

**PUBLIC ACCOUNTS COMMITTEE**  
**(1968-69)**

(FOURTH LOK SABHA)

**FORTIETH REPORT**

[Appropriation Accounts (P & T), 1966-67 and Audit  
Report (P & T), 1968]



**LOK SABHA SECRETARIAT**  
**NEW DELHI**

*January, 1969/Pausa, 1890 (Saka)*

*Price : Rs. 1.55*

336.3951R  
k8

**LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA  
SECRETARIAT PUBLICATIONS**

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
<b>ANDHRA PRADESH</b>			12.	Charles Lambert & Company, 101, Mahatma Gandhi Road, Opposite Clock Tower, Fort, Bombay.	30
1.	Andhra University General Cooperative Stores Ltd., Waltair (Visakhapatnam)	8	13.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1.	60
2.	G.R. Lakshmiopathy Chetty and Sons, General Merchants and News Agents, Newpet, Chandragiri, Chittoor District.	94	14.	Deccan Book Stall, Ferguson College Road, Poona-4.	65
<b>ASSAM</b>			15.	M/s. Usha Book Depot, 585/A, Chira Bazar, Khan House, Girgaum Road, Bombay-2 BR.	5
3.	Western Book Depot, Pan Bazar, Gauhati.		<b>MYSORE</b>		
<b>BIHAR</b>			4.	Amar Kitab Ghar, Post Box 78, Diagonal Road, Jamshedpur.	37
<b>GUJARAT</b>			16.	M/s. Peoples Book House Opp. Jaganmohan Palace, Mysore-1.	16
5.	Vijay Stores, Station Road, Anand.	35	<b>RAJASTHAN</b>		
6.	The New Order Book Company Ellis Bridge, Ahmedabad-6.	63	17.	Information Centre, Government of Rajasthan, Tripolia, Jaipur City.	38
<b>HARYANA</b>			<b>UTTAR PRADESH</b>		
7.	M/s. Prabhu Book Service, Nai Subzimandi, Gurgaon, (Haryana).	14	18.	Swastik Industrial Works, 59, Holi Street, Meerut City.	2
<b>MADHYA PRADESH</b>			19.	Law Book Company, Sardar Patel Marg, Allahabad-1.	46
8.	Modern Book House, Shiv Vilas Palace, Indore City.	13	<b>WEST BENGAL</b>		
<b>MAHARASHTRA</b>			20.	Granthaloka, 5/1, Ambica Mookherjee Road, Belgharia, 24 Parganas.	10
9.	M/s. Sunderdas Gianchand, 601, Girgaum Road, Near Princess Street, Bombay-2.	6	21.	W. Newman & Company Ltd., 3, Old Court House Street, Calcutta.	44
10.	The International Book House (Private) Limited, 9, Ash Lane, Mahatma Gandhi Road, Bombay-1.	22	22.	Firma K.L. Mukhopadhyay, 6/1A, Banchharam Akur Lane, Calcutta-12	82
11.	The International Book Service, Deccan Gymkhana, Poona-4.	26	23.	M/s. Mukherji Book House, 8B, Duff Lane, Calcutta-6.	4

**LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA  
SECRETARIAT PUBLICATIONS**

Sl No.	Name of Agent	Agency No.	Sl No.	Name of Agent	Agency No.
<b>ANDHRA PRADESH</b>					
1.	Andhra University General Cooperative Stores Ltd., Waltair (Visakhapatnam)	8	12.	Charles Lambert & Company, 101, Mahatma Gandhi Road, Opposite Clock Tower, Fort, Bombay.	30
2.	G.R. Lakshminpathy Chetty and Sons, General Merchants and News Agents, Newpet, Chandragiri, Chittoor District.	94	13.	The Current Book House,* Maruti Lane, Raghunath Dadaji Street, (Bombay-1.	60
			14.	Deccan Book Stall, Ferguson College Road, Poona-4.	65
<b>ASSAM</b>					
3.	Western Book Depot, Pan Bazar, Gauhati.		15.	M/s. Usha Book Depot, 585/A, Chira Bazar, Khan House, Girgaum Road, Bombay-2 BR.	5
<b>BIHAR</b>					
4.	Amar Kitab Ghar, Pos. Box 78, Diagonal Road, Jamshedpur.	37	<b>MYSORE</b>		
			16.	M/s. Peoples Book House Opp. Jagannohan Palace, Mysore-1.	16
<b>GUJARAT</b>					
5.	Vijay Stores, Station Road, Anand.	35	<b>RAJASTHAN</b>		
6.	The New Order Book Company Ellis Bridge, Ahmedabad-6.	63	17.	Information Centre, Government of Rajasthan, Tripolia, Jaipur City.	38
<b>HARYANA</b>					
7.	M/s. Prabhu Book Service, Nai Subzimandi, Gurgaon, (Haryana).	14	18.	Swastik Industrial Works, 59, Holi Street, Meerut City.	2
			19.	Law Book Company, Sardar Patel Marg, Allahabad-1.	46
<b>MADHYA PRADESH</b>					
8.	Modern Book House, Shiv Vilas Palace, Indore City.	13	<b>WEST BENGAL</b>		
<b>MAHARASHTRA</b>					
9.	M/s. Sunderdas Gianchand, 601, Girgaum Road, Near Princess Street, Bombay-2.	6	20.	Granthaloka, 5/1, Ambica Mookherjee Road, Belgharia, 24 Parganas.	10
10.	The International Book House (Private) Limited, 9, Ash Lane, Mahatma Gandhi Road, Bombay-1.	22	21.	W. Newman & Company Ltd., 3, Old Court House Street, Calcutta.	44
			22.	Firma K.L. Mukhopadhyay. 6/1A, Banchharam Akrur Lane, Calcutta-12	82
11.	The International Book Service, Deccan Gymkhana, Poona-4.	26	23.	M/s. Mukherji Book House, 8B, Duff Lane, Calcutta-6.	4

**PRESENTED TO LOK SABHA ON 20.2.1969.**

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>for</u>	<u>read</u>
12	1.17	5	no	the,
15			Delete line 3 from top	
17		17	<u>Insert</u> the word "in" between the words "that" and "the".	
19			Statement portion to	T.O.
			item (c) line 2	
34	1.45	7	<u>delete</u> the word "in" and <u>insert</u> the word "is"	
38	Heading,	1	<u>add</u> the word "Branch" at the end.	
39	1.53(f)	2	Precedent	procurement
41	1.60	4	<u>Insert</u> the word "and" between the words "5 years" and "Delhi".	
41	1.63	4	<u>intallation</u>	<u>installa-</u> <u>-tion</u>
44	1.75	2	<u>Insert</u> the word "the" between the words "cent" and "total"	
45	1.77	8	noice	notice
48	2.1	Statement	6.75	6.25
		item 3		
48	2.1(ii)	last line	<u>mount</u>	amount
49		Statement item 1	31.10	37.10
49		Statement item 4	56	561
49	2.1(v)	9	buildings	billings
51	2.7	1	fololwing	following.
53	2.8(ii)(c)	1	Lac	Lack
55		10	letigation	litigation
56	2.17	3 from top	challenged	challenged
56	2.18	14	woud	would
			received	receive
56	2.18	20	protographic	photo-
				-graphic
58	2.26	7	<u>Insert</u> the word "of" between the words "loss" and "reve-"	
59	2.27	18	<u>delete</u> the existing line and <u>insert</u> the "upto 31st March, 1967 on the basis of average earnings of a tele-	
75	3.11(i)	3	necessitated	necessitated
76	3.14	7	Intenting	indenting
77	3.17	11	suggestion	suggested
77	3.19	2	through	thorough
78		5	aprired	apprised
78	3.24	10	occassioned	occasioned

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>for</u>	<u>re</u>
80	3.30	4	correction	cor
82	4.4	10	as	al
83		5-6	<del>Delete</del> "why the labour plus direct material cost, the overheads."	
84	4.8	6	factors	facets
88	5.1	statement item 1	2,494	7,494

## CONTENTS

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE, 1968-69 . . . . .	(iii)
INTRODUCTION . . . . .	(v)
CHAPTER I. General Revenue Position . . . . .	1
CHAPTER II. Revenue . . . . .	48
CHAPTER III. Works Expenditure and Miscellaneous other irregularities	72
CHAPTER IV. Workshops . . . . .	81
CHAPTER V. Stores, Purchase and Control . . . . .	89
CHAPTER VI. Other Topics of interest . . . . .	92

### APPENDICES

I. Production Statement from 1954-55 to 1955-57 . . . . .	103
II. Summary of main conclusions/recommendations of the Committee	106

### PART II\*

- Minutes of the 18th and 19th sittings held on 24th August, 1968  
(FN & AN) . . . . .
- Minutes of the 37th sitting held on 22-1-1969 (FN) . . . . .

---

\*Not printed. (One cyclostyled copy laid on the Table and 5 copies placed in the Parliament Library).

PUBLIC ACCOUNTS COMMITTEE

(1968-69)

CHAIRMAN

Shri M. R. Masani

MEMBERS

2. Shri Syed Ahmed Aga
3. Shri K. Anirudhan
4. Shri S. M. Banerjee
5. Shri C. K. Bhattacharyya
6. Shri K. G. Deshmukh
7. Shri V. Krishnamoorthi
8. Shri D. K. Kunte
9. Shri N. R. Laskar
10. Shri K. K. Nayar
11. Shrimati Sushila Rohatgi
12. Shri Narendra Kumar Salve
13. Shri Ram Awtar Sharma
14. Shrimati Tarkeshwari Sinha
15. Shri Tayappa Hari Sonavane
16. Shri A. P. Chatterjee
17. Shri K. Damodaran
18. Shri Shanti Kothari
19. Shri S. S. Mariswamy
- \*20. Shri G. H. V. Momin
21. Shri N. R. M. Swamy
22. Shri Tarkeshwar Pandey

SECRETARIAT

Shri N. N. Mallya—*Joint Secretary.*

Shri Avtar Singh Rikhy—*Deputy Secretary.*

Shri K. Seshadri—*Under Secretary.*

---

\* Declared elected on 19th August, 1968 vice Shri M. M. Dharia who resigned from the Committee.

## INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Fortieth Report on Appropriation Accounts (P & T), 1966-67 and Audit Report (P & T). 1968.

2. The Appropriation Accounts (P & T), 1966-67 and Audit Report (P & T), 1968 were laid on the Table of the House on the 30th April, 1968. The Committee examined these at their sittings held on 24th August, 1968 (F.N. & A.N.). The Minutes of these sittings form part of the Report (Part II)\*.

3. The Committee considered and finalised the Report at their sitting held on the 22nd January, 1969.

4. A statement showing the summary of the main conclusions/recommendations of the Committee is appended to the Report (Appendix II). For facility of reference these have been printed in thick type in the body of the Report.

5. The Committee place on record their appreciation of the assistance rendered to them in their examination of these accounts by the Comptroller and Auditor General of India.

6. The Committee would also like to express their thanks to the officers of the P & T Board, for the co-operation extended by them in giving information to the Committee during the course of evidence.

NEW DELHI:  
February 6, 1969.  
Magha 17, 1890 (S)

M. R. MASANI,  
Chairman,  
Public Accounts Committee.

---

\* Not printed. (One cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library).



**I**  
**POSTS AND TELEGRAPHS DEPARTMENT**  
**AUDIT REPORT (P&T), 1968**

**General Revenue Position**

*Audit paragraph*

1.1. The growth of revenue in the four branches of the Department as compared with the increase in expenditure (inclusive of dividend paid or due but not paid, and contributions made to the Renewals Reserve Fund) during the five years ended with 1966-67 is indicated below:

Year	Revenue	Expenditure	Percentage of Expendi- ture to revenue
(In crores of rupees)			
<i>Postal Branch</i>			
1962-63 . . . . .	50·95	50·18	98·5
1963-64 . . . . .	56·62	53·18	93·9
1964-65 . . . . .	59·37	60·65	102·2
1965-66 . . . . .	66·00	69·28	105·0
1966-67 . . . . .	70·15	78·49	111·9
<i>Telegraph Branch</i>			
1962-63 . . . . .	11·55	13·05	113·0
1963-64 . . . . .	12·82	14·49	113·0
1964-65 . . . . .	15·94	16·70	104·8
1965-66 . . . . .	14·44	19·68	136·3
1966-67 . . . . .	16·96	22·79	134·4
<i>Telephone Branch</i>			
1962-63 . . . . .	35·08	31·93	91·0
1963-64 . . . . .	40·12	37·49	93·4
1964-65 . . . . .	48·15	45·26	94·0
1965-66 . . . . .	57·09	53·79	94·2
1966-67 . . . . .	71·92	60·88	94·6
<i>Radio Branch</i>			
1962-63 . . . . .	0·29	0·20	69·0
1963-64 . . . . .	0·14	0·25	178·6
1964-65 . . . . .	0·32	0·35	109·4
1965-66 . . . . .	0·24	0·37	154·2
1966-67 . . . . .	0·31	0·28	90·3

Year	Revenue	Expenditure	Percentage of Expenditure to Revenue
(In crores of rupees)			
TOTAL : (Department as a whole)			
1962-63 . . . . .	97.87	95.36	97.4
1963-64 . . . . .	109.70	105.41	96.1
1964-65 . . . . .	123.78	122.96	99.3
1965-66 . . . . .	137.77	143.12	103.9
1966-67 . . . . .	159.34	162.44	101.9

1.2. The revenue of Radio Branch is derived from (a) meteorological messages, (b) services rendered for communications between ships and shore, and (c) provision for wireless communications on request from other governments or parties. The wireless stations are used also for monitoring and training purposes and provide a stand-by for the normal channels of communications provided by the Department. The portion of the expenditure allocable to these purposes is borne by the Radio Branch. The annual expenditure of the Radio Branch shown above included, however, adjustments relating to other years. If those adjustments are included in the figures of the years to which they relate, the figures for the three years ended with 1966-67 would be as follows:—

1964-65 . . . . .	0.33	0.32	97.0
1965-66 . . . . .	0.24	0.30	125.0
1966-67 . . . . .	0.32	0.29	90.6

1.3. The percentage which the expenditure of the Department as a whole bore to its total revenue, taking the period of last five years, was the highest (103.9) in 1965-66. There was an increase of Rs. 21.57 crores in revenue, during the year 1966-67 as compared with the previous year but the expenditure also increased by Rs. 19.32 crores with the result that the total expenditure was more than the total revenues during that year.

[Paragraph No. 3 Audit Report (P&T), 1968]

(i) *Postal Branch*

1.4. The Committee pointed out to the representatives of P & T Board that the expenditure of the Postal Branch in relation to its revenue had been going up since 1962-63. The expenditure as a percentage of revenue was 98.5 in 1962-63 but had increased to 111.9 in

1966-67. In absolute terms, in the year 1966-67, the expenditure of the Branch was Rs. 78.49 crores against a revenue of Rs. 70.15 crores leaving a deficit of Rs. 8.34 crores. The Committee asked why this situation had arisen. The Senior Member (Posts) stated that the Postal Department was labour-intensive and its main expenditure was on establishment. The establishment expenditure increased by Rs. 4.15 crores during 1966-67 due to grant of enhanced dearness allowance to staff with retrospective effect. Besides, devaluation also increased operational costs.

1.5. Taking up the question of losses sustained on new post offices opened by the Department, the Committee invited the attention of the Board representative to the following observations of the P & T Tariff Enquiry Committee about the criteria followed for opening of post offices and the need to review them:

"This Committee are informed that a new post office can be opened in a rural area at a loss upto Rs. 750/- 1000/- 2500 - per annum if such area fulfils certain requirements. It is retained upto a period of ten years if it continues to work within the limit of loss under which it is opened. It can be made permanent at any time within this period if the loss falls within Rs. 240/- per annum. If it does not qualify for permanency within this period it can be made permanent thereafter if the loss falls within Rs. 360/- or Rs. 500/- per annum, provided it satisfies certain conditions. Such a long period of trial for post offices and their retention on a permanent basis at even higher losses after this period of trial, result in considerable cumulative losses to the department.....The Committee consider that no organisation even with a public-utility bias, professing to run on sound commercial lines, would continue a losing activity for such long period as ten years and accept such activity as a permanent liability....."

1.6. The Committee enquired whether in the light of these observations, the existing policy had been reviewed. The Senior Member (Posts) stated that the recommendations of the P&T Tariffs Enquiry were under examination and would come up before the Board shortly. He further stated that "on an average one post office serves six villages" and that in some places postal facilities were not available within a radius of 4-5 miles. "If we take too drastic a view on the subject, it may happen that a very large number of post offices may have to be shut down... It would be a retrograde step to close them down for the sake of economy. "Explaining the position further,

the Chairman, P & T Board stated: "On the question of losses of Post Offices, I would like to put the thing in a certain perspective. The annual total losses of losing post offices is of the order of about a crore or a crore and twenty lakhs. As against this, the losing post offices serve... a population which is well over 90% (of the total population). So by subsidising the excess of about a crore out of the revenue where we make profits, we are opening up the country."

1.7. According to the statistics given in Tariff Enquiry Committee's Report the number of post offices, which was 20,240 as on 31st March, 1948, increased to 37,060 as on 31.3.1967. The Committee enquired how many post offices, which were opened but found unremunerative, were closed down and how many losing post offices were continued and at what level the decision about their continuance was taken. In a note submitted to the Committee, the Department have explained the position as under:

"There are departmental rules requiring review of the financial position of experimental post offices every year. A post office which is being opened newly is treated as an experimental post office. If the result of review shows that the experimental post office is working within the maximum permissible limit of loss it is retained further. In other cases action is taken to recover Non Returnable Contribution from the interested parties and State Governments to cover the loss over and above the permissible limit of loss and if it is not forthcoming, the experimental post office is closed down. Annual sanctions for further retention of experimental post offices issue only after the financial position of the individual offices are examined.

The Heads of Circles are competent to recover non-returnable contribution wherever necessary and to retain such experimental post offices further.

Number of post offices closed down since 1961 is furnished below:

1961	—	32
1962	—	63
1963	—	76
1964	—	71
1965	—	306
1966	—	450
1967	—	228

In the case of experimental post offices which have completed the maximum experimental period of ten years and were found to work within the permissible limit of loss for permanency/retention if there are possibilities of such post offices being made permanent, action is taken to retain such offices for further periods not exceeding one year in consultation with attached Finance wherever necessary . . . The decision is taken by the DG P & T actually by a Director acting on his behalf."

1. 8. During evidence the senior Member (Finance) expressed the following views on the question of losses sustained by the department in opening rural post offices:

"I would like to express with all humility, a personal opinion— which I shall express in the Board meeting also. I feel that this question of loss or profit is rather academic . . . when the whole postal department is running at a loss, there is not much point in saying that a few rural post offices should not be subsidised to this extent or that extent . . . If the whole Postal Department is self-supporting, then the policy for opening up the rural areas should be as liberal as possible within the framework of this formula that the Postal Department must pay its own way without a burden on telecommunication."

1.9. The Committee enquired whether it was not inappropriate that the Telecommunications Wing of the P & T Department should be called upon to subsidise the losses on the postal side. The Senior Member (Posts) replied "The Tariff Enquiry Report . . . has said that postal services should pay their way. There is no question of our taking advantage of the surplus on the tele-communication side." A reference to the interim report of the Tariff Enquiry Committee shows the following position in this regard:

"Despite its commercial character, the P & T Department has been functioning basically as a social service, providing cheap, quick and extensive communication facilities. Pursuing a liberal policy unremunerative offices have been opened and tariff concessions given to various services like registered newspapers, etc., in furtherance of the avowed social objective of the State.

A study by the Management Council of the Consultative Committee for Postal Studies under the auspices of the Inter-

**national Bureau of the Universal Postal Union on the 'Determination of economic basis of tariffs relating to the various categories of letter post items' brought out that in certain countries like the Federal Republic of Germany, Austria and Great Britain, rates are fixed so as to achieve an economic balance within each of the broad sectors of operations, such as, postal, telecommunications or the postal motor-coach service, taking each separately.**

**There is a growing trend among postal administrations in the World to regard the postal service as an economic undertaking to be managed in accordance with commercial principles, deriving a profit from its overall operations so that it can make a contribution towards its expansion and meet the increasing costs of replacement of assets. Yet there are many who believe that the post office is an essential service which must be provided even at a loss and that the overall financial objective should be, at best, to break-even. A number of countries like Australia, Denmark and the Netherlands conform to the principle that the rates for various items of postal correspondence should be fixed so that the income covers all the handling and transport costs. Profit on the postal service is provided for in countries like El Salvador, Norway, Paraguay, Sweden, Czechoslovakia and the U.S.S.R.**

**While in most of the foreign Administrations no profit is provided for on the postal services, they accept the principle that the postal charges should produce total receipts equal or nearly equal to the total operational expenses. Likewise, the Committee are of the view that although the P&T Department is to be run on commercial basis the postal branch should not be treated as a profit-earning concern, as it is primarily and essentially a public-utility service. They also agree that the postal tariffs should produce revenues equal, or nearly equal to the total operational cost of the postal branch."**

**1.10. Taking up the question of economy in establishment expenditure, the Committee drew the attention of the P&T Board to the following observations of the Tariff Enquiry Committee in regard to the expenditure incurred by the Department on medical re-**

imburement, children's education allowance, overtime allowance etc.

"The expenditure on medical reimbursements, children's education allowance and overtime allowance has also been increasing rather alarmingly:—

Year	Medical treatment	C.E.A.	O.T.A.
(Figures in crores of rupees).			
1961-62	·67	—	·90
1962-63	·95	·35	1·31
1963-64	1·28	·82	1·45
1964-65	2·02	1·09	2·97
1965-66	2·94	1·32	3·97
1966-67	3·95	1·47	4·61
1967-68(B.E.)	4·08	1·47	4·56

A few cases have come to the notice of the Committee, where the amounts drawn as medical re-imburement or as overtime allowances appear to be disproportionately high as shown below:—

- (i) A postman in the pay scale Rs. 75—95 has drawn Rs. 2220.62 as medical reimbursement in September, 1967 and Rs. 8460.50 during the period April to October, 1967.
- (ii) A L.S.G. Clerk with a basic pay Rs. 335/- has drawn Rs. 1958.95 as medical reimbursement in August, 1967. (Rs. 10,481.55 from April to December, 1967).
- (iii) A telegraphist drawing pay Rs. 110/- per month has drawn Rs. 1746.60 in May, 1967 and Rs. 7341.77 during the first ten months of 1967 as medical reimbursement.
- (iv) A class IV official with basic pay Rs. 76/- has drawn Rs. 1428.95 as medical reimbursement in August, 1967. (Rs. 9,191.70 from April to December, 1967).
- (v) A telegraph man with basic pay Rs. 85/- drew as medical reimbursement Rs. 1167/- in May, 1967 and Rs. 4053.18 during the first ten months of 1967.
- (vi) A clerk with pay Rs. 240/- per month has drawn Rs. 975.20 as overtime allowance in October, 1967 and a total amount of Rs. 5552.40 on this account during the first ten months of 1967.

- (vii) A munshi with pay Rs. 98|- per month drew Rs. 286.90 as overtime allowance in October, 1967 and a total amount of Rs. 1908.20 on this account during the first ten months of 1967."

1.11. Referring to the above cases pointed out by the Tariff Enquiry Committee, the Committee enquired what action was being taken by the Department. The Member (Administration) stated: "The particular cases referred to in the Tariff Enquiry Committee Report are already under investigation and we are also very seriously concerned about the abnormal increase in expenditure on account of medical reimbursement. This has also been discussed in the Finance Ministry at a higher level. To examine the causes of this increase, we are also proposing to undertake an independent study in the P&T Board." Clarifying the position further, the Chairman, P&T Board said: "I entirely agree there is waste in this. I have referred to this on many occasions that the medical scheme is not working satisfactorily and it is not providing relief to the persons who should get the help. . . . I had raised this point even before the Tariff Enquiry Committee Report and the Finance Secretary held an inter-Departmental meeting and he has asked the Health Ministry to reorient this scheme completely. That is the position at this moment and the Health Ministry has constituted a working committee."

1.12. At the instance of the Committee, the Ministry of Health have furnished a note about the abuses noticed in the working of the Scheme and steps taken to curb these malpractices. The note *inter alia*, states:

"Under the Medical Attendance Rules, the term 'medical attendance' includes attendance at the consulting room of the authorised medical attendant outside hospital|dispensary hours or at the residence of the patient, on payment of prescribed fees. This facility came to be abused by the unscrupulous among Government servants in collusion with the medical attendant and chemists. Their *modus operandi* appeared to be that the Government servant got bogus prescriptions from the authorised medical attendant and took a cash memo from the chemist by paying him a certain percentage of the amount claimed. The claim preferred on the basis of such a cash memo was formally complete."

1.13. The P&T Department have also furnished a note on the action taken by them in the seven cases of medical reimbursement



cited in the P&T Tariff Enquiry Committee Report. The position as brought out in that note is briefly summarised below:

*Case (i)*

The case related to Dilkusha, Lucknow. As a result of investigations by the Director of Medical & Health Services, U.P., the doctor concerned was debarred from acting as Authorised Medical Attendant. A few other doctors in charge of a few dispensaries "where a racket was going on" were also similarly debarred.

*Cases (ii) & (iv)*

The cases relate to Andhra circle and are under investigation by CBI.

*Cases (iii) & (v)*

The cases relate to Cuttack and were investigated by SPE, but adequate proof could not be obtained to secure conviction in a court of law or even departmental action. The Post Master General took action to open a P&T dispensary, but "this has been opposed by the staff unions who have filed writ petition in the Orissa High Court on the ground that it infringes their rights under the C.S. (Medical Attendance) Rules."

*Cases (vi) and (vii)*

These cases relating to Bombay, are under investigation by the Vigilance Officer of the Department.

1.14. The note of the P&T Department indicates, *inter alia*, the following steps taken to curb the malpractices in the working of the medical reimbursement scheme:

- (1) "It has been decided by the Ministry of Health and Family Planning:
  - (i) to draw up a list of chemists to be nominated as approved dealers from whom alone medicines will have to be purchased for a claim to be entertained for reimbursement of medical expenses;
  - (ii) to restrict the number of authorised medical attendants and only such doctors be selected whose integrity is beyond doubt.
- (2) Instructions of the Central Vigilance Commission have been circulated to all Heads of Circles etc. that such cases where there are grounds to suspect that false claims are being submitted habitually or which are otherwise con-

sidered of special significance, these should be preferred to the C.B.I. for investigation.

- (3) Instructions have been issued that if the medical reimbursement is unusually high in case of an individual official, the question of his transferring to some other healthy place may be considered. Such persons may also be considered for posting to places where there are facilities of P&T dispensaries. The fear of a transfer has a deterrent effect.
- (4) Instructions have also been issued to all Heads of Circles etc. that the Controlling Officers should exercise scrutiny with greater vigil, without making the staff feel that they are being subjected to unnecessary harassment. When in the course of scrutiny, they come across instances of doctors Government servants indulging in malpractices, such suspected cases should be reported to the Ministry concerned who will take up the matter with the C.B.I. for investigation. In order to obviate delay, the Controlling Officers have been permitted to report the cases direct to the special police.
- (5) As a result of the comments made by the Tariff Committee, the matter was taken up with the Finance Secretary. He convened an inter-Ministry meeting. It was decided that the Health Ministry will re-examine the scheme of reimbursement in consultation with a small inter-departmental meeting. They were to evolve procedures to safeguard abuse. Our approach was that the authorised medical attendants should be appointed by the P&T Department and not by the State Government. We had also insisted that the number of chemists to be recognised should be limited. This recognition should also be given only by the P&T and not by the State Government. The Finance Secretary was inclined to agree with our views. He had also fixed a time limit of about two months within which the Health Ministry must finalise its proposals.
- (6) The P&T Board has already decided to entrust to our Efficiency cell the examination and suggestion of remedies of a permanent nature to reduce the incidence of the malpractices in connection with the reimbursement of the medical bills and payment of undue overtime allowance. Accordingly the Efficiency Cell is currently seized of this problem.

(7) The P&T Board has also decided to open more P&T Dispensaries where there is large concentration of the P&T staff. The P&T has its own dispensaries at the following centres:

1. Ambala
2. Lucknow
3. Poona
4. Nagpur
5. Kanpur
6. Ahmedabad
7. Patna
8. Bangalore
9. Jabalpur
10. Meerut
11. Jaipur
12. Allahabad
13. Hyderabad\*
14. Bhopal
15. Cuttack\*

(\*Writ petitions have been filed by the Staff Unions and the dispensary will start functioning as soon as the writ petitions are vacated)."

1.15. The Ministry of Health have also indicated to the Committee a substantially similar position and have further stated that a Study Group comprising representatives of Ministries of Health, Finance and P&T Board are examining in a comprehensive way the question of reorienting the scheme of medical benefits to P&T employees, so as to eliminate the malpractices.

1.16. The Committee enquired about the economies achieved by the Department, as a result of studies initiated by the Staff Inspection Unit of the Ministry of Finance and the Works Study Unit in the P&T Department. In a note on the subject, the Department have stated that "the Staff Inspection Unit is finalising the standards in respect of the staff of the P&T circle offices. Their final report is awaited. In regard to Postal Division, the studies are not completed."

In regard to the studies undertaken by the Works Study Unit, the Department have indicated the following position:

*“Subjects on which studies have been completed and which have been referred to Finance (C)*

1. Standards for Sorting Postmen
2. Standards for Postmen
- 3\* Standards for gazetted PMs (Class II)
4. Standards for gazetted Deputy PMs (Class II)
5. Standards for HSG Postmasters
6. Standards for HSG Assistant/Deputy Post Masters.

*Subject in respect of which Reports are being finalised*

1. Standards for operative posts in Foreign POs.
2. Standards for Class IV in POs
3. Modified procedure for working O.T.A. in RMS
4. Standards for fixation of staff strength in the office of DDPLI Calcutta.
5. Review of standards in respect of Casual Labour employed on Engineering Works.
6. Fixation of standards for staff for construction purposes in Engineering Divisions.”

1.17. They have further stated that “It is not possible at this stage to assess the economy effected as a result of the recommendations of the Works Study Unit. On approval by Finance, the orders will be issued by the Board and the results watched with a view to assessing no economies.”

1.18. The scope for standardisation of various items of work in the Postal Branch, to save time and labour spent on them, was also examined by the Tariff Enquiry Committee. Some relevant extracts from their Report are given below:

“There are machines which can segregate letters from packets and large letters from small ones, can re-arrange the ordinary sized and shaped letters so that the stamps are all in the same corner (known as facing) and can automatically cancel the stamps. These machines can also sense the type of stamps used on the letters by means of imprinted phosphor markings.

In India, stamp cancelling machines are being used in larger post offices. A proposal for installing a sorting machine is also understood to be under consideration of the department.

Today speedy sorting is hampered by several factors:

- (a) Items of mail are of differing shapes, sizes and qualities of material;
- (b) The addresses are not uniformly legible; and
- (c) The flow of traffic is not even throughout the day.

The following suggestions may reduce these difficulties partly and would make work easier. The public should be educated sufficiently in this regard:

- (i) The sizes and shapes of envelopes and post cards of private manufacture should be standardised as much as possible.....
- (ii) Stamps should be affixed at the top right-hand corner of the envelopes and standard pattern of addressing should be adopted. The stamps should as far as possible be in the required denominations to avoid wastage and render cancellation effective. The use of oblong stamps would foster the habit of affixing stamps on the top right-hand corner of the envelopes.
- (iii) The sorting operation at all stages will be facilitated and speeded up by the addition of postal code numbers to addresses by the senders. The Committee suggest that a proper numerical postal code should be devised for the country.

The Committee suggest installation of 'nests of boxes' on the ground floors of multi-storeyed buildings. This will enable the residents of the buildings to collect their mail without any inconvenience and save time to the postman also.

Pre-payment of postage in cash on parcels would obviate the need for large stocks of high value stamps and consequently the work relating to printing manufacture, stocking and accounting of high value postage stamps in the post offices can be cut down.

The use of franking machines should be encouraged. This will reduce the demand for postage stamps and result in saving of labour and time. Franking machines should also be used freely at post office counters.

The denominations of stamps should be so rationalised that the minimum number is required for purposes of the normal tariffs. This should apply equally to service postage stamps."

1.19. The Committee are perturbed over the continuing losses in the Postal Branch. The losses, which amounted to Rs. 1.28 crores in 1964-65, increased to Rs. 8.34 crores in 1966-67. The Committee find that approximately one-eighth of the loss in the year 1966-67 arose out of the operation of unremunerative post offices in rural areas. While the Committee recognise that such post offices provide an essential public service, they would like the Department to consider whether the existing policy of retaining losing post offices on trial for over ten years and on a permanent basis thereafter does not need review in the larger interests of the Department and economy. As pointed out by the P&T Tariffs Enquiry Committee, "such a long period of trial for post offices and their retention on a permanent basis at even higher losses after this period of trial, result in considerable cumulative losses to the Department. . . . These continuing losses sap the resources generated in other areas of the Department's activities", leaving little "for the development and expansion of (other) services even when justified by the needs of traffic." The Committee note the recommendation of the Tariffs Enquiry Committee that "normally a period of four years or so should be considered enough for assessing whether a post office has developed traffic" and that "if it has not, the conclusion is clear that such an office is not likely to justify its continuance and further expenditure on it can be hardly regarded as developmental expenditure. . . . ." The Committee would like Government to take an early decision on this important recommendation, bearing in mind the sound principle that the postal services as a whole should break even, as indeed is the case in many countries of the world. This would ensure that the development and expansion of other vital services, in particular tele-communications, is not hamstrung.

1.20. In the ultimate analysis, the Committee feel that the Postal Branch, being labour intensive, can break even only if a close watch is kept on the staffing and organisation and methods employed in the department to ensure that such services are rendered efficiently and economically. A systematic effort will have to be made to increase productivity and effect savings in manpower, by evolving standards for outturn of work for various operations and by enforcing them rigorously. The Committee note that studies in this regard are being made by the Works Study Unit in the P&T Department and by the Staff Inspection Unit of the Ministry of Finance. They would

like to be apprised of the results of these efforts and the economies achieved. The Committee would also like to commend the suggestions made by the Tariff Enquiry Committee to effect savings of labours made by the Tariff Enquiry Committee to effect savings of labour and time in various areas of operations in post offices such as the sorting of mail, cancellation of stamps and delivery of mail.

1.21. The Committee are also distressed to note that the expenditure on medical reimbursement, overtime allowance etc. in the Postal Branch has increased four-fold since 1962-63. They note that a number of malpractices have come to the notice of the Department in connection particularly with the scheme for reimbursement of medical charges and that Government are considering how best such malpractices could be eliminated. The Committee trust that, as a result of the efforts of the Study Group which is now examining the working of the medical reimbursement schemes, ways and means of eliminating these abuses will be found and effectively implemented.

(ii) *Telegraphs.*

1.22. The Committee enquired why the percentage of expenditure to revenue had progressively gone up from 104.8 in 1964-65 to 134.4 in 1966-67. The witness stated that like the Postal Branch, the Telegraph Branch was labour-intensive, though not to the same extent. Increase in dearness allowance to the staff during the year had a pronounced effect on operational costs. Taking note of the observations of the P. & T. Tariff Enquiry Committee that "increasing staff costs have substantially contributed towards making the telegraph service unremunerative", the Committee asked what concrete steps to effect economy had been taken through improved methods of work and application of technological developments. The representative of the P. & T. Board stated that the Department had prescribed norms for substitution of more telegraphs circuits by teleprinter service. In every departmental telegraph office where 125 operations were performed—of sending, transmitting or receiving messages—teleprinters were being introduced. In 1966-67, we put in 600 teleprinters and in 1967-68 we could put in 800 teleprinters. We are working to put in a certain number of teleprinters in our telegraph network every year." In response to a question whether the staff inspection unit of Ministry of Finance had conducted any study of staffing pattern in the telegraph branches, the witness said that such a study had not yet been undertaken.

1.23. The P&T Tariff Enquiry Committee who studied the procedures and principles adopted to assess the cost of different services,

observed that "on the telephone side, no serious attempt has hitherto been made for ascertaining the cost per message of the traffic handled from year to year." That Committee gave the following analysis of cost incurred on telegraph traffic:

*Estimate of Cost Incurred on Telegraph Traffic*

<i>Estimated functional break-up of the costs.</i>	1964-65	1965-66	1966-67
	(Rupees in lakhs)		
(a) Staff costs			
(i) Booking . . . . .	89·96	106·92	102·03
(ii) Circulation . . . . .	49·80	58·91	66·45
(iii) Transmission . . . . .	363·66	430·51	488·16
(iv) Delivery . . . . .	237·74	281·26	317·22
(v) Miscellaneous . . . . .	65·05	76·96	86·81
TOTAL . . . . .	806·21	954·06	1078·67
(b) Engineering cost . . . . .	145·40	231·56	247·19
(c) Overheads . . . . .	104·59	117·27	133·68
NET OVER-ALL COSTS . . . . .	1056·20	1302·89	1459·54

1.24. That Committee also made an analysis of operational staff costs per message on the basis of studies conducted in Bombay Central Telegraph Office. The results of the analysis are tabulated below:

Booking . . . . .	0·24
Circulation . . . . .	0·07
Transmission . . . . .	0·19
Delivery . . . . .	0·55
Miscellaneous work . . . . .	0·20

Rs. 1·25 per message

1.25. The analysis would show that the bulk of the total staff expenditure of the Telegraph Department is on transmission, delivery and booking.

1.26. The Committee pointed out that there have been more widespread complaints about delivery and transmission of telegrams.



According to the findings of the Tariffs Enquiry Committee, 65 per cent. of the complaints related to delays in delivery and 7 per cent.—8 per cent. to delays in transmission. The witness stated that the Department were “fully alive to the fact that telegrams get delayed.” In regard to delay in delivery, the Department had authorised delivery over telex, where telex connections were available. As an experimental measure, delivery of telegrams by scooters had also been started at Poona and Shillong. He added: “We have selected particularly hilly places to assess both efficiency and economies together.” So far as delay in transmission was concerned, the difficulty was due to restricted working hours. “We cannot keep the traffic waiting; we cannot also keep the men waiting for the telegrams to send—That would be very expensive. So, we have to arrive at a mean between the biggest traffic and the lowest traffic and to ensure that in the peak hours, the waiting periods should not be unduly long. So we have set a definite timing. It is about 45 minutes to an hour. Our experience shows that the larger cities, that is Delhi, Calcutta Hyderabad and Kanpur, a telegram is in fact delivered within six hours from the point of booking. But, in the more remote areas, where the telegram has to transit at more than one place, it takes time. “The witness added that to facilitate transmission the Department “have gone over to coaxial cables and the microwave system. We have also undertaken laying of telecommunication and overhead lines. Due to vagaries of nature during stormy days the lines break down as a result of which even the coaxial cables get interrupted—Apart from this, there is an element of human intervention in the shapes of copper wire thefts. We have taken action to replace these wires by ACSR wires.”

1.27. The Committee asked the Department to furnish a note about the steps taken to speed up flow of telegrams and improve working of telegrams in general. In their note, the Department have indicated that the following steps have been taken in this regard:

- (i) Extension of working hours of telegraph offices, as far as possible, is being effected.
- (ii) Replacement of Morse working by high speed working on teleprinters and provision of alternative circuits to clear traffic in case of interruptions on direct circuits is being arranged. 2,711 Teleprinters are in use in the Telegraph Offices.
- (iii) Open wire main lines which are very susceptible to the vagaries of nature are being replaced by coaxial cable and microwave system and 4,674 kms of coaxial cable, and

2,180 kms covered by the microwave systems have been commissioned.

- (iv) In order to avoid prolonged interruptions on circuits due to copper wire thefts, copper wire is being replaced by copper weld wire in the theft affected areas to the extent of availability of foreign exchange-copper weld wire is an imported item. Greater use of Aluminium conductors is also envisaged.
- (v) Better type of VFT systems (which provide telegraph circuits using speech frequencies and telephone channels), which are more stable, have been designed and are being installed progressively. 4,300 channels of the FM VFT system are working.
- (vi) Telex service is being introduced progressively in the principal cities in India. Besides, several direct outlets are being provided to cut down incidental transit delays.
- (vii) Zonal delivery offices in large cities have been opened. Under this system the delivery is decentralised and is being effected in the zonal area by a single office round the clock.
- (viii) Supervision on delivery points has been strengthened and handling procedure streamlined.
- (ix) Test checks have been introduced to check delays in delivery of telegrams and eliminate such delays.
- (x) The operators are being given better training to cope with the increased volume of traffic through modern system of transmission.
- (xi) The standards for sanctioning operative staff in telegraph offices have recently been liberalised which will make more men available for the disposal of telegrams.
- (xii) Arrangements have been made to provide additional delivery staff in small telegraph offices in rural areas.
- (xiii) To cut down delays at the addressing point, a new 'C' message form has been introduced as an experimental measure in the telegraph offices in State capitals with effect from 15th August, 1965."

"Besides, with a view to ensure the flow of telegrams at all levels and stages without any undue delay the following norms and standards have been prescribed to regu-

late the grade of Telegraph Service. These norms and standards come into force with immediate effect.

	<i>Norms &amp; Standards for telegraph service.</i>
(a) (i) Where booking and delivery are both at DTOs and the transmission is direct;	6 hours.
(ii) Where telegrams are booked at DTOs and transmission to C.O. is direct;	6 hours <i>plus</i> the intervening time for which the C.O. is closed.
(iii) Where telegrams are booked at C.Os. and transmitted direct either to another C.O. or to a D.T.O.	6 hours
(b) Where booking and delivery are both at DTOs and the transmission is through one or more transit offices; and	12 hours.
(c) All other types of messages <i>viz.</i> those exchanged between C.Os, DTOs and Licensed TOs direct or through transit offices.	30 hours.
(d) No telegrams, whether A, B, or C should remain pending or under processing in any to for more than one hour, except those telegrams which are intended for further transmission to closed offices or which are being considered as objectionable or for censorship or for withholding etc.	
(e) These standards shall be subject to Annual Review."	

The Committee drew the attention of the representatives of the P&T Board to the fact that in 1966-67, the growth in the telegraph traffic had been very marginal. According to the annual report of the Department, 4,04,95,898 telegrams were handled in 1966-67 as compared to 4,04,48,682 in the previous year. The witness stated that "the growth in traffic in telegraph is of the order of about 1 per cent. The reason for that this is the experience in other countries too if I may say so—is because we have introduced Telex, with the result that big business has switched over to Telex connections. Then we have introduced the Subscriber Trunk Dialling Service which is cheaper in certain cases—In other countries the telegraph traffic has gone down—If I may use the term the telegraph service *vis-a-vis* the telephone service is a poor man's service." The witness added: "We have got a large rural area which is yet not covered by the telegraph service—The growth of traffic will continue for some more time and it will be at the rate of 1 per cent. to 1.5 per cent, as against other countries, where telegraph service has gone down—(or) practically disappeared."

1.28. The P. & T. Tariffs Enquiry Committee, who examined the long-term prospects for telegraph service and their implications made the following observations in this regard:—

- (a) "The Committee feel that though the rate of growth in telegraph traffic may continue for some years to come, the telex, the telephone service and the 'all up' are apt to effect the telegraph service in the long run, as evidenced in the United Kingdom where, as long back as in 1934 the Bridgeman Committee reported:

"The Telegraph Service, as such, in this country is on the decline—It is in the unfortunate position of lying between the upper and nether mill stones of an expanding telephone service and of a postal organisation which, with relatively minor exceptions, ensures the delivery of a letter anywhere within the boundaries of the British Isles within 24 hours of posting."

- (b) "The present trends do not indicate that in India such a situation is imminent or is likely to arise even in the near future. But when it does arise, it would call for radical rethinking."
- (c) "Measures of economy in expenditure and adjustment of tariff of the branch periodically should help to control its deficits for quite some time to come. The question is whether such deficits should continue to be borne by the telephone branch irrespective of the amount and the circumstances.—It need hardly be emphasised that the expansion of telecommunications, which constitute an essential prerequisite for the general development of the country, has suffered in the past owing to the utilisation of the surpluses of the telephone branch for meeting the losses on the postal and telegraph services. Diversion of surpluses for meeting the losses of the other branches, inevitably cuts into the internal resources which could otherwise be harnessed for purposes of development. It increases the proportion of external capital on which the department has to pay interest to Government. It would not be quite correct to expect a commercial undertaking to continue indefinitely to maintain one service at the expense of another for the benefit of a small cross-section of the population—regardless of the amount of the loss involved and the importance of the service in the life of the community at large—even after the traffic falls to extremely low propor-

tions and the financial position of the branch degenerates irretrievably.”

1.29. The Committee observe that the losses in the Telegraph Branch continue to rise and had reached Rs. 5.83 crores in 1966-67. The percentage of expenditure to revenue, however, has come down from 136.3 in 1965-66 to 134.4 in 1966-67. The Committee note that the Department have initiated a number of measures, such as conversion from morse key to teleprinters, replacement of open wire line by coaxial cables, extension of working hours, tightening of supervision and decentralisation of deliveries, in order to improve the service. The Committee feel that if these measures are implemented in earnest and the transmission and delivery of telegrams made prompt and reliable, the Department is bound to attract more traffic, thereby reducing the losses.

1.30. The Committee note with concern the observations of the Tariffs Enquiry Committee that “no serious attempt has hitherto been made for ascertaining the cost per message handled from year to year.” The Committee consider that such an analysis should be undertaken systematically so as to enable the Department closely to watch the cost of service not only in order to effect economy without loss of time but also to judge the financial return before committing scarce resources to the expansion of the service. The Committee need hardly point out that the experience of advanced countries clearly indicates that telegraph services lose ground to the extent that postal service become more efficient and the use of telephones gains popularity and it is imperative, therefore, that any expansion programme, involving a considerable outlay for a service which is already incurring losses, should be undertaken only after making sure of the financial implications.

1.31. The Committee also agree with the Tariffs Enquiry Committee that deficits in the Telegraph Branch should not be indefinitely borne by the Telephone Branch, irrespective of the amount and the circumstances. The Committee suggest that the Efficiency Bureau of the P&T Department should undertake an intensive study of the working of the Telegraph Department with a view to suggest concrete measures to improve efficiency, effect economy and reduce losses.

(iii) *Telephones*

1.32. The Committee enquired why the expenditure of the Telephone Branch in relation to its revenue had increased from 91 per cent in 1962-63 to 94.6 per cent in 1966-67. The Senior Member

(Telecommunication) stated that the increase was due to two factors. One was the increase in cost of establishment and the second, the increase in capital cost. The Committee asked whether the overall position could not have been improved by fuller utilisation of exchange capacity. The witness said: "We have got idle capacity" and gave the following figures of utilisation of exchange capacity:

Year	Exchange Capacity	Telephone connections working	Percentage of telephone connections working to the exchange capacity
1962-63 . . .	5.36 lakhs	4.16 lakhs	80.7%
1963-64 . . .	5.22 lakhs	4.65 lakhs	76%
1964-65 . . .	6.89 lakhs	5.54 lakhs	80.6%
1965-66 . . .	7.72 lakhs	6.22 lakhs	79%
1966-67 . . .	8.42 lakhs	6.79 lakhs	80%
1967-68 . . .	9.39 lakhs	7.45 lakhs	79.1%

He added that idle capacity in the exchanges "had no effect on the relationship between expenditure and revenue". The Committee asked in which of the centres of commerce and industry the Telephone Branch obtained the highest revenue. They were informed that revenue and expenditure figures for different telephone exchanges were not available. The Committee enquired whether it would not help the Department to judge the performance of the individual exchanges if separate accounts of revenue and expenditure were kept. In a note, the Department have explained the position as under:

"The accounts of the P. & T. Department are kept on a broad outline of functions like general administration, accounts, audit, operations etc. The initial accounts are compiled at divisional level and these are brought together in a Circle account for each Circle. These circle accounts are compiled into an All-India account. This accounting set-up will be retained under the commercial accounting system for the Telecommunication Branch recommended by the British Consultants. A profit and Loss Account and a Balance Sheet will be prepared for the Telecommunication Branch of the Department as a whole and not for each District or Circle or Exchange. It would not be feasible to maintain an exchange-wise account of revenue and expenditure built into the existing frame-work of accounts.

Even if a proforma account is maintained of the revenue and expenditure of telephone exchanges in large cities, it will have to be based on a number of assumptions on an *ad hoc* basis. The revenue earned by each exchange or expenditure incurred on it at various points cannot be determined precisely since each exchange is closely interconnected with the entire telephone system of the country. Computation of revenue has, therefore, to be based on statistics and apportionments for originating, transit and ending traffic. The same will apply to expenditure which will have to include, in addition to the direct pay and allowances and other expenses of the exchange, the share of expenses incurred on the system as a whole. This, besides involving tremendous clerical labour, may not produce very reliable figures.

The profitability of an exchange is established before the project estimates are sanctioned. The decision to undertake the scheme in the first place itself is based on demand and other factors by which development policy is generally guided. That being so, in the context of an ever increasing demand for telephones, the profitability of large exchange systems is automatically taken care of.

The view of the P. & T. Board is that there will be no significant advantage in keeping a separate account of the income/expenditure of telephone exchange in the larger cities."

1.33. The Committee enquired whether the Department had estimated the requirements of telephones for the important centres of commerce and State capitals and chalked out a perspective plan to meet these requirements. They were informed that the Department had estimated the requirements of telephones for the period 1969—74 as 35 lakhs, but that, in view of the constraint on resources, a plan for provision of 15 lakhs telephones had been prepared and submitted to the Planning Commission. The Committee pointed out that as a pre-requisite to accurate planning, it was necessary to have "a scientific forecast of the unsatisfied demand for telephones", as observed by the P. & T. Tariff Enquiry Committee. In a note, the Department have explained the mechanics of forecasting of demand for telephones as under:

"...In general we have been using the method of trend curve for forecasting the telephone demand....The telephone demand for the entire country has been following on experimental trend curve with minor variations above and below the curve in individual years. In general, the

variations have always been compensated for, over a number of years. The trend curve for the country as a whole has the equation:

**Telephone Demand.**

(a) in Direct Exchange Lines—4.61 (1.163)<sup>t</sup> lakhs

(b) in telephones—6.52 (1.163)<sup>t</sup> lakhs

where t is the number of years since

31-3-1961.....

(Similar) curves....for the whole of the country are obtained for each station and similarly used for forecasting the demand at the station. For this purpose a computer programme has also been set up. The total demand figures for each station for a number of years in the past are fed to the computer. Using the statistical method, the computer obtains the trend curve equation and gives the forecast with 90 per cent confidence limits.....”

1.34. At the instance of the Committee, the Department furnished the following figures of long-term forecast of telephone requirements arrived at by projection of trend curves. These figures form the basis of the Department's proposals for the draft Fourth Plan.

*Forecast of Telephone Demand*

Sl No.	End of the year	Demand in lakhs of D.E.Ls. *	Demand in lakhs of Telephone Sets
Base year	1968-69	15.49	21.19
1	1969-70	18.03	25.50
2	1970-71	20.79	29.66
3	1971-72	24.41	34.52
4	1972-73	28.40	40.16
5	1973-74	33.05	46.74
6	1974-75	38.45	54.38
7	1975-76	44.74	63.27
8	1976-77	52.06	73.62
9	1977-78	60.57	85.65
10	1978-79	70.49	99.68
11	1979-80	82.02	115.98
12	1980-81	95.43	134.94

\* Direct Exchange Lines.



1.35. Taking note of the position of demand for telephones, the Committee enquired about the position of pending applications for telephones. In a note, the Department have furnished the following figures of gap between demand and supply of telephones as incorporated in their draft Fourth Plan:

*Gap between Demand and Supply of Telephones.*

S. No.	DATE	Total Telephone Demand • (DELs.)	Working Connections		Waiting List** (Unfilled demand)		Average waiting-period for provision of a telephone connection in years (8)
			In lakhs	As % of total demand	In lakhs	As % of total demand	
		(3)	(4)	(5)	(6)	(7)	(8)
1	31-3-56 .	2·147	1·856	86%	0·291	14 %	0·9
2	31-3-61 .	1·995	3·345	67%	1·650	33 %	1·8
3	31-3-66 .	9·713	6·221	64%	3·492	36%	3·2
4	31-3-68 .	11·749	7·448	63%	4·302	37%	3·8

1.36. From the figures furnished "it will be seen that the ratio of telephone connections working to the total demand has steadily decreased from 86 per cent at the end of First Five-Year Plan period to 63 per cent at the end of 1967-68. The waiting lists have increased from 14 per cent to 37 per cent of the total telephone demand. In terms of numbers the waiting list as on 31.3.68 is about 15 times the waiting list as on 31.3.56. There is thus a widening gap between the telephone demand and supply." Another way in which this gap can be represented is in terms of the average waiting period for provision of a telephone connection. This is given in Col. 8 of the table... It will be noted that the number of working connections (DELs) on 31.3.68 was 7.45 lakhs. The telephone demand was of this order sometime in May/June, 1964. It would thus appear that the number of telephone connections on 31.3.68 was about 3.8 years behind the telephone demand .....

1.37. The Department have further stated that "the percentage of unsatisfied demand and the waiting period is highest among the more important towns. Table (below) gives the figures for some of the more important towns in the country. While considering these figures it is necessary to recognise that waiting periods given are the average. The waiting periods in certain individual cases are even higher and may exceed 10 years in the worst cases:"

• Telephone Demand in DELs-Working connections + Waiting list in DELs.

\*\* Formal Waiting lists are maintained for direct exchange lines only. Hence the telephone demand has been reckoned in DELs.

*Gap between Demand and Supply of Telephones as on 31-3-68 in respect of some important Towns.*

Sl. No.	Name of Towns	Telephone Demand (in thousands)		Working connections		Waiting List		Average waiting period in years	
		(1)	(2)	(3)	(4)	(5)	(6)		(7)
1	Calcutta	.	.	186.763	98.208	53%	88.555	47%	6.0
2	Bombay	.	.	164.524	92.253	56%	72.271*	44%	5.0
3	Delhi	.	.	127.106	63.156	50%	63.950	50%	6.5
4	Madras	.	.	54.306	40.818	74%	13.488	26%	3.5
5	Hyderabad	.	.	23.115	20.095	87%	3.020	13%	0.5
6	Ahmedabad	.	.	21.875	10.569	48%	11.306	52%	4.5
7	Kanpur	.	.	16.741	7.969	48%	8.772	52%	6.5
8	Bangalore	.	.	25.144	13.903	55%	11.241	45%	4.5
9	Madurai	.	.	5.717	4.290	75%	1.427	25%	4.5
10	Indore	.	.	8.621	3.422	40%	5.199	60%	7.5
11	Trivandrum	.	.	4.676	3.233	70%	1.443	30%	3.5
12	Baroda	.	.	5.477	2.596	47%	2.881	53%	4.5
13	Bareilly	.	.	2.322	1.307	56%	1.015	44%	5.0
14	Ludhiana	.	.	7.250	2.447	34%	4.803	66%	6.0
15	Kolhapur	.	.	2.374	1.381	58%	0.993	42%	4.0

\* The waiting list in Bombay relates exclusively to O.N.T.

1.38. The Committee pointed out that the waiting lists in big cities like Bombay, Calcutta and Delhi were very big and wanted to know the reasons therefor and the steps being taken by Government to meet the demand. In a note, the Department have stated that the lists were big because of a large rate of growth of demand and inadequate supply of telephones. It has been further stated: "Within the limited resources, financial and materials, the following equipment allocations have been made to the 7 commercial and industrial centres under consideration from the production in the country during the current year and the last two years:

Bombay	:	62,550 lines
Calcutta	:	62,100 lines
Delhi	:	42,400 lines
Madras	:	22,700 lines
Bangalore	:	16,000 lines
Ahmedabad	:	8,100 lines
Kanpur	:	8,500 lines

This exchange equipment will be commissioned progressively during the current financial year and the next 2-3 years. Connections (Direct Exchange Lines) to the extent of about 90 per cent of these capacities are likely to be provided during this period subject to the availability of cables."

1.39. Explaining the policy in the matter of allocation of new connections amongst the various cities, the Department have stated:

*The criterial used in determining inter-se allotment of telephone lines/instruments to cities of commercial and industrial importance.*

"The question of inter-se allotment of telephone lines/instruments can be considered from two aspects:

- (i) the quantum of equipment allotted.
- (ii) the inter-se priority between different exchanges.

As far as the quantum of equipment allotted is concerned, the P&T Board had laid down the following policies:—

- (a) In case of smaller exchanges, i.e., upto 1000 lines capacity, equipment was allotted to meet the demands upto 3 years after the commissioning of the exchanges.

- (b) In case of larger exchanges of 1000 lines and above, equipment was allotted to meet the immediate demands at the time of commissioning of the exchanges.

This policy took into account the heavy shortage of exchange equipment on the one hand and difficulties in undertaking frequent small expansions in smaller exchanges on the other.

The *inter-se* priority between different exchanges was generally determined by taking into account the total telephone demand against the exchange capacity already installed or planned. This was further adjusted by the necessity to ensure that the progress on different components of a project matched fairly closely. Thus, if the expansion scheme involved a building component, the priority for the equipment was suitably adjusted to ensure that equipment supplied matched the building progress.

In general, there has been an attempt to secure a certain amount of uniformity with regard to the percentage of demand met between towns of similar sizes. This has, however, not been possible because of difficulties in securing suitable exchange sites in certain towns.

#### *Policy during the Fourth Plan*

It will be possible to evolve a suitable policy regarding the *inter-se* priorities between different stations only when a broad agreement has been reached about the total resources that would be available and the quantum of Telephone Development that could be undertaken. Such a policy would naturally take into account the following factors:

- (a) desirability of a certain amount of uniformity with regard to the percentage of demand met and the average waiting period for installation of a new telephone connection;
- (b) the importance of OYT for securing additional resources. The quantum of OYT demand at a particular station will thus be an important factor;
- (c) desirability of meeting the demands of those sectors where the telephone adds to the productivity and economic growth."

1.40. It was brought to the notice of the Department that the figures of waiting lists as on 31.3.68 compiled for the Draft Fourth

Plan did not include in respect of Bombay, demands under 'Non-OYT' category. In a communication, the Department have explained the position as follows:—

"As regards the outstanding OYT and non-OYT demands at Bombay, the telephone demand in Bombay as in other important centres of trade and industry has been much more than could be met. However, in case of Bombay the proportion of applications for OYT connections was considerably higher. With bulk of the demands registered in OYT, it was not possible to meet any demands in the non-OYT category except those lying in special exempted categories. This had the further effect of discouraging registration under non-OYT category. Thus, the registration of non-OYT applications which was about 240 per month in 1960 dropped down to about 60 per month by 1962. With such a steep fall in non-OYT registration and no possibility of giving connections under this category, the maintenance of non-OYT waiting lists fell into disuse at Bombay.

The question of uniformity of procedure with regard to maintenance of non-OYT waiting lists has been under consideration and the local authorities have tried to compile fresh figures for this purpose. As at end of September, 1968, they have given the following figures for working connections (Direct Exchange Lines) and the waiting list.

Working Connections — 96,674

Waiting List OYT — 57,112

Special categories — 822

Non-OYT (Relaxed) — 12,123

The figures and the implications of maintaining regular non-OYT lists at Bombay as in other places are under consideration."

1.41. The Committee drew the attention of the representatives of the P&T Board to the observations of the Tariffs Enquiry Committee that in U.K. "four out of five applicants for telephone in 1968 could be provided with a connection without being put on a waiting list" and asked why the average telephone user in India had to wait

for a long time to get a telephone. The Chairman, P&T, Board, explained the position to the Committee as follows:

“This is a question of Plan resources and what the country can afford. There are many luxuries that can be provided if we had the resources both financial, material and manpower. . . . . If (our) plan is to be implemented the overall total amount required by the Communication Department will be a little more than Rs. 1000 crores. I am very doubtful whether the Planning Commission would be able to find this money because we have indications from the Planning Commission that the Fourth Plan may not be much bigger or may be even slightly smaller than the draft outline and in the draft outline the total provision for us is only Rs. 425 crores. As against Rs. 425 crores which the planning Commission is thinking of, we have a plan for nearly Rs. 1000 crores. This is still in the discussion stage. It is premature to say what will happen but from all the indications available so far I cannot hold out any hope that the present waiting list will start being reduced. In fact I expect the waiting list will keep on increasing in the next five to six years. This is the present position.”

1.42. The Committee pointed out to the Department that the telephone could not be considered a luxury. In this connection they drew attention to the observation of the Tariffs Enquiry Committee that the telephone “has come to be looked upon as a necessity—for the individual, for commerce and for industry.” They enquired whether telephones were not after all paying their way and whether the Department had considered the feasibility of taking up expansion projects on a self-financing basis. The Senior Member (Finance) said. “I agree with you that telephone is a necessity and not a luxury. But I would submit that the size of the waiting list is sometimes artificial or inflated. People just put their names down and we made one test recently when we extended the O.Y.T. Scheme to a number of other cities and we took credit in our budget for extradeposits and revenue which would be realised from this O.Y.T. by its extension to the other cities. The result so far has been quite disappointing. We wrote to the people in the waiting list whether they were prepared to come forward and pay the deposit. In some cities, of course, they responded but in some the response had been very poor. Then I would also like to mention for clarification with

all respect to you, why should we be short of resources when the consumers in Bombay, Madras, Calcutta, etc. are prepared to pay? Now I may mention that the consumers are not prepared to pay in foreign exchange. They are prepared to pay in rupees. The Plan of the order of Rs. 900 or 1000 crores requires about 300 or 350 crores of foreign exchange and this of course the consumers cannot find. It is for the Planning Commission and Government to find. Therefore, it is not only the question of the rupee resources, but also it is a question of the foreign exchange. There is a question of the expansion of the factories and the import of raw materials for the factories. Then there is finally the question of trained manpower. All these factors are limiting factors. Apart from the fact that the waiting list may be inflated, it may not be quite a reliable index of the requirements. However, I do agree if the resources could be found both in rupee and in foreign exchange, these investments in tele-communications are worth-while and remunerative and should be encouraged." Summing up the position, the Chairman, P&T Board stated: "If we have the finances and about 25 per cent of that as foreign exchange and we should have an assurance that it will come regularly, not spasmodically, then we should be able to add 30 to 35 per cent of our existing capacity every year. Once we are assured that we will get financial resources over a long period of 5—10 years, it will be easily possible for us with the know-how available to us to expand our manufacturing capacity."

1.43. Taking note of the difficulties expressed about availability of adequate resources for the development of telephones, the Committee asked for a comprehensive note from the Department about the difficulties faced, the financial implications of the Department's Fourth Plan proposals and the efforts made to mobilise the necessary resources. The position as explained by the Department is given below:

(i) *Difficulties:*

"The inability of the Department to step up the rate of giving telephone connections arises from—

(a) *limitations of rupee resources for investment.*

The total rupee resources are limited and there are competing demands from other sectors like Food, Agriculture, Power, Education, Transport, etc.

(b) *limitations of material resources.*

The production of various equipments within the country is limited. Setting up of additional manufacturing capacity has to await finalisation of financial allotments due to apprehensions that the capacity may not perhaps be utilised fully. This in turn results in delays in production and shortfalls in achievements even when financial resources become available.

(c) *Limitations of foreign exchange resources.*

The department as well as the public and private sector undertakings manufacturing equipment for P&T need certain amount of foreign exchange for import of certain essential raw materials and components. The foreign exchange requirements range between 15 to 20 per cent of the rupee resources. There have been difficulties and delays in obtaining the essential foreign exchange releases.

(d) *Difficulties in securing adequate exchange equipment and cables.*

The production of exchange equipment and cables has now become the major limiting factor. The present production of the type of exchange equipment required in larger towns is limited to about 70 to 80 thousand lines a year. This has to be spread over about 40 to 50 towns. It is obvious that we cannot substantially reduce the waiting lists in these towns with this production. The indigenous production of local telephone cables is only about 3500 Kms per year and is extremely inadequate to meet the needs."

(ii) *Steps taken to meet telephone demand—Department's long term plan.*

144. The Department propose to bring down the average waiting period for telephones, which was of the order of 3.8 years as on 31st March, 1968 to one year by March, 1981. The manner in which this programme is proposed to be phased is explained in the following table incorporated in the Department's Draft Fourth Plan:



*Likely gap between the Telephone Demand and supply as per the perspective Plans Proposed*

Sl. No.	Year	Telephone demand		Working connection		Waiting list		Average waiting period
		lakhs of DELs.	% of telephone demand	Lakhs of DELs.	% of telephone demand	Lakhs of DELs.	% of telephone demand	
1	31-3-69	15.49	53.8	8.35	53.8	7.14	46.2	4.0
2	31-3-70	18.03	52.2	9.40	52.2	8.63	47.8	4.0
3	31-3-71	20.97	50.8	10.65	50.8	10.32	49.2	4.0
4	31-3-72	24.41	50.1	12.25	50.1	12.16	49.9	4.0
5	31-3-73	28.41	53.2	14.10	53.2	13.31	46.8	4.0
6	31-3-74	33.05	56.6	18.69	56.6	14.36	43.4	3.8
7	31-3-75	38.45	60.0	23.07	60.0	15.38	40.0	3.2
8	31-3-76	44.74	63.7	28.52	63.7	16.22	36.2	2.9
9	31-3-77	52.06	67.7	25.23	67.7	16.83	32.3	2.5
10	31-3-78	60.57	71.8	43.51	71.8	17.06	28.2	2.1
11	31-3-79	70.49	76.2	53.75	76.2	16.74	23.8	1.9
12	31-3-80	92.02	80.9	66.39	80.9	15.63	19.1	1.5
13	31-3-81	95.43	85.9	82.02	85.9	13.41	14.1	1.0

"It will be noted that the average waiting period which was about 3.8 years as on 31.3.68 will rise to about 4.0 years by 31.3.69 and remain at that figure during the first four years of the proposed Fourth Plan and would return to 3.8 years at the end of the last year. However, if we continue to expand our capacity to give telephone connections as envisaged, the average waiting period will slowly come down to 1.0 year by 1980-81."

(iii) *Fourth Plan Proposals*

1.45. The Department's Fourth Plan proposals envisage the installation of 10.34 lakhs DELs or about 15 lakh telephone sets. This would help to reduce the waiting period to 3.8 years by end of 1973-74, after it had risen to 4.0 years at the end of 1968-69. The outlay for this purpose would be Rs. 510 crores for local services and Rs. 205 crores for trunk services. The total outlay for tele-communication services proposed in Rs. 846 crores. A special crash programme for the metropolitan towns of Bombay, Calcutta, Delhi and Madras, to wipe out the existing waiting lists, through installation of 1.62 lakh exchange capacity at a cost of Rs. 62.00 crores, has been also been proposed. Indicating the current position in regard to these proposals, the Department have stated:

"Certain preliminary discussions were held between the Minister and Minister of State for Communications on one hand and the Member, Planning Commission in charge of Industries on 13.8.68. During the discussions, the Planning Commission representatives indicated that it may not be possible to provide more than about Rs. 400 crores for telecommunications."

(iv) *Foreign exchange implications of expansion.*

The main equipment imported by P&T are—

- (a) Telephone cables.
- (b) Crossbar switching equipment.
- (c) Copper weld wire.
- (d) Coaxial Equipment
- (e) Microwave Equipment

Besides, the public undertaking manufacturing telecommunications equipment import—

- (a) various non-ferrous metals;
- (b) certain special steels;
- (c) certain electronic and other components used in small numbers;
- (d) certain special tools.

1.46. The extent of imports by the Department and the undertakings during the period 1963-64 to 1966-67, as indicated by the Department, is given below:

*P. & T. Department*

Scheme	Total Outlay (in US million)	Foreign Exchange expended (in U.S. \$ million)	As % of total outlay <sup>a</sup>
1. Local Telephones . . . . .	166.4	17.5	10.5
2. Trunk Telephone . . . . .	82.4	1.59	28.9

*Public Undertakings*

S. No.	Undertaking	Total value of output (in US \$ million)	Foreign exchange expended	
			In US \$ million	As % of output.
1.	Hindustan Cables . . . . .	29.41	14.64	50
2.	Hindustan Teleprinters . . . . .	9.22	1.93	21
3.	Indian Telephone Industries Ltd. . . . .	74.14	10.47	14
4.	P&T Workshops . . . . .	29.18	41.11	14

1.47. Dealing with the prospects of availability of foreign exchange, the Department have stated that: "While the department and the factories had been able to secure two credits from the World Bank which enabled them to show good progress during the 3rd Plan, there have been by and large no major foreign exchange allocations during 1967-68 and during the current year. This has been affecting the Plan extremely adversely. Negotiations have been in progress with the World Bank (since 1965) for another credit but no substantial progress has so far been made."

1.48. The Department have indicated that the following steps have been taken to expand indigenous production:

- "(a) Expansion of cable, factory of M/s. Hindustan Cables Ltd. at Rupnarainpur.

- (b) Setting up of another cable factory at Hyderabad. This factory had been approved in draft 4th Plan (1966-71).
- (c) Setting up of Crossbar factory at M/s. I. T. I., Bangalore and its expansion. The factory has made considerable progress.
- (d) Setting up of a second Transmission factory under M/s. I. T. I. This had been approved. The factory siting is now under consideration.
- (e) Setting up of a Copper Weld Wire factory under M/s. Hindustan Cables."

(v) *Efforts to mobilise resources.*

1.49. The resources available to the Department are (a) internal resources generated within the Department and (b) resources from general revenue obtained as borrowings:

Internal resources available are:

- (1) Renewal Reserve Fund—for modernisation/replacement of assets.
- (2) Advance rentals from subscribers and payments made by subscribers under OYT.
- (3) Current revenues of the Department used to defray cost of small schemes of expansion.
- (4) Revenue surplus available after meeting dividend liabilities.

The scope for raising extra funds through (1) and (3) above "is by their very nature extremely limited." So far as (4) is concerned, no substantial funds could be expected because of "increasing establishment costs . . . . . and consequent large deficits in postal services."

1.50. In regard to mobilisation of extra resources from (2) above, the following steps according to the Department, have been taken:

- (i) Extension of OYT to all stations with exchanges of 1,000 lines and above.
- (ii) Introduction of one year's advance rental deposit from all subscribers.

The table below indicates the extent to which Plan outlay in the past was met from internal resources:

Year	Total Plan outlay Crores of Rs.	Own Re- sources crores of Rs.	As Percen- tage of Total outlay
1961-62	17.76	6.37	35.8%
1962-63	24.06	7.79	32.5%
1963-64	34.38	11.45	33.3%
1964-65	42.24	18.68	44.2%
1965-66	45.59	19.02	41.7%
1966-67	53.66	25.35	47.3%
1967-68	55.50	25.15	45.3%

The Department have further indicated that internal resources "cannot be raised beyond a certain percentage" and that "at the present state of development the Department will have to depend to large extent on borrowings."

1.51. The P&T Tariff Enquiry Committee, which had *inter alia* considered the question of raising resources for telecommunications developments, made the following suggestions in this regard:

(a) "The Committee consider that the tariffs for various telephone services should produce revenues to cover costs of the telephone branch, namely, working expenses, cost of research and development, depreciation and dividend payable. These revenues should provide for an adequate surplus to cover marginal losses, if any, of the other branches and also generate sizeable resources for the development of telecommunication services. If the rates for certain telephone services cannot meet the cost of providing such services, the overall balance should be achieved by an increase in the rates of other telephone services, taking into account the value of the service rendered, the capacity of the traffic to bear and the need for preventing unhealthy diversion of traffic."

(b) "A rational telephone tariff structure should produce adequate and stable revenue to cover the costs referred to earlier. In devising a tariff structure, however, it has to be borne in mind that the network should be expanded and the telephone facility brought within the reach of the maximum number of customers."

*Future set up of Telecommunication*

1.52. As regards the future set up of the telecommunication branch there are arguments for and against converting telecommunication services into a statutory Corporation. The arguments against the establishment of a Corporation are:—

1. The P&T Department have been able to raise funds by borrowing, for example, two credits totalling Rs. 35.6 crores (at pre-devaluation rates) which were arranged from the International Development Association for the Telecommunications Services.
2. The 'OYT' scheme has generated appreciable resources within the country;
3. If the Telecommunication Branch is converted into a public undertaking, it would incur a liability to pay bonus to the employees as well as income tax to Government;
4. The labour problems may get accentuated rather than eased on the formation of the Corporation.
5. The Corporation form may not be suitable for a large public utility service like Telecommunications;
6. Financial practices could be modified to suit the working of the Telecommunication Department.

Besides, there is also the security angle involved in the maintenance of this essential service.

1.53. The following arguments have been urged in favour of converting telecommunication services into a statutory Corporation:

- (a) Telecommunications development is suffering due to limited availability of investible funds. With the flexibility in securing funds available to a statutory public sector corporation and a high rate of return for telecommunications investment, it may be possible to secure additional investible funds direct from the money market with the concurrence of Government.
- (b) The setting up of a statutory sector Corporation would place the financial working of the services on a commercial footing, the Ministry of Finance exercising control only to the extent of fixing an agreed rate of return to be paid by the Corporation and the limits on the over-all investment and borrowings of the Corporation.

- (c) The formation of a statutory Corporation free from Government accounting procedures would make for the maintenance of accounts in a commercial format.
- (d) Personnel policies within the framework of a Government Department subject to the over-all control of Ministries of Finance and Home Affairs do not permit the flexibility required for the management of a large commercial undertaking. A statutory Corporation would permit considerable flexibility and would, therefore contribute considerably towards higher productivity.
- (e) The involved procedure employed in Government Departments which are designed largely from the point of view of administrative ministries are not suitable for a major commercial undertaking. They lead to delays and inflexibilities which do not permit efficient use of resources.
- (f) The inflexibility of Government procedures has created difficulties in the matter of manufacture, procurement of stores and printing of forms etc. of Statutory Corporation would make for the businesslike purchases of stores and thus reduce unproductive investment which has to be made on account of delays as inefficiencies of procedure.
- (g) Last but not least the establishment of a Statutory Corporation would put an end to the bleeding of Telecommunications involved in subsidising the losses on the Postal services that is current with consequent retardation in the development of Telecommunications which this country cannot afford.

1.54. The Committee notes with concern the progressively widening gap between the demand for and the supply of telephones. As on 31st March, 1968, the number of people on the waiting list for telephones was fifteen times what it was on 31st March, 1956, the supply being about four years behind the demand for the country as a whole. The Committee also notes that the Department expects more than a doubling of the demand for telephones every five years hereafter till 1980-81, and that, during the Fourth Plan Period, 15 lakhs of telephones would be necessary just to maintain the status quo in the matter of waiting lists. Even this limited plan for expansion would, on the Department's estimates, call for an investment of Rs. 846 crores which, on current indications, may not be available due to the dearth of foreign exchange and the limitations

of internal resources caused largely by the diversion in recent years of the profits made on the telephone services to the postal and telegraph services.

1.55. While the Committee recognize that the development of telephone facilities will have to depend on the over-all resource position and the priorities to be given to other vital sectors of activity, they would like to stress that telephone communications constitute a vital part of the country's infrastructure. The development of this facility should, therefore, receive high priority in the country's plans. Such a priority would also seem to be merited by the fact that the telephone system can more than adequately pay its way.

1.56. The resume given in pages 56-59 would indicate that there is strong case for Government to examine carefully the proposal for the conversion of the Telecommunications Branch into a Statutory Corporation.

1.57. It is, however, evident that there is in any event an imperative need to ensure that Telephone Services, which constitute an essential part of the infrastructure for the development of the economy, are provided on an adequate scale and serviced efficiently. There is also the over-riding need for ensuring that the resources generated by the Telecommunications Branch are not longer diverted for subsidising the Postal Branch which should more appropriately look to the general revenues for any assistance that may be considered desirable, as justifiable social overhead.

1.58. The Committee feel that the Telecommunications Branch should be so organised as to enable it to attract the requisite funds from all available sources as it is in a position to generate enough return to pay back the investment. The Committee would like Government to take an early decision to ensure that the accounts of the Telecommunications Branch are kept distinct from all other branches in keeping with the utility-cum-commercial nature of its service.

1.59. The Committee note that the Department do not have separate revenue and expenditure figures for each exchange. While the Committee appreciate Government's view that the maintenance of such accounts would involve labour, they would like to stress that it is necessary for the Department to keep a watch on the remunerativeness of at least the principal schemes of expansion undertaken by the Department so that scarce resources are expended on ventures which yield the maximum return keeping in view



the interest of country's economy. The Committee would like the Department to examine how best the existing system of accounts could be adapted to serve this purpose.

1.60. The Committee note with concern that the waiting lists for telephones in metropolitan cities like Calcutta, Bombay and Delhi are alarming the average waiting period in Calcutta being 6 years, Bombay 5 years, Delhi 6.5 years. The Committee also note that in the case of Bombay, the waiting list has been maintained only under the category of the 'OYT' scheme and the Department had arbitrarily given up the registration of applications under the non-OYT category since 1962. It is needless to point out that such arbitrary action in stopping registration for telephones under the larger category of non-OYT has not only seriously depressed the figure of outstanding demand for telephones in Bombay but has also obviously distracted the equitable allocation of scarce resources to that metropolitan city.

1.61. A uniform procedure for the maintenance of waiting lists for the non-OYT category should be evolved and enforced without delay so as to reflect the true position. The Committee also suggest that the Department should lay down precise guidelines for determining priorities for the allocation of additional lines keeping in view the number on the waiting list and the duration of waiting.

1.62. The Committee cannot too strongly stress that the P&T Department should not only correct the injustice done to Bombay in the matter of the correct estimation of outstanding demand but also ensure that in any allocation of telephone resources in the next Plan Period this aspect is kept in view so as to correct the inequity that has taken place.

1.63. The Committee also consider that if the acute telephone position in the metropolitan centres of commerce and industry like Calcutta, Bombay and Delhi is to be eased to a reasonable extent, it is imperative that a crash programme for the intallation of 1.62 lakh telephones at a cost of Rs. 62 crores, proposed by the Department, is accorded high priority and is implemented in all earnestness.

1.64. The Committee note from the data furnished during evidence that the available exchange capacity has, since 1962-63, been utilised only to the extent of 76 per cent to 80 per cent. Since the Department's norm for connections from an exchange is ordinarily 94 per cent, the Committee feel that there is considerable scope for improvement in this regard. The Committee would like the Department to improve the utilisation ratio by a sustained drive.

1.65. In regard to the difficulties in the way of expansion arising out of the shortage of foreign exchange, the Committee observe that the Department is at present dependent on foreign sources, particularly for cables and transmission equipment like carrier system, coaxial and microwave equipment. Later in this Report, the Committee have dealt with the question of shortage of cables and the need to expand indigenous sources of production for these items. The Committee would also like to stress the need for intensified research in the telecommunications research centre for the progressive development of indigenous know-how and production of transmission equipment.

1.66. As an interim measure it appears to the Committee to be necessary to intensify the efforts started in 1965 for a World Bank loan to meet immediate requirements for expansion plans.

1.67. The Committee asked how many public call offices had been provided in major centres of commerce and industry and what proportion they bore to the total number of telephones in these centres. The following information was furnished by the Department:

(Figures as on 31-3-68)

S. No.	Name of Station	Number of PCO,	Percentage of PCO, to total working connections.
1	2	3	4
1	Calcutta	578	.6
2	Bombay	790	.8
3	Delhi	793	1.1
4	Madras	160	.4
5	Hyderabad	146	.7
6	Bangalore	162	1.2
7	Ahmedabad	131	1.2
8	Poona	31	.3
9	Kanpur	146	1.8
10	Lucknow	162	2.2
11	Comibatore	54	.94
12	Patna	70	1.2
13	Jaipur	63	1.1
14	Bhopal	25	.8
15	Trivandrum	45	1.4
16	Chandigarh	25	.8

1	2	3	4
17	Ludhiana	24	1.1
18	Cuttack	14	.8
19	Shillong	12	.8
20	Simla	25	1.6
21	Imphal	5	.9
22	Panjim	1	.1
23	Pondicharry	10	1.3
24	Nagpur	48	.8
25	Indore	28	.9

1.68. The Committee pointed out that the percentage of public call offices varied from 1 per cent to 2 per cent of the total telephone connections. In view of the heavy demand for telephones, they enquired whether it was not necessary either to increase the Public Call Offices or to have a timing device whereby the duration of individual calls could be limited. The witness stated:

"I would submit that the first alternative of increasing public call offices is better rather than putting timers. So, we have as a matter of policy decided that the number of public call offices in all these towns and cities should initially be about 5 per cent and we are trying to achieve that figure. It requires manufacture of ..... coin collecting boxes. We have undertaken the manufacture ourselves and we hope to reach the 5 per cent figure in about four years time. Then we will go over to 10 per cent."

1.69. The Committee enquired what criteria was being adopted in the matter of opening public call offices. In a note, the Department have indicated the following position:

1.70. There are two types of public call offices—long distance public call offices and local public call offices. Long distance public call offices can be sanctioned even on a loss basis in respect of certain categories of stations; subject to the over-all limit of loss not exceeding Rs. 40 lakhs during a period of 5 years beginning from 1st April, 1966. Initially these facilities were to be provided only at district and sub-divisional headquarter towns, tehsils and sub-tehsil towns, but, as a result of the liberalisation of the policy in January, 1968, they are now being sanctioned subject to certain limits at urban and rural places with prescribed population, remote localities, tourist and pilgrim centres and project sites and townships.

During the Third Plan, 1700 of these public call offices were opened, 291 of these on a loss basis. The total loss on these public call offices was Rs. 9.35 lakhs against the Plan ceiling of Rs. 40 lakhs.

1.71. In regard to local public call offices, the Department decided to open them on a liberal basis in view of the shortage of telephones. "The criteria for opening such P.O's is the anticipated utility to the general public and no profit or loss considerations are taken in view for the purpose." However, public call offices were opened at private premises only on the basis of a guaranteed minimum revenue.

1.72. In response to a question whether these call offices should function at public places or in private premises, where the Department had the advantage of having a guaranteed income, the witness stated that more of the offices should be in public places. He, however, added that it was necessary to have supervision to check vandalism.

1.73. During the Fourth Plan period, according to proposals submitted by the Department, 4,000 public call offices are proposed to be opened. In addition, some long distance public call offices are proposed to be connected by wireless links, instead of open wire lines as at present. Single channel VHF equipment now under development would be used for this purpose. The outlay would be Rs. 19 crores and no foreign exchange would be involved.

1.74. The P & T Tariffs Enquiry Committee, which examined the policy in regard to opening of public call offices has made the following observations in their report:

"The Committee note that the department has recently taken a number of steps to popularise public call offices at private premises. There is a great shortage of telephones in the country. The opening of more and more PCOs would bring the telephone facilities within the reach of large sections of the public. The Committee commend the department for this liberal policy of providing PCOs".

1.75. The Committee note that at present the percentage of public call offices varies from 1 per cent to 2 per cent of total telephone connections in metropolitan cities. The Committee consider that in view of the admitted acute shortage of telephones in the country, the Department should work out and implement a crash programme for providing public call offices to the extent of

at least 5 per cent of the telephone connections so that the difficulties faced by the general public in availing themselves of telephone facilities are eased to some extent.

1.76. Taking up the question of quality of telephone service, the Committee drew the attention of the representative of the P & T. Board to the following observations of the Tariffs Enquiry Committee:

“An important aspect of the quality of service which concerns telephone users is the time it takes to clear faults reported by them. About 20 to 25 per cent of the telephone complaints relates to delay in clearing the local faults. It is understood that in the United Kingdom, 90 per cent of faults reported before 3 p.m., if they deprive the customer of service, are cleared the same day. The New York Telephone Company in Manhattan clears the faults in the exchange within half-an-hour, those on business Premises within 2 hours and those at the subscriber's residence within 3 to 4 hours. In India, norms have been fixed for the incidence and duration of faults. The time for clearing faults varies from 2 to 8 hours on an average as against the prescribed norms of 2.5 hours average duration. Efforts should be made to attain these norms.

1.77. For special services like the directory enquiry service, the average time to answer has been fixed as 10 seconds. This standard is not reached in most of the exchanges. Test checks carried out by the Observation Unit of the P & T Directorate show that the average duration in many cases is about 30 seconds. Here again, performance should be improved. Instances of discourtesy on the part of telephone operators and other staff of the telephone branch have also been reported. The Committee brought to the notice of the representatives of the P&T Department as an example certain cases of negligence on the part of the telephone operators in the Delhi Exchange in booking the trunk calls. There were also complaints about the functioning of special assistance service. Complaints of this type should be eliminated. The representative of the Posts and Telegraphs Department admitted during evidence that there was a “qualitative deficiency”. “Staff discipline,” he added, “is involved” and with the progressive automation of the telephone service, such as, for instance, replacement of the existing strowger equipment by crossbar exchange the quality of the service was bound to be improved and the scope for errors reduced.

1.78. In a note the Department have indicated that the following action has been taken to ensure adherence to the prescribed norms for faults clearance:

1. The period for which fault clearance activity was being carried out earlier, was of the order of 8 hours during the day. Now the faults clearance activity has been extended over a period of 14 hours per day (0700—2100). This will bring down the carried over faults. As such the average duration per fault will be reduced considerably.
2. Procedures of handling complaints and dealing with faults have been streamlined in many of the exchanges, and are being streamlined in other exchanges. This will help in reducing the average duration of a fault.
3. Provisional standards for sanction of vehicles have been recently approved and vehicles are being sanctioned to telephone exchanges. This will help the maintenance staff to move quickly during break-down.
4. Routine testing of instruments and dials has been prescribed. With this, fault will be detected even before a fault is reported by the subscriber. This will help in bringing down the number of complaints and eventually the time taken to clear a fault.
5. The Phone Inspectors and the Supervisory staff have been ordered to inspect subscribers premises and the outdoor plant regularly. This will help in taking preventive action before a fault occurs. This will bring down the number of complaints and eventually the duration per fault.
6. Orders have been issued that faults of repetitive nature should be checked up by the supervisory staff so that the fault is cleared permanently. This will also help in reducing the number of complaints.
7. As and when the supply of underground cables improves, overhead alignments will be replaced by underground cable. This will reduce the number of complaints which in turn, will bring down the average duration of a fault."

1.79. It is hardly necessary for the Committee to say that a public monopoly service like the telephone, should be consumer-

oriented. The Committee cannot also help expressing the feeling that the quality of assistance rendered by telephone operators to the customers leaves great scope for improvement. The Committee consider that in the interest of improving its image as a public utility service, the Telephone Department should pay special and sustained attention to their special services such as directory enquiry and assistance for putting through local and trunk calls, so as to make them effective, time saving and reliable.

1.80. The Committee would like the Department to pay special attention to the efficient maintenance of telephone lines and the taking of timely preventive action so that the occurrence of faults is reduced to the minimum, if not altogether eliminated. Where a fault does in fact develop the Committee expect the Department to ensure that it is rectified within the prescribed time so as to cause minimum inconvenience to the user.

## II

### REVENUE

#### Arrears of Telephone Revenue

##### *Audit Paragraph*

2.1. The collection of telephone revenue in respect of bills issued upto 31st March, 1967, was in arrears to the extent of Rs. 5.61 crores as on the 1st July, 1967, as indicated below:—

(In crores of rupees)

Government subscribers	..	3.25
Other subscribers	..	2.36

Out of the total outstandings of Rs. 5.61 crores, Rs. 2.77 crores related to bills issued during 1966-67 and the balance of Rs. 2.84 crores to bills issued upto 1965-66. The year-wise analysis of telephone revenue in arrears as on 1st July, 1967 in respect of bills issued upto 31st March, 1967 is given in the following table:—

Year	Rental	Trunk Calls	Total
(in lakhs of rupees)			
1946-47			
to			
1956-57	4.40	5.82	10.22
1957-58	1.51	2.03	3.54
1958-59	3.47	2.78	6.25
1959-60	5.16	3.15	8.31
1960-61	12.25	5.53	17.78
1961-62	16.33	8.18	24.51
1962-63	19.09	12.97	32.06
1963-64	29.91	19.36	49.27
1964-65	33.58	20.36	53.94
1965-66	55.98	22.54	78.52
1966-67	207.58	69.60	277.18
<b>TOTAL :</b>	<b>389.26</b>	<b>172.32</b>	<b>561.58</b>

(ii) The percentage of outstanding on 1st July, 1967, to the total amount collected during the year ending with the preceding March



and corresponding percentages in the three preceding years are indicated below:—

	Amount collected	Outstandings on 1st July following (including outstanding in respect of bills issued in the preceding years.)	Percentage of arrears to the amount collected during the year.
(In lakhs of rupees)			
1963-64 . . . . .	31,10	452	12.2
1964-65 . . . . .	42,94	604	14.0
1965-66 . . . . .	53,65	611	11.4
1966-67 . . . . .	68,30	56	8.2

(iii) A test-check of telephone revenue accounts conducted during 1966-67 has shown many instances of short recoveries as well as of failure to issue bills. Of the instances brought to notice, short recoveries to the extent of Rs. 4.02 lakhs and failure to issue bills to the extent of Rs. 6.98 lakhs had not been made good by the 30th June, 1967.

(iv) During the year 1966-67, telephone revenue to the extent of Rs. 4.30 lakhs were written off as unrealizable and an amount of Rs. 7.10 lakhs was under litigation as on 1st July, 1967.

(v) Metres installed in certain telephone exchanges to record the number of local calls (including units of S.T.D. calls) have provision for 4 digits only, viz., they can record a maximum of 9999 calls, after which they revert (with the next call) to 0000 position. Owing to this limited capacity of the metres, if total number of calls made during any billing period exceeds 10,000 it would, while billing, be found recorded to the extent only of the excess above 10,000 with the result that there might be short-billing for 10,000 calls for that period. To obviate such short-billings more frequent readings in the case of all heavily worked meters were prescribed in the telephone exchanges at Bombay. Nevertheless a test-check disclosed under-billing on this account in 32 cases involving an amount of Rs. 48,838 during the period April, 1960 to January, 1967.

[Paragraph No. 7, Audit Report (P&T), 1968]

(i) *Collection of arrears*

2.2 The Committee pointed out that, though the position of arrears had shown some improvement during the year 1966-67, the arrears were still substantial and amounted to Rs. 5.61 crores as on 1st July, 1967, in respect of bills issued upto 31st March, 1967. The amount awaiting realisation from Government Departments was particularly large and constituted 58 per cent of the total arrears. The Committee desired to know the present position in regard to collection of arrears both from Government Departments and from other subscribers. In a note on this point, the Department have stated that a sum of Rs. 5.38 crores was out-standing on 1st January, 1968 for bills issued upto 30th September, 1967. Of this, Rs. 2.80 crores related to Government subscribers and the balance of Rs. 2.58 crores to other subscribers.

2.3 Referring to the year-wise analysis of the arrears as given in Audit Paragraph, the Committee enquired about the present position of the collection of arrears of Rs. 70.61 lakhs which had been pending for more than five years. It was stated by the Department that the figure had come down from Rs. 70.61 lakhs to Rs. 66.49 lakhs as on 1st January, 1968. Of this, a sum of Rs. 30.51 lakhs related to Government subscribers and the balance of Rs. 35.98 lakhs to other subscribers.

2.4 The Committee invited the attention of the representative of the Department to the observations of the Tariff Enquiry Committee, which had stated in para 8.2 of their report that a commercial enterprise like the Telephone Department should be prompt in realising its revenue. The witness submitted: "We have been making constant efforts to reduce the arrears. . . . During the whole period in question the revenue we got was of the order of Rs. 443 crores while the percentage of arrears was about 1 per cent, if you look at it from the commercial angle. This does not mean that we will relax our efforts but we will go on making our efforts in this regard"

2.5 In response to a question about deterrent steps taken by the Department to prevent accumulation of arrears, the witness informed the Committee: "Regarding these arrears we have issued instructions that if they (the subscribers) have not paid the current arrears, the telephone must be cut after giving information. By current arrears I mean a year-old arrears. So far as other arrears are concerned, because the bills are delayed. . . . we would give them (subscribers) the chance to prove that they had paid."

2.6 From the papers made available by the Department relating to a Telephone Revenue Conference held in Delhi in September, 1968, the Committee find that the question of delay in issue of bills and accumulation of arrears were brought into sharp focus in the course of inaugural address by the Minister of Communications:

"I am told that except in few places in India, there is heavy delay in issue of bills and collection of telephone revenue. There is delay of 2 to 4 months in issue of bills and another 2 to 4 months in the collection of dues. An amount of Rs. 30 crores, which could become available to the Department is thus locked up with the subscribers. Interest on this alone would come to about a couple of crores in a year. Apart from this the subscribers will not be able to check their bills on account of this lapse of time, which will result in unending correspondence. . . . We have over Rs. 5 crores of arrears pending upto-date. This might have resulted due to either non-issue of bills or possibly not collecting the dues in time. . . . The large arrears have been a subject of severe criticism by the Public Accounts Committee year after year and no solution seems to be forthcoming. I feel that efforts should be made to liquidate these old arrears within a period of one year. . . ."

2.7. The Committee also note that the following decisions were taken at the Conference to expedite the liquidation of arrears, particularly for the period upto 1957-58:—

- (i) The powers of Heads of Circles for write-off of irrecoverable amounts will be raised to Rs. 2,000/- in each case.
- (ii) The existing limit of Rs. 250/- for write-off without reference to Revenue Authorities should be enhanced to Rs. 2,000/-.
- (iii) Private Pleaders might be engaged if that would help in realising the amounts but this should be done only when the amount involved is heavy and the legal expenses would be justified.
- (iv) The Telephone Defaulters' Board may be decentralised to the Divisional level and should meet under the Chairmanship of Director of Telegraphs.
- (v) Action should be initiated immediately to collect or write-off the old outstanding relating to the period upto 1958 within the next three months. Also, action should be

taken for realising the outstandings in respect of the last two years, i.e., 1966-67 and 1967-68, by the end of December, 1968 and a report submitted in the beginning of January, 1969.

- (vi) Circles/Telephone Districts may create the minimum number of posts of Inspectors on a temporary basis (two to three months) for assisting in the recovery of the old arrears."

2.8. The Committee drew the attention of the witness to para 3.3 of their 13th Report (Fourth Lok Sabha) and enquired whether the cardex system introduced in some cities had helped to improve the collection of arrears. The witness stated that "with a view to seeing that the arrears do not arise at all, the cardex system has been introduced." The Committee pointed out that the mechanised system of billing had been introduced in some cities and asked whether the relative merits of the manual and mechanical system of billing had been assessed. The representative of the Board stated that a Committee was being constituted to go into this question. From further information since furnished to the Committee, it is seen that Government decided in October, 1968 to constitute a Committee with the following terms of reference:—

- (a) to evaluate the mechanised billing and accounting system in operation in Calcutta Telephone Districts and the Cardex system in operation in Delhi District and the proposals for mechanisation received from G.M.T. Bombay with regard to promptness in issue of bills, accuracy of billing, speedier collection of revenue, prompt disconnection of telephones for non-payment and effective control and recovery of outstandings.
- (b) to obtain and evaluate proposals for full or semi-mechanisation from (1) D.G., Ordnance Factories, (2) Bradma (3) IBM (4) I.C.T. and any other similar organisations (Certain proposals were received from these Organisations in the past but the Committee will obtain revised proposals in the light of the present circumstances and discuss these proposals in details with the representatives of these organisations);
- (c) (i) to consider and recommend, keeping in mind efficiency, promptness, accuracy and customer satisfaction, which system should be adopted by the Department in the bigger Districts like Delhi, Bombay, Calcutta etc.

and which system should be introduced in the other smaller telephone systems;

(ii) In evaluating the advantages, disadvantages of the mechanised and manual systems, the Committee should specifically consider:—

1. The economics of each of the two systems;
2. the man-power requirements and their effect on employment opportunities;
3. the system of checks built-in into the two systems for preventing over-billing, under-billing or no billing at all; and
4. the effect, in terms of cost, on the existing pay roll and the need for replacing personnel by men with higher skills for operating the mechanised systems.

(d) to recommend staff standards for billing and collection work."

It was also decided in the conference that the following policy would be followed in the matter of disconnection of telephones:

- (a) In respect of current arrears (bills issued during 1966-67 and 1967-68) disconnection should be without compunction except in the exempted categories. For earlier years, the subscribers should be given a chance to check on payments and the Department should try to convince him of the accuracy of the demand.
- (b) Government Departments should be treated on the same footing as the private subscribers and the mere fact that Defence subscribers were involved telephones should not be allowed to be retained without payment. In the case of Defence circuits the non-payment should be reported personally to the Senior Signals Officer concerned before disconnection.
- (c) Lac of budgetary provision should not stand in the way of timely payment of telephone bills by Government Departments including Defence.

**2.9. The Committee note that the arrears of telephone revenue have been brought down from Rs. 6.11 crores as on 1st July, 1967 to Rs. 5.28 crores as on 1st January, 1968. They would, however, like to point out that there is still substantial scope for improvement.**

what was the latest position in this regard. The witness stated that, out of the amount of Rs. 4.02 lakhs, short recovered, the subscribers had made good Rs. 2 lakhs, leaving a balance of Rs. 2 lakhs, which still remained to be recovered. As regards the failure to issue bills, out of Rs. 7 lakhs, about Rs. 3.83 lakhs had since been recovered. In response to another question about the progress in realisation of the sum of Rs. 7.10 lakhs stated in the Audit paragraph to be under litigation, the witness said that this involved "a legal process." He added: "It has got to take time." The Committee were also informed that the amount under litigation as on 1st January, 1968 was Rs. 7.29 lakhs.

2.15. On an enquiry from the Committee about the machinery available for settlement of disputes in cases where the subscriber felt that he had been wrongly billed, the witness stated that there was a provision in the Indian Telegraph Rules by which the subscriber could invoke arbitration. In case of any doubt or complaint the subscriber could write to the General Manager, who made arrangements for redressing the complaints and checking the meters where necessary.

2.16. The Committee pointed out that several instances were recently reported in the press of calls made by one subscriber being debited to another subscriber. The witness replied: "This is *mala fide*." Asked whether in such cases, the Department should not resort to punitive action, the representative of the P&T Board stated: "Without going into the details I will say we are carrying out investigations."

2.17. The Committee drew attention to the various complaints appearing in the Press about the faulty and wrong billing and desired to know whether a sample survey of disputed bills as suggested in para 3.18 of their 13th Report (Fourth Lok Sabha) had been carried out. The witness stated that a sample survey had been undertaken in different regions and the results were awaited. In a note subsequently submitted to the Committee, the Department have summed up the results of the sample survey as follows:

"Results of the sample survey so far undertaken indicate that trunk call bills are challenged by the subscribers for—

- (i) inclusion of calls either not booked by them or cancelled by them after booking;
- (ii) wrong duration indicated;
- (iii) wrong valuation or wrong priority of calls.

what was the latest position in this regard. The witness stated that, out of the amount of Rs. 4.92 lakhs, short recovered, the subscribers had made good Rs. 2 lakhs, leaving a balance of Rs. 2 lakhs, which still remained to be recovered. As regards the failure to issue bills, out of Rs. 7 lakhs, about Rs. 3.83 lakhs had since been recovered. In response to another question about the progress in realisation of the sum of Rs. 7.10 lakhs stated in the Audit paragraph to be under litigation, the witness said that this involved "a legal process." He added: "It has got to take time." The Committee were also informed that the amount under litigation as on 1st January, 1968 was Rs. 7.29 lakhs.

2.15. On an enquiry from the Committee about the machinery available for settlement of disputes in cases where the subscriber felt that he had been wrongly billed, the witness stated that there was a provision in the Indian Telegraph Rules by which the subscriber could invoke arbitration. In case of any doubt or complaint the subscriber could write to the General Manager, who made arrangements for redressing the complaints and checking the meters where necessary.

2.16. The Committee pointed out that several instances were recently reported in the press of calls made by one subscriber being debited to another subscriber. The witness replied: "This is *mala fide*." Asked whether in such cases, the Department should not resort to punitive action, the representative of the P&T Board stated: "Without going into the details I will say we are carrying out investigations."

2.17. The Committee drew attention to the various complaints appearing in the Press about the faulty and wrong billing and desired to know whether a sample survey of disputed bills as suggested in para 3.13 of their 13th Report (Fourth Lok Sabha) had been carried out. The witness stated that a sample survey had been undertaken in different regions and the results were awaited. In a note subsequently submitted to the Committee, the Department have summed up the results of the sample survey as follows:

"Results of the sample survey so far undertaken indicate that trunk call bills are challenged by the subscribers for—

- (i) inclusion of calls either not booked by them or cancelled by them after booking;
- (ii) wrong duration indicated;
- (iii) wrong valuation or wrong priority of calls.

Most of the trunk call bills challenged, however, come under category (i) above.

Rent bills are challenged for—

- (i) excessive number of local calls charged in metered areas; and
- (ii) rent charged for accessories not provided.

Majority of the rent bills challenged by the subscribers fall under the first category, i.e., excessive calls.”

2.18. The note lists the following remedial measures taken by the Department to ensure accuracy of bills:

“(1) An important step already taken is the decentralisation of the telephone revenue accounting organisation. Each Divisional Engineer is now responsible for preparation of telephone bills for his jurisdiction. This will facilitate closer contact between the subscribers and the billing units and quicker disposal of complaints.

(2) A conference of officers concerned with telephone revenue matters was held on 16th September, 1968 and the following decisions were taken:

- (i) The Heads of Circles/Districts have been asked to send circular letters to all subscribers intimating them the dates on which the subscribers would receive the monthly trunk call bills, and the quarterly rent and local call bills. The subscribers would be advised to call for duplicate bills if the original bills are not received by the prescribed dates. Advertisements will also be issued on this subject.
- (ii) It is proposed to introduce the photographic system of taking meter readings in Bombay Telephone District. If this experiment proves to be successful, it will be extended to the Telephone Districts at Calcutta and Delhi.
- (iii) It has also been decided to introduce a percentage check of the accuracy of telephone bills.
- (iv) It is proposed to have a Public Relations Cell in the office of every Divisional Engineer for the convenience of complainants who visit that office.”

2.19. The Committee are disturbed to note the continuous spate of complaints about inaccuracy in billing of telephones.



2.20. The Committee note that Government have now decided to introduce a percentage check of the accuracy of telephone bills. There is also a proposal to introduce a photographic system of taking meter readings in the Bombay Telephone District which might be extended in the light of experience to Delhi and Calcutta Telephone Districts.

2.21. The Committee cannot stress too much the need for the thorough checking of bills to ensure their accuracy as well as the investigation of cases of proved incorrect billing so as to take remedial action. Where it is proved that a bill has been prepared incorrectly for want of care, the Committee would like Government to take deterrent action so as to tone up the entire work of preparation of bills.

2.22. The Committee note from the results of sample survey conducted by the Department that trunk call bills are usually challenged by subscribers for inclusion of calls not booked or cancelled after booking, indication of longer duration, wrong priority or incorrect valuation. Another aspect meriting urgent attention is the heavy delay in the submission of trunk call bills which not only irk the subscribers but also delay the collection of revenues due to the Department. The Committee cannot too strongly emphasise that, in the interests of speedier collection of revenues and subscriber satisfaction, the Department should take concrete measures to secure the timely and accurate submission of bills to subscribers.

### (iii) Installation of 5-digit meters

2.23. The Committee pointed out to the representatives of the P&T Board, that in the case of some of the exchanges which had facilities for metering calls for 4 digits only, there had been short-billing to the extent of Rs. 48,838 and enquired what remedial steps had been taken. The witness stated: "We have checked up a number of cases involved over a period of years. The amount involved was Rs. 54,000. There is a slight difference in the figures reported by Audit. Only in one case the short-billing arose out of the meter clerk recording the reading without taking into account the meter had gone wrong.....and that meter had already done to the extent of 10,000 calls. We submitted a fresh bill to the subscriber. He has paid upto about Rs. 3,600. There was a court case also. There is an arbitration clause according to which the arbitrator has given his decision in our favour. So we will be able to get the amount." Explaining the long term remedial measures initiated by the Department, the witness informed the

Committee that a decision had been taken to replace all 4 digit meters by 5 digit meters in the larger systems especially those with subscriber trunk dialling facilities. The first lot of 2,500 meters had been installed in Delhi. "The idea", he added, "is to have a supply of 7,000 meters this year and step it up gradually. Our scheme is to supply these to the larger automatic exchanges to the extent of 10 per cent to start with and gradually build up. Of course cross bar exchanges, as part of the equipment, will have 5 digit equipment." Asked how much time the completion of this process of replacement would take, he stated: "It will take about 3 years." When the Committee enquired what steps were being taken in the meantime to ensure correct reading of meters, the witness stated that so far as STD stations were concerned, either weekly or fortnightly readings would be done.

2.24. From further information furnished by the Department, the Committee find that at the Telephone Revenue Conference held in September, 1968, the problem of supply of 5 digit meters was discussed. It was decided that since Telephone Industries were not able to meet the requirements of the Department in this regard, "the possibility of supply through other reliable manufacturers should also be explored. It was also decided that, as a rule, fortnightly meter readings should be taken, but where the calling rate was very high or very low, discretion could be exercised by Heads of Circles for taking meters readings at shorter or larger intervals."

2.25. The Committee note that a test checking of bills for the Telephone Exchange, in Bombay had revealed that in 32 cases, short billing to the extent of Rs. 48,838 had resulted owing to infrequent readings of meters with provision for 4 digits only. The Committee note that the Department have now decided to replace the 4 digit meters in heavily worked exchanges by 5 digit meters. The Committee feel that if the Department had exercised due care in the beginning, they would have provided 5 digit meters ab initio in heavy exchanges, as is now being done for exchanges fitted with cross-bar equipment.

2.26. The Committee note that the capacity of the Indian Telephone Industries to supply 5 digit meters is limited and that it would take three years to replace 4 digit meters by 5 digit meters in heavily worked exchanges. The Committee suggest that Government may examine the possibility of getting the telephone meters of 5 digits from manufacturers of other types of meters like electricity meters so as to replace the 4 digit meters at the earliest to avoid loss revenue. In the meantime the Committee stress that every care should

be taken to ensure that meter readings from the 4 digit meters are undertaken at least once a fortnight to avoid under-billing of the nature indicated in the Audit para.

**Loss of potential revenue through inadequate utilisation of expanded capacity of a Telephone Exchange**

*Audit Paragraph* .. ..

2.27. The capacity of a satellite Telephone Exchange was expanded from 600 lines to 900 lines in May, 1962. Allowing for a technical reserve of 6 per cent, the connectable capacity of the expanded exchange was 846 lines. Notwithstanding a heavy demand for additional telephones, the connections actually given numbered only 599 by 31st March, 1963, 725 by 31st March, 1964, 746 by 31st March, 1965, 749 by 31st March, 1966 and 775 by 31st March, 1967. The Department has explained that the expanded capacity could not be utilised fully all these years because an adequate number of junction cables between the main exchange in a neighbouring town and the other satellite exchanges in that area was not provided for simultaneously. The scheme to provide additional junction cables was sanctioned only in December, 1965, and has not been implemented even so far (March, 1968), because the requisite cables are still awaited. Meanwhile the Department is losing potential revenue through non-utilisation of the expanded capacity to the full extent. This loss works out to about Rs. 4.3 lakhs effective use, notwithstanding a heavy demand for additional telephone connection from that exchange during the years 1963-64 to 1966-67.

[Paragraph No. 8, Audit Report (P&T), 1968].

2.28. The Committee drew the attention of the representative of the P&T Board to the fact that the expanded capacity of 900 lines available in the Exchange since May, 1962, could not be put to effective use, notwithstanding a heavy demand for additional telephones. Taking note of the fact that the under-utilisation of capacity was due to inadequacy of junction cables, they enquired what steps had been taken to procure the cables. The witness replied: "There is acute shortage of cables throughout the country. We are rationing cables." He added that the only source of indigenous supply of cables was Hindustan Cables Ltd. "Their capacity is at present only a little over 56 per cent of the demand. The Ministry of Commerce & Industry is expanding that factory. In the meanwhile, we have been importing some cables from abroad under the World Bank loan. We are even now trying to get some more cables through foreign loan pending the expansion of the factory."

2.29. The Committee asked for data about the requirements of cables of the Department and the extent to which these had been met either from indigenous sources or through imports. The information on this point, which has been furnished by the P&T Board in a note, is tabulated below:

Year	Demand for cables outstanding at commencement of year	Cable requirements during the year	Actual/anticipated supplies from HCL	Quantities imported	Unsatisfied demand as at end of year
(In Kilometres)					
1966-67	4,620	3,750	3,370	Nil.	5,000
1967-68	5,500	6,250	3,100	420	7,730
1968-69	7,730	7,350	4,500	Nil.	10,580

2.30. Explaining the position regarding imports of cables, the Department have stated in their note that during the Third Plan, due to availability of IDA credits, it was possible to import the required quantity of cables. The Department had drawn up proposals for another credit from the IDA in September, 1965 and renewed them in March, 1967 and again in May, 1968. "But the case has not made any significant progress so far and the prospects of obtaining their credit appear bleak. The Department has also initiated action to obtain bilateral credit from countries like Yugoslavia, Holland, Poland etc. Enquiries have been sent through the Government to some of the East European countries seeking information on the type of cables used by them with a view to initiating action for import of cables from these countries."

2.31. The Committee wanted to know what steps had been taken to expand indigenous production so as to eliminate dependence on imports. In a note, the P&T Board have explained the position as under:

- (i) Hindustan Cables Ltd., the existing public sector factory at Rupnarainpur was planned for the manufacture of 3,200 kilometres of cables on two shift basis. A project for expansion of this capacity from 3,200 kms. to 8,000 kms. at a cost of Rs. 477 lakhs, excluding township, was approved by Government in April, 1966. As on 31st March, 1968, "71 per cent of expenditure on Plant and Machinery has already been committed and it is expected that trial production will start during 1969-70."

- (ii) To plan indigenous manufacture of cables, a working group, consisting of representative of Hindustan Cables and P&T was set up by the Planning Commission in February, 1962. This group, which reported in September, 1962, recommended setting up of a second unit. "The case is being processed by the Ministry of Industry. Various sites in India were examined for the location of this factory and it was decided in December, 1966 to locate the factory at Hyderabad. Since then the project has been under examination."
- (iii) "There have also been requests from some of the manufacturers of power cables in the private sector to permit them to manufacture telephone cables utilising their spare capacities. This case is also under consideration."

2.32. Explaining the overall position regarding requirements of cables for the Fourth Plan, in the light of a tentative target of 15 lakh telephone connections, the Department have stated the position as under:

"Requirements of cables—Requirements of telephone cables during the Fourth Five Year Plan are expected to be the order of 80,000 kms.

The likely production of dry core cables from the Rupnarainpur factory taking into account the sanction expansion is likely to be of the order of 42,000 kms. out of which P&T is expected to be supplied with 38,000 kms. of this cable. The setting up of the second cable factory is under finalisation. Provided this factory is set up early in the P'an, production of about 10,000 kms. can be expected from the same. Thus the total supplies of dry core cables available to the P&T stores, from HCL would be of the order of 48,000 kms. In view of this, it is essential that the setting up of the second factory is expedited, and production in the two factories stepped up considerably to reduce the gap between supplies and requirements of cables as envisaged in the Plan."

The shortfall in the requirements of dry core cables would be of the order of 32,000 kms. during the Plan itself. Taking into account the earlier shortages, resources would have to be found for import of about 40,000 kms. of underground subscriber cables. This is likely to cost Rs. 50 crores in foreign exchange (on f.o.b. basis).

2.33. The Committee drew the attention of the witness to a letter dated 17th January, 1968, from the Senior Member (Telecommunications) addressed to Heads of all Circles and Districts urging the best possible utilisation of surplus capacity in all the exchanges, in the light of availability of cables iron wire and telephone instruments and desired to know the latest position. In a note on this point, the P&T Board have given the following picture of utilisation of capacity in exchanges of 1,000 lines and as on 30th June, 1968:

---

(i) Total working connections as on 30-9-67 . . . . .	4.99 lakhs
(ii) Working connections added in the period 30-9-67 to 30-6-68 . . . . .	0.25 lakhs
(iii) Total working connections as on 30-6-68 . . . . .	5.24 lakhs
(iv) Nominal capacity of telephone exchanges as on 30-6-68 . . . . .	6.42 lakhs
(v) Connectable capacity (94% of normal capacity) . . . . .	6.03 lakhs
(vi) Spare capacity as on 30-6-68 . . . . . [(v) minus (iii)]	0.79 lakhs

---

2.34. The Department have further explained that, apart from shortage of cables, another bottleneck in utilisation is shortage of line stores like iron wire. "However, due to persistent efforts made in this regard, supplies have now improved." Two other points have been made by the Department—

- (i) In some cases it is not possible to reach the connectable capacity in the exchange "because of traffic considerations. The exchange equipment is designed to carry a certain amount of traffic. This amount of traffic is being reached by a smaller number of telephones than originally designed due to high increase in traffic per telephone largely due to large unsatisfied demand for additional telephone connections."
- (ii) "The rate of utilisation has been slow partly because during this period we had taken a decision to expand 'own your telephone' scheme to all towns with exchanges of 1,000 lines and above in an effort to mobilise financial resources for the development of telephones. There has been an initial customer resistance to the introduction of OYT. This has slowed down the progress in utilisation of the spare capacity. We are, however, hopeful that slowly the would-be customers will get used to the idea of obtaining a telephone under OYT and we will be in a better

position to utilise the spare capacity in telephone exchange, once the underground cables become available. We have recently issued instructions that there would be no objection in sanctioning telephones in such exchanges without payment of OYT deposit provided enough capacity is kept spare for meeting OYT demands likely to arise in the next months....."

2.35. The Committee note that as much as 13 per cent of the connectable capacity of telephone exchanges in the country with 1,000 lines or above remained unutilised as on 30th June, 1968, due primarily to a shortage of cables. They further note that the shortage of cables has assumed such proportions that the Department anticipate as much as two-thirds of their requirements of cables remaining unfulfilled as at the end of 1968-69, with no assured prospect of any foreign aid for the import of cables to meet at least a part of the pressing demand. It is strange that, in the face of such a glaring shortage, Government have still not come to a decision on a proposal made by a Working Group of the Planning Commission as early as September, 1962, for setting up a new unit for the manufacture of cables. The Committee cannot help feeling that the proposal has been processed in a very leisurely fashion. How leisurely the process of examination has been would be evident from the fact that Government took over four years after the submission of the report of the Working Group to come to a decision on the location of the project. Two years after this decision, the project still remains "under consideration." The Committee would urge that a decision on the project be taken without delay.

2.36. The Committee note that Government have also embarked on a project for expansion of the capacity of Hindustan Cables Ltd. and that trial production is expected to start during 1969-70. They hope that the project will proceed according to schedule.

2.37. The Committee also observe that the Department have proposed a tentative target of 15 lakh telephone connections for the Fourth Plan and that the requirements of cables for such a programme would amount to 80,000 Kms. of which only 48,000 Kms. will be met by Hindustan Cables and the proposed new unit. In view of the large gap thus left and the current indications regarding non-availability of foreign assistance for imports, the Committee would like Government to consider how best the gap could be bridged indigenously by encouraging private manufacturers to undertake the manufacture of cables. The Committee would like a speedy decision to be taken by Government on requests already stated to have been received from some units in the private sector for permission to manufacture these cables by utilisation of spare capacity.

2.38. The Committee find from the information furnished by the P. & T. Board that one of the factors inhibiting the utilisation of spare capacity in the exchanges is consumer resistance outside big cities to acceptance of telephones under 'Own Your Telephones' scheme. They would like Government to undertake a close study of the causes of such consumer resistance and take steps to meet it, so that, in the process of utilisation of the spare capacity, Government are also able to mobilise badly needed resources for the development of telephones.

#### Delay in claiming rental for certain telephone circuits

##### *Audit Paragraph*

2.39. On requisition from a Government department certain telephone circuits were laid for its exclusive use and made available to it during March/April, 1961. A bill for a rental of Rs. 1.32 lakhs issued in this connection in August, 1961, was cancelled within a few days and the user department was informed that a revised bill would be sent shortly. No revised bill was, however, issued for almost six years thereafter.

2.40. The user department asked, in the meanwhile, for three more circuits to be laid for it, of which two were made available by February, 1963. The third was not laid on the presumption that the demand would be effectively met by the integrated cables system which was separately being executed for this department. But this presumption was not confirmed by the user department, and, accordingly, the third circuit was made available by March, 1964. As the two circuits supplied in February, 1963, could not be brought into use until March, 1964, there has been a potential loss of rental of about Rs. 29,493 for the intervening period. Even after the third circuit was handed over, no bills for rental were issued until three years later. On the omissions being pointed out by Audit, bills amounting to Rs. 7.58 lakhs in the aggregate, pertaining to the circuits brought into use in March, 1964, as well as those made available earlier, were issued on different dates during the first half of 1967. No payment had, however, been received upto the end of October, 1967.

[Paragraph No. 9, Audit Report (P&T), 1968]

2.41. The Committee were informed that the Defence Authorities, on whose behalf the work was done, had settled 12 out of the 13 pending bills referred to in the Audit paragraph. The amount awaiting realisation had thus been brought down from Rs. 7.58 lakhs to Rs. 0.55 lakh. As regards the pending bill, the Committee was



given to understand that "it still remains unsettled. The Defence Authorities wanted certain details which were furnished to them. The matter is being pursued."

2.42. On the question of delay of about six years in preferring the bills, the P&T Board stated that "delay in issue of bills and consequent settlement has been found to be due to not having issued the Advice Notes in time. Instructions have been issued to all concerned to the effect...that no facility should be provided without issue of proper Advice Note, on the basis of which regular and timely issue of bills would be ensured."

2.43. The Committee pointed out that a similar case of delay had been brought to notice last year in paras 3.30 to 3.33 of their 13th Report (Fourth Lok Sabha) and enquired why cases of this type recurred. The witness replied: "The other case which you mentioned was slightly different, not exactly on par with this case.... This was a big item of work involving a larger number of locations and a certain number of circuits." The Committee find that the other case of delay in billing for rentals commented upon in the 13th Report also arose largely out of advice notes not being issued in time. To improve this situation, it was urged by the Committee in para 3.33 of the 13th Report that the pace of decentralisation of the Accounts Offices should be accelerated and these may be placed under the control of Divisional Engineers who should be delegated the responsibility of issuing Advice Notes. In their note indicating the action taken on this recommendation, it was stated by the Department that the work of decentralisation was proceeding apace and had been completed in 39 out of 80 engineering divisions and was in various stages of completion in respect of the remaining divisions. From papers relating to a Telephone Revenue Conference held at New Delhi in September, 1968, which were made available by the Department, the Committee note that the Chairman of the P&T Board had expressed the view that "the experiment of decentralisation of telephone revenue....had not brought about the desired improvements as yet." From the record of proceedings of this conference, the Committee also note that the Divisional Engineer in charge of Telephone Revenue work "was already having his hands full with technical and administrative matters and was not conversant with Telephone Revenue problems", to look after which he needed trained assistance. The matter was referred by the conference for further examination in the Department and a decision was also taken that the procedure for despatch of advice Notes should be so streamlined "that it reaches the Telephone Revenue Accounts Circuits within 7 days of the completion of the work."

2.44. The Committee regret that there was a delay of about six years in claiming rentals, due to a failure on the part of the Department to issue advice notes in time. The Committee note that, pursuant to their recommendation in para 3.33 of their 13th Report (Fourth Lok Sabha), the Department have taken steps to accelerate the decentralisation of the Accounts Offices with a view to expedite preparation of bills, but that this experiment has "not brought about the desired improvements yet." The Committee would like the Department to have the working of the scheme closely reviewed and the points of weakness so far noticed to be quickly remedied, so that the billing procedure is put on an efficient footing. As decided at the recent Telephone Revenue Conference, it should be the Department's endeavour to ensure that advice notes in respect of work done reach the Accounts Unit within seven days of the completion of the work and are promptly followed up by the preferring of bills.

2.45. The Committee note that, in this particular case, out of the outstanding amount of Rs. 7.58 lakhs, a sum of Rs. 7.03 lakhs has been realised. They hope the Department will ensure that the remaining amount is also expeditiously realised.

#### **Non-recovery of liquidated damages from an Advertising Agent**

##### *Audit Paragraph*

2.46. In terms of an agreement executed with a firm appointed in May, 1963, as the sole agent for procuring advertisements for twelve successive issues of telephone directories in a Posts and Telegraphs Circle, the revenue collected by the firm by way of advertisements was to be shared by it with the Department in prescribed proportions, a minimum of Rs. 10,000 per annum being guaranteed for the Department. The Department's share was stipulated to be remitted by the firm within 60 days of the receipt of voucher copies by it. Should the firm delay remittance of the Department's share beyond that period, the Head of the Circle was entitled, in his discretion, to recover from it, additionally, liquidated damages calculated at the rate 1 per cent of the guaranteed minimum, or Rs. 100 for every day of default, whichever might be higher.

2.47. The remittances of revenue due from the firm to the Department were delayed, beyond the permissible period of 60 days, in the case of each of the six successive issues, the accounts of which have so far been examined. The period of default ranged between 10 and 32 days in the case of the first 3 issues, while it extended over 197 days in the case of the 4th issue, 72 days in the case of the 5th issue and 341 days (upto December, 1967) in the case of the 6th issue.

2.48. Liquidated damages amounting to Rs. 6,600 in respect of the 1st three issues were not enforced by the Head of the Circle under his discretionary powers. In respect of the 4th issue, liquidated damages to the extent of Rs. 1,320 only were imposed against Rs. 19,700 calculated at the prescribed rate. No decision has been taken about levy of liquidated damages for the 5th and 6th issues, the damages for which calculated at the prescribed rate, work out to Rs. 14,200. No amount has, however, been recovered by way of liquidated damages in respect of any of these defaults.

2.49. In addition, the revenue accrued in respect of the 6th issue, amounting to Rs. 15,633 has also not been recovered so far and it was stated in August, 1967, that the firm is no longer in existence.

[Paragraph No. 10, Audit Report (P&T), 1968].

2.50. The Committee drew the attention of the representative of the P&T Board to the fact that money due to Government from the Advertising agents had not been realised and enquired what procedure was followed for the appointment of agents for telephone directories. The witness stated that the appointment of agents was on the basis of tenders. Each tenderer had "to quote what we call 'minimum gross revenue'. Out of that guaranteed gross revenue, the Department will get 75 per cent as share and the agent will get 25 per cent. If the total gross revenue goes beyond the minimum guaranteed amount then the agent will get 40 per cent and the Department will get 60 per cent. The Department, while considering the tenders decided on the basis of the highest revenue they were likely to get.

2.51. The Committee asked whether a uniform procedure was being followed in the various P&T circles in the matter of selection of agents, the verification of their antecedents determination of the amount of security to be taken from them and enforcement of penalties for non-fulfilment of the contract. The witness stated that there was a uniform procedure. The tender forms had been prepared in consultation with the Ministry of Law. The solvency of the party was verified on the basis of income tax clearance certificates and a bank guarantee was taken from the successful tenderers. In case of non-fulfilment of contract, the guarantee was forfeited.

2.52. The Committee desired to know the position in regard to realisation of Government dues in this particular case. The witness stated that, of the six issues of the directory for which the agent procured advertisements, Government had to realise their share of the revenue only for the sixth issue. "In the sixth issue", he said,

"our share of revenue was Rs. 15,633. This amount of money has not been paid and we have recovered the bank guarantee of Rs. 7,500 plus a cheque of Rs. 100 from an advertiser against this...." As regards recovery of liquidated damages for delay on the part of the agents in remitting Government's share of revenue, the witness stated that there was "not much of delay in the first, second and third issues. The Head of Circle in his own discretion....did not ask for liquidated damages....As regards the fourth issue, the P&T fixed liquidated damages at Rs. 1,320, but we understand the same has not been paid by this party. As regards the fifth issue, there was delay again and P&T put liquidated damages at Rs. 7,200 and he (the agent) was asked to pay the amount, but this amount also is not available." In respect of the sixth issue, "no liquidated damages could be fixed as even the balance of the Government's share of revenue is not forthcoming and....the damages are to be fixed on the basis of delay in number of days (in remitting Government's share of revenue)." The overall position was that sum of Rs. 24,652 was due and only Rs. 7,600 had been recovered there against.

2.53. On the question of recovery of liquidated damages, the following position was also brought to the Committee's notice:

"In respect of liquidated damages to be charged, the agreement with the sole advertising agents provided that in the event, of failure in remittance of the Government share of revenue, the Head of the Circle is entitled at his discretion to recover from the sole advertising agent as agreed liquidated damages and not by way of penalty, a sum of 1 per cent of the guaranteed minimum gross revenue or Rs. 100 whichever is higher for every day by which the payment is so delayed. In the case under reference where the guarantee gross revenue had been Rs. 10,000, 1 per cent of the amount meant Rs. 100. Charging liquidated damages at the rate Rs. 100 per day for every day tantamounted to an interest of over 450 per cent per annum for a government share of revenue of Rs. 7,500.

In this case and also in similar other cases the opinion of the Ministry of Law was lately sought and they had expressed the view that the idea of liquidated damages was to form and agree upon a genuine pre-estimate of what damages were likely to be so as to avoid future controversy. In the case of receipt of money from the advertisement revenue, the damage the Government could suffer, would

only be the loss of interest and any other practice followed for recovery of loss would be construed as penalty and not be upheld in the court of law. If the Department wanted that the advertising agent should make prompt payment to avoid inconveniences like calling for tenders and appointing a fresh advertising agent and avoiding delay thereby in publication of telephone directory, a heavy but not a penal rate of interest, say at 12 per cent would be sufficient deterrent as this would be higher than the market rate. It was expressed by the Ministry of Law that the rate of interest should not be made so high as to make it penal."

2.54. Explaining the steps taken for recovery of dues, the representative of P&T Board informed the Committee that the agent in this case who was a sole proprietor fell sick and died. "We had written to the wife of the deceased gentleman to pay the dues and liquidated damages. We have received a letter saying that she, no doubt, is the legal heir, but she has no assets....and now we will have to move a court to recover the amount from whatever assets the heirs have."

2.55. The Committee pointed out that the bank guarantee in this case did not cover the sums due to Government, by way of revenue and by way of liquidated damages and enquired whether it was not necessary to revise the procedure followed in this regard, to safeguard Government's interest. The witness replied: "We will examine...whether in the light of this experience and revision in the procedure is necessary." In response to another question about the adequacy of the existing procedure of verification of financial soundness of parties with reference to income tax clearance certificates, the representative of the P&T Board stated: "We will examine this aspect also."

2.56. The Committee would like Government to examine, in the light of their experience in this case, the adequacy of the existing procedure for establishing the solvency of parties appointed as advertising agents. The Committee would like Government to examine whether bank guarantees taken from parties appointed as agents should in future cover not only the revenue due from the parties in terms of the contract but also liquidated damages leviable for belated remittance by the parties of Government's share of revenue.

2.57. The Committee also hope that, on the basis of legal advice given in this case, steps would be taken to put the clause regarding

liquidated damages in the standard form of agreement on a satisfactory footing, keeping in view the need to ensure that such a clause serves also as a deterrent against default by contractors.

**Loss of Revenue due to non-revision of rentals for telephone connections—**

*Audit Paragraph*

2.58. The rental for telephone connections from Flat Rate Exchanges varies with the equipped capacity of the Exchange. An increase in rental from Rs. 250 to Rs. 300 per annum has been prescribed under the rules, when the equipped capacity of the exchange reaches or exceeds 300 lines. This increase is required to be enforced, as per departmental instructions, from the 1st April or the 1st October following, whichever comes earlier. Delays in enforcing such increase have, however, been noticed in the case of 3 exchanges during the period February, 1963 to May, 1965. These delays ranged between 10 months and 2 years and the resultant loss of revenue to the Department has amounted to Rs. 59,600.

[Paragraph No. 11, Audit Report (P&T), 1968]

2.59. The Committee were informed that in respect of two of the three exchanges referred to in the Audit paragraph, the loss of revenue had been substantially made good. The rentals were revised and a demand raised for Rs. 35,000 against which a sum of Rs. 31,317 was recovered. During evidence, the representative of the P&T Board stated that the rentals were not originally revised in these two cases due to "human failures" and that the matter was under investigation. In a note subsequently submitted to the Committee, the P&T Board have stated that in respect of one of these exchanges, the Postmaster General "has taken necessary action to fix responsibility and to prevent recurrence of such lapses in future." In regard to the second exchange, "the matter is still under examination of the Post-master General."

2.60. In regard to the third exchange, the representative of the P&T Board stated that there was no loss, as the exchange did not have the full capacity of 300 lines. The exchange faced a large waiting list and to improve matters, the Divisional Engineer got the help of an old Board, which was not fully equipped. When the Divisional Engineer found the full capacity not forthcoming, he took up with the Post-master General the question whether there would be justification for charging higher rental and the latter, "rightly in our view," said. "No, unless it becomes 300 lines we should not charge higher rent."

2.61. The Committee were also given to understand during evidence that cases of this type might not recur. Explaining this position, the representative of the P&T Board said: "We have changed the whole pattern. According to the latest orders there will be two types of service, we give in smaller exchanges, 24 hours' service and part time service. Irrespective of the size of manual exchange we have laid down that the rental will be a fixed rental."

2.62. The Committee note that, due to human failures, the rentals in respect of two exchanges were not revised in time. They would like to be apprised of the outcome of the investigation being conducted by Government in this regard. They note that the Department have since evolved for the smaller exchanges a new pattern of charges, according to which the rentals will depend, not on the capacity of the exchanges, but on whether the exchanges render part-time or twenty-four hour service. The Committee need hardly stress that when exchanges rendering part-time service switch over to twenty-four hour service, prompt action will be taken by the Department to revise the rentals.

### III

#### WORKS EXPENDITURE AND MISCELLANEOUS OTHER IRREGULARITIES

##### **Avoidable loss caused by delay in installing power factor capacitors—**

##### ***Audit Paragraph***

3.1. The Bombay Telephone Workshops draws its supply of electric energy from the Bombay Electric Supply and Transport Undertaking. In terms of the tariff in force upto the end of August, 1963, the Bombay Telephone Workshop was eligible to get a discount on the charges payable by it for consumption of electric energy if it maintained the power factor of its installation above 80 per cent. The maximum discount admissible was 15 per cent of the amount of the bill, the discount actually allowed being calculated @  $\frac{1}{3}$  per cent for every rise of one point in the average monthly power factor above 80 per cent. From September, 1963, however, a new tariff was introduced which, instead of allowing a discount for maintenance of the power factor above 80 per cent, provided for levy of a graded charge, which varied somewhat inversely with the power factor maintained. The financial incidence in both the cases was almost the same.

3.2. The Bombay Electric Supply and Transport Undertaking conducted a check of the electric installations of the Bombay Telephone Workshop in December, 1958, and found that their power factor was as low as 65 per cent. The Undertaking thereupon drew attention of the Bombay Telephone Workshop in May, 1960, to the discount it was missing owing to this low power factor and advised it to instal static condensers, or some other suitable device, so as to correct and improve the power factor. The process of inquiries, approval of the indigenous capacitors decided upon for the purpose, invitation of tenders, and the acquisition of the requisite capacitors took, however, 7 years it was not until May, 1967, that the capacitors were eventually installed.

3.3. The cost of the capacitors was Rs. 10,200 only, but the Bombay Telephone Workshop had, in the meanwhile, missed a potential discount of Rs. 19,620 and made additional payments of Rs. 39,981, the aggregate avoidable loss thus occasioned being Rs. 59,601.

[Paragraph No. 16, Audit Report (P&T), 1968]



3.4. The Committee desired to know why it took seven years for the Department to procure and instal power factor correcting capacitors. The witness stated that the delay occurred due to "human failure at various places." He added that the General Manager was investigating into the matter and would take necessary action.

3.5. The Committee desired to know the results of the investigation and action taken thereon. In a note, the P&T Department have stated that according to "the tentative conclusions reached by the General Manager, Workshops, the main contributing factors for the delay were:

- (i) The original contract with Bombay Electric Supply and Transport did not specifically indicate financial benefits for improvement of the power factor.
- (ii) Dependence on the Bombay Electric Supply and Transport Undertaking and other expert firms for the required information.
- (iii) Lack of information about the sources of supply of the capacitors whether indigenous or foreign.
- (iv) Prospects of shifting the factory to the new premises at Davnar and installation of the capacitor after ascertaining the electrical load at Davnar.
- (v) Rejection of several tenders due to note conforming to specification and acceptance thereafter on retendering.
- (vi) Procedural delay in procuring stores through Director General, Supplies & Disposals.
- (vii) Failure on the part of the firm to supply the capacitors as per delivery terms."

3.6. The P&T Department have added that the final report in the case has not yet become available and the matter would be considered by Government after it is received.

3.7. The Committee regret to note that the Bombay Telephone workshops sustained a loss of 59,60 due to their inability to maintain the power factor of their electrical installations at the requisite level. It took the Department about seven years to procure and instal the equipment needed for correcting the power factor at a cost of Rs. 10,200. The Committee cannot help feeling that the whole matter was handled with a sense of complacency. They do not find convincing the reasons for the delay given by the Department and

would like to await the final outcome of the investigations in this regard. They trust that remedial steps will also be taken by the Department to avoid a recurrence of instances of this kind.

**Avoidable extra expenditure on transport of Air Mail by using heavier canvas bags instead of the lighter Air Mail bags—**

*Audit Paragraph*

3.8. The Department had issued instructions in January, 1964, that blue Air Mail bags should alone be used for despatch of mail by air, because the canvas bags used for surface mail were heavier and their use for transport of mail by air entailed extra expenditure. It has, however, been noticed that a number of Air Mail Exchange Offices have continued to use canvas bags, instead of blue Air Mail bags, due to short supply and/or non-return of Air Mail bags by the units to which they were despatched with the mail. The avoidable extra expenditure thus incurred during the period from March, 1965, to June, 1966, has amounted to Rs. 2.91 lakhs.

[Paragraph No. 17, Audit Report (P&T), 1968].

3.9. The Committee were informed by the Department that the use of heavier canvas bags, in place of lighter Air-mail bags, for transporting mail was due to the following reasons:

- (i) Inadequate supply of blue air-mail bags to the Postal Stock Depots in various circles.
- (ii) Failure on the part of some of the offices receiving the air-mail to return the blue bags not utilised by them for despatch of air-mail.

3.10. The Committee were also informed by the Department that, even if supply of bags had been adequate and receiving offices had settled accounts of bags promptly, heavier canvas bags would still have been inevitably used. "The biggest size of air-mail bags, i.e. AM-I bag, is not sufficient to enclose all the contents in case of bulk of mails to be enclosed is very heavy or in case a bag containing several closed bags inside (called transit bags) has to be closed. A certain percentage of canvas bags has, therefore, unavoidably to be used and a recent test check showed that this percentage was 12 in Delhi circle and 7 in Maharashtra circle." The Department further submitted that, if these figures were taken into account, "the extra expenditure we had to incur comes down to Rs. 1,45,000. This was due to shortage of blue bags."

3.11. On the question of short supply of blue bags, the Committee were informed by the Department that it was "due to inadequate and belated supply of.....bags against the indents placed with the D.G.S.&D." The Committee enquired of the representative of DGS&D why there was delay and short supply of bags and what measures had been taken or were proposed to be taken to ensure prompt compliance with the indents raised by the P&T. The Committee were informed that delay in supply was caused by the following difficulties:—

- (i) The material to be used in the bags indented by the P&T was changed from red drill to blue "dasuti" and this necessitated a reference to the indenter.
- (ii) The basic raw material was not available in requisite quantities and the small-scale industry units, from whom bulk of the quotations for supply of bags were received and with whom orders were placed, could not make long-term arrangements for the procurement and storage of the material. Some of the contracts also failed to materialise and perforce risk purchase had to be resorted to.

"Delay/default in supplies under these circumstances became inevitable."

3.12. It was also stated by the DGS&D that the small-scale units "have successfully manufactured this item and as such this item has been exclusively reserved for purchase from this sector."

3.13. The Committee asked for a note from the DGS&D, jointly with the P&T Department showing upto date particulars of the indents raised by the P&T for air mail bags, the contracts placed on the basis of these indents, the delays in delivery that occurred the amounts recoverable from firms who defaulted in supply etc. From the information supplied by Department. Committee observe that 6 indents were placed by the Department for 15,56,705 bags between October, 1963 and May, 1967. 51 contracts for 12,28,735 bags were placed on the basis of these indents and only in respect of 4 of these contracts, involving a supply of 82,864 bags, deliveries were made within the stipulated delivery dates as extended by the grace period normally allowed. In all the other cases, the firms either delayed delivery or defaulted on supply. A sum of Rs. 7.42 lakhs is recoverable in respect of 11 contracts in which defaults in supply occurred, rendering necessary purchase from other sources, at the risk and cost of the original contracting parties. 9 of these cases, involving a sum of Rs. 7.02 lakhs are "being processed for arbitration."

Liquidated damages amounting to Rs. 13,700 are pending recovery in 8 cases, damages amounting to Rs. 4,000 having been recovered in two other cases.

3.14. Asked what remedial measures have been taken to ensure that the lighter bags available with the P&T Department are used, the Department stated that instructions have been issued stressing "the need for returning the blue air-mail bags without fail, putting down any attempt at misuse of air-mail bags for purposes other than air-mail transmission, settling the air-mail accounts promptly, re-fixing the stock of blue bags required and intending for the same early." From copies of the instructions furnished by the Department, the Committee find the following position about misuse of blue bags reflected in a letter dated 21st January, 1966 issued to Heads of Circles:

"Member (Posts) feels that the blue bags are apparently being misused and Heads of Circles should have the matter investigated. . . . . If blue bags are indiscriminately used for surface transmission this could be checked and the practice stopped forthwith. Member (Posts), however, feels that has not come across many cases where these blue bags are found to be in use in RMS and therefore the matter requires detailed investigation with a view to locating where the blue bags are disappearing. . . . ."

3.15. The Committee also find in a letter dated 6th February, 1968 issued by the Department to the P&T Circles the following statement about use of air-mail bags:

"It has come to notice that during the period March, 1965 to June, 1966 Canvas bags were used to a considerable extent resulting in additional expenditure in air conveyance. This would indicate that the instructions issued by the office from time to time for the exclusive use of blue bags for closing air mail conveyed by air have not been followed. . . . . If these instructions are not followed by any of the offices in your circle, suitable notice should be taken and responsibility fixed on the officials for failure to use blue air mail bags. . . . ."

3.16. The Committee enquired whether surprise checks had been carried out by the Department to ascertain whether blue bags are misused in surface mail. The witness stated that sample checks had been carried out. In a written note, the Department have stated that "as a result of checks carried out some cases of use of canvas bags for closing air mail bags have come to notice. The heads of Circles

have been asked to enquire into the causes for use of canvas bags.... As a number of different disciplinary authorities are involved reports of the action taken against those responsible are being called for from the Heads of P&T Circles."

3.17. Drawing attention to the Department's statement that use of heavy canvas bags became necessary sometimes for closing bulky mail, the Committee asked the representative of the P&T whether the Department had thought of having larger bags made of lighter material for use for this purpose. The witness stated that the matter had been referred to the DGS&D. "DGS&D has been requested to suggest material for preparing bigger size bags which may be used to handle bulkier material..... In this connection a meeting of I.S.I. was attended by a representative of P&T at Bombay on 24th June, 1968, in connection with the adoption of I.S.I. specification for these bags. During the meeting 'gauge-fabric' was suggestion as a suitable material for making the bags..... The sample of the cloth on receipt on 3rd September, 1968, has been forwarded to Dy. Director (Inspection), Office of DGS&D on 3rd September, 1968 to carry out necessary check and test. On receipt of his report further action will be taken."

3.18. The Committee regret that the Department had to incur an extra expenditure of Rs. 1.45 lakhs during the period March, 1965, to June, 1966, due to the use of canvas bags in place of lighter blue bags, for conveying mail by air. While the Committee note the Department's explanation that the blue bags are in short supply, they feel that the Department too have failed to make the optimum use of the existing stock of blue bags and to ensure the prompt return of "surplus empties" by offices not needing them. The Committee would like the Department to intensify the surprise checks now being conducted so that the available stock of blue bags is used to the maximum extent possible and the units receiving these bags promptly settle their bag accounts by returning the "surplus empties".

3.19. The Committee note the Department's apprehension about the misuse of blue bags. They would like the matter to be thoroughly probed and deterrent action taken against the persons found responsible for such misuse.

3.20. The Committee note that the D.G.S. & D. has been unable to arrange for the timely supply of bags indented by the P. & T. Department, owing to defaults on the part of firms with whom orders were placed or delayed deliveries. In this connection, they observe that a sum of Rs. 7.42 lakhs has been assessed as recoverable from the

defaulting parties and that arbitration proceedings are contemplated for the bulk of the recovery amounting to Rs. 7.02 lakhs. A sum of Rs. 13,700 has also been assessed as due by way of liquidated damages from some of the firms who delayed delivery. The Committee would like to be apprised of the progress with the recovery of these amounts.

3.21. The Committee note that one of the reasons given for delay in the supply of blue bags is that the small-scale manufacturers on whom the orders were placed "could not make long term arrangements for the procurement and storage of the material." The Committee would like Government to examine whether in the interest of saving extra freight spent on transport of heavier canvas bags arrangements could not be made for the supply of blue bags by placing orders on a competitive basis with the manufacturers of blue drill.

3.22. The Committee observe that the existing specifications of blue bags are such that the Department have sometimes inevitably to use the heavier canvas bags for transporting weightier mail.

3.23. The Committee would like the Research Department of P. & T. to pay special attention to the problem of evolving suitable specifications for use of lighter materials for manufacture of air-mail bags so as to effect maximum saving in air freight.

#### Excessive expenditure on electricity charges

##### *Audit Paragraph*

3. 24. The requirements of electric energy for a Telephone Exchange were estimated in April, 1963, as about 229 Kws. Allowing for a safety margin, a demand for 250 Kws. was contracted for. The billing charge, as per agreement executed in December, 1964, with the Electricity Board concerned, was to be a minimum of 75% of the sanctioned load, i.e., for 187.5 Kws. per month. The actual consumption during the first 16 months (ending with September, 1967) has, however, ranged between 23 and 71 Kws. only, thus entailing an excess expenditure of Rs. 16,208 during this period. Since the agreement is for 5 years, excess expenditure occasioned by over-estimation of demand in this case will continue to recur, unless consumption goes up substantially in the meantime.

3.25. Further, even though the requisite load was made available on the 28th October, 1965, it was not actually used until the 28th May, 1966. As per terms of the agreement with the Electricity Board, the guaranteed minimum charge became payable with effect from the 28th January, 1966. Accordingly, an infructual expenditure of about

Rs. 75,00 was incurred on this account for the period from 28th January, 1966 to 27th May, 1966.

3.26. The power factor was also not maintained in this case, as stipulated in the agreement, and a penalty of Rs. 6,128 had to be paid on this account during the first 5 months ending with October, 1966. The power factor was improved in November, 1966, at a cost of Rs. 486 only.

[Paragraph No. 18, Audit Report (P&T) 1968]

3.27. The Committee pointed out to the representative of the P&T Board that the load that was made available to the exchange was not used for a period of six months initially. Further, even after use of the load started, the actual consumption of the exchange was only 23 Kws. to 71 Kws. in the first sixteen months against the contracted load of 250 Kws. The resultant infructuous expenditure amounted to Rs. 23,708. The Committee enquired why the Department did not initially estimate their power requirements correctly. The witness stated that there had been "an error of judgement in contracting for the ultimate requirements, instead of the immediate requirements." He stated that their ultimate load was estimated on the basis of the requirements for the various services like the 'automatic exchange', 'additional air-conditioning' and 'lighting' etc. to be installed in the exchange. He added: "Our load is of the order of 70 Kilowatts but when we install the additional air conditioning unit, 120 Kilowatts would be necessary. This was intimated to the local officer, but unfortunately, the local officer intimated the full ultimate requirements instead of the immediate requirements."

3.28. Asked what remedial measures had been taken by the Department to revise their estimates on the basis of the actual needs, the Department stated that the Postmaster General approached the Electricity Board to have the agreement modified *ab initio* to provide for a contract loan of 100 Kws. maximum, as against the present figure of 250 Kws., but that request was turned down. The agreement was revised from 1st December, 1967 providing for the contract load of 100 Kws.

3.29. The Committee drew the attention of the witness to the failure of the exchange to maintain the power factor in these installations and enquired why the correcting device was not installed in time. The witness stated that their equipment was of the conventional type and it was not originally anticipated that special equipment to correct the power factor would be necessary. As soon as the low power factor and the consequent penalty came to notice, the

special correcting equipment was designed and installed.

3.30. Explaining the remedial measures taken to avoid recurrence of such cases in future, the witness stated instructions had been issued to all concerned, to keep a watch over the power factor and take suitable corrections measures so as to avail of tariff concessions, if any, for the maintenance of the power factor.

3.31. The Committee note that, due to a lapse on the part of the Department, the requirements of electricity of a telephone exchange were not properly estimated and a power load was contracted for which was far in excess of immediate needs. In the result the Department incurred an infructuous expenditure of about Rs. 24,000. The Committee would like the Department to take steps to ensure that such gross over-estimation of requirements does not take place in future.

3.32. The Committee would like the Posts and Telegraphs Department to pay special attention to the maintenance of the power factor and to take prompt corrective measures to avail of the tariff concession where admissible.



## IV WORKSHOPS

### General

#### *Audit Paragraph*

4.1. The Posts and Telegraphs Department has three workshops. The book value of the capital invested in land, buildings and machinery in the three workshops upto the end of 1966-67 is Rs. 2.46 crores. The comparative data about the production of these workshops during the three years ending March, 1967, is given in Appendix I.

4.2. Some of the items are produced in more than one Workshops. Salient points noticed in cost of production of these items as well as of certain other items which are being procured from trade in addition to the manufacture of P&T Workshops are given in paras 20—23.

[Paragraph No. 19 of Audit Report (P&T), 1968]

#### *Variations in cost of production in different workshops.*

4.3. The unit cost of production of the same article in different workshops has varied considerably in the case of certain items manufactured during 1966-67. As will be seen from the following table, the higher costs so incurred have ranged from 28 per cent to 35.7 per cent in the instances cited therein and the total extra expenditure incurred in these cases has amounted to Rs. 1.65 lakhs during 1966-67.

Article	Unit Cost	Percentage excess	Quantity manufactured at higher cost	Extra Expenditure incurred	
1	2	3	4	5	
A.T. 43 Trunk Board C.I.T. Low Type	Bombay Rs. 4.115	Calcutta Rs. 5.585	35.7	46	67,620
B. Stalks 6-5/8" Telegraphs	Jabalpur Rs. 0.49	Calcutta Rs. 0.65	32.6	5,20,240	83,238
C. PBX Cord less (3+9) Lines	Calcutta Rs. 1,675	Jabalpur Rs. 2,140	28	30	13,950
		TOTAL			1,64,808

[Paragraph No. 20 of Audit Report (P&T), 1968].

(a) *Uneconomic manufacture of stores—*

4.4. The Department had informed the Public Accounts Committee in October, 1964, (paragraph 44 of the 30th Report of the P. A. C.—1964-65) that, as a result of a review, the production of quite a few items, which were readily available from the market at lower prices, had been given up. It has, however, been noticed that a number of items, which were available at substantially lower rates in the market and some quantities of which were also purchased, continued to be manufactured in the departmental workshops during 1966-67. Some of these items, the manufacture of which in departmental workshops during 1966-67 has entailed as extra expenditure of Rs. 8.51 lakhs are listed below:—

Stores	Unit cost of manufacture	Unit cost of purchase	Total quantity manufactured	Total extra cost incurred
1. Anchor for stay.	5.45	2.89	2,14,000	5,47,840
2. Sole Plates B and C.	4.91	2.57	[61,030	[1,42,810
3. Stay Sheekles $\frac{1}{2}$ "	2.80	1.65	1,33,600	1,53,640
4 Buzzer 24 V (34245)	15.44	7.00	800	6,752
TOTAL :				8,51,042

(b) The Department had also informed the Committee (paragraph 5.18 of the 43rd Report of the P.A.C. 1965-66) that the manufacture of screws, which was found to be un-economical, had been discontinued. It has, however, been noticed that the Bombay Workshop is still manufacturing mild-steel and brass screws. The manufacture of these items during 1966-67 and upto July, 1967, has entailed an extra expenditure of Rs. 0.54 lakh over their market or I.T.I. rates.

[Paragraph No. 21 of Audit Report (P&T), 1968]

*Uneconomic purchases—*

4.5. The manufacturing cost of a particular type of "stalk" in the departmental workshops was considered lower than its prevalent cost in the market. Yet substantial quantities were also purchased from the market, entailing an extra expenditure of Rs. 1.95 lakhs during 1966-67.

[Paragraph No. 22, Audit Report (P&T), 1968]

4.6. The Committee drew the attention of the representative of the P&T Board to the statistical data about the workshops given in

the Appendix to the Audit Report and pointed out that the overheads in comparison to the direct labour costs worked out to 193 per cent in the Calcutta workshop, 214 per cent in the case of Jabalpur workshop and 271 per cent in the case of Bombay workshop. Even in relation to direct labour plus direct material cost, the overheads why the labour plus direct material cost, the overheads varied considerably from one workshop to another. They enquired why the overheads were so high and varied so considerably from workshop to workshop. The witness submitted that the overheads were not excessive and that they were dependent on the nature of products turned out in the workshop, the type of machinery employed etc. "There are so many factors. So, the overheads cannot be the same; they vary from workshop to workshop." "The main criterion", he added, "has to be not what the overhead percentages are, but how we are controlling the expenditure or the cost of manufacturing articles over a period of years in the face of rising raw materials costs. I would submit that in the last few years, by and large, we have been able to achieve this by...the effort we have been putting in....."

4.7. The Committee pointed out to the witness that the unit cost of production of the same article in the different P&T workshops varied considerably. For instance, three articles, i.e., "T.43, Trunk Board, C.I.T. (Low type)", 'Stalks 6-5/8" Telegraphs', and 'PBX Cordless (3+9) Lines' were being produced at different costs in the workshops and the continuance of their production in the workshops where the cost of production was comparatively higher, had entailed an extra expenditure of Rs. 1.65 lakhs in 1966-67. The Committee asked what steps had been taken to reduce disparity in production costs between workshops. The Committee were informed through a note that so far as the item 'PBX cordless (3+9) Lines' was concerned, "there is no further production in Calcutta and Jabalpur Workshops." In regard to the item 'T.43 Trunk Board', it was stated that "it is necessary to continue manufacture of this item both in Calcutta and Bombay workshops as a matter of policy". The cost of production of this item was Rs. 4,115 in Bombay workshop and Rs. 5,585 in the Calcutta workshop in 1966-67. During 1967-68, on the basis of average cost of work orders closed, the actual cost of production in the Calcutta workshop was found to be less, i.e., Rs. 4,990. "By methods improvement, use of particle board and adoption of Bombay design jack strips, the cost is expected to be reduced by Rs. 400 approximately thereby reducing the disparity in cost between Bombay and Calcutta workshops within 10% (Rs. 4,590 in Calcutta workshops against Rs. 4,298 in Bombay Telephone workshop)." So far as the item 'Stalks 6-5/8" telegraphs' was concerned, the Committee were informed that the reasons for the cost being higher at

Calcutta in relation to Jabalpur were three fold.

- (i) Higher cost of galvanising.
- (ii) Higher on cost rates in the galvanising, forging and heavy machine shops.
- (iii) Higher labour cost due to admissibility of higher rates of compensatory and house rent allowance.

The Department added: "There is, however, some prospect for reduction in cost of galvanising in Calcutta workshop by improvement in lay out and introduction of mono-rail conveyer arrangements for efficient handling of materials to be processed. This has been taken up on priority basis in Calcutta workshop. . . . . It will take some time, say 2 to 3 years, to complete the work and achieve the result. On the question of higher on cost rates at Calcutta the Committee were informed that "the various factors contributing towards higher on cost rates in Calcutta workshops are under examination."

4.8. In a further note submitted to the Committee, the Department have indicated the following position about modernisation of the Calcutta workshop and the reduction of on-cost rates in that workshop.

(c) *Modernisation:*

"The different factors of the modernisation scheme of the Calcutta Workshops comprise

- (1) replacement of old machines;
- (2) partial mechanisation of the foundry;
- (3) plan for a new lay out of the works premises including buildings and machines.

4.9. So far as the replacement of machines is concerned, out of the 109 machines decided to be replaced, indents for 105 have been placed on Director General of Supplies & Disposals and in respect of remaining 4, the matter is under consideration of the competent authority.

4.10. As regards partial mechanisation of the foundry, machines worth Rs. 1.68,000 have been purchased, installed and commissioned. The economies already achieved are reduction in labour hours for moulding of sole plates B & C to the extent of 50 per cent resulting in reduction in cost by 00.50 paise per unit. Similar savings are expected in the cost of BAT Non C-8 shortly. Further there is a saving of 8 to 10 per cent in the raw material used.

4.11. With regard to the lay out plan, necessary schedules of accommodation were prepared and these have now been approved for preparation of detailed drawings and estimates before obtaining administrative approval and expenditure sanction. Some of the items for example, building of galvanising sheds are to be taken up on top priority basis as part of the general plan for modernisation because the new equipment to be installed there is expected to result in sizeable economies."

(ii) *Reduction of on-cost rates:*

4.12. "The matter has been under examination since June, 1968. Detailed investigations have been undertaken and the result thereof is likely to be available by April, 1969. Only thereafter such measures as may be warranted by the results will be taken."

4.13. The Committee enquired what steps had been taken to ensure that the manufacture of stores is rationally distributed amongst the different workshops keeping the cost factor view. The Committee were informed that an annual administration report about the workshops was being prepared. On the basis of the report, cost comparisons were being made in respect of principal items whose called value was Rs. 1 lakh or above as also of items newly produced. All cases where variations of cost were over 10% were investigated. Cost comparisons were made in the following three categories:

- (i) Cost of production for current year and previous year in respect of each workshop.
- (ii) Cost of production of common items of production manufactured in Calcutta, Jabalpur and Bombay workshops.
- (iii) Cost of production in P&T workshops and cost of purchase from outside in respect of common items.

4.14. Taking up the question of comparison of cost of items produced in the workshops with the rates at which similar items were available from the market, the Committee drew the attention to two facts brought out in the Audit Report. On the one side, certain items like 'Anchor for stay', 'Sole plates B & C', 'Stay shackles ½"' and 'Buzzer 24" (34245)', which were available at cheaper rates in the market, were manufactured in the workshops, resulting in an extra expenditure of Rs. 8.51 lakhs. On the other side, a particular type of stalk, which was being manufactured in the departmental workshops at rates considerably lower than the market price, was being procured from the market also, entailing an extra expenditure

of Rs. 1.95 lakhs to the Department. The Committee pointed out that a proposal for expansion of stalk manufacturing capacity in the workshops had been under consideration since 1964 and enquired why the matter was being delayed.

4.15. On the first issue raised by the Committee, regarding the continuance of manufacture in the workshops of items available in the market at cheaper rates, the witness submitted that "we should make it because we have had experience of those outside items. Now, take the example of screws. We decided we would not manufacture because we can get screws in the open market. Now, the supplies have become erratic and if we do not manufacture these screws and feed it to an assembly line, our assembly will be held up all over the line." When the Committee pointed out that the Department should claim damage from suppliers if supply was irregular, the witness stated: "We will be entitled to damages but my entire assembly line will come to a close. I entirely agree where we can get things cheaper from the market, of the desired quality and specifications and also the goods are assured we should not manufacture." The witness also stated that two out of the four items being manufactured in the workshop at a cost higher than the market rates were foundry items. The Department were taking steps to modernise the 75-year old foundry at Calcutta. "The process of modernisation takes time and it cannot be done overnight." The over-all position regarding the manufacture of items available in the market at lower rates was summed up by the Department in a note, which *inter-alia* states:—

"It would be possible to give up the uneconomic production only after a definite and dependant outside source of supply is established. In respect of a few items of stores whose cost manufacture is higher in the workshops, as compared to outside market rate, the workshop would have to continue manufacture, because of the availability of capacity in respect of raw materials and machines for some time. Otherwise the existing capacity of the workshops include men and machinery would have to be rendered surplus and idle with the attendant risk of retrenchment of workers and possible labour unrest."

4.16. In regard to the other question raised by the Committee about purchase of telegraphics stalks from the market, when they were being produced in the workshops at lower rates, the witness told the Committee: "We manufactured 8,48,000 and the purchased quantity was 2,70,000. . . . These are manufactured at two places.

Calcutta and Jabalpur. . . . The figures are that in 1966-67 the actual production was 12.23 lakhs; we brought it up to 14.15 lakhs. In 1967-68, we have prepared for 16 lakhs and next year, in 1969-70, we will bring it upto 20 lakhs and as our requirement is of the same order we do not think there will be any necessity for placing orders outside." On the question of time taken for expansion of departmental capacity for manufacture, the witness admitted that "there has been delay in this matter" and added that this arose because the Department was expecting foreign credit which did not materialise. The Department have now placed orders with the DGS&D for indigenous machinery.

4.17. The Committee feel that there is need for the Department to keep a close watch over the cost of production of different items produced in the workshops. Such a watch could best be kept by evolving standards for performance for various operations on the basis of Work Study assessments, as suggested by the Committee in para 5.11 of their 13th Report (Fourth Lok Sabha). The Committee note from the reply of the Department to that recommendation that the requisite studies are in progress. They hope that these studies will be completed expeditiously so that the Department could have well-established guidelines for measuring the efficiency of the workshops.

4.18. As part of the measures for controlling costs, it would be necessary for the Department to exercise close control over overhead expenses in the workshops.

4.19. A proper review should be undertaken to see whether the percentages of overheads in the three workshops are reasonable, taking into account the types of machines, the labour on producing the products and the material costs.

4.20. The Committee note from the information made available by the Department, that in the Calcutta workshop particularly, high overheads in galvanising, forging and heavy machine shops have increased the cost of production. They hope that on the basis of the studies being conducted by the Department, some norms for overheads for comparable operations in the different workshops will be evolved and that in the light thereof concerted efforts will be made to reduce overheads, where they are higher.

4.21. The Committee note that cost reduction in the Calcutta workshop is integrally linked with the question of modernisation of the workshop. According to the information furnished on an earlier occasion, the scheme for modernisation was taken up in 1959. In para 5.10 of their 43rd Report (Third Lok Sabha), the Committee had

commented on the delay in the implementation of the scheme. They now note that the scheme is under implementation and hope it will be completed expeditiously.

4.22. The Committee also find that the workshops, as at present organised, manufacture items which are cheaper in the market, while not producing in sufficient quantity items like 'stalks' which are dearer in the market. The Committee feel that this is an anomalous position; the extra expenditure on this account during 1966-67 alone was over Rs. 10 lakhs. The Committee had earlier brought this situation to the notice of Government in paras 5.21 and 5.27 of their 43rd Report (3rd Lok Sabha). While the Committee appreciate that abrupt discontinuance of certain lines of manufacture may raise the problem of utilisation of surplus men and machinery, they feel that the Department should explore the possibility of utilisation of the surplus capacity through expansion of manufacture of items which the workshops are now producing more economically than private trade. The Committee would further suggest that the Department should keep a close watch over the cost differential between the workshop rate of items and their outside purchase rate. Where the departmental cost of items persistently exceeds the market price by more than certain margins to be prescribed by the Department, the question of stopping departmental manufacture should be considered. An assured supply of those items from the trade might in such cases be forthcoming if Government hold out prospects of sustained demand for those items through rate contracts or other long term arrangements.

4.23. The Committee would also like to be apprised of the progress made in expanding the manufacture of stalks which the workshops are producing at competitive rates.



## STORES PURCHASE AND CONTROL

## Losses of Stores

*Audit Paragraph*

5.1. The figures relating to losses of stores in 1964-65, 1965-66 and 1966-67 are given below:—

Year	No. of cases of losses of stores	Amount involved	(Amount in lakhs of rupees) Copper wire thefts included in columns 2 and 3	
			Number	Amount
1964-65	2,494	18.56	6,998	14.18
1965-66	8,702	19.05	8,131	15.90
1966-67	12,538	37.80	11,158	33.87

[Paragraph No. 25, Audit Report (P&T), 1968.]

5.2. The Committee drew the attention of the representatives of the P&T Board to the continuous rise in the number of thefts of stores since 1964-65 as brought out in the data given in the Audit paragraph. They enquired whether the cases had been investigated by reference to police and if so, what the present position was. The witness stated that the losses of stores occurred while they were in stock or in transit. An analysis of cases of losses of stores exceeding Rs. 2,000 in the various circles had disclosed the following position:

Names of Circles/Units.	No. of cases reported to Police	No. of cases in which there were convictions by the Court of Law
1. Electrification Circle, Calcutta	2	Nil
2. Madras Circle	1	One
3. Mysore Circle	2	Nil
4. Maharashtra Circle	1	Nil
5. Bangalore Distt.	1	Nil
6. C.C.T.S. Calcutta	2	Nil
7. G.M.W. Calcutta	2	Nil
8. Civil Engg. wing	1	Nil
<b>TOTAL</b>	<b>12</b>	<b>One</b>

5.3. So far as losses of stores from existing alignments were concerned, the following was the position in 1966-67 in regard to losses reported to police and convictions secured:

Name of Heads of Circles	No. of cases reported to police	No. of cases in which a there were convictions by court of law
Postmaster General, Trivandrum . . . . .	107	Nil
Postmaster General, Calcutta . . . . .	372	Nil
Director P & T, Srinagar . . . . .	12	Nil
Postmaster General, Jaipur . . . . .	127	Nil
"    "    Hyderabad . . . . .	Nil	Nil
"    "    Madras . . . . .	348	One
"    "    Bangalore . . . . .	6	Nil
"    "    Ahmedabad . . . . .	548	Two
"    "    Shillong . . . . .	110	Nil
"    "    Ambala . . . . .	554	Nil
"    "    Cuttack . . . . .	372	Nil
"    "    Patna . . . . .	1	Nil
"    "    Bombay . . . . .	859	Two
"    "    Lucknow . . . . .	16	Nil
"    "    Bhopal . . . . .	663	Nil
<b>TOTAL . . . . .</b>	<b>4095</b>	<b>5</b>

5.4. The witness admitted that the losses were "alarming and that it was "a regular organised business". Asked whether departmental staff were found to have colluded in the thefts, he said: "Very few instances have come to notice of direct collusion by the employees." Dealing with the question of losses from existing alignments, the representative of the P.&T. Board informed the Committee that it was "going up and up. It is really a law and order problem. So long as brassware remains popular with Indians and copper prices are as high as they are today copperwire thefts will go on." Outlining the remedial measures, he stated: "We took two or three decisions. One was (that) the penalty for copper wire thefts should be more deterrent. It has been placed before the Rajya Sabha. It will be discussed in the next session. We (also) took a decision to replace copper wire by copper coated wire. This is an imported item. A decision has been taken to set up manufacture within the Hindustan Cables (Ltd.)."

5.5. The Committee note that out of 4,107 cases of losses of stores in 1966-67 reported to the police, there were only six cases of conviction by courts of law. This suggests a lacuna in the existing arrangements for investigating cases of thefts. The Committee would like the Department to take steps to see that not only are all cases of theft promptly reported to the police authorities, but that close follow up action is taken to ensure that these cases are investigated and proceedings expeditiously launched in the courts.

5.6. The Committee note that the bulk of the losses in the Department is on accounts of thefts of copper wire. In this connection, they would like to draw attention of Government to recommendations made in paras 1.21 to 1.23 of their 35th Report (Fourth Lok Sabha).

## VI

### OTHER TOPICS OF INTEREST

#### Defalcations or loss of public money

##### *Audit Paragraph*

6.1. 2036 cases of loss of public money involving Rs. 14.25 lakhs came to light in 1966-67.

6.2. The employees of the department were responsible for about 66 per cent of the amount of loss reported during the year. In 327 cases, involving a loss of Rs. 2.70 lakhs (i.e. 19 per cent of the total loss) responsibility could not be fixed or has not yet been fixed (July, 1967).

6.3. Out of the total loss of Rs. 14.25 lakhs, a sum of Rs. 3.27 lakhs was recovered upto July, 1967.

[Paragraph No. 26. Audit Report (P. & T.), 1968].

6.4. The Committee drew the attention of the representative of the P. & T. Board to the fact that the Departmental employees were responsible for 66 per cent of the total loss of Rs. 14.25 lakhs in the year. Pointing out the statement in the Audit paragraph that in 327 of the cases involving the staff, responsibility had not been fixed; they enquired about the current position. The witness informed the Committee that out of 327 cases mentioned in the Audit para, responsibility had been fixed in 133 cases involving a sum of Rs. 95,406. The witness further added: "About these defalcations, I may mention that if you take the total turnover into account, the position is not as bad as may appear to be on paper. . . . In the year 1965-66 the percentage of Savings Bank (frauds) was 0.004; that remains the same in the period under review. Similarly, in the case of money order, the percentage was 0.002 in 1965-66 and the position remains the same. In the case of insured articles there has been a slight increase. In percentage it has gone up to 0.009 from 0.001 in 1966-67. There is another point I would like to make. The number of cases relating to temporary misappropriation are as much as 301 cases involving Rs. 1,59,487. If you reduce this figure our loss works out to Rs. 12.68 lakhs. After deducting the recoveries that we have made, this figures will come down to Rs. 8 lakhs and odd. That is the position today. Of course 1966-67 was rather a difficult year. There was trouble in the Mizo Hills and we lost something like Rs. 93,939 there

in raids in which the rebels ran away with post office money. There were other troubles also like students agitation where the post offices were attacked and we lost money there also. There were a variety of factors which were responsible for this increase in losses that were suffered this year."

6.5. Explaining the Department's policy in respect of persons found responsible for the defalcations, the witness assured the Committee that "stringent action" was being taken against those found guilty. "We have got a system of control. But we have a large number of extra departmental agents from whom we take nominal security only. We take a fidelity bond of Rs. 250. We hope that the man is honest. Very often the man succumbs to the temptation and misappropriates Government money. If we have to provide service we have to run this risk."

6.6. The Committee asked what action had been taken against the Departmental employees/extra departmental agents found responsible for the defalcations of money in "Savings Bank" and "Money Order". The Department have supplied the following information:

	Departmental	Extra Departmental	
(i) No. of persons on whom responsibility had been fixed.	318		239
(ii) No. of persons suspended	99		—
(iii) No. of persons whose cases had been sent to court.	95		138
(iv) No. of persons convicted	37		62
(v) No. against whom departmental action had been taken	376		—
(vi) Details of departmental action.			
(A) <i>Departmental Employees</i>	MO	SB	Total
(a) Censure	8	15	23
(b) Withholding of promotion etc.	—	—	—
(c) Recovery from pay	24	14	38
(d) Withholding of increments	2	9	11
(e) Reduction to a lower stage in the time-scale	2	3	5
(f) Reduction to a lower-time scale of pay, grade etc.	—	—	—
(g) Compulsory retirement	—	—	—
(h) Removal from service	15	22	37
(i) Dismissal from Service	17	10	27
(B) <i>Extra-Departmental Agents</i>			
(a) Recovery from allowance etc.	12	2	14
(b) Termination and dismissal from service	159	62	221
	239	137	376

6.7. In paras 7.12 and 7.13 of their 13th Report (4th Lok Sabha) the Committee had drawn the Department's attention to the increasing incidence of defalcations and losses. In their reply to the recommendations in the Report, the Department had intimated the following position:

"Pursuant to the recommendations of the Public Accounts Committee, the Department has been exercising adequate vigilance on the occurrence of losses and frauds. Instructions have been issued from time to time and remedial measures are being taken as and when called for. A quarterly review of fraud and loss cases along with details of cases involving large amounts is being regularly conducted by the P. & T. Board. Appropriate action is taken to plug any possible loopholes for the commission of frauds. As decided by the P. & T. Board a working group on S.B. fraud cases was formed to go into the cases of S.B. frauds in single-handed offices and suggest remedial measures. The working group have carried out a detailed study and have furnished their recommendations which have mostly been accepted by the P. & T. Board. Necessary action is being taken on these recommendations. The loss and fraud cases which have occurred during the year 1967-68 have been thoroughly examined and the following instructions have been issued to guard against their recurrence:

- (i) With a view to tightening supervision over the branch post offices, authorised to do savings bank work, overseers have been ordered to collect pass books from the depositors and examine them to see that entries therein relating to the last transactions tally with the entries in the B. O. S. B. Journal. The particulars of last transactions in respect of such accounts should be forwarded to the account office for verification and onward transmission to the IPOs. As a result of this check the number of fresh cases has come down to a great extent.
- (ii) In order to detect counterfeit BPOs presented for encashment at the post offices, it has been notified that forgeries can be recognised by the distinguishing features detailed in the advance copy of the DG's Post Office Cir-

cular issued vide endst. No. 45/5/66-CF dated the 6th July, 1967.

No fresh cases of frauds on account of counterfeit BPOs have been reported after the circulation of these instructions.

- (iii) In respect of money order frauds, instructions have been issued vide letter No. 15-10/65-INV dated 15th July, 1967 that while making selection of money orders for verification of payment, the money orders of high value should not be omitted and efforts should be made to verify the payments of as many money orders as possible. Clear procedure has also been laid down for verification of monetary transactions done by a suspected official. This would help in unearthing the fraud at an earlier date.

Though the exact figures in respect of the money order frauds which have taken place after the circulation of these instructions are not available, yet the revised instructions will be helpful in detecting the frauds much earlier.

- (iv) In order to guard against thefts of cash kept in the police stations, it has been ordered that the iron chests at police stations may be gradually replaced by iron safes.

No case of theft of cash from iron safes wherever provided has been reported so far.

- (v) With a view to safeguarding payment of G.P.F. on production of a letter of authority which may subsequently be found to be bogus, instructions have been issued vide endst. No. 10-15/67-INV (III) dated 25-3-68 and letter No. 6-28/BG/67-INV dated 29-5-68 that when the Audit authority for payment of G.P.F. is not received in the usual manner in disbursing office, the same should be carefully checked before the payment is effected and instructions contained in Rule 19 of P. & T. Financial Hand Book Vol. I regarding verification of signature of the audit officers should be scrupulously followed before effecting payment.

No such case has come to light after the issue of these instructions.

- (vi) With a view to checking the rise in cases of thefts, losses and tampering of bags, detailed instructions have been issued (vide letter No. 12-2/PB/67-INV dated 31-5-68) to Heads of circles for reviewing the situation in each Circle and adopting remedial and preventive measures

to plug the loopholes in the working of the offices under their jurisdiction so that the mischief-mongers may not get an opportunity for committing such offences.

These instructions have been issued only recently and it is hoped that they would have the desired effect in due course."

**6.8. The Committee note that defalcations and frauds caused a loss of Rs. 14.25 lakhs during 1966-67 to the Department. In their 13th Report, the Committee had drawn attention to similar cases reported in the previous year and suggested preventive measures to minimise such losses. The Committee note that, pursuant to these suggestions, the Department have recently issued instructions for tightening supervision all round. They hope that this would have the effect of bringing down the number of cases of frauds and defalcations in future. The Committee need hardly add that the Department should take deterrent action where fraud or malafides on the part of departmental staff is established.**

#### Disposal of outstanding Audit Objections

##### Audit Paragraph

6.9. The data relating to outstanding objections upto 1964-65 and 1965-66 given below would show that the position of outstanding objections has deteriorated further in 1965-66 as compared to the earlier year.

Nature of objections	Objections raised upto 1964-65, and remaining unsettled at the end of August, 1966		Objections raised upto 1965-66, and remaining unsettled at the end of August, 1967	
	Number	Amount in lakhs of rupees)	Number	Amount in lakhs of rupees)
(a) Want of sanctions to establishment, etc.	2,861	32	3,481	33
(b) Want of sanctions to other payments.	1,303	57	1,422	29
(c) Want of detailed bills	606	5	588	4
(d) Want of vouchers	12,226	44	11,368	69
(e) Want of Miscellaneous information	36,797	864	43,351	603
(f) Recoverable advances not being recovered and adjusted within prescribed periods	7,533	13	10,162	18
TOTAL	61,369	10,13	70,402	10,91

NOTE:—The figures given in the two last columns include 166 objections of the value of Rs. 2,51,58,736 pertaining to the Baza Circle under the control of the Army Postal Service (Paragraph No. 27, Audit Report (P&T)—1968).



6.10. The Committee desired to know the latest position of the outstanding objections.

6.11. The Department have stated in a note that against 70,402 objections involving Rs. 10.91 crores, the outstanding items have come down to 40,110 involving Rs. 5.09 crores.

6.12. The Committee desired to know whether any procedure had been evolved whereby important Audit objections could get prompt attention from the higher officers in the P&T Department. The Department have furnished the following information in a note "The Department have suggested that Audit objections should be classified into 'Important' and 'Routine'. Such of the objections as relate to irregularities which might result in frauds or losses to Government should be classified as 'Important' and those that relate to other minor irregularities should be classified as 'Routine'. The suggestion is still under consideration of the C.&A.G. In the meantime the Department have issued instructions to all heads of circles to scrutinise carefully all audit objections and to arrange their early settlement. The progress of settlement of the objections is watched through monthly statements."

6.13. It is understood from Audit that the suggestion made by the Department has been examined and the Comptroller and Auditor General of India has suggested an alternative proposal which is at present under consideration of the Ministry of Finance.

**6.14. The Committee hope that, in consultation with the Comptroller & Auditor General, a procedure will be evolved whereby Audit objections would be promptly taken note of by the Department. They also hope that, in pursuance of instructions stated to have been issued by the Department, these objections would be promptly taken up and settled.**

#### **Delay in disposal of Inspection Reports**

##### *Audit Paragraph*

6.15. The total number of outstanding inspection reports on Posts and Telegraphs offices issued by the Audit offices upto 31st March, 1966, and the items of irregularities pointed out therein but remaining unsettled upto the end of August, 1967, were 2091 and 12,308 respectively. Of these, 20 reports were issued more than ten years ago.

6.16. The following are some of the common types of irregularities noticed during inspections conducted in 1966-67:

(a) Annual physical verification of stock of articles not done . . . . .	47 offices
(b) Security Bonds not obtained/renewed, or kept on record. . . . .	130 offices (7291 cases)
(c) Health Certificates wanting . . . . .	74 offices (2230 cases)
(d) Overpayment of Children's Education allowance and tuition fees/Register for children's Education allowance not maintained properly . . . . .	22 offices (27 cases)
(e) Non-renewal and non-execution of lease of buildings. . . . .	23 offices (145cases)
(f) Irregularities in the maintenance of service books and leave accounts . . . . .	57 offices
(g) Bi-monthly verification of savings bank ledger balances not done. . . . .	30 offices (68873 cases)
(h) Specimen signatures of savings bank depositors not on record . . . . .	84 offices (39499 cases)
(i) Delay in release of Completion Reports for Completed works. . . . .	23 offices (3187 cases)
(j) G.P F.E. Accounts in respect of Class IV employees not maintained properly, nomination not obtained or kept on record. . . . .	27 offices.

[Paragraph No. 28, Audit Report (P&T), 1968].

6.17. The Committee enquired about the present position regarding clearance of outstanding audit inspection reports. The following information has been furnished by the Department:

	<i>No. of I.R.s.</i>	<i>No. of items</i>
1. No. outstanding as on 31-8-67 (included in the Audit Report (P&T), 1968.	32,091	12,308
2. No. of outstanding on 31-7-68. . . . .	1,626	7,018

The Committee wanted to know the progress made in the settlement of some of the irregularities listed in the Audit para, the Department have reported the following position :

	As per Audit Report, 1968 OFFICES CASES		As on 30-4-68 OFFICES CASES	
(a) Annual physical verification of stock of articles not done. . . . .	(47)	—	18	—
(b) Security bonds not obtained/renewed or kept on record. . . . .	130	7291	61	2752
(c) Health certificates wanting . . . . .	74	2230	33	1228
(d) Over-payment of children's Education Allowance and tuition fees/ Register for C.E.A. not maintained properly. . . . .	22	27	7	13
(e) Non-renewal and non-execution of lease of buildings. . . . .	23	145	2	29
(f) Irregularities in the maintenance of service books and leave Accounts. . . . .	57	—	57	—
(g) Delay in release of completion reports for completed works . . . . .	23	3187	5	1430
(h) G.P.F. Accounts in respect of Class IV employees not maintained properly. Nominations not obtained or kept on record. . . . .	27	—	13	—

6.18. Taking up the question of bi-monthly verification of Savings Bank ledgers, the Committee enquired what the present position was, particularly in regard to ledger agreement work in U.P., Bihar, West Bengal, M.P., Punjab and Rajasthan Circles. The Committee pointed out that, according to the information furnished in reply to the recommendation in para 7.2 of their 13th Report, there was a heavy backlog of work in these places.

6.19. The Committee have been informed of the following position in this regard:

**Statement showing the Progress of Clearance of Arrears of Ledger Agreement in Circles where the Squads have been sanctioned:**

Name of Circle	No. of ledgers in arrears at the time of sanction of squad in respect of the period ending 31-3-67.	No. of ledgers in arrears — (out of these in column 2) as on 31-3-68	Remarks
Punjab . . . . .	518	234	
Madhya Pradesh . . . . .	3,151	88	
Bihar . . . . .	11,712	6,173	
West Bengal . . . . .	15,734	9,344	
Uttar Pradesh . . . . .	15,532	7,131	
Orissa . . . . .	3,570	2,558	
Delhi . . . . .	1,645	1,645	Squads not yet formed
Assam . . . . .	1,492	1,113	Do.

6.20. The Department have added: "The progress made so far in the clearance of ledger agreement of the previous years, is, no doubt, not very satisfactory, but there are reasons for the same. We have been concentrating for keeping the current ledger agreement work up-to-date, and for that purpose, all the circles have been told that, as far as possible, the agreement of ledgers with the balance as on 31-3-68 should be taken up on the due date in preference to the arrears, if any, even of the year 1966-67, which may be taken up after all the ledgers have been agreed for the first round for the year 1967-68 i.e. with the balance as on 31-3-68. Similarly, the agreement of ledgers for the year 1966-67 shall be given preference to the earlier periods for which the work is in arrears and is the subject matter of observations by the PAC. This course of action has been considered necessary so that at least in the current work, no office should remain in arrears."

6.21. Taking note of the fact that special staff had been sanctioned in these circles for the work, the Committee enquired about the

cost of staff sanctioned and the period for which they had been sanctioned. The Department have furnished the following data:—

*Statement showing the period and cost of squads sanctioned for clearance of arrears of ledger agreement as on 31-7-68.*

Sl. No.	Name of Circle	Date when sanctioned	Date upto which the retention sanctioned at present	Total expenditure (Approximate) upto 31-7-68
				Rs.
1	Assam . . . . .	November, 1967	Squads not yet formed	
2	Delhi . . . . .	February, 1967	Do.	
3	Punjab . . . . .	May, 1967	31-8-68	15,009
4	Madhya Pradesh . . . . .	September, 1966	31-3-68	41,759
5	Bihar . . . . .	October, 1966	28-2-69	63,212
6	West Bengal . . . . .	September, 1966	Do.	1,12,320
7	Uttar Pradesh . . . . .	May, 1966	31-3-68	5,94,281
8	Orissa . . . . .	September, 1966	28-2-69	51,750

6.22. The Committee drew attention to the position of wanting specimen signatures of savings bank depositors. According to the information furnished by the Department the position in this respect was particularly bad in Mahasana, Bulsar, Sangli and Jalgaon. The Committee wanted to know what the present position was. The Department have furnished the following information in this respect:

Name of the Head office	No. of Specimen signatures wanting as per audit report	No. of specimen signatures obtained up to 31-8-68	Balance
Mahasana . . . . .	9,603	5,485	4,208
Bulsar . . . . .	3,660	1,252	2,408
Sangli . . . . .	19,716	18,855	861
Jalgaon . . . . .	5,406	4,297	1,109
	38,475	29,899	8,586

6.23. Explaining the position further, the Department have stated that, before the introduction of reforms scheme in phases during 1961-65, all savings bank accounts were maintained at the Head

Post Office with a particular serial No. attached to the accounts. Whenever, therefore, a sub post office attached to a Head Post Office was upgraded, it became necessary to transfer the specimen signatures. Difficulty was encountered in doing this, because the specimen signatures could not be detached from the records in the Head Post Office where both sides of the record were used for pasting the signatures. The depositors had, therefore, to be addressed, but in some cases they could not be traced at their old addresses. Special efforts were also made to collect the signatures through outdoor staff of the Department, but sometimes without avail. Special watch is being kept in cases of this type to ensure that signatures are collected as early as possible.

**6.24. The Committee are constrained to observe that the position in respect of the Savings Bank ledger agreement is very unsatisfactory. The number of ledgers in arrears in Punjab, M.P., Bihar, W. Bengal, U.P., Orissa, Delhi and Assam circles as on 31st March, 1967, was 53,354. In spite of the creation of special squads for clearance of the work at a cost of Rs. 8.77 lakhs, there were still 28,286 ledgers, pending as on 31st August, 1968. The Committee would like speedy action to be taken for liquidation of the remaining items of work by fixing definite target dates. The Committee would also like to impress on the P. & T. Department that the clearance of arrears by special squads at such heavy cost should not become a regular feature of the Department's set up.**

**6.25. The Committee would also like to draw the Department's attention to the large number of wanting specimen signatures in savings bank accounts in Mehasana, Bulsar, Sangli and Jalgaon. All out efforts should be made to ensure that these signatures are collected as speedily as possible. The Department should also take special precautions against the occurrence of frauds in cases where specimen signatures are not on record.**

NEW DELHI;

January 22, 1969.

Magha 2, 1890 (Saka).

M. R. MASANI,

Chairman,

Public Accounts Committee.

## APPENDIX I

(Referred to in paragraph 4.1 at page )

### Production Statement from 1964-65 to 1966-67.

Sl. No.	Particulars	TOTAL (3 Workshops)			CALCUTTA			JABALPUR			BOMBAY		
		'64-65	'65-66	'66-67	'64-65	'65-66	'66-67	'64-65	'65-66	'66-67	'64-65	'65-66	'66-67
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	<i>Outlay</i>	(In lakhs of rupees)											
	(a) Raw materials drawn from Stores	528.46	661.31	574.82	167.97	250.24	193.57	180.54	218.63	199.50	179.95	192.44	181.75
	(b) Deduct:—												
	(i) Value of components redrawn for use in manufacture	257.65	309.24	292.17	77.99	106.99	105.63	39.33	35.06	27.41	140.33	167.19	159.13
	(ii) Stores utilised in contingent works	8.42	5.95	4.02	2.49	5.19	3.20	4.48	—30.34	(—)3.25	1.45	1.10	1.07
	(c) Direct materials (a—b)	262.39	346.12	281.64	87.49	138.06	84.74	136.73	183.91	175.34	38.17	24.15	21.56
2	(a) Total Labour	130.42	147.40	160.02	52.79	57.85	62.11	38.69	47.15	52.43	38.94	42.40	45.48
	(b) Deduct—Indirect Labour	66.31	77.86	86.16	25.33	28.10	31.29	19.80	25.88	29.20	21.18	23.88	25.67
	(c) Direct Labour	64.11	69.54	73.86	27.46	29.75	30.82	18.89	21.27	23.23	17.76	18.52	19.81

1	2	3	4	5	6	7	8	9	10	11	12	13	14
3	On cost	149.63	158.68	163.34	59.13	60.44	59.62	40.18	44.32	49.85	50.32	53.92	53.8-
	<i>Total Outlay</i> (1.c) + 2(c) + 3]	467.13	574.34	518.84	174.08	228.25	175.18	195.80	249.50	248.42	106.25	96.59	95.42
	<i>Out-turn</i>												
1	Line Stores.	282.54	354.70	330.06	109.93	152.06	120.22	172.61	202.64	209.84	..	..	..
2	Equipments	135.94	125.59	132.38	43.61	40.23	47.09	26.33	21.04	21.85	66.00	64.32	63.44
3	Sales within the Deptt.	44.27	61.11	70.07	8.07	22.07	30.80	..	..	..	36.20	39.04	39.27
4	Sales	4.12	22.60	7.41	0.13	0.57	0.31	..	15.00	0.07	3.99	7.03	7.03
5	Repairs.	0.47	0.72	0.35	0.03	0.03	0.02	0.03	0.05	0.02	0.41	0.64	0.31
6	Misc. works for CTS	0.12	0.12	0.15	0.10	0.11	0.09	0.02	0.01	0.06	..	..	..
7	Other misc. works.	0.65	0.47	0.41	0.25	0.22	0.34	0.40	0.25	0.07	..	..	..
8	Capital work.	0.02	0.07	0.12	..	0.01	0.07	..	..	(—)0.02	0.02	0.06	0.07
9	(a) Components challaned to workshop stores	256.54	308.48	284.92	73.79	106.99	102.79	38.03	35.71	27.27	144.72	165.78	154.86
	(b) Deduct—components re-drawn for use in manufacture	257.65	309.24	292.16	77.99	106.99	105.63*	39.33	35.06	27.41	140.33	167.19	159.12
	(c) Components manufactured and stocked (a—b)	(—)1.11	(—)0.76	(—)7.24	(—)4.20	..	(—)2.84	(—)1.30	0.65	(—)0.14	4.39	(—)1.41	(—)4.26
10	<i>Total Production</i> : 1 to 8 & 9 (c)	467.02	564.62	533.71	157.92	215.30	106.10	198.09	239.64	231.75	111.01	109.68	105.86



11 Increase (+) in value

Decrease(—)

of work—in progress

11	13.87	27.91	(-)11.76	11.93	11.55	(-)21.88	1.21	17.86	7.77	0.73	(-)1.50	2.35
12	(-)4.76	(-)18.19	(-)3.11	4.23	1.40	.97	(-)3.50	(-)8.00	8.90	(-)5.49	(-)11.59	(-)12.98
TOTAL OUT-TURN	476.13	574.34	518.84	174.08	228.25	175.19	195.80	249.50	248.42	196.25	96.59	95.23

\*The figures for value of components redrawn for use in manufacture in respect of Calcutta Workshop for 1965-66 and 1966-67 not being available, the value of components challaned during the year has been taken as consumed during the year. In respect of other workshops, the figures have been computed by adopting the average of closing balances of last two years.

NOTE.—The difference in figures for 1965-66 from those furnished in the report of the last year is due to inclusion of adjustments in March, 1966 supplementary accounts.

## APPENDIX II

### Summary of main Conclusions/Recommendations

(Referred to in para 4 of Introduction)

Sl. No.	Para No. of Report	Ministry/Department concerned	Conclusion/Recommendations
1	2	3	4
1	1.19	P & T Board	<p>The Committee are perturbed over the continuing losses in the Postal Branch. The losses, which amounted to Rs. 1.28 crores in 1964-65, increased to Rs. 8.34 crores in 1966-67. The Committee find that approximately one-eighth of the loss in the year 1966-67 arose out of the operation of unremunerative post offices in rural areas. While the Committee recognise that such post offices provide an essential public service, they would like the Department to consider whether the existing policy of retaining losing post offices on trial for over ten years and on a permanent basis thereafter does not need review in the larger interests of the Department and economy. As pointed out by the P&amp;T Tariffs Enquiry Committee, "such a long period of trial for post offices and their retention on a permanent basis at even higher losses after this period of trial, result in considerable cumulative losses to the Department... These continuing losses sap the resources generated in other areas of the Department's activities", leaving little "for the development and expansion of</p>

(other) services even when justified by the needs of traffic." The Committee note the recommendations of the Tariffs Enquiry Committee that "normally a period of four years or so should be considered enough for assessing whether a post office has developed traffic" and that "if it has not, the conclusion is clear that such an office is not likely to justify its continuance and further expenditure on it can be hardly regarded as developmental expenditure....." The Committee would like Government to take an early decision on this important recommendation, bearing in mind the sound principle that the postal services as a whole should break even, as indeed is the case in many countries of the world. This would ensure that the development and expansion of other vital services, in particular telecommunications, is not hamstrung.

2

F 20

-Do-

In the ultimate analysis, the Committee feel that the Post Branch, being labour intensive, can break even only if a close watch is kept on the staffing and organisation and methods employed in the department to ensure that such services are rendered efficiency and economically. A systematic effort will have to be made to increase productivity and effect savings in manpower, by evolving standards for outturn of work for various operations and by enforcing them rigorously. The Committee note that studies in this regard are being made by the Works Study Unit in the P&T Department and by the Staff Inspection Unit of the Ministry of Finance. They would like to be apprised of the results of these efforts and the economies achieved. The Committee would also like to commend the sugges-

107

1

2

3

4

tions made by the Tariff Enquiry Committee to effect savings of labour and time in various areas of operations in post offices such as the sorting of mail, cancellation of stamps and delivery of mail.

3

1 21

P & T Board  
-----  
Ministry of Finance  
-----  
Ministry of Health

The Committee are also distressed to note that the expenditure on medical reimbursement, overtime allowance etc. in the Postal Branch has increased four-fold since 1962-63. They note that a number of malpractices have come to the notice of the Department in connection particularly with the scheme for reimbursement of medical charges and that Government are considering how best such malpractices could be eliminated. The Committee trust that, as a result of the efforts of the Study Group which is now examining the working of the medical reimbursement schemes, ways and means of eliminating these abuses will be found and effectively implemented.

108

4

1 29

P & T Board

The Committee observe that the losses in the Telegraph Branch continue to rise and had reached Rs. 5.83 crores in 1966-67. The percentage of expenditure to revenue, however, has come down from 136.3 in 1965-66 to 134.4 in 1966-67. The Committee note that the Department have initiated a number of measures, such as conversion from morse key to teleprinters, replacement of open wire line by coaxial cables, extension of working hours, tightening of supervision and decentralisation of deliveries, in order to improve the service. The Committee feel that if these measures are implement-

ed in earnest and the transmission and delivery of telegrams made prompt and reliable, the Department is bound to attract more traffic, thereby reducing the losses.

5

I 30

-Do-

The Committee note with concern the observations of the Tariff Enquiry Committee that "no serious attempt has hitherto been made for ascertaining the cost per message handled from year to year." The Committee consider that such an analysis should be undertaken systematically so as to enable the Department closely to watch the cost of service not only in order to effect economy without loss of time, but also to judge the financial return before committing scarce resources to the expansion of the service. The Committee need hardly point out that the experience of advanced countries clearly indicates that telegraph services lose ground to the extent that postal service become more efficient and the use of telephones gains popularity and it is imperative, therefore, that any expansion programme, involving a considerable outlay for a service which is already incurring losses, should be undertaken only after making sure of the financial implications.

109

6

I 31

-Do-

The Committee also agree with the Tariff Enquiry Committee that deficits in the Telegraph Branch should not be indefinitely borne by the Telephone Branch, irrespective of the amount and the circumstances. The Committee suggest that the Efficiency Bureau of the P&T Department should undertake an intensive study of the working of the Telegraph Department with a view to suggest con-

crete measures to improve efficiency, effect economy and reduce losses.

P & T Board

The Committee note with concern the progressively widening gap between the demand for and the supply of telephones. As on 31st March, 1968, the number of people on the waiting list for telephones was fifteen times what it was on 31st March, 1956, the supply being about four years behind the demand for the country as a whole. The Committee also note that the Department expects more than a doubling of the demand for telephones every five years hereafter till 1980-81, and that, during the Fourth Plan Period, 15 lakhs of telephones would be necessary just to maintain the *status quo* in the matter of waiting lists. Even this limited plan for expansion would, on the Department's estimates, call for an investment of Rs. 846 crores which, on current indications, may not be available due to the dearth of foreign exchange and the limitations of internal resources caused largely by the diversion in recent years of the profits made on the telephone services to the postal and telegraph services.

P & T Board  
 Planning Commission

While the Committee recognize that the development of telephone facilities will have to depend on the over-all resource position and the priorities to be given to other vital sectors of activity, they would like to stress that telephone communications constitute a vital part

of the country's infrastructure. The development of this facility should, therefore, receive high priority in the country's plans. Such a priority would also seem to be merited by the fact that the telephone system can more than adequately pay its way.

9            1 56            P & T Board

The resume given in pages.....would indicate that there is strong case for Government to examine carefully the proposal for the conversion of the Telecommunications Branch into a Statutory Corporation.

1 57            -Do-

It is, however, evident that there is in any event an imperative need to ensure that Telephone Services, which constitute an essential part of the infrastructure for the development of the economy are provided on an adequate scale and serviced efficiently. There is also the over-riding need for ensuring that the resources generated by the Telecommunications Branch are no longer diverted for subsidising the Postal Branch which should more appropriately look to the general revenues for any assistance that may be considered desirable as justifiable social overhead.

10            1 58            -Do-

The Committee feel that the Telecommunications Branch should be so organised as to enable it to attract the requisite funds from all available sources as it is in a position to generate enough return to pay back the investment. The Committee would like Government to take an early decision to ensure that the accounts of the Telecommunications Branch are kept distinct from all other branches in keeping with the utility-cum-commercial nature of its service.

111

1	2	3	4
11	1 59	P & T Board	<p>The Committee note that the Department do not have separate revenue and expenditure figures for each exchange. While the Committee appreciate Government's view that the maintenance of such accounts would involve labour, they would like to stress that it is necessary for the Department to keep a watch on the remunerativeness of at least the principal schemes of expansion undertaken by the Department so that scarce resources are expended on ventures which yield the maximum return keeping in view the interest of the country's economy. The Committee would like the Department to examine how best the existing system of accounts could be adapted to serve this purpose.</p>
12	1 60	-De-	<p>The Committee note with concern that the waiting lists for telephones in metropolitan cities like Calcutta, Bombay and Delhi are alarming the average waiting period in Calcutta being 6 years, Bombay 5 years, Delhi 6.5 years. The Committee also note that in the case of Bombay, the waiting list has been maintained only under the category of the 'OYT' scheme and the Department had arbitrarily given up the registration of applications under the non-OYT category since 1962. It is needless to point out that such arbitrary action in stopping registration for telephones under the larger category of non-OYT has not only seriously depressed the figure of outstanding demand for telephones in Bombay but has also obviously distracted the equitable allocation of scarce resources to that metropolitan city.</p>



1 61 -Do-

A uniform procedure for the maintenance of waiting lists for the non-OYT category should be evolved and enforced without delay so as to reflect the true position. The Committee also suggest that the Department should lay down precise guidelines for determining priorities for the allocation of additional lines keeping in view the number on the waiting list and the duration of waiting.

1 62 -Do-

The Committee cannot too strongly stress that the P&T Department should not only correct the injustice done to Bombay in the matter of the correct estimation of outstanding demand but also ensure that in any allocation of telephone resources in the next Plan Period this aspect is kept in view so as to correct the inequity that has taken place.

13 1 63 -Do-

The Committee also consider that if the acute telephone position in the metropolitan centres of commerce and industry like Calcutta, Bombay and Delhi is to be eased to a reasonable extent, it is imperative that a crash programme for the installation of 1.62 lakh telephones at a cost of Rs. 62 crores, proposed by the Department, is accorded high priority and is implemented in all earnestness.

14 1 64 -Do-

The Committee note from the data furnished during evidence that the available exchange capacity has, since 1962-63, been utilised only to the extent of 76 per cent to 80 per cent. Since the Department's norm for connections from an exchange is ordinarily 94 per cent, the Committee feel that there is considerable scope for improvement in this regard. The Committee would like the Department to improve the utilisation ratio by a sustained drive.

1	2	3	4
15	1.65	P & T Board	

In regard to the difficulties in the way of expansion arising out of the shortage of foreign exchange, the Committee observe that the Department is at present dependent on foreign sources, particularly for cables and transmission equipment like carrier system, coaxial and microwave equipment. Later in this Report, the Committee have dealt with the question of shortage of cables and the need to expand indigenous sources of production for these items. The Committee would also like to stress the need for intensified research in the telecommunications research centre for the progressive development of indigenous know-how and production of transmission equipment.

111

16	1.66	-Do-	
----	------	------	--

As an interim measure, it appears to the Committee to be necessary to intensify the efforts started in 1965 for a World Bank loan to meet immediate requirements for expansion plans.

17	1.75	-Do-	
----	------	------	--

The Committee note that at present the percentage of public cell offices varies from 1 per cent to 2 per cent of the total telephone connections in metropolitan cities. The Committee consider that in view of the admitted acute shortage of telephones in the country, the Department should work out and implement a crash programme for providing public call offices to the extent of at least 5 per cent of the telephone connections so that the difficulties faced by the general public in availing themselves of telephone facilities are eased to some extent.

18 1 79 -Do-

It is hardly necessary for the Committee to say that a public monopoly service like the telephones should be consumer-oriented. The Committee cannot also help expressing the feeling that the quality of assistance rendered by telephone operators to the customers leaves great scope for improvement. The Committee consider that in the interest of improving its image as public utility service, the Telephone Department should pay special and sustained attention to their special services such as directory enquiry and assistance for putting through local and trunk calls, so as to make them effective, time saving and reliable.

19 1 80 -Do-

The Committee would like the Department to pay special attention to the efficient maintenance of telephone lines and the taking of timely preventive action so that the occurrence of faults is reduced to the minimum, if not altogether eliminated. Where a fault does in fact develop the Committee expect the Department to ensure that it is rectified within the prescribed time so as to cause minimum inconvenience to the use.

20 2 9 -Do-

The Committee note that the arrears of telephone revenue have been brought down from Rs. 6.11 crores as on 1st July, 1967 to Rs. 5.38 crores as on 1st January, 1968. They would, however, like to point out that there is still substantial scope for improvement. From the information furnished by the Department, the Committee find that "heavy delay" in billing and collection of revenue still persists. Consequently, a sum of Rs. 30 crores, which could become available to the Department, remains "locked up with subscribers",

interest on this alone amounting "to about a couple of crores in a year." A commercial department like the telephones should not be complacent about this situation.

21

2.10

P &amp; T Board

The Committee are particularly distressed to find that Government subscribers continue to account for the bulk of the arrears. They had drawn attention to this situation in para 3.13 of their 13th Report (Fourth Lok Sabha).

2.11

-Do-

The Committee find that the Department have not been strictly enforcing the threat of disconnecting of telephones for non-payment of bills in time to this category of subscribers. The Committee note that, at the Telephone Revenue Conference held in September, 1968, it was decided that in respect of current arrears (1966-67 and 1967-68) disconnection should be enforced without compunction except in the exempted categories and that in the case of the non-payment of defence circuits, the matter should be reported personally to the Senior Signals Officer concerned before disconnection. The Committee hope that these measures will be strictly enforced in order to recover the large amounts due from Government departments.

22

2.12

-Do-

The Committee note that, in the aforesaid Telephone Revenue Conference, detailed measures were also evolved for liquidation of old outstanding arrears from the general public. The Committee trust that all out efforts will be made to liquidate the old arrears

within a period of one year so that the billing work is brought upto-date on a 'No Payment No Service' basis.

- 23            2 13            -Do-            The Committee also note that Government have set up a Committee under the Chairmanship of the Minister of State for Communications to evaluate the existing billing, collection and accounting techniques in the Department and to suggest ways and means of making them efficient. They hope that this Committee's Report would become available within the prescribed period of six months and would provide practical guide-lines to the Department for improving the speed and accuracy of billing and collection of revenue.
- 24            2 19            -Do-            The Committee are disturbed to note the continuous spate of complaints about inaccuracy in billing of telephones.
- 2 20            -Do-            The Committee note that Government have now decided to introduce a percentage check of the accuracy of telephone bills. There is also a proposal to introduce a photographic system of taking meter readings in the Bombay Telephone District which might be extended in the light of experience to Delhi and Calcutta Telephone Districts.
- 2 21            -Do-            The Committee cannot stress too much the need for the thorough checking of bills to ensure their accuracy as well as the investigation of cases of proved incorrect billing so as to take remedial action. Where it is proved that a bill has been prepared incorrectly for want of care, the Committee would like Government to take deterrent action so as to tone up the entire work of preparation of bills.
-

1

2

3

4

25

2 22

P & T Board

The Committee note from the results of sample survey conducted by the Department that trunk call bills are usually challenged by subscribers for inclusion of calls not booked or cancelled after booking, indication of longer duration, wrong priority or incorrect valuation. Another aspect meriting urgent attention is the heavy delay in the submission of trunk call bills which not only irk the subscribers but also delay the collection of revenues due to the Department. The Committee cannot too strongly emphasise that in the interests of speedier collection of revenues and subscriber satisfaction, the Department should take concrete measures to secure the timely and accurate submission of bills to subscribers.

26

2 25

-Do-

The Committee note that a test checking of bills for the Telephone Exchange, in Bombay, had revealed that in 32 cases, short billing to the extent of Rs. 48,838 had resulted owing to infrequent readings of metres with provision for 4 digits only. The Committee note that the Department have now decided to replace the 4 digit meters in heavily worked exchanges by 5 digit meters. The Committee feel that if the Department had exercised due care in the beginning, they would have provided 5 digit meters *ab initio* in heavy exchanges, as is now being done for exchanges fitted with cross-bar equipment.

2 26

-Do-

The Committee note that the capacity of the Indian Telephone Industries to supply 5 digit meters is limited and that it would take three years to replace 4 digit meters by 5 digit meters in heavily

worked exchanges. The Committee suggest that Government may examine the possibility of getting the telephone meters of 5 digits from manufacturers of other types of meters like electricity meters so as to replace the 4 digit meters at the earliest to avoid loss of revenue. In the meantime the Committee stress that every care should be taken to ensure that meter readings from the 4 digit meters are undertaken at least once a fortnight to avoid under-billing of the nature indicated in the Audit para.

27

2 35

-10-

The Committee note that as much as 13 per cent of the connectable capacity of telephone exchanges in the country with 1,000 lines or above remained unutilised as on 30th June, 1968, due primarily to a shortage of cables. They further note that the shortage of cables has assumed such proportions that the Department anticipate as much as two-thirds of their requirements of cables remaining unfulfilled as at the end of 1968-69, with no assured prospect of any foreign aid for the import of cables to meet at least a part of the pressing demand. It is strange that, in the face of such a glaring shortage, Government have still not come to a decision on a proposal made by a Working Group of the Planning Commission as early as September, 1962 for setting up a new unit for the manufacture of cables. The Committee cannot help feeling that the proposal has been processed in a very leisurely fashion. How leisurely the process of examination has been would be evident from the fact that Government took over four years after the submission of the report of the Working Group to come to a decision on the location of the project. Two

years after this decision, the project still remains "under consideration." The Committee would urge that a decision on the project be taken without delay.

28

2 36

P &amp; T Board

The Committee note that Government have also embarked on a project for expansion of the capacity of Hindustan Cables Ltd. and that trial production is expected to start during 1969-70. They hope that the project will proceed according to schedule.

29

2 37

-Do-

The Committee also observe that the Department have proposed a tentative target of 15 lakh telephone connections for the Fourth Plan and that the requirements of cables for such a programme would amount to 80,000 Kms. of which only 48,000 Kms. will be met by Hindustan Cables and the proposed new unit. In view of the large gap thus left and the current indications regarding non-availability of foreign assistance for imports, the Committee would like Government to consider how best the gap could be bridged indigenously by encouraging private manufacturers to undertake the manufacture of cables. The Committee would like a speedy decision to be taken by Government on requests already stated to have been received from some units in the private sector for permission to manufacture these cables by utilisation of space capacity.

30

2 38

-Do-

The Committee find from the information furnished by the P. & T. Board that one of the factors inhibiting the utilisation of



spare capacity in the exchanges is consumer resistance outside big cities to acceptance of telephones under 'Own Your Telephones' scheme. They would like Government to undertake a close study of the causes of such consumer resistance and take steps to meet it, so that, in the process of utilisation of the spare capacity, Government are also able to mobilise badly needed resources for the development of telephones.

37

2 44

-Do-

The Committee regret that there was a delay of about six years in claiming rentals, due to a failure on the part of the Department to issue advice notes in time. The Committee note that, pursuant to their recommendation in para 3.33 of their 13th Report (Fourth Lok Sabha), the Department have taken steps to accelerate the decentralisation of the Accounts Offices with a view to expedite preparation of bills, but that this experiment has "not brought about the desired improvements yet." The Committee would like the Department to have the working of the scheme closely reviewed and the points of weakness so far noticed to be quickly remedied, so that the billing procedure is put on an efficient footing. As decided at the recent Telephone Revenue Conference, it should be the Department's endeavour to ensure that advice notes in respect of work done reach the Accounts Unit within seven days of the completion of the work and are promptly followed up by the preferring of bills.

121

2 45

-Do-

The Committee note that, in this particular case, out of the outstanding amount of Rs. 7.58 lakhs, a sum of Rs. 7.03 lakhs has

1

2

3

4

been realised. They hope the Department will ensure that the remaining amount is also expeditiously realised.

32

2 56

P & T Board

The Committee would like Government to examine, in the light of their experience in this case, the adequacy of the existing procedure for establishing the solvency of parties appointed as advertising agents. The Committee would like Government to examine whether bank guarantees taken from parties appointed as agents should in future cover not only the revenue due from the parties in terms of the contract but also liquidated damages leviable for belated remittance by the parties of Government's share of revenue.

2 57

-Do-

The Committee also hope that, on the basis of legal advice given in this case, steps would be taken to put the clause regarding liquidated damages in the standard form of agreement on a satisfactory footing, keeping in view the need to ensure that such a clause serves also as a deterrent against default by contractors.

33

2 62

-Do-

The Committee note that, due to human failures, the rentals in respect of two exchanges were not revised in time. They would like to be apprised of the outcome of the investigation being conducted by Government in this regard. They note that the Department have since evolved for the smaller exchanges a new pattern of charges, according to which the rentals will depend, not on the capacity of the exchanges, but on whether the exchanges render part-time

or twenty-four hour service. The Committee need hardly stress that when exchanges rendering part-time service switch over to twenty-four hour service, prompt action will be taken by the Department to revise the rentals.

34 3 7

-Do-

The Committee regret to note that the Bombay Telephone workshops sustained a loss of Rs. 59.60 due to their inability to maintain that power factor of their electrical installations at the requisite level. It took the Department about seven years to procure and instal the equipment needed for correcting the power factor at a cost of Rs. 10,200. The Committee cannot help feeling that the whole matter was handled with a sense of complacency. They do not find convincing the reasons for the delay given by the Department and would like to await the final outcome of the investigations in this regard. They trust that remedial steps will also be taken by the Department to avoid a recurrence of instances of this kind.

35 3 18

-Do-

The Committee regret that the Department had to incur an extra expenditure of Rs. 1.45 lakhs during the period March, 1966, to June, 1966, due to the use of canvas bags in place of lighter blue bags, for conveying mail by air. While the Committee note the Department's explanation that the blue bags are in short supply, they feel that the Department too have failed to make the optimum use of the existing stock of blue bags and to ensure the prompt return of "surplus empties" by offices not needing them. The Committee would like the Department to intensify the surprise checks now

128

1	2	3	4
			being conducted so that the available stock of blue bags is used to the maximum extent possible and the units receiving these bags promptly settle their bag accounts by returning the "surplus empties".
36	3 19	P & T Board	The Committee note the Department's apprehension about the misuse of blue bags. They would like the matter to be thoroughly probed and deterrent action taken against the persons found responsible for such misuse.
37	3 20	P & T Board <u>Ministries of Works, Housing &amp; Supply (D G S &amp; D)</u>	The Committee note that the D.G.S. & D. has been unable to arrange for the timely supply of bags indented by the P. & T. Department, owing to defaults on the part of firms with whom orders were placed or delayed deliveries. In this connection, they observe that a sum of Rs. 7.42 lakhs has been assessed as recoverable from the defaulting parties and that arbitration proceedings are contemplated for the bulk of the recovery amounting to Rs. 7.02 lakhs. A sum of Rs. 13.700 has also been assessed as due by way of liquidated damages from some of the firms who delayed delivery. The Committee would like to be apprised of the progress with the recovery of these amounts.
38	3 21	P & T Board <u>Ministry of Works, Housing &amp; Supply (DGS &amp; D)</u>	The Committee note that one of the reasons given for delay in the supply of blue bags is that the small-scale manufacturers on whom the orders were placed "could not make long-term arrangements for the procurement and storage of the material." The Com-

mittee would like Government to examine whether in the interest of saving extra freight spent on transport of heavier canvas bags arrangements could not be made for the supply of blue bags by placing orders on a competitive basis with the manufacturers of blue drill.

- |    |      |             |   |
|----|------|-------------|---|
| 39 | 3 22 | P & T Board | The Committee observe that the existing specifications of blue bags are such that the Department have sometimes inevitably to use the heavier canvas bags for transporting weightier mail.  |
|    | 3 23 | -Do-        | The Committee would like the Research Department of P. & T. to pay special attention to the problem of evolving suitable specifications for use of lighter materials for manufacture of air-mail bags so as to effect maximum saving in air freight.  |
| 40 | 3 31 | -Do-        | The Committee note that, due to a lapse on the part of the Department, the requirements of electricity of a telephone exchange were not properly estimated and a power load was contracted for which was far in excess of immediate needs. In the result the Department incurred an infructuous expenditure of about Rs. 24,000. The Committee would like the Department to take steps to ensure that such gross over-estimation of requirements does not take place in future. |
|    | 3 32 | -Do-        | The Committee would like the Posts and Telegraphs Department to pay special attention to the maintenance of the power factor and to take prompt corrective measures to avoil of the tariff concession where admissible.   |

1	2	3	4
41	4 17	P & T Board	<p>The Committee feel that there is need for the Department to keep a close watch over the cost of production of different items produced in the workshops. Such a watch could best be kept by evolving standards for performance for various operations on the basis of Work Study assessments, as suggested by the Committee in para 5.11 of their 13th Report (Fourth Lok Sabha). The Committee note from the reply of the Department to that recommendation that the requisite studies are in progress. They hope that these studies will be completed expeditiously so that the Department could have well-established guide-lines for measuring the efficiency of the workshops.</p>
42	4 18	-Do-	<p>As part of the measures for controlling costs, it would be necessary for the Department to exercise close control over overhead expenses in the workshops.</p>
	4 19	-Do-	<p>A proper review should be undertaken to see whether the percentages of overheads in the three workshops are reasonable, taking into account the types of machines, the labour on producing the products and the material costs.</p>
43	4 20	-Do-	<p>The Committee note from the information made available by the Department, that in the Calcutta workshop particularly, high overheads in galvanising, forging and heavy machine shops have increased the cost of production. They hope that on the basis of the studies being conducted by the Department, some norms for over-</p>

heads for comparable operations in the different workshops will be evolved and that in the light thereof concerted efforts will be made to reduce overheads, where they are higher.

44

4 21

P & T Board

The Committee note that cost reduction in the Calcutta workshop is integrally linked with the question of modernisation of the workshop. According to the information furnished on an earlier occasion, the scheme for modernisation was taken up in 1959. In para 5.10 of their 43rd Report (Third Lok Sabha), the Committee had commented on the delay in the implementation of the scheme. They now note that the scheme is under implementation and hope it will be completed expeditiously.

45

4 22

Do-

The Committee also find that the workshops, as at present organised, manufacture items which are cheaper in the market, while not producing in sufficient quantity items like 'stalks' which are dearer in the market. The Committee feel that this is an anomalous position; the extra expenditure on this account during 1966-67 alone was over Rs. 10 lakhs. The Committee had earlier brought this situation to the notice of Government in paras 5.21 and 5.27 of their 43rd Report (3rd Lok Sabha). While the Committee appreciate that abrupt discontinuance of certain lines of manufacture may raise the problem of utilisation of surplus men and machinery, they feel that the Department should explore the possibility of utilisation of the surplus capacity through expansion of manufacture of items which the workshops are now producing more economically than private trade. The Committee would further suggest that the Department

---

1

2

3

4

---

should keep a close watch over the cost differential between the workshop rate of items and their outside purchase rate. Where the departmental cost of items persistently exceeds the market price by more than certain margins to be prescribed by the Department, the question of stopping departmental manufacture should be considered. An assured supply of those items from the trade might in such cases be forthcoming if Government hold out prospects of sustained demand for those items through rate contracts or other long term arrangements.

46

4 23

P & T Board

The Committee would also like to be apprised of the progress made in expanding the manufacture of stalks which the workshops are producing at competitive rates.

108

47

5 5

-Do-

The Committee note that out of 4,107 cases of losses of stores in 1966-67 reported to the police, there were only six cases of conviction by courts of law. This suggests a lacuna in the existing arrangements for investigating cases of thefts. The Committee would like the Department to take steps to see that not only are all cases of theft promptly reported to the police authorities, but that close follow up action is taken to ensure that these cases are investigated and proceedings expeditiously launched in the courts.

48

5 6

-Do-

The Committee note that the bulk of the losses in the Department is on account of thefts of copper wire. In this connection, they



would like to draw attention of Government to recommendations made in paras 1.21 to 1.23 of their 35th Report (Fourth Lok Sabha).

49            6.8            -Do-

The Committee note that defalcations and frauds caused a loss of Rs. 14.25 lakhs during 1966-67 to the Department. In their 13th Report, the Committee had drawn attention to similar cases reported in the previous year and suggested preventive measures to minimise such losses. The Committee note that, pursuant to these suggestions, the Department have recently issued instructions for tightening supervision all round. They hope that this would have the effect of bringing down the number of cases of frauds and defalcations in future. The Committee need hardly add that the Department should take deterrent action where fraud or malafides on the part of departmental staff is established.

50            6.14           -Do-

The Committee hope that, in consultation with the Comptroller & Auditor General, a procedure will be evolved whereby Audit objections would be promptly taken note of by the Department. They also hope that, in pursuance of instructions stated to have been issued by the Department, these objections would be promptly taken up and settled.

51            6.24           -Do-

The Committee are constrained to observe that the position in respect of the Savings Bank ledger agreement is very unsatisfactory. The number of ledgers in arrears in Punjab, M.P., Bihar, W. Bengal, U.P., Orissa, Delhi and Assam circles as on 31st March, 1967, was 53,354. In spite of the creation of special squads for clearance of the

1	2	3
52	6 25	<p data-bbox="788 255 1729 499">work at a cost of Rs. 8.77 lakhs, there were still 28,286 ledgers, pending as on 31st August, 1968. The Committee would like speedy action to be taken for liquidation of the remaining items of work by fixing definite target dates. The Committee would also like to impress on the P. &amp; T. Department that the clearance of arrears by special squads at such heavy cost should not become a regular feature of the Department's set up.</p> <p data-bbox="788 521 1729 766">The Committee would also like to draw the Department's attention to the large number of wanting specimen signatures in savings bank accounts in Mehasana, Bulsar, Sangli and Jalgaon. All out efforts should be made to ensure that these signatures are collected as speedily as possible. The Department should also take special precautions against the occurrence of frauds in cases where specimen signatures are not on record.</p>

13)

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
<b>DELHI</b>					
24.	Jain Book Agency, Connaught Place, New Delhi.	11	33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi—1.	68
25.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	3	34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
26.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9	35.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
27.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11	36.	Hind Book House, 82, Janpath, New Delhi.	95
28.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15	37.	Bookwell, 4, Sant Narakari Colony, Kingsway Camp, Delhi-9.	96
29.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20	<b>MANIPUR</b>		
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23	38.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal.	77
<b>AGENTS IN FOREIGN COUNTRIES</b>					
31.	Bahree Brothers, 188 Lajpatrai Market, Delhi-6.	27	39.	The Secretary, Establishment Department, The High Commission of India India House, Aldwych, LONDON, W.C.—2.	59
32.	Jayana Book Depot, Chaparwala Kuan, Karol Bagh, New Delhi.	66			



---

© 1969 BY THE LOK SABHA SECRETARIAT

PUBLISHED UNDER RULE 382 OF THE RULES OF PROCEDURE AND CONDUCT OF  
BUSINESS IN LOK SABHA (FIFTH EDITION) AND PRINTED BY THE GENERAL MANAGER,  
GOVERNMENT OF INDIA PRESS, MINTO ROAD, NEW DELHI

---