 of the Audit Report Railways, 1952—Part II—Points outstanding from previous Reports

Q. "What is the present position of these outstanding cases? A separate note in respect of each item may be furnished."

A. The present position in respect of the outstanding cases relating to previous Railway Audit Reports is as under :—

(A) RAILWAY AUDIT REPORT, 1950

(i) PARAGRAPH 28—EAST INDIAN AND BENGAL NAGPUR RAILWAY—REMISSION OF OUTSTANDING DEMURRAGE CHARGES.

The application of the revised demurrage rules in regard to detention of wagons belonging to TISCO is still under investigation of the Eastern Railway Administration. The Railway Board have taken up with the Railway Administration the question of expediting action.

(ii) PARAGRAPH 32—EAST INDIAN RAILWAY—HIRING OF A PORTION OF THE ESPLANADE MANSIONS, CALCUTTA, FOR THE PUBLIC RELATIONS AND PUBLICITY OFFICES.

The draft lease was under examination and correspondence between Railway Administration and the Landlord's solicitors and it was decided to exercise the option to renew the lease for a further period of five years from 1st July, 1953. It was not possible to come to an agreement with the Landlord's Solicitors in regard to the fixation of the rent for the extended period of the lease, which they suggested, should be decided by their solicitors more or less acting as arbitrators. This proposal was constantly being opposed by the Railway, when the property changed hands from one proprietor to another as follows :—

- (a) *26th May, 1952.*—The properties were said to have been sold out by the Official Liquidator to Messrs. Ezra Proprietary Estates Ltd. on their behalf to eleven contributories, who styled themselves as Messrs. Ezra Estates (jointly held properties).
- (b) *1st April, 1953.*—Messrs. Hindustan Insurance Co. Ltd. claimed to have bought the property from eleven persons as stated above.

All legal aspects relating to the change of ownership had to be gone into by the Railway Administration. The result of the scrutiny of the documents revealed that properties actually changed hands in the manner indicated above. The old lease could not be finalised on account of change of ownership of the premises in question. Arrangements are now being made by the Railway Administration to set afoot negotiations with the present proprietors of these properties for entering into a lease on as favourable conditions to the Railway as possible.

(iii) PARAGRAPH 33 (A)—PETTY FRAUDS AND MISAPPROPRIATIONS—DEFALCATION OF CASH IN THE OUBH TIRHUT RAILWAY CASH OFFICE.

Disciplinary action has since been taken by the Railway Administration against the staff concerned, details of which are given below:—

- (a) Ex-Chief Cashier was removed from service and it has been decided to forfeit the entire amount of his security deposit Rs. 20,000.
- (b) Assistant Cashier has been removed from service.
- (c) Of the two Assistant Accounts Officers, one has been censured for failure to discharge his duties efficiently and has also been reverted to the post of Senior Accountant on account of his not passing the qualifying examination. No specific failure of duty could be ascribed to the other Assistant Accounts Officer, who died in November, 1953.
- (d) The security deposit and interest thereon as well as the Government contribution to Provident Fund and interest thereon of the District Pay Clerk, who died in January, 1950, amounting to Rs. 2,760 have been forfeited.
- (e) The three pay clerks concerned were placed under suspension on their arrest by the police, but were reinstated on their acquittal by the Court. No departmental proceedings were considered necessary against them.

(B) RAILWAY AUDIT REPORT, 1951

(i) PARA. 30—CONTROLLER OF COAL ACCOUNTS—SHORTAGE OF STORES IN COLLIERY STORES DEPOT.

The question of the write-off of the loss of Rs. 12,340 mentioned in the Audit para. is still under consideration of the Ministry of Production in consultation with the Ministry of Finance.

(ii) PARA. 42—INADEQUACY OF RENT REALISED FOR RAILWAY QUARTERS.

The position in respect of the preparation of Capital and Revenue Accounts of residential buildings on the ex-Assam Railway is expected to be brought up-to-date by 30th June, 1954.

The question regarding the adequacy of the return on the expenditure incurred on residential buildings is still under examination of the Railway Board.

APPENDIX XLII

Note stating justification for the payment of the Railway labour employed for earthwork on the Assam Rail Link Project @ Rs. 2/8/- per day as compared with the rate of Rs. 1/8/- per day paid by the Posts and Telegraphs Department to the labour employed in those areas furnished by the Railway Board.

The Railway Board have been advised by the Posts & Telegraphs Department that the Mazdoors employed by that Department in the Assam Rail Link area during 1948 and 1949 were paid at the rate of Rs. 2 per day and the Head Mazdoor at Rs. 2-2-0 per day. Local recruits were very few and most of the parties were sent from Calcutta with Mazdoors recruited from Bihar and other parts. The duties performed by these Mazdoors were as under :—

- (i) Digging holes for posts or anchors etc.
- (ii) Fitting and erection of posts etc.
- (iii) Cutting jungles and marking out lines fixing transposition posts.
- (iv) Fitting of brackets and distribution of stores etc.
- (v) Insulating and binding and adding copper strips.
- (vi) Erecting Iron and Copper wires with transpositions and termination etc.
- (vii) Any other odd work in this connection as and when ordered by the Sub-Inspector in charge of a Telegraph party.

The Railway labour employed on earthwork on the Assam Rail Link Project were required to dig earth and construct bank of a particular width and height. They were also required to unload material from wagons, lift and place rails and sleepers and other material on the bank and do other odd works. It will be seen that the duties performed by the labour on the Posts & Telegraphs side were not identical to those of Railway labour employed on earthwork involving more strenuous physical work.

The rate of Rs. 2-8-0 per day adopted by the Investigating Committee in the analysis of contract rates compares with the minimum wage paid to unskilled Railway worker employed on the project as under :—

Pay	Rs. 30/-
Dearness allowance	Rs. 35/-
Construction Allowance	Rs. 6/-
TOTAL	Rs. 71/-

Allowing for fortnightly rest to temporary labour, the working days per month would be 28.

The average cost per man per day-71/28-2.5 or Rs. 2/8/-.

NEW DELHI;

Dated, 10th February 1954.

APPENDIX XLIII

F.A. & C.A.O.'s position in the Railway Organisation

The Public Accounts Committee desired that a note stating the position of the F.A. & C.A.O. in the integrated set-up of the Finance and Accounts on the Railways with special reference to the writing of the Confidential Reports on the work of the F.A. & C.A.Os. by the General Managers may be furnished to them. The Financial Adviser and Chief Accounts Officer is one of the principal officers on each Railway. He is responsible for the internal check and compilation of Railway Accounts and acts as the Financial Adviser to the General Manager. In regard to technical accounting matters, he cannot be over-ruled without reference to higher authorities. As regards financial advice, which involves scrutiny of the financial implications of all proposals involving expenditure and/or receipts, before the same is incurred or commitments entered into, financial concurrence is required to be accorded by the F.A. & C.A.O. or on his behalf by the Deputy Financial Adviser, who is in charge of the Finance Wing of the Administration. The Deputy Financial Adviser, like other Deputy Chief Accounts Officers, is subordinate to the F.A. & C.A.O. and functions under his directions. Sanctions to proposals are accorded by the General Manager or the principal officer concerned within the powers delegated to them with the concurrence of the Finance Branch controlled by the F.A. & C.A.O. Though technically the financial powers have been delegated to the General Managers, they are, by convention, at present exercised with the concurrence of the Financial Adviser.

The F.A. & C.A.O., like other Heads of Departments, is administratively subordinate to the General Manager, who writes Confidential Reports on his work as an Administrative Officer under his control. He is not independently reported on professionally by any higher authority. The reports recorded by General Managers are submitted to the F.C. and other Members of the Board for information.

APPENDIX XLIV

Item No. 155 of the Statement of recommendations of the Public Accounts Committee—Abandonment of Locomotive Works Project, Kanchrapara.

In pursuance of the recommendation of the Public Accounts Committee contained in para. 11 of their Report on the Accounts for 1949-50, instructions were issued to Railway Administrations on the 24th August 1953 (copy enclosed) directing them to refuse to go to arbitration unless those items where the contractors had already given a 'no claim' certificate were excluded from the statement of contractors' claims instead of contesting them in the counter-statement filed with the arbitrator. Two Railway Administrations, however, on an examination of the legal position in regard to arbitration proceedings, expressed the view that the Railway Administrations in such cases should appear and contest before the arbitrator, as otherwise the proceedings would be *ex parte* and may jeopardise their interests.

During the discussions at the meeting of the Public Accounts Committee held on the 26th December, 1953, it was suggested that the question whether the contingency of Railways having to contend cases before an arbitrator in respect of such cases cannot altogether be avoided by a suitable clause in the contract itself should be further examined. The Financial Commissioner for Railways undertook to investigate the matter further.

The Ministry of Law, Government of India, which was consulted, have expressed the opinion quoted below *in extenso* for the information of the Committee :—

- “The utmost that one can do is to put a clause in the agreement, that once a contractor gives a No-claim certificate, he is debarred to invoke the arbitration clause of the agreement. Even then, if such contractor chooses to institute proceedings before the Arbitrator, the Railway shall have to appear and question the jurisdiction of the Arbitrator to decide the matter. If that is not done, the case of Railway may go by default, and the contractor may get an *ex parte* decision in his favour.
2. The contractor having been debarred to institute proceedings before the Arbitrator may file a civil suit for recovery of dues, which according to him are payable by the Railway in spite of a No-claim Certificate. In that case also, the Railway shall have to put in a defence in order to prove that nothing remains to be paid and a genuine No-claim Certificate has been obtained.
 3. To us, then, it appears, the contingency of a Railway having to contend cases before an Arbitrator, cannot altogether be avoided. However, it can appreciably be diminished, if a clause as referred to in pre-para. No. 1 is added in the contract.

4. We may also point out that no clause can be put saying that a No-claim Certificate shall debar all legal proceedings in the matter, because that would amount to an agreement in restraint of legal proceedings which is void under section 28 of the Indian Contract Act, 1872."

If the Committee approves, it is proposed to explore the possibility of putting a clause in the agreements to the effect that once a contractor gives a No-claim Certificate, he is debarred from invoking the arbitration clause of the agreement.

Copy of para. 11 of the Public Accounts Committee's Report on the Accounts for 1949-50.

11. *Abandonment of Locomotive Building Works Project, Kanchrapara*

The Committee regret to observe that the various irregularities disclosed in para. 19 of the Audit Report in regard to the payment of compensation claims to the contractors on the basis of arbitration and loss of cement, steel and furniture valued at several lakhs of rupees that followed in the aftermath of the abandonment of the project of Kanchrapara as a result of the partition of the country are marked by wastage, neglect and incompetence of the Railway Officers who had handled the case. The Committee also find that in two cases even claims relating to items in respect of which the contractors had signed "No Claim" certificates previously were allowed to be referred to arbitration. The Committee observe that the Railway Administration should have insisted on the exclusion of these cases from the claims before agreeing to arbitration. They feel that it was a mistake on the part of the Railway Administration and can be cited as an example of "careless stewardship" of the financial interests of the State.

The Committee also observe that the Officers especially the senior Officer of the rank of Deputy General Manager through whose negligence the pilferage of stores was facilitated especially at a time when commodities like cement and steel were in great demand in the market in view of controls then prevailing have not been properly dealt with as the act of conveying mere displeasure of the Railway Board to him does not, in the opinion of the Committee, constitute an adequate punishment.

APPENDIX XLV

Indian Posts and Telegraphs Department

OFFICE OF

THE DIRECTOR GENERAL POSTS AND TELEGRAPHS.

No. SEA-6-13/53

Dated New Delhi, the 28th April, 1953.

To

All Heads of Circles and Administrative Offices.

SUBJECT.—*Keeping of photostat copies of important documents before filing them in Court to avoid delay in disciplinary proceedings.*

In a case that came up before the Public Accounts Committee recently, it was explained that departmental proceedings could not be initiated promptly as the documents relating to that case had been filed in a court of Law. The Public Accounts Committee have therefore recommended that, in future, steps should be taken to have copies taken of such documents having an important bearing on a disciplinary case before filing them in Court and that the plea of want of these documents as the cause of delay in initiating departmental proceedings should not be accepted.

2. The officers under your control may please be instructed first to satisfy themselves whether any of the documents to be filed in Court will be required simultaneously in connection with a pending disciplinary case. If so, they should make immediate arrangements to have them copied and attested by a gazetted officer before being filed in Court. If it is further felt that it would be imperative to produce the document in original in a disciplinary case, or where the handwriting as such has to be reproduced, photostat copies should be taken of those documents. All cases where the expenditure is likely to be considerable may be referred by the subordinate officers to you for advice. But the only criterion that should govern such a procedure is whether by the lack of photostat copies the disciplinary case is likely to be indefinitely prolonged.

3. The receipt of this letter may kindly be acknowledged.

APPENDIX XLVI

Indian Posts and Telegraphs Department

OFFICE OF

THE DIRECTOR-GENERAL OF POSTS AND TELEGRAPHS

No. NA. 23-104/49.

New Delhi, the 8th January, 1952.

To

The Postmaster-General,
Bombay.

SUBJECT:—*Loss of Copper Wire consigned from Poona to Secunderabad.*

Please refer to your Endorsement No. EW-423/76-1, dated 13th February, 1950, in connection with the subject noted above. 47,394 lbs. of copper wire valuing Rs. 30,220 was despatched by the C.O.T. of the Poona Engineering Division to the Sub-Divisional Officer (T) Secunderabad in 1945, in two consignments (one weighing 29,400 lbs. from Belgaum to Secunderabad and another weighing 17,994 lbs. from Poona to Secunderabad). No intimation of receipt of these consignments was received by the sender till 1947 when only enquiry started. As there was a gap of more than two years between the dates of despatch of stores and enquiry, no proper investigation could, in fact, be possible. The instructions laid down in Art. 116 of the P. & T. Initial Account Code, Vol. II (P.I.) have not been observed in this case and the C.O.T. in charge of the work in Poona Division should be held responsible for non-observance of the codified rules and consequent loss of Rs. 30,220 to the Department. You are, therefore, requested to examine in detail and fix the responsibility for the failure on the official or officials, concerned; calling for their explanations for institution of disciplinary proceedings, if considered necessary.

2. To safeguard against such losses in future, please issue detailed instructions to all concerned drawing attention to the rules and enjoining that the despatching and receiving officers will be responsible to ensure that the stores have been duly received and acknowledged. Serious notice will be taken of any omission on the part of the officers, in future.

3. Please acknowledge receipt.

Assistant Chief Engineer,
(Telegraphs)

APPENDIX XLVII

MINISTRY OF WORKS, HOUSING & SUPPLY

Shortage of postal forms in the Post Offices—Serial No. 128 of the statement showing action taken or proposed to be taken on the recommendations of the Public Accounts Committee—Para. 70 of the First Report of the Public Accounts Committee on the Accounts (Civil) 1948-49.

The shortage of postal forms has been due to various factors. Briefly they are—

- (1) Enormous increase in the demands for the forms.
- (2) Absence of accurate forecasts of estimated demands of the P. & T. forms on a regional basis.
- (3) Inadequate printing capacity in the Government Presses to keep pace with the increasing demands. No increase in printing capacity was possible owing to financial stringency and shortage of machinery during and immediately after the war years. The existing machinery became worn out and could not be replaced readily. A programme of replacement of such machinery as well as installation of new machinery is, however, now in progress.
- (4) Delays in deliveries of printed forms by the contractors for P. & T. forms.
- (5) Inability of Paper Mills to keep up deliveries of paper to time.

2. These difficulties would not be eliminated by the transfer of control of printing from the S. & P. Department to P. & T. Department or by providing the P. & T. Department with a separate press. On the contrary the position is likely to deteriorate further as the P. & T. Department would not have the advantage of ready expert technical advice in regard to numerous complicated matters that arise in the running of a printing organisation or of ease of supply of paper and other requisite materials.

3. The provision of a separate press for the P. & T. Department under their control would run counter to the fundamental principle accepted by the Government for centralization of economic units under the control of specialist Department which ensures flexibility and better utilisation of common administrative and other establishment. As was re-emphasised by the Estimates Committee, it is considered that this specialised control exclusively by C.P. & S. for all Government requirements should continue. In this connection, it may be added that there is already one press in the Stationery and Printing Department engaged exclusively on the work of the P. & T. Department. This is the Government of India Forms Press, Aligarh, which is producing vast quantities of P. & T. forms notwithstanding numerous handicaps like old and worn out plant and

machinery, shortage of electric power, etc. It is obvious that this press could not function better if its administrative control were transferred to the P. & T. Department. Hence the question of providing the P. & T. Department with a new press to be run by it is no profitable proposition. Incidentally, the setting up of a new press would take a number of years (to plan its layout, select the site, indent and obtain plant and machinery) and would not afford immediate relief to the present situation.

4. It is admitted that the shortage of P. & T. forms is a grave one, and Government are alive to the urgency of the problem and are keeping the matter under constant review. Remedial measures have been and are being taken and plans are in hand to increase the printing capacity of the Government Presses. The increase of printing capacity in the Government Presses is being planned by—

- (a) A programme of renewals, replacements and additions to machinery in the presses concerned.
- (b) Provision of a Forms Wing in the Nasik Press under construction.
- (c) Expansion of the Government of India Forms Press, Calcutta, and introduction of a 3rd shift therein designed specially to do the printing of P. & T. forms.
- (d) The raising of the present partial 2nd shift in the Aligarh Press to a 100 per cent. strength.
- (e) If necessary, the erection in due course of another Forms Press in the South of India, as recommended by the Expert Committee on Printing.
- (f) Taking over by the S. & P. Department of the Ministry of Rehabilitation Printing Press in the Rehabilitation Colony at Nilokheri after it has been made an economic and viable unit by the Community Projects Administration who are arranging to obtain additional plant and machinery for the purpose.

The effects of these will become apparent only gradually because of the time lag which is necessary to make up for the deficiency of years when such plans of expansion and modernisation had to be held compulsorily in abeyance due to financial stringency and difficulties in procurement of machinery from abroad.

APPENDIX XLVIII

Indian Posts and Telegraphs Department

OFFICE OF

THE DIRECTOR-GENERAL OF POSTS & TELEGRAPHS

To

All Heads of Circles.

No. D-1-54/53.

Dated, New Delhi, the 10th July 1953.

SUBJECT.—*Mail Contracts—Relaxation of the specifications in a Contract.*

The Public Accounts Committee has made the following recommendations :—

“The financial effect of any relaxation of the specifications in a contract should be taken into account before it is agreed to; the contracts should be business-like and the drawing officers should exercise every possible care, vigilance and prudence before they commit the Government to any financial embarrassment. Any departure from rules of procedure should not be permitted at all as it paves the way for all kinds of evils and consequential loss, frauds, embezzlements, thefts, pilferages, bribery and corruption”.

It may please be brought to the notice of all concerned for future guidance.

APPENDIX XLIX

Indian Posts and Telegraphs Department

OFFICE OF

THE DIRECTOR-GENERAL OF POSTS & TELEGRAPHS

To

All Heads of Circles and Heads of Administrative Offices.

No. NB. 111-10/53.

Dated, New Delhi, the 10th August, 1953.

General instructions regarding receipts of money and their remittances to banks/treasuries.

According to rule 4 of Financial Handbook Vol. I and rule 5 of the General Financial Rules—Vol. I all moneys received by any officer of the Government in his official capacity as dues of Government or for deposit in the custody of Government should be accounted for in the departmental accounts and paid in full without undue delay into a treasury or into the bank to be credited to the appropriate account and made part of the general treasury balance and that on no account should these moneys be appropriated for current expenditure save in the manner indicated in the said rules. The Public Accounts Committee while making their recommendations on the appropriation accounts (Civil) 1949-50 have desired that the instructions contained in the account manuals and Financial codes in this regard should be observed rigidly and the higher authorities should verify that all such moneys are duly remitted to banks/treasuries. You are, therefore, requested kindly to emphasize on all concerned the importance of these instructions and that you should see that all such moneys go to bank/treasury in due time and that they are not appropriated for current expenditure except to the extent indicated in the rule 4 of Financial Handbook Vol. I. Any lapse in this regard will be viewed seriously.

APPENDIX L

Indian Posts and Telegraphs Department

OFFICE OF

THE DIRECTOR-GENERAL OF POSTS & TELEGRAPHS

To

All Heads of Circles.

No. C. 13-9/53.

Dated, New Delhi, the 9th September, 1953.

SUBJECT.—*Seventh Report of the P.A.C.—withdrawal of Money in advance of requirements.*

The instructions contained in this office memo of even No. dated the 23rd July, 1951, will also apply, *mutatis mutandis* to the offices on the Telegraph Engg. side. Suitable instructions may please be issued to all concerned for ensuring that money is not withdrawn in advance of requirements in the offices concerned.

Copy of D. G. P. & T. letter No. C. 13-9/53, dated 23rd July, 1953: to All Heads of Circles.

SUBJECT.—*Seventh Report of the Public Accounts Committee on the Appropriation Accounts (Civil) 1949-50 and unfinished accounts (Civil) 1948-49.*

A reference is invited to the accompanying copy of para. 2 of Chapter IV of the Summary of the main Recommendations of the Seventh Report of Public Accounts Committee and you are requested to issue instructions to all concerned to ensure that provisions of rules 139 and 140 of P. & T. Manual Vol. VIII are followed strictly. A review of the authorised cash stamps balances of all Post Offices should be made once in two years, except in cases in which the balances have been revised within that period and very strict watch should be maintained over the balances retained particularly when they are in excess of the authorised maxima, at all levels. In the case of S.R.Os. and H.R.Os, the permanent advance for contingencies should be similarly reviewed and re-fixed and the practice of withdrawing large sums of money in absence of requirements should be stopped. S.R.Ms. should examine the balances retained in H.R.Os. for disbursement of pay and allowances and see that the sums are not retained longer than necessary. I.R.Ms. should similarly keep a watch to see to the prompt disbursement of pay and allowances by S.R.Os., so that the balances retained by S.R.Os. are reduced as quickly as possible.

This may kindly be acknowledged and a copy of instructions issued by you sent to this office for information.

Extracts from summary of the main Recommendations of the Seventh Report of the Public Accounts Committee on the Appropriation Accounts (Civil) 1949-50 and unfinished Accounts (Civil) 1948-49:

Sl. No.	Chapter No. & paragraph	Recommendations	Section of the Date dealing with the subject
2	* IV-2	* * * * * The withdrawal of money in advance of requirements is an irregularity which may eventually lead to loss, if not to fraud.	* C. Section.
	*	*	*
	*	*	*

APPENDIX LI

MINISTRY OF COMMUNICATIONS

(Posts and Telegraphs Department)

No. P. 746/51.

Dated, New Delhi, the 24th October 1953.

Memorandum to the Public Accounts Committee on para. 33(b) at page 42 of the Appropriation Accounts, Posts and Telegraphs, 1949-50 and the Audit Report thereon regarding opening of a public call office.

At their meeting held on the 4th September, 1952 the Public Accounts Committee could not cover the subject mentioned above for want of time and desired that a written reply to the following questions be furnished :—

“What is the present position of the case? What action, if any, has been taken against the Postmaster-General?”

2. A Memorandum in this regard was, accordingly, submitted to the Committee on 10th September, 1952. The Committee desired that as the Memorandum contained some conflicting statements, it should be submitted through the Accountant-General, Posts and Telegraphs.

3. The facts of the case are as follows :—

A request for trunk telephone facilities in Jawahar State was received from the State authorities in June, 1947. The terms and conditions of the ‘guarantee’ required under the rules of the Posts and Telegraphs Department were accepted by the State in January, 1948. Subsequently, however, the work was included in what was called a ‘Sub-Scheme’ of works to be carried out in 1948-49. Under the ‘Sub-Scheme’, the financial effect of a group of works taken together was examined in place of that of the individual works. The ‘Sub-Scheme’ as a whole was found remunerative, with the result that all the works included in the ‘Sub-Scheme’ were allowed to be proceeded with, irrespective of the fact that some particular works were not individually remunerative. The question of ‘guarantee’ in such cases was no longer relevant.

The Jawahar State was merged with the Bombay Province in June, 1948. The Postmaster-General, Bombay Circle, thereupon enquired of the Bombay Government, in August, 1948 whether they would be prepared to honour the ‘guarantee’ already accepted by the Jawahar State. The Bombay Government did not agree. This refusal to honour the ‘guarantee’ was, however, not of any significance, since the work had already been included in the sanctioned scheme of development works for the year, on account of the ‘Sub-Scheme’ as a whole being remunerative. As a matter of fact, it was not necessary for the Postmaster-General, Bombay to have enquired of the Bombay Government if they were prepared to stand by the ‘guarantee’ terms.

During the course of the financial year 1949-50, acute financial stringency developed, with the result that the Government of India ordered that expenditure should be reduced to the minimum. The capital programme of the P. & T. Department for the year was curtailed and the work in question was accordingly abandoned under the orders of D. G. P. & T.

The infructuous expenditure, caused to the P. & T. Department on account of the abandonment of this work amounted to Rs. 13,582-4-0, made up as follows :—

Cash	1,911	2	0
Stores (breakages etc.)	2,642	0	0
Store keeping charges	3,984	13	0
Freight Charges	3,678	4	0
Establishment	1,366	1	0
TOTAL	13,582	4	0

The Accountant-General, P. & T. has stated that the amount of infructuous expenditure mentioned in para. 33(b) of the Audit Report for 1949-50 indicated the position at the time of the compilation of the Report as reflected in the accounts of the work in question. A major portion of the stores has been returned to stock since then and some quantity utilised in other works. Taking into account the credits for such stores, the infructuous expenditure has now been worked out to be Rs. 13,582-4-0 instead of the Rs. 42,128 mentioned in the Report.

No action has been taken against the Postmaster-General, Bombay, as no occasion arose for such action. The work had been approved by Government irrespective of the 'guarantee' terms and the infructuous expenditure arose as a result of the orders of Government to reduce expenditure consequent on the financial stringency suddenly developing about the middle of the financial year 1949-50.

This memo has been seen by the A. G. P. & T.

APPENDIX LII
MINISTRY OF COMMUNICATIONS
(Posts & Telegraphs)

No. NA-29-17/53. *Dated, New Delhi, the 5th December, 1953.*

SUBJECT.—*Circular Memorandum No. Purchase 3(2), dated 10th February, 1953, regarding purchases of stores.*

In their meeting held on 10th November, 1953, the Public Accounts Committee desired that a copy of Circular Memorandum No. Purchase 3(2), dated 10th February, 1953 issued by the Director-General, Posts & Telegraphs regarding purchase of stores by the Posts & Telegraphs Department should be furnished to them. No such circular was issued by the Director-General, Posts & Telegraphs. The Memorandum in question, which relates to the procedure for the procurement of stores by the Central Government Departments, etc. was issued by the Ministry of Works, Housing and Supply and a copy thereof is enclosed.

To

The Chairman and Members of the Public Accounts Committee.

GOVERNMENT OF INDIA
MINISTRY OF WORKS, HOUSING AND SUPPLY

No. Pur-3(2).

New Delhi, dated the 10th February, 1953

OFFICE MEMORANDUM

SUBJECT.—*Procurement of stores and obtaining of surpluses through the Directorate General (Supplies and Disposals), by Central Government Departments, State Governments, Local Administrations, Quasi-Public Bodies, etc.—Procedure regarding.*

The procurement procedure laid down in the late Department of Industries and Supplies Office Memorandum No. P-36(1), dated the 27th May, 1946, has been under review of the Government of India and has undergone considerable revision. This Office Memorandum is intended to present in a succinct form the present procedure regarding the procurement of stores required for the public service by the Directorate General of Supplies and Disposals, and for obtaining of materials declared surplus.

2. The responsibility for procurement of stores required by Central Government rests with the Ministry of Works, Housing and Supply, operating through its purchase organisations, viz. the Directorate General of Supplies and Disposals and its Regional Organisations in India, the India Store Department, London, whose operations extend over the whole of Europe, and the India Supply Mission, Washington, whose operations extend over North America. The present location of the various organisations is given below :—

India.

- Directorate General of Supplies and Disposals, Shahjahan Road, New Delhi (Telegraphic address : DEVSUP, New Delhi).
- Director of Supplies and Disposals, Sapt Buildings, Ballard Estate, Bombay (Telegraphic address : DEVSUP, Bombay).
- Director of Supplies and Disposals, 6, Esplanade East, Calcutta, (Telegraphic address : DEVSUPCAL, Calcutta).
- Deputy Director of Supplies and Disposals, United India Life Buildings, Esplanade East, Madras. (Telegraphic address : DEVSUP, Madras).

Europe.

- Director General, India Store Department, 32/44, Edgware Road, London W2. (Telegraphic address : INDIAMEN, London).

North America.

- Director, India Supply Mission, 635F, Street N.W., Washington 4 D.C. (Telegraphic address : INDPURMIS, Washington).

3. The services of the Directorate General of Supplies and Disposals as the Central Procurement Agency of the Government of India, should unless as otherwise provided, be utilised by the Ministries of the Government of India and their attached and Subordinate Offices for their requirements of indigenous as well as imported stores. Similarly, the State Governments, Local Administrations, Quasi-public bodies, etc. may, and should be encouraged to utilise the services of the Directorate General of Supplies and Disposals. An exception is made in the case of imported stores of a highly

specialised nature, not available in India, for which certain Central Government Departments are specifically permitted to place their indents direct on the Director General, India Store Department, London. Detailed instructions in this regard have been issued to the Central Government indentors under this Ministry's Office Memorandum No. PII-201(8), dated the 10th December, 1952. In all other cases, indents should be placed on the Directorate General of Supplies and Disposals who will determine whether the stores or their substitutes should be obtained from indigenous sources or imported from abroad.

The Central Procurement Agency secures a number of advantages, e.g. bulking of purchases leading to economy as a result of greater bargaining power facilitating shorter delivery periods; fairer distribution of loads on both indigenous manufacturers as well as established importers, standardisation and co-ordination; centralised inspection ensuring uniform standard of quality; development of indigenous industries through educational orders; planned utilisation of industrial raw materials and foreign currency; provision of technical facilities to Indian trainees etc.

4. It may be pointed out that—

- (i) All enquiries regarding procurement of stores, except in the case of stores of a highly specialised nature mentioned above, should be addressed to the Directorate General of Supplies and Disposals direct.
- (ii) Officers sent abroad to contact manufacturers and locate sources of supply and even to obtain an indication of prices, should be instructed not to issue acceptance letters to suppliers, thereby tying down this Ministry, not only to the prices quoted but also to any non-standard conditions which the firms may have stipulated and which must invariably have repercussions on the Government of India's procurement arrangements abroad.

5. Indent Procedure.

- (1) Indents should be placed (in triplicate) on the Directorate General of Supplies and Disposals irrespective of the fact whether the stores are required to be procured from indigenous sources or from abroad, in form WSB 67 by Civil Indentors and in form WSB 69 by Defence Services Indentors, duly completed in all respects and covered by the requisite certificate of financial sanction. Copies of indent forms can be obtained from the Directorate General of Supplies and Disposals, New Delhi, and its regional offices at Bombay, Calcutta and Madras.
- (2) Should indigenous production be either insufficient or of inadequate quality, the Directorate General of Supplies and Disposals will turn to foreign sources of supply. The Directorate General, in such cases, will approach the Ministry of Finance for obtaining necessary foreign exchange sanction, and after obtaining the requisite sanction, will crossmandate the indents to the Director General, India Store Department, London, or the India Supply Mission, Washington, as the case may be, for procurement.

The Director General, India Store Department, London, or the India Supply Mission, Washington, will not entertain any indent direct unless specially authorised by the Ministry of Works, Housing and Supply in his behalf.

- (3) Indents should as far as possible, be placed on "Forward Programme" basis giving the total requirements of the indentor for a financial year.
- (4) Separate indents should be prepared for different categories of stores.
- (5) Indentors should indicate the specifications or drawings in accordance with which the stores should be supplied. If no specifications or drawings exist, indentors should indicate if stores to trade pattern will be acceptable. In the case of uncommon items, a sample should be furnished to guide supply. References to previous supply should be made when the same stores are required again.

- (6) Indentors should clearly indicate in their indents the definite dates on and the places at which the stores required should be delivered or despatched. Urgency should be indicated by the specific marking 'OPERATIONAL', "URGENT", by competent authorities as laid down in the late Ministry of Works, Production and Supply Office Memorandum No. PI-4(20), dated the 3rd August, 1951.
- (7) Payment of bills submitted by contractors for stores supplied to the Indentors or their nominees will be made by the Deputy Accountant General (Industries and Supplies) concerned who will then arrange to make recovery, generally by raising debits against the Accounts Officer of the consignee concerned. Where recovery is stipulated through Book Adjustments, the financial certificate on page 4 of form WSB 67 must invariably be signed by all indentors; otherwise, the indents will not be entertained. The designation of the Accounts Officer to whom the cost of stores and departmental fees, where leviable, should be debited and the head of account to which the cost is debitible must be indicated in such cases.
- (8) Where the cost cannot be realised through book adjustment *e.g.* in the case of quasi-public bodies, such as, Municipalities, District Boards, Corporations, etc., advance deposits covering the approximate value of the stores and departmental charges must be arranged, and the Treasury Challan forwarded along with the indent.
- (9) Indents for centralised items, irrespective of value, should be addressed to the Directorate General of Supplies and Disposals, Central Indents Section, New Delhi. Indents for decentralised items should be addressed to the nearest Regional Supplies Organisation. A list of decentralised items is under compilation and will be issued in due course. The existing procedure may continue to be followed in the meantime. In respect of Jute and Jute goods, all indents upto Rs. 10 lakhs in value should be placed on the Director of Supplies and Disposals, Calcutta, either direct or through the Directorate General of Supplies and Disposals. In the former case, a copy of the indent should also be forwarded to the Directorate General, Supplies and Disposals. Indents above Rs. 10 lakhs in value should be placed on the Directorate General, Supplies and Disposals. In cases of urgency, indents above Rs. 10 lakhs but not above Rs. 50 lakhs can also be placed direct on the Director of Supplies and Disposals, Calcutta, but a copy of such indents should invariably be forwarded to the Directorate General, Supplies and Disposals.

Note.—(i) Indents for stores the value of which does not exceed Rs. 2,000 should not be placed on the Directorate General of Supplies and Disposals and its subordinate organisations except when—

- (a) rate and running contracts exist for the store, or
 (b) the stores cannot conveniently be obtained by the indentor direct.

(ii) In the case of indents falling within the exceptions mentioned in sub-para. (i) above, the exception under which the indent falls should be specifically mentioned on the indent and in the case of exception (i) (b) details of the efforts made by the indentor to secure the supply from the market should be stated.

The limit of Rs. 2,000 for direct purchase applies to the value of each article or class of similar articles or inter-connected articles purchased at one time.

- (10) In all communications addressed to the Directorate General (Supplies and Disposals) by the indentors, the Directorate General (Supplies and Disposals) indent No. should invariably be quoted as reference, in order to avoid delay.
- (11) Communications on all matters relating to or arising out of indents should be addressed by the indentors to the Supply Sections (of the Directorate General of Supplies and Disposals) concerned direct and not through the Central Indents Section of this Ministry.

6. Types of Stores Handled.

The Directorate General of Supplies and Disposals can arrange supply of all classes of stores except some specified items enumerated in (2), (3) and (4) below, which fall outside the scope of that Organisation. A list of stores (in main Trade Groups) handled by the Directorate General of Supplies and Disposals, including its Regional Organisations, is appended as Annexure 'A' to this memorandum.

(2) *Excepted articles.*—The following items fall outside the scope of the Directorate General of Supplies and Disposals :—

- (i) Foodstuffs and forage.
- (ii) Lethal Stores.
- (iii) Stationery Stores, Printing Stores, Office Machinery and Appliances, detailed in Appendix 'T' to the 'Rules for the Supply and Use of Stationery Stores'.
- (iv) Mathematical, Survey and Scientific instruments procurable from the National Instruments Factory, Calcutta, instructions regarding which have been issued in the late Ministry of Industry and Supply Office Memorandum No. FY.-2(22), dated 28th February, 1949.
- (v) Straw, firewood and charcoal.
- (vi) Road metal, bricks, stone, marble and similar building materials, lime, sand and chalk.
- (vii) Telephone, Telegraph and Train control apparatus, procurable through the Indian Telephone Industries Ltd., Bangalore.
- (viii) Cotton Textiles and Iron and Steel [See sub-para (3) and (4) below].

(3) *'Cotton Textile items.'*—All Cotton Textile items (except made up garments), including knitted goods, cotton waste, newar, webbing, etc. are the responsibility of the Ministry of Commerce and Industry and procurement of these stores is arranged by that Ministry through the Textile Commissioner to the Government of India, Bombay. Indents for items of cotton textiles should, therefore, be placed on that Officer and not on the Directorate General (Supplies and Disposals). A complete list of items which are the responsibility of the Textile Commissioner, Bombay is appended to this Office Memorandum as Annexure 'B'.

(4) *'Iron and Steel.'*—Indents for controlled categories of Iron and Steel covered by the Second Schedule of the Iron and Steel Control Order should be forwarded to the Iron and Steel Controller, Calcutta, direct. Indents for tool/steel e.g. High Speed Tungsten, Ferro Silicon, Ferro Manganese, Nickel Chromium and Molybdenum Steel, should continue to be placed with the Directorate General of Supplies and Disposals, New Delhi. Indents for wheels, tyres, axles, steel sleepers as well as cast iron pipes and specials should also continue to be sent to the Directorate General of Supplies and Disposals for necessary procurement action.

7. Rate and Running Contracts.

A list of important items for which rate/running contracts exist at present is appended as Annexure 'C' to this Memorandum.

Indenting Officers who are declared Direct Demanding Officers by the Directorate General of Supplies and Disposals, can draw their requirements against the Rate/Running contracts as and when necessary by the issue of supply orders on form W.S.B. 286, copies of which can be obtained from the Directorate General of Supplies and Disposals and its Regional Organisations at Calcutta, Bombay and Madras.

8. 'Inspection of Stores'.

In order to ensure that the Indenting Departments get material of the standard ordered for them, arrangements exist (both in India and U.K.) for carrying out detailed inspection of stores and materials before supply.

(1) *'Inspection in India.'*—The Inspection Wing of the Directorate General, Supplies and Disposals, is the Technical Branch of the Organisation and its functions include, besides routine and special inspection of stores before

supply, preparation of specifications and drawings; sealing and maintenance of samples; assisting and advising the Supply Wing in regard to the placing of orders, where necessary; furnishing Technical Advice to Indentors, standardisation of patterns, and furnishing advice to manufacturers and consuming departments with a view to developing indigenous industries. The Inspection Branch is assisted in its work, by two fully equipped and highly efficient laboratories, viz., the Government Test House, Alipore, Calcutta and the Metallurgical Inspectorate, Tatanagar.

While it is highly desirable from the point of view of the Indentor to utilise, to the maximum extent, the services offered by the Inspection Organisation and get the stores indented for, inspected before despatch by the Inspection Organisation, the indentors may, if they so desire, inspect the stores themselves. In that case, no departmental charges will be levied for inspection. It must be understood, however, that in such cases the responsibility of the Directorate General of Supplies and Disposals will go no further than the placing of the order with a firm of proved reliability at the best price obtainable against a specification or sealed sample, and no responsibility can be accepted for the quality of the stores delivered, though any complaint in this matter will be taken up with the firm on receipt of necessary information from the indentor. In cases in which stores, such as, electric fittings including lamps, fans and cables, electric house service meters, water meters, oils, etc., held in stock against Running or Rate Contracts, are periodically inspected/or tests are carried out at the Government Test House, Alipore, and supplies are made therefrom, it is not possible to arrange for uninspected supplies.

The services of the Inspection Wing of the Directorate General of Supplies and Disposals can also be utilised by Government Departments, Quasi-Public bodies as well as by private parties in India, for inspection of stores, orders for which are placed by the consuming authorities direct, and for the testing and analyses of materials at the Government Test House and the Metallurgical Inspectorate. Requests for inspection of stores not purchased through the Directorate General of Supplies and Disposals, should be addressed to the nearest Inspectorate of the Directorate General or to the Inspection Wing of the Directorate General, Supplies and Disposals at New Delhi, on form No. D. G. I. & S. (Inspection) 8, copies of which can be obtained from the Inspection Wing of the Directorate General (Supplies and Disposals), New Delhi, free of charge.

(2) *'Inspection in U.K. and Europe'*.—The India Store Department, London which handles purchases in the U.K. and in the Continent of Europe is also equipped with an Inspection Wing analogous to that of the Directorate General of Supplies and Disposals in India. Not only the indentors are thus assured of proper inspection of stores before shipment to India but they can also avail of the competent technical advice which is provided by India Store Department at all stages of processing of contracts, e.g. preparation of specification and drawings, maintenance of samples etc. The services of the Inspection Wing are available even to Indentors who, in certain cases, place orders direct on manufacturers in U.K. and Europe. The India Store Department also entertain requests from private firms for the pre-inspection of stores ordered by them prior to their despatch to India.

Requests for inspection of stores and for technical advice should be addressed in such cases direct to the Director General, India Store Department, London.

(3) *Inspection in North America*.—At present there is no inspection wing attached to the India Supply Mission in Washington where, however, facilities are available for technical inspection through independent inspection agencies.

9. Progressing of Supplies.

A careful watch is kept by the Directorate General of Supplies and Disposals on the progressing of demands from the time the indents are received to the time the supplies are completed. Periodical reports on anticipated delays and reasons for the same in covering the demands, are issued by the Purchase Branches upto the time the A/Ts. in compliance of the demand are issued. Thereafter, the progress of deliveries is watched by progress cells. The Inspecting Officers also issue periodical reports to indentors and the Purchase Officers in the shape of 'pre-inspection delay' reports notifying causes of delay, and prompt action is taken by the Directorate General to remove the same.

10. 'Departmental Charges'.

No charges are made for the services rendered by the Directorate General (Supplies and Disposals) to the non-commercial Civil Departments of the Central Government. Fees are levied at the prescribed rates for the services rendered to authorities (Government or Private) other than the non-commercial Civil Departments of the Central Government.

A fee of 1 per cent. of the value of stores purchased generally is made to all authorities in India (except those entitled to free services) on whose behalf purchases are effected by the Directorate General (Supplies and Disposals). When the Directorate General is required to arrange for both purchase and inspection, a fee of 2 per cent. is levied.

A charge of 3 per cent. generally is levied on all authorities (except those entitled to free services) in respect of orders placed by the Director General, India Store Department, London, for purchase, inspection and arranging shipment. A charge of 1 per cent. is levied for the inspection only of orders placed by other purchasing authorities.

A departmental charge of 1 per cent. generally is levied on all purchases made by the India Supply Mission, Washington, except on purchases made for the non-commercial Civil Departments of the Central Government.

The usual departmental charges will, however, be levied on all purchases made by the purchase organisations for stores imported under 'Schemes of State Trading' on behalf of all indentors—Commercial as well as Non-Commercial Departments of the Central Government.

11. Procedure for obtaining of Stores declared surplus to the Director General (Supplies and Disposals).

The Disposals Wing of the Directorate General of Supplies and Disposals issues availability lists from time to time showing the categories of stores and quantities known at the time of issue, to be available from surplus stocks. These lists also indicate the prices at which releases will be made and are widely circulated to Government and Priority Indentors. Firm indentors against the availability lists are normally required to be submitted to the Directorate General of Supplies and Disposals (Disposals Wing) within four weeks of the date of issue of availability lists. The Director General (Supplies and Disposals) on receipt of these indentors proceeds to make allocation of available quantities of surplus stores in accordance with the principles laid down by the Government of India. The accepted policy in the case of competing demands of a particular lot of surplus stores is that priority shall be given to India's needs before exports outside the country are permitted. Within India, surplus stores are first offered to priority indentors at concessional prices; and they (Priority indentors) are required to give an undertaking that the stores purchased by them will not be resold by them within two years of the date of their purchase. In the case of Educational and Research Institutions, surplus stores of scientific value are made available to such Institutions at special concessional prices provided that (i) their demands are certified by the Ministry of Education of the Central Government and (ii) an undertaking is given that the stores purchased by them will not be resold within five years of the date of their purchase from Disposals stocks.

T. C. PURI,

Deputy Secretary to the Govt. of India.

To

1. All Ministries of the Government of India.
2. Ministry of Finance (I. & C. Division).
3. Secretary to the President.
4. Military Secretary to the President.
5. Cabinet Secretariat.
6. Prime Minister's Secretariat.
7. Comptroller and Auditor General of India.
8. Parliament Secretariat.
9. Council of States Secretariat.
10. Partition Secretariat.

11. Department of Parliamentary Affairs, New Delhi.
12. Supreme Court of India.
13. Planning Commission.
14. Union Public Service Commission.
15. Election Commissioner, Government of India, New Delhi.
16. All State Governments.

Copy forwarded to:—

All Offices attached and subordinate to the Ministry of Works, Housing and Supply.

All Branches of the Ministry of Works, Housing and Supply.

Accountant General, Food Rehabilitation and Supply, New Delhi.

Deputy Accountant General (Industries and Supplies), New Delhi, Calcutta and Bombay.

T. C. PURI.

Deputy Secretary to the Government of India.

ANNEXURE 'A'

List of Stores handled by the Directorate General of Supplies and Disposals and its Regional Organisations.

Vide para. 6(1)

TRADE GROUPS

1. *Chemicals:*
 - (a) Acids Mineral.
 - (b) Heavy Chemicals.
 - (c) Fine Chemicals (Including Acids Organic).
 - (d) Explosives.
 - (e) Soap.
 - (f) Other Chemical Composition.
2. *Paints:*
 - (a) Paints.
 - (b) Enamels.
 - (c) Varnishes.
 - (d) Pigment and other colours.
 - (e) Solvents.
 - (f) Other Miscellaneous Paint Stores.
3. Gums, Resins and lacs.
4. Gases.
5. Spirits, Alcohol and Alcoholic Products.
6. *Petroleum, Mineral Oils and Lubricants:*
 - (a) Aviation Spirit.
 - (b) Motor Spirit.
 - (c) Kerosene Oil.
 - (d) Fuel Oil.
 - (e) Lubricating Oil.
 - (f) Greases, Fats and Wax.
7. Vegetable Oil.
8. Silk and Silk Textiles.
9. Woollen and Woollen Textiles.
10. Jute and Jute Products (excluding Tentage).
11. Tent Components, Bamboos, Mallets, Pins, etc. for Tents.
12. *Leather and Leather Products:*
 - (a) Footwear, all kinds (including Canvas and Rubber shoes).
 - (b) Hides—Raw and Tanned.
 - (c) Other Miscellaneous Leather Products.
 - (d) Tanning Materials.

13. *Timber.*
 - (a) Timber, Log Form.
 - (b) Timber, Squares.
 - (c) Timber, Scantlings and Sawn sizes.
14. *Woodware:*
 - (a) Cases Wood Packing.
 - (b) Half-wrought Timber.
 - (c) Plywood.
 - (d) Insulation Boards, Hard Boards, etc.
 - (e) Other Woodware.
15. Motor Vehicles and Parts (excluding Tyres and Tubes).
16. Maintenance and Repairs to Motor Transport (M. T. Vehicles).
17. *Rubber Goods:*
 - (a) (i) Tyres and Tubes for M. T. Vehicles.
 - (ii) Tyres and Tubes for other Vehicles.
 - (b) Other Rubber Goods.
18. *Cement and Cement Products:*
 - (a) Cement.
 - (b) Asbestos cement sheets and other Cement Products.
19. *Road Dressing Materials:*
 - (a) Asphalt.
 - (b) Tar.
 - (c) Other Road Dressing Materials.
20. Paper and Paper Products.
21. *Glass and Glass Products:*
 - (a) Glass Sheets.
 - (b) Glassware.
22. *Medical Stores:*
 - (a) Drugs.
 - (b) Dressings.
 - (c) Surgical Instruments.
 - (d) Hospital Appliances.
23. Sanitary Fittings.
24. Photographic and Cinematographic Equipments.
25. *Miscellaneous:*
 - (a) Postal Articles.
 - (b) Crockery, Cutlery and Enamelware.
 - (c) Fire Fighting Equipments—Hoses, Pumps, Fire Extinguishers, Refills, etc.
 - (d) Brushes.
 - (e) Clocks and Watches.
 - (f) Door and Window Fittings.
 - (g) Other Items.
26.
27.
28. **Hand Tools.**

29. Hardware (Kettles, Utensils, Rat Traps, Hot Water Boilers—Domestic etc.)

30. Steel Tool and Alloy Wire—Ferrous.

31. Steel Sections.

32. Pig Iron.

33. Metal and Wire Non-Ferrous.

34. *Scientific Stores.*

Scientific Instruments, Apparatus and Appliances.

35. (i) *Electrical.*

(a) Railway Carriage Fans.

(b) Ceiling and Table Fans.

(c) Exhaust Fans.

(d) Lamps.

(e) Motors.

(f) Transformers.

(g) Electric Batteries and Cells (other than Dry Cells).

(h) Dry Cells.

(i) Electrical Instrument and Meters.

(j) Refrigeration Air Conditioning Equipments.

(k) Cables and Wires (other than paper Insulated Cables).

(l) Paper Insulated Power Cable.

(m) Paper Insulated Telephone Cables.

(ii) Other Electrical Fittings and Accessories.

36. *Mechanical Engineering.*

(a) Internal Combustion Engines.

(b) Other Industrial Engines.

(c) Pumping Sets. Motor Driven.

(d) Deep-well Turbine Pumping Sets.

(e) Pumping Sets Engine Driven.

(f) Air Compressors.

(g) Earth Moving Machinery and Spares.

(h) Structural Steel Work.

(i) Steel Castings.

(j) Tea, Oil, Rice, Dal, Flour and Sugar Machinery.

(k) Road Roller.

(l) Industrial Boiler other than Tar Boiler.

(m) Tar Boiler.

(n) Concrete Mixers.

(o) Bicycles, Sewing Machines, Weighing Machines and Netting Machines.

(p) Ball, nuts, Rivets and Washers.

(q) Screws—wood, Machines and Coach.

(r) Hurricane Lanterns and Incandescent Lanterns.

(s) Water Fitting—G.I. Bends, Tees, Sockets, Cock Sluice Valves, Water Meters, etc.

(t) Welding Electrodes.

(u) Ball Bearings.

(v) Other Mechanical Engineering items.

37. *General Engineering.*

(a) Surface Coated Flexible Abrasives.

- (b) Refractories.
 - (c) V. Belting.
 - (d) Other Belting.
 - (e) Belting Accessories.
 - (f) Asbestos Products other than Packing (excluding Asbestos Cement Products).
 - (g) Asbestos Packing and Joining Materials.
 - (h) Expended Metal.
 - (i) Wire Gauze and Netting.
 - (j) C. I. Pipes and Specials.
 - (k) R.C.C. Pipes, Collars and Poles.
 - (l) Casing, Housing and Slotted Pipes for Tubewell Irrigation.
 - (m) Pins, Split, Taper, Cotter, etc.
 - (n) Other items including Steel Furniture, Steel Drums, etc.
 - (o) Sewage fittings and other drainage items.
38. Power Plant.
39. *Railway Materials.*
 - (a) Signalling Equipment.
 - (b) Loco Spares.
 - (c) Track Materials.
 - (d) Other Railway Materials.
40. Steel Pipes and Fittings.
41. (i) Workshop Machinery (other than Machine Tools).
(ii) Machine Tools.
42. Air-Craft Equipment.
43. Ship-building and Repairs.
44. Radio Equipment.
45. Agricultural Equipment.
46. Agricultural Tractors.
47. Well-Boring Plant.
48. Tractor Drawn Implements.
49. Line Equipment.
-

ANNEXURE 'B'

List of Stores of all items dealt with by the Textile Commissioner, Bombay.
[Vide Para 6(3)]

Airmen's shirting Blue and Grey 32"/33"
Aeroplane Fabric.
Antigas Fabric Oil-dressed 'A' and 'D'.
Badges arm screen Printed.
Bandage cloth 46" Chlorozol Brown.
Bandage cloth 46" Bleached.
Bandage cloth 46" for Plaster of Paris.
Bandage cloth stockinette.
Banians.
Basic materials for Rubberised sheeting Grey 52".
Bed Sheets.
Blue sheeting for China 36" (Finished) 40" grey.
Braces.
Braids.
Buckram Tailor, Canvas (excepting Jute Buckram).
Bunting cloth (cotton).
Calico bleached and unbleached.
Calico white No. 2 36".
Cambric "A" 39".
Cambric "D" 36½".
Cambric "B" and "R".
Cambric for parachutes.
Cambric for ammunition 45" dyed and undyed.
Cambric Handkerchiefs, Underwears, Shirts, etc.
Canvas Banding.
Canvas Cotton 18 ozs. special proofed 36".
Canvas Cotton Light 36" ('C' grade).
Canvas Cotton Heavy 36" ('B' grade).
Canvas Cotton Heavy for over boots 37½" grey.
Canvas for kitbags.
Canvas for motorhood.
Canvas 36", 20 ozs.
Canvas special for H.M.G. 37½" grey.
Canvas proofing and dyeing.
Casement cloth.
Cellular shirting Mineral Khaki. 32"/33"
Chadders.
Chints Oakleaf.
CIMA Netting.
Cloth American.
Cloth Cleaning all kinds.
Cloth Cotton Domestic grey.

Cloth Pique.
 Cloth Sponge.
 Cloth Table Officers.
 Cord Cotton Khaki and bleached, 28".
 Cord Sash, (Excepting Jute).
 Cordages (Cotton).
 Cotton Cellular white 29" (Meckleno).
 Cotton Clean.
 Cotton Knitted items.
 Cotton loose.
 Cotton Simul.
 Cotton White bleached, 36".
 Cotton Waste Coloured.
 Cotton Waste coloured, sized, grey sized, coloured Reeling.
 Cotton Waste for manufacture of Gun Cotton.
 Cotton Waste White Superior for packing Axle Box.
 Cotton Waste White or ordinary.
 Cotton Wool Absorbent.
 Cotton Wool Non-absorbent.
 Cotton Wool Padding.
 Cotton Wool Wadding.
 Counterpanes Hospital.
 Dhoties.
 Dorset Cloth.
 Dosoothie Cloth for tentage (Double Weft) grey 48".
 Dasutie for tentage (Single Weft) finished 36".
 Dasutie Dyed.
 Dasutie V. G. Khaki for lining 36" (Double Weft).
 Dasutie all other types.
 Drawers Long (Cotton).
 Drawers short (Cotton).
 Drill blue (27/28").
 Drill brown.
 Drill cotton bleached 28".
 Drill cotton grey 'A' Sulphur black 28".
 Drill cotton, V. G. Khaki 'B' grade 28".
 Drill cotton light Mineral Khaki Dyed 28".
 Drill Green.
 Drill grey.
 Drill Khaki, Rainproof.
 Drill Khaki Waterproof.
 Drill Satin.
 Duck cloth.
 Duck cotton heavy 27" grey.
 Duck cotton light 11 ozs. 30".
 Duck cotton Mineral Khadi for Capes W.P. 11 ozs. 28"/29".
 Duck Cotton special Khaki W.P. for Respirators, Antigas Horayacka II.
 Dungree.
 Durries.
 Dusters.

Dyeing Drills in colours.
 Dyeing Mineral khaki.
 Dyeing Pugree in colour.
 Dyeing V. G. khaki.
 Fabric Titles Woven.
 Flannelette Silver Grey 28"/29"
 Flannelette 42".
 Flannelette Striped 32" (Minimum finished width).
 Flannelette white.
 Fringale (Cotton).
 Footlace stockings (Cotton).
 Gauze medical 25".
 Gauze 36".
 Grey Drill for China.
 Grey sheeting for China I quality 36"
 Grey sheeting for China II quality 36".
 Grey sheeting (Operational demands only).
 Gudhars.
 Holland cloth.
 Imitation Leather cloth.
 Italian Black cloth.
 Jackonet Cloth.
 Jeen cloth.
 Jeen khaki for Bandoliers 27½".
 Jerseys (Cotton).
 Kapok Filing.
 Khaddar.
 Khaki Matee.
 Kora cloth.
 Laces.
 Lines (Cotton).
 Lining cloth.
 Lining cloth special for Web Anklets 12-5-ozs. 25"/28".
 V. G. Brown.
 Lint.
 Long Cloth.
 Long Cloth for Detector Gas Sleeves.
 Long Cloth for Triangular bandages Grey uncoloured 36".
 Lungies.
 Mazri Heavy scoured 30/31" (Grey and Khaki).
 Mazri Light 28".
 Malmal bleached 4 4"
 Mandaplam cloth.
 Marceline.
 Markin.
 Mercerized cotton fabric.
 Mats Bath (Turkish).
 Mosquito netting Real.
 Mosquito netting substitute Lend Weave Square-Mesh 49".
 Moleskin cloth.
 Muslin for Ground sheets 47".

Muslin white 36".
Nainsook.
Napkins Ophthalmia.
Napkins Table.
Netting Mosquito 36" with $\frac{1}{2}$ " selvedge.
Netting Mosquito 36" with 8" border and $\frac{1}{2}$ " selvedge.
Netting Mosquito 49" with $\frac{1}{2}$ " selvedge.
Nets other kinds.
Nets, hay (Tarred).
Newar.
Oil and American cloth.
Oil Dressed Tape.
Open Mesh cloth finished 34".
Organdy.
Patches helmet.
Poplin.
Polishing cloth.
Postmen's Pugrees.
Pugrees.
Pugree cloth finished width 32".
Pugree Helmet V. G. khaki 36".
Putties (cotton).
Rags (cotton).
Rexine cloth.
Ribbons (Excepting Silk ones).
Ropes (cotton).
Rugs Bed Side.
Sand fly netting 49" with $\frac{1}{2}$ " selvedge.
Sail cloth.
Satin.
Sanitary Towels.
Sarees (Cotton).
Screens, Pecquitting.
Scarves.
Screens, Canvas.
Sewing threads, all types.
Sheeting of colours.
Sheeting barrack (Secoured) 94" x 54".
Sheets Hospital M.K. 11 (Bleached) 100" x 60".
Sheeting for Tentage scoured, 36".
Sheeting for Ground sheets 46" V.G. Khaki Dyed.
Sheeting for Ground (Sheets 40").
Sheeting secured 36" (Australia).
Shelter Artificers.
Shelter Signal Office Corries Flies.
Silesia Brown.
Shirting Blue, white striped.
Socks (Cotton).
String (Cotton).
Stockinette.
Stockings (Cotton).

Suspenders.
Swabs kitchen.
Tape broad and narrow.
Tape draw strings.
Tape Tracing and Canvas.
Tape other than oil dressed.
Tents Bivouac Mosquito proof.
Tents Components.
Tents IP Suspenders.
Tentage (for Defence Services) (Excepting Jute ones) & Civil Tentage.
Ticken cloth.
Tissue cotton, wool and Gauze.
Tobralco.
Towels hand Huckaback, Single weft 44"×26" with $\frac{1}{2}$ " hem.
Towels hand Huckaback, and Towels Hand Hospital (Double weft 44"×36") with $\frac{1}{2}$ " hem.
Towels Hand Turkish 48"×24".
Towels Bath large 60"×32".
Towels Bath small 44"×24".
Towels Bath small Huckaback, Terry, Turkish.
Twill bleached 36".
Twill striped 33".
Twill elastic.
Twill khaki V.G. Porous for capes antigas 28"×30" and 52".
Twill stout Calico, bleached (Operational Demand).
Turbans.
Twines (Cotton).
Velvet.
Vests Australian Pattern.
Vests Indian Pattern.
Vests South African Pattern (Cotton).
Vails sisters.
Waist coat Cardigan (Cotton).
Webbing and Webs of all kinds.
Wicks (Cotton).
Yarn. all types (Cotton).

ANNEXURE 'C'

List of important stores covered by rate/running contracts

(Vide Para. 7).

<i>Sl. No.</i>	<i>Name of Store.</i>
1.	Abrasives.
2.	Acids.
3.	Almirahs, Iron.
4.	Alumina Sulphate and Alumina Ferric.
5.	Ampules Nikatta Medium.
6.	Anhydrous Ammonia.
7.	Asbestos Cement Sheets and Accessories.
8.	Aviation Turbine Fuel.
9.	Bicycles.
10.	Bituminous Solution.
11.	Bleaching Powder.
12.	Cables.
13.	Calcii Lactas.
14.	Cars and spares.
15.	Cells and Batteries.
16.	Cement.
17.	Chlorine liquid.
18.	Conduit pipes and fittings.
19.	Cutouts.
20.	Diesel Fuel Light and Furnace Fuels.
21.	Diesel Fuel High Power Point.
22.	Diesel Oil.
23.	Disinfectants.
24.	Distemper Oil. bound.
25.	Electricity House Service Meters.
26.	Electrical accessories.
27.	Electric fans, A.C. and D.C.
28.	Electric Lamps.
29.	Enamels.
30.	Expanded Metal.
31.	Explosives.
32.	Films, cinematographic, raw.
33.	Fireclay.
34.	Fuel Oils.
35.	Gases.
36.	Gasoline.
37.	Grinding Wheels.
38.	Kerosene Oil.
39.	Land Rovers and spare parts.
40.	Lanterns Hurricane.
41.	Light Hydro Carbon Distillate.

42. Malariol and Malariol 'B'.
 43. Matches Safety.
 44. Metal Polish liquid.
 45. Motor spare parts and accessories.
 46. Motor Vehicles.
 47. Oils Axle.
 48. Oil Castor.
 49. Oil Creosote.
 50. Oil Lubricating.
 51. Oleum Vitamin.
 52. Paints.
 53. Paludrine.
 54. Paper and Board.
 55. Petrol.
 56. Petroleum Spirit (unloaded).
 57. Pigments.
 58. Pipes, and specials.
 59. Poles, Hume R.C.C.
 60. Powder.
 61. Power Kerosene.
 62. Reamers.
 63. Road Dressing Materials.
 64. Rosin.
 65. Safes, iron.
 66. Scales and weights.
 67. Screws.
 68. Sewing Machines.
 69. Sluice Valves and tail pieces.
 70. Soda Ash.
 71. Sodi Bicarb.
 72. Spirit, Methylated, denatured, rectified.
 73. Switch fuses.
 74. Tape Micanite.
 75. Tractors spare parts.
 76. Trucks and Spares.
 77. Turpentine.
 78. Twist Drills.
 79. Tyres and Tubes.
 80. Umbrellas Cane and Bamboo handles.
 81. Varnishes.
 82. Washers.
 83. White Spirit.
 84. Whiting Dry.
 85. Winding Wire, Copper.
 86. Wood preservative.
-

APPENDIX LIII
MINISTRY OF COMMUNICATIONS
(Posts & Telegraphs Department)

No. B. 27-23/53.

Dated, New Delhi, the 7th December, 1953.

Note regarding the recommendations of the 'J.J. Committee' set up to determine the average lives of assets of the P. & T. Department for evolving a scientific basis for contribution to the Renewals Reserve Fund in the P. & T. Department.

The Public Accounts Committee in their meeting held on the 9th November, 1953 desired that a note should be submitted to them summing up (a) the broad recommendations of the 'J.J. Committee' which was set up to determine the average lives of the assets of the P. & T. Department for evolving a scientific and rational basis for contribution to the Renewals Reserve Fund in accordance with the accepted commercial practice and (b) the action taken thereon by the Government of India. This note is accordingly submitted.

2. A 'Depreciation Reserve Fund' for the P. & T. Department was established on the 1st April, 1925 when the accounts of the Department were put on a commercial basis. The annual contribution from Revenue to this Fund was regulated on the 'Sinking Fund' principle with reference to the assumed lives of wasting assets, the interest earned on the balances in the Fund being also credited to it.

This arrangement was reviewed by the P. & T. Accounts Enquiry Committee in 1931 and, on their recommendation, annual contributions to the Fund were made on the straightline method, interest on the balances in the Fund being credited to Revenue.

Later, however, Government felt that it would be more in accordance with the needs of sound financial administration to have a Renewals Reserve Fund than a Depreciation Reserve Fund and, accordingly, the Fund was changed to a Renewals Reserve Fund with effect from the 1st April, 1936. Annual contributions to this Renewals Reserve Fund were fixed on an *ad hoc* basis from year to year, or broader considerations of the amount likely to be required annually for the rehabilitation of assets and the amount of the Capital at charge. A statement showing the contributions to, withdrawals from, and the balances in the Fund along with the value of fixed assets at the close of each year, since 1936-37 is given in Annexure I.

3. When the P. & T. Appropriation Accounts for the year 1945-46 were examined by the Public Accounts Committee on the 24th September, 1949, the Auditor-General drew their attention to a suggestion made by his predecessor in September, 1947 to the effect that a Committee consisting of an Engineer and an Accounts Officer

should be set up to determine the average lives of the assets of the Department so as to evolve a scientific basis for determining the contribution to the Fund in accordance with the accepted commercial practice. It was explained by the Department that it had not been possible to constitute such a Committee owing to the problems created by the Partition and shortage of suitable officers for serving on it. This was accepted by the Public Accounts Committee and in para. 75 of their Report relating to the year 1945-46, they observed that in view of the large accumulated balances in the Fund, the matter was not one of very great urgency and that it might be left over for the present, with the stipulation that it should again come up before the Committee in the report for subsequent years.

This question came up again before the Public Accounts Committee at their meeting held on the 12th January, 1951. It was stated by the Comptroller and Auditor-General that he did not regard the position as 'satisfactory'. The Committee desired that a uniform policy should be evolved by all Ministries for allocating contributions to such Funds constituted by them and recommended that a detailed examination of the matter should be undertaken by a committee of experts.

Accordingly, a Committee, consisting of Shri Jagdeesh Prasad (Director of Telegraphs) as Chairman and Shri J. C. Sen (Deputy Accountant-General, Posts & Telegraphs) as Member, was constituted in December, 1951. The Report of this committee, which is known as 'J. J. Committee', was received in September, 1952.

4. Recommendations of the 'J.J. Committee', and the action taken thereon.

The main recommendations of the 'J. J. Committee' and the action taken thereon are summarised below:—

Recommendations.	Action taken.
1	2
(a) <i>Lives of various classes of assets and their residual values.</i>	
The lives of the various classes of assets and their residual values as recommended by the 'J. J. Committee' are contained in Annexure II. The present lives and residual values are also indicated therein. The Committee recommended enhanced lives in most of the cases. The Committee recommended that no residual values need be fixed except in the cases of Copper or bronze wire and workshop plant and machinery.	The P. & T. Board in their meeting held on the 8th July, 1953 accepted the recommendations of the Committee subject to certain amendments in respect of the residual values of certain classes of assets. These amendments are indicated in column 7 of the statement given in Annexure II. The matter is now under the consideration of Government.
(b) <i>Scientific basis for contribution to the Renewals Reserve Fund.</i>	
(i) <i>Method of Contribution.</i>	
The Committee discussed at length the relative merits and demerits of the 'Sinking Fund' and the 'Straight Line'	The A. G. P. & T., whose remarks were invited, expressed the view that it would be necessary to fix residual values for almost all the assets.
	(b). (i) to (v). The recommendations of the Committee have been accepted by the P. & T. Department. As suggested by the Accountant-General, Posts and Telegraphs, the recommendations are being referred to the Comptroller & Auditor

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<p>methods and came to the conclusion that the Straight Line method would be the most suitable for the reasons stated below:—</p>	<p>General, before a final decision is taken by Government.</p>
<ol style="list-style-type: none"> (1) It is the simplest; (2) As compared to the Sinking Fund method, it provides a larger sum, if replacement of an asset is, in special circumstances, required to be made before the expiry of the full life of the asset; (3) It is recommended by the Council of Institute of Chartered Accountants and also by eminent authorities on the subject; (4) It is almost universally in vogue in the United States and Canada; and (5) It is also adopted by the British Post Office. 	<p>Meanwhile, an increased provision of Rs. 100 lakhs on account of contribution to the Fund has been made in the Budget for the current year against Rs. 75 lakhs in the last year.</p>
<p>The Committee recommended that the interest on the balances in the Fund should, following the usual practice, be credited to the revenues of the Department.</p>	
<p>(ii) <i>Relationship of provision for Depreciation to future requirements.</i></p>	
<p>The Committee came to the conclusion that the annual contribution to the Fund has nothing to do with future rehabilitation but relates solely to the past; that is to say, it is intended for extinguishing the capital sunk in the past and not for replacement of the asset in future. Accordingly, the committee recommended the name of the Fund being changed to 'Depreciation Reserve Fund'.</p>	
<p>(iii) <i>Opening of detailed heads of accounts.</i></p>	
<p>The Committee observed that in order to calculate the amount of annual contribution, detailed heads corresponding to the different classes of assets should be opened in accounts, similar to those which existed prior to 1936.</p>	
<p>(iv) <i>Value of existing assets under the new detailed heads.</i></p>	
<p>The Committee observed that the existing Block Account is maintained according to certain groups of assets and not in accordance with the various classes of assets for which separate lives have been assessed by them. They, therefore, recommended that in the absence of records to facilitate the task, the existing Block Account should be recast under the new detailed heads to be opened to correspond with the various classes of assets, on a rough and ready basis indicated by them.</p>	

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(v) Amount of Contribution.

On the basis of the above recommendations, the Committee worked out that the amount of contributions to the Fund for the year 1951-52 should be Rs. 109 lakhs as detailed in Annexure III. It is not, however, necessary to make good any possible short contributions in the past by any additional contribution now.

ANNEXURE I

Statement showing the appropriations to and from the Renewals Reserve Fund, the balances at credit of the Fund and the proportion such balances bear to the Fixed Assets from year to year.

Year	Balance at the beginning of the year	Appropriation from Revenue to the Fund	Appropriation from the Fund	Balance at the end of the year	Total fixed Assets to the end of the year	%age of Col. 5 to Col. 6
I	2	3	4	5	6	7
1936-37.	3,03,79	25,00	21,88	3,06,91	17,62,71	17.4
1937-38.	2,83,30	23,13	15,30	2,91,13	16,71,88	17.4
1938-39.	1,89,13	23,13	16,36	1,95,90	17,07,03	11.5
1939-40.	1,95,90,	23,05	20,89	1,98,06	17,36,06	11.4
1940-41.	1,98,06	23,05	26,40	1,94,71	17,59,24	11.1
1941-42.	1,94,71	25,00	27,13	1,92,58	17,73,04	10.9
1942-43.	1,92,58	1,75,00	39,84	3,27,74	19,06,18	17.2
1943-44.	3,27,74	46,33	33,22	3,40,85	19,75,92	17.2
1944-45.	3,40,85	1,46,78	35,96	4,51,67	22,40,13	20.2
1945-46.	4,51,67	97,24	35,99	5,12,92	29,11,82	17.6
1946-47.	5,12,92	97,45	44,51	5,65,86	35,45,66	15.9
1947-48. (Post partition).	5,10,17	52,03	21,22	5,40,98	33,15,04	16.3
1948-49.	5,40,98	71,03	50,44	5,61,57	36,79,00	15.3
1949-50.	5,61,85	71,03	49,96	5,82,92	40,44,02	14.4
1950-51.	5,82,92	71,03	83,00	5,70,95	46,44,34	12.3
1951-52.	5,70,95	75,00	79,27	5,66,68	52,78,07	10.7
1952-53. (Upto I Supply).	5,66,68	75,00	83,36	5,58,32	58,36,79	9.6

ANNEXURE II

Tabular Statement showing the present lives and residual values of assets and those recommended by the J. J. Committee.

Item No.	Class of Assets	Present figures		Proposed figures		Residual value as recommended by the P. & T. Board
		Life (Years.)	Residual value (Per cent of original cost)	Life (Years.)	Residual value (Per cent of original cost)	
1	2	3	4	5	6	7
<i>All Branches.</i>						
1.	Land	Permanent.	..	Permanent.	..	
2.	Buildings	100	Nil.	100	Nil.	
3.	Electric House Installation and electric fans and dust filtering Plant	16	3	16	Nil.	3
4.	Sanitary and Water Installations	(Not fixed separately).	..	50	Nil.	To be fixed in consultation with the C.P.W.D.
5.	Air Conditioning Equipment	(-do-)	..	15	Nil.	
6.	Motor Vehicles and Launches.	10	10	10	Nil.	10
<i>Post Office.</i>						
7.	Rly. Mail Vans	30	Nil.	30	Nil.	
<i>Telegraph, Radio & Telephone.</i>						
8.	Underground cable	36	5	40	Nil.	
9.	Submarine cable	20	Nil.	20	Nil.	
10.	Aerial cable	10	3	15	Nil.	2
11.	Posts (including Pkts)	45	10	60	Nil.	
12.	Copper or Bronze Wire	40	30	60	30	
13.	Iron Wire—Telegraph circuits	36	4	60	Nil.	

1	2	3	4	5	6	7
14.	Iron Wire-Telephone circuits	15	4	30	Nil.	
15.	Enamelled & insulated wires. e.g., Perrin's & Cadmium	12	2	12	Nil.	
16.	Masts, Aerials and Earths	15	3	50	Nil.	
17.	Manual Exchange, Private Switch Board	15	5	25	Nil.	2
18.	Engines, Motors, Switch Gears etc., of all kinds (power Plant)	16(a) 12(b)	2(a) 2(b)	25	Nil.	5
19.	Automatic Exs. (Urban)	25	5	25	Nil.	2
20.	Automatic Exs. (Rural). (Not fixed separately)	(Not fixed separately)		15	Nil.	2
21.	Subscribers' Apparatus	10	5	20	Nil.	2
22.	Telegraph Instruments of all kinds (except teleprinter)	25	5	22	Nil.	5
23.	Teleprinters	(Not fixed separately)		15	Nil.	5
24.	Wireless apparatus	10	Nil.	10	Nil.	
25.	Accumulators	8	10	10	Nil.	
26.	Workshops Plant & Machinery Light	20	5	8	5	
27.	Workshops Plant & Machinery Heavy.			15	5	
28.	Carrier Apparatus (including VFT & HFT Equipments)	25	5	25	Nil.	5
29.	Scrapphones	(Not fixed separately)		10	Nil.	2
30.	Testing apparatus of all kinds	15	5	10(c)	Nil.	
31.	Rly. Sidings	(Not fixed separately)		40	Nil.	Railway Board to be consulted.

- (a) Other than Wireless.
- (b) Wireless.
- (c) Other than fixed.

ANNEXURE III

Contribution to be made to the Depreciation Reserve Fund in 1951-52 with reference to the progressive Capital Outlay at the close of 1950-51 under the detailed classes of assets and the lines recommended by the J. J. Committee.

Sl. No.	Class of Assets	Life. (Yrs.)	Residual value (Per cent)	Progressive Capital figure at the close of 1950-51	Amount on which Depreciation is to be calculated	Rate of Depreciation on basis of life	Amount of Depreciation
1	2	3	4	5	6	7	8
				Rs.	Rs.		Rs.
1.	Land	Permanent.	..	56,40,772	..	..	..
2.	Buildings	100	..	5,26,65,082	6,26,65,082	1/100	6,26,651
3.	Electric Installation, etc.	16	..	34,18,800	34,18,800	1/16	2,13,675
4.	Water & Sanitary Installation	50	..	71,07,762	71,07,762	1/50	1,42,155
5.	R. M. S. Vans	30	..	[11,07,695	11,07,695	1/30	36,923
6.	Underground Cables	40	..	6,92,96,433	6,92,96,433	1/40	17,32,411
7.	Submarine Cables	20	..	]14,79,456	14,79,456	1/20	73,972
8.	Aerial Cable	15	..	3,150	3,150	1/15	210
9.	Posts (including Brackets)	60	..	9,33,90,094	9,33,90,094	1/60	15,56,502
10.	Copper or Bronze Wire	60	30%	7,38,21,189	5,16,74,830	1/60	8,61,247
11.	Iron wire Telegraph Circuits & trunk Telephone	60	..	3,10,46,027	3,10,46,027	1/60	5,17,434
12.	Iron wire Telephone circuits	30	..	92,19,042	92,19,042	1/30	3,07,301
13.	Enamelled & Insulated wires]	12	..	4,90,796	4,90,796	1/12	40,900

1	2	3	4	5	6	7	8
14.	Masts, Aerials & Earths	50	..	2,78,035	2,78,035	1/50	56
15.	Manual Exchange	25	..	2,07,47,401	2,07,47,401	1/25	8,29,896
16.	Engines, Motor etc.	25	..	26,59,077	26,59,077	1/25	1,06,363
17.	Auto Exchanges (Urban)	25	..	2,65,76,225	2,65,76,225	1/25	10,63,045
18.	Auto Exchanges (Rural)	15	..	6,81,442	6,81,442	1/15	45,429
19.	Air Conditioning Plant	15	..	5,56,278	5,56,278	1/15	37,085
20.	Subscribers' Apparatus	20	..	1,41,27,834	1,41,27,834	1/20	7,06,392
21.	Tel. instruments except Teleprinters	22	..	22,01,927	22,01,927	1/22	1,00,088
22.	Teleprinters	15	..	11,00,964	11,00,964	1/15	73,398
23.	Wireless Apparatus	10	..	18,08,416	18,08,416	1/10	1,80,842
24.	Accumulators	10	..	24,70,439	24,70,439	1/10	2,47,044
25.	Workshop P. & M. Light	8	5	78,457	74,535	1/8	9,317
26.	Workshop P. & M. Heavy	15	5	40,03,667	38,03,484	1/15	2,53,565
27.	Carrier Apparatus	25	..	2,48,47,897	2,48,47,897	1/25	9,93,916
28.	Secraphones	10	..	2,50,989	2,50,989	1/10	25,099
29.	Testing Apparatus	10	..	9,72,943	9,72,943	1/10	97,294
30.	Railway Sidings	40	..	11,457	11,457	1/40	286
							1,08,84,001

APPENDIX LIV

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

No. 13(67)/10048/D (O & D).

New Delhi, the 5th December, 1953

OFFICE MEMORANDUM

SUBJECT.—*Public Accounts Committee—consideration of the Appropriation Accounts (P. & T.) 1950-51 and Audit Report, 1952.*

The undersigned is directed to refer to Parliament Secretariat Office Memorandum No. 57(7)-IIFC/53, dated the 10th November 1953, on the above subject, and to say that no stores are held by the P. & T. Department as reserves on behalf of the Ordnance Services. Large surplus stocks of P. & T. stores are, however, held in various P. & T. installations on behalf of the Defence Services. During 1945-46, large quantities of permanent line construction stores were manufactured by the P. & T. Department for use by the Armed Forces and these were held in stock at various P. & T. installations awaiting despatch to Ordnance Depots. As the hostilities ceased suddenly, the delivery of these stores could not be taken over by the Ordnance Services. The P. & T. Department raised a debit of Rs. 297 lakhs as value of these stores against the Defence Services and this debit was accepted. As these stores were surplus to Army requirements for all intents and purposes, they were reported to the Director-General, Disposals for disposal in March 1947. The surplus reports were, however, cancelled in June 1949 as it was reported by the P. & T. Department that the list of stores originally supplied by them were not final. Some withdrawals from these stocks were also made by the P. & T. Department from time to time with the concurrence of the Army H. Qrs. In November, 1952, P. & T. Department furnished a comprehensive list of stores still held by them on behalf of the Defence Services. The following details were also forwarded by the P. & T. Department in regard to the actual value of stores still held by them :—

	Rs.
(a) Value of stores disposed of by D.G.S.&D.	38,65,237
(b) Value of stores withdrawn by P. & T. Department for their works.	54,25,639
(c) Value of stores withdrawn by P. & T. Department for Defence Services works.	23,423
(d) Value of stores still held in P. & T. installations	201,25,460
(e) Value of stores backloaded to Ordnance Depot, Mathura.	1, 32,210
Total	295,71,969

2. On receipt of the above information, the requirements of other Services and service users were again ascertained and the details

of stores required by them valued at approximately 2½ lakhs of Rupees were forwarded to the P. & T. Department for despatch of the stores to various consignees. The P. & T. Department were also asked to work out their requirements from among the stores held on behalf of the Defence Services and such a list is being prepared by them. The stores which are surplus to the Defence Services requirements have been reported to the Director-General, Supplies and Disposals, between May and November 1953, for disposal action. It has been intimated that P. & T. will have some requirements out of these stores and that their list of requirements will be forwarded direct by the P. & T. Department to the D.G.S. & D.

APPENDIX LV

MINISTRY OF COMMERCE & INDUSTRY

Note on the disposal of 'Scrap' iron owned by Government Departments

"Scrap" has been defined in the Iron and Steel (Scrap Control) Order, 1943, as "all iron or steel material which is commonly known as scrap and includes defective iron or steel material whether it is suitable only for re-rolling or re-melting or can be used for other purposes". The distribution of all types of scrap is not controlled, as such control is not practicable. The Iron and Steel Controller with the Government of India, in exercise of the powers conferred on him under the provisions of the said Order, controls the distribution of certain 'controlled categories' of scrap from the following "controlled sources" mentioned in the Order:—

- (i) a producer,
- (ii) a Railway Administration,
- (iii) any factory, local authority, scrap merchant or person declared by the Controller to be controlled source.

In accordance with the provisions of clause 4 of the Iron and Steel (Scrap Control) Order, 1943, all arisings of scrap from 'controlled sources' have to be reported to the Iron and Steel Controller for disposal in accordance with his instructions.

2. Inasmuch as scrap is not produced directly but arises incidentally as a by-product of various processes the bulk of iron and steel scrap is generally available from the works of iron and steel producers, Railway yards and fabricators of iron and steel. The first two sources have been controlled in respect of distribution, but the control over distribution of scrap arisings in fabricators' workshops has been left to the discretion of the Iron and Steel Controller as it is not practicable to exercise control over every small fabricator whose annual turnover is relatively very small. Only the large fabricators have individually been declared as "controlled sources" by the Iron and Steel Controller in exercise of his powers under the said Order.

3. A considerable portion of scrap arisings, both in the Producers' works and in Railway yards, as well as the residual steel left in the large fabricators' workshops is suitable for re-rolling into certain shapes of steel once again and the Iron and Steel Controller utilises such scrap in feeding the Un-registered Re-rollers who, in their turn, re-roll such materials generally into bars of thickness under 1 inch, both round and square, which come within the ambit of the Iron and Steel (Control of Production and Distribution) Order, 1941.

4. Under the present system of distribution, scrap and defectives arising from the Railway workshops are either released to the electric furnace-owners and Ordnance Factories as steel melting scrap or to the Re-rollers as re-rollable scrap or to the Controlled Scrap

Stockists for industrial use according to the category and condition of the material reported. Scrap and defectives suitable for industrial use are given to the nearest Controlled Scrap Stockists under advice to the State Steel Licensing authority who operates upon these stockists. Necessary powers have been delegated by the Central Government to officers nominated by the State Governments to exercise the powers of the Iron and Steel Controller under clause 4 of the Iron and Steel (Scrap Control) Order, 1943. If any material is refused by the Controlled Scrap Stockists or Furnaces or Re-rollers, the Railways are authorised to dispose of the materials themselves subject to statutory prices not being exceeded.

5. In respect of Defence Services, all the Ordnance Factories have been declared to be 'Controlled sources' for the purpose of clause 2 of the said Order. Scrap arisings from these factories have, therefore, to be reported to the Iron and Steel Controller for disposal according to his instructions.

6. Apart from the above sources, which are statutorily controlled by the said Order in the matter of disposal, small quantities of iron and steel scrap arise now and then with the Director-General, Supplies and Disposals, and certain departments under the Ministry of Defence. These are not 'controlled sources' within the meaning of the said Order and therefore legally they are free to dispose of such scrap as is available with them, without reference to the Iron and Steel Controller. In practice, however, the Director-General, Supplies and Disposals, and the Engineer-in-Chief report to the Iron and Steel Controller such scrap as is available with them, for instructions regarding disposal. In respect of such reports the Iron and Steel Controller, after ascertaining whether or not the scrap is required for furnace-owners or Re-rollers or the Controlled Scrap Merchants in any State, makes allotments as far as possible. If the Iron and Steel Controller is unable to find suitable customers for the material reported to him, the Reporting authority is authorised by him to dispose of the material to any person and in such manner as the Reporting authority may consider fit, either by private negotiation or public auction.

7. Items of ferrous scrap not usable in the country, *viz.*, sheet cuttings and punchings, turnings and borings, automobile scrap inclusive of chassis, condemned, old and broken machinery parts, are allowed to be exported under licences. Till April, 1953, there was no restriction on the quantity of such scrap which could be exported. While exports in 1950 and 1951 were about 40,000 tons a year, exports in 1952 increased to about 240,000 tons. In the interests of ensuring adequate supplies of scrap to the indigenous consumers from the long term point of view, it was decided to fix a ceiling of 100,000 tons for the period April-December, 1953 and export licences were granted subject to the condition that for every 4 tons of scrap exported 1 ton of good quality melting scrap was made available to indigenous consumers at the controlled price. For the year 1954, this ceiling has been further reduced to 65,000 tons and export licences are granted subject to the same condition.

APPENDIX LVI
MINISTRY OF FINANCE
(Communications Division)

No. NA. 29-19/53

New Delhi, the 14th January, 1954

MEMORANDUM

SUBJECT:—*P.A.C.—Consideration of Appropriation Accounts 1950-51 (P. & T.) and Audit Report thereon—Purchase of Stores by the P. & T. Department.*

The Parliament Secretariat in their Memorandum No. 57(7)-II-FC/53, dated 12th November, 1953 have asked for a note to be submitted to the Public Accounts Committee on the question 'whether the P. & T. Department can enter into direct negotiations with the Suppliers abroad for the purchase of Teleprinters and other such articles, or the indents are to be routed through the Director-General, I.S.D., London'. The position in this matter is explained in this Memorandum.

2. In Government of India, late Department of Industries and Labour letter No. S-497, dated the 28th June, 1932 (copy given in Annexure A), the P. & T. Department was authorised to purchase, inspect and test certain specified classes of stores required for the Department. This sanction was issued to cover items of equipment of stores solely or mainly used in the P. & T. Department. These powers were originally sanctioned for a period of one year but were subsequently continued *vide* Government orders, dated 17th August, 1933, a copy of which is in Annexure B.

3. Recently the question arose whether the special orders relating to the P. & T. referred to above, still continued to operate. Reference was made in this connection to the orders in the Government of India, Ministry of Works, Housing & Supply Memorandum No. P. II-201(8), dated the 10th December, 1952 (copy given in Annexure C) and those in the Government of India, Ministry of Works, Housing and Supply Memorandum No. PUR 3(2), dated the 10th February, 1953. A copy of the last quoted Memorandum has been separately submitted to the Public Accounts Committee under the Ministry of Communications Memorandum No. NA. 29-17/53, dated the 5th December, 1953.

4. The question was referred to the Ministry of Works, Housing and Supply for a clarification of their intentions in this matter. They have stated that their Memoranda quoted above were not intended to affect the special exemption granted to the P. & T. Department, which therefore continues to be governed by the Government orders of 1932 and 1933 referred to earlier. That Ministry have also stated that their Memoranda of 1952 and 1953 were merely compilations of several orders already issued for the general guidance of all

Ministries and Government Indentors. The Finance Division attached to the Works, Housing and Supply Ministry have also indicated that the question regarding the extent to which the various Ministries/Departments of Government should be authorised to make direct purchase of specialised stores, will *inter alia* be reviewed by Government when the recommendations of the Stores Purchase Committee which is now sitting are received and examined.

5. It will be seen from the above that the present position is that the P. & T. Department is competent to purchase direct Teleprinters and the other specified articles required for its use.

ANNEXURE 'A'

(Referred to in Para. 2 of the Memorandum).

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Copy of letter No. S-497, dated 28th June, 1932, from H. Hussain, Esq., I.C.S., Under Secretary to the Government of India, Department of Industries and Labour, Simla to the Director-General, Posts and Telegraphs, Simla.

—————

SUBJECT:—Powers of the Posts and Telegraphs Department in respect of purchase and inspection of certain special classes of stores.

In supersession of the orders contained in paragraph 1(1) of this Department's letter No. S-497, dated the 27th March, 1930, I am directed to say that the Government of India are pleased to sanction a departure from the orders contained in this Department's Resolution No. S-497, dated the 22nd November, 1929, to the extent enumerated below, in respect of the purchase and inspection of certain specified special classes of articles required for the Posts and Telegraphs Department :—

I. The following classes of articles may be purchased direct and inspected and tested by the Posts and Telegraphs Department.

- (1) Telegraph instruments of all kinds.
- (2) Strictly proprietary measuring instruments of types, peculiar to the Posts and Telegraphs Department.
- (3) Telephone instruments of all kinds including Repeaters and parts thereof.
- (4) Radio apparatus and equipment excluding power plant and other articles which are in common industrial use.

II. The inspection and testing of the following classes of articles obtained through the Indian Stores Department should be undertaken by the Posts and Telegraphs Department :—

- (1) Measuring instruments such as ammeters, millimeters, voltmeters, galvanometers, and parts thereof.

N.B.—Electricity meters and other instruments and apparatus for which the Indian Stores Department have rate or running contracts, and on which the bulk inspections are made, are not included in the above.

- (2) Inert cells.
- (3) Carsac elements.
- (4) Such steel and iron materials for the Telegraph Workshops as may require surface inspection in cases where no facilities can be obtained for such inspection at the manufacturer's works.

If any of the classes of articles referred to above are required to be inspected in manufacturer's works abroad during manufacture and before shipment, inspection by the Director General, India Store Department, London, will be necessary and the usual departmental charges for this service will be payable.

2. These powers of direct purchase and inspection are sanctioned as a temporary measure for one year.

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ANNEXURE 'B'

(Referred to in Para. 2 of the Memorandum)

Copy of letter No. S-497, dated 17th August, 1933 from H. Hussain Esq; I.C.S., Under Secretary to the Government of India, Department of Industries and Labour, Simla, to the Director-General, Posts and Telegraphs.

SUBJECT:—*Powers of the Posts and Telegraphs Department in respect of purchase and inspection of certain special classes of stores.*

I am directed to refer to paragraph 2 of this Department letter No. S-497, dated the 28th June, 1932, and to say that the Government of India are now pleased to sanction the continuance of the arrangements sanctioned in that letter.

2. I am to request that a statement of the purchases made under these arrangements should be sent every year to the Chief Controller of Stores, India Stores Department, as soon after the close of the financial year to which the statement relates as possible.

ANNEXURE 'C'

(Referred to in Para. 3 of the Memorandum).

Copy of Government of India, Ministry of Works, Housing and Supply Office Memorandum No. P-II-201(8), dated 10th December, 1952 to All Ministries of the Government of India etc. etc.

SUBJECT.—*Procedure for placing of indents for goods to be imported from abroad.*

The undersigned is directed to refer to late Ministry of Industry and Supply Office Memoranda No. P. 1/4(4), dated the 17th May, 1947, and No. P. I/4(25), dated the 24th April, 1948, on the subject of the procedure to be followed for the placing of indents for stores to be obtained from North America, and to say that in supersession of the instructions contained therein, the following procedure should be observed in future in placing indents for stores to be procured from all countries abroad :—

- (1) The indents for stores should be placed invariably on the Directorate General, Supplies and Disposals, New Delhi, irrespective of the fact whether the stores are required to be procured from indigenous sources or from abroad. Form WSB-67 should be used by the Civil Department indentors and form WSB-69 by the Defence Services indentors, item 12 and 4 respectively of the indent forms being modified by the substitution of the words 'Foreign Exchange' for the words 'dollar exchange'. On receipt of the indents, the Directorate General, Supplies and Disposals, will scrutinise them and will arrange for procurement as far as possible from local sources, consistent with the interests of economy and quality. Should indigenous production be, however, either insufficient or of inadequate quality, the Director General, Supplies and Disposals, will turn to foreign sources of supply.
- (2) The Directorate General, Supplies and Disposals, will thereupon make out a case justifying the need for foreign exchange and make a reference to Ministry of Finance for obtaining foreign exchange sanction in accordance with the procedure laid down in the Ministry of Finance Office Memorandum No. F-1(30)-EF. III/48, dated the 29th November, 1948 (Annexure I). Similar action will be taken by him also in cases in which orders are placed on agents in India for goods to be imported for which the grant of special import licences is recommended. After such sanction has been accorded, the Directorate General, Supplies and Disposals, will immediately take procurement action and place an indent on the Director-General, India Store Department, London, or the India Supply Mission, Washington, or other organisations abroad or with importing firms established in India or in special cases direct with firms in foreign countries.
- (3) The Director General, India Store Department, London, India Supply Mission, Washington, and other organisations abroad will not entertain any demand unless it is forwarded by the Directorate General, Supplies and Disposals, except those covered by sub-para. (4) below.
- (4) With the exception of the stores mentioned in the list attached (Annexure II) which can be obtained direct from the Director General, India Store Department, London, indents for all and other stores should be placed on the Directorate General, Supplies Disposals. The late Supply Department Office Memorandum No. P. 36(14), dated 3rd May, 1946, under which permission

was granted to the Ministries of the Government of India to obtain direct from the Director General, India Store Department, London, stores of a highly specialised nature without the intervention of the Director General, Supplies and Disposals, is hereby cancelled.

2. The procedure in respect of indents placed by the Ministry of Food for import of foodgrains will continue to be as hitherto according to the provisions of Late Department of Industries and Supplies Office Memorandum No. P. 1/1(3), dated the 13th November, 1946 (copy enclosed for ready reference—Annexure III).

Annexure I to Ministry of Works, Housing and Supply, Office Memorandum No. P. II-201(8), dated 10th December, 1952 referred to in Annexure C.

Office Memorandum from the Ministry of Finance, Government of India, to the Ministries of Industries and Supply, Railways, Transport, Communications, Commerce, Agriculture, Food, and Defence; Additional Secretary, Finance (Defence); Financial Commissioner, Railways; Joint Secretaries Finance (Food and Agriculture), (Communications) and (I. & C. Division) and Chief Controller of Imports, No. F-1(30) E.F. III/48, dated the 29th November, 1948.

SUBJECT:—*Foreign exchange expenditure on Government-account-control of—procedure regarding.*

The Finance Ministry has had under consideration the question of the exercise of stricter control over foreign exchange expenditure in relation to the purchase of supplies abroad on Government account.

2. It feels it necessary, as a first step, to remind all Ministries that supplies for Governmental purposes, whether of indigenous origin or imported, should be invariably arranged through the official supply agency, namely, the Director General, Industry and Supply, save in the few cases where, for special reasons, exemption from this requirement has been generally or specially granted. The Director General, Industry and Supply is required to arrange for procurement as far as possible, consistently with the interests of economy, from local sources. In cases where indigenous production, however, is either insufficient or of inadequate quality, the Director General is empowered to arrange for supplies from abroad but before placing firm orders in the dollar, hard currency or medium currency countries (a list of which is attached for convenience of reference) he has regard, in consultation with Joint Secretary, Finance (I. & C.) to availability in the soft currency countries, which are given preference, if supplies can be secured at comparable prices and within acceptable delivery dates.

3. In order to place the existing control over expenditure on Government account on purchases abroad on a sounder footing, the Finance Ministry have decided to introduce the following procedure with immediate effect:—

1. Joint Secretary, Finance (I. & C.) will consult the External Finance Division of the Ministry of Finance in all cases involving foreign exchange in excess of the powers delegated to him below, before according approval to orders being placed by Director General, Industry and Supply in dollar, hard or medium currency countries.
2. Where, exceptionally, procurement is arranged by Ministries through other than the Director General, Industry and Supply, the authority according expenditure sanction will also accord foreign exchange sanction; the two sanctions being explicitly stated in the orders passed. The prior concurrence of the External Finance Division will be obtained by the competent financial authority in all demands involving expenditure of foreign exchange in excess of the powers delegated to it. The Chief Controller of Imports will treat such requirements as on commercial account for foreign exchange purposes and will not issue the usual Exchange Control Copy of the import licence unless the foreign exchange sanction is specially communicated to him.

3. Procurement from abroad arranged by Provincial Governments, State Governments, statutory bodies, such as Port Trust, Municipal Corporations, etc., through other than the Director General, Industry and Supply will also be classified, for foreign exchange purposes, as imports on commercial account, and will require a covering import licence with the usual exchange Control Copy from the Chief Controller of Imports. The Chief Controller of Imports may, after consulting the Ministries concerned, refuse to grant an import licence if, in his view, indigenous production is adequate and sufficient.
4. Powers to sanction foreign exchange expenditure are delegated as under:—
- (i) Additional Secretary, Finance (Defence Division) and Joint Secretary, Finance (I. & C.).
- | | |
|--|---|
| Dollar, hard currency and medium currency expenditure. | Not exceeding the equivalent of \$10,000 in an individual case. |
| Soft currency expenditure. | Without limit of amount. |
- (ii) Financial authorities competent to accord expenditure sanction [other than Additional Secretary, Finance (Defence Division) and Joint Secretary (I. & C. Division).]
- | | |
|--|--|
| Dollar, hard currency and medium currency expenditure. | Not exceeding \$5,000 in an individual case. |
| Soft currency expenditure. | Without limit of amount. |
5. The existing procedure which is designed to meet the special requirements of the Food Ministry will continue to apply to the procurement of foodgrains from abroad. It involves acceptance by the External Finance Division of the six-monthly forward estimates of exchange requirements for food purchases compiled by the Ministry of Food. Within the foreign exchange allotment so approved, both as to amount and currency composition, the Food Ministry will have full power to procure supplies from abroad, whether by negotiations with a foreign Government or by direct purchase from foreign suppliers. The latter will not be met from the monetary ceilings approved for commercial imports.
6. The procedure in the matter of expenditure on Government account on 'metals, iron and steel and manufactures thereof' and 'metals other than iron and steel and manufactures thereof' will be similar to that prescribed in the case of food, i.e., a budget allotment will be made at the beginning of the half year and within this allotment the Industry and Supply Ministry will be free to place their orders.
7. A list of sanctions of foreign exchange expenditure will be submitted weekly to the External Finance Division of the Ministry of Finance by all competent financial authorities to whom exchange powers have been delegated as in sub-para. (4) above indicating the nature and quantity of goods required, their value and approximate delivery date.
8. Additional Secretary, Finance (Defence Division) and Joint Secretary, Finance (I. & C.) will also submit to the External Finance Division similar weekly lists of all exchange sanctions accorded by him.
9. The External Finance Division will scrutinise such lists and draw attention, where necessary, to the improper exercise of exchange powers.
10. The External Finance Division will notify all concerned from time to time of any changes in the foreign exchange position which affect the purchase of supplies from abroad.

LIST OF HARD CURRENCY COUNTRIES

A. Dollar Area.

1. U.S.A. and any territory under the Sovereignty of the U.S.A.
2. The Philippines Islands.
3. Canada and New Foundlan^d
4. Bolivia.
5. Colombia.
6. Costa Rica.
7. Cuba.
8. Dominion Republic.
9. Ecuador.
10. Guatemala.
11. Haiti.
12. Honduras.
13. Mexico.
14. Nicaragua.
15. Panama.
16. Salvador.
17. Venezuala.

B. Other Hard Currency Areas.

1. Liberia.
2. French Somaliland.

Annexure II to Ministry of Works, Housing and Supply Office Memorandum No. P-II-201(8), dated December 10th 1952 referred to in Annexure C.

List of specialised stores which may be obtained by various Ministries and their subordinate organisations direct from the India Store Department, London without the intervention of the Director General, Supplies and Disposals, New Delhi.

1. Acoustic material like glass, silk etc.
2. *Aircraft and Air Port requirements as below :—*
 - (i) Aircraft Instruments and Aircraft Navigational Equipment.
 - (ii) Aircraft spares and Aircraft Engines.
 - (iii) Aeronautical Test Equipment.
 - (iv) Lamps and spares for Air Port Lighting Equipment.
 - (v) International Films.
 - (vi) Model Aircraft (Flying Model).
 - (vii) Radio Teletype Equipment.
 - (viii) Spare parts and Accessories of proprietary character for the above.
 - (ix) Spares for Crash Fire Tenders.
 - (x) Spares for special Air compressors for refrigerating 'Coolair' Plant for cooling down aircraft.
 - (xi) Specialised Radar and Radio Navigation and Traffic Control equipment.

- (xii) Specialised Test Gear.
 (xiii) Synthetic Trainers (Aircraft).
3. Aluminium Powder.
 4. Astronomical Instruments and accessories of specialised nature e.g. Diffraction Gratings, Coronagraph, Spectrophotometer etc.
 5. Audio wire and cables of various description.
 6. Colour items for graphs.
 7. Dip Circle.
 8. Diamonds for Diamond Glaziers and Diamond Truing Tools.
 9. Epidiascope.
 10. *Fishing Vessels and Accessories as below.*
 - (i) Engines and gears only of Power propelled fishing vessels.
 - (ii) Fishing sets and other fishing gear and spare parts thereof.
 - (iii) Spare parts of engines and other components of fishing vessels.
 11. Fumigation Chambers.
 12. Geophysical Instruments and accessories of specialised nature e.g. Magnetic Balance, Torsion Seismometers etc.
 13. Gyro Compass.
 14. Highly Scientific instruments and stores for special investigational work e.g. Spheric instruments, Ionospheric recorders etc. Beryllium bronze in solutionised state etc.
 15. Laboratory Screening Machine.
 16. Lethal Weapons and other warlike stores including explosive materials and such requirements of the Defence Ministry which as a result of the Joint scrutiny by representatives of the Director General, Supplies and Disposals and the Defence Headquarters of Directorate General of Ordnance Factory have been designated as reported.
 17. Lighthouse Equipment and machinery and miscellaneous stores.
 18. Lithographic Drawing Instruments such as Bow pens, Straight Edges, Set-squares, Shading medium and brushes of different series.
 19. Measuring Tapes for tonnage measurement.
 20. Models of :—
 - (i) *Electric Apparatus*.—A.C. Generator, Starter, Measuring Instruments, Electric Laboratory Apparatus and Steering gear.
 - (ii) *Internal Combustion Engines*.—Fuel Valve, Fuel Pump, Starting Valve, Oppose Pos. Eng. Rotary Compressor and Comp Inlet Discharge Valve.
 - (iii) *Measuring Apparatus*.—Induction, Dynamometer, Torsionometer, Torsionometer (Electric) and Pitchmeter.
 - (iv) *Reciprocating Engines*.—Valve Gear, Link Motion and Metallic Packing.
 - (v) *Turbines*.—Dummy piston, Sealing glands—Carbon and Labyrinth, Rotor (reaction), Diaphragm plate, Nozzle Flexible coupling.
 21. Off set Litho Press-Ancillary Equipments and other miscellaneous articles of English make for.
 22. Papers, Drawing, Bollingworth, and other high grade printing paper which is not available in India.

23. Photographic Equipment and accessories required in connection with Photolithography e.g. Progress Cameras, Lenses and Prisms; sensitised plates and paper; chemicals etc.

24. Piptone Agar Agar Crown Cape.

25. Plants, Machinery and other specialised equipments required by Mint Masters and the Master of the India Security Press.

26. Power Operated Dusters.

27. Power Operated Sprayers.

28. Printing stores in List 'C' of Appendix 10 of Vol. II Compilation of the General Financial Rules 1st Edition 1947 :—

(i) Ink, Printing and Lithographic.

(ii) Litho Stones and Plates.

(iii) Press and Ruling Machine Blankets.

(iv) Printing Furniture, including composing frames and galleys, chases, quoins, riglets, leads, rules, etc. etc.

(v) Printing Machinery of all descriptions including Machines for composition, Lithography, Bindery, Embossing, Type casting etc. etc. and Accessories.

29. Pulsynetic Clocks.

30. Radar and Accessories including these for special work like wind finding or storm detecting work.

31. Rare chemicals of Foreign manufacture and not available in India.

32. Radio Transmitters and Communication Receivers used by Overseas Communication Service.

33. Rocket Apparatus.

34. Scharomuty Pistol.

35. Zip-a-tone Screens.

36. Seeds for Germination Purposes.

37. Soil Testing Apparatus.

38. Special Drawing Instruments not made in India.

39. Special Chemicals required by the Indian Agricultural Research Institute.

40. Special Graph and Drawing Papers and Books.

41. Specialised instruments not marketed on a commercial scale required for ailvicultural, woodworking and Forestry Research.

42. Special Machinery and Laboratory Equipments required by the Chief Chemist, Central Revenues for Customs House Laboratories and Alkoloid Works, Ghazipur Opium Factory.

43. Specialised technical instruments and stores peculiar to Meteorological Department apparatus required by them for experimental and investigational work.

44. Specialised Survey Instruments including instruments required for geodesy and geophysical work.

45. Special Telegraph Tapes and paper for transmitting receiving and recording etc. in the Overseas Communication Service.

46. Spray equipments for Graphs.

47. Stencils.

48. Still Projector (Still strip).

49. Stress and Strain testing instrument.

50. Telephone instruments of all kinds, exchange apparatus, carrier and transmitter equipment including repeaters and loading coils and parts thereof, not obtainable from the Indian Telephone Industries Ltd.

51. Production Tools and Testing Apparatus for the manufacture of above.

52. Special Machinery both electrical and mechanical gear and special raw materials for manufacture of equipment shown at item 50 above.

53. Unexposed colour Cinematograph film and Cinematograph equipment.
 54. Wireless Telegraphy Direction Finder.
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Annexure III to Ministry of Works, Housing and Supply Office Memorandum No. PII-201(8), dated 10th December, 1952 referred to in Annexure 'C'.

Copy of Office Memorandum No. PI-1(8), dated 13th November, 1952 from Department of Industries and Supplies to India Supply Mission, Washington and Director General, Industries and Supplies, New Delhi and Food Department.

SUBJECT.—Food Department Indents on U.S.A./Canada

It has been decided with the concurrence of the Food Department that with effect from 16th November, 1946, all Food Department indents will be placed direct on the India Supply Mission by that Department, and *not* through the Directorate General, Industries and Supplies, New Delhi, as heretofore.

2. All correspondence with the India Supply Mission regarding Food Department items will be carried on direct by the Food Department *except* that the Industries and Supplies Department will be kept informed of, and, where necessary consulted on, questions affecting general policy and procedure.

3. The Directorate General of Industries and Supplies will, as heretofore, arrange to clear such of the stores already indented for and shipped from America, as the Food Department desire should be handled by the Directorate General of Industries and Supplies. Thereafter, clearance of all Food Department cargoes at Indian ports will be arranged by Food Department.

4. In respect of demands placed by the Food Department direct, the India Supply Mission will consign the goods to that Department and not to the Director/Deputy Directors of Supplies of the Directorate General of Industries and Supplies at the ports. Shipping documents should also be made out in favour of Food Department and forwarded direct to them *by* the India Supply Mission.

APPENDIX LVII
MINISTRY OF COMMUNICATIONS
(Posts and Telegraphs)

Memorandum No. P. 472/53

New Delhi, the 27th October, 1953

SUBJECT.—*Memorandum to the Public Accounts Committee regarding Para. 34 of their Fifth Report, on the Calcutta Automatisation Scheme.*

In para. 34 of their Fifth Report on the accounts of 1949-50, the Public Accounts Committee observed that they did not find adequate justification for the maintenance of a large establishment consisting of 32 gazetted officers and 313 non-gazetted officers for dealing with the affairs of the Calcutta Telephone Automatisation Project when most of the work had so far been executed by the outside agencies. Accordingly, the Committee recommended that the Department should without further delay, chalk out a definite plan for the training of staff in Automatisation work and also assess the magnitude of work connected with planning and, thereafter, retrench the unnecessary staff, to effect economy in expenditure.

2. The above recommendation of the Committee has been examined. It is no doubt true that a number of items of work, namely, station engineering of exchange systems, land acquisition, building and electric installation of five out of the fifteen Auto Exchanges have been entrusted to outside agencies. But these constitute only a part of the several works comprising the Project. Actually, many works such as those connected with (a) survey and forecasting of growth of telephones and of the cable network, (b) designing of the cable system, (c) preparation of building designs, (d) traffic surveys and investigations, (e) execution of cable work rewiring of subscribers' offices, (g) engineering of P.B.X. systems and their installation, (h) numbering and area corrections, etc., have to be planned and executed by the departmental staff. A note on the amount of work required to be done departmentally, prepared by the Engineer-in-Chief, Calcutta Automatisation, is attached (Annexure I). The duties performed in the various Sections of the Automatisation Branch to handle work to be carried out departmentally, have been explained in Annexure II.

3. The training of staff for installation and maintenance of the Automatic Exchanges has been in hand for the last three years and will have to continue until, practically, the last stage of the Calcutta Automatisation Scheme. To ensure efficiency, the training programme is being so arranged that the staff can be employed on installation as well as on maintenance duties soon after they are trained. The staff are being trained gradually as they become available after the closing of the Manual Exchanges.

ANNEXURE I

(Referred to in Para. 2).

A note prepared by Shri H. R. Thadhani, Engineer-in-Chief, Calcutta Automatisation Scheme regarding the work to be done departmentally in the Scheme.

In order to give a clear picture of the amount of work required to be done departmentally, I will very briefly describe the activities of the Automatisation Branch.

(i) *Traffic Branch.*(a) *Forecasting.*

We have to try and estimate the telephone expansion in each area for the next 20 years. This necessitates survey of every nook and corner of the area, contacting the people in the area, ascertaining the building development schemes proposed for the vacant sites and Basties in the area, and then estimating the annual expansion.

(b) *Number Change and Area Correction.*

This is a very important item of work required to be done by the Automatisation Branch. But the work has had to be stopped from time to time and in some cases actually undone in order to meet the requirements of expansion of the existing manual systems. It is only after the areas are corrected and the subscribers of each area segregated, that correct traffic statistics can be taken and junction quantities, final selector loadings, P.B.X. group allotments etc. finalised.

(c) *Statistics.*

In view of the fact that the quantity of equipment has to be regulated from time to time on the basis of actual traffic to be handled, traffic counts have to be taken periodically. Normally the traffic counts can be entrusted to telephone operators but in the case of Calcutta where two or more automatic exchange areas are worked from a single manual exchange, all traffic including the local calls have to be recorded indicating the number from and the number to, so as to assess the anticipated traffic between the various automatic areas.

(d) *Auto-manual.*

This is the most difficult item of work which the Automatisation Branch has to do. The Auto-manual working is going to be the weak link in the Calcutta network during the whole of the conversion period. The amount of work involved may be gauged from the fact that some 4 to 5 hundred operators have to be trained in Auto-manual working. Key Sending B positions though fast in working, have created many other problems.

In addition to the above specific items of work, the Traffic Branch has to do a lot of demonstration work, contacting the public and explaining to them the use of the dial, the actually opening a number of centres where the subscribers will be allowed to practise dial. Considerable amount of work of publicity, revision of operating and other instructions, etc. also requires to be done.

(ii) *Engineering.*(a) *Subscribers' Offices.*

The present telephone system in Calcutta works with 24 volts while the automatic system will work on 50 volts. This doubling of voltage and dial impulse requirements necessitate a very much higher standard of insulation than the one existing at present. It has been found that in certain areas 80 to 90 per cent. of the subscribers' premises have to be rewired. Work of this type

would not have arisen in any other part of India as our manual systems work on 40 volts and the standard of insulation required for those systems is comparable to the one required for 50 volts auto system. Another handicap to our work in Calcutta is that the public is generally not co-operative and considerable difficulty is experienced in obtaining wayleaves etc. For example, if a subscriber happens to be on the first floor, the party on the ground floor makes it extremely difficult for our staff to take the circuit through his premises. This is mainly because the present telephone system is unsatisfactory and the public is fed up with us.

(b) *Cable Planning.*

This is a very complicated and tedious type of work. The difficulties of the work have been increased by the fact that the existing cable records of the District are inaccurate. The plans were prepared on the basis of the cables specifically indented for by the Automatisation Branch. These have had to be revised in keeping with the actual availability of the cables in the Store-yard from time to time. Recently we had revised the plans with a view to using the Japanese cables but these had again to be modified as the Japanese cables have been found defective and have to be retaped before they can be used. Such modifications are bound to occur in a Scheme of this type.

(c) *Cable Laying and Terminating.*

The difficulties of cable laying in a large city through congested areas need no specific mention by me. Almost all the distribution points are causing low insulation and have to be replaced.

(d) *Automatic Equipment.*

There seems to be an impression that we have nothing to do in respect of the automatic equipments because the Scheme has been prepared by the Consultants and the equipment is being supplied by the A.T.E. and will be installed by them during the first two stages. This is, however, not correct. Considerable amount of work has had to be done on the design of various circuits which have to line up with the existing manual systems. Modification of code and postponement of some of the Auto exchanges provided for in the Scheme have also increased our work. Work has also had to be done on the design and manufacture of relays so as to make the manual systems in Calcutta capable of working with the Automatic exchanges. The P.B.Xs. have had to be re-designed and so also the Directory Enquiry suites, Phonograms and Trunk suites.

(e) *Training of Staff.*

The Calcutta Automatisation organisation has had to start from scratch as with the exception of few officers at the top, no staff with any knowledge of automatic telephony has been made available to this Branch. We have had to train even our own cable jointers. It is estimated that we will have to train approximately 100 supervisors, three to four hundred mechanics, five hundred telephone operators, etc.

(f) *Installation of Automatic Equipment.*

There seems to be a general impression that because the A.T.E. will be doing the installation during the first two stages, the Automatisation Branch will have very little to do in this connection. This, however, is not correct, as the Automatisation Branch will have to watch the installation from the very beginning and inspect and test each item of equipment as it is being installed. Then again, it is to be remembered that the present intention is that the Automatisation Branch will do the installation of exchanges in Stages III, IV and V. For this purpose, we have to start building up a team of fitters, erectors, wiremen, switch adjusters, testers etc.

ANNEXURE II

Showing the justification for the staff employed in the various Sections in the Calcutta Automatisation Branch dealing with the work required to be done departmentally (Referred to in para. 2).

A tabular statement showing the distribution of the staff is given below :—

Sections	Divisional Engineers	Assistant Engineers	Non-gazetted Staff
(i) Equipment Section	1	1	} 313
(ii) Installation Section	1	2	
(iii) Training	1	1	
(iv) Cable Works	1	2	
(v) Subscribers' Offices	1	3	
(vi) Cable Planning	1	4	
(vii) Traffic Planning	1*	3	
(viii) Traffic Operations	1*		
(ix) Buildings etc.		2	
(x) Estimating		1	
(xi) Stores and General		1	
(xii) Personal Assistant, (Engineering)		1	
(xiii) Maintenance	1	2	
TOTAL	9	23	313

*B.P.O. Officers

The work done in the above sections is indicated below :—

(i) *Equipment Section*.—This section deals with equipment planning, circuits, receipt, storage, verification of equipment, checking of stores, payment of bills, etc. It is under the charge of a Divisional Engineer assisted by an Assistant Executive Engineer.

(ii) *Installation Section*.—It deals with all matters relating to installation of equipment, acceptance testing, call-through tests, cut-over arrangements, M.D.F. and I.D.F. jumpering, junction testing and interconnection with the manual systems. This section is under the charge of a Divisional Engineer assisted by 2 Assistant Engineers.

(iii) *Training of Engineering Staff*.—The staff for the maintenance of the automatic exchanges is being trained in this section. The installation staff for the installing of the ten auto exchanges that will be installed departmentally is also being trained by this Section. This is under the control of a Divisional Engineer assisted by one Assistant Engineer.

(iv) *Underground Cable Works*.—The entire cable work for the whole scheme is to be done by the department. This Section is under the control of a Divisional Engineer assisted by 2 Assistant Engineers.

(v) *Subscribers Offices*.—This Section deals with work involved in fitting up the subscribers' premises as also reconditioning of existing wiring in subscribers' offices to make them suitable for automatic working. This is under the control of a Divisional Engineer assisted by 2 Assistant Engineers and is also assisted by an Assistant Engineer in Charge of Distribution and overhead lines, testing of the subscribers network.

(vi) *Cable Planning and Drawing Office*.—This work was not done by the Consultants. Due to heavy expenditure involved, cable planning had to be done scientifically to make it economical and to afford flexibility for augmentation of the cable provision in instalments economically. The amount of planning to be done is very heavy. This Section is now being controlled by one Divisional Engineer. He is assisted by 4 Assistant Engineers.

(vii) *Traffic Planning Section*.—The Consultants had indicated in their report that traffic counts for the economical provision of junctions and equipment in the exchanges would have to be taken by the Department at the time of implementation of the automatisisation scheme. The traffic section has had to be formed accordingly. This is under the control of a B.P.O. Engineer assisted by 3 Assistant Engineers.

(viii) *Traffic Operation*.—This deals with training supervisory and operative staff for the auto-manual key sender positions, direct dialling positions, centralised service observations positions, etc. etc. This Section is in charge of a B.P.O. Engineer.

(ix) *Building, Electrical and Air-conditioning*.—The work of electrification and air-conditioning has to be done for 13 large buildings. This Section is under the control of Deputy Engineer-in-Chief assisted by 2 Assistant Engineers.

(x) *Estimating Section*.—The number of estimates that have to be prepared for the scheme exceeds 200. This section is understaffed. This is under the control of an Assistant Engineer.

(xi) *Stores and General Section*.—This deals with general stores like cables etc.—apart from equipment and is under the control of one Assistant Engineer.

(xii) *Personal Assistant Engineering*.—For general assistance to the Engineer-in-Chief.

(xiii) *Maintenance Section*.—A separate Section has been set up for maintenance of auto exchanges and a skeleton maintenance has already been commenced on the Central and North exchanges. This section is under the control of a Divisional Engineer assisted by 2 Assistant Engineers. The question of transfer of these officers to the District organisation is under examination.

2. The entire gazetted and non-gazetted staff are sanctioned according to the justification therefor and the staff position is reviewed from time to time with reference to the nature and quantum of work to be done in the Automatisisation project.

APPENDIX LVIII

Government of India

MINISTRY OF COMMUNICATIONS

No. 9-G (10)/53

New Delhi, the 14th November, 1953

OFFICE MEMORANDUM

SUBJECT.—*Public Accounts Committee—Consideration of the Appropriation Accounts (Posts and Telegraphs). 1950-51 and Audit Report thereon.*

The undersigned is directed to invite a reference to the Parliament Secretariat Office Memoranda Nos. 57(7)-II-FC/53, dated the 10th November, 1953 and 12th November, 1953 and to forward herewith 35 copies of a general note in respect of the Indian Telephone Industries, Ltd., together with replies to specific points on which information has been asked for by the Public Accounts Committee. The factual information as contained in the note and answers to specific questions are in accordance with the relevant information furnished by the Indian Telephone Industries, Ltd.

2. It is regretted that information on the specific points relating to Calcutta Automatisation and other items relating to P. & T. Department as mentioned in the list enclosed with the Parliament Secretariat Office Memorandum No. 57(7)-II-FC/53, dated the 12th November, 1953 cannot be furnished by the due date. The information is being collected and will be furnished to the Parliament Secretariat as soon as possible.

(Sd.) B. N. JHA.

Secretary to the Government of India.

A note on the Indian Telephone Industries Ltd., Bangalore

India being backward from the point of view of telephone development, it was considered that no substantial progress in this direction could be expected so long as she had to look constantly to Europe or America for necessary equipment. The Government of India accordingly decided in 1947 that a manufacture unit for automatic telephone equipment should be established in India. This was an entirely new line to India and in order to have the patents and 'know-how' for the manufacture of such equipment, it was necessary to seek the assistance of foreign firms of repute who were specialists in the line. The Government of India, after negotiations with a number of manufacturers, decided on the Automatic Telephone and Electric Co., Ltd., of the U.K. for the purpose. With the approval of Cabinet, an agreement, dated the 3rd May 1948 was entered into with that Company. A copy of the agreement is attached.

2. From the beginning, the intention was to work the Factory as a private limited company in order to give it the necessary flexibility in administration, cut down delays on procedural and formal matters and to enable its accounts and organisation to be based on a commercial pattern. The work on the construction of the Factory was commenced in July 1948 and pending the formation of the Company it was decided to work it as a Government Department under a Board of Management with the Secretary, Ministry of Communications as Chairman. Shri Natarajan was appointed as General Manager and later when the Co. was formed as its Managing Director. It started working as a Company with effect from 1st February, 1950.

3. The authorised capital of the Company is Rs. 2,50,00,000 out of which Rs. 2,22,50,400 was paid up on 31st March, 1953. The share holders of the Company and their respective holdings on that date were :—

	Rs.
(1) Government of India	1,84,58,700
(2) Government of Mysore	31,25,000
(3) A.T.E. Co. Ltd.	6,66,700
Total	2,22,50,400

In accordance with the agreement with A.T.E., the latter were entitled to £ 100,000 (made up of £ 50,000 in cash and another £ 50,000 in free scrip in the Company proposed to be formed under the Agreement), in consideration of their patent rights and 'know how' to be made available by them to the Indian Company. Accordingly £ 50,000 was paid in cash at the time of signing the Agreement and Rs. 6,66,700 of free scrip (equivalent to £ 50,000) in the Indian Telephone Industries Ltd. was allotted to A.T.E.

4. Under the Articles of Association of the Company, the Government have the power to appoint all the Directors except one who is to be appointed by the A.T.E. Co., Ltd., under the terms of the Agreement with them. The power to appoint the Chairman and the Managing Director as also to fix their remuneration has also been vested in the Government of India. The Board at present comprises 8 Directors, of whom the Secretary, Ministry of Communications, is Chairman. The other Directors are—

- (a) Joint Secretary, Ministry of Finance (Communications) ;
- (b) Chief Engineer, Posts and Telegraphs ;
- (c) a representative of Mysore Government ;
- (d) a representative of A.T.E. Co., ;
- (e) 2 non-officials nominated by Government ; and
- (f) a Managing Director appointed by Government.

The Indian Telephone Industries's programme is to produce automatic telephones and exchange apparatus, carrier equipment and miscellaneous equipment including train control apparatus. Starting

from assembly of telephones from imported parts, the Indian Telephone Industries is now manufacturing all the telephone components except one. It is expected that this part also will be in production during the next year. On the Automatic exchange side, uniselecter switches, relays, banks, protector and racks are completely manufactured in the Indian Telephone Industries at present. Some parts of the 2 motion switches are also being manufactured and further progress is expected by next year. The value of the equipment sold out of the Indian Telephone Industries production for the year ending 31st March, 1953 was Rs. 50,36,470.

5. Copy of the Balance Sheet and the Chairman's report of Indian Telephone Industries for the year 1950-51 are enclosed herewith.

6. The number of employees as on 31st March, 1953 was 2,129 comprising 66 officers, both Indian and foreign, 826 monthly rated staff and 1,237 daily rated staff. The foreign personnel are all seconded from the A.T.E. Co. Ltd., in accordance with the Agreement with them for specific jobs for which no suitable Indians are available and for specified periods on salaries mutually agreed to. As soon as an A.T.E.—Seconded officer arrives in India, an Indian Officer is attached to him as an under-study. When the stage is reached where the Indian Officer has learnt the work, he is put in charge of the Department. In this way, the work of the Assistant Works Manager, the Methods Engineer, the Plating Engineer, Bank Wiring Foreman and Rack Wiring Foreman, etc. has been taken over by Indian personnel. The following statement shows the present strength of A.T.E.—Seconded Personnel in Indian Telephone Industries with their designations and salaries:—

Name	Designation	Salaries per mensem
		Rs.
J. Glass	Works Manager	2,500
J. Spencer	Production Manager	1,888 12
G. Feltham	Ch. Inspector	1,833 5
R.D. Cadwaladr	Training Engineer	1,722 4
J.A. Salt	Switch Adjustments and Functioning.	1,733 5
W. Dickinson	Specialized Wiring Foreman	1,733 5
Colin Roberts	P.A.X. Wiring	1,733 5
R. Owen	Dial Manufacturing Engineer.	1,733 5
H.Moriarty	U. S. Switch Manufacturing Engineer	1,733 5
H. T. Lowe	Tool Room Switch Manufacturing Engineer.	1,733 5
W. O. Walker	Rate Fixer	1,777 12
R.R. Phillips	Tool Room Engineer	1, 833 5

7. The general question of the basis on which selling prices to Government departments and others should be governed is under examination. In the meanwhile, the British Post Office prices are being charged.

8. The P.A.C. have asked for information on certain specific points *vide* Parliament Secretariat Office Memoranda No. 57(7)-II-FC/53, dated 10th and 12th November, 1953. This information is given to the annexure to this note.

ANNEXURE

Information asked for by the Public Accounts Committee, vide Parliament Secretariat's Office Memorandum No. 57(7)-II-FC/53, dated 10th and 12th November, 1953.

Q. (1) Whether S. B. Dandekar & Co., Chartered Accountants, is a partnership concern and if so, who are the present partners?

A. M/s. S. B. Dandekar & Co., Chartered Accountants, is a Partnership concern and the partners are as under :—

- (1) Shri G. M. Dandekar, B.A., F.S.A.A., F.C.A.
- (2) Shri E. D. Viswanathan, B.A., G.D.A., F.C.A.
- (3) Shri S. B. Dandekar, B. Com., G.D.A., F.C.A.
- (4) Shri P. N. Bam, F.C.A.
- (5) Shri M. B. Shaw, B. Com., F.C.A. and
- (6) Shri V. M. Desai, A.C.A.

Q. (2) The fees paid to them so far (figures to be given separately for each year).

A. The fees paid from 1st February, 1950 to 31st March, 1953 are :—

1-2-50 to 31-3-51 (14 months)	Rs. 2,500 including out of pocket expenses such as T.A. charges)
1951-52	Rs. 2,500
1952-53	Rs. 3,250

The fees were sanctioned by the General body of the Company from year to year.

Q. (3) The address of the Registered Office of the above firm.

A. The principal office of M/s. Dandekar & Co., is 8 Lyons Range, Calcutta. They have a Branch Office at Madras.

Q. (4) The total income tax assessed so far from Indian Telephone Industries Limited.

A. The case regarding assessment of income tax of I.T.I. has not been taken by the Income Tax Department so far. Under the Indian Income Tax Act, liberal allowances are granted to new companies in respect of depreciation for the first years. The Company incurred loss during the first year (Rs. 1,33,980) ; and made small profits during the 2nd and 3rd years (Rs. 25,065 and Rs. 17,795 respectively). Pending formal assessment of income tax, a reserve of Rs. 7 lakhs has been kept to meet possible claims.

Q. (5) Names of the Managing Directors of the Kamani Engineering Corporation, Bombay, from whom I.T.I. have purchased Rs. 18 lakhs worth of goods.

A. The names of the Directors are as under :—

1. Shri Rajratna Ramji Hansraj Kamani, (*Chairman*).
2. Shri Chuni Lal Rai Chand Mehta.
3. Major-General Shanta Shamsheer Jung Bahadur Rana.
4. Shri Nyal Chand Mool Chand Seth.
5. Shri Poonam Chand Ramji Kamani.
6. Shri Rati Lal Odhavji Zadakia.
7. Shri Rati Lal Keshavji Mehta.

Q. (6) The powers of the Managing Director of the I.T.I. Ltd., in regard to purchases without reference to the Board of Directors.

A. At the first meeting of the Board of Directors of I.T.I. Ltd., held on 27th February, 1950, the following powers were delegated to Managing Director in respect of purchases.

- (i) to incur Capital expenditure to the extent to which the Board has given power or authorisation.
- (ii) to incur expenditure in respect of purchase of raw material for production.
- (iii) to make purchases and to make sales covering the orders for telecommunication needs of the Government Departments and others.

The above powers are subject to Budget provision and are to be exercised in accordance with the policy laid down by the Board regarding stocking of stores.

Q. (7) The rules relating to the filling up of posts in the I.T.I. Ltd.

A. The rules relating to recruitment of staff in the I.T.I. are as under :—

Procedure for selection.—The procedure of selection of Officers in the higher administrative and technical posts in the factory and establishment side of the Indian Telephone Industries Ltd., Bangalore is as under :

Powers of Recruitment.

1. All appointments carrying a basic salary exceeding Rs. 300 per month are made by the Board of Directors on the recommendation of the Staff Sub-Committee of Directors.

2. *Temporary appointments.*—The Chairman of the Company has powers to sanction temporary appointments of officers for a period of six months in each case up to a salary of Rs. 1,000 per month subject to subsequent confirmation by the Board.

3. All appointments of officials whose basic salary does not exceed Rs. 300 per month are made by the Managing Director on the advice of the Staff Selection Committee with exceptions shown hereunder.

4. The Managing Director may recruit temporary personnel for a period not exceeding three months and on a salary not exceeding Rs. 300 per month. A list of such staff engaged is placed before the Board at the subsequent meeting. The engagement of these temporary staff is subject to the budget provision.

5. All other appointments of a permanent nature are made by the Staff Selection Committee consisting of the Managing Director and Development Secretary of the Government of Mysore and a representative of the Automatic Telephone and Electric Co. Ltd.

Procedure for recruitment

6. Appointments carrying a basic salary of Rs. 300 per month and above are advertised on an All India basis.

7. Appointments carrying a basic salary between Rs. 200 and Rs. 300 per month are advertised in the contiguous States of Mysore i.e. Madras, Bombay and Madhya Pradesh (Central Province).

8. Appointments carrying a basic salary below Rs. 200 per month excluding the categories as stated above, are advertised in the local press.

9. If it is found necessary the vacancies are advertised more widely than indicated above.

10. A copy of all advertisements for Technical Staff are sent to the Ministry of Education, Government of India, who may like to bring the cases to the notice of returned overseas scholars who fulfil the qualifications.

11. The local employment exchange is contacted in all cases of recruitment and is supplied with copies of all advertisements.

12. All applications received in response to advertisements are registered by the Personnel Department, acknowledged and sorted out in consultation with the Departments concerned.

13. The Personnel Department calls the required number of candidates for interview on the basis of three candidates for each post.

14. Candidates called for interview are usually subjected to one or more types of tests, viz. Psychological (as approved), Theoretical, and Interview.

15. Selected candidates are asked to come for practical tests.

16. The practical test is conducted by the Head of Department concerned, and the results of the test, along with the recommendation of the Head of Department on a separate sheet is sent to the Personnel Department the same day. The Personnel Department places all relevant papers before the Staff Selection Committee.

17. Appointments at the Indian Telephone Industries Ltd. are made subject to satisfactory medical report from the Company's Medical Officer and a favourable report from the Police authorities of the District from which the applicant hails, and satisfactory references from other sources.

18. In the recruitment of staff, efficiency and competence only are given consideration.

18. *Recruitment of non-Indian personnel.*—The foreign personnel are all seconded from the Automatic Telephone & Electric Company, Ltd., in accordance with the agreement with them for specific jobs for which no suitable Indians are available and for specified periods, on salaries mutually agreed to. For doing a specific job, Automatic Telephone and Electric is requested to nominate a suitable officer. The record of such official and the salary proposed are placed before the Board for approval of his appointment. The period of service is one, two or three years as found necessary. As soon as an Automatic Telephone & Electric Company-Seconded Officer arrives in India, an Indian Officer is attached to him as an under-study. When the stage is reached where the Indian Officer has learnt the work, he is put in charge of the Department. In this way, the work of the Assistant Works Manager, the Methods Engineer, the Plating Engineer, Bank Wiring Foreman, Rack Wiring Foreman etc., has been taken over by Indian personnel.

Q. (8) *Note stating the circumstances that led to the overcapitalization of the Indian Telephone Industries, Ltd., Bangalore, may be furnished.*

A. The position regarding the capital of the Indian Telephone Industries is as follows:—

On the 1st February, 1950, Indian Telephone Industries was formed as a Joint Stock Company under the name of Indian Telephone Industries, Ltd. The authorised capital of the Company is Rs. 2.5 crores, based on estimates for land, buildings, plant and equipment and other fixed assets, amounting to Rs. 226 lakhs. The subscribed capital of the Company on 31st March, 1952 was Rs. 1,86,25,400 made up as follows:—

	Rs.
(a) Rs. 59,587 ordinary shares of Rs. 100 each fully paid issued to Government of India as purchased consideration for assets acquired	59,58,700
(b) Rs. 6,667 ordinary shares of Rs. 100 each fully paid, for consideration other than cash to ATE	6,66,700
(c) 1,20,000 ordinary shares of Rs. 100 each for cash fully paid	1,20,00,000
	1,86,25,400

In addition to this, the Government of India and the Government of Mysore had made deposits amounting to Rs. 36,25,000 towards capital, thus making a total of Rs. 2,22,50,400 (Shares against these deposits were issued subsequently).

On the 31st March, 1952, this amount had been utilised as under:—

Land buildings, plant and machinery, etc.	Rs. 85,25,323
Production tools and gauges	Rs. 15,52,061
Un-absorbed balance of original payment to A. T. E. for their patent rights and 'know how' (This includes the sum of Rs. 6,66,700, the value of free shares issued to A.T.E)	Rs. 10,51,130
Total :	Rs. 1,11,28,514

In addition to the above, stores and stock-in-trade to the value of Rs. 78,33,922 were in stock. A balance of approximately Rs. 33 lakhs was kept to augment the working capital and to make payment for cost of machine tools, production tools etc., which had been ordered for approximately Rs. 80 lakhs and many of which were due for delivery.

It will be seen from the above that the Indian Telephone Industries is not over-capitalised.

2. It was mentioned at the last meeting of the P.A.C. that the cash balances shown in the second Annual Report 1952 were heavy. It was asked whether the balances represented part of the capital.

The correct position is as follows :—

As explained above, the capital of the Company is deployed mainly in fixed assets and raw material stores. The balances mentioned above refer to balances held in cash with banks on current accounts, imprest etc. and in call deposits with banks. During the last month of the financial year, heavy receipts occur due to the practice of Government Departments settling most of their bills during this period. The table below will show the cash balances on the last day of the three months of the last quarter of 1950-51 and 1951-52 :—

as on	31-1-1951	Rs. 49,82,627
	28-2-1951	Rs. 51,21,664
	31-3-1951	Rs. 103,81,344
as on	31-1-1952	Rs. 17,89,025
	29-2-1952	Rs. 13,53,183
	31-3-1952	Rs. 97,06,472

In accordance with the policy laid down by the Board, balances are not kept in cash or in current account except to the extent required or likely to be required to meet claims during the ensuing fortnight. Sums in excess of such requirements are invested either in long-term short-term call deposits as expedient. It will be seen from the Second Annual Report 1952 that a sum of Rs. 30 lakhs (approximately) was thus held in 1950-51 and a sum of Rs. 53 lakhs (approximately) in 1951-52. These call deposits bring in interest of approximately 2½ per cent.

Q. (9) A note stating the broad outlines of the Policy followed by the Indian Telephone Industries regarding the purchase of manufactured or semi-manufactured articles and how and from where the purchases are made may be furnished.

A. The purchase of Indian Telephone Industries comprise the following broad categories :—

- (a) manufactured equipment ;
- (b) spare parts;
- (c) raw materials ;
- (d) Machine tools ; and
- (e) Production tools.

Manufactured equipment covered by the terms of the Agreement between the Government and A.T.E. is obtained from A.T.E. Co. Ltd. Equipment not covered by that Agreement has been brought by the I.T.I. from others by open tender.

Components which A.T.E. produces and which I.T.I. has programmed to manufacture are obtained from A.T.E. under the terms of the Agreement. Other components have been obtained through I.S.D., London, or through open tender.

Raw materials obtainable in India have been procured through Director-General of Supplies & Disposals or open tender. Raw materials obtainable abroad have been procured through I.S.D., London, or open tender.

Machine tools have been mostly obtained through I.S.D., London, and a small portion by open tender. Production tools are mostly obtained from A.T.E. under the terms of the Agreement and the balance by open tender.

All purchases have been made by the Managing Director, in exercise of the authority vested in him.

When Indian Telephone Industries started their production work in 1949, it was found that most of the raw materials required by them had to be obtained from outside India, as the specifications of this specialised industry are stringent and there were no manufacturers in India who were able to keep up to those specifications. Many Indian manufacturers have been approached and today about 11.2 per cent. of the raw materials are obtained from Indian sources. Continuous investigations are being carried out to replace foreign suppliers by Indian sources and a special department of Indian Telephone Industries is constantly doing research in this connection.

Q. (10) *A break-up of the figures on account of "Salaries" and Office "—Establishment" as appearing in the last Balance Sheet of this Company under the head "Labour" and "other Expenditure" may be furnished. What is the annual amount on account of establishment charges incurred in the maintenance of "Labour" and "Superior establishment" in the factory (including the foreign experts)?*

A. "Salaries" under "Administration Expenses" represent pay of officers and other staff who are engaged on administrative work, such as General Manager, Personnel Manager, Sales Manager, Chief Accountant, etc., and other attached staff. "Office expenses" comprise expenditure on maintenance and repair of office equipment and appliances, postage and stationery, etc., and do not relate to staff salaries or wages. Information regarding the number of personnel employed, the amounts disbursed on salaries or wages to the different categories of staff, as for March, 1953 (which are readily available) are given below :—

Category of personnel	Numbers	Salaries or wages paid Rs. p m.
A.T.E.-Seconded personnel	12	22,037
Indian officers	54	30,460
Monthly paid staff in Administration, Accounts Personnel, Sales, Purchases and Stores Engineering and Research and Building Construction Department including branch offices in Bombay and Calcutta	654	64,069
Monthly paid staff in the Production Department	172	27,645
Daily rated staff	1237	82,128
Total	2129	2,27,279

APPENDIX LIX

No. 9-G(40)/53.

GOVERNMENT OF INDIA
MINISTRY OF COMMUNICATIONS

New Delhi, the 16th January, 1954.

OFFICE MEMORANDUM

SUBJECT.—P.A.C.—*Consideration of the Accounts relating to the Indian Telephone Industries Limited, Bangalore.*

The undersigned is directed to invite a reference to the Parliament Secretariat Office Memorandum No. 57(II)-FC/53, dated the 18th November, 1953, and to forward herewith 35 copies of a note based on information supplied by the Indian Telephone Industries where necessary, containing replies to the specific points on which information is required by the Public Accounts Committee.

B. N. JHA, Secy.

Information asked for by the Public Accounts Committee in their Memorandum No. 57(II)-FC/53, dated the 18th November, 1953.

Q. 1. *Whether Government have examined any proposals to extend the scope of working of the Indian Telephone Industries Ltd., Bangalore so as to include other connected subsidiary industries? If so, what decision has been taken in the matter?*

A. In its manufacturing programme, the Indian Telephone Industries uses a number of items, namely :—

1. Switchboard Lamps.
2. Enamelled Wires.
3. Insulated wires.
4. Switchboard Cables.
5. Insulating Tapes.
6. Buffer Blocks.
7. Switchboard Plugs.
8. Telephone Cordage.
9. Card Boards for packing.
10. Moulding Powder.
11. Manufacture of Magnets.
12. Special paper for manufacture of condensers.

13. Aluminium foil for the manufacture of condensers.

14. Nickel silver strips.

Out of these items, Telephone Cordage is being manufactured in the Posts and Telegraphs Workshops and the manufacture of Switchboard Plugs is also in hand and is expected to be finalised in a few months. The other items are at present imported from abroad. It has been suggested that an investigation should be made on the possibility of manufacturing these items in India, if necessary by organising subsidiary industries. This has been brought to the attention of the Planning Commission. The question whether Indian Telephone Industries should itself undertake the manufacture of some of these items has not been examined.

Q. 2. A note on the composition, working and adequacy of the Cost Accounting Section attached to the Indian Telephone Industries Ltd., with special reference to the recruitment of the requisite kind of trained personnel may be furnished.

A note on the composition and working of the Cost Accounting Section attached to the Indian Telephone Industries Ltd., with special reference to the recruitment of the requisite kind of trained personnel is given in Annexure I. So far as the adequacy of the Cost Accounting System is concerned, it may be pointed out that the Indian Telephone Industries is an industry engaged in the progressive manufacture and assembly of various types of equipment of a complicated nature and the particular system of Cost Accounting required will have to be determined after a detailed study of each type of equipment and adjustments would be made as and when the type of equipment in question is taken for production. It will, therefore, take some time before a standard method of costing can be determined. The fixing up of standard cost or reliable estimates of cost will easily take two to three years for each item of equipment from the time it is initiated for production. An examination of the Cost Accounting System of the Factory was made recently by the Chief Cost Accounts Officer to the Government of India. His preliminary report has been examined in the Indian Telephone Industries and the Chief Cost Accounts Officer is to make a further visit to finalise this system. The position is being kept under review and the desirability of strengthening this section according to requirements is being kept constantly in view.

Q. 3. (a) How was the selection of Messrs. Dandekar & Co., Chartered Accountants made?

(b) What was the experience of this firm in the audit of Accounts of any other major concerns?

A. (a) In accordance with the decision of the Board of Directors of the Indian Telephone Industries Ltd., the Managing Director was asked to collect information relating to the terms on which the leading firms of auditors in Bombay, Madras, Calcutta, Delhi and Bangalore were prepared to undertake the statutory audit of the Indian Telephone Industries Ltd. After considering the experience, rates, status etc. of the various firms of auditors in Bombay, Madras, Calcutta, Delhi and Bangalore, the Board of Directors decided to recommend the appointment of Messrs. S. B. Dandekar & Co., Chartered

Accountants, 16, Morse Street, Madras as the Auditors of the Company. The recommendation of the Board was approved by the shareholders at the General Meeting of the Company.

(b) A list of other major companies of which Messrs. S. B. Dandekar & Co., are auditors is given in Annexure II.

Q. 4. A note stating the actual cost of production of a telephone by the Indian Telephone Industries and the actual price that is being charged from Government Departments, private bodies etc. may be furnished.

A. The cost of production of a telephone instrument in the Indian Telephone Industries based on the actual cost of the components and the assembly labour as obtained in 1952-53 was Rs. 92.96. The price charged by the Indian Telephone Industries to Government Departments, like the Posts and Telegraphs and private bodies etc. is Rs. 108 per telephone. The break-down of the actual cost of production and the method of arriving at the selling price is indicated in Annexure III.

ANNEXURE I

Note on the Composition and working of the Cost Accounting Section attached to the I.T.I. Ltd. with special reference to the recruitment of the requisite kind of trained Personnel.

1.1. The Costing Section is in charge of a qualified Cost Accountant (A.C.W.A., London) who joined the I.T.I. in February 1950. Before joining I.T.I., he had worked as an Assistant Accountant in the Hindustan Aircraft Ltd.

1.2. There are 12 Assistants working in the Costing Section under the Cost Accountant. Out of the 12, 3 Assistants are graduates in Commerce and one a Science Graduate. The rest are undergraduates. The recruitment of staff is done by the Personnel Department and the selection is made by the staff selection Committee. All these Assistants have been given sufficient training in the work connected with the costing section, comprising 5 groups as below :—

1. Labour Cost compilation.
2. Maintenance of Cost Cards.
3. Estimates and Cost Control.
4. Accounting and Statistics.
5. Projects.

2.1. The scope of work covered by the Costing Section under the five groups is further clarified as hereunder :—

2.2. *Labour Cost Compilation.*—Time allocation to jobs is done on the basis of daily time sheets and weekly time sheets compiled by the shop clerks for each shop and routed to the Accounts Department weekly. These sheets are analysed furnishing the total hours for each individual as well as the total hours against each work order and are tallied in total and reconciled with the hours paid for as per Wages Rolls. Valuation is done on the basis of pre-determined rates for each shop.

2.3. *Maintenance of Cost Cards.*—Copies of all shop orders issued by the works are received in the Section and are entered in a Skeleton Register. For each of these orders a cost card is opened for compilation of Costs. The material cost is compiled from the material analysis sheets furnished by the Stores Accounts and the labour cost is compiled as explained in para. 2.2 above. On compilation of the orders on the basis of reports received from the Factory, the cards are reviewed and closed and necessary accounting entries made.

2.4. *Estimates and Cost Control.*—Standard layouts for the various parts manufactured are received in the Section and the estimate details are compared with actuals on completion of the cost cards as well as by a continuous check. Marked deviations, if any, between the estimates and actuals are investigated and clarified with the Works. This group also attends to the periodical estimation and the cost of standard components of telephones and other equipments as also to the review of completed cost cards.

2.5. *Accounting and Statistics.*—The monthly entries of the costing section are compiled and written up as well as the cost control ledger maintained. This group is also responsible for the collection and compilation of overheads data and other statistical information such as production etc., and furnishing the data for the capital grant and other statements etc.

2.6. *Projects.*—A separate group deals with cost accounting of the Exchanged equipment items manufactured against specific exchanges. Exchange equipment consists of a very large number of items and as the supplies are spread over a considerable period, it is essential to compile continuous data with regard to the Budgetary figures for Exchange Equipment. The purpose of the group is to collect and compile as well as review the cost data for Exchange Equipment against each project and to follow up for the completion of the project for comparison purposes.

ANNEXURE II

List of Major Companies of which Messrs. S. B. Dandekar & Co. are Auditors.

1. The Indian Bank Ltd.,
2. Suodes & Leatherettes Ltd., Bangalore.
3. Hindustan Shipyard Ltd., Vishakapatnam.
4. Travancore Ogale Glass Manufacturing Co. Ltd., Alwaye.
5. Sangli Bank Ltd., Sangli.
6. Blue Mountain Estates Ltd., Madras.
7. Vauhini Pictures Ltd., Madras.
8. India Fruits Ltd., Kadium (East Godavari Distt.).
9. Carnatic Electric Supply Corporation Ltd., Madras.
10. Shri Bharati Mills, Pondicherry.
11. Soorajmul Nagarmul, group consisting of 11 Concerns, Calcutta.
12. Khatau & Co. Group consisting of 5 Concerns, Calcutta.

13. Amritlal Ojha Group consisting of 10 Concerns, Calcutta.
14. Ramsarandas & Rathor Group consisting of 10 Concerns, Calcutta.
15. Indian Chamber of Commerce Group consisting of 7 Affiliated Associations, Calcutta.
16. Rajgharia Group consisting of 4 Concerns, Calcutta.
17. Jeewanlal (1929) Ltd., Calcutta, Madras, Bombay (Internal Audit).
18. Western India Life Insurance Co. Ltd., Satara.
19. New Insurance Ltd., Banaras.
20. Anandji Haridas & Co. Ltd., Calcutta.
21. Eastern U. P. Electric Supply Co. Ltd., Ghazipur, U.P.
22. Raipur Flour Mills Ltd., Raipur.
23. Shree Ganesh Jute Mills Ltd., Calcutta.
24. Sikri & Co. Ltd., Calcutta.
25. United Provinces Commercial Co-operation, Calcutta.

ANNEXURE III

Cost of Production of Auto Desk Telephone

Nomenclature	Value
	Rs. Dec.
Case	3.72
Handset complete with Cord	18.53
Rosette	1.78
Dial	22.91
Terminal Block 13 pt.	1.56
Terminal Block 5 pt. . . . .	.65
Condenser	3.08
Other items (including spring combination, Induction Coil and Base Assembly etc.)	35.85
Total cost of Components	88.08
Assembly Labour, Supervision and Contingencies	4.88
Cost of Production	92.96
10 % Profits	9.29
Sales Overheads 2% on Cost	1.86
Packing etc.	2.80
Royalty 2% on Cost plus 10%, plus 1% (for income tax on Royalty)	2.12
Selling Price (Say)	109.03
	109.00
Present Selling Price of telephone manufactured in the Indian Telephone Industries	108.00
Selling Price of telephones imported from Automatic Telephone & Electric Co. Ltd.	108.00

APPENDIX LX

No. 981-JS(c)/53.

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(Communications Division)

New Delhi, the 28th December, 1953

OFFICE MEMORANDUM

SUBJECT.—*P.A.C.—Consideration of the Accounts relating to the Indian Telephone Industries, Ltd., Bangalore.*

The undersigned is directed to refer to the Parliament Secretariat Office Memorandum No. 57(II)-FC/53, dated the 18th November, 1953, on the above subject and to state that the information called for by the Public Accounts Committee has been furnished in the two Memoranda marked 'A' and 'B' respectively sent as enclosures to this Memorandum.

2. The delay in the submission of the information has been due to the necessity of obtaining detailed figures from Bangalore.

MEMORANDUM 'A'

SUBJECT.—*Public Accounts Committee—Consideration of accounts relating to Indian Telephone Industries Ltd., Bangalore.*

Reference.—*Parliament Secretariat's Office Memorandum No. 57(ii)-FC/53, dated 18th November, 1953.*

In para. 1 of the enclosure to the above quoted memorandum, the Parliament Secretariat have asked for a note to be submitted to the Public Accounts Committee furnishing information on the following points :—

- “(a) Delay that occurred in the issue of shares of Indian Telephone Industries Ltd., Bangalore after its formation in 1950, which consequently resulted in the non-surrender of the capital ;

“(b) The reasons why full share money was called up prematurely leading to heavy unused bank balances as disclosed in the two subsequent Balance Sheets; and

“(c) Further, if the original estimates of the proposed capital of the Company were re-examined, re-checked, and reviewed, and the share capital refixed at the time of the registration of the Company: What scrutiny was applied over this capital formation by the Ministry of Finance...”

2. This memorandum (marked ‘A’) deals with the points mentioned above seriatim. Another Memorandum (marked ‘B’) deals with questions raised in para. 2 of the enclosure to Parliament Secretariat Memo, dated 18th November, 1953.

3. *Question 1 (a).—“Delay in issue of shares”.*

Answer.—A statement marked “Annexure I” is enclosed which gives the names of the shareholders, the dates of application, the dates of receipt of cash, the amounts received, the dates of letters of allotment, the number of shares allotted and the number and dates of the Minutes of the Board of Directors’ meetings authorising the allotment. It is true that there has been a time-lag between the formal allotment of shares and the dates of application and dates of receipt of cash. I.T.I. Ltd. have explained that the time-lag has been due to the observance of formalities relating to applications, correspondence with Government, submission of resolutions and their approval by the Board of Directors at their next convenient meeting, etc. So far as the utilisation and banking of capital is concerned, the dates on which shares were formally allotted is not, however, of much significance.

Reference to “. . . non-surrender of the capital.” in para. 1 (a) above, has perhaps been made on the assumption that share money was collected in lump sum or much in advance of requirements. This question is dealt with fully in connection with the “reasons for calling up full share money...”. Kindly see answer to question 1 (b).

4. *Question 1(b).—“Reasons for calling up full share Money...”.*

Answer.—A reference to the statement in Annexure I will show that although the authorised capital of the Company from the commencement was Rs. 250 lakhs, the entire capital was not called up initially in one lump sum. Share money was called up on the various dates, as and when required, as will be seen from the details furnished in Annexure I. In each case, a proposal to call up additional money was considered in the Finance Sub-Committee of the I.T.I. Ltd. (which consists of the Chief Engineer, Posts & Telegraphs, the Joint Secretary, Finance (Communications), and the Managing Director, as members) and their recommendations were put up to and approved by the Board of Directors. It will thus be seen that share money was called up in instalments after periodical examination of the need for such additional capital.

“Heavy unused cash balances”.

In the Published Annual Report and Accounts for 1950-51 and 1951-52, the following details of balances are shown:—

(In rupees)

Sl. No.	1950-51	1951-52
CASH, BANK AND OTHER BALANCES.		
1. Cash (including cheques) in hand	19,80,346	9,010
2. Cash in transit . . . . .	..	6,375
3. With Banks on current accounts	53,98,188	44,88,636
4. Call deposit with Bank including accrued interest	30,00,000	52,01,480
5. Imprest	8,633	858
6. Stamps	177	115
TOTAL	1,03,87,344	97,07,474

Serial numbers 1, 3 and 4 in the above statement are of importance. Cash (Sl. No. 1) for 1950-51 included cheques to the value of Rs. 19,76,859. Amounts referred in Serial No. 4 represent call deposits for short periods which earn interest. Amounts in Serial No. 3 are those held in current account.

The necessity for and the size of “cash” holdings are usually judged in relation to anticipated liabilities and payments. Statements of such anticipated payments in March 1951 and March 1952 have been obtained from the Chief Accountant, I.T.I. and a copy is attached as Annexure II. These statements show total liabilities :

As on 31st March, 1951 Rs. 1,49,70,931-5-4; and

As on 31st March, 1952 Rs. 1,40,73,884-13-5.

Comparing the Cash, Bank and other balances with the estimated liabilities, it will be seen that the latter were greater than the former. In order to ensure that interest is earned on balances which are not immediately required, it should be seen that as large a proportion of these balances as possible is kept in call deposits after making careful forecasts of payments.

A reference is invited to the Answer to Question 2(c) in Memorandum marked ‘E’ where further details have been given.

The P.A.C. wished to know the relationship between the “heavy cash balances” and the calling up of share money. A reference is invited to Annexure I giving details of dates of receipt in I.T.I. of cash on account of such share money. The P.A.C. drew attention to the following receipts in March 1950 and March 1951.

From	Date of receipt	Amount
		Rs.
Govt. of India	29-3-1951	19,80,000
Govt. of Mysore	21-3-1952	6,25,000
Govt. of India	31-3-1952	30,00,000

From the accounts of the I.T.I., it is seen that the call deposit accounts in March 1951 and March 1952 showed Rs. 30,00,000 and Rs. 52,00,000 registering an increase of Rs. 30,00,000 and Rs. 47,00,000 respectively from the previous months.

The proper employment or otherwise of share capital can be judged from the manner in which it has been or is deployed periodically. The following table has been compiled from the Balance Sheets of the I.T.I. to show at a glance (1) the authorised capital, (2) the issued, subscribed and paid up capital and (3) the property, assets, etc. acquired. To give a fuller picture, data in regard to 1952-53 have also been included.

Sl. No.	Description	Year of Account		
		1950-51	1951-52	1952-53
		Rs.	Rs.	Rs.
1.	Authorised Capital	2,50,00,000	2,50,00,000	2,50,00,000
2.	Issued, subscribed ; paid up capital and deposits towards share capital	1,51,25,321	2,22,50,400	2,48,66,200
3.	Property and assets			(In lakhs of rupees)
	(a) Land	2.15	2.49	2.42
	(b) Buildings	23.15	34.91	38.78
	(c) Plant & Machinery	30.06	40.91	69.71
	(d) Furniture, fillings and equipment	2.27	5.95	10.71
	(e) Vehicles	0.91	0.99	1.17
	(f) Production tools	8.17	15.52	24.66
	TOTAL	66.71	100.77	147.45
	Less provision for depreciation	3.45	8.58	15.48
	Fixed tangible assets	63.26	92.19	131.97
4.	Patent rights (nett)	11.46	10.51	9.56
5.	Research, development and other preliminary expenses.	3.85		
6.	Total of 3, 4 and 5	87.57	102.70	141.53
7.	Subscribed capital as at item 2.	151.25	222.50	248.66
8.	Difference between 7 and 6.	72.68	119.80	107.13

Attention is invited to Serial Numbers 6, 7 and 8 in the above table. The difference between property, assets etc. and the subscribed capital is mainly employed as working capital which includes stock-in-trade, works in progress, bank balances, etc. A note on the working capital needed by I.T.I. has been furnished separately in answer to Question (b) 1(c) of para. 2 of the enclosure to the Parliament Secretariat O.M. 57(ii)/FC/53, dated 18th November, 1953.

5. Question 1(c).—"The original estimates of the proposed capital of the company were re-examined, rechecked and reviewed, and the share capital refixed at the time of the registration of the Company; What scrutiny was applied over this capital formation by the Ministry of Finance ..."

Answer.—The I.T.I. was registered as a Joint Stock Company under the Mysore Companies Act on 1st February, 1950.

From the enclosed copy (Annexure IV) of the Memorandum of the Ministry of Communications No. TF.6(1)/48, dated 9th August, 1948 to the Standing Finance Committee of Parliament, it will be seen that the total capital expenditure involved in the proposal was estimated at Rs. 2½ crores over 15 years.

The authorised share capital was, therefore, fixed at Rs. 250 lakhs. The statement at Annexure III gives the main items which were taken into account in framing the original estimate of Rs. 250 lakhs.

Information regarding the stages in which portions of the authorised capital were called up from time to time has been furnished in answers to Question 1(a) and in Annexure I.

So far as the Finance Ministry is concerned, in addition to the check exercised by its Representative on the Standing Finance Committee and Board of Directors of the I.T.I., requests for payment of capital from the Central Government were examined in the same way as other proposals for Budget grants. These items were included in Budget Demands and Voted by Parliament as shown in the table below :—

S. No	Budget year	Volume of Budget	Page No.	Amount provided (in lakhs)
1.	1949-50	Demand No. 94	312	73 (which includes 10 for ITI Ltd.)
2.	1950-51	Demand No. 98	284	50
3.	1951-52	Vol. III	1437	65
4.	1952-53	Vol. III	1207	33 (Of this only Rs. 26,15,800 were paid in the year.)

In addition a sum of Rs. 59,58,700 was *pro-forma* transferred towards capital of the I.T.I. Ltd. This sum represented the value of assets transferred by the Government Department to the I.T.I. Ltd. on its formation.

MEMORANDUM 'B'

SUBJECT.—Public Accounts Committee—Consideration of accounts relating to Indian Telephone Industries Ltd., Bangalore.

Reference.—Parliament Secretariat's Office Memorandum No. 57(ii)-FC/53, dated 18th November, 1953.

In para. 2 of the Memorandum quoted above, the Parliament Secretariat have desired that a self-contained Memorandum setting

forth information on the following points may be furnished to the P.A.C.

- “(a) the present utilisation of capital in the I.T.I. Ltd. ;
- “(b) an estimate of the requirements of working capital of the I.T.I. Ltd. now and a year hence ; and
- “(c) whether undue cash balances were held in 1951 and 1952 and what should be the normal cash balances on present output ?”

This Memorandum (marked ‘B’) deals seriatim with the above questions which are referred to as Questions 2(a), 2(b) and 2(c) respectively.

2. It may be stated that a separate Memorandum (marked ‘A’) has been furnished dealing with the questions mentioned in para. 1 of the Memorandum of the Parliament Secretariat, dated 18th November, 1953 [referred to as Questions 1(a), 1(b) and 1(c)].

3. Question 2(a).—*Present utilisation of capital in the I.T.I. Ltd.*

Answer.—The I.T.I. was registered as a Joint Stock Company under the Mysore Companies Act on 1st February, 1950. The statement below gives the authorised capital of the Company, the capital subscribed and the paid-up capital as on the last day of each year. It also shows the amounts paid towards capital but which had not been formally converted into capital.

	(Rupees in lakhs).		
	1950-51	1951-52	1952-53
1. Authorised capital	250.00	250.00	250.00
2. Capital subscribed	71.87	135.25	222.50
3. Payments towards capital (awaiting allotment of shares)	*79.38	36.25	26.16
TOTAL	151.25	222.50	248.66

3. The capital likely to be required by the I.T.I. for the first three years was originally assessed in December, 1948, and in a Memorandum (Copy at Annexure IV) to the Standing Finance Committee of Parliament, it was stated that the capital required was of the order of Rs. 138 lakhs for fixed assets like land, buildings, machinery, etc. and Rs. 13.34 lakhs for payment to Automatic Telephone & Electric Co. Ltd. (both in the form of cash and free shares). It was also stated that although the industry would initially be commenced under Departmental management, it would be eventually converted into a Company. The ultimate anticipated capital expenditure (over 15 years) was estimated at Rs. 250 lakhs (*vide* para. 5 of Annexure IV).

4. It is desired to mention here that there are three principal shareholders in this company viz.

- (i) The Government of India ;

* (Includes Rs. 59.58, the value of assets transferred to the company by Government.

- (ii) The Government of Mysore ; and
 (iii) The Automatic Telephone & Electric Co. Ltd.

The shares of the last named i.e. (iii) are free shares which have been given to them under the terms of the Agreement with them and are in exchange for the Patent rights, the technical knowledge, know-how and other assistance that they are to render in connection with the Indian company. The table below indicates the shares subscribed by the three shareholders towards the paid up capital at the end of each year :

(In lakhs of rupees)					
	1949-50	1950-51	1951-52	1952-53	1953-54
(i) Government of India	10.00	119.58	184.58	210.74	210.74
(ii) Government of Mysore	..	25.00	31.25	31.25	31.25
(iii) M/S Automatic Telephone & Electric Co. Ltd.	..	6.67	6.67	6.67	8.01
TOTAL :	10.00	151.25	222.50	248.66	250.00

5. So far as the Government of India's share is concerned, payments on account of capital during the four year period ending 31st March, 1953 were made as follows :—

1949-50	Rs. 10,00,000 (in cash) Rs. 59,58,700 (value of transferred assets)
1950-51	Rs. 50,00,000 (in cash)
1951-52	Rs. 65,00,000 (in cash)
1952-53	Rs. 26,15,800 (in cash)
TOTAL :	Rs. 2,10,74,500

The table below gives the authorised capital, the subscribed capital and the deployment of subscribed capital in the I.T.I. Ltd. for the years 1950-51, 1951-52 and 1952-53 :—

S. No.	Description	Year of account		
		1950-51	1951-52	1952-53
1.	Authorised Capital	Rs. 2,50,00,000	Rs. 2,50,00,000	Rs. 2,50,00,000
2.	Issued, subscribed, paid up capital and deposits towards share capital	1,51,25,321	2,22,50,400	2,48,66,200
(In lakhs of rupees)				
3.	Property and ass. ts.			
	(a) Land	2.15	2.49	2.42
	(b) Buildings	23.15	34.91	38.78
	(c) Plant and Machinery	30.06	40.91	69.71
	(d) Furniture, fittings and equipment	2.27	5.95	10.71
	(e) Vehicles	0.91	0.99	1.17
	(f) Production tools	8.17	15.52	24.66
	TOTAL	66.71	100.77	147.45

(In lakhs of rupees)

S. No.	Description	Year of accounts		
		1950-51	1951-52	1952-53
	Less provision for depreciation	3.45	8.38	15.48
	Fixed tangible assets	63.26	92.19	131.97
4.	Patents rights (net)	11.46	10.51	9.56
5.	Research, Development and other preliminary expenses	3.85		
6.	Total of 3, 4 and 5	87.57	102.70	141.53
7.	Subscribed capital as at item 2	151.25	222.50	248.66
8.	Difference between 7 and 6	72.68	119.80	107.13

Attention is invited to Serial numbers 6, 7 and 8 in the above table. The difference between property, assets, etc. and the subscribed capital is mainly employed as working capital which includes stock-in-trade, works in progress, bank balances, etc.

Question 2(b).—“An estimate of the requirements of working capital of the I.T.I. Ltd. now, and, a year hence.”

Answer.—A manufacturing or trading concern requires working capital to meet the following main items of expenditure :—

- (i) Cost of sufficient stocks of raw materials and manufactured components to ensure uninterrupted production.
- (ii) Cost of stocks of finished goods awaiting sale.
- (iii) Administrative expenses some of which may later be recouped from sale proceeds.

The chief purpose of working capital is to assist during the time-lag which is inevitable between receipt of stock, its manufacture, its sale, and the realisation of sale proceeds. I.T.I. Ltd. is both a manufacturing and a trading concern. Its normal requirements of working capital depend on the time-lag in both types of activities. It is not possible to lay down categorically the periods of this time-lag. The I.T.I. Ltd. have been working on an assumption that there is a delay of about 4 to 6 months in the case of items that are purchased before they are sold and cost is recovered, even though considerable sums are outstanding for a longer period. A period of 10 to 13 months has been adopted in the case of items that are manufactured from raw material and then sold.

On the broad assumptions made above, we may now estimate requirements of working capital. The total sales in the year 1952-53 was Rs. 192 lakhs made up of about Rs. 139 lakhs of direct sale items and Rs. 53 lakhs of manufactured goods.

Applying the formula above, we get :—

For 4 to 6 months turnover of items directly purchased and sold 139 × 4/12 or 6/12	Rs. 46 to 70 lakhs.
10 to 13 months turnover of items manufactured in I.T.I. Ltd 53 × 10/12 or 13/12	Rs. 44 to 58 lakhs.
Total :	Rs. 90 to 128 lakhs

This amount has to be reduced to the extent that I.T.I. do not pay spot cash for some of their materials. Assuming a period of 3 months as the time-lag between the receipt of materials in I.T.I. Ltd., and the time payment is made for those materials, the above sum may be reduced, in each case, by about Rs. 25 lakhs. This would give a net working capital of about 65 to 103 lakhs to finance the 1952-53 turn-over of 192 lakhs. I.T.I. Ltd. is, however, expanding with consequent shift in emphasis from trading to manufacture. The estimated turn-over for 1953-54 is over Rs. 2½ crores as against Rs. 192 lakhs of 1952-53. This would mean that more materials will have to be purchased to ensure increased output. This additional demand can be approximately taken to be about 20 to 25 lakhs bringing the total requirements of working capital to Rs. 85 to 128 lakhs or so.

Government have decided to increase the production target of the main articles from 1954-55 to 60,000 telephones and 40,000 exchange lines. This would naturally involve additional working capital also. The detailed requirements are being worked out. It has therefore, not been possible in this note to suggest the working capital needed from next year onwards.

Requirements of cash for administrative and miscellaneous expenses have been dealt with in the Answer to Question 2(c) in this Memorandum.

Question 2(c).—“Whether undue cash balances were held in 1951 and 1952 and what should be the normal cash balances on present output”.

Answer.—The table below gives the cash balances (which term includes balances with banks on current accounts and on call deposit earning interest) in March 1950-51 and 1951-52:—

Sl. No.	1950-51	1951-52
	rupees	
CASH, BANK AND OTHER BALANCES		
1. Cash (including cheques) in hand	19,80,346	9,010
2. Cash in transit . . . . .	..	6,375
3. With Banks on current accounts	53,98,188	44,88,636
4. Call Deposit with Bank including accrued interest	30,00,000	52,01,48c
5. Imprest	8,633	858
6. Stamps	177	115
TOTAL	1,03,87,344	97,06,474

2. The amount of “cash” shown on 31st March, 1951, included cheques to the value of Rs. 19,76,859. I have obtained from I.T.I.

information regarding their cash balances for each month of the years 1950-51 and 1951-52 which is as follows:—

(In lakhs of rupees)

Month	1950-51	1951-52
April	23·51	114·80
May	21·15	109·94
June	19·78	115·82
July	17·78	57·13
August	30·04	27·86
September	30·17	24·14
October	32·19	15·23
November	29·07	15·09
December	24·34	12·80
January	49·83	17·89
February	51·22	13·53
March	103·79	96·98

It will be seen from the statement that the "cash" rose steeply from Rs. 51·22 lakhs in February to Rs. 103·79 lakhs in March, 1951, and that it fell to Rs. 57·13 lakhs in July, 1951. Inasmuch as a "cash" balance exceeding Rs. 100 lakhs was held during the months of April, May and June also, it seems to me that the anticipations regarding likely payments did not materialise to the extent estimated. This has undoubtedly led to retention of a large balance than has been shown as warranted by actual turn of events subsequently. It is necessary, however, to point out that from July, 1951 onwards, the "cash" balance had not been high; although it rose again to 96·9 lakhs in March 1952, it fell to 72·69 lakhs in April, 1952. The closing balance on 31st of March, 1953, was Rs. 39·73 lakhs only. This suggests that the estimating of probable payments has been steadily improving.

3. The Ways and Means position is submitted to the Managing Director at least once a month and to the Board of Directors once in a quarter. With the accumulation of experience over the past few years, it should be possible for the I.T.I. to achieve a closer approximation to actuals in their estimates, thereby avoiding the retention of large balances.

Question.—"What should be the normal "cash" balance on present output?"

Answer.—Before fixing a limit, it may be useful to mention the main items for which such a provision would be needed:—

	Rs. in lakhs
	Average figures
(a) Monthly salaries and wages bill	2·8
(b) Miscellaneous factory and office experience	1
(c) Purchases in India	4
(d) Purchases abroad	16
(e) Customs Duty payments	4
(f) Sundries including payments in connection with construction of buildings, etc. etc.	1
Total say	29 lakhs

4. The average monthly income from sales should be deducted from the total above as incoming "cash" is available for use as a balance. The average income on this account can be roughly computed to be between Rs. 9 to Rs. 10 lakhs per month, on the basis of sales of the order of Rs. 192 lakhs per year and taking into account the fact that payments do not come in *pro rata* but have a tendency to come in more rapidly towards the end of the year rather than in the beginning.

5. On the above basis, therefore, it is suggested that the normal "cash" balance in a month may be of the order of Rs. 20 lakhs. This, however, has to be increased *ad hoc* to meet any known bigger liability likely to mature and for the payments which arise more rapidly towards the end of the year than in any earlier period.

6. It is also desired to mention that the above estimates are on the basis of the present output. Government have recently decided to increase the production targets of the I.T.I. from 1954-55 in terms of its main articles of manufacture to 60,000 telephones and 40,000 exchange lines. In addition, the I.T.I. is to set up manufacture of carrier equipment. These decisions will have their effect on the requirements of working capital which will have to be carefully examined. It has not been possible to assess or include requirements on this account in this Memorandum.

Annexure 1

Name of the Shareholders	Date of Appln.	Date of Receipt of cash	Amount Received	Date of letter of allotment	No. of Shares allotted	Reference to Board of Director's meeting allotting shares
1949-50						
Government of India . . .	8-4-50	14-2-50	10,00,000	7-8-50	10,000	Minute No. 37(c) 1st BDM held on 10th October, 1950 (superseded <i>vide</i> Minute 77.1 4th BDM held on 20th September, 1950).
1950-51						
Government of Mysore . . .	11-5-50	{ 18-4-50 30-4-50	{ 10,00,000 15,00,000	7-8-50	25,000	Minute 37(b) 1st BDM held on 10th April, 1950.
A.T.E. Co. Ltd. Liverpool . . .	31-3-50	(in kind)	6,66,700	27-9-50	6,667	Minute 37(c) 1st BDM held on 10th April, 1950 (superseded <i>vide</i> Minute 77-2 4th BDM held on 20th September, 1950).
Government of India . . .	..	17-10-50	20,000	18-9-50	200	Share allotted to Shri V.K.R. Menon and Shri R. Narayanaswamy who were the original signatories of the Memorandum and Articles of Association of I.T.I. Ltd. (100 shares each).
Government of India . . .	..	18-1-51	30,00,000	27-3-51	30,000	Minute 124-1 (6 BDM) held on 7th March, 1951.
Government of India . . .	..	29-3-51	19,80,000	7-5-51	19,800	Minute 145-1 (7 BDM) held on 7th May, 1951.
14-5-51						
1951-52						
Government of India . . .	..	12-2-52	35,00,000	13-2-52	35,000	Minute 224-2 (12 BDM) held on 13th February, 1952.
29-2-52						

Government of Mysore	.	.	15-3-52	21-3-52	₹6,25,000	15-4-52	6,250	Minute 258.2 (13 BDM) held on 4th April, 1952.
Government of India	.	.	..	31-3-52	30,00,000	15-4-52	30,000	Minute 159.2 (13 BDM) held on 4th April, 1952.
Government of India	.	.		(in kind)	59,58,700	13/29-2-52	59,587	Minute 223.3(5)—12 BDM held on 13th February, 1952 (Shares allotted otherwise than in cash as purchase consideration for assets acquired).
•								
1952-53								
Government of India	.	.	16-4-53	30-3-53	26,15,800	{ 21-9-53 8-10-53	26,158	Minute 379.3 (18 BDM) held on 26th August, 1953.
A.T.E. Co. Ltd.	.	.	8-5-53	31-7-53	1,33,800	Do.	1,338	Minute 380.3 (18 BDM) held on 26th August, 1953.

Annexure II (a)

INDIAN TELEPHONE INDUSTRIES LTD., DURAVANI NAGAR,
BANGALORE DISTRICT

LIABILITIES AS ON 31ST MARCH 1951

<i>(A) For goods supplied and services.</i>	RM.	AS.	P.
(i) D.A.G., I. & S. for payments made by I.S.D.	82,31,479	11	0
(ii) Sundry Creditors Local	5,46,530	6	5
(iii) Customs Duty Payable	20,39,934	9	6
Total	1,08,18,214	10	11
 <i>(B) For Expenses.</i>			
(i) Salaries accrued	92,479	13	0
(ii) Wages accrued	43,373	9	0
(iii) Salaries unpaid	18	12	0
(iv) Wages unpaid	430	12	0
(v) Miscellaneous Liabilities	51,181	1	5
Total	1,87,483	15	5
 <i>(C) Liabilities for other Finances.</i>			
(i) Recoveries of Income-tax	1,585	1	0
(ii) Recoveries of G.P.F.	1,386	0	0
(iii) Recoveries of P.L.I.	58	7	0
(iv) Recoveries of A.T.M. Pension Fund	504	14	0
(v) Recoveries of B.T.C. P.F. Loan	49	13	0
(vi) Recoveries of I.T.I.P.F.	3,257	14	0
(vii) Recoveries of G.P.F. Loan	45	0	0
(viii) Securities Deposits received	31,471	8	0
(ix) Mysore Sales Tax	58,368	4	0
(x) Bengal Sales Tax	70,105	11	5
(xi) Bombay Sales Tax	65,558	14	4
(xii) Income received in advance	3,271	0	0
(xiii) Deposit for supply of petrol	82	4	3
(xiv) Trading Suspense	37,29,488	0	-
Total	39,65,232	11	
Total Liabilities	1,49,70,931	5	4

Annexure II (b)

INDIAN TELEPHONE INDUSTRIES LTD., DURAVANI NAGAR,
BANGALORE DISTRICT

LIABILITIES AS ON 31ST MARCH 1951

<i>(A) For goods supplied and services.</i>			
(i) D.A.G., I. & S. for payments made by I.S.D.	62,54,077	7	9
(ii) Sundry Creditors—Local	14,47,115	5	9
(iii) Customs Duty payable	20,17,446	6	2
Total	97,18,639	3	8

(B) For Expenses.	Rs.	A.	P.
(i) Salaries accrued	98,378	12	0
(ii) Wages accrued	62,546	11	0
(iii) Salaries unpaid	227	4	9
(iv) Wages Unpaid	740	7	6
(v) Miscellaneous Liabilities	4,54,177	4	6
	<hr/>		
	6,16,070	7	9
	<hr/>		
(C) For other Finance.			
(i) Recoveries of Income-tax	1,604	9	0
(ii) Recoveries of G.P.F.	1	13	0
(iii) Recoveries of P.L.I.	58	7	0
(iv) Recoveries of A.T.M.P.F.	685	9	0
(v) Recoveries of B.T.C., P. F.	0	10	0
(vi) Recoveries of B.T.C.P.F. Loan A/c.	49	13	0
(vii) Recoveries of Mysore Sales tax	44,581	2	3
(viii) Recoveries of Bengal Sales Tax	28,744	13	11
(ix) Recoveries of Bombay Sales Tax	25,495	15	10
(x) Income received in advance	3,444	9	0
(xi) Recoveries of I.T.I. Ltd. P.F.	186	3	0
(xii) Recoveries of Compulsory Savings	1	6	0
(xiii) Recoveries of I.T.I. Ltd. P.F. Loan A/c.	28	14	0
(xiv) Security Deposits received	43,415	10	0
(xv) Trading Suspense	35,90,875	11	0
	<hr/>		
	37,39,175	2	0
	<hr/>		
Total Liabilities	1,40,73,884	13	5

Annexure III

		Rs. (lakhs)
Serial No.	Item	Provision required
I.	Preliminary Expenses	15.0
II.	Land	3.0
III.	Buildings.	
	a. Hangers	} 55.5
	b. Temporary sheds	
	c. Factory units	
	d. Administrative Building	
	e. Canteen with equipment	
	f. Hospital with equipment	
IV.	Services.	
	a. Road	} 15.18
	b. Drainage	
	c. Electricity	
	d. Lighting	
	e. Water	
	f. Railway Siding	
	g. Garden and Miscellaneous	

		Rs. (lakhs.)
Serial No.	Item	Provision required
<i>V. Machine Tools and Tools</i>		
a.	Machine Tools	} 122·0
b.	Tools Production and Assy.	
c.	Testing Equipment	
d.	Benches & Fittings.	
e.	Moulding Plant	
f.	Condenser	
g.	Train Control	
h.	Carrier	
VI.	<i>Research and Laboratory Equipment</i>	5·0
<i>VII. Office Equipment.</i>		
a.	Furniture and Fittings	} 6·0
b.	Office appliances	
VIII.	<i>Transport</i>	3·0
		224·68
Say		225·00
Margin for Unforeseen items		25·00
Total :		250·00

Annexure IV

COPY OF MEMORANDUM REGARDING THE ESTABLISHMENT OF A FACTORY IN INDIA FOR THE MANUFACTURE OF AUTOMATIC TELEPHONE AND CARRIER EQUIPMENT.

1. Concise statement of the proposal and reasons therefor.

It is proposed to establish in India a telephone factory for the manufacture of automatic telephone and carrier equipment. There is an ever increasing demand for telephones in the country and judging from the number of applications, provided equipment is available, the number of telephones will almost double itself within the next 3 or 5 years. Telephones under present day conditions are a necessity and not a luxury. There has been considerable difficulty both during the war and afterwards in getting equipment from abroad and apart from its value as a national industry, the factory will be the quickest means of meeting the ever increasing demand for telephones. The Government of India have accordingly entered into an agreement with the Automatic Telephone & Electric Company for a period of 15 years, in the first instance, under which the Company will allow to the Government of India full use of all its existing and future patents and of other technical information which it is in possession of. The Company will also assist the Government in the early establishment of a fully equipped telephone factory

in India both by acting as consulting engineers and providing technical personnel until Indians are available. The Company will also train Indian Nationals in their works in England.

The factory will, for the present, be wholly owned by Government and administered by a Board of Management until a Company has been formed to take over the concern. Action is being taken to float a Company to run the factory. The financial implications of the Agreement with the Automatic Telephone & Electric Company of England are that the Government of India will have to pay the following considerations as *quid pro quo* :—

	Rs.
Down payment in cash—£50,000	6,67,000
Free shares in the event of a Company being formed or cash payment otherwise after 3 years—£50,000	6,67,000
Royalty at 2 per cent, which based on production worth Rs. 31 crores during the period of 15 years	62,00,000
Total payment involved by way of cash plus royalty	75,00,000

In addition the Government of India will have to incur expenditure in the acquisition of land, construction of buildings, purchase and installation of plant and equipment which is estimated as follows during the first 3 years :—

Land	5,00,000
Buildings	25,00,000
Roads, Electricity and Drains	5,00,000
Plant and equipment	1,03,00,000
Total :	1,38,00,000

2. *Is the proposal in respect of a new service?*

The Posts & Telegraphs Department have factories for the manufacture of manual telephone equipment and line stores but there is no factory in India at present for the manufacture of automatic telephone and carrier equipment. From this point of view this is an entirely new venture though it is one of the schemes, included in the post-war plans of the Posts & Telegraphs Department.

3. *Has the proposal or any part of it been considered already by the Standing Finance Committee? If so, with what result?*

No.

4. *Has the proposal been considered by the Standing Committee of the Ministry, and if so, with what results?*

Yes. The proposal was approved by the Standing Advisory Committee of the Ministry at its meeting held on the 17th July, 1948. A copy of the memo. submitted to the Committee and an extract from the minutes of its proceedings are attached hereto. (Enclosure 1).

5. *Financial effect of the proposal.*

Total anticipated capital expenditure (over 15 years)	Rs. 2,50,00,000
(a) (i) Non-recurrent (over 3 years)	Rs. 1,45,00,000

(ii) Recurring during the first year and subsequent years	.. Rs.	2,00,000.
Rising gradually after 10 years or so to	.. Rs.	50,00,000.

(b) Receipts or Reservoirs anticipated in respect of the proposal.—

It is anticipated that the factory will start functioning after 4 months and the average out-put of telephone equipment is anticipated to be Rs. 6 crores during the first 5 years and Rs. 2½ crores per annum thereafter. This includes the value of component parts received from England. The payments for parts will gradually decrease as the factory starts manufacturing these in India and will finally disappear when all telephone equipment and accessories are manufactured in the factory.

On the formation of the Company it is proposed to raise capital from time to time for the requirements of the Factory. In view of the anti-inflation policy of Government it is proposed to raise capital to the extent of Rs. 25 lakhs only during 1948-49 and Rs. 72 lakhs only during 1949-50 to cover the minimum requirements of the Factory. Of the total share capital of the Company 90 per cent. will be held by Government and the remaining 10 per cent. by the Automatic Telephone & Electric Company, Ltd., under the agreement with Government. Of the 10 per cent. of the share capital to be subscribed by the Automatic Telephone & Electric Company Limited shares to the value of Rs. 6½ lacs have to be allocated free to the Automatic Telephone & Electric Company Limited under the agreement.

6. *Is the proposal final and complete in itself, or will it involve further expenditure in subsequent years? If so, what is the nature and extent of the further commitments?*

The present proposal is final and complete in itself and will not involve further expenditure unless it is decided later on to expand the activities of the factory or open other factories of this kind in India.

7. *Has any expenditure already been incurred in respect of the proposal in anticipation of the approval of the Standing Finance Committee? If so, how much and for what reason?*

Yes, £ 50,000 or Rs. 6,67,000 for payment to the Automatic Telephone & Electric Company Limited. This amount became payable on the signing of the Agreement, i.e., 3rd May, 1948. The agreement was signed after obtaining Cabinet's approval to the establishment of a Telephone Factory.

8. In what manner is it proposed to meet the expenditure?

From the general revenues.

9. Supplementary information, if any, required to elucidate the proposal further.

The above estimates which have been prepared by the General Manager of the factory in consultation with the Automatic Telephone and Electric Company Limited are very rough and more accurate

information will only be available after experience has been gained of the actual working of the factory. The matter will be referred to the Standing Finance Committee again, if there is any material change in estimates given above.

The necessity for the establishment of such a factory in India cannot be overemphasised. India is very backward from the point of view of telephone development and no real progress in this direction can be expected until she becomes self-sufficient in the matter of equipment required for development purposes for which she has to look towards Europe or America at present.

EXTRACT FROM THE PROCEEDINGS OF THE MEETING OF THE STANDING FINANCE COMMITTEE HELD AT NEW DELHI ON SATURDAY, THE 8TH JANUARY, 1949.

Present

The Committee met in the room of the Honourable the Finance Minister, in the Secretariat Buildings, New Delhi. The following were present :—

The Hon'ble Dr. John Matthai.
 Shri T. T. Krishnamachari.
 Shri B. Shiva Rao.
 Shrimati Renuka Ray.
 Prof. K. T. Shah.
 Shri Banarsi Prasad Jhunjhunwala.
 Shri Biswanath Das.
 Shri Bikram Lal Sondhi.
 Pandit Thakur Das Bhargava.
 Shri Surendra Mohan Ghose.
 Begum Aizaz Rasul.
 Shri U. Srinivasa Mallayya.
 Prof. N. G. Ranga.

2. The following officers represented their respective Ministries :—

Mr. Krishna Prashada, I.C.S., D.G., P & T.	} Communications.
Mr. B. L. Batra, Chief Engineer, P. & T.	
Mr. N. C. Ghosh, D.G., C.A.	
Mr. K. V. Venkatachalam, Deputy Secretary.	
Mr. T. R. Manton, Officer on Special Duty.	
Mr. J. Dayal, Joint Financial Adviser.	} Finance.
Mr. R. Narayanaswami, Joint Secretary.	

OBSERVATIONS OF THE COMMITTEE

The Committee approved of the scheme but desired that a periodical report about the progress of the scheme should be submitted to it through the Finance Ministry. The Committee also directed that in future Finance Ministry should be associated from the very start in negotiations with foreign concerns in regard to such agreements.

APPENDIX LXI

GOVERNMENT OF INDIA

MINISTRY OF COMMUNICATIONS

(Posts and Telegraphs)

Memorandum No. P. 472/53.

New Delhi, the 22nd April, 1954.

SUBJECT.—*Public Accounts Committee—Consideration of Appropriation Accounts P. & T. 1950-51 and Audit Report thereon—Calcutta Automatisation Project.*

The Parliament Secretariat in their office Memoranda No. 57(7)-II/FC/53, dated the 10th November, 1953 and 12th November, 1953 desired that a self-contained note on the Calcutta Automatisation Project, giving requisite information on the points enumerated in the annexures thereto, should be furnished to the Public Accounts Committee with reference to the discussion in the meeting held on the 10th November, 1953.

2. The required note was submitted to the Parliament Secretariat along with this Ministry's Memorandum No. P. 472/53, dated 12th December, 1953. As, however, the Accountant-General, Posts and Telegraphs made certain comments thereon to the Director-General, Posts and Telegraphs, the Parliament Secretariat, in their office Memorandum No. 57(7)-IV-FC/54, dated 15th February, 1954, desired that a revised note incorporating the observations made by the Accountant-General, Posts and Telegraphs, together with the remarks of the Ministry thereon, should be furnished as early as possible for the information of the Public Accounts Committee.

3. Accordingly, two Annexures A and B containing the revised note are submitted dealing with the points raised in the two Memoranda, dated 10th November, 1953 and 12th November, 1953. The subject matter of each point dealt with in the memoranda is reproduced immediately above the reply thereto. It is regretted that the note could not be submitted earlier as various points required detailed examination jointly with the Accountant-General, Posts and Telegraphs.

4. To keep Audit informed without further avoidable delay, 4 copies and 2 copies each of this Memorandum (with enclosures) are being forwarded direct simultaneously to the Comptroller and Auditor-General of India and to the Accountant-General, Posts and Telegraphs respectively.

ANNEXURE A

Question No. 1.—*What is the total cost of drawing up the Scheme for the Automatisation of telephone system at Calcutta including fees of the Consultants, and other expenses incurred in connection therewith, till it matured to execution Stage?*

The expenditure on planning which was incurred prior to actual commencement of the scheme was Rs. 4.30 lakhs. It comprised mainly the following payments :

Consultants' Fees: Rs. 3,33,000 plus about Rs. 17,840 (£1,338, commitment for this amount was made in December 1948 but the payment was actually made in 1953).	
Pay and Allowances of Officers	Rs. 39,000.
Pay and Allowances of non-gazetted staff	Rs. 40,000.
Contingencies including furniture and stationery..	Rs. 8,800.

2. Even during the stage of execution of a scheme, it is necessary to continue planning. It is also necessary to train staff for planning work.

3. It is desired to explain that the Consultants were required to lay down the broad outlines of the scheme and the main technical requirements. Their terms of reference were as follows:—

- (i) To draw up a scheme to cover anticipated development for a 30 year period.
- (ii) The scheme should be based on Indian Posts and Telegraphs Department (I.P.T.) technical specifications and service principles.
- (iii) The I.P.T. will arrange to supply traffic statistics and forecasts.
- (iv) The scheme should provide for uniformity of equipment and circuits throughout the system.
- (v) The Consultants should study the existing cable lay-outs for determining sites for exchanges but will not be required to carry out detailed local distribution planning.
- (vi) The firm would not be required to design buildings, but would specify floor space, height and clearance and other essential requirements.
- (vii) The scheme should set forth a programme of execution of work including arrangements during the interim period.

4. After receipt of the Consultants' reports, it was, therefore, necessary to undertake planning of certain detailed items of work. Broadly, they include forecasting on traffic study and collection of statistics, cable planning and distribution, selection and acquisition of sites, design and specification of buildings including electrical and air conditioning installations, design and development of P.B.Xs., planning of installations for Stages III, IV and V and inspection and acceptance of apparatus and plant from time to time.

5. Audit has made certain observations regarding the necessity for the departmental staff of the size employed in the project. These

and the Administration's remarks thereon are given in the reply to Question 2(d) of Annexure B.

Question No. (2) (a).—*Since when did the departmental staff begin functioning in the Auto Branch?*

The Consultants' Report was received in September, 1947. A separate Automatisation Branch, as such, was formed in November, 1949, under the Engineer-in-Chief. Prior to that date, the planning work on the Scheme was being done in the Calcutta Telephone District.

1 Divisional Engineer Telegraph, 1 Assistant Engineer, and 1 Assistant Supdt. (Traffic) were attached to the team of Consultants for liaison and collection of data required by the Consultants for 9 to 10 months during 1946.

1 D.E.T., 2 Assistant Divisional Engineers, Telegraph and 2 Exchange Inspectors were sent to U.K. for learning the various methods of cable planning in the British Post Office Research Centre at Dollis Hill. The team under the Divisional Engineer Telegraph Cable Planning commenced work in Calcutta in November, 1946, and submitted a report on the appropriate scheme of cable planning for Calcutta.

In July, 1948, an officer of the grade of Director of Telegraphs was placed in charge of the Automatisation Scheme. A detailed study of the Consultants' Report regarding equipment was commenced then. The work of forecasting telephone growth and planning had commenced earlier, as indicated above. Work on selection and acquisition of sites had also started earlier.

Question No. 2(b).—*What are their establishment, running and other costs both recurring and non-recurring upto date (figures to be given separately in respect of each year)?*

(A). The details are given below in tabular form.

	1947-48	1948-49	1949-50	1950-51	1951-52	1952-53	Total upto 31st March, 1953.
1. Pay and Allowance of staff (including G. Os.)	79,000	1,44,800	2,71,800	7,07,700	8,24,200	10,24,800	30,52,300
2. Contingencies.							
Rent of office Building. . . . .	..	..	13,800	26,100	59,700	70,500	1,70,100
Liveries and Uniforms. . . . .	..	..	..	..	..	1,300	1,300
Electric Power . . . . .	..	200	700	1,200	1,700	2,100	5,900
Rates and Taxes. . . . .	..	..	..	..	18,800	18,800	37,600
Other contingencies (including furniture and stationery)	8,800 3,33,700*	16,300	36,200	57,700	29,300	47,500	5,29,500
Contingencies (Stores). . . . .	..	..	1,200	32,300	16,800	2,700	53,000
GRAND TOTAL	4,21,500	1,61,300	3,23,700	8,25,000	9,50,500	11,67,700	38,49,700

* + Consultants' Fees.

Q. Whether the work done so far is commensurate with the expenditure met?

A. The expenditure incurred year by year is given in the reply to Question No. 2(b). The work done is given below :—

Sites.—All the 13 sites needed have been acquired. The sites had to be acquired within the areas of search which were determined on the basis of least cabling cost. Alternative sites in each area of search had generally to be selected and the cost of acquisition worked out for the cheapest site taking into account (i) cost of leading-in the cables and (ii) compensation for structures, if any, on the sites. This required considerable liaison with the Municipal Corporation and Land Acquisition Authorities.

Audit has expressed the doubt whether there was any considerable work in this connection to be tackled by the departmental staff. It is mentioned in reply that the work involved was quite large as explained above. Even then the expenditure on staff employed on this work is of the order of one per cent. only.

Buildings.—The buildings have been designed by the Architects on the basis of the schedule of accommodation and the association of rooms indicated by the Department. The schedules of accommodation for the equipment portion of the buildings were indicated by the Consultants but provision had also to be made for possible doubling of the accommodation required in case of unforeseen growth and the orientation of the buildings for suitability for leading-in cables and other services as well as for air-conditioning. The following buildings have been designed.

	Initial Lines.	Ultimate.
Jorasanko	5,700	7,700
Avenue	4,300	5,800
Central	4,100	6,800
Bank	6,900	9,000
City	5,400	7,500
Circus	5,700	8,200
Russa	4,100	6,500
Kalighat	3,900	5,700
Bagh Bazar	4,300	6,500
East	3,900	6,400
Alipore	3,800	6,400

Provision has also been made that each of these buildings may, by suitable additions, take up to 10,000 lines equipment without impairment to the architecture.

Six buildings have been completed, viz. Jorasanko/Avenue, Central, Alipore, Circus, East and Russa.

Bank/City is 90 per cent. complete.

Kalighat is 80 per cent. complete.

Baghbazar is 40 per cent. complete.

Four buildings are in final design stage, viz. Cossipore, Dum Dum, Salkea and Sibpur.

Audit has raised the point that, as the specialised work regarding the buildings has also been done by a firm of architects specially appointed for the purpose, who are also being paid for the job, there should have been no need for the Department to do considerable work in this connection. As already explained above, the departmental staff had to do quite a lot of work even though the designing was being done by the firm of architects. The expenditure on departmental staff for this work is however of the order of one per cent. only.

Automatic Equipment.—15 auto exchanges and 2 auto manual exchanges are to be installed. Of these 3 auto exchanges and one auto manual exchanges have been cut into service. 2 auto exchanges and one auto manual are under installation. The installation of the 3 more auto exchanges will commence in August 1954.

Audit has raised the doubt whether an elaborate technical organisation has been necessary for merely checking the work of installation which has been carried out by British Company of established reputation. It is stated in reply that the work involved was not merely checking of the installation but also inspection, acceptance-testing and cut-over arrangements. Hence the staff employed is absolutely necessary and this is also in accordance with the B.P.O. practice where too installation is done by Contractors.

Outdoor Plant.—Prior to execution of works of cable laying, plans have to be prepared for each exchange area. The sizes and lengths of main, branch and distribution cables have to be planned and the location of flexibility points decided in keeping with the forecast. The sizes of junction cables have had to be determined on the basis of traffic growth. Thus, both cable planning and laying of cables are required to be done for 15 areas. Cable planning has been completed for 5 areas. Cable planning for 3 more areas was commenced in January, 1954. The remaining 7 will be taken later on. Cables have been laid for 3 areas and laying of cables is in progress in 2 areas.

Sub Offices and P.B.Xs.—Out of a total of 30,000 sub offices to be rewired and tested, 12,000 have been completed and re-wiring is in progress in the remaining offices.

Out of a total of 450 buildings to be block-wired, 130 have been completed and work is in progress in the remaining buildings.

Out of a total of 1,200 P.B.Xs. to be fitted, 500 have been fitted and fitting is in progress in the remaining P.B.Xs.

Out of a total of 29,000 telephone instruments to be replaced, 6,000 have been replaced and replacement in respect of the remainder is in progress.

- The design and development of P.B.Xs. have been completed for all stages.

In connection with the value of the work done departmentally Audit has pointed out that the expenditure in respect of the value

of the work done departmentally up to 31st March, 1953, after excluding money value of the item of work done, materials supplied by outside agencies (including C.P.W.D.) as also the value of stores issued to works but not utilised, comes to Rs. 50.77 lakhs and has wanted to know what the cost of departmental staff for executing the quantum of work done departmentally is and whether such cost is considered reasonable *vis-a-vis* the money value of the work carried out departmentally. It may be explained here that the staff engaged on the project, in addition to doing a lot of planning, have their responsibilities for the work done by outside agencies. Hence the work done by them cannot be gauged with any degree of accuracy by reference only to the booked value of the work done departmentally. Even so the cost of departmental staff is only Rs. 38.49 lakhs which is made up of Rs. 16.75 lakhs for planning (including Consultants' fee), Rs. 18.73 lakhs for execution and Rs. 3.01 lakhs for training. Working on the percentages prescribed for share of establishment, an expenditure of Rs. 23.2 lakhs would be in order as against the actual figure of Rs. 18.73 lakhs. Thus it will be observed that the expenditure on departmental staff is commensurate with the quantum of work done.

Question No. 3.—*If the estimates as prepared by Messrs. T. M. I. had been approved by the Standing Finance Committee as it was already approved by the Standing Advisory Committee, the project might have gone for execution as it was, but because the Standing Finance Committee directed that the scheme should be examined afresh on the issue of the demolition of the C.T.O. Building which was turned down, the P. & T. took up the work of raising the estimates by almost 100 per cent. Will the Ministry of Communications furnish a note explaining the above?*

A. The first memorandum to the Standing Finance Committee was submitted on the 11th March, 1947, prior to the receipt of the Consultants' Report and the estimated cost was indicated as Rs. 790 lakhs. It was stated in this memorandum that "the cost given is only approximate and provisional, on the basis of preliminary estimates supplied by the Consultants, Messrs. T. M. I., who have planned the Calcutta Scheme. In the meantime, the sanction of the Standing Finance Committee for the scheme, in principle, is requested so that preliminary work in the way of obtaining building sites, etc., may be dealt with to avoid delays in the conversion to automatic working which would otherwise occur."

Thus, the work of Calcutta Automatisation would not have been actually executed according to merely the preliminary estimates approved by the Standing Finance Committee on the basis of the memorandum submitted on 17th March, 1947. Revised estimates were necessary and were submitted to the Standing Finance Committee for approval on January 8, 1949. In the revised estimates the increase in the total cost by Rs. 550 lakhs is not only due to the decision not to demolish the old C.T.O. building thereby necessitating the acquisition of a new site for the Bank/City Exchange. This only accounted for an increase of Rs. 20 lakhs. The increase of Rs. 550 lakhs was due to—

- (i) increase in the price of equipment,
- (ii) changes in specification and increase of capacity,

(iii) under-estimating or non-provision in original estimate, as detailed in the sub-joined tabular statement :—

(Figures in lacs)

	Increase in the price of Auto Equipment	Changes in Specification Increase of Capacity	Under-estimating or non-provision in original estimate	Total increase in estimated cost
(i) Equipment	87.23	23.06(a)	6.00	116.29
(ii) Installation.	13.00	4.15 (b)	24.02	41.17
(iii) Subscribers' apparatus. . . . .	..	..	0.74	0.74
(iv) Subscribers' fittings. . . . .	..	..	46.48	46.48
(v) P. B. X. . . . .	..	..	4.84	4.84
(vi) Land. . . . .	..	23.00	11.42	34.42
(vii) Buildings . . . . .	..	61.86(c)	36.00	97.86
(viii) Outdoor Plant. . . . .	..	111.00(d)	..	111.00
(ix) Overheads . . . . .	..	..	97.33	97.33
TOTAL	100.23	223.07	226.83	550.13

(a) Increase in the number of lines.	30.80
Add due to North Auto Manual Exchange	9.00
	<hr/>
	39.80
Less abandonment of 7 outlay exchanges.	16.74
	<hr/>
	23.06

(b) Increase in number of lines.

(c) Increase in the size of exchange buildings.

(d) Provision made for 10 years in the case of junction cables and for 20 years of subscribers cables, on economic planning. The 1947 estimate was for initial cut-over requirements only.

A comparison of the 2 estimates in broad detail is given below :—

(Lakhs of rupees)

	Estimated cost of 22 exchanges providing for 54,000 lines in 1946	Estimated cost of 15 exchanges providing for 55,000 lines in 1949
(i) Equipment.	3,71.74	4,88.00
(ii) Installation.	46.67	87.84
(iii) Subscribers' apparatus.	62.76	63.50
(iv) Subscribers' fittings. . . . .	..	46.48
(v) Private Branch Exchanges . . . . .	..	4.84
(vi) Land.	40.00	74.45
(vii) Buildings	1,25.00	2,22.86
(viii) Outdoor Plant.	1,44.00	2,55.00
	<hr/>	<hr/>
	7,90.17	12,42.97
Overheads . . . . .	..	97.33
	<hr/>	<hr/>
	7,90.17	13,40.30

The reasons for variations between the 1946 and 1949 estimates are detailed below :—

(i) *Equipment.*

The original estimate of Rs. 371·74 lakhs was based on a quotation, received from Messrs. Telephone Manufacturers of India Ltd. during November, 1946. For the purpose of quotation the Company had taken a rough schedule of the quantities supplied to them by the Consulting engineers. After the Consultants' Report was received in September, 1947, and the scheme had undergone certain modifications as a result of the Calcutta Exchange fire in 1948 and the abandonment of the proposal for installation of 7 automatic exchanges in outlying areas, the equipment cost was worked out in detail and came to Rs. 488 lakhs. The reasons for this variation were :—

- (a) The cost of equipment for the 7 outlying exchanges was estimated at approximately 4·5 per cent. of the total cost of the equipment.
- (b) The original quotation of Messrs. Automatic Telephone & Electric Co. Ltd., was based on the British Post Office Price Index of 1946 which was 175 per cent. of the 1938 price level. In August, 1947 the British Post Office revised the price index to 218. This meant that the 1949 price was to be 24·6 per cent. above the 1946 quotation.
- (c) The equipment in Avenue, Bank and Jorasanko Exchanges was increased by a total of 2,800 lines. The average cost of equipment per line in these exchanges being of the order of Rs. 1,100, the estimated cost had to be increased by Rs. 90·8 lakhs.
- (d) As a result of modifications in the conversion programme, an additional Auto Manual Exchange viz., North Exchange had to be provided at an extra cost of approximately Rs. 9 lakhs.

The 1949 estimated cost works out as follows :—

	Rs. in lakhs.
1946 figure for 22 exchanges	371·74
Deduct 4·5% for 7 outlying exchanges.	16·74
Balance	355·00
Add 24·6 % due to increased price index from 175% to 218%	87·33
Add increase on account of increase in the number of lines provided.	30·80
Add increase on account of the North Auto Manual Exchange.	9·00
TOTAL	482·13

The 1949 estimated cost came to Rs. 488 lakhs and the difference of 6 lakhs (488—482) was due to the fact that the 1946 figure did not provide for any furniture and fittings and the miscellaneous services.

(ii) *Installation.*

The original estimate of 46.67 lakhs was based on a quotation received from Messrs. Telephone Manufacturers of India Ltd., during November, 1946. This amount did not provide for handling, storage and insurance of the equipment. Nor was any provision made for power consumption and service taxes during the Installation period. Inspection, Acceptance Testing, Call Through Testing, Traffic Trials and other cut-over arrangements which had to be done by the Department, were also not provided for. The position was re-examined by the Director, Calcutta Automatisation in 1948 and he recommended that an overall figure of 20 per cent. of the cost of equipment at site should be adopted. The Chief Engineer reduced this figure to 18 per cent. and accordingly, provision was increased to Rs. 87.84 lakhs.

In this connection, Audit has mentioned that the Contract for Stage I installation on the basis of 16 per cent. of the cost of equipment was entered into in spite of the fact that Audit had adversely commented on this arrangement. (This has also been pointed out in the Audit Report 1951). Audit has therefore wanted that the precise reasons which weighed with Government for concluding this Contract on percentage basis should be stated in the Memorandum.

The position is explained as under: The department had to entrust the installation work to the A.T. & E. as it had no experience of installation of director equipment. The B.P.O. was consulted with regard to the amount to be paid to the A.T. & E. for the installation of Stages I and II and it was intimated by the B.P.O. (Contracts Department) that payment at 16 per cent. of the f.o.b. value, ex-British Port, of the equipment in respect of both Stages I and II would be reasonable and that in case the installation of only one stage was to be entrusted to the A.T. & E., this arrangement would not suffice. Audit was also consulted but it was found that the calculations, on the basis of which Audit opposed the arrangement, would not cover all the items of cost (including overheads) likely to be incurred by the A.T. & E. Hence, the contract was entered into as advised by the B.P.O. and with the approval of Finance.

(iii) *Subscribers' Apparatus.*

The original estimate of Rs. 62.76 lakhs was based on a quotation received from Messrs. Telephone Manufacturers of India Ltd., during November, 1946. The quotation was for f.o.r. Indian Port which meant that no provision had been made for receipt and storage of this apparatus. At the time of revision of the estimate, a lump sum provision of Rs. 74,000 was made for this purpose and the estimated amount was increased to Rs. 63.50 lakhs.

(iv) *Subscribers' fittings.*

The Consultants had given their recommendations regarding the technical requirements in respect of the subscribers' fittings but the Telephone Manufacturers of India Ltd. were not asked to quote for this work. The work was to be planned and carried out by the Department. No provision was, however, made for this work in the 1946 estimate. This omission was corrected at the time of revision of the estimate in 1949. Rs. 46.48 lakhs were provided for it.

(v) *Private Branch Exchanges.*

In this case also, the Consultants had given their recommendations regarding the technical standards required, but the Department omitted to provide for modification of the existing Private Branch Exchanges to make them suitable for working in the Auto net work. This omission was put right at the time of revision of the estimate in 1949. Rs. 4.84 lakhs was provided for it.

(vi) *Land.*

In 1946, the Central Public Works Department appointed Messrs. Ballardie Thompson and Mathews as Consulting Architects for siting and designing of the Telephone Exchange buildings in Calcutta. In November, 1946, this firm of Architects gave an estimate of approximate cost for 18 sites as Rs. 33.17 lakhs. No provision was made by them for acquiring sites for Bank/City and Alipore Exchange buildings as at that time it was proposed that these two buildings would be constructed on sites already available. They, however, made it clear that the Government may have to pay compensation for the compulsory acquisition of certain sites and also for any structures which may exist on the sites. They expressed their inability to foresee what the extra charges would amount to. The figure of Rs. 40 lakhs included in the 1946 estimate provided Rs. 7 lakhs for compensation etc. mentioned by the Architects. In the 1949 estimate the cost of land was worked out as detailed below :—

	Rs. in lakhs.
Architect's estimate for 18 sites.	33.17
Deduct estimated cost of 7 sites for outlying exchanges.	1.75
Balance	31.42
Add for Bank/City and Alipore sites.	23.00
TOTAL	54.42
Cost of compensation for structures approximately.	10.00
Acquisition charges approx.	10.00
.	74.45

(vii) *Buildings.*

In November, 1946, Messrs. Ballardie Thompson and Mathews estimated the cost of 20 buildings at Rs. 125.58 lakhs and this figure was adopted by the Department for the 1946 estimate. This figure was revised in 1949 to Rs. 222.86 lakhs for 13 buildings including C.P.W.D. charges at 17½ per cent. and Rs. 20 lakhs as the cost of air-conditioning plant.

(viii) *Outdoor Plant.*

When the 1946 estimate was prepared, the equipment cost having been estimated as Rs. 418.41 lakhs, the estimated cost for the outdoor plant was taken on a rough percentage basis at Rs. 144 lakhs. Till then, no planning had been done for the underground cable network and other outdoor plant. In large cities like Calcutta where the cost of cable laying is high and a fair proportion of it is accounted for also in expenditure incurred on the reinstatement of roads and payments, the planning of the cable network has to be done on a

long-term basis. When cable planning was undertaken, it was found that the main cable network consisting of main and junction cables should be laid for approximately 10 to 12 years for economy and the distribution cables for 20 years. On this basis, the estimated cost came to Rs. 255 lakhs, which amount was provided for in the 1949 estimate.

(ix) *Overheads.*

In the provisional estimate of 1946 no provision was made for overhead charges. This omission was rectified in the revised estimate of 1949 when the overhead charges were calculated on the basis of the percentages then in vogue and a sum of Rs. 97.33 lakhs was provided.

"Overheads" include pay and allowances of staff for planning and staff for execution and expenditure on training, rent of office buildings, electric power, Rates and Taxes, etc. The details are given in the reply to Question 2(b).

Question No. 4(a).—*What are the final estimates of the various constructions, alterations, repairs, etc. and other works in that connection and if any revision has been made so far in the original estimates?*

The variations between the 1946 and 1949 estimates which resulted in a revision of the cost of the scheme from Rs. 790 lakhs to Rs. 1,340 lakhs are explained in detail in the answer to question 3.

A recent review of the progress of expenditure and estimated costs indicates that the actual cost of the Scheme is likely to be of the order of Rs. 1,428 lakhs, i.e. an excess of approximately 6.58 per cent. over the revised sanction. The reasons for this variation are detailed below :—

(i) *Land.*

In the 1949 estimate, cost of the land including structure and acquisition charges was worked out as Rs. 74.45 lakhs. The 13 sites have since been acquired under the Land Acquisition procedure at an actual cost of Rs. 92.36 lakhs, i.e. an excess of Rs. 18 lakhs.

In this connection Audit has stated that 200 cottahs of land have been acquired in excess of requirements and that the manner in which the surplus land is proposed to be disposed of or utilised properly may be indicated. The question of disposal or utilisation of the surplus land is under examination. Every effort will be made to utilise the land to the best advantage.

(ii) *Buildings.*

	(In lakhs of Rs.)
1949 Estimates	222.86
Deduct cost of air conditioning plant which is now being debited under the head "Apparatus and Plants"	20.00
Deduct on account of reduction of P.W.D. Overhead charges from 17½% to 9½%	16.00
Balance	186.86

Against this estimated cost of Rs. 186.86 lakhs, the latest estimates indicated that the cost will be of the order of 221 lakhs i.e. an excess of Rs. 34 lakhs.

This excess is mainly due to increase in the cost of the Bank/City Exchange building.

In regard to this item, Audit has desired that the exact reasons for the excess in expenditure on account of Bank/City Exchange building should be indicated, as they feel that the increase may be due to the adoption of superior specifications, such as Burma teak-wood doors, aluminium louvres, glass bricks, mosaic flooring etc. The position is explained as under : The superior finishes, as mentioned, have not been adopted as items of luxury but out of sheer necessity. These finishes were made known to the C.P.W.D. authorities in the very beginning. In December 1948, i.e. before preparing the 1949 estimates, the estimated cost for the Bank/City Exchange building was analysed by the Superintending Engineer, C.P.W.D., Calcutta, in consultation with the Architects. They recommended that the estimated cost should be taken as Rs. 2-13-0 per cubic foot. This recommendation was however not accepted by the C.P.W.D. Headquarters in Delhi who adopted a rate of Rs. 1-10-0 per cubic foot and the 1949 estimate was prepared accordingly. Actual experience has now shown that the cost is nearly Rs. 2-8-0 per cubic foot and, as the cubic content of this building is of the order of 40 lakh cubic feet, the excess of Rs. 34 lakhs is explained by this fact of the C.P.W.D. Headquarters having adopted an unworkable rate. The C.P.W.D. authorities have now submitted a revised estimate for the Bank/City Exchange building which is under examination.

(iii) *Apparatus and Plant.*

This includes equipment, installation, subscribers' apparatus, subscribers' fittings, Private Branch Exchanges, and air conditioning plant. In the 1949 estimate the total provision on this account was Rs. 690.66 lakhs.

The Automatisation Branch has scrutinised the technical and financial implications of the Consultants' recommendations and has made suitable modifications from time to time. One major modification was the change-over from the 3 letter code recommended by the Consultants to the 2 figure code. This branch also designed and helped in the manufacture of some of the manual switchboards in India instead of importing them from U.K. As a result of these modifications, the estimated cost under this head has been reduced by about Rs. 20 lakhs. But this saving has been absorbed by the transfer of debit for the air-conditioning plant from the building head of account to the Apparatus and Plant account.

The cost of the automatic equipment has been based on a price index level of 218, in the 1949 estimate. It is understood that the price index level is likely to go up to 254 in which case there may be an increase in the cost by about Rs. 62 lakhs.

(iv) *Outdoor Plant*

In the 1949 estimate a sum of Rs. 255 lakhs was provided for outdoor plant (cables lines and wires). The works so far completed indicate that they are being carried out well within the estimated cost.

In this connection, Audit has expressed a doubt whether, in view of the fact that there has been subsequent increase in prices, it would be possible to work within the estimated cost unless the estimate had been on a lavish scale. In reply, it is stated that the estimate was not on the high side and that detailed planning of cable net works conducted subsequently area-wise has enabled the anticipated cost of cable works to remain within the 1949 estimate by economizing on quantity of stores and corresponding expenditure on labour.

(v) *Overheads*

In the 1949 estimate a sum of Rs. 97·33 lakhs excluding contingencies was provided on the basis of percentage charges applicable to works in the Department. The latest indications are that the expenditure under this head will be of the order of Rs. 150 lakhs.

The anticipated expenditure under 'Overheads' was indicated as Rs. 160 lakhs in the third line on page 15 of the enclosure to the Ministry of Communications Memorandum No. P. 472/53, dated the 12th December, 1953, on the basis of the financial stock-taking for the period ending the 31st March, 1953. The subsequent financial stock-taking for the period ending the 30th September, 1953, which was completed during February, 1954, has indicated that the anticipated expenditure under 'Overheads' will be reduced due to reduction in the percentage charges under freight and store-keeping. The anticipated expenditure under 'Overheads' has therefore been reduced to Rs. 150 lakhs approximately.

Audit has desired that the reasons for this increase of Rs. 52·67 lakhs should be explained fully. This increase is due to:—

- (i) Rs. 8·00 lakhs as share of establishment charges on land and buildings;
- (ii) Rs. 34·70 lakhs as share of establishment charges on auto equipment; and
- (iii) Rs. 10·00 lakhs for other contingencies.

These items had not been provided for in the 1949 estimate, apparently through an oversight.

General.

According to Audit, it would appear, from the latest financial stock-taking of the project (for the period ending the 30th September, 1953), that the scheme would start becoming remunerative only when the network expands from the present 25,000 lines to 42,000 lines. Hence Audit has wanted to know whether by 1957 or 1958 the spare connections inherent in the overall installed capacity, to the extent of actual demand, will be provided to the intending subscribers.

From the 1949 Memorandum to the Standing Finance Committee it will be observed that the scheme was expected to start becoming remunerative approximately three years after its completion. In view of the fact that the scheme will not be completed until the end of 1957, the normal expectation would be that the scheme should start becoming remunerative from 1960 or so. There is every chance

of this expectation being realised ; meanwhile every effort would be made to provide as many connections as possible even during the conversion period.

Question 4(a).—*How much work has actually been done so far and what is the total expenditure involved in taking the overall expenses into consideration ?*

The work actually done so far has been described in the answer to question 2(c). The total expenditure upto 30th September, 1953 is indicated below :—

(In lakhs of rup

Head of Account.	1949 Estimate.	Expenditure met up to 30-9-53 verified by Audit.
I. Land	74·45	2,47·80
II. Buildings.	2,22·86	
III. Apparatus and Plant.. . . .	6,90·66	173·84
IV. Lines and wires (Outdoor Plant)	2,55·00	76·97
V. Overheads. Administration, Contingencies, etc.	97·33	44·53
	13,40·30	5,43·14

Question 4(c).—*At what stage the works are at present and whether they are likely to progress according to the schedule?*

The time schedule to which we are trying to work is as follows:—

Stage I Cut-over	Middle of 1953
Stage II „	Middle of 1955
Stage III „	March, 1956
Stage IV „	December, 1956
Stage V „	December, 1957

The stage I exchanges were actually cut into service during May and August 1953. Every effort is being made to keep to the time-schedule.

ANNEXURE B

Parliament Secretariat Memorandum No. 57(7)-II/FC/53, dated 12th November, 1953

Question 2(a).—*To what extent the enhancement of prices has contributed to the higher estimates and to what extent the higher estimate is due to additional equipment or changes in specifications that have been made ?*

The answer is given in reply to question 3 in Annexure 'A'.

In this connection, Audit has pointed out that the question of determination of prices of equipment supplied by the I.T.I. has not yet been settled, in spite of urgings from Audit, and no agreement with the firm has yet been entered into, even though payments to the firm are being made regularly.

The prices at which imported equipment, supplied by the I.T.I., is paid for are based on the B.P.O. price index. With regard to the determination of the prices of equipment supplied by the I.T.I. from their own manufacture, it is understood that cost accounting is in progress and that the final price schedule will be available during the current financial year.

Question 2(b).—*For the works executed up till now, how far has the cost varied the actual cost from the estimated cost?*

The answer is given in reply to questions 2(c) and 4(b) in Annexure 'A'.

Audit has suggested that a statement showing the quantity of work under different Heads done so far, the estimated cost in respect thereof and the actual cost incurred, may be furnished for the information of the Public Accounts Committee. The required information is given in the sub-joined statement.

(In lakhs of rupees)

Head of Account	1949 Estimate	1953 expectation of actual cost	Expenditure met up to 30-9-53 verified by Audit	Expenditure percentage (4) to (3)	Percentage of quantum of work done.
I	2	3	4	5	6
(i) Land	74.45	92.36	247.80	80%	80%
(ii) Buildings	222.86	221.00			
(iii) Apparatus and Plant	690.68	692.68	173.84	25%	32% Note (a)
(iv) Lines and Wires (Outdoor Plant)	255.00	250.00	76.97	31%	32%
(v) Overheads Administration, Contingencies etc.	97.33	150.00	44.53	30%	40% Note (b)

Note (a).—The cost shown is less than the quantum of work done owing to only 90 per cent. payment for equipment having been made.

Note (b).—The work done is more than the expenditure booked due to certain debits on account of overhead charges yet to be adjusted.

Question 2(c).—*What is the actual amount of work involved in planning, designing, collection of data?*

The answer is indicated briefly in reply to question 1 of Annexure 'A' and in greater detail in the reply to Question 2(d) of this Annexure.

Audit has suggested that the money value of the work involved in planning etc. may be indicated for the information of the Public Accounts Committee. No hard and fast rule can be laid down particularly as the expenditure on planning and collection of data etc.

also depends on whether a strong well-equipped central organisation exists to render advice to the teams entrusted with the work. Taking these factors into account, in the case of Calcutta the cost of planning should be of the order of 4 per cent. of the cost.

Question 2(d).—How do the P. & T. Department justify the employment of 32 Gazetted officers and 313 non-gazetted officers for dealing with the affairs of the Project?

What are the views of the Ministry of Communications in this behalf? Have they explored any avenues for effecting retrenchment in the maintenance of such a heavy establishment and thus reducing the ultimate cost of the project?

The staff employed on Calcutta Automatisation on 1st April, 1951 and in November, 1953, with details of the duties of the Officers and the Sections functioning under them are given in Annexures I and II, respectively. The staff employed year by year is as follows :—

	31st March 1950	31st March 1951	31st March 1952	31st March 1953	30th Nov. 1953
Gazetted Officers Administrative Grade.	3	3	2	2	2
Executive Grade Class I	5	8	10	8	6
Class II including Accounts Officer	19	19	20	23	21
Non-gazetted Class III Clerical	24	44	60	104	126
Class III Engineering.	78	87	196	252	205
Class IV	15	37	60	73	61

The class III (clerical) staff consists of Office Superintendents, Accountants, L.S.G. Clerks, clerks, typists and stenographers.

Class III (engineering) staff consists of engineering supervisors, Mains Inspectors, Traffic Inspectors, Telephone Inspectors, Operators, air-conditioning mechanics, line inspectors, sub-inspectors, linemen, wiremen, cable jointers, motor drivers, mechanics, cable supervisors, draftsmen and tracers.

Class IV consists of daftries, peons, farashes, watermen, chowkidars, sweepers and cleaners.

The Chief Consultant had recommended in 1948 an organization for Calcutta Automatisation consisting of a Controlling Officer and his Deputy and (a) 4 engineering officers under a Senior Engineering Officer and (b) a Senior Traffic Officer with 4 Traffic Officers. The Senior Engineering Officer and the Senior Traffic Officer were to be of the Administrative grade and the 4 Engineering Officers and the 4 Traffic Officers of the grade of Divisional Engineer, Telegraphs. He had indicated that "in view of the magnitude and complexity of the operations, it is considered essential that all the officers shown should be fully experienced in dealing with work of comparable size and importance." He had also indicated that "other experienced but junior officers will no doubt be required, to take

charge (under the overall control of the appropriate officers as shown on the staff tree) of such matters as—

control of cabling gangs and jointers;

the setting up of an organization of a training school;

the setting up of an organization of a training office to deal with the considerable line plant record work involved, etc. In addition, of course, an adequate number of junior controlling officers, typing and clerical staff and workmen, will be required for the great quantity of detailed engineering, traffic and clerical work involved."

The Senior Engineering Officer and the 4 engineering officers were for equipment planning (excluding installation), cable planning and execution and the Chief Traffic Officer and 4 Traffic Officers for traffic measurements, training of traffic staff, etc.

The Chief Consultant had not included staff for auto-equipment installation, and an organization for training staff for maintenance of auto exchanges. In Calcutta, however, the staff actually employed under equipment planning, cable planning and execution is 3 Divisional Engineers against the 4 recommended by the Consultants. For Traffic, only 2 officers of the grade of Divisional Engineers have been employed. In addition it was necessary to employ 1 Divisional Engineer for recruitment and training of (a) mechanics, (b) auto exchange assistants, (c) engineering supervisors, and (d) assistant engineers for the maintenance of new auto exchanges. One Divisional Engineer has had to be employed for training in the installation of Director exchanges as it has been decided that the installation of 10 Director exchanges will be done departmentally and not by contractors. It can, therefore, be stated that less staff has been employed than the minimum considered necessary by the Chief Consultant who had indicated the basic organisation which in his view was "the irreducible minimum necessary to cope with the work involved".

It may also be mentioned that the Senior Engineering Officer (loaned by the British Post Office) gave as his opinion that in Calcutta, the time required is between 66 to 73 per cent. more than that required in the U.K. for similar schemes in respect of equipment planning and from 60 to 100 per cent. more in respect of cable planning. In respect of the staff required in each exchange area, the Senior Engineering Officer indicated that in the British Post Office, 1 Assistant Engineer, 2 Technicians and 4 Supervisors would be employed; these are comparable to Divisional Engineers, Assistant Engineers and Engineering Supervisors respectively in this Department. Calculating on this basis, it is found that the work done in cable planning, in cable works and Subs. office fittings in Stage I exchanges, which have already been cut into service, has been carried out with less staff than what was considered necessary by the Senior Engineering Officer, and in addition considerable proportion of the work relating to Stage II has also been done. It may here be added that 10 automatic Director exchanges will be installed departmentally; the Consultant's recommendation was that all the 15 exchanges should be installed by outside agencies. Staff for this is being trained.

In the circumstances, it is obvious that the staff actually sanctioned from time to time was not in excess of the expert advice which Government had obtained on the subject. Even when the staff was sanctioned, the local authorities were impressed upon to employ only as much of it as might be actually required in the light of local circumstances, and it has happened that the staff actually employed has been less than that for which sanction had been given. The proposals for staff are continuing to receive careful scrutiny whenever they are received with a view to economising expenditure.

In regard to the statement that "less staff has been employed than the minimum considered necessary", Audit has suggested that the point may be elucidated further in view of the fact that the Chief Consultant had recommended a staff of 12 Senior Officers with adequate number of junior controlling officers, whereas the strength of the gazetted staff on 30th November, 1953 was 29. In reply it is explained that the staff tree prepared by the Consultants included officers down to the level of Divisional Engineers and Traffic Superintendents only. The reference to the sufficient number of junior controlling officers related to officers corresponding to the grade of Assistant Divisional Engineers Telegraphs and Assistant Engineers. On 30th November, 1953 there were only 8 officers down to the grade of Divisional Engineers and Traffic Superintendents against a total of 12 recommended by the Consultants. As regards junior controlling officers, the normal ratio is three such officers to 1 Divisional Engineer or Traffic Superintendent. Thus it will be seen that the staff arrangements are entirely reasonable and economical.

ANNEXURE I

Chart of selected Gazetted and Non-Gazetted staff and their duties in the Calcutta Automatisation Branch 1-4-1951

Staff (Gazetted)

Engineer-in-Chief	1
Dy. Engineer-in-Chief	1

Details of Sections	D.E.T./B.P.O.	A.E./ A.D.E.T.	Non- Gazetted	Details of work done
1. Sr. Engineering Officer	1	..	..	According to Consultants' recommendation to advise on all technical matters regarding Planning, Installation, Maintenance etc.
2. Building, Air-conditioning and Electrical	1	2	4	Supervision of Stages I and II buildings ; liaison with C.P. W.D. and other Contractors ; Air-conditioning specifications and order ; H.T. & L.T. and General Electrical specifications and orders ; purchase of Cossipore, Circus, Salkea, Russa and Bagh Bazar sites.

Details of Sections	D.E.T./B.P.O.	A.E./ A.D.E.T.	.Non- Gazetted	Details of work done	
3. Traffic (Planning)	1	3	35	Survey building by building of the 6 areas for Stages III and IV area corrections ; Number change advices ; Traffic statistics and analysis area fixations ; Preparation, Mtce. and compilation of records ; barred trunk groups ; P.B.X. groupings ; liaison with Distt. and Engineering Branches ; correspondence with public, Manual Board designs, etc.	
4. Traffic (Operating)	1	..	..	Preparation of suitable operating instructions according to B.P.O. standard ; training of instructors for training operators to handle auto Manual Boards, K.S.B. positions ; and Sleeve Control Boards and various misc. special services.
5. Cable Planning	1	2	40	Investigation of Distribution points including distribution cable layout ; Preparation of records ; detailed design of cable network street by street ; area corrections ; issue of schedules to execution parties for cable joint ; Preparation of recovery diagrams, revision of survey sheets ; Way-leave plant ; day to day correction of live records ; liaison with District.	
6. Cable Execution	1	2	75	Cable execution of Subs. networks area 7 and 3 and 4 ; execution by parties of laying, tees, diversions, D.P's etc. ; liaison District Mtce. Liaison Municipal Corporation regarding charges etc.	
7. Subs. and P.B.Xs	1	2	60	Design and Specifications and testing of subs. fittings ; Execution of Stage I involving rewiring and block wiring of Subs. premises ; correspondence with Subs. and landlords etc.	
8. Equipment Planning and Ordering.	1	1	1	12	Equipment orders for Stages II, III and IV and technical details thereof as well as Stages I and II ; Trunking diagrams of Stages I, II and III finalised ; designs of directory enquiry,

Details of Sections	D.E.T./B.P.O.	A.E./A. D.E.T.	Non- Gazetted	Details of work done
				fire alarm, dial mountings 24C, furniture etc. placing of orders, receipt of equipment, storage, accounting, insurance etc.
9. Training.	I		2 4	Recruitment and training of Mechanics, Auto Exchange Assistants ; E.Ss. and A. Es. trained for maintenance of new Auto Exchanges.
10. P. A. (Engineering)	..	I	46*	Establishment, Staff and General Assistance to E-in-C. (*Includes peons, chowkidars, sweepers, daffaries etc.)
11. Stores and General purchase and reconciliation	..	I	17	Purchase of stores, stationery, furniture, forms etc. and accounting thereof, P.H.S. Depot completely under this officer.
12. Estimating.	..	I	5	On account of various components of works under land& buildings, A & P, L & W etc. a separate section under one A.E. was opened to co-ordinate estimating of components and preparation of final estimates.
13. Accounts	..	I	15	Budget, Cash and works accounts.
14. Under training in U. K.	..	2	..	
	5	5	20	313
			20	

NOTE:—The above is the sanctioned strength. Against this, 30 officers and 268 non-Gazetted staff were actually employed.

ANNEXURE II

Staff Chart of Calcutta Automatisation November, 1953

Staff (Gazetted).

Engineer-in-Chief I
Dy. Engineer-in-Chief I

Details of Sections	D.E.T.	A.D.E.T. /A.E.	Non- Gazetted	Duties of the Section
(a) Building (including Air-conditioning), (b) Electrical	..	2	12	Supervision of all buildings, Air-conditioning H.T. & L.T. Electrical (including lifts) work; liaison with Architects, C.P. W.D. and other contractors; efficient running of Stage II; installation till cut-over when taken over by maintenance ; post cut-over watch even on Stage I buildings.

Details of Sections	D.E.T.	A.D.E.T./A.E.	Non-Gazetted	Duties of the section
Traffic (Forecasting, Number Change, Statistics and Designs.)	..	2	30	Survey building by building, forecast and domino work to enable economic cable planning, area fixation of subscribers, number changes advice ; PBX grouping preparation of up-to-date multiple records ; Barred trunks groups ; preparation of street guide; traffic analysis; detailed check on traffic variations and liaison with engineering ; calculation of junction quantities ; correspondence with public and general instructions ; settlement of plan extension cases ; traffic trials ; conversion statistics; PBX designs, operating procedure, dockets, etc.
(a) Cable Planning (b) Cable Schedules (c) Cable Records and drawing office	} 1	3	70	Investigation of D.P's and their layouts ; design of cable network street by street issue of schedules for cable joints ; detailed re-arrangement schedules, including teeings and diversions; scrutiny of execution dockets for errors ; preparation of detailed records and correction of old ones ; preparation of D. P. cords and survey maps; recovery diagrams; fabrication of iron work and execution of racking in cable chambers ; continual allocation to District of junction pairs; close liaison with maintenance under ground staff at all stages since "live" cables etc.
Cable Execution (Areas 3, 4, 5 and 6)	1	3	65	Preparing W/O for cable laying and jointing; preparation of charts of executed works for records; teeings and straight joints, diversions, D.Ps, etc. liaison with District maintenance to eradicate possible faults due to handling or mis-routing; through testing out of all routes; potheading in cable chamber and thereafter jumpering at MDF and cut-over frams; post cut-over removal of tees and general cleaning up ; joint inspection with Corporation of reinstatement charges, and scrutiny of bills.

Details of Sections	D.E.T.	A.D.E.T. /A.E.	Non- Gazetted	Details of the Section.
Subs. and P.M. B.Xs.	1	2	38	Re-wiring of subs. premises; blockwiring of all the large buildings; heavy correspondence with owners; PMBX installations; post-execution testing, fitting of auto instrument dials, dial speed tests; fitting of new pattern P.C.Os. with Auto coin-boxes, etc.
(a) Equipment (Planning, Circuits ordering) (b) Traffic Record and Accounting	1	2	9	Equipment design and quantities; ordering of equipment and accounting of all receipts, I.T.I. bills, insurance; storage; traffic record operation of stage I exchanges and detailed analysis of switch and outlet requirements; circuit developments, Fire Alarm design, order and installation, etc.
Installation (Clerks & Works) (Stage II)	1	2	16	P.&T. representative with A.T.E, installers, watching progress checking specifications, testing out at every stage, arrangement for delivery of equipment, accounting thereof, including packing cases in bulk, acceptance testing.
Under-Study Stage III	1	1	12	Working with the Installers to gain first-hand experience of actual installation, stores organisation output expected at various stages, finer installation techniques, as well as detailed preliminaries in anticipation of Stage III simultaneous installation of 3 Director Exchanges.
P.A. (Engineering)	..	1	69*	Establishment, Staff and General Branches, including stenos, peons, chowkidars, etc. in the non-gazetted cadre. (*Includes peons, chowkidars, sweepers, farashes, etc.
Stores General Purchase & Reconciliation.	..	1	26	Purchase of stores, Stationery Furniture, Forms etc. and accounting thereof; disposal of U/S Stores & miscellaneous duties such as motor-vehicles, (15 of the 26, non-gazetted staff are drivers of the vehicles.)
Estimating	..	1	6	Central estimating section based on data supplied by executive officers, revisions, audit objections, revision of estimates etc.
Accounts	..	1	39	Budgeting; cash, works account stock-taking, etc.
TOTAL	2	6	21	392
		29		

APPENDIX LXII

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(Communications Division)

New Delhi, the 24th April, 1954.

OFFICE MEMORANDUM

SUBJECT:—*Calcutta Automatisation Project.*

As desired in the Parliament Secretariat Memorandum No. 150-FC/54, of the 23rd April, 1954, a note is attached dealing with the points enumerated in the list enclosed with the above-quoted Memorandum.

2. The P.A.C. directed that the Memorandum should be submitted directly to them to avoid delay and to facilitate its consideration at their next meeting to be held on Monday, the 26th April, 1954. To keep Audit informed, 4 copies and 2 copies each of this Memorandum respectively are being forwarded direct simultaneously to the Comptroller and Auditor General and Accountant General, P. & T. (Camp Delhi) Office.

MINISTRY OF FINANCE

(Communications Division)

SUBJECT:—*Calcutta Automatisation Project.*

REFERENCE.—*Parliament Secretariat O.M. No. 150-FC/LC, dated 23rd April, 1954.*

In the above O.M., the Ministry of Finance have been requested to furnish a self-contained note setting forth information on the points enumerated in the list enclosed therewith. In this note, the above points are dealt with seriatim. For facility of reference, the points are restated and the explanation follows:—

Item (a).—*“Whether the latest estimates of the project are satisfactory and justified?”*

Answer.—Although different estimates of the cost of the project were submitted, the formal sanction of the Government of India has been accorded so far to only one estimate. The sanction of the President was conveyed in D.G.P. & T.’s letter No. P. 154/48, dated 9th February, 1951 at an estimated cost of Rs. 1,235·71 lakhs. It may be explained that this has taken into account estimated credits on account of recovered manual exchanges. The gross expenditure contemplated in this sanction is Rs. 1,340·36 lakhs.

3. The previous estimates prepared by the P. & T. authorities and submitted by the Department of Communications were as follows :—

(i) An estimate for Rs. 623 lakhs sent under Department of Communications Memo. PH(A) 35-50/44, dated 12th November, 1946. This was, however, withdrawn before it was put to the Standing Finance Committee of Parliament.

(ii) An estimate for Rs. 790 lakhs submitted under Department of Communications Memo. PH(A)-35-50/44, dated 11th March, 1947. This was submitted to the Standing Finance Committee which held a meeting on 22nd March, 1947. The Standing Finance Committee recommended acceptance of the proposal generally but wished to have a note showing the various items of equipment, etc. and the extent to which the Department was setting up manufacture in India.

(iii) In a Memo. No. P. 154/48, dated 26th July, 1948, an estimate for Rs. 845 lakhs was prepared. Although this was discussed in the Standing Advisory Committee, it was not submitted to the Standing Finance Committee.

(iv) A *final* revised Memorandum was prepared by the Ministry of Communications in their Memo. No. P. 154/48, dated 1st January, 1949 which estimated the non-recurring cost of the proposal at Rs. 13,40 lakhs. The estimate took into account the Consultants' report as well as further data obtained by the P. & T. Department. It was submitted to the Standing Finance Committee of Parliament at their meeting held on 8th January, 1949. They approved the proposal but desired that periodical reports regarding purchases abroad should be rendered. As explained earlier, the President's sanction was issued in D.G.P. & T.'s letter, dated 9th February, 1951 based on the approval given by the Standing Finance Committee.

4. So far as the sanctioned estimates of the project go, therefore, the sanction at an estimated cost of Rs. 13,40 lakhs (gross) still holds the field. The Engineer-in-Chief of the Calcutta Automation Project has been required to submit periodical reports termed "financial stock-taking", once every six months. In these he includes information about the scheme, its stages, the progress of completion of each stage, increases in sanctioned cost, if any, and reasons therefor, establishments employed on the project, the progress of expenditure against each component and the progress of work as a whole. Based on these data, the administrative department's appreciation of the extent to which sanctioned estimates are likely to vary has been furnished in the enclosure to the Ministry of Communications Memorandum No. P-472/53, dated 22nd April, 1954 submitted to the Public Accounts Committee. For facility of reference, an extract is quoted below:—

"A recent review of the progress of expenditure and estimated cost indicates that the actual cost of the scheme is likely to be of the order of Rs. 14,28 lakhs i.e. an excess of approximately 6.58 per cent. . . ."

The reasons for the variation have been described in detail in pages 16 to 19 of the Memorandum quoted in this paragraph.

5. The reports of the Engineer-in-Chief are in the nature of progress reports and are not requests for a revision of the sanctioned estimates. The stage has not yet come for a formal proposal to be made to the Finance Ministry for revising the sanction of the President accorded in February, 1951. Normally the Finance Ministry do not favour intermediate revisions of sanctioned estimates because of the possibility of this procedure covering up "excesses" which would otherwise have come up specifically for regularisation through the audit and financial authorities.

6. Item (c).—*"Checks exercised by the Ministry of Finance (Communications) on the increase in the estimates submitted in 1949 and approved by the Government of India."*

Item (e).—*"What is the reaction of the Ministry of Finance on the lack of proper estimating at the outset?"*

The above items have been taken together to facilitate explanation and decision.

7. Answer.—As mentioned earlier, although different estimates were submitted on this project, the final estimate submitted in January, 1949 and approved by the S.F.C. was the basis on which formal orders of the Government of India were issued launching this project. The Finance Ministry have noted with concern that there have been considerable variations between the estimates given at different stages. The reasons for the variation have been explained in detail by the Ministry of Communications in their Memorandum dated 22nd April, 1954 to the Public Accounts Committee *vide* the answer to question No. 3 on pages 8—15 *ibid*.

8. This is a very large and comprehensive project the like of which has not been attempted in the Indian P. & T. before. The Government, therefore, engaged a firm of consultants to advise them on the various aspects of the scheme which have been laid down in detail in answer to question No. 1, annexure 'A' page 1 of the enclosure to Ministry of Communications Memorandum dated 22nd April, 1954 mentioned above. After receipt of the Consultant's report, the Department was required to undertake planning of detailed items of work like forecasting of traffic, study and collection of statistics, cable planning and distribution, selection and acquisition of sites, design and specification of buildings including electrical and air-conditioning installations, etc.

9. The standing orders in the P. & T. Manuals contemplate that the Head of the Circle or other designated officer is responsible for submitting correct and comprehensive estimates for sanction to higher authority. Technical estimates relating to costs of equipment, installations, buildings, etc. are not susceptible of detailed counter-check in the Finance Ministry. It is, however, ensured that a broad scrutiny is made over these estimates designed to see that they are generally reasonable and correct, that technical advice at appropriate levels has been taken, that in the case of buildings, the C.P.W.D. have examined the project, that in other cases expert opinion available to the Department has been taken full advantage of. The Finance Ministry particularly see that the competent authority has prepared the estimate carefully and technically scrutinised it, that budget provision exists or can be arranged and that the scheme is on the whole remunerative. The Finance Ministry exercise checks

not only at the stage when the project is sanctioned as a whole, but also at intermediate stages when "expenditure sanctions" are to be accorded. For example, in a project like this, the sanction of the Finance Ministry is obtained to purchase of site, erection of buildings, purchase and installation charges of equipment, estimates relating to cable works and similar estimates costing more than Rs. 2 lakhs in each case. Where the authorised procedure in regard to going out to tender or to acceptance of contracts is deviated from and the matter is beyond the competence of an administrative authority, the sanction of Finance Ministry is required to be taken.

10. If a revised sanction is to be accorded for the Calcutta Automatisation Project involving a change beyond the permissible limits from the estimated figure of Rs. 13.4 crores, the Finance Ministry will naturally ask for and scrutinise, in some detail, the reasons for the variations.

11. It may be stated that the Finance Ministry are keen that estimates submitted to them specially those relating to large projects are as accurate and comprehensive as possible and that they are not deviated from except for good and sufficient reasons which should be furnished to that Ministry before expenditure in excess of sanction is incurred.

12. Item (b).—*"The capacity to spend in each year of the project related to the capacity to produce the equipment."*

13. The amount spent/provided in the last few years are shown below :—

	In lakhs of Rs.
Expenditure up to 31-3-51	287
„ in 51-52	96.6
„ in 52-53	160.4
„ in 53-54	205.2 (R.E.)

Rs. 159 lakhs have been initially provided in the Budget for 1954-55. The above provisions were made after taking into account the availability of material, buildings etc. and the capacity to spend on this project.

14. The time schedule laid down for the five stages of the project originally and the time schedule as now modified are shown in the table below. (Please also see page 20 of the Memorandum dated 22nd April, 1954 submitted by the Ministry of Communications).

Stage	Original time schedule	Revised time schedule
I cutover	March 1952	Middle of 1953
II „	Dec. 1952	Middle of 1955
III „	Dec. 1953	March 1956
IV „	June 1954	Dec. 1950
V „	Dec. 1954	Dec. 1957

It will be seen from the above that the estimated date of completion of the various stages has been postponed in the revised schedule. The Engineers have explained that they suggested the postponement on the basis of a closer and more realistic appreciation of availabilities of buildings, equipment, P.B.X. Boards, and other Subscribers

fittings and completion of out door plant works. It would appear that, had the original schedule not been modified, it might have been necessary to order more equipment and fittings from abroad instead of utilising local resources either in the Departmental Workshops or the I.T.I. It can, therefore, be said that the revision of the time schedule has taken into account the capacity to produce as much of the equipment as possible locally.

The matter could be looked at from another angle. In stage I, the main supplies were coming from the A.T.E. In stage II, it is anticipated that 50 per cent. would come from the A.T.E. and the balance mainly from I.T.I. In stages III, IV and V, the I.T.I. share is expected to be about 80 per cent., the balance being met from other sources.

15. Item (f).—*“Has there been any extravagance in maintaining the establishment for progressing the project?”*

Details of the staff sanctioned for dealing with this project and the distribution of duties have been furnished in the Ministry of Communications Memorandum No. P. 472/53, dated October 1953 submitted to the P.A.C. In their latest Memorandum dated 22nd April, 1954 the Ministry of Communications have given their views on this question *vide* pages 23—26 of the Annexure to that Memorandum.

16. In examining the staff required for progressing a project of this kind, the Finance Ministry compare the gradation numbers and distribution of work with any comparable scheme or organisation. There is, however, no organisation in the P. & T. comparable to the staff required for planning and executing the Calcutta Automatisation Project. The Consultants however gave expert advice based on their knowledge of conditions in the U.K. and the B.P.O. They had advised an organisation consisting of a Controlling Officer and his Deputy and (a) four Engineering Officers under a senior Engineering Officer and (b) a senior Traffic Officer with four traffic officers and also indicated that other experienced but junior staff may be required to deal with matters like control of cabling gangs and jointers, setting up a training school, keeping plant records, typing, clerical staff for detailed engineering, traffic and clerical work etc.

17. In large schemes, it is usual to cross-check the reasonableness or otherwise of the planning and execution staff in terms of the percentage which the cost of the staff bears to the total cost of the project. It will be seen from page 4 of the annexure to the Ministry of Communications Memorandum dated 22nd April, 1954 that an expenditure of approximately 30.5 lakhs has been incurred on pay and allowances of the staff till 31st of March 1953. The approximate value of the work done upto this period is 544 lakhs. Against the sanctioned estimate of Rs. 1,340 lakhs of the entire scheme it may be expected that the expenditure on staff would be of the order of Rs. 75 lakhs. This would give a percentage of about 5 of the cost of the project. In C.P.W.D. projects, staff percentage go up to 9½ even.

18. At the same time, the Finance Ministry are anxious that unnecessary staff or expenditure should be avoided. Therefore, although the staff employed is not in excess of the expert advice given to Government, the Finance Ministry has been impressing on all concerned to employ as little additional staff as possible even against sanctioned posts. There is, however, one aspect of this matter which the Finance Ministry has borne in mind in dealing with large and difficult projects of this nature. While extravagant staff is to be avoided, it is necessary to ensure that big projects are planned adequately and in sufficient detail and their execution by stages is subjected to close technical supervision. It will be agreed that close and competent technical supervision and direction is bound not only to accelerate the execution of a major project but also to save unnecessary expenditure in certain directions. In the case of the Calcutta Auto Project, it has been brought to the notice that the planning staff have been able to effect some savings in the total cost of the project. For example, by suggesting the major modification of a changeover from a three letter code to a two figure code and by designing and manufacturing manual switch boards in India, estimated costs are expected to have been reduced by about Rs. 20 lakhs. Certain increases in the prices of outdoor plants have been met within the original provision as a result of detailed planning of cable net works. Until the project is completed it is difficult to estimate what savings have actually materialised as a result of the detailed planning. The value of this planning unit can therefore be judged best only when the project is nearer the stage of completion. At present, however, the Finance Ministry cannot say that the present staff is unduly extravagant. They would continue to press for a review of the strength of this establishment at periodical intervals, not greater than one year. In fact, these establishments are all sanctioned on a temporary basis only to ensure that a review is systematically carried out.

Q. 19. *"Is any total revision of the scheme recommended at present?"*

As the P.A.C. is aware, the scheme is in five stages and it is expected to be completed by the end of 1957. We are, therefore, in the middle of the scheme. All the sites for the exchanges have been acquired. 9 out of 13 major buildings have been completed or are about to be completed. As regards exchange equipment, orders have been placed for all the stages. Planning has been done to a large extent on outdoor works e.g., cables, subscribers' fittings, private exchanges, etc. From the point of view of the Five Year Plan also, it is desirable that major projects of this kind are completed within the time schedule and on a basis not very different from the original plan.

20. The above suggests that it is not possible nor perhaps even advisable to make any major change in the scheme at present.

21. However, every effort should be made by the technical authorities and the planners to see that the objective is achieved by reducing costs as much as possible by combination of exchanges, reduction of staffs, equipment, etc. Any postponement of later stages of this project may have undesirable effects in the direction of ordered equipment which cannot be installed or buildings which are

unoccupied and/or other types of infructuous expenditure. On general grounds also, as Calcutta is the largest city in India, there is every reason to believe that the demand for telephones will go on steadily increasing.

22. In the light of the above, the Finance Ministry are hesitant to recommend any large scale change in the project at this stage.

APPENDIX LXIII
MINISTRY OF COMMUNICATIONS
(Posts and Telegraphs)

No. NA-29-18/53.

Dated, New Delhi, the 25th May, 1954.

SUBJECT:—*Note regarding the action taken in respect of the discrepancies in store balances found during the Overall Physical Verification of Stores as commented upon in para. 21 of the Appropriation Accounts (P. & T.) 1950-51 and Audit Report thereon.*

In their meeting held on the 10th November, 1953, the Public Accounts Committee desired that a note be submitted to them stating the action taken against persons responsible for shortages of stores as commented upon in para. 21 of the Appropriation Accounts 1950-51 and Audit Report thereon relating to the results of the Physical Verification of stores balances.

2. The break-up of the items of surpluses and deficits mentioned in the audit para. referred to above, is as follows:—

	No. of Items	Surplus	Deficit.
(1) <i>Jabalpur Workshops.</i>	5	28,028 0 0	99,043 2 0
(2) <i>Telegraph and Telephone District Store Depots, Bombay.</i>	6	11,610 0 0	37,237 0 0
(3) <i>Alipore Store Depot.</i>			
(a) <i>Battery Godown.</i>	3	21,209 6 0	15,619 5 0
(b) <i>Instrument Godown.</i>	3	13,423 0 0	9,310 0 0
(c) <i>Construction Fire Godown.</i>	10	49,640 7 0	1,82,338 9 0
(d) <i>Construction Posts Godown.</i>	29	1,04,488 8 0	5,48,652 5 0
TOTAL	56	2,28,399 5 0	8,92,200 5 0

3. The progress of action taken in respect of the above items is indicated below :—

(1) *Jabalpur Workshops.*

Of the 5 items, one arose out of loss of stores owing to floods. The officer responsible for excess stocking of material without making proper arrangements for storage in that case is no longer in service

having already been dismissed from service in connection with other cases against him. In another case, investigations have shown that the discrepancy was mainly due to errors in weighing and arithmetical calculations and that the actual unaccounted for discrepancy was negligible. It was therefore decided that no action was called for in this case. On satisfactory explanations having been furnished, the remaining 3 cases have been admitted in Audit.

(2) *Telegraph and Telephone District Stores Depots, Bombay.*

The Deputy Accountant General, Posts and Telegraphs Stores and Workshops, Calcutta, has stated that the discrepancies are due to erroneous book-keeping and that the question of fixing the responsibility for the discrepancies may be dropped.

(3) *Alipore Store Depots.*

Out of the 45 items, explanations for discrepancies in respect of 30 items have since been admitted in audit. The remaining 15 items are still under investigation.

4. Action taken against the officials who may be responsible, will be intimated to the Public Accounts Committee in due course.

5. This note has been seen by Accountant-General, Posts and Telegraphs.

To

The Chairman and Members of the Public Accounts Committee.

APPENDIX LXIV

Statement showing the particulars of the meetings of the Public Accounts Committee, the attendance of members and the subjects discussed, etc.

Date	Time	Duration	No. of Members including the Chair- man attend- ing the meeting	Business transacted.
(1)	(2)	(3)	(4)	(5)
30-6-53	10 A. M. to 1 P.M.	Hrs. Mts. 3-0	13	Consideration of the Appropriation Accounts (Defence Services) 1949-50 and 1950-51 and the Audit Report thereon.
1-7-53	10 A. M. to 1-15 P. M.	3-15	13	Do.
2-7-53	10 A. M. to 1 P. M.	3-0	13	Do.
3-7-53	10 A. M. to 1-15 P. M.	3-15	13	Do.
4-7-53	10 A. M. to 1 P. M.	3-0	13	Do.
7-7-53	Do.	3-0	11	Do.
8-7-53	Do.	3-0	12	Do.
9-7-53	Do.	3-0	13	Do.
10-7-53	Do.	3-0	11	Do.
11-7-53	Do.	3-0	12	Do.
13-7-53	10-30 A.M. to 12-40 P. M.	2-10	13	Consideration of the Report of the sub-Committee on the "Disposal of Tyres and Tubes"
14-7-53	10 A. M. to 1 P. M.	3-0	13	(1) Consideration of the Appropriation Accounts (Defence Services) 1949-50 and 1950-51 and the Audit Report thereon. (2) Further consideration of the Report of the sub-Committee on the "Disposal of Tyres and Tubes".
27-8-53	4-30 to 6-35 P. M.	2-5	10	Consideration of the points arising from the statement laid on the Table of the House on the 11th August, 1953 by Shri T. T. Krishnamachari, Minister for Commerce and Industry in connection with the Fourth Report of the P.A.C. on the "Import and Sale of Japanese Cloth".

(1)	(2)	(3)	(4)	(5)
21-9-53	3-30 P.M. to 6 P.M.	Hrs. Mts. 2-30	7	Consideration of the Appropriation Accounts (Defence Services) 1949-50 and 1950-51 and the Audit Report thereon.
22-9-53	11 A.M. to 1 P.M.	2-0	10	Do.
24-9-53	Do.	2-0	9	Do.
9-11-53	10 A. M. to 1-10 P.M.	3-10	12	Consideration of the Appropriation Accounts (P.&T.) 1950-51 and Audit Report, 1952.
10-11-53	10 A. M. to 1-20 P. M.	3-20	11	Do.
12-11-53	10 A. M. to 1-15 P. M.	3-15	13	Consideration of the Appropriation Accounts (Railways), 1950-51 and Audit Report thereon.
13-11-53	Do.	3-15	13	Do.
14-11-53	10 A. M. to 1-10 P.M.	3-10	11	Do.
17-11-53	10-30 A. M. to 12-20 P. M.	1-50	8	Indian Telephone Industries, Ltd., Bangalore.
19-11-53	10-30 A. M. to 12-35 P. M.	2-5	12	Consideration of the statement showing action taken or proposed to be taken on the outstanding recommendations—P. & T. Department.
3-12-53	11 A. M. to 1-15 P. M.	2-15	10	Consideration of the Report of the Investigating Team in the Assam Rail Link Project.
17-12-53	11 A. M. to 12-35 P. M.	1-35	9	Consideration of the statement showing action taken or proposed to be taken by the Ministry of Railways (Railway Board) on the outstanding recommendations of the P. A. Committee.
18-12-53	11 A. M. to 12-35 P. M.	1-35	8	Do.
26-12-53	10 A.M. to 1 P. M.	3-0	10	Do.
28-12-53	10-30 A. M. to 11-45 A. M.	1-15	8	Champhekar Committee Report on the Mahanadi Bridge (Hirakud Dam Project).
1954				
20-4-54	10 A. M. to 12 Noon.	2-0	8	I.T.I. Ltd., Bangalore.
23-4-54	10 A. M. to 11-15 A. M.	1-15	8	Calcutta Telephone Automation Project.
26-4-54	10-30 A. M. to 12-40 P. M.	2-10	10	Do.

(1)	(2)	(3)	(4)	(5)
6-5-54	10-30 A. M. to 12-45 P. M.	Hrs. Mts. 2-15	8	Consideration of the Champhekar Committee Report on the Rail-cum-Road Overbridge across the Mahanadi (Hirakud Dam Project).
7-5-54	10-30 to 11 A. M.	0-30	10	Do.
10-5-54	10-30 A. M. to 12 Noon.	1-30	5	Do.
13-5-54	10-30 A. M. to 12-30 P. M.	2-0	8	Do.
23-6-54	10 A. M. to 12 Noon.	2-0	10	Consideration of the draft Report on the Mahanadi Bridge (Hirakud Dam Project).
24-6-54	10-30 A. M. to 12-40 P. M.	2-10	11	Consideration of the draft Reports on— (i) sub-Committee on the Fertilizer Deal. (ii) sub-Committee on the Pashabhai Patel Implementations (C.T.O.).
25-6-54	10-30 A. M. to 1 P. M.	2-30	9	Consideration of the draft Report on the Appropriation Accounts (Railways) and (P.&T.) 1950-51 and Audit Reports thereon.
26-6-54	10 A. M. to 1 P. M.	3-0	7	Consideration of the draft Report on the Appropriation Accounts (Railways) and (P.&T.) 1950-51 and Audit Reports thereon.
28-6-54	10-30 A. M. to 12-45 P.M.	2-15	7	Consideration of the Draft Report on the Defence Accounts, 1949-50 and 1950-51 and Audit Reports thereon.
29-6-54	10-30 A. M. to 12-55 P. M.	2-25	9	Do.
Total Hours.		102-45		

NOTE:—(1) In addition to the above meetings, the Committee also held meetings on the 11th September; the 2nd and 16th December, 1953 and the 19th April, 1954 to consider certain subjects not directly connected with the Accounts referred to in this statement. These meetings lasted for about 5 hours in all.

(2) The individual attendance of Members at each Meeting of the Committee has been shown at the commencement of the Proceedings of the Meeting concerned.

