P.A.C. No. 270

PUBLIC ACCOUNTS COMMITTEE
(1969-70)

(FOURTH LOK SABHA)

HUNDRED AND TWELFTH REPORT

[Appropriation Accounts (P & T) 1967-68 and Audit Report (P & T), 1969]

LOK SABHA SECRETARIAT
NEW DELHI

April, 1970/*Chaitra*, 1892 (*Saka*)

Price : Rs. 1.40

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*Ceased to be a Member of the Committee with effect from 3-4-70.

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Hundred and Twelfth Report on Appropriation Accounts (P&T), 1967-68 and Audit Report (P&T), 1969.

2. The Appropriation Accounts (P&T), 1967-68 and Audit Report (P&T), 1969 were laid on the Table of the House on the 12th March, 1969. The Committee examined these at their sitting held on the 18th February, 1970 (FN & AN). 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 10th April, 1970.

4. A statement showing the summary of the main conclusions/recommendations of the Committee is appended to the Report (Appendix IV). 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.

ATAL BIHARI VAJPAYEE,
Chairman,
Public Accounts Committee.

NEW DELHI;
April, 16th 1970/Chaitra, 26th 1892(S).

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REPORT

POSTS AND TELEGRAPHS (P&T BOARD)

Audit Paragraph

1.1. The growth of revenue during the five years ended with 1967-68 is indicated below :

Main heads of revenue	1963-64	1964-65	1965-66	1966-67	1967-68	Increase in 1967-68 as compared to 1963-64	
	(Amounts in crores of rupees)					Amount	Percentage
(i) Sale of ordinary stamps	36·36	35·90	38·05	39·61	44·02	7·66	21·1
(ii) Sale of service stamps	8·50	8·94	9·09	9·05	8·78	0·28	3·3
(iii) Postage realised in cash	6·77	7·11	7·41	8·32	9·06	2·29	33·8
(iv) Receipts on account of money orders, Indian Postal Orders etc.	6·60	7·16	7·85	8·46	9·00	2·40	36·4
(v) Telegraph charges realised in cash ..	7·41	10·29	12·87	14·62	15·47	8·06	108·8
(vi) Rent of wires and instruments leased to railway, canals etc.	1·80	3·56	2·13	2·88	4·59	4·79	155·0
(vii) Telephone revenue on account of rentals and local and trunk call fees etc.	37·10	42·94	53·65	68·30	74·41	37·31	100·6
(viii) Advance rentals under Own Your Telephone Scheme	2·12	3·45	2·39	2·60	2·44	0·32	15·1
(ix) Other receipts (net)	3·04	4·43	4·33	5·50	6·54	3·50	115·1
TOTAL ..	109·70	123·78	137·77	159·34	174·31	64·61	58·9

1.2. 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 1967-68 is indicated below :—

Year	Revenue	Expenditure	Percentage of expenditure to revenue
	(In crores of rupees)		
Postal Branch			
1963-64	56·62	53·18	93·09
1964-65	59·37	60·65	102·2
1965-66	66·00	69·28	105·0
1966-67	70·15	78·49	111·9
1967-68	74·23	88·35	119·0
Telegraph Branch			
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
1967-68	19·95	26·99	135·3
Telephone Branch			
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	84·6
1967-68	79·77	71·26	89·3
Radio Branch			
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
1967-68	0·36	0·28	77·8
Total (Department as a whole)			
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
1967-68	174·31	186·88	107·2

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 (107.2) in 1967-68. There was an increase of Rs. 14.97 crores in revenue during 1967-68 as compared with the previous year but the expenditure also increased by Rs. 24.44 crores with the result that the total expenditure was more than the total revenue during that year.

[Paragraphs 2-3—Audit Report (P&T), 1969.]

1.4. The Committee pointed out that the expenditure of the Department as a whole exceeded the revenue receipts successively for the third year. The percentage of expenditure to revenue was 107.2 in 1967-68 against 101.9 in 1966-67. It was particularly high in the case of Postal Branch (119%) and Telegraph Branch (135%). The Department had anticipated a surplus of Rs. 19.81 crores (before payment of dividend) in the Budget Estimates 1967-68. Actually the accounts showed a deficit of Rs. 1.62 crores, because the revenue receipts were less than the budget estimates by Rs. 8.31 crores, whereas the expenditure was more than the budget estimates by Rs. 13.12 crores. Due to persisting losses the Department was unable to meet its dividend liability. A loan of Rs. 19.61 crores was taken from General Revenues in 1967-68 to cover the arrear dividend liability for 1965-66, 1966-67 and the dividend liability for 1967-68 as well as the deficit in the working of the Department during 1967-68. This loan together with interest thereon had to be repaid in three equal annual instalments. The Department increased the postal, telegraph and telephone tariffs during 1968-69 as a result of the recommendation of the P&T Tariff Committee. Taking note of the above position, the Committee asked what steps, if any, does Government propose to take so that the Department does not incur losses. The P&T Department in a note have stated : "An 'Efficiency Bureau' and 'Work Study Cell' have been created with a view to suggesting concrete measures to improve efficiency, effect economy and reduce losses. A costing cell has also been formed. The cost of various services is reviewed constantly and the revisions of the tariffs are also considered from time to time in accordance with the principles recommended in the Report of the Tariff Enquiry Committee under the chairmanship of Shri Mahavir Tyagi. The losses in a particular year sometimes cannot be avoided as unanticipated expenditure suddenly arises from items such as (1) increase in dearness allowance and other allowances to the staff for which orders are isued in the course of the year, (2) increase in railway and air freight after the preparation of the Budget Estimates."

1.5. According to a news-item appeared on 16th January, 1970 (Hindustan Times), the Post and Telegraph Department is presently incurring a loss of Rs. 3 crores annually on post offices. Out of 1,04,000 post offices in the country, 30,000 are being run on experimental basis with the stipulation that they should commercially justify their existence within 10 years. Fifteen thousand post offices in the country, which are continuously running in deficit with no prospect of becoming "commercially viable" in the near future, are in danger of being closed down. The Government Policy provides that a post office may be allowed to continue if the loss is reduced to not more than Rs. 240/- per annum. Half of the experimental post offices do not seem to be in a position to make up their losses within the specified period which is ending shortly. According to the present indications, the post offices in what are described as "very backward areas" may remain uneconomic indefinitely. Government has suggested that the village panchayats receiving grants from State Governments should be authorised to share the loss. This will enable the Centre not only not to close down the existing uneconomic post offices, but also to open many more, if the local bodies are prepared to meet the gap. If the scheme works, the P&T will be agreeable to open public call offices also.

1.6. Pointing out that even in 1968-69 the surplus (Rs. 1172.64 lakhs) was not enough to meet in full the dividend liability (Rs. 1184.15 lakhs) and the department took a loan of Rs. 770.78 lakhs from General Revenues for payment of dividend for the year as also for repayment of interest and principal of the loan taken during 1967-68, the Committee asked whether Government were contemplating any further steps to bring out the working of the Department on a satisfactory level. The P&T Department in a note have stated :

> "One of the reasons for unexpected larger increase in expenditure is the excesses under the Abstract II-B-Expenditure on other Revenue Works, which covers works of a capital nature. The expenditure under this head is generally in respect of works for provision of telephone facilities to the Armed Forces, the Railways and other parties. To bring the financial working of the Department to a satisfactory level, it has been decided, in consultation with the Comptroller & Auditor General of India under P&T Board Memo. No. 17-1/69-B dated 16-1-70 that with effect from the current year (1969-70) expenditure on works previously charged to working expenses under Abstract II-B—Expenditure on other Revenue Works is booked in the capital portion of the budget. Revenue of the Department would contribute to capital a fixed budgeted amount to cover a portion of such expenditure. This would to a large extent bring the working of the Department to a satisfactory level.

1·7. The Committee observe from the demands for grants for 1970-71 in respect of the **P&T Department** the following position in regard to the financial results of different branches :

	Actuals					Revised Estimates					Budget Estimates				
	1968-69					1969-70					1970-71				
	Post	Tele-graph	Tele-phone	Radios	Total	Post	Tele-graph	Tele-phone	Radios	Total	Post	Tele-graph	Tele-phone	Radios	Total
	(Figures rounded off to crores of rupees)														
Gross receipts	93·98	22·51	92·26	0·44	209·19	99·58	23·92	108·18	0·63	232·31	110·48	26·80	118·91	0·63	256·82
Net working expenditure	99·16	25·17	72·75	0·39	197·47	105·46	26·39	80·18	0·43	212·46	111·36	29·02	89·06	0·44	229·88
Net receipts (difference between (2) & (3)	(—) 5·18	(—) 2·65	19·51	0·05	11·73	(—) 5·88	(—) 2·47	28·00	0·20	19·85	(—) 0·88	(—) 2·22	29·85	0·19	26·94
Deduct dividend to General revenue	0·98	4·06	6·65	0·15	11·84	1·18	4·30	7·23	0·17	12·97	1·39	4·94	8·29	0·17	14·79
Surplus or deficit	(—) 6·16	(—) 6·71	12·86*	(—) 0·1	(—) 0·11	(—) 7·06	(—) 6·86	20·77	0·03	6·88	(—) 2·27	(—) 7·16	21·56	0·02	12·15

*(Differs slightly from figures given in demands for grants due to rounding).

1.8. The following changes in tariff have been proposed in the Budget :

Item	Existing Tariff		Proposed Tariff	
1. Parcels	Per 400 grams	80 P	Per 400 grams	90 P
2. *Registration fee		75 P		95 P
3. Value payable articles—Posting Fee	Not exceeding Rs. 25 Exceeding Rs.25	10 P 20 P	For each article	25 P
4. Money Order Commission ..	Per Rs. 10, upto Rs. 200 Per Rs. 20, beyond Rs. 200	20 P 30 P	Per Rs. 10 upto Rs. 100 Per Rs. 20, above Rs. 100	20 P 40 P
5. Telegraphic money orders—Supplementary fees		15 P		50 P
6. Book, Pattern an Sample Packets (excluding book packets containing printed books only or periodicals only)	Upto 50 grams Per 25 grams thereafter	15 P 10 P	Up to 50 grams Per 25 grams thereafter	20 P 10 P

*The proposed tariff will apply to registered articles in the foreign post also.

1.9. The Committee are concerned to find that the Postal and Telegraph Branches of the P&T Department are continuing to run at a very heavy loss. The loss on the Postal Branches was Rs. 6.16 crores in 1968-69 and according to present estimates will go up to Rs. 7.06 crores in 1969-70. On the Telegraph side, the loss which was Rs. 6.71 crores in 1968-69 is expected to increase in 1969-70 to Rs. 6.86 crores. It has been only due to the surpluses earned by the Telephone Department that these losses have been largely neutralised.

1.10. The Committee observe, that in spite of enhancement in the postal and telegraph tariff proposed during 1970-71, these branches are expected to operate at a loss. The loss has been estimated at Rs. 2.27 crores in regard to the Postal Branch and Rs. 7.16 crores for the Telegraph Branch.

1.11. In successive reports, the Committee have expressed their concern over the continuing losses incurred by these two branches. These losses have acted as a drag on the development of telecommunication services by eroding the surpluses generated in that Branch.

1.12. The Committee have already, in paragraph 1.8 of their Eighty-Fifth Report (Fourth Lok Sabha) asked Government to come to an early decision on the important question raised by the P&T Tariff Enquiry Committee as to the duration of trial period for losing post offices. A decision on this point does not brook further delay. The question of economising on operational expenditure on this Branch, through standardisation of jobs and introduction of modes techniques should also receive urgent

consideration of the Department, as [illegible] in paragraph 1.13 of their Eighty-Fifth Report (Fourth Lok Sabha).

1.13. The progressive deterioration in the working of the Telegraph Branch also underlines the need for quick measures to reduce cost of operations through detailed studies to be conducted by the Costing Cell set up in the P&T Directorate. The Committee would like in this connection to invite attention to their recommendations in paragraph 1.21 of their Eighty-Fifth Report (Fourth Lok Sabha).

Arrears of telephone revenue

Audit Paragraph

1.14.(i) For bills issued upto 31st March, 1968 collection of Rs. 5.94 crores as telephone revenue was in arrears on 1st July, 1968 as indicated below :—

	(In crores of Rs.)
Government subscribers	3.06
Other subscribers	2.88

Out of the total outstandings of Rs. 5.94 crores, Rs. 2.93 crores related to bills issued during 1967-68 and the balance of Rs. 3.01 crores to bills issued upto 1966-67.

(ii) The percentage of the outstanding on 1st July, 1968 to the total amount collected during the year ending with the preceding March and the corresponding percentages in the three preceding years are given below :—

Year	Amount collected	Outstanding on 1st Jully following (including outstandings for bills issued in the preceding years	Percentage of the outstanding to the amount collected during the year
	(In lakhs of rupees)		
1964-65	42,94	604	14·0
1965-66	53,65	611	11·4
1966-67	68,30	561	8·2
1967-68	74,41	594	8·00

(iii) Test-check of telephone revenue accounts conducted during 1967-68 has shown many instances of short recoveries as well as of failure to issue bills. Of the instances brought to the Department's notice, short recoveries of Rs. 3.41 lakhs and failure to issue bills for Rs. 16.46 lakhs had not been made good by 30th June, 1968.

(iv) During 1967-68 Telephone revenue written off was Rs. 3.78 lakhs Recovery Rs. 9.34 lakhs was under litigation on 1st July, 1968.

[Paragraph 8—Audit Report (P & T) 1969.]

1.15. The Committee pointed out that though the position of arrears had shown some improvement during the year 1967-68, the arrears were still substantial and amounted to Rs. 5.94 crores as on 1st July, 1968 in respect of bills issued upto 31st March, 1968. The amount awaiting realisation from Government Departments was particularly large and constituted 52% of the total arrears both from Government and from other subscribers, especially of the arrears which are more than one year old. In a note on this point, the P&T Department have stated that a sum of Rs. 3.22 crores was outstanding on 1st October, 1969 in respect of claims referred to in the Audit paragraph. Of this Rs. 1.62 crores related to Government subscribers and the balance of Rs. 1.60 crores to other subscribers. The one year old arrears (*i.e.* for bills issued upto 1966-67) which were Rs. 3.01 crores as on 1st July, 1968 came down to Rs. 2.26 crores as on 1st October, 1969. Of this Rs. 1.13 crores related to Government subscribers and the balance of Rs. 1.12 crores to other subscribers.

1.16. The following decisions were taken at the Telephone Revenue Conference held in September, 1968 to expedite 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 shall be done only when the amount 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 the Director of Telegraphs.

(v) Action should be initiated immediately to collect or write off the old outstandings relating to the period upto 1958 within the next three months. Also action should be taken for realising the outstanding for 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/Telephones Districts may create the minimum number of posts of inspectors on a temporary basis (two or three months) for assisting in recovery of the old arrears.

1.17. The Committee enquired about the total amount collected from the old outstandings relating to the period upto 1958 as a result of the special drive. The Committee also desired to know how much had been written off so far under the enhanced powers delegated to the heads of circles in respect of (i) Government Departments and (ii) other subscribers. The Committee further asked what was the total amount collected out of the arrears pertaining to 1966-67 and 1967-68. The Department, in a note, has furnished the following information :

(a) Amount collected upto 30-9-69 from the old outstanding relating to the period upto 1958 as a result of the special drive.	Rs. 6·24 lakhs
(b) Amount written off so far under the enhanced powers delegated to the Heads of Circles in respect of :	
(i) Government Departments	Nil
(ii) Other subscribers	Rs. 0·87 lakhs
(c) The amount collected upto 30-9-1969 out of the arrears pertaining to 1966-67 and 1967-68	Rs. 228·71 lakhs

1.18. The Committee referred to the short recovery of dues of Rs. 3.41 lakhs mentioned in the Audit paragraph and also to the loss of Rs. 16.46 lakhs due to failure to issue bills and enquired what was the latest position in this regard and the reasons for not issuing the bills even after being pointed out by Audit. The Department have furnished the following information, in a note :

(i) Against the short recovery of Rs. 3.41 lakhs mentioned in the Audit Report, a sum of Rs. 3.32 lakhs has been recovered as on 1st February, 1970.

(ii) A sum of Rs. 14.46 lakhs has also been recovered as on 1st February, 1970 against the amount of Rs. 16.46 lakhs representing failure to issue bills.

The Department have also stated that the balance is expected to be recovered shortly. As regards issue of bills, it has been stated that in all cases bills, where due were issued after the matter was pointed out by Audit.

1.19. Pointing out that during 1967-68, telephone Revenue to the extent of Rs. 3.78 lakhs were written off as unrealisable and recovery of Rs. 9.34 lakhs was under litigation on 1st July, 1968, the Committee desired to know the present position of the amount of Rs. 9.34 lakhs, which was under litigation. The Committee also enquired had any private pleaders been engaged, and if so, what was the amount involved in the cases pursued through them. The P & T Department have stated in a note that it was difficult to state the present position of Rs. 9.34 lakhs as recourse to law is a continuous process. However, the total amount involved in litigation as it stood on 1st October, 1969 was Rs. 16.58 lakhs. Private pleaders have been engaged at certain places. The amount involved in the cases pursued through them is Rs. 18,737.

1.20. The Committee would like to point out that the arrears of telephone revenue are substantial. A sum of Rs. 3.22 crores was awaiting realisation as on 1st October, 1969 with Government subscribers accounting for a little over 50% of the arrears (Rs. 1.62 crores). The bulk of

the recovery from this category of subscribers (i.e. Rs. 1.13 crores) was pending for a year or more. The Committee would like the Telephone Department to launch a special drive for liquidating these arrears within the next six months. This drive should also cover arrears amounting to Rs. 1.12 crores from other subscribers which have been pending for a year or more.

Inadequate utilisation of two Cross Bar Telephone Exchange

Audit Paragraph

1.21. With a view to meet heavy demand for new telephone connections, an existing 7500 lines strowger telephone exchange was replaced by a 10,000 lines cross bar exchange imported in 1965-66 at a cost of Rs. 104.12 lakhs. The additional capacity so installed was expected to provide at least 2375 additional connections straightaway. But when the new exchange was commissioned in November, 1967, it was found that, owing to inadequacy of some traffic control equipment, it could cope with only the existing 5561 connections and that, consequently, no new connections could be given. In order to utilise fully the installed capacity of the new exchange, it was decided in the beginning of 1968 to procure additional equipment costing about Rs. 31.33 lakhs. An order for the additional equipment is yet to be placed with Indian Telephone Industries Ltd. Meanwhile, the loss of potential revenue through inadequate utilisation of the new exchange is about Rs. 29.57 lakhs per annum.

1.22. In another cross bar exchange commissioned in the same station and at the same time, another 2000 lines have remained unutilised for the same reason. For this exchange an order for additional equipment of the value of about Rs. 14.85 lakhs has been placed with Indian Telephone Industries Ltd. in November 1968 so that the installed capacity of the exchange may be fully utilised. The loss of potential revenue in this case is about Rs. 25 lakhs per annum.

1.23. The inadequacy of the ancillary equipment in both these cases was due to the omission to take into account the traffic load which was likely to develop by the time the equipment was expected to be received and installed. The increase in traffic noticed after the order was placed but before the equipment was received remained unadvised to the foreign suppliers or even to their associates in India *viz.* Indian Telephone Industries Ltd.

[Paragraph 15—Audit Report (P&T), 1969.]

1.24. The Committee drew the attention of the witness to the under-utilisation of the expanded capacity of two cross bar exchanges set up at a cost of over a crore of rupees. This was due to inadequacy of ancillary equipment ordered on the basis of incorrect estimates of the traffic load which was likely to develop. The loss of revenue was about Rs. 54.57 lakhs per annum. The Committee desired to know the reasons for the above omission. The Committee also asked when Government first realised the inadequacy of the equipment in both the cases and what action was taken to order the balancing equipment. The witness stated that the Cross Bar Exchange was introduced for the first time in India, at three or four places. One was in Madras (February, 1967) and the other was in Bombay City Exchange (November, 1967) Kalbadevi Exchange (November, 1967). This was a very modern system, quite different from the old strowger system. The new system, required what are called Common Control equipments which allow a call to go through on one switch instead of another switch, if the latter is blocked. Planning for common control type exchanges was initially done in 1962. Global tenders were invited based on traffic data furnished by the P&T Department and tenders were asked to give detailed equipment calculations along with their tender price. The department was basically guided by the calculations of equipment quantities furnished by the suppliers who in turn, based them on the traffic data given by the P & T Department.

1.25. The traffic data furnished by the P&T Department was on the basis of the data collected on the existing strowger equipment on which exact measurement of all the parameters required for planning of common control exchanges was not possible. As such, certain parameters, *e.g.*, the average holding time of a call was measured on a sampling basis (which later on proved to be substantially different from the observed figures). The Department had therefore to order more common control equipment, after making some studies. This was done as under :

	City Exchange	Kalbadevi Exchange
(*a*) Date of cut over of the exchange	11-11-67	11-11-67
(*b*) Date by which the exchange got stabilised	April, 68	April, 68
(*c*) Traffic Observations, estimations of additional common control equipment and preparation of project estimate	Nov., 68	May, 68
(*d*) Sanction of project Estimate	18-1-69	17-9-68
(*e*) Placing of order on M/s ITI for additional equipment	5-2-69	5-11-68

So far as the loss of revenue was concerned, it was there in the sense that had the Department planned and provided for the common control equipment in the initial stage, they would have earned much more revenue that what they were earning today. That was something which could not be foreseen. The Department had no experience of that new system. It was only when the system was installed and the Department came to know what was the calling rate that they had to order that equipment. Ordering it through Indian Telephone Industries and getting it and installing it takes some time.

1.26. In a note, the Department have further explained the difficulties that arose in assessing the traffic load as under:

"The replacement of strowger equipment bycrossbar equipment involved the following special aspects regarding traffic handling:—

(a) There is an acute shortage of telephones in Bombay and the number of calls originating from existing telephones is very high. The majority of telephones test busy for a considerable time during the busy hour. From experience, it is found that nearly 50% of the originating calls find the called subscriber busy. Whenever any subscriber attempting to make a call finds the called party busy, he goes on making repeated attempts. Such repeat attempts engage only a small portion of the equipment in a strowger exchange whereas in case of crossbar, the common control equipment gets heavily overloaded.

(b) Another problem arises where there are a large number of extensions from direct exchange lines. Whenever the extension subscriber wants to speak to the main subscriber, he lifts the telephone and gives a buzz but in the process he seizes the exchange equipment. Here also in the case of strowger only a small portion of the equipment is engaged while in the case of crossbar, the common control equipment is brought in every time. This infructuous traffic limits the capacity of the common control equipment to deal with genuine calls.

(ii) The effect of the above aspects in respect of common control equipment in crossbar exchange depends on the traffic pattern in the busy hour and dialing behaviour of the subscriber in making repeat attempts. This was not serious in other exchanges because number of extensions from direct exchange lines was less and overall traffic was not very high. However, in case of Bombay City and Kalbadevi the effect on common control equipment due to the above factors was much beyond expectation."

1.27. The witness also stated during evidence that one reason for the inadequacy of the common control equipment was the uneven traffic load. This was a situation which was particularly pronounced in the case of the two exchanges mentioned in the Audit paragraph. In the Bombay City Exchange, the mid night consumption of power was 50 amp. At one O'clock it was 50 amp. but from two O'clock to 6 O'clock it was 40 amp. at 7 O'clock it was 50 amp. at 8 O'clock it was 90 amp. but by 12 noon it shot upto 1020 amp. The calling rate again shot up at 4 or 5 O'clock in the evening. The common control equipment was found to be inadequate to cope with such uneven traffic load. So two solutions by experiment, were found for this. One was to redistribute some of the lines to other exchanges and bring some residential lines into this exchange so that the load was balanced between the day and night. Another solution was to order this extra common control equipment from the Indian Telephone Industries. For the City exchange the order for Rs. 32 lakhs worth was placed on the I.T.I. For Kalbadevi exchange an order for Rs. 14 to 15 lakhs was placed on them. The equipments had started coming. In Kalbadevi Exchange "almost all items have been received" and 70% of it had been installed. In another three to four months' time the whole thing would be completed in Kalbadevi Exchange and it was hoped to give 1000 connections next months and, the balance by June '70.

In respect of Bombay city (exchange) about 50% of additional equipments indented for have been received. Installation has been commenced and is expected to be completed by December, 1970.

1.28. The Committee desired to know what exactly were the items of traffic control equipment, the shortage of which impeded the fuller utilisation of capacity in respect of the two exchanges mentioned in the audit paragraph. The P&T Department, in a note, have furnished the detail of the shortage of equipment in Bombay City and Bombay Kalbadevi exchanges due to which the additional connections could not be given, as follows :—

ADDITIONAL EQUIPMENT FOR BOMBAY—CITY EXCHANGE

Sl. No.	Item	Existing Quantity (as supplied by	Additional Requirement B. T. M.)
1.	Line Unit	15	2
2.	I/C Junctors from PBX	200	360
3.	Intermediate Finder Frames	4	8
4.	Intermediate Market Frames	1	2
5.	Local Registers	298	48
6.	Register Junctors (Ja & Jb relays)	1,555	350 sets.
7.	O/C Translators	5 prs.	4 prs.
8.	Originating Group Units	9	3
9.	Local Translators	3 prs.	1 pr.
10.	D. C. Senders	102	36
11.	MF Senders with Receivers	48	12
12.	Auxiliary Finder Frames	24	4
13.	Incoming SxS Registers	104	16
14.	Sel. Couplers & AUX Couplers for I/C XxS Reg.	12 prs.	7 prs.
15.	Term G. U.	6	3
16.	T. G. U. Con Cct.	3 prs.	1 pr.
17.	O/F Sender tariffication Con Cct.	2 prs.	1 pr.
18.	Sel. Coupler & P. Sel coupler for local Reg.	25 prs.	4 prs.
19.	Pre. Selection Con Cct.	3 prs.	One Auxiliary frame to work with 3rd existing pair.

ADDITIONAL EQUIPMENT FOR BOMBAY KALBADEVI EXCHANGE

Sl. Nos.	Item	Existing Quantity	Additional Requirement
		(as supplied by	B. T. M.
1.	Org. Grp. Unit	6	3
2.	Local Register	232	24
3.	Register Finder	40	4
4.	Local Couplers	40	4
5.	Local Pre. Sel. Coupler	40	4
6.	D. C. Senders	75	25
7.	M. F. Senders	35	20
8.	O/C Translator	4 prs.	2 prs.
9.	P. S. Con. Cct.	2 prs.	1 pr.
10.	G/S Con Cct.	3 prs.	2 prs.
11.	Sender & Tarrification Con Cct.	1 pr.	1 pr.

1.29. The Committee enquired about the plan for extending the present scheme (Cross Bar Exchanges) to other areas also. The witness stated that the I.T.I. had undertaken manufacture of Cross Bar Exchanges for supply to the whole of India and not only to these two or three places. The Department was continuing with Strowger Production because they did not have enough Cross Bar production. Besides, it was a little cheaper to manufacture strowger.

1.30. The Committee desired to have a note indicating when Cross-Bar exchanges were introduced in the country and where and whether, in exchanges other than those mentioned in the Audit Paragraph, capacity provided remains unutilised due to inadequacy of traffic control equipment. If so, give particulars of those exchanges the dates on which cross-bar exchanges were introduced in those places, the extent of underutilisation of capacity in those places and the remedial steps taken.

1.31. The P&T Department have furnished a note as under :—

"The first cross-bar exchange was opened at Madras, Mambalam on 4-2-1967. Since then such type of local cross-bar exchanges have been opened at Bombay City, Bombay Kalbadevi, Bombay Fort, Delhi Karolbagh, Delhi Jorbagh, Mysore, Ernakulam, Shillong and Patna Rajendranagar.

Apart from Bombay City and Bombay Kalbadevi, the only other exchange where the department has not been able to give new connections as envisaged in the project due to inadequacy of common control equipment was in respect of Bombay Fort. This exchange was opened on 14-8-1968 and as against 9,400 connections envisaged in the project 6,265 connections, and 8,781 extensions have been given so far. Almost all the installed equipment has been fully utilised. Here also fresh traffic observations have been taken in the new exchange after cut over and additional common control equipment has been ordered on ITI on 21-11-1969. Supplies are expected in 1970-71."

1.32. The Committee note that due to erroneous estimates of anticipated traffic load, control equipment ordered for two cross-bar exchanges installed at Bombay in November 1967 turned out to be inadequate. As a result, not a single additional line could be provided by one of these exchanges which was expected to provide atleast 2,375 additional connections, while in the other exchange, 2000 lines remained unutilised. Potential revenue to the extent of Rs. 55 lakhs was thus lost.

1.33. Government have stated that the traffic load was assessed in 1962 on the basis of traffic observations on strowger equipment (which the cross-bar equipment replaced). These observations were invalidated due to certain technical phenomena peculiar to the working of the cross-bar system, which the Department could not have anticipated at that time, being unfamiliar with the working of that system. While the Committee recognise that this argument has some force, they are unable to understand why the Department did not check the accuracy of the original estimates framed in 1962 for the Bombay Exchange with reference to traffic observations on the cross bar system installed at Madras in February, 1967. It would have enabled them to take remedial measures in time. It is not clear as to why the same mistake of under-estimating traffic load occurred again for a third cross-bar exchange at Bombay Fort, where also control equipment ordered turned out to be inadequate, resulting in substantial unutilised capacity in the exchange.

1.34. The Committee note that the extra equipment required by these exchanges is now in the process of installation. They would like the work to be completed early, so that the potential capacity of these exchanges is fully utilised. Progressively, Government are planning to introduce the cross-bar system in all the major exchanges in the country. It would be necessary for the Department to ensure that assessments of requirements of control and ancillary equipment for these new cross-bar exchanges are as accurate as possible, by laying down guidelines for traffic estimation in the light of experience so far gained.

Inadequate utilisation of expanded capacity of two telephone exchanges

Audit Paragraph :

1.35 (i) The capacity of a telephone exchange was increased from 4,800 lines to 5,000 lines in February, 1967 and again to 6,600 lines in December, 1967. Allowing for a reserve of 5 per cent, the connectable capacity of the expanded exchange was 4,750 up to December, 1967 and 6,270 thereafter. Notwithstanding heavy demand for new telephones, the number of working connections, which was 4,536 in February, 1967 when the additional lines were installed, dropped, however, to 4,505 in December, 1967. The department has explained that the expanded capacity could not be utilised because after February, 1967 the Telephone Advisory Committee, which screens applications for new phone connections, did not meet till 20th December, 1967. Even in January, February and March, 1968, the number of working connections was only 4,499, 4,606 and 4,708 respectively. Between February, 1967 and March, 1968, the Department accordingly lost potential revenue, through non-utilisation of the expanded capacity, to the extent of Rs. 4.79 lakhs (calculated on the basis of average earnings of a telephone connection from that exchange during 1967-68).

(ii) The capacity of another telephone exchange was expanded from 125 lines to 200 lines in November, 1964 and to 300 lines in January, 1968. Allowing for the prescribed reserve of 6 per cent for this type of exchange the connectable capacity of the expanded exchange was 188 lines in November, 1964 and 282 lines in January, 1968. Notwithstanding heavy demand for additional telephones, the connections actually given were, however, only 128 by 31st March, 1966, 124 by 31st March, 1967 and 143 by 31st March, 1968. Non-utilisation of the expanded capacity to the full extent all these years has entailed loss of 2.23 lakhs of potential revenue.

1.36. The department has explained that the expanded capacity could not be utilised because the requisite cables, although indented as far back as September, 1962, were not received all these years.

[Paragraph 10, Audit Report (P&T), 1969]

1.37. The Committee were informed that the two exchanges referred to in the Audit paragraph were at Agra and Sinidih. The Committee drew the attention of the witness to the fact that the P&T Deparmtent had explained to Audit that the expanded capacity of the Agra exchange [mentioned in sub-paragraph (i) of the Audit paragraph] could not be utilised because the Telephone Advisory Committee, which screens applications for new phone connections, did not meet in time. The Committee pointed out that this could not be taken as a very valid reason. The witness stated that there had been some misunderstanding in this regard. It was not because the Advisory Committee did not meet that the connections were not granted. There was no doubt some delay in holding the meeting of the Telephone Advisory Committee, because between January, 1967 and December, 1967, O.Y.T. was introduced in the lower size exchanges. They had to be told by a detailed circular as to what would be the percentage of connections that should be given under this scheme. The real reason for the inadequate utilisation of the capacity of the Agra as well as the Sinidih exchange was that there was shortage of cables.

1.38. The Committee were also informed that the capacity of the exchanges had to be reckoned after providing for reserve for various categories of users. The position in this regard has been explained in a note as under :

"The connectable capacity of a telephone exchange has to be determined on two alternative bases :

(a) Numbering capacity.

(b) Traffic capacity.

and the permanent working connections have to be limited to the lower of the two capacities.

Numbering capacity-based on reservations for PBXs. test numbers, ceased numbers etc.

Each of the subscribers' connections in a step by step strowger exchange usually forms part of a 200 line group. These groups are usually arranged in three sub-groups as follows :

(A) *Coin Collecting Box Group* :

These connections do not have access to certain services like trunk exchange, STD, etc. The numbers from this group are allotted exclusively to the unattended type of public call offices and to certain categories of service connections. Usually 2 to 5% of the exchange capacity with a minimum of 50 is provided in all larger exchange in this group.

(B) *The Ordinary Groups* :

These are groups in which numbers are allotted to individual subscribers with a single telephone who have access to all the facilities like trunk, STD, etc. In each 200 line group, certain reservations are made. These are as follows :

(a) numbers reserved for test calls for testing the functional efficiency of the equipment;

(b) numbers reserved for ceased connections. There is a provision that any numbers recovered from any subscriber due to whatever reason should be kept spare at least for six months or until the next issue of the directory whichever is earlier before being reallocated to another subscriber;

(c) reservation for the provision of casual connections, temporary connections etc.

For these purposes, usually a capacity of 6% is kept reserved in all ordinary groups.

(C) *The PBX Groups* :

The numbers in these groups are arranged in units of 10 such that a PBX subscriber can rent out any number of junctions from 1 to 10, with the facility that when the first number is dialled, all the junctions are automatically tested and whichever is free the call is put through to the PBX on that junction. Since the PBXs are usually rented out by important organisations with considerable growth potential, it is usual to reserve a group of 10 junctions for such PBXs even though the initial requirement of the subscriber might be only 2 or 3 and so on. Out of the 200 numbers in a PBX group usually 6 groups of 10 lines are so reserved. The remaining numbers are allotted to ordinary subscribers.

It will be obvious that of 60 numbers reserved for PBX junctions, number utilised will vary from time to time. In general, we could assume an average 50% utilisation at any time. Thus on the average the spare reserved capacity on account of reservations for PBXs will work out to 15% of the PBX groups. These could of course also be used for providing the temporary and casual connections and no separate capacity would need to be reserved in PBX groups for this purpose.

Summarising the special reservations in an exchange would amount to :

(a) CCB groups.

(b) 6% of capacity in ordinary groups.

(c) 15% of capacity in PBX groups.

Capacity for Agra Exchange

Based on above considerations the permissible reservations for calculating connectable capacity for Agra Exchange from February to August, 1967 and September, 1967 to date could be as follows :

	February to August, 1967	September, 67 to date
(a) Nominal capacity	5,000	6,600
(b) C. C. B.	50	100
(c) Net for subscribers	4,950	6,500
(d) PBX groups	1,600	2,000
(e) Permissible Spare Reservations in PBX groups	240	300
(f) Ordinary Groups	3,350	4,500
(g) Permissible Reservation in ordinary groups	201	270
(h) Total Reservation	441	570
(i) Net connectable capacity for subscribers outside the, CCB Group	4,509	5,930

Capacity for Sinidih Exchange

In November, 1964, Sinidih Exchange had a capacity of 200 lines only. This capacity was, therefore, provided in a single group of 200 lines of the PBX type. There were only 10 PBX junctions working. Since the exchange was a small one, an equal number of junctions could be reserved for expansion of these PBXs. Thus the reservation for PBX expansions was 10. Unlike the case of Agra these small numbers could not be utilised for temporary or casual connections.

The reservations for ordinary numbers would work out to 6% of 180, *i.e.*, 11. Thus, the total permissible reserved capacity should have been 21 till the exchange was expanded in January, 1968 to 300 lines.

On expansion the reservation would be an additional 6% on the new 100 lines and the total reservation could be 27. Thus, the connectable capacity from November, 1964 to January, 1968 could have been 179 and from January, 1968 onwards 273.

Summarising the position in case of Sinidih exchange the permissible reservations for calculating the connectable capacity could be as follows :

	November, 1964 to January 1968	January, 1968 onwards
(*a*) Nominal capacity	200	300
(*b*) PBX Group	200	200
(*c*) Permissible spare capacity for PBXs	10	10
(*d*) Permissible spare capacity for ordinary subscribers	11	17
(*e*) Total Reservation	21	27
(*f*) Net connectable capacity	179	273

Traffic Capacity

A telephone exchange is designed to interconnect subscribers as required by them. The equipment consists of two parts :

(a) Individual to the subscribers; and

(b) the common equipment which is utilised only when the calls are in progress. This also includes the inter-exchange junctions.

The nominal capacity of the exchange is determined by the equipment provided for the individual subscribers. The cost of such equipment is quite small. The equipment is provided in standard multiples of 200. Theoretically the maximum number of subscribers/telephone connections that can be provided is determined by this equipment.

The common equipment determines the actual number of connections that can be provided on an exchange depending on the calling habits of the subscribers. Since the cost of common equipment accounts for over 95% of the exchange costs, the exchanges are designed on the basis of minimum essential equipment required for certain assumed calling habits of the subscribers. These habits are not constant over a period and connectable capacity has, therefore, to be determined from time to time with reference to the traffic generated by the subscribers and the total common equipment that is provided initially. This is known as the traffic capacity of the exchange. If the number of subscribers exceeds substantially this capacity, the subscribers will find a large number of their calls failing to mature because of common equipment being busy. This not only leads to dissatisfaction but also heavy wear of equipment.

The congestion on common equipment can arise both within the exchange or on the inter-exchange junctions in case of multi-exchange systems.

While in case of Agra, which is a single exchange system no occasion arose to limit the connectable capacity on the basis of traffic, in the case of Sinidih exchange this had to be done from 1965 to 1967. Sinidih is one of the exchanges forming part of the Bihar Coal Fields exchange system. This exchange is a satellite of the Dhanbad exchange. The calls are routed to other exchanges *via* Dhanbad. During 1964-65, a heavy increase in the inter-exchange traffic was noticed in the Coal Fields system as a result of which the exchange capacity had to be limited to the number of working connections at that time working, till relief could be provided by laying of junction cables. A scheme was sanctioned for augmenting the junctions in 1965 and cables where indented. The junction cables for the system were received and laid in 1967 after which the exchanges could be loaded to their full connectable capacity.

1.39. The following table summarises the capacity the reserve allowed and the connectable capacity for the Agra and Sinidih exchanges on different dates mentioned in Audit paragraph :

Date	Nominal Capacity	Capacity excluding CCB group		
		Nominal Capacity	Reserve allowed	Connectable capacity
Agra Exchange				
Feb. 1967	5000	4950	441	4509
Dec. 1967	6600	6500	570	5930
Jan. 1968	6600	6500	570	5930
Feb. 1968	6600	6500	570	5930
Mar. 1968	6600	6500	570	5930
Sinidih Exchange				
No. 1964	200	200	21	179
Mar. 1966	200	200	21	179
Mar. 1967	200	200	21	179
Jan. 1968	300	300	27	273
Mar. 1968	300	300	27	273

The following was the position of working connections and waiting lists on these two exchanges on the foregoing dates. Full details are given at Appendix I to this Report.

Date		New connections given	No. of working connections	Connectable capacity excluding CCB group	Unutilised capacity	Waiting list
Agra						
Feb. 1967	.	12	4497	4509	12	929
Dec. 1967	.	12	4468	5930	1462	1464
Jan. 1968	.	6	4475	5930	1455	1142
Feb. 1968	.	109	4568	5930	1362	1207
Mar. 1968	.	110	4673	5930	1257	1272
Nov. 1968	.	6	4918	5930	1012	1413
(NOTE.—Unutilised capacity was eliminated in January, 1970 when waiting list was 611).						
Sinidih						
Nov. 1964	.	—	111	179	68	66
Mar. 1966	.	—	128	179	51	57
Mar. 1967	.	—	124	179	55	52
Jan. 1968	.	1	127	179	52	57
Mar. 1968	.	—	143	273	130	24

(NOTE.—On February, 1970 this exchange had an unutilised capacity of 122 with 7 on the waiting list).

1.40. The Department have explained in a note why the unutilised capacity continued side by side with waiting lists :

"*Agra Exchange*

It is estimated that at the time of commissioning of the expansion of the exchange by 1,600 lines towards end of 1967, of the 1,212 applications then pending, between 800 to 1,000 could not have been provided with the telephone connections due to non-availability of cables.

The subscribers cables have been issued from time to time in small quantities against various indents. These enabled connections being made feasible. These connections have been provided as cables have been laid.

Even now about 85 applicants higher on the waiting list than those provided for, could not be provided with connections because of non-availability of cables and certain areas remaining non-feasible.

Sinidih Exchange

About 60 to 70 connections could not be provided from November, 1964 to May, 1965 because of non-receipt of subscribers cables. Some cables were received and a few connections were provided in 1965. However, junction congestion limited the traffic capacity. The junction cables were received in 1967 and laid about October/November, 1967. Substantial connections were released but many of the applicants failed to pay the demand notes and dropped out. The waiting list was reduced to mainly those found non-feasible due to subscribers cables. Remaining subscribers cables were issued between May, 1969 and July, 1969. These were laid and all pending applicants were released connections. However, there has again been substantial dropping out of applicants.

The unutilised exchange capacity now arises mainly from failure for telephone demand to build up in this area."

1.41. The Department have at the instance of the Committee furnished a statement showing the action taken from time to time to procure the cables as follows :

"*Agra Exchange Expansion from* 5,000 *to* 6,600 *lines.*

Indent No. 2715 *D(b)* /3 *dated* 23-7-65 *for Primary and Secondary Cables.*

Type of cable	Quantity meters	Date received	Quantity received metres	Quantity outstanding
200 prs/6 1/2 lbs.	6000	6-6-67	5725	275
250 prs/6 1/2 lbs.	560	21-9-67	560	
50 prs/6 1/2 lbs.	600	21-9-67	600	
100 prs/6 1/2 lbs.	2350	4-12-68	2350	
20 prs/6 1/2 lbs.	500	4-12-67	500	
Indent No. 2715 *D(b)*/1 *dated* 23-7-65 *for Primary and Secondary Cables.*				
1000 prs/6 1/2 lbs.	1400	Jan. 66	1380	
800 prs/6 1/2 lbs.	850	31-7-65	850	
600 prs/ 6 1/2 lbs.	2220	25-5-67	2220	
500 prs/ 6 1/2 lbs.	560	12-10-65	560	
Indent No. 2715 *D(b)*/2 *dated* 23-7-65 *for Primary and Secondary Cables.*				
400 prs/ 6 1/2 lbs.	1300	8-11-66	1300	20
300 prs/ 6 1/2 lbs.	1600	20-2-67	1600	
Indent No. 2738 *D(b)*/1 *dated* 7-7-66 *for Distribution Cables.*				
200 prs/6 1/2 lbs.	10,000	16-9-69	757	8243
		23-1-67	1000	
50 prs/6 1/2 lbsl.	16,000	29-8-68	2920	3080
100 prs/6 1/2 lbs.	4320	7-7-67	4320	

SINIDIH EXCHANGE

Indent No. 1706 *D (b)*/1 *dated* 5-9-62 *for Local Cables*

Type of cable	Quantity indented in metres	Date received	Quantity received in metres	Date laid	Balance outstanding in metre
150 prs/6 1/2 lbs.	3325	May' 65	3325	July' 65	—
100 prs/6 1/2 lbs.	555	,,	555	,,	—
50 prs/6 1/2 lbs.	1465	,,	1465	,,	—
20 prs/ 6 1/2 lbs.	366	,,	366	,,	—
Indent No. 1706 *D(b)* /2 *dated* 5-9-62.					
50 prs/10 lbs.	4980	7-5-69	20000	Sept.' 69	336
		11-6-69	1000	,,	
		6-7-69	1644	,,	
20 prs/10 lbs.	110	6-7-68	110	,,	
Indent No. 21 *D(b)*/64-65/1 *dated* 27-5-65.					
150 prs/10 lbs.	1940	—	—	—	1940

As far as the Sinidih exchange is concerned, the cables were indented by the local authorities in September, 1962 soon after the scheme had been sanctioned. There was a shortage of cables even then in the country. However, the situation became acute with the Chinese aggression in October, 1962. Orders were issued suspending issue of all stores to works other than those for Assam Circle and border areas in other States to meet the minimum requirements of Defence Forces and the Civil Defence during the period of emergency. These restrictions continued up to 31st March, 1964. In the meantime, large pending demands were built up from various telephone systems and the available supplies were distributed on various works to enable some connections being provided at various stations. Part supplies of the cables were made for Sinidih Exchange also in May, 1965.

In this connection, it may be explained that the underground cables are manufactured in a number of gauges measured in terms of the weight of the conductor per mile. The standard gauges are 4 lbs., 6½ lb., 10 lb., 20 lb. and 40 lb. per mile. Usually only 4 and 6½ lb. cables are used, but in case of Sinidih and other coal field exchanges, since the telephones have to be provided to various colleries, etc., scattered over a wide distance, usually larger gauge cables have to be used. It will be seen that in case of Sinidih the demand was for 6½ lb. and 10 lb. cables. While the requirements for 6½ lb. cables were met in 1965, the requirements for 10 lb. cables could not be met since the shortage in the higher gauge cables was extremely acute. The available supplies had to be rationed. It has been possible to make available these higher gauge cables to Sinidih in 1969 only.

In case of Agra exchange indents were released in 1965 and 1966 respectively and the cables have been received gradually from 1965 to 1968. Certain quantities of cables are still outstanding on the work. Here again, the cables could not be issued in full, because of the acute shortage of cables in the country and the desirability of making some cables available to the exchanges all over the country to enable them to provide urgent connections to the extent possible all over the country.

The table below will indicate the requirements of cables and the shortages each year from the years 1965-66 up to date:

Year	Outstanding at the beginning of year (KM)	Cable requirements during the year (KM)	Actual/anticipated supply from HCL (KM)	Quantity imported (KM)	Outstanding at the end of the year (KM)
1965-66 .	..	..	..	..	4,620
1966-67 .	4,620	3,750	3,370	Nil	5,000
1967-68 .	5,000	6,250	3,100	420	7,730
1968-69 .	7,370	7,350	4,500	Nil	10,580

The Department's efforts to procure these cables have been largely in two directions—

(i) impressing on the Ministry of Industries the desirability of expanding the indigenous manufacture of underground cables; and

(ii) securing imports of immediate needs to the extent possible within the limited foreign exchange resources available to the country.

Negotiations for a World Bank loan had been in progress ever since 1965-66 and it was hoped that the cable needs to meet the outstanding back-log and the current shortfalls could be secured once this agreement was finalised. The laying of cables and jointing normally do not take too long a time, while the execution of exchange projects and creation of exchange capacities take a considerable period. It was, therefore, hoped that once the underground cables become available the accumulated exchange capacities can be utilised quickly to meet urgent demands for telephones all over the country.

Till such time as the cables could be secured in adequate quantities, the available cables have had to be rationed and to that extent exchange capacities have remained unutilised all over the country."

1.42. The Committee enquired whether there were other exchanges where capacity had not been utilised to the full extent due to non-availability of cables and cable joints and if so, the number of such exchanges and the capacity which has remained unutilised on this account during the last 5 years. The P&T Department have furnished the information as follows:

"There are a large number of exchanges where the available exchange capacity could not be fully utilised because of non-availability of underground cables. As on 1st April 1969, there were 3,432 telephone exchanges in the country with a nominal capacity of 10.52 lakh lines and about 8.12 lakh working connections. It is estimated that of the available capacity about 1.5 lakh telephone connections could not be provided due to non-availability of underground cables. It is difficult to give the exact number of exchanges concerned. It can be stated that this unutilised capacity is distributed over a large majority of the exchanges. As on 1-4-69, there was a back-log of about 10,580 standard Kms. of underground cables."

1.43. The Committee desired to have a detailed note on the steps taken by Government to meet shortage of cables. The P&T Department, in a note, have stated:

"The demand for Telephone Cables by the P&T Department has been steadily increasing due to the expansion of local telephone systems and to meet the same the following steps have been taken :

(1) *Increasing indigenous production.*

(a) **Expansion of the existing units.**

(b) Setting up an additional unit in the Public Sector in case the requirements anticipated cannot be met through the expansion of the existing units.

(2) *Imports*

As regards steps taken to increase the indigenous production, it is stated that at present M/s. Hindustan Cables Ltd. at Roopnarianpur (West Bengal) is the only factory in the country manufacturing Telephone Cables. Its present annual rated capacity is 3,200 SKMS on a two shift basis and 4,000 SKMS on three shift basis. Projects for further expansion of the factory have been sanctioned and the details of the same along with the progress of work indicated below:

(i) *Project No. 8—Establishment of a manufacturing unit of Aluminium Sheathed Telecom. Cables at* 1000 *SKMS' per year.*

This project was sanctioned on 2-7-1966 and the Aluminium Sheathing Press which is the main equipment for this project has been received, installed and commissioned. Other remaining plant and machinery (both imported and indigenous) are expected to be received by the end of 1970 and installed by about March, 1971. It is programmed that the production from this project will be 50% by 1970-71, 80% by 1971-72 and 100% by 1972-73.

(ii) *Project No. 9—Expansion of manufacturing capacity of Dry Core cables from* 3200 *SKMS to* 8000 *SKMS per year*

This project was sanctioned on 26-4-66 and subsequently revised in April, 1968. A part of plant machinery ordered from indigenuos sources have been received and the balance are expected by the end of 1970. As regards machines to be imported, these are expected to be received by June, 1971. The installation work on this project is scheduled for completion by December, 1971 and initial production is expected to commence in March, 1972 and the rated output achieved by end of 1972.

It is, however, stated in this connection that the progress of work on both the projects mentioned above has been affected to some extent on account of the teething troubles on the machines supplied by indigenous manufacturers who are developing these machines for the first time in the country. This has resulted in considerable delay in the progress of delivery of the machines.

It is estimated that even with the increase in the indigenous availability of Telephone Cables consequent upon the completion of the above two projects of M/s. Hindustan Cables Ltd., the total availability would not be adequate to meet the demands of the P&T and consequently a decision has been taken recently by the Cabinet to set up an additional unit in the public sector after a detailed assessment of the entire question. In this context, a reference has been made by the Cabinet to a cable manufacturing unit under the Ministry of Defence Production now serving the needs only of the Defence Department and the exploration of the possibilities of diversifying its production to manufacture telephone cables as per the specification of the P&T Department and the assessment of its potential in this regard. This question is now under examination.

To meet the shortfall in the demand for Telephone Cables, imports were resorted to in the past by utilising bilateral credits/loans. These details are furnished below:

Year	Quantity of cables imported in SKMS	Country from which imported	Value in rupees (lakhs)
1966-67 .	122	Finland	26·82
1967-68 .	322	U. K.	28·54

Orders for the import of the following cables have been placed in February, 1969 and supplies are awaited:

Quantities of cables in SKMS	Country from which imported	Value in Rs. (lakhs)
580	Holland	72·98
200	U. K.	47·80
100	Czechoslovakia	27·40
440	Canada	26·87

It has been estimated by M/s. Hindustan Cables Ltd. that the total supplies would be about 30,000 SKMS of telephone cables as against the total requirement of 53,000 SKMS of the P&T Department for the Fourth Plan period to fulfil the plan target of 7.6 lakhs telephone sets. To partly bridge the gap, therefore, for the Plan period, import of cables under the recently finalised IDA and CIDA Loans have been proposed as per details given below:

	Quantity of cable proposed for import	Value
IDA Loan .	7,630 SKMS of Conventional cable.	10 million U. S. Dollars equivalent to Rs. 7·50 crores.
CIDA Loan .	12,000 SKMS of Polyethlene Sheated cables to be imported from Canadian sources.	21·5 million Canadian Dollars equivalent to Rs. 15·00 crores.

The above quantities, however are tentative and are subject to modifications based on the actual tender prices so as to limit the value of imports to the amounts available in the loan."

1.44. In successive reports, the Committee have expressed anxiety over the inadequate utilisation of the installed telephone exchange capacity in the country. The experience of the two exchanges at Agra and Sinidih mentioned in the Audit paragraph show how unsatisfactory the position is.

1.45. The exchange at Agra which was expanded by stages between February, 1967 and December, 1967 to handle 6,600 lines had a connectable capacity of 5,930 lines. However, between one-fourth to one-sixth of this capacity remained unutilised upto November, 1968. Paradoxically, the exchange had during this period on its waiting list subscribers who could have more than taken up the unutilised capacity. It was not till January, 1970 that the exchange was able to use its connectable capacity fully.

1.46. The exchange at Sinidih had likewise unutilised capacity ranging from about a half to a third of its connectable capacity, with a number of intending subscribers on the waiting list. In fact, the exchange has still not been able to utilise its capacity to the extent of about two-fifth.

1.47. The non-utilisation of capacity in both these exchanges should have resulted in substantial loss of revenue to Government (i.e., a few lakhs of rupees).

1.48. The Committee observe from the information furnished by the P&T Department that about a fifth of the 'nominal' capacity of telephone exchanges in the country remained unutilised as on 1st April, 1969. The main difficulty that the Department has been facing is in getting adequate supplies of underground cables. Due to their non-availability, the Department has not been able to provide telephone connections to the extent of 1.5 lakhs, which could have been easily accommodated by the available capacity in the exchanges. These represent a fifth of the Fourth Plan target of additional connections (7.6 lakh connections). The loss of revenue involved must be immense.

1.49. The Committee feel that this situation will persist unless energetic measures are taken by Government. The annual requirements of the P&T Department for cables has over the last three years nearly doubled from 3,750 KMs in 1966-67 to 7,350 KMs in 1968-69. The only source of indigenous supply, i.e., Hindustan Cables, has not been able to meet more than half the requirements. Quick and effective steps will have, therefore, to be taken to expand indigenous production. The Committee have made detailed suggestions in this regard in paras 1.26 and 1.27 of their Eighty-Fifth Report (Fourth Lok Sabha). They would like these to be implemented early.

Delay in introduction of measured rate system in telephone exchanges

Audit Paragraph

1.50. The Department had decided in November, 1956 that the measured rate system should be introduced in all telephone exchanges having a capacity of 300 or more lines. An instance of omission to do so was mentioned in the Audit Report, 1966 whereupon the Department assured the Public Accounts Committee that necessary instructions in the matter had been repeated. Nevertheless, two other telephone exchanges, which came to have the equipped capacity of 300 or more lines in April, 1963 and August, 1967 respectively, are still working under the flat rate system. Meters installed in August, 1967 in the exchange, which reached the equipped capacity of 300 lines in 1963, have not been commissioned (August, 1968). In the other case, even meters have not been installed (June, 1968). The loss of potential revenue in these two exchanges (calculated on the basis of traffic and tariff current in August, 1966 and April, 1968 respectively) is about Rs. 9.40 lakhs per annum.

[Paragraph 12—Audit Report (P&T), 1969]

1.51. The Committee drew the attention of the witness to the fact that there was a delay of one year and five years respectively in introducing the measured rate system in the telephone exchanges (at Kurnool and Palakol) after they had reached the equipment capacity of 300 lines. This resulted in a loss of revenue of about Rs. 9.40 lakhs per annum. The Committee noted that the meters were initially procured in March, 1964 but were not installed as conversion of the exchange into automatic one was being considered which was later on dropped. The Committee enquired how long it took to finally decide about automatising the exchange and how soon afterwards was measured system introduced. The witness stated that in the Kurnool Exchange, there was delay first in getting the board automatised. Therefore, the Department temporarily diverted the meters. Subsequently there was difficulty in Indian Telephone Industries complying with the order of supplying the equipment. So indents were placed again and these meters were used elsewhere for metering purposes. Explaining the position in detail, the witness stated that the estimate for metering this exchange was sanctioned by the P&T in March, 1963. Meters were received in March, 1964 from the Indian Telephone Industries. In January, 1964, the project for automatisation of the Exchange was sanctioned by the Directorate. Thereafter, the metering equipment was transferred to Nizamabad and Warangal in March, 1965. This Exchange was to be supplied an automatic Max II equipment for automatising the exchange by the Indian Telephone Industries. There was, however, a strike in that factory and a lot of these small exchange equipment programme was cut out, as Indian Telephone Industries were not in a position to supply to bigger exchanges otherwise. The estimate for Max II equipment for this exchange was, therefore, cancelled by the P&T Directorate in March, 1965 and it became necessary to go back to the original idea of installing meters. Therefore, the Department reverted back to installing the meters. The circle indented for the meters in July, 1965, but the equipment was received only after March, 1967. The installation was commenced in April, 1967 and was completed in August, 1967. The Additional Chief Engineer (Testing Organisation) was then requested to undertake the acceptance testing before the introduction of metering. The testing organisation, after checking up the equipment found certain defects, *e.g.*, non-provision of special type of resistors as also some relay contacts. The former in particular were necessary to avoid fire hazards. The circle, thereafter, carried out the modification and the equipment was declared fit for commissioning in August, 1968. The metering was introduced from 1st November, 1968 after issuing a Gazette Notification as was required under the Indian Telephone Rules.

1.52. As regards the Palakol exchange, the Committee were informed that it was non-multiple type of exchange. The capacity of such exchange was normally 200 lines, but this was not capable of being introduced by expanding the Board. Metering was not capable of being introduced on non-multiple boards. For this purpose, these boards had to be replaced by multiple board first. This was the reason for the delay in this case.

1.53. The Committee desired to have the particulars of exchanges in the country without meters after having reached the equipped capacity of 300 lines or more. The P&T Department in a note have furnished the particulars as follows. These do not include non-multiple exchanges of equipped capacity of 300 lines or more "in which metering cannot be introduced for technical reasons."

Sl. No.	Name of Circle	Name of Exchange	Remarks
1.	Andhra	Hanamkonda	
2.	Assam	Imphal Karimganj Tinsukia	
3.	Bihar	Hazaribagh	
4.	Kerala	Perambavoor	
5.	Madhya Pradesh	Rewa	
6.	Mysore	Chamarajanagar	
7.	Orissa	Samvalpur Balasore Puri	
8.	Tamil Nadu	Vaniyambadi Amber Palni Tirrnchemgodu	
9.	Uttar Pradesh	Hardwar Haldwani Nainital Jhansi Farukkhabad	Metering is being introduced at Hardwar on 29-3-70.
10.	West Bengal	Barakar	

1.54. The Committee asked what programme had been drawn up for the introduction of the measured rate system in these exchanges. The Department have stated that they had laid down a policy that measured rate system should be introduced in all auto and CB Multiple Exchanges of capacity of 300 lines and above. As soon as it was found that an exchange was to reach the capacity of 300 lines or more, steps were taken by the circle for introduction of metering. The procedure was to sanction an estimate for installation of the metering equipment and on its receipt and installation, got it acceptance tested by a separate organisation under the Additional Chief Engineer. As soon as the equipment was considered satisfactory for commissioning, steps were taken to introduce the measured rate system at the place after issue of Gazette Notification as per provision of the Indian Telegraph Rules and issue of notices to the subscribers. The non-multiple exchanges are, as far as possible replaced by CB Multiple or auto exchanges when they reach a capacity of 300 lines and metering is introduced in them thereafter.

1.55. The Committee drew the attention of the witness to the P&T Tariff Enquiry Committee which went into the question of rate structure and pointed out that the Department had decided in November, 1956 that it should be introduced in all telephone exchanges having a capacity of 300 lines or more. The Committee enquired whether that decision was being implemented and any phased programme had been prepared to implement the same. The witness stated that the recommendation of the Tariff Enquiry Committee was being implemented. He further stated: "There is again the same difficulty of not having enough equipment and enough meters and cables and although a policy decision has been taken, its implementation will have to be spread over a certain period of time until the equipment is available. So we are doing a phased programme. New Exchanges are also coming up. They also have to be converted later on. It is a continuous process."

1.56. The Committee desired to know about the phased programme drawn for the purpose. The witness stated: "With the Telephone District Heads and Circles, there are instructions that in anticipation they should place their demands on the Indian Telephone Industries. There is a great shortage of meters. In some instances they are not giving us meters. It is not merely a phased programme. As the thing expands, immediately there is a shortage. We are continuously in touch with the Indian Telephone Industries. But they are not able to get a certain raw material to make a very sensitive component for the meter. For automatic exchanges we need a lot of meters. The demand on the Indian Telephone Industries is getting so large that it has not been able to comply with it."

1.57. The Committee enquired whether an assessment has been made about the extent of shortage, the reasons therefor and the steps being taken to meet the shortage. In a note, the P&T Department have stated that the

Indian Telephone Industries were the only manufacturers of telephone meters of all types. They had not been able to meet the demand so far. There had been persistent pressures from the P&T Department on Indian Telephone Industries to supply the meters but they had been unable to meet the full requirement. Indian Telephone Industries had now taken action to increase their production and also to develop ancillary supplies as are necessary for manufacture of meters. To meet the immediate requirements, 40,000 meters are being imported by them along with the components for additional 60,000 meters. The position in respect of meters was expected to improve during 1970-71.

1.58. The Committee observe that the Telephone Department is losing substantial revenue due to its inability to provide facilities for metering of calls in some of the exchanges in the country. The loss of revenue in respect of just two exchanges mentioned in the Audit paragraph amounted to Rs. 9.4 lakhs per annum. The information furnished to the Committee shows that in 21 other exchanges in the country, where the line capacity stipulated for introduction of meters has been reached, metering facilities have not been made available. Besides these exchanges, there are other exchanges (number not specified by the P&T Department) where the stipulated capacity has been reached, but meters have not been provided, as these exchanges employ a non-multiple type of Board which does not lend itself to metering.

1.59. The Committee note that, apart from cables, the major bottleneck in introducing the metered system in these exchanges has been the shortage of meters. The major source of supply of meters is the Indian Telephone Industries which is at present not capable of meeting the Department's requirements in full. The Committee have, in para 2.26 of their Fortieth Report (Fourth Lok Sabha) already touched on the need to encourage other sources of supply of meters available in the country. The Committee would like Government to draw up a programme for this purpose, so that metering facilities could be expeditiously introduced in all the exchanges where the stipulated line capacity has been reached.

Delay by an advertising agent in remitting the department's share of advertising revenue

1.60. According to an agreement executed with a firm in May, 1966 appointing it as the sole agent for procuring advertisements for four successive issues of a telephone directory, the revenue collected by the firm from advertisers was to be shared by it with the Department in a prescribed proportion—a minimum of Rs. 4,33,350 per issue being guaranteed for the Department. The Department's share was required to be remitted by the firm within 60 days of the receipt of voucher copies (which are printed copies of the directories) by it from the Department. Should the firm delay remittance of the Department's share beyond that period, the Department was entitled at its discretion to recover from the sole advertising agent 'as agreed liquidated damages and not by way of penalty a sum of Rs. 100 or 1 per cent of the guaranteed miniumm gross revenue whichever is higher for every day which the payment is so delayed.'

1.61. The payments due from the firm to the Department for the first three issues of the directory were delayed beyond the permissible period of 60 days. Even when payment was subsequently made, it was made in instalments instead of in lump-sum. The period of default was up to 286 days for the first issue, 281 days for the second issue and 50 days (up to 15th October, 1968) for the third issue.

1.62. The damages recovered were Rs. 100 only for the first issue, none for the second issue (although it was decided to charge Rs. 50,962 on this account), while no decision has yet been taken (October, 1968) about the third issue. Out of Rs. 4.33 lakhs due as revenue for the third issue which was to be deposited by 28th August, 1968, a sum of Rs. 4.27 lakhs has also not been recovered so far (15th October, 1968).

[Paragraph 13—Audit Report (P&T), 1969]

1.63. The Committee drew the attention of the witness to the fact that payments due from the sole agent to the Department for the first three issues of the Directory were delayed beyond the permissible period of 60 days. Even when the payments were subsequently made, they were made in instalments. The period of default was up to 286 days for the first issue, 281 days for the second issue and 50 days (up to 15th October, 1968) for the third issue. The Committee enquired how this agent was selected and on what considerations he was made the sole agent for procuring advertisements for four successive issues of the directory. The witness stated that according to a well settled practice, agents for procuring advertisements for directory were selected by tender, subject to verification of the financial standing of the successful tenderer. The person, who offered the highest bid, was appointed as sole advertising agent for the four issues of telephone directories subject to other things being satisfactory. In this case, in May, 1966 when tenders were called, this firm was one of the tenderers. As its bid was the highest, it was given the sole agency for the four issues of the Delhi Telephone Directory. The normal procedure was to have contractual arrangements for procuring advertisements for four issues for biannual directories and three issues for annual directories. This was because the collection of advertisements required a continuous and tremendous effort. If a contract has given for only one issue, fresh tenders would have to be invited for every issue causing in delay. Further the minimum guarantee income likely to be offered would have been lower if only one instead of four directories were covered at a time.

In this particular case, so far as the recoveries were concerned, the Government's share of advertising revenue was Rs. 4,33,350 which were the minimum guaranteed gross revenue. That share had been recovered for the first issue. Part of the amount (*i.e.* Rs. 1.2 lakhs) had been recovered for the second issue and the balance was recovered by Bank guarantee and sureties against whom, action had been started. For the third issue, the full amount had been recovered. For the fourth issue, the full amount had been recovered for the English edition and Hindi issue was still to be printed. The present position, so far as the recoveries were concerned, was quite satisfactory. So far as recovery of liquidated damages were concerned, (for delay in remitting Government's share of revenues) the General Manager had assessed the damages in his discretion and those damages had also been paid wherever they had been levied.

1.64. The Committee desired to have a statement indicating—

(i) the amount of revenue due from the agent for each of the issues,

(ii) when exactly the amount fell due in respect of each issue,

(iii) when the money was remitted and to what extent remittance was made, and

(iv) what action has been taken to realise the money due but not remitted.

The information has been furnished by the P&T Department, in a note, as under :

Name of issue	Govt. share of revenue	Due date of payment	Particulars of payment received	Balance
	Rs.		Rs.	Rs.
1st Issue Nov. 1966	4,33,350	23-2-67	1-3-67—2,00,000 20-3-67— 30,000 12-4-67— 50,000 15-4-67— 20,000 4-12-67—1,33,350	
			4,33,350	Nil
2nd Issue August, 1967.	4,33,350	5-12-67	14-2-68— 45,000 19-2-68— 20,000 14-3-68— 35,000 20-4-68— 25,000	
			1,25,000	3,08,350
3rd Issue March, 1968	3,56,548 ·88	28-8-68	31-7-68—1,00,000 30-8-68— 80,000 2-9-68— 20,000 11-9-68—1,15,000 20-1-69— 41,548 ·88	
			3,56,548 ·88	Nil
3rd Issue November, 1968 (Hindi)	76,801 ·12	3-4-69	12-5-69— 42,000 24-5-69— 34,801 ·12	Nil
			76,801 ·12	

4th Issue June, 1969	4,08,675·68	4-10-69	19-3-69— 30,000 3-9-69— 50,000 4-10-69— 78,675·68 19-11-69— 50,000 10-12-69— 50,000 3-1-70—1,50,000 4,08,675·68	Nil

In respect of realising the money due but not remitted, it will be seen from the statement above that only in respect of the second issue an amount of Rs. 3,08,350 is due. The amount due is covered by a Bank Guarantee of Rs. 1,08,350 and surety bonds for Rs. 2 lakhs. Notices have been served on the bank and the sureties by the General Manager, Telephones."

Audit has, however, pointed out that for the 4th Issue (June, 1969), Government's share of revenue should be Rs. 4,33,350, the minimum guaranteed amount and not Rs. 4,08,675.68. In view of the above, the amount due to be recovered from the sole advertising agent would be Rs. 24,675/-.

1.65. The Committee desired to know the amount of liquidated damages due in terms of the contract for delay in remitting Government's share of revenue issue-wise (in respect of the case mentioned in the Audit Paragraph) and the amount of liquidated damages actually recovered issue-wise indicating in detail the reasons for which less than the amount recoverable in terms of the contract, was recovered.

1.66. The P&T Department have furnished the information in a note, which is as follows:—

Issue No.	Amount of L D due (@1% of guaranteed minimum gross revenue i.e. 5778 per day)	L/D recovered
	Rs.	Rs.
1st Issue (Nov. 66—English)	16,40,952	100·00
2nd Issue (Aug. 67-English)	27,84,996	10,000·00

The Committee pointed out that in this case, the default was to the extent of so many days—in one case it was to the extent of 286 days and in the other case it was 280 days and in the third case it was 50 days. In the first case, the Department charged only Rs. 100/-. The Committee enquired how the Department justified the imposition of only Rs. 100/- as liquidated damages on the first issue. The witness stated that there was a provision in the contract that the General Manager would use his discretion. Unfortunately in this case, one of the main partners died and the company was in distress. The General Manager explained that unless he could do something immediately, the printing of the second issue was likely to be held up. So he used this discretion to the extent of imposing only Rs. 100/- as liquidated damages. The witness also stated that instructions had since been issued that General Managers would no longer have any discretion in regard to this matter. Law Ministry's advice was also obtained. They said that under the present conditions, liquidated damages at the rate of 1% of the guaranteed minimum gross revenue or Rs. 100/- per day whichever is higher as proposed for in the contract executed in this case would not stated in a Court of Law. The witness further added that on certain issues, the Department had charged more as liquidated damage; for the second issue the damages were Rs. 10,000/- and for the fourth issue they were Rs. 6,345. In a note the Department have stated :

"1st Issue

According to the terms of contract the advertising agent was to guarantee a gross revenue of Rs. 5,77,800. Due to several factors such as dullness of the market, recession in industry and consequent lack of interest on the part of the advertisers and also owing to the General Elections, the sole advertising agent had represented that he could not realise the required amount. He could collect only Rs. 4,41,165 which was much less than the minimum guaranteed gross revenue. The sole advertising agent represented reduction in the minimum guaranteed Government share of revenue. This request was, however, turned down. The Government share of revenue was eventually paid by the Advertising Agent.

There was also further the difficulty that one of the partners of the firm had died in May, 1967 and the assets of the firm were frozen in the bank under court orders. The General Manager, Telephones, however, was anxious to close the transaction and wanted to continue further the directory printing and according to the discretion vested in him he considered that a token liquidated damage of Rs. 100 as a reasonable amount.

Second Issue

The amount of Rs. 3,08,350 in respect of the second issue is still due from the advertising agent. The Advertising agent had earlier complained to the Department about his loss of revenue on account of non-publication of Hindi directory with the first and second issue of English edition. The Law Ministry who were consulted in the matter indicated that the advertising agent had reasonable ground for a claim in this respect. When the matter was discussed with the Advertising Agent, they had agreed to give up their claim for compensation on account of non-publication of the two Hindi issues alongwith the first and second issues of the Directory. In consideration of this fact, it was decided that the liquidated damages could be brought down to Rs. 10,000 for the amount not paid by them until 31-12-1969. This amount of Rs. 10,000 was paid by the party on 10-10-1969.

The amount of Rs. 3,08,350 is still not received from the advertising agent. This money is covered by a Bank Guarantee and sureties both valid up to January, 1970. The General Manager, Telephones has served notice on the Bank and sureties for payment of the amount to the Department."

1.67. The Committee enquired how the Department calculated the damages. The witness stated :

> "In this case it was calculated on the basis of 12%. The clause of Rs. 100 a day was not found quite feasible, on legal examination, because liquidated damages under the contract Law could not be of a punitive nature. The Law Ministry has advised that liquidated

damages should be a percentage higher than the market borrowing so that this is not incentive to retain our money and use it for his own business. We had come to the figure which in the overall circumstances, we thought to be reasonable. There is a counter claim, because of the delay in bringing out the issue, the contractor also suffered. When we fixed the amount on 4-11-1968 it was about Rs. 60,000. The Law Ministry advised that since we did not bring out the Hindi Directory in the first two years, the whole claim cannot be put in. This advertising agent said 'You will have to pay me for the losses.' The minimum which was fixed was Rs. 25,000. So for two issues, it is Rs. 50,000. Deducted from Rs. 60,000 due, this is Rs. 10,000. The figure was thus arrived at on the basis of the Law Ministry's advice. It is not arbitrary. It was not a snap decision. The figures were gone into and the liquidated damages were reasonably assessed."

1.68. The Committee desired to know the circumstances that led to the decision to withdraw the discretion previously vested in General Managers in the matter of recovery of liquidated damages. The Department stated in a note:

> "It was found that the discretionary powers vested in the Heads of Circles were not exercised judiciously income cases resulting in reduced collection of liquidated damages than would have been reasonably due. In view of this, the discretionary powers, previously vested in the Heads of Circles in the matter of levying liquidated damages, have been withdrawn."

The Committee asked whether the antecedents of the firm were verified before giving it the sole agency in this case. The witness stated:

> "We must have found his work satisfactory. Otherwise, we would not have given him the chance. I believe that there was some death in the family and as a result, the firm got disorganised. Because of this death, there was some litigation between the survivors. Then the whole thing became a little bit difficult to recover."

1.69. The Committee enquired whether the Bank Guarantee which was obtained in this case was a running guarantee covering all the four issues over the entire period of the contract. The witness stated that under the terms of the contract, the guarantee had to continue or was to be renewed as long as the money was not paid. That was part of the contract. The guarantee was for one issue and if it was not appropriated for non-payment of dues either it could be extended or a fresh one would be given. The witness further stated:

> "In 1968 we issued instructions to the General Managers. One of the instructions is relevant to the question. It says 'the contract shall become effective only on production of a bank guarantee and the advertising agent can commence the work only after the

> production of the bank guarantee and the Government shall not be responsible for anything that he may do without production of bank guarantee.'

We have conveyed the new instructions to the General Managers and in future as well as in the past we tried our best to cover these amounts by bank guarantees. But since the issues are different, it will not be possible for the man to give a bank guarantee extending over three or four years. The Banks may also not be willing to give a guarantee extending over three to four years. It is desirable to have a guarantee and then give him the issue. This has been ensured by the instructions issued in November, 1968."

1.70. The Committee observe from the information furnished in the notes which were submitted that the firm did not furnish a bank guarantee to cover Government's share of the minimum guaranteed revenue in respect of the second issue (Rs. 4.33 lakhs). There was protracted correspondence between Government and the firm and Government also issued a notice at one stage. Ultimately the firm produced a guarantee for Rs. 1.08 lakhs and sureties for Rs. 2 lakhs. The Ministry of Law who were consulted at one stage expressed the following opinion.

> "In terms of the agreement, it appears, that the contractors, were merely responsible for furnishing a bank guarantee for the sum specified and for one issue only. They are neither liable for furnishing bank guarantees successively for each of the subsequent issues nor a single standing guarantee to subsist till all the issues are brought out of the press and issued."

The P&T Department, however, took up the question again with the Ministry of Law, as they felt that as per the agreement signed with the firm, the bank guarantee covered the revenue due to Government in respect of all the four issues. The Ministry of Law, after reconsideration gave the following advice.

> "According to clause 3 of the Bank Guarantee form, the guarantee is to be effective until after the performance of the full agreement which covers publication of four issues and not only the publication of one issue. However, it must be noted that the draft agreement form in such cases does seem to require some modifications inasmuch as the draft agreement does not expressly provide for (i) extension of a bank guarantee for a further period in cases where it is initially furnished for the period shorter than necessary for the complete performance of the contract. (ii) Secondly, the draft agreement form must also provide for furnishing an additional guarantee for the amount by which as a result of any recovery from the guarantor bank, the guaranteed amount falls short during the continuance of the agreement."

It was stated during evidence that the agent in the case referred to in the Audit Paragraph, has filed a suit in Court. The Committee desired to know when the suit was filed, the issue which forms the basis of the suit and the stage at which the suit stands. The Department, in a note, have stated :

"(i) There are three suits filed by Messrs........... against the Government, the first was filed on 17-1-1970, the second on 18-2-1970 and the third on 18-2-1970.

(ii) In the first suit the firm has asked for mandatory injunction asking not to permit execution and compliance of terms and conditions of agreement for appointment of Messrs......... (another firm in Bombay) as advertising agent for Delhi Telephone directory, English Edition for the next four issues. In the second suit Messers. (the firm) has asked for stay orders for recovery of any amount from Syndicate Bank or from the surety and the Court has directed that the *status quo* may be maintained till further orders. In the third case M/s. (the firm) has stated that they do not want Director General, Posts & Telegraphs to act as an arbitrator in their dispute with Delhi District. They contest that the Delhi District did not print the Hindi directories along with their first and second issues and thus they (the firm) had incurred a loss.

(iii) The first suit regarding mandatory injunction was partly heard on 2-3-1970 when the Court decided that the other firm of Advertisers and Printers, who have signed the new agreement for the next four issues of Telephone Directory should be made the co-joinder in the case. The next hearing is on 31-3-1970.

In the second suit the Court has directed *status quo* about payments by the bank and sureties, and the General Manager, Telephones has to file a reply by 7-3-1970.

In the third case where the suit is regarding the appointment of arbitrator, the hearing is fixed for 24-3-1970. The General Manager, Telephones has yet to file a reply."

Copies of the plaints relating to these suits are at Appendix II to this Report.

1.71. The Committee pointed out that he terms of the contracts executed with advertising agents provided for their guaranteeing a minimum revenue to Govrenment. The Commitee enquired on what basis the minimum guaranteed revenue was fixed. The witness replied : "There is no procedure. Tenders are invited. It is open competition between various tenders.... There is no means by which we can verify a tender except by comparing it with other tenders.... Our method is to compare it with our income in different places, *i.e.* Bombay, Calcutta and Delhi. Another method is to compare it with what we got from the earlier issues... whether the revenue is rising or falling. The third method is to see whether the man whom we select as the sole agent has got the right connections and the right financial standing to contact all the prospective advertisers. There is no scientific or hard and fast method by which we can say that a particular offer is satisfactory or not." The Telephone Directory Standardisation Committee set up by Government which reported in April, 1969 *inter alia* examined this issue. It recommended that "the rates quoted by the tenderers for any particular category or space for advertisement shall not be lower than the 'reserve rate' to be specified by the Department based on the cost of the relevant space in the directory".

1.72. The Committee asked for data about the revenue earned from advertisements in the directories during each of the last four years and the amount of revenue earned that pertained to advertisements given by the Government Departments and Public Sector Undertakings. The Department have, in a note, stated :

"The revenue earned from advertisements in the directories for Delhi Telephone District for the last three years had been as under :—

Year	Amount Rs.
1967	8,66,700
1968	4,33,350
1969	4,33,350

The revenue pertaining to Government departments and public sector undertakings out of the above had been as under :—

Year	Amount Rs.
1967	10,200
1968	8,950
1969	8,218

1.73. The Committee asked for particulars of cases that had occurred during the last five years where agents had defaulted in payment of minimum guaranteed revenue. In a note the Department have stated that the data is being collected.

1.74. The Committee enquired why the Department could not procure advertisement for the directories on its own without having agents. The witness stated "I am not in favour of Government Department running here and there canvassing for advertisement. This is likely to be misunderstood and there might develop practices and things which we would not like to indulge in and certain undesirable things may grow. Apart from this, if we were to collect the advertisements, we would also maintain a Department for that and incur an expenditure which will be more than 25% which we pay (the agent) for a minimum guarantee".

1.75. To a question the witness stated that there is a Directorate of Advertising and V.P. in the Ministry of the Information and Broadcasting. They have a lot of requests from various departments for publicising the activites of those departments like the Family Planning etc. They have also some of their own house magazines in which they publish their advertisements. They give the advertisements to small newspapers, big newspapers etc. That is the reverse process of giving advertisements from Government to Public. Here the advertisement comes from the Public to Government for the telephone directory. The Press Information Bureau also had nothing to do with advertisements. They only release press items to the public. So far as All India Radio was concerned, they had set up a commercial service which was in an experimental stage and they were also giving through advertising agencies and 15% was paid to these agents. So it was not very different from what the P&T were doing. When the Committee pointed out that the P&T Department was paying more (*i.e.* 25%) the witness replied: "The advertisements they get for A.I.R. are individual advertisements from different sources. Here (in P&T) one man is responsible for acquiring the whole number of advertisements and guarantee a minimum revenue. In the All India Radio there is no guarantee of any minimum revenue. So it works both ways. If we were to do what the All India Radio is doing then we would have to set up a Department and the expenditure of that Department must also be accounted against this 25 per cent.

1.76. The Committee asked for the procedure followed by Railways in the matter of securing advertisements for their time-tables. The P.&T. Department have furnished the information, in a note, as under:

> "The Northern Railway gets advertisements for insertion in their time-table which are brought out twice a year. These advertisements are secured by direct canvassing by their staff and also through advertising agencies. The Direct canvassing is done by inspectors who do this as a part of their duty and who have got other functions and duties besides this work. Advertising Agencies are given a commission of 15% on the advertisement revenue secured, revenue of Rs. 7,000 per year is required to be secured, to earn the commission. The advertising agencies remit the amount in full along with the advertisements. The commission is paid by the Railways to the agency thereafter."

1.77. The Committee desired to know whether before the Department embarked upon the scheme of securing the advertisements from the sole agent, did they study the conditions in any other Department as A.I.R. The witness stated that the present scheme was a very old practice. They had been collecting advertisements for years and years and they had gone by the normally accepted tender methods subject to verification of the financial standing of the person concerned.

1.78. The Committee enquired whether the advertisements from Government Departments were received through the agency appointed and commission paid to the agency in respect of such advertisement. The witness stated that the advertisements from Government Departments were received through the agency as it was his job to collect them or they were collected by the sole agent appointed, then they go in his minimum guarantee and commission paid. The Committee pointed out that there should be no difficulty in procuring advertisements directly from Government Departments and public undertakings. The witness stated that the P&T Department were going to change the procedure based on the recommendation of the Telephone Directory Standardisation Committee. The P&T Department were also considering whether agents should be given the sole agency or not. There were balancing considerations which weigh in the matter. If certain parties were taken away from the agent, then the minimum guarantee amount might also go down. The prospects would have to be weighed before coming to a final decision.

1.79. During evidence, it was stated that certain changes in the arrangements for appointment of advertising agents are under contemplation and have recently been introduced. The Committee desired to have a detailed note on the subject. The P&T Department, in a note, have stated:

"Certain changes in respect of the appointment of the advertising agents have already been incorporated depending upon the experience gained so far. They can briefly be enumerated as under:—

1. It has been decided to remove the word "sole" from the 'Sole Advertising Agent' which was originally used in order to enable the Department to appoint different advertising agents for Directories in Hindi or Regional languages of the same telephone system.
2. The agreement provided liquidated damages to be charged at the rate of 1% of the guaranteed minimum gross revenue or Rs. 100/- per day whichever is higher. There was also the discretion given to the Heads of Circles/Districts in this respect. It was decided to replace this clause by charging of interest at the rate of 12% on the undeposited amount and the discretion given to Heads of Circles/Districts was withdrawn from them.
3. The bank guarantee was being taken on the minimum guaranteed government share of revenue for one issue. This meant 75% of the guaranteed gross revenue. It was decided that full bank guarantee to cover the guaranteed minimum gross revenue will be taken from the advertising agents. This was done with the intention to cover any possible additional amount due to the government on account of higher earnings by the advertising agents or interest for belated payment if the same were required to be charged.
4. It has been decided to have separate advertising agents for English and Hindi editions. The earlier arrangement was to have one common agent for the English and Hindi editions which created difficulties in respect of recovery of money from the advertising agents."

1.80. The Telephone Directory Standardisation Committee in its Report, submitted in April, 1969 made the following observations in relation to arrangements for 'Advertising Agency':

"1. The Committee feels that if target dates for bringing out Telephone Directories at regular intervals are to be maintained, it must be ensured that advertising agents are promptly appointed and they commence their work immediately thereafter. It was, therefore, necessary to eliminate 'adventures' in the field and raising the earnest money would certainly help to do so. At the same time, the guaranteed revenue in certain circles was low and it would be illegal to fix a uniform amount of earnest money throughout the country.

2. The Committee feels that while a bank guarantee for the guaranteed minimum gross revenue does provide adequate cover to the department, on the other hand it creates serious financing difficulty to the advertising agent. The advertising agent who cannot reach his minimum guaranteed amount is no problem as full bank guarantee cover is available with the department. The advertising agent who produces business beyond the minimum guaranteed gross revenue is really in cover and he would pay the Government's share promptly to enable him to continue his already prosperous business. The insistence of a bank guarantee to the extent of gross amount would result in lower quotations for minimum guarantee and further result in extra payment to the agent when he crosses on already depressed minimum limit."

1.81. The following are the main recommendations of the Telephone Directory Standardisation Committee in this regard:

1. Advertisements for telephone directories published departmentally should be arranged through advertising agents appointed on the basis of all India competitive tenders.
2. Entries now collected departmentally under "Group Headings" (section of the directory) shall be merged in the classified Guide. These entries shall be collected by the advertising agent.
3. Separate tenders shall be invited for the appointment of advertising agents for each language edition of a directory published departmentally.
4. The contract shall be for four issues of telephone directories of telephone districts and three issues of telephone directories of Circles. This Contract shall run concurrently with the printing contract for the same directory.
5. The earnest money to be deposited by the tenders shall be raised to Rs. 2,000/- in respect of directories earning a gross revenue of Rs. I lakh and above. In other cases, the earnest money shall be Rs. 500/-.

6. The Bank Guarantee shall cover only the Governments minimum guaranteed revenue.
7. The liquidated damages shall be at a rate higher than the borrowing rate in the money market otherwise the deterrent affect will be lost.

1.82. The P&T Department have stated in a note that the examination of ten chapters of the recommendations of the Committee had already been finalised. The remaining recommendations were also being examined in the P&T Directorate and then they would be put up to P&T Board for decision.

1.83. The Committee observe that the P&T Department entered into a contract in this case with a firm of advertising agents for procuring advertisements for four successive issues of a telephone directory. According to the information furnished by the Department, the agent did not pay a sum of Rs. 3.08 lakhs towards Government's share of advertising revenue in respect of the second issue of the directory. The recovery is pending, as the agent has contested his liability in this regard through a suit filed in court. The Committee would like to be apprised of the outcome of the suit.

1.84. Certain issues, which have a bearing on the procedure to be followed by Government in procuring advertisements, arise out of this case :

(i) The established procedure in the P&T Department has been to procure advertisements through agents with whom contracts are periodically concluded for this purpose. These contracts provide for the agents guaranteeing to the Department a certain minimum revenue. The agents are entitled to get a commission of 25% upto the guaranteed minimum gross revenue and 40% for the revenue in excess of the guaranteed amount.

During evidence, the representative of the P&T Department expressed the view that it may not be desirable for the Department to procure the advertisements directly. It was stated that this might lead to "undesirable" practices and, besides, might result in entertainment of staff on a scale which might not be commensurate with the extra revenue derived by government. The Committee, however, find that one of the Zonal Railways has been procuring advertisements for time-tables directly without the intervention of agents. Even where the procedure for employing agents is adopted, a uniform practice is not being followed by various departments of Government. The P&T Department pay commission at 25%/40%, with a guarantee from the agents for a minimum revenue, the All India Radio pays 15%, without a guarantee, while some of the Zonal Railways which employ agents, pay 15% if advertising revenue secured by the agents exceeds a stipulated figure. Even advertisements from Government Departments are routed through agents.

The Committee are not happy over Governments/public undertaking advertisements for the telephone directory or any other government publication being routed through another agency to whom the same rate of commission has to be paid as is done by a private advertiser. The Committee feel that such advertisements ought to be either procured direct by Government or the rate of commission payable for them should be nominal.

The Committee would like a comprehensive review of the existing procedures in different departments to be made with a view to determining whether the services of agents should be employed or not and if so, at what rate they should be remunerated and whether the arrangements with agents need at all cover advertisements from Government Departments and public sector undertakings. A uniform procedure for observance by all the Departments should be introduced, if possible, after such a review.

(ii) The P&T Department has apparently no yardstick to measure the reasonableness of the minimum guaranteed revenue offered by the agents. The Committee feel that the Department should evolve some norms for judging whether the terms offered by the agents are reasonable or not. The Telephone Directory Standardisation Committee set up by the P&T Department had suggested for this purpose a reserve rate to be worked out by the Department based on the cost of the relevant space in the directory. A procedure on these lines should be worked out.

(iii) The agents employed by the P&T Department are required, according to the terms of the agreement, to furnish a bank guarantee to cover their obligations to Department. As an agreement covers three or four successive issues of a directory, it is essential to ensure that the bank guarantee runs for the full period of the agreement and further that the Department is not left without adequate guarantee, should the guarantee be invoked for default on the part of the agent in remitting Government's share of revenue in respect of the earlier issues of the directory. The Committee note that in the case mentioned in the Audit paragraph there were difficulties of this nature and the Ministry of Law, who were consulted, advised the Department to carry out modifications to the standard form of the

agreement, so that Government's interests could be fully protected. The Committee would like suitable action to be taken in this regard.

(iv) The Telephone Directory Standardisation Committee had pointed out that there were "adventurers" in the advertising field which it was necessary to eliminate. Two cases of default by agents have so far come to the Committee's notice: how many other such cases there have been is not known, as the Department have not furnished information on this point to the Committee. However, to protect itself against unscrupulous agents, the Department should consider raising the quantum of earnest money to be furnished by the agents. The provisions in the agreement regarding recovery of liquidated damages should also be made sufficiently stringent to operate as a deterrent against the temptation on the part of agents to delay remittance of Government dues. Failure to make payment of government dues in time should entail liquidated damages which should invariably be collected.

Short collection of revenue from departmental Public Call Offices

Audit Paragraph :

1.85. The cash collected from coin boxes fitted to the Public Call Offices having been found to be far short of the amount warranted by the relative meter reading, instructions were issued in 1956 directing *inter alia* that at least two trusted officials should jointly make these collections and that such officials should be put on rotational duty. In September 1966 it was further directed that two cash boxes should be provided for each unit, one alternating the other, so that the box removed from a Public Call Office was brought unopened to a central location and unlocked there in the presence of a gazetted officer. It has, however, been noticed that these instructions are not being complied with in most of the cases and that serious shortages continue to occur in these collections. A test check carried out in one of the telephone districts has revealed that cash collections from departmental Public Call Offices during the quarter ending March, 1968 have been short by about 58 per cent of the amount that should have accrued as per meter readings. At that rate the annual shortage in that District alone would be about Rs. 7.37 lakhs.

[Paragraph 9, Audit Report (P&T), 1969].

1.86. The Committee drew attention of the witness to the fact that in one telephone district, actual cash collections in departmental public call offices were short by 58 per cent of the amount that should have accrued as per meter readings. The Committee asked whether the Department had investigated the matter to ascertain the factors responsible for short collection and enquired how the Department made sure that no part of these collections had been misappropriated. The witness stated that the main causes for the difference between the meter readings and the actual collections were technical. Sometimes the call was put through only to find out whether the other party was in the house without dropping money in the coin-box. Sometimes mischievous people talked through the ear piece without inserting the coin. The party making a call in this manner could be heard faintly at the other end, then there were test calls meant for the departmental staff which were metered but were not charged for. Then there have been cases of insertion of spurious coins, mental pieces etc. Certain users resorted to frequent dialling of a particular number and they dropped the coin only when a particular person at the other end answered. If somebody else answered, they disconnected. There was also manipulation by unscrupulous persons in operating the balancing lever. Finally there was some amount of petty pilferage also.

Instructions had been issued that two officials should be deputed at the time of cash collection and those officials should be rotated from time to time. These instructions had been mostly observed in all the circles. Another instruction was that the cash collection boxes should be replaced by duplicate boxes and the original ones should be brought to office and opened in the presence of two people. This was being followed to the extent practicable but not completely because there was shortage of those boxes. Orders had been placed for the manufacture of more boxes. Test checks were carried out and it was found that in almost all the checks that were carried out, metering was much higher than the actual collections. The percentage ranged from 12 to 92 per cent in various cities. A new design was under contemplation which would involve a switch-over to the pre-payment type. At present it was post payment type. The party answered and then the money was put. A prototype was under manufacture and after seeing the prototype, a final decision would be taken.

By charging over to the pre-payment type, the Department would be able to circumvent some of the technical difficulties and manipulations. The pre-payment system could not for instance stop use of spurious coins. To eluminate pilferage by departmental staff, the Department was trying to improve the designs of those machines and to manufacture more coin collecting boxes so that the old boxes were not opened on the spot and new boxes put in their places, in the presence of two people. But still there would be a differnce between the calls paid for and metered calls.

1.87. Referring to the test checks carried out by the Department which showed metered calls to be 12 per cent to 92 per cent higher, the Committee asked to have a detailed statement showing (i) the number of test checks carried out during each of the last three years (ii) the extent of dispartiy stationwise between calls metered and those paid for. The P&T

Department have furnished the information as follows:—

Year	No. of test checks	Stations at which test checks were carried out	Extent of shortage as against the collection due as per meter readings
Rajasthan Circle			
1967-68	95	Alwar	13·6%
		Ajmer	74·5%
1968-69	107	Bharatpur	21·8%
		Beawar	12·1%
1969-70	117	Bhilwara	22·9%
		Jaipur	23·2%
		Jodhpur	55·5%
		Kota	25·3%
Mysore Circle			
1967-68			
1968-69	22	Davangere	87·0%
1969-70		Tumkur	67·0%
		Mysore	6·7%
		Hassan	3·3%
		Shimoga	100% (Rs. 2/- out of Rs. 2/-)
West Bengal Circle			
1967-68	12	Siliguri	50 to 60%
1968-69	46	Durgapur	6 to 9%
1969-70	24	Asansol	2 to 3%
Punjab Circle			
1969-70	1	Ambala Cantt.	66%
J & K Circle			
1967-68	Nil		
1968-69	Nil		
1969-70	1	Jammu Tawi	40%
1969-70	4	Srinagar	15%
Bihar Circle			
1967-68	6	Patna	40%
1968-69	36	Muzaffarpur	Nil
1969-70	36	Jamshedpur	37%
		Ranchi	30%
Hyderabad District			
1967-68			
1968-69	11	Hyderabad	62%
1969-70			
Delhi District			
1969-70	3	New Delhi	(1) 45% (2) 58% (3) 56·4%
Ahmedabad District			
1968-69	1	Ahmedabad	67%
1969-70			

1.88. The Committee enquired whether any action had been taken against the officials who were found responsible for pilferage. The witness stated that pilferage was a possibility but it could not be proved, because the difference could be due to several reasons between the number of calls actually paid for and that metered. Pilferage was only one of them and it was difficult to pinpoint as the cause of shortage in any particular case.

To prevent the possibility of pilferage, instructions were issued that two officials should collect jointly and they should be rotated from time to time so that nobody collected the same box too often. That system had been implemented whereas removing of the box and inserting the duplicating one in its place to avoid the need to open on the spot, had not been implemented fully. Even the boxes were brought into the Central Office after inserting the duplications, shortfalls would always be there due to various reasons due to mischief etc.

1.89. The committee drew the attention of the witness to a letter dated the 13th December, 1968 addressed to the Accountant General, Posts & Telegraphs, wherein it was stated that "eventhough instructions had been issued in September, 1966 that duplicate boxes should be used and the staff going for collection should only exchange the cash boxes which should be opened at a central location in the presence of a Gazetted Officer, it has not been possible to follow this because of shortage of cash boxes and non-availability of transport in the maintenance divisions. Necessary step to remove these shortcomings have already been initiated and spare cash boxes and jeep/car will be made available to the districts as early as possible". The Witness stated that during the last one year, the production of cash boxes had been stepped up. It was true that there had been some delay. In about six months every public call office would have duplicate boxes.

1.90. To a question from the Committee, the witness stated that the calls made by the officers of the Department were test calls to see that the Public Call Offices were working satisfactorily, and they were only nominal. The only way to stop the possibility of pilferage would be by having duplicate cash boxes, taking the original box unopened to a central place where it was opened in the presence of two officials who were rotated from time to time. The percentage of false coins collected was very small that was about 10 percent.

1.91. The Committee asked what concrete steps had been taken to augment production of coin collecting boxes. The Department have furnished the following information in a note.

The production of last 5 years is as follows :—

1964-65	600 Nos.
1965-66	445 Nos.
1966-67	500 Nos.
1967-68	800 Nos.
1968-69	2,305 Nos.
Programme for next three years is as below :	
1969-70	3,000 Nos.
1970-71	6,000 Nos.
1971-72	8,000 Nos.

1.92. The Committee enquired which of the two types *i.e.*, prepayment type or post-payment type was better. The witness stated that the prepayment type was a better one but but in a pre-payment box, if something went wrong with that mechanism and a call did not go through, the subscriber would have lost the money and would feel aggrieved. These machines were handled very roughly all over the world. Sometimes the receiver was cut off and taken away. This was the experience of all countries and it was worst in places like America and other places when compared to our country. The pros and cons had to be weighed before arriving at the decision to have pre-payment or post-payment. Apart from that, improvisation had been effected in the existing design to prevent mischief but human ingenuity being what it is, it was difficult to eliminate mischief.

1.93. The Committee desired to have a detailed note on the experiments being carried out with the new type of cash collection box indicating the progress made in this regard and the steps, if any, the Department proposed to take to instal the model. The Committee also enquired about the metering system in vogue in public call offices in countries like U.K., U.S.A., etc. The Committee also enquired when the Department would come to a final decision on the question whether Public Call Offices should be pre-payment or post-payment type.

The P&T Department have stated, in a note, furnished to the Committee, as follows :—

"In respect of the present model which is a post-payment type, it may be stated that the department started manufacturing it in its workshops from 1953 onwards. Earlier to this the Coin Collecting Boxes were being imported from countries abroad. They were of pre-payment type and push buttons had to be used for their operation. It was the experience of the Department that operation of this push buttons was somewhat complicated for Indian conditions and possibility of a caller losing his money if the buttons are not correctly operated or if the called number was found to be wrong one very high. Commensurate with the situation then it was considered appropriate to provide post-payment type of Coin Collecting Boxes which could help the calling party to identify the called number and then drop the coin. This is also a simpler type without push buttons. With the technological development that has since taken place a new type of prepayment type of CCB is being developed. If this proves satisfactory this will be adopted. From the present stage of development it is expected that a final decision would be possible during 1970-71.

As regards the metering system that is in vogue for the Public Call Offices in countries like, U.K., U.S.A., etc. the particulars are under collection and it will take sometime before these details can be furnished to the Public Accounts Committee. Information available at present indicates that the foreign countries have pre-payment type of Coin Collecting Boxes specially after the introduction of STD system and these Coin Collecting Boxes are much simpler to operate.

1.94. The Committee are disturbed to find that test-checks carried out by the Department have brought to light short collections in public call offices in respect of metered calls, ranging from 2% to 87% in different

telephone circles. The Committee recognise of course that this could be due to several factors, not the least of which is the fact that unscrupulous elements have found ways to make calls without paying for them. To minimise the possibility of such misuse, the Department are stated to be experimenting with a new type of pre-payment coin box to be installed in these call offices. The Committee would like to be apprised of the results of the experiments and the steps taken by the Department in the light of these results.

1.95. One factor which could cause shortage in collection is pilferage by departmental staff. The Committee note that Department are themselves cognizant of this, but are not in a position to pin point it as the sole reason in any particular case. It would be possible to minimise such pilferages, if each call office is provided with two coin boxes, one alternating with the other, ensuring also that coin boxes, which are removed for purpose of collection, are opened in one central place in the presence of a responsible official. In fact, instructions were issued in 1966 that two cash boxes should be provided for each telephone in a Public Call Office. This decision has not been fully implemented though over 3 years have passed. The Committee note that the production of cash boxes was not stepped up to any appreciable extent after the decision to provide duplicate coin collecting boxes was taken in 1966. Their production was trebled only in 1968-69. The Committee cannot help arriving at the conclusion that the short collection of money from Public Call Offices during the past 3 years is largely due to the omission to provide the duplicate cash boxes for which failure the responsibility rests on the P&T Department.

1.96. The Committee note the assurance given by the Department that a set of two boxes would be allotted to each public call office, in about six months. They trust that this will be done.

Incentive schemes in Departmental Workshops

Audit Paragraph

1.97. With a view to step up production and to bring down the cost per unit of the articles manufactured in the departmental workshops, an incentive scheme was introduced in 1962 in some sections of the three workshops in Bombay, Calcutta and Jabalpur. Under the scheme, workers giving more than the prescribed outturn are given additional wages calculated at certain percentages of their basic hourly rate. The scheme has been progressively extended over the years to cover more and more sections in the workshops. During 1967-68, however, while it was further extended to two more sections in the Bombay workshop, it was not extended to any new section in the Jabalpur workshop and was actually suspended in the galvanising section of the Calcutta workshop. The extent to which the incentive scheme has been introduced in the three workshops during the last three years and other relevant information are shown below :—

	Calcutta			Jabalpur			Bombay*		
	1965-66	1966-67	1967-68	1965-66	1966-67	1967-68	1965-66	1966-67	1967-68
I. Strength of Industrial establishment on 31st March . . .	2315	2310	2247	2034	2060	2020	1548	1506	1464
II. Number of workers who can be brought under the incentive scheme . . .	1853	1855	1855	1853	1853	1853	1317	1317	1317
III. Number of workers so far brought under the incentive scheme . .	1214	1214	1002	673	722	686	580	736	881
IV. Number of workers who earned incentive in March . . .	879	493	481	574	556	597	550	695	824
V. Extra production in terms of standard hours during the year (in lakhs of hours) . . .	2·61	2·29	1·53	3·97	3·95	3·61	2·64	3·41	4·73
VI. Incentive pay earned (in lakhs of rupees) by workers during the year	1·85	1·64	1·34	2·62	2·82	2·57	1·77	2·36	3·11

1.98. Out of a total of 5731 workers employed in all the three workshops during 1967-68, about 5025 were directly engaged on production while the rest were engaged on repair, maintenance, etc. Out of 5025 workers eligible to be brought under the incentive scheme 2569 (*i.e.*, 51%) were covered by it during 1967-68. Of these brought under the scheme, about 74% earned incentive pay in March, 1968.

[Paragraph 22, Audit Report (P&T), 1969]

1.99. The Committee pointed out that the progress made by the incentive scheme as reflected in the figures given in the Audit Paragraph were disappointing. The Senior Member (Finance) P&T Board stated that any incentive scheme was introduced only gradually in any factory. Sometimes its introduction had also to be deferred because of the material shortage. When there was not enough material, it was not fair to introduce the incentive scheme as there was no scope for additional production. The Department had suffered from shortage of materials due to scarcity of foreign exchange and various difficulties in getting supplies even internally. So the number of persons of an incentive scheme was bound to vary. The second would be lower than the first. Even people brought under the incentive scheme might not earn incentive pay due to various reasons. It might be due to the fact that some of the workers were satisfied with their out put, their wages, and they did not want to earn more; sometimes it might be due to the fact that there was shortage of raw materials.

The Senior Member (Tele. Com.—Operation), P&T Board stated that in Calcutta Workshop, out of 2136 workers, only 1760 could be covered under the incentive scheme as it was difficult to bring mazdoors etc. under this scheme. Of the 1760 covered by the scheme, 820 were earning incentives due to the fact that there was not enough production to put all of them on incentive. The factory had the incentive scheme from the beginning and methods were being improved. Unless there was extra work load coming up, all of them could not be put under incentive scheme. The incentive earning which the 820 put in, worked out as 76,000 hours for the year.

1.100. The Committee drew the attention of the witness to the fact that while the incentive scheme was further extended to two more sections in the Bombay Workshop, it was not extended to any new section in the Jabalpur Workshop and was actually suspended in the galvanising section of the Calcutta Workshop. The Committee desired to know the reasons therefor. The witness stated that in the galvanising section in Jabalpur, it was due to lack of orders. Beside in one workshop they were not prepared to undertake incentive scheme. In the Calcutta Workshop, new methods had been introduced in the galvanising section and that section refused to take to incentive scheme.

1.101. The Committee asked about the criteria adopted for introduction of the incentive scheme in various sections of the workshops. The witness stated that wherever incentive scheme was introduced, norms had been fixed. It was only when the production went beyond the norms fixed that the workshop was brought under incentive scheme.

1.102. The Committee desired the know whether the cost of manufacture of the different articles produced come down in the sections of these workshops in which the scheme had been operating for a number of years, and how far the value of additional production was comparable with the additional wages paid under the incentive scheme. The P&T Department, in a note have stated that it had not been possible to get the details from General Manager, within the short period given. The information was being collected from the different tele-communication factories and a detailed reply would follow shortly. The information is still awaited.

1.103. The Committee asked for the statistics of production of major items for each of the four years ending 1968-69 in each of the three workshops. The information has been furnished by the Department in a note which is summarised as follows:

Production of Major Items

Workshop	No. of major items	1965-66	1966-67	1967-68	1968-69
1. Tele-communication Factory Calcutta . . .	21	36,34,159	34,42,364	30,80,677	33,21,525
2. Tele-communication Factory, Jabalpur . . .	12	30,68,485	27,07,866	21,86,729	23,93,036
3. Tele-communication Factory, Bombay . . .	11	4,37,567	4,94,073	5,34,742	4,51,639

1.104. The full details of the major items produced in three workshops above have been shown in Appendix III.

1.105. At the instance of the Committee, the P&T Department have furnished the statistics about the labour forces employed in each of the workshops and the wage bill during the each of the four years ending 1968-69, in a note which is reproduced below:

Workshop	1965-66 Labour Force	Wage Bill (lakhs)	1966-67 Labour Force	Wage Bill (lakhs)	1967-68 Labour Force	Wage Bill (lakhs)	1968-69 Labour Force	Wage Bill (lakhs)
Calcutta .	2,315	57·85	2,310	62·11	2,247	66·90	2,207	70·82
Jabalpur .	2,304	47·15	2,060	52·43	2,020	60·56	1,964	55·60
Bombay .	1,5488	42·41	1,506	45·48	1,464	50·25	1,428	52·53

1.106. In the absence of information from the P&T Department about the value of additional production vis-a-vis **incentive wages paid, the Committee are unable to come to any definite conclusion about the success of the incentive schemes in the P&T workshops. The Committee would like to await the information as promised in this regard. The Committee would, however, like to point out that nearly 6 years after the scheme was started, it actually covered only about 37% of the eligible workers in the Jabalpur workshop, 56% in the Calcutta workshop and 66% in the Bombay workshop. The data given in the Audit Report would also show that in the Calcutta workshop, less than 50% of the eligible workers actually earned incentive pay. The quantum of incentive pay earned by the workers in this workshop has gone down from Rs. 1.85 lakhs in 1965-66 to Rs. 1.34 lakhs in 1967-68.**

1.107. The Committee appreciate the fact that, with raw material shortages that are stated to have occurred, the scope for extra production and payment of incentive pay would have been limited. However, the statistics of production of major items show that in respect of some items like stalks, sockets etc. production in the Calcutta workshop in 1967-68 was higher than in 1965-66. The Committee would like Government to undertake a review of the progress of the incentive schemes with a view to identifying the factors that have inhibited the scope for their expansion, particularly in the Calcutta and Jabalpur workshops, so that these would be tackled. To ensure that these schemes achieve their intended purpose, norms for production will have to be realistically fixed, so that additional production achieved is comparable with incentive wages earned.

Foundry of Calcutta Workshop

Audit Paragraph

1.108. In order to reduce the high cost of iron castings produced in a departmental workshop. partial mechanisation of its foundry was sanctioned in November 1965 at an estimated cost of Rs. 1.68 lakhs. The requisite machines were installed between December 1966 and July 1967, and brought into service in December 1967 after trial production and training of the required personnel, etc. There has, however, been a progressive decrease in the annual output and a steady increase year by year in the percentage of melting and fettling losses as shown below :—

Year	Metal u	Good	Melting and losses	Percentage loss of of metal
1965-66	4,422	4,030	392	9
1966-67	4,111	3,715	396	9·6
1967-68	3,660	3,238	423	11·5

1.109. The fall in the output of good castings, as compared to that obtained in 1965-66, was 7.8 per cent in 1966-67 and 19.6 per cent in 1967-68 although the decrease in man-hours during the same period was only 7 per cent and 12 per cent respectively. Besides, about 563 tonnes of casting were rejected in 1967-68 the loss on that account (labour employed and on costs) being about 1.61 lakhs.

[Paragraph 23, Audit Report (P&T), 1969]

1.110. The Committee drew the attention of the witness to the fact that in spite of the partial mechanisation of the foundry of Calcutta Workshop, there had been a progressive decrease in the annual output of good castings and a steady increase year by year in the percentage of melting and fettling losses. The Senior Member (Tele-communication Operations) P&T Board stated that the question had been examined by the P&T Department. He added that though "there is a slight increase in wastage", it was not wastage in a sense, because "we re-use it." Besides the product mix, not the total production of a workshop had to be taken into account in considering wastage. If the production mostly is of bigger items naturally the wastages may be less......you cannot just compare and say we have done 800 tons and the wastage 11 tons and this year you have done 790 tons but the wastage is 12 tons."

1.111. To a question the witness stated that norms for rejection had been fixed and there were marginal differences because of variations in the type of items.

1.112. The Committee desired to have the details of norms for rejections prescribed for various types of castings. The Committee also asked how the rejections in 1967-68 and 1968-69 compared with the norms. The P&T Department have stated in a note that the information was being collected from the General Manager, Tele-communications, Calcutta. The information is awaited.

1.113. The Committee also asked for a detailed note indicating as to why during the three years ending 1967-68 melting and fettling losses as well as percentage of scrap have been increasing, indicating the position in this regard in 1968-69. The Department have stated that the information was being collected from the General Manager, Tele-communication factories and a detailed reply would follow shortly.

1.114. Referring to the programme of modernisation of the Calcutta workshop, the Committee enquired whether it was true that out of Rs. 75.68 lakhs, earmarked for modernisation, as much as Rs. 70 lakhs were on buildings. The witness stated that the workshop in Calcutta was over 130 years old and new machines had been introduced periodically. But the most important factor was that the layout had got to be changed. In the present building, which was very narrow, it was not possible to carry out the programme. Methods Engineers and Consultants looked into the matter. A number of modern machines had been put in but unless a redical change in the layout was done, it would not be possible to improve further.

1.115. The Committee asked when modernisation was expected to be completed and whether the funds of Rs. 75.6 lakhs earmarked, were adequate. The witness stated that unless congestion was removed and stores were shifted the building work could not be commenced. New machines had been put in and more machines could be added if there was need for it.

1.116. The Committee desired to have a detailed note on the programme for modernisation of the Calcutta Workshop indicating the details of outlay and the progress made in the implementation of the Scheme. The P&T Department have stated in a note that the information was being collected and would be furnished shortly. The information is still awaited.

1.117. The Committee pointed out that the departmental cost of manufacture of sole plates B&C had gone up from Rs. 4.91 per unit in 1966-67 to Rs. 4.98 per unit in 1967-68 while the market price of that plate had fallen from Rs. 2.57 per unit in 1966-67 to Rs. 2.50 per unit in 1967-68. The Committee desired to know the reasons. The witness stated :

"This matter was commented upon by the P.A.C. in its earlier Reports also. And as a result of that we have constantly kept under watch the difference in cost of production in our workshop and the rate at which we can buy these things outside. We have tried either to bring down the cost or we have tried to stop production and buy it from the market. The differences are being gradually narrowed down. In fact the doubt which the Committee seems to have in its mind is in our mind also, because we do not want to be completely dependent on the outside market. There are certain critical items for which we would not like to depend on the outside market though the price is lower. We have to keep our workers employed. So, it is striking a delicate balance between these various considerations and we are constantly at it. It is a problem which is engaging the attention of the workshop Board throughout its deliberations. There is another aspect when we purchase from outside. It is very difficult to have a proper check on the quality. When we manufacture it, we are sure of the item right from the material used and so on. It is very difficult to check the quality and some times we have experienced it later on, after the wear and tear. Proper check on quality is not possible. To that extent we have reduced the prices. On certain items, there may be marginal differences. Otherwise, we have been manufacturing these for so many years and we have the necessary tools etc. The supply of sole plates from outside sources is not satisfactory and during 1968-69, we have not been able to get them and we are not able to compare the prices. We have got the stalks. Here perhaps, the rate is higher than the manufacturing rate. The smaller stalk is slightly costly—Rs. 0.59 per unit in our factory and Rs. 0.52 per unit outside. Supplies from outside are not satisfactory and we cannot get them. There are other cases where it is still cheaper. So, it is a matter that wherever we can ensure to be sure of the quality. There are certain DP Boxes which we buy. It is very difficult to test their quality, and it is very difficult to reject them—because after some years it will be known that poor material has been used."

1.118. The Committee pointed out that in their 40th Report it had been suggested that the Department should keep a close watch over the cost differential between the workshop rate of items and their outside purchase rates. Where the departmental cost of items consistently exceed the market price by more than certain margins to be prescribed by the Department, the question of stopping the departmental manufacture should be considered and ensure supply of those from the open market through rate contract or other long term arrangement. The reply received from the Department was that "a systematic review of cost comparison is made in respect of common items which are manufactured in Tele-communication factories and purchased from outside market. A decision has already been taken that wherever the cost of manufacturing in the Tele-communication factories is higher than the outside purchase rate by more than 25 per cent, the prospects of most reduction and decision for continuance of manufacture should be examined in each case and put up to the Board of Management of the Telecommunication factory for orders. However, no such case has arisen during the period 1968-69". The Committee enquired whether the differential of 25 per cent was not on the high side. The witness stated "There are two ways. One is that we are modernising the factory and introducing methods to reduce the cost. Second thing is of quality. Thirdly in the case of breakdown, it will be difficult to get certain items from the outside market. But, we are gradually bringing down the cost as per details we have just furnished ......We have kept this 25 per cent difference which is very high. In actual fact, the difference is not 25 per cent....Between the outside the market and our production, gap is not so wide as that. This is the limit we have fixed for the outside purchases. We are trying to reduce the cost and to improve the production."

1.119. The Committee enquired as to how this quality is tested from the point of view of workmanship and precision in those workshops. The witness stated:

"The items that we make like switch boards, coin collecting boxes and other equipment items are of a very high precision. Even the line material that we make, stand for hundreds of years. Nothing has gone rusty. We see to it that the quality is such that the item gives its proper life."

1.120. When the Committee enquired whether the quality was checked by an independent agency, the witness stated that the Department exercises its first check in the factory. There is a separate testing organisation with the Additional Chief Engineer (Technical Development) which is an independent organisation, through which all these stores have to pass.

1.121. The Committee enquired as to how the cost of production of various items in the Calcutta Workshop compared with the cost of the Workshops in Bombay and Jabalpur. The witness stated that "in respect of channels the figure is—Calcutta 5.56, Jabalpur 5.479. In Calcutta there is compensatory allowance. Two years ago it was 6.3 compared to 4.79. Now it had been brought down to 5.56. We are conscious of these figures being higher in Calcutta and we are making effort to bring it down. In regard to Switch Board the figure in—Calcutta is 4497, Bombay 4770. Bombay was primarily doing this job. In Calcutta we introduced recently. In Calcutta it was a problem but we have done more or less by way of computation method."

1.122. The Committee desired to have data regarding cost of production of common items for each of the three years ending 1968-69 for Calcutta, Bombay and Jabalpur. The information has been furnished by the Department in a note as follows :—

No. Name of the common item	Unit cost of production during					
	1966-67		1967-68		1968-69	
	(a) Calcutta and Jabalpur					
	CA	*JB*	*CA*	*JB*	*CA*	*JB*
1. Bracket Channel Iron 4-W Phones	4·62	4·20	4·57	4·26	6·30	4·79
2. Bracket Channel Iron C 8 Heavy .	14·35	15·06	16·16	14·35	—	—
3. Bracket Channel .	14·55	—	16·05	13·54	17·54	14·19
4. Stalks 6·5/8" Teleg. . . .	0·65	0·49	0·69	0·58	0·74	0·62
5. Stalks 5½ Phones	0·56	0·47	0·62	0·51	0·56	0·56
	(b) Calcutta and Bombay					
	CA	*BY*	*CA*	*BY*	*CA*	*BY*
6. T-43 Trunk Board C.I.T. Low Type .	5585·07	4539·00	4989·56	4298·00	—	4292·00
7. T-43 Trunk Board Outgoing Low Type	4782·38	4888·00	5529·15	4714·00	5600·00	4770·00
8. Relay Racks T & J	—	5625·00	5025·80	5544·00	—	5342·00
9. Relay Racks S & R	—	4775·00	4970·75	4709·00	—	4560·00
	(c) Bombay and Jabalpur					
	BY	*JB*	*BY*	*JB*	*BY*	*JB*
10. PBX Cordless 3+9 lines . .	1723·00	2140·00	1689·00	—	—	—

1.123. The Committee also desired to have information on the following points :—

(i) The principal items of production in the Calcutta Workshop and their cost of production during each of the three years ending 1968-69; and

(ii) How many of the foregoing items are available in the market and how the market rate compared with cost of production in 1967-68 and 1968-69.

The P&T Department have furnished the following information in a note seriatim as under :—

No.	Name of the principal item	Cost of production (average) in the year		
		1966-67	1967-68	1968-69
1.	Socket C	—	41·52	41·91
2.	Anchor for Stay	5·19	5·63	5·63
3.	Sole Plate B & C	4·68	4·70	5·47
4.	B.A.T. Non-C8	2·83	2·91	3·03
5.	B.A.T. 6"	—	6·21	5·08
6.	Saddle 'A'	—	0·80	0·84
7.	Stay Rod 6'	2·00	2·11	1·90
8.	Backs UA-I	0·71	0·74	0·82
9.	Backs UA-II	0·75	0·84	0·86
10.	Bracket Channel Iron 4-W Telephone 12" Sepn.	4·62	4·57	6·30
11.	Bracket Channel Iron 8-W Telephone Sepn.	10·29	14·71	11·08
12.	Bracket Channel Iron	14·55	16·05	17·54
13.	Bracket Channel Iron Teleg. Sepn. Non-C8	13·29	15·39	17·73
14.	Bracket Channel Iron 8-W heavy	14·35	16·16	—
15.	Stalks 6·5/8" Teleg.	0·65	0·69	0·74
16.	Stalks 5½" Phones	0·56	0·62	0·56
17.	Cable Joint Indicator	—	3·28	3·79
18.	Cable Route Indicator	—	3·35	3·69
19.	Stay Shackle ½"	2·67	2·98	2·04
20.	Junction D.P. Boxes 20 Prs. (External)	107·23	74·57	57·42
21.	Charging Board A/AC type	1057·88	1270·54	1456·21
22.	T-43 Trunk Board C.I.T. Low Type	5585·07	4989·56	—
23.	T-43 Trunk Board Outgoing Low Type	4782·38	5529·15	5600·14
24.	P.B.X. Floor Pattern 10+50 Lines	—	9230·63	8659·86
25.	C.B. Non-Multiple Switch Board :			
	(a) 10+50 lines	7548·96	7703·68	7740·48
	(b) 10+100 lines	8786·94	8909·71	8596·84
26.	C.B. Multiple :			
	'A' position	—	9830·04	8717·23
	'B' position	8557·88	4026·92	3397·37

(*ii*) The required information is given below :

No.	Principal Items	Unit cost of production		Unit cost of purchase from outside market	
		1967-68	1968-69	1967-68	1968-69
1.	Sole Plate B & C	4·98	5·74	2·50	—
2.	Stalks 6·5/8" Teleg.	0·72	0·78	0·78	0·86
3.	Stalk 4½" Phone	0·65	0·59	0·52	0·52
4.	Stay Shackle ½"	23·13	2·14	1·67	—
5.	D.P. Boxes 20 Prs. (External) . .	78·30	60·29	62·60	66·40
6.	D.P. Boxes 10 Prs. (External) . .	65·33	48·86	46·40	41·03

1.124. The Committee cannot help feeling that in spite of partial mechanisation of the foundry, the performance of the Calcutta Workshop has not improved. The data in the Audit Report would show that production of good castings in the workshop foundry has come down from 4,030 tons in 1965-66 to 3,238 tons in 1967-68 with a corresponding increase in loss of metal. The representative of the P&T Department attributed the higher wastage to the product-mix of the workshop and stated that, if the production was oriented towards bigger items, the wastage would be less. However, in the absence of data from the Department about actual rejections on various operations in relation to prescribed norms, the Committee are reluctant to accept this explanation.

1.125. The data about the cost of production of major items in the workshop shows that the unit cost has gone up in respect of as many as 20 out of 26 items between 1966-67 and 1968-69. The increase in unit cost has been particularly marked in respect of different types of channel iron brackets, sole plates and charging boards. The Committee would like steps to be taken by the Department to bring down the cost.

Use of teleprinters

Audit Paragraph

1.126. A District Manager of Telephones, to whom six teleprinters were supplied in April, 1967 for allotment to subscribers on his waiting list, installed them instead in his own and subordinate offices—three in his own office and one in each of the Sub-Divisional Offices under him—all of which are situated in the same town. He did so with the avowed object of securing quick and correct transmission of messages between his office and his subordinate offices about installation of new telephone connections and maintenance, etc., of the existing lines. The total expenditure, including the cost of the machines, was Rs. 60,000.

1.127. No sanction from the competent authority was taken before the teleprinters were so installed. The competent authority continued, in fact, to be sceptical about their utility and it was not until June, 1968 that the necessary sanction was accorded by him.

1.128. On an average, about 40 to 50 such messages were expected to be transmitted on each of these teleprinters every day. The volume of traffic actually handled by these teleprinters has been no more than about one-third of that expectations. These teleprinters have, accordingly, remained considerably under-utilised ever since they were installed. Had they, as originally planned, been allotted to subscribers on the waiting list (who then were twenty in number), income from rental alone would have been Rs. 13,800 for the period from April, 1967 to October, 1968. On the basis of the average earnings of such machines in that District at that time, the revenue which in addition to rental could have been earned from those teleprinters during the same period, had they been allotted to the Public, would have been Rs. 57,000.

[Paragraph 11, Audit Report (P&T), 1969]

1.129. The Committee desired to know the circumstances under which the District Manager installed the teleprinters in his own office and subordinate offices without obtaining the sanction of the competent authority. In a note, the Department of Communications (P&T Board), have stated that the District Manager, Telephones, Hyderabad, had taken out some teleprinters from the maintenance stock of telex system, for conducting an experiment to speed up certain aspects of work in his office *e.g.*, regarding telephone work orders. They have added that "to try out an experiment, out of a stock of machines spare at his disposal does not require any special sanction".

1.130. Taking note of the fact that the volume of traffic actually handled by the teleprinters had been no more than about one-third of their expected transmission of 40 to 50 such messages, the Committee enquired how, when the machines were actually under-utilised, the competent authority accorded *ipso-facto* sanction and acquiesced in the action of the District Manager, Telephones, Hyderabad. The P&T Department, in a note furnished to the Committee, have stated that "the competent authority is satisfied with the net overall commercial advantage..........By introduction of teleprinter arrangement, there is a saving of Rs. 10,638/- in annual expenditure and the scheme also enables quicker provision of telephone connections and thereby facilitating earning of revenue". The saving of Rs. 10.638/- in annual expenditure, as worked out by the P&T Department, is as detailed below :—

Expenditure incurred in 'order book work' between District Manager, Telephones' Office and three Sub-Divisions

Before introduction of Teleprinter circuit	After introduction of Teleprinter circuit
A. Cost of operation establishment for 8 clerks detailed at order book point for the following work :	A. Cost of operation Establishment for 4 clerks detailed in order book point for the following work plus spl. pay for 3@ Rs. 10/- p.m.
(*i*) Study of case, drafting order book entry. (*ii*) Writing of Order Book entry in register, passing the same to Sub-Divisions on phone. (*iii*) Preparation of advance note manuscript in triplicate.	(*i*) Study of case and typing out the advice note Teleprinter machines in quadruplicate (as well as the four items of jobs enumerated on the left hand side are done on at the same

	(*iv*) preparation of slips (i.e. advance note) and passing on the CDX (TR Branch). 278×8×12	Rs. 26,688		time—nearly 50% of work reduced and economy of staff employed achieved. 278×4×12 plus 3×10×12 Rs. 13,704
B.	3 clerks at Sub-Divisions to receive the orders by phone, write down the same in the order book register and transmit the completion Report. 278×3×12	Rs. 10,008	B.	1·5 clerks at Sub-Divisions to attend to the following work : To receive the typed advice notes at their end and passing on completion reports. By this method, phonetic errors and writing work is avoided 50% of reduction in staff employed 278×1½×12 Rs. 5,004
C.	Rent of 3 non-exchange lines from D.M.T.'s office to 3 Sub-Divisions for transmitting the order book and to receive the completion Report. Gauliguda 1·5 km=325 Saifabad 3·5 km=475 Secunderabad 9·0 km=850 Rs. 1,650		C.	Rent of 6 Teleprinter machines provided between DMT's office and 3 Sub-Divisions Rs. 1500×6 Rs. 9,000
	Total : Rs. 38,346			Rs. 27,708

net saving Rs. 10,638.

1.131. The Committee asked whether the competent authority sanctioned the installation of the teleprinters as a permanent measure and if that was the case, the grounds on which it was sanctioned. The P&T Department, in a note furnished to the Committee, have stated that the scheme was sanctioned as a pilot one in the district allotting six teleprinters separately for the purpose when the economies of the scheme were found acceptable. In the meantime, Government had set up a Billing Committee to go into modernising the billing system in the Telephone Branch. As change in billing procedure, as a result of that Committee's report, may change certain procedure now in vogue, (or which the use of teleprinter is now put to) it was proposed to await the report of that committee which had almost completed its work for standardising on this system.

1.132. When the Committee enquired about the present utilisation of the teleprinters, the P&T Department have stated, in a note, that "it is not merely the utilisation of machine time that is important but the overall improvement in efficiency and economy. At present 35 to 40 messages daily are exchanged in each link".

1.133. The Committee enquired about the total number of teleprinters available with District Manager, Telephones, Hyderabad and the total number of subscribers in the waiting list. The information has been furnished as follows :—

Total number of teleprinters available	10
No. of teleprinters machines allotted and likely to be received in March 1970	25
Waiting list	7

1.134. The Committee can see no justification for the District Manager, Telephones having appropriated for use in his own offices, teleprinters supplied to him for allotment to subscribers in the waiting list. The needs of the public should have received priority over departmental requirements, particularly when there was a waiting list of customers. It has been stated by the Department that the installation of these teleprinters had brought about a saving of Rs. 10,638 in annual expenditure. The Committee find this explanation ingenious but unconvincing. Besides it is apparent from the reply given by the Department that the teleprinters would have been put to better use by the subscribers.

1.135. The Committee would like steps to be taken by the P&T Department to have these teleprinters withdrawn from Departmental use and supplied to the customers.

The Committee are not convinced by the explanation of the Department that District Manager, Telephones, Hyderabad, had taken these teleprinters for experiments and no special sanction was required in this case. The Department itself had accorded ex-post-facto sanction.

Losses of stores.

Audit paragraph

1.136. The losses of stores in 1965-66, 1966-67 and 1967-68 are given below :

Year	No. of cases of losses of stores	Amount	Copper wire thefts included in columns 2 and three	
		(Rs. in lakhs)	Number	Amount
1965-66	8,702	19.05	8,131	15.90
1966-67	12,538	37.80	11,158	33.87
1967-68	16,256	78.13	15,149	72.62

1.137. An analysis of these losses by main classes and the agencies indicates that the number of cases of losses due to theft has gone up from 12,207 in 1966-67 to 16,137 in 1967-68, the amount having increased from Rs. 36.06 lakhs in 1966-67 to Rs. 77.38 lakhs in 1967-68.

[Paragraph 28, Audit Report (P&T) 1969]

1.138. The Committee pointed out that nearly 80 to 90 per cent of the value of losses was due to thefts of copper wire. In 1967-68, there were 15,149 such thefts involving Rs. 72.62 lakhs. In 8,689 cases involving a loss of Rs. 49.09 lakhs from the existing alignment etc., the loss was caused by persons unconnected with the department. The Committee recalled in this connection that the department had earlier stated before the Committee that the penalty for copper wire thefts should be more deterrent and that copper wire be replaced by copperweld wire. The Committee enquired whether the penalty for copper wire thefts had been made more severe now and whether manufacture of weld wires had started in Hindustan Cables. The P&T Department have stated in a note that the unlawful possession of Telegraph Wire Act is being amended to provide for enhanced punishment. The Bill to amend the Telegraph Wires (Unlawful possession) Act, 1950, has since been passed by Rajya Sabha on the 26th November, 1968. *Inter alia,* clause (a) of Section 5 of the Principal Act has been proposed to be amended as follows :—

> "(a) for the first offence, with imprisonment for a term which may extend to five years or with fine or with both and in the absence of special and adequate reasons to be mentioned in the judgment of the court, such imprisonment shall not be less than one year and such fine shall not be less than one thousand rupees."

As regards the manufacture of weld wires, the Department have stated that for the manufacture of copper ply wire is equivalent to copper weld, a project has been approved by Hindustan Cables Ltd., Rupnarainpur. M/s. Hindustan Cables have reported that if there are no unforeseen difficulties, the production of copper ply wire can commence in 1971-72.

1.139. The Committee asked whether a plan for phased replacement of copper wire by copper weld wire has been drawn up and is being implemented. The P&T Department have stated that the intention is to replace all the sections where copper wire are in use, but due to shortage of copperweld wire and insufficient ACSR wires, it has not been possible to strictly follow a performance as such, but priorities have been allotted to use the available wire. A programme on these lines was being drawn up.

1.140. The Committee desired to know the extent of theft of copper wire during 1968-69 and whether it has shown any abatement as a result of measures taken by the Department in cooperation with the State Governments. The P&T Department have stated that the extent of copper wire thefts during 1968-69 was 17,482 involving an amount of Rs. 101.18 lakhs. They have added that this is primarily a law and order matter and inspite of various measures for coordination with police, the thefts continue to take place. Even if the culprits were caught as per present Act, the punishment did not prove sufficient. Even with the amendment of the Act as proposed, there may not be much relief. Organised gangs appeared to move from place to place. Over all in the country, as a whole, the losses due to thefts had increased inspite of intensive efforts to combat this.

1.141. The Committee drew attention to the fact that out of cases relating to 1967-68, responsibility had not been fixed in about 3,232 cases (value Rs. 11.05 lakhs) due to thefts upto July, 1968. The Committee desired to know the present position. The P&T Department have stated that "the information is being collected from the units and will be furnished shortly." The information is still awaited.

1.142. To a question, the Department have stated that these cases of theft were reported to the police in time or enquired into without undue delay.

1.143. The Committee note that a bulk of the losses of the P&T Department were caused by thefts and mostly they were of copper wire. The thefts on this account have reached alarming proportions: they have shot up from Rs. 15.90 lakhs in 1965-66 to Rs. 72.62 lakhs in 1967-68. The Committee appreciate that this is primarily a law and order problem, as the thefts are perpetrated by gangs moving from place to place. Regular patrolling and better coordination with the police authorities might check these thefts. The Committee would also like Government to consider whether the penalty for these thefts, which is proposed to be made more stringent by an amendment to the "Telegraph Wires (Unlawful Possession) Act, 1950," could be made even more severe, as the Department have expressed the view that even the proposed amendment may not offer much relief.

1.144. The Committee have already suggested in their earlier reports the progressive substitution of copper wire by copper weld wire and aluminium conductor steel reinforced wires, so that the inducement to thefts could be minimised. The Committee trust that a scheme for this purpose will be implemented by stages to cover within a stipulated period all alignments using copper wire.

Defalcation or loss of public money.

Audit Paragraph

1.145. 1963 cases of loss of public money involving Rs. 19.43 lakhs came to light in 1967-68.

The employees of the department were responsible for about 64 per cent of the loss reported during the year. Responsibility could not be fixed or has not yet been fixed (July, 1968) in 345 cases in which Rs. 3.81 lakhs (i.e., 19.6 per cent of the total loss) were lost.

1.146. Out of the total loss of Rs. 19.43 lakhs, Rs. 3.88 lakhs were recovered upto July, 1968.

[Paragraph 29, Audit Report (P&T), 1969]

1.147. The Committee drew the attention of the Department to the fact that the employees of the Department were responsible for about 64% of the total loss of Rs. 19.43 lakhs reported during the year. Pointing out that responsibility could not be fixed or has not yet been fixed in 345 cases in which Rs. 3.81 lakhs were lost and that out of the total loss of 19.43 lakhs, Rs. 3.88 lakhs were recovered upto July, 1968, the Committee desired to know whether any further recoveries had been made after July, 1968. The P & T Department have stated in a note, that out of the loss of public money amounting to Rs. 19.43 lakhs in 1967-68, Rs 3.88 lakhs were recovered upto July, 1968 and further recoveries to the extent of Rs. 59.271 have been made till January, 1970.

1.148. The Committee pointed out that in reply to their recommendations in paragraphs 7.12 and 7.13 of their 13th Report (Fourth Lok Sabha), the Department had stated that as a result of tight supervision over the branch post offices doing savings bank work, the number of fresh cases of fraud had come down to a great extent. Actually, savings bank frauds rose to 319 in 1967-68 from 250 in 1966-67. The Committee desired to know whether the Department has generally studied the *modus operandi* in frauds committed in savings bank account and taken any remedial action as a result of such a study. The P & T Department, in a note have furnished the following information :

"A Working Group on measures to control savings bank frauds was set up by the P & T Board in its meeting held on the 4th April, 1966, consisting of the Deputy Director-General (Vig) as Chairman, the Deputy Financial Adviser and Director (SB) as members. The said Working Group submitted their recommendations to the P & T Board and the decisions taken by the Department on some of the recommendations are indicated...........

It may also be stated that the *modus operandi* adopted in each important savings bank fraud case is studied in the Directorate and remedial measures taken to check further frauds of the same nature. At the end of each quarter an analytical review of all fraud and loss cases including savings bank frauds is prepared and submitted to the P & T Board and instructions are issued as per observations and suggestions of the P & T Board."

1.149. Decisions taken by the P & T Department on the recommendations of the Working Group on Savings Bank Fraud cases are indicated as follows :

1. The five important instructions printed on pages 32 and 37 of the new pass book have been printed on pages 1 and 2.
2. Posters containing some important points have been printed both in English and regional languages and circulated for exhibiting at a prominent place near the counter.
3. Instruction No. 4 under important instructions to Depositors in Pass Book has been amended to the effect that Pass Books may be presented at or sent to Head Office direct.
4. An instruction to the depositor to the effect that the depositor should in no case leave the pass book at the post office at any time without obtaining a printed receipt for the purpose, has been provided in instruction 5 in the pass book.
5. It was decided to issue notices to the depositors in whose case no transaction had been taken place for six years and where the balance was Rs. 100/- and above. The lists of such depositors were prepared with reference to silent account lists

received from Audit office and notices were issued. As a result thereof, some accounts have been revived.

6. To facilitate the recently introduced check of balances in pass books by the overseers, orders have been issued to keep list of accounts holders, branch-wise and village-wise with them, so that while passing through villages before visiting a branch office, they may contact the depositors and take down the particulars of last transactions from their pass books to be verified by them on reaching the branch office.
7. Instructions have been issued providing for the limit of withdrawals at branch offices and extra-departmental sub-offices being operative on daily basis.
8. Rules have been framed to keep the specimen signatures book in the custody of the postmaster after working hours.
9. Orders have since been issued for verification of withdrawal of Rs. 1000/- and above made at branch offices and single handed sub-offices by the Town Inspectors and Inspectors of Post Offices. Similar verification is also to be done in respect of 25% of withdrawals of Rs. 1000/- and above at double handed sub-offices.

1.150. The Committee drew the attention of the Department to paragraph 31 of the Audit Report wherein it has been mentioned, amongst other, that Audit has noticed as a result of its test check that in 130 offices specimen signatures of savings bank depositors were not on record in 73,166 cases. The Committee asked whether a drive was undertaken to obtain the specimen signatures and complete the departmental records. The P&T Department have stated that instructions to launch a concerted drive to obtain the wanting specimen signatures were first issued on 18th October, 1967 to all Heads of Circles. They were requested to utilise the services of outdoor staff viz. Mail Overseers, Town Inspectors and Inspectors of Post Offices for the purpose. Since then instructions have been issued a number of times to the Circles concerned to complete the record as early as possible. The circles named in the Audit para have tried to complete the records by adopting all possible methods including launching drives through the field staff. As a result of these efforts, the number of wanting specimen signatures has been reduced to 7,742 against 73,166 reported by the Accountant General, Posts and Telegraphs.

1.151. The Committee note that defalcations or frauds caused a loss of Rs. 19.43 lakhs in 1967-68 as compared to Rs. 14.25 lakhs in 1966-67. Savings banks frauds alone accounted for a loss of Rs. 5.76 lakhs and the number of cases of such frauds increased from 250 in 1966-67 to 319 in 1967-68. The Committee note that the Department are alive to the need to take precautions to avert frauds of this and other types and trust that constant vigilance will be maintained. Deterrent action should also be taken against all departmental officials found to be involved in such cases.

Loss of stores through successive thefts.

Audit Paragraph

1.152. Eight cases of alleged thefts—six from the godowns of a Telegraph Stores Depot and the storeyard of a workshop, which are located in the same premises, and two from a stocking area of the same workshop situated some distance away—were noticed between February 1967 and April 1968. The missing stores were mostly copper wire, copper scrap, tinned wire, S.N. sheets and cut pieces and mild flats and channels. The missing stores weighed 64,454 kilograms and their value was about Rs. 1.44 lakhs. Five of these cases were reported to the local police and three to the Special Police Establishment. Two of these cases have since been filed by the police as untracted; the remaining six cases are still under their investigation (January 1969).

1.153. Under the departmental rules, all losses exceeding Rs. 500 in value are required to be reported immediately to the superior officer as well as to the Audit. In four of these cases, however, there was delay, ranging from 60 to 231 days, in making these reports to these authorities. The police itself were informed after 60 days in two cases and after 146 days in one case.

[Paragraph 27—Audit Report (P & T), 1969]

1.154. The Committee pointed out that under the departmental rules, all losses exceeding Rs. 500/- in value are required to be reported immediately to the superior officers as well as to the Audit. In four of the cases, however, there was delay, ranging from 60 to 231 days in making those reports to these authorities. The Committee desired to know as to why the cases were not reported immediately to higher authorities and Audit as required under the rules. The P & T Department, in a note, have stated that in all the cases of thefts in respect of Telecommunication factory stores referred to in the Audit Paragraph, there was no direct evidence *i.e.* tampering with the seal, lock of the godown, displacement of stores etc. to the effect that the cases were that of theft and not cases of normal discrepancies of stock of stores postings etc. More than 400 cases of discrepancies in a year are detected during stock verification and each case of discrepancy has got to be throughly investigated to find out the reasons for the discrepancies before they are adjusted in accounts. Unless the theft is *prima facie* established after investigation, the matter cannot be reported to the police or to the higher authorities. The process of verification took time. When it was established that the cases were not of discrepancies but of loss due to theft, the matter was immediately reported to the police, audit and higher authorities.

1.155. The Committee enquired whether the delay of two to eight months in investigating the discrepancies to establish a *prima facie* case of loss was usual and any remedial action had been taken to avoid similar delays in future. The Department have stated in a note that the delay of two months and above in investigating the discrepancies to establish a *prima facie* case of theft or otherwise is not usual. Detailed procedures have been laid down by the Manager, Telecommunication Factory, Calcutta, for immediate settlement of cases of losses of stores including adjustment of discrepancies in the accounts, the strict adherence of which would eliminate delays and ensure quick disposal of these cases.

1.156. The Committee pointed out that as in January, 1969, out of the eight cases reported to the local police (five) and to the Special Police Establishment (three), two of these cases had been filed by the police as untraced and the remaining six cases were under investigation The Committee asked for the reasons for delay in the investigations of the remaining six cases. The P & T Department have stated in a note that the reasons for delay in completing the investigations by the police authorities were not known. On 29th May, 1969 the Deputy Commissioner of Police, South Division Police Office, Calcutta informed the Manager, Telecommunication Factory, Calcutta that the losses were duly enquired into by the Alipore P. S. and as on clue could be obtained the matter was diarised.

1.157. The Committee are not happy about prolonged and infructuous investigations that took place in these cases of thefts which involved a loss of Rs. 1.44 lakhs. There was delay of two to eight months in investigating these cases departmentally before the matter was reporter to the police. There was a further delay of over a year on the part of the police authorities in completing the investigations, before the cases were finally closed. The Committee take a serious view of such delays in cases of theft or shortages. Better liaison will have also to be maintained by the Departmental authorities with the police to ensure swift investigation of all cases:

Absentees shown as on duty in the establishment bills.

Audit Paragraph

1.158. The pay-bills of non-gazetted staff are drawn and disbursed by the head of the establishment without prior check by audit. After payment, these bills are sent to the Audit Office accompanied, *inter alia*, by absentee statements which show the names and designations of the employees on leave the nature and duration of their leave and the pay and allowances admissible to them during such leave. In the case of a large organisation it was noticed, however, that its establishment pay-bills were generally not accompanied by absentee statements. Those statements were not received even after repeated requests and reminders from Audit.

1.159. A test check conducted locally in October 1968 revealed that most of the employees, who were actually on leave (some on half-pay and other even without pay), had been shown in the pay-bills as on duty and their pay and allowances drawn accordingly. The period covered by the test check was from 1st April 1966 to 31st October 1968; the number of cases of over-payments noticed was 77 and the total over-payment in these cases was Rs. 5,700. The department has been requested to make the requisite recoveries.

[Paragraph 21—Audit Report (P & T), 1969.]

1.160. The Committee pointed out that over-payments to the extent of Rs. 5,700 were made in 77 cases due to the fact that a number of employees, who were on leave, had actually been shown in the pay bills as on duty. The Committee enquired whether the consequent over-payments had been recovered. The P & T Department have stated, in a note, that the entire overpayments, as pointed out by the Audit, have since been recovered.

1.161. According to the information furnished to the Committee, a procedure for issue of consolidated leave orders covering a number of employees who may proceed on leave from time to time had been introduced as per recommendations of the Staff Inspection Unit. The Committee enquired whether this procedure did not involve delay in notifying leave in some cases. The P & T Department have stated that the procedure of consolidated leave orders recommended by the Staff Inspection Unit did involve a certain amount of delay to the extent that the leave memos are not issued concurrently. Steps had been taken to obviate the delay firstly by issue of leave memos more frequently, secondly by the introduction of a leave register which would convey advance information to the pay section about the nature of leave due and thirdly by enforcing stricter check to ensure early adjustment of unavoidable overpayments.

1.162. The Committee asked whether the Department had reviewed all the pay bills including those Class IV officials to ascertain the possibility of overpayments of this nature having been made in other cases, and if so, with what results. The P&T Department have stated that it was not possible to undertake a review of all the service books and pay bills of non-gazetted staff which number approximately 1400. The period involved was from 29th July, 1961 when the Staff Inspection Units' recommendations were enforced, to October, 1968 when the irregularity was brought to notice by Audit. It is felt that overpayments involved may not be commensurate with the labour and expenditure involved in undertaking the review.

1.163. The Committee desired to know whether the absentee statements were being furnished regularly to Audit with the pay bills and also the extent of arrears, if any, at present. The Department have stated that the absentee statements are now being furnished regularly to Audit with the pay bills and there are no arrears in the current work.

1.164. The Committee asked whether the Department came across cases where pay and allowances were fradulently drawn by furnishing incorrect information in establishment pay bills. The department have stated that there are no cases of such nature.

1.165. Though the amount of overpayments in this case was not large, the Committee feel that the irregularity which occurred was serious in nature. In 77 cases, covering a number of employees who were on leave between April 1966 and October, 1968, a test-check by Audit revealed that duty pay had been paid to the employees for periods when they were actually on leave. The fact that this occurred over a period of two years and that the irregularity was rectified by the Department only after Audit raised the matter shows how careless the Department had been in preparing the pay-bills. Apparently not one of the 77 employees pointed out at any time that they had been paid duty-pay for periods during which they were on leave. The Committee would like the Department to investigate these cases and fix responsibility for the negligence that occurred.

Extra expenditure because of delay in completion of works

Audit Paragraph

1.166. Construction of a building for a wireless monitoring station and residential quarters for its staff in a suburban area of a metropolitan city was undertaken in May, 1961 through two separate contracts, awarded to a single contractor, for Rs. 22,988 and Rs. 1,08,585 respectively, with the stipulation that the first contract should be completed within four months and the second within six months. The contractor had, however, to suspend the work twice and he ultimately gave it up in August, 1962 because sets of structural designs and drawings were not made available to him despite reminders by him on 16th February, 1962 and 28th February, 1962. On the designs and drawings becoming available in February, 1963 and after execution of certain ancillary earthworks during 1964-65, the unfinished portion of the work was entrusted in October, 1965 to another contractor who completed it in April, 1966.

1.167. The extra expenditure incurred through payment of higher rates to the second contractor was Rs. 6,815. In addition, compensation of Rs. 3,000 awarded in arbitration, had to be paid to the first contractor. The rent paid for continuing to occupy a hired building for the monitoring station for an avoidable period of at least four years and three months (from 1-1-1962 to 31-1-1966) was Rs. 18,190. Besides, the staff (of the monitoring station) who continued to be on duty during this period in the metropolitan city had to be paid Rs. 32,170 approximately as house rent allowance and city compensatory allowance which could have been avoided had construction of the building not been delayed and the staff shifted out of the metropolitan area. The total extra expenditure, ascribable to the long delay in execution of the works, and thus about Rs. 60,175/-.

[Paragraph 17—Audit Report (P&T), 1969]

1.168. The Committee drew attention of the P&T Department to the fact that the construction of a building for a wireless monitoring station and residential quarters for its staff was undertaken in May, 1961 but complete sets of structural designs and drawings were available to the contractor only in February, 1963. The Committee asked why there was so much delay in making available to the contractor the designs and drawings. In a note, the P&T Department have stated that in November, 1960, a separate zone in the C.P.W.D. for planning and execution of P&T works was created. Not only that zone was inadequately staffed but it had also not been established properly till May, 1961, when the work was taken up. Transfer of works and records from other zones of the C.P.W.D. was taking place during that period which was a sort of transitory period. There was considerable correspondence and a number of meetings before adequate staff was sanctioned. That resulted in delay in the planning and execution of certain works during the period.

The Department have further stated that necessary remedial measures had already been taken by creating a separate civil wing in the P&T with effect from 1st July, 1963. The Civil Wing of the Department was now well organised and could cater to an annual work-load of Rs. 6 crores (approximately) as compared to yearly budget of Rs. 80 or 90 lakhs then prevailing.

1.169. Taking note of the fact that the work, for which structural designs and drawings were made available in February, 1963, was actually completed in April, 1966, the Committee enquired what were the reasons for the delay of three years in completion of the buildings etc., even after the drawings etc. became available in February, 1963. The P&T Department, in a note, have stated that after drawings and designs became available, the contractor was reluctant to complete the work, as apparently he had quoted low rate for the work. Consequently after service of notices, the contract was recinded in April, 1963. Meanwhile it was observed that during monsoons the area got flooded to a depth of five feet. It was, therefore, felt that filling of earth around the buildings and providing of raised roads and paths within the area as contemplated by the original sanction would not serve the purpose since water would have remained standing around the buildings for a considerable time, during the year creating unhygienic and insanitary conditions for the occupants of the buildings. Thus utilisation of the buildings was not possible without making adequate arrangements for protecting the area from water logging. Accordingly, a scheme for providing earthen bund around the area was prepared and sanctioned in September, 1963. Immediate action was taken regarding calling for tenders and the work was awarded in February, 1964 after obtaining sanction for additional funds to meet the tendered cost. The construction of bund was completed in July, 1965 and immediately after that the remaining work of the residential quarters and monitoring station was taken up and completed by April, 1966. The Department have further stated that construction of the bund was necessary for creating proper living conditions for the occupants/users of the buildings in the area and not for enabling the construction of the building. Buildings could have been put up even without the said bund as had actually been done in the case of receiving station. The work of construction of receiving station was taken up by another contractor on the same site and completed in September, 1963, i.e., before the construction of the earthen bund.

1.170. The Committee asked whether the delay at various stages was reviewed by Government or higher authorities and if so, what action was taken to expedite the completion of the project. The Department have stated, in a note, that the progress of the project was being reviewed every month through monthly progress reports of major works. The completion of the buildings works in question was delayed due to unforeseen circumstances. The real causes for delay were—

(i) inadequate strength of the planning staff;

(ii) omission to carry out detailed surveying of the site for preparation of schemes and timely execution of development works.

Action in regard to both the above items had already been taken by adequate augmentation of the Civil Wing and issue of necessary instructions to ensure that where the site conditions necessitate, action should invariably be taken to arrange for earth filling, raising of the approach roads etc. before any work of construction of a building is actually started.

1.171. In the Committee's opinion this was a case of bad planning. The construction of quarters was undertaken without any detailed survey of the site or preparation of structural designs or drawings. Design and drawings for the work, which was to be completed by November, 1961, were supplied by the Department to the contractor only in February, 1963. The contractor abandoned the work shortly thereafter as the passage of time had rendered the rates he had originally quoted unremunerative. The Department also at this stage became aware that the site of construction was liable to flooding in monsoon and took up through another contractor construction of a bund which was completed in July, 1965. The building work was thereafter taken up and ultimately completed in April, 1966. The delay of over four years cost the Government about Rs. 60,000 on various counts.

1.172. The Committee cannot help feeling that a delay of this order in a petty work of this kind reflects badly on the method of working in the

Department.

Shifting of a telegraph line

Audit Paragraph

1.173. Construction of a telegraph line, undertaken in February, 1965, was suspended in October, 1965 after completing a length of 30 miles. The suspension was ordered because the workers engaged on its construction were experiencing repeated shocks caused by induction from a high voltage electricity line which was running in close proximity. The work remained suspended until May, 1966 when the telegraph line was dismantled and re-erected at a safe distance. The expenditure of Rs. 22,900 on shifting the telegraph line could have been avoided if the department, before approving the alignment of the line and undertaking its construction, had taken due notice of the contiguous high voltage electricity line.

[Paragraph 16—Audit Report (P&T), 1969]

1.174. The Committee desired to know as to why the Power Tele-Communication C-ordination Commitee was not consulted before taking up construction of the line. In a note furnished to the Committee, the P&T Department have stated that in 1965 when the construction of the line was commenced, standing instructions regarding power parallelism issued by that Department stipulated that all cases of parallelism with power lines carrying more than 11 KV should be referred to the Power Tele-Communication Co-ordination Committee, Jabalpur and the cases pertaining to parallelism with power lines of 11 KV and below would be examined and disposed of by the Divisional Engineer, Telegraphs concerned. However, though the voltage of the power line in that particular case exceeded 11 KV, the case of parallelism was not referred by the circle to the Power Tele-Communication Co-ordination Committee, Jabalpur and the circle decided to go ahead with the construction of the line after examining the case in the circle office. The circle also erroneously thought that the voltage of the power line, which actually carried 66 KV, was 33 KV and made no reference to power authorities to ascertain the correct voltage. If the correct voltage had been ascertained from the Power Authorities, perhaps the correct separation between the power and tele-communication line would have been observed and the shifting of the already erected line (which was diverted) would not have been necessary. It was noticed that the officers took initiative in early execution of the work but apparently due to oversight they failed to coordinate the matter with Power Tele-Communication Co-ordination Committee, Jabalpur.

1.175. The Committee asked whether any remedial measures have since been taken by the Department to obviate a similar situation in future. The P&T Department, in a note furnished to the Committee, have stated that action had been taken to avoid such lapses in future. A circular letter had been issued reiterating previous instructions that action with regard to all cases of power parallelism be taken before estimates were sanctioned as per the standing instructions issued from time to time by the Department. For construction of new lines, the cases of power parallelism must be settled after consulting the State Electricity Board with regard to their present and future plans of power line construction along with the proposed tele-communication routes. In all cases where a reference to Power Tele-Communication Co-ordination Committee, Jabalpur, is necessary, a reference must be made to that body.

1.176. The Committee regret that the circle office in this case undertook the construction of a telegraph line in proximity to an existing power line, without ascertaining the voltage of the power line. According to the standard procedure, work on erection of telegraph lines involving parallelism with power lines above a stipulated voltage is required to be screened by a Power Tele-communication Co-ordination body. The circle which undertook the work in this case failed to obtain this clearance. The result was that after part of the line had been erected, it had to be dismantled and re-erected on a new alignment, causing an infructuous expenditure of Rs. 22,900. The Committee trust that a case of this nature will not recur. Apart from causing needless expenditure, such ill-considered actions could also result in fatalities.

The Committee would like the P&T Board to investigate this case with a view to ascertaining why the prescribed procedure of getting clearance from the Power Telecommunication Co-ordination Body was not followed and take suitable action thereafter.

Purchase of voice-frequency repeaters

Audit Paragraph

1.177. In November, 1962 when 45 voice-frequency repeaters were in stock, the Department placed an order for supply of 180 such repeaters. Against that order 173 repeaters were received till June, 1966 when the order was closed. During November, 1962 to May, 1968, however only 22 repeaters were issued. The remaining 196 repeaters valued at Rs. 1.72 lakhs were declared obsolete in June, 1968. Their disposal is awaited (October, 1968).

[Paragraph 26—Audit Report (P&T), 1969]

1.178. The Committee drew the attention of the witness to the fact that in November, 1962, when 45 voice-frequency repeaters were in stock, the Department placed an order for supply of 180 such repeaters. Against that order 173 repeaters were received till June, 1966 when the order was closed. During November, 1962 to May, 1968, however, only 22 repeaters were issued i.e. less than what the Department had in stock before procuring the 173 repeaters. Considering that over a period of six years, only 22 repeaters (which were already in stock) were issued, the Committee asked whether the Department did not consider the purchase of 173 repeaters *prima facie* excessive and how many years of requirements did the 173 repeaters represent. The Senior Member (Tele-com. Operations), P&T Board stated: "Actually the position is that we placed the order as we wanted to improve the transmission conditions of long distance lines for which these repeaters were ordered. Soon after that, we had these 8 channel and 12 channel instruments and cables coming up. And we found that if the Chief Controller, Telephone Stores, the indenting officer, had taken this into account, he could have cancelled the order. There is a lacuna. There is no doubt about it. The orders could have been cancelled immediately after the channels started coming."

1.179. The Committee asked when the "lacuna" came to the notice of the Department, whether it is immediately after placing the order. The witness state : "In the Directorate, it came to notice later *i.e.* after the supplies were received. Actually, people who indented should have cancelled. The Chief Controller in turn should have cancelled the order with the Indian Telephone Industries. Then the damage would have been much less." With regard to the date of cancellation of the order, the witness stated: "The order was placed on our own industry—Indian Telephone Industries. It is not a purchase item. There is a slip up here. Actually the indenting people—the circles—should have cancelled them."

1.180. The Committee desired to know where exactly the "slip-up" occurred and whether Government had investigated the circumstances which led to the failure to cancel the order placed. The Department, in a note furnished to the Committee have stated that the "slip-up" occurred in the office of the Chief Controller of Telegraph Stores in not cancelling or substantially curtailing the order in 1965-66. The order on I.T.I. (was) placed in 1962, specifying supply in 1963-64. Change of technology after 1965 reduced the numbers required. Government had examined the circumstances which led to the failure. The Cheif Controller of Telegraph Stores had acted on forecasts from field officers in placing the order in 1962 for requirement for use in 1962—64, but before accepting delayed supplies after 1964, he had not ensured if sufficient demand still existed. Had he checked up this, he could have enquired from field officers who would have informed him that changing technology was reducing the utility/requirements of the voice-frequency repeaters. In a department where a very large number of items of stores are in use and technology is fast changing it is impossible to avoid absolescence altogether; inspite of producers having been laid down to intimate changes being effected to equipment and stores to all concerned and a slip-up here and there is unavoidable. Government have recently set up a standing Stores Committee in October, 1968 with representatives of Planning, Maintenance, Research and Finance Branches, whose terms of reference include review of supplies/needs for making changes as may become necessary to control the inventories. This Committee would be an added protection to avoid such wastages. These voice-frequency repeaters cannot be treated as wholly obsolete. There are some circuits subsequently added for public call offices, long local lead etc. Where the improved technology cannot be feasible or economical as yet and where amplification of speech is required, using these voice-frequency repeaters to adhere to technical standards. Directions have been issued to the field officers suitably for the use of these repeaters."

1.181. The Committee enquired whether any action had been taken against the officer concerned. The witness stated: "Actually, we have started enquiring into. Because, they have written in reply that 'when we are improving the telephone net works, some of these details are naturally liable to be missed out at some point.'"

1.182. The Committee asked whether the Department had taken any decision about the use of these voice frequency repeaters in public call offices. The witness stated: "The decision was taken three months ago. Even though we get the 8 or 12 channels, we have decided that these still could be used in minor routes and orders have already been issued. 40 have been sent to the Training Centres and the balance are going to be used.

1.183. The Committee desired to know the present position of the actual utilisation/disposal of the voice-frequency repeaters. The witness stated that about 40 had been sent to the training centres who required them. On an average ten per cent could be utilised in the minor routes and instructions had also been issued. They were being stocked only for four or five years and that was an item which could deteriorate in stock. A meeting with the Regional Directors of Tele-Communications was held and their uses were formulated. It should go during the course of a month.

1.184. The Committee observe that there was a failure on the part of the Chief Controller of Telegraph Stores to cancel orders placed in November, 1962 for voice-frequency repeaters, supplies of which were accepted even after they had become obsolete. The orders specified supplies in 1963-64 and by 1965 these repeaters had become obsolete, due to a change in technology. With some care, and better liaison with the field offices which had originally indented for these repeaters, the Chief Controller could have cancelled a part of the order (for supplies which were actually made after 1965). The Committee note that Government themselves have come to the conclusion that there was a definite lapse in this regard. The Committee would like Government to take suitable action in the light of this finding. Government should also investigate why none of the indentors asked for cancellation of the supply orders after 1965 and take appropriate action.

Extra expenditure through acceptance of higher tenders

Audit Paragraph

1.185. In response to a tender enquiry issued on 16th September, 1967 for purchase of automatic voltage regulators of two different specifications, more than 20 quotations were received. These quotations ranged from Rs. 198 to Rs. 685 per regulator of one of the two specifications. The lowest acceptable offer was from firm 'A' for Rs. 550 per regulator. It was, however, rejected on the ground that the past performance of that firm in regard to several other supplies was not satisfactory. However, that firm was selected on the same day for supply of certain other stores of the value of Rs. 66,750. The offer of firm 'B' at Rs. 592 per regulator was accepted. Another firm 'C' which had quoted Rs. 685 but which had reduced its quotation to Rs. 650 per regulator after the tenders were opened, was also given an order for 100 regulators provided it reduced its quotation still further to Rs. 592, which it did subsequently.

1.186. The quotations received for the voltage regulators of the second specification ranged from Rs. 825 to Rs. 4,995 per regulator. In this case, too, the lowest acceptable offer was from firm 'A' which was Rs. 3,250 per regulator but its offer was rejected for the same reason as in the case of its quotation for the other regulator. The offer of firm 'C' at Rs. 4,050 and that of firm 'B' at Rs. 4,995 were accepted. Firm 'C' had reduced its quotation in this case also from Rs. 4,587 to Rs. 4,050 after the tenders were opened. But while in the former case firm 'C' was asked to reduce its (revised) offer to the level of the lowest offer that was accepted, in this case firm 'B' was not asked to do so.

1.187. Computing on the basis of the quotations of firm 'A', placing the above orders resulted in extra expenditure of Rs. 82,000.

[Paragraph 19, Audit Report (P&T), 1969].

1.188. During evidence, the Committee were informed that the tender enquiry in this case actually covered four items :

(1) AVR capacity 0.5 KVA conforming to ITD specification No. S/PV-100 (final) dated 1-6-1964.	400 Nos.
(2) Automatic Voltage regulator capacity 1 KVA conforming to the same specification.	150 Nos.
(3) Automatic Voltage regulator capacity 3 KVA to the same specification.	170 Nos.
(4) Automatic Voltage regulator capacity 6 KVA conforming to the specification.	70 Nos.

1.189. The Committee asked as to what were the items for which orders were placed with firm 'B' and 'C' and to what extent did they fulfil their contractual obligations. The P&T Department have stated in a note that the following items were ordered on firm 'B'.

1. AVR 0.5 KVA capacity: 260 Nos.
2. AVR 3.0 KVA capacity: 30 Nos.
3. AVR 6.0 KVA capacity: 20 Nos.

Sample was to be submitted by 15-7-1968 and supply was to commence within one month of approval of sample, supplies to be completed by 30-7-1969.

Full quantities were supplied in time.

Items ordered on firm 'C' were:

1. AVR 0.5 KVA capacity: 100 Nos.
2. AVR 1.0 KVA capacity: 100 Nos.
3. AVR 3.0 KVA capacity: 300 Nos.
4. AVR 6.0 KVA capacity: 40 Nos.

Sample was to be supplied by 31-3-1968 and supplies to commence within one month of approval of sample. Supplies were to be completed by 30-4-1969 and refixed on 31-8-1969 later. Supplies in full were completed by that date.

1.190. The Committee asked what were the items of store out of those covered by the tender enquiry for which orders were placed with firm 'A', and what were the items of contract for supply of items for which orders were placed with 'A' and to what extent were supplies made by that firm 'A', and in time. The P&T Department have stated in a note that orders were placed with firm 'A' for (i) AVR 1KVA capacity: 20 Nos. and (ii) AVR 3 KVA capacity: 10 Nos.

1.191. The Committee asked whether the P&T Board was satisfied with the explanation of the store Purchase Committee for ignoring the lower offer of 'A' in respect of 0.5 KVA Voltage Regulator and 6 KVA Voltage Regulator in favour of firms 'B' and 'C'. The explanation was that the performance of firm 'A' was not satisfactory but the firm had been selected on the same day for supply of 1 KVA and 3 KVA regulators of the value of Rs. 66,750. The Committee also enquired whether firm 'A' had supplied Voltage regulators at an earlier occasion. The witness stated that firm 'A' had earlier supplied battery eliminators which was somewhat allied to voltage regulators. The quotations given by the firm were rejected because its past performance was not satisfactory. According to the Minutes of the meeting of the Store Purchase Committee a copy of which was furnished by P&T Department, two out of four items (*i.e.* 1 KVA and 3 KVA regulators) were tendered on Firm 'A'. This was done in the full knowledge that the firm's past performance had not been satisfactory. The Store Purchase Committee, therefore, recommended a small order on firm 'A' for these who stores—20 Nos. for 1 KVA regulators as a "final order" and 10 Nos. in respect of 3 KVA regulators. The Store Purchase Committee had endeavoured to ensure supplies by reasonably distributing the orders amongst the firms according to their capacity and past performances also keeping in view the need for additional sources".

The intention was also that this being a new line of production, they wanted to see that it was distributed so that the Department were not left in the lurch as the stores were very important for the telephone exchange. Subsequently it was proved that the order placed on firm 'A' for certain items could not be supplied by the firm.

1.192. The decision of the Stores Purchase Committee in ignoring firm 'A' for 0.5 KVA & 6 KVA regulators were therefore, proved correct because the firm 'A' failed to supply these stores "No supplies were made by the firm during the initial delivery period, nor were they successful in submitting a successful sample up to January, 1969, when the order had to be cancelled. The Committee enquired what action was taken against that firm. The witness stated that "usually, in all these cases, we can impose only a small amount of fine. The Committee also asked how many offers were received in reply to the tender enquiry and how many of the tenders were registered suppliers. The Department have furnished the information, in a note, as follows :

The number of offers received in reply to the Tender Enquiry.

1. 0.50 KVA capacity : 19 offers
2. 1.00 KVA capacity : 22 offers
3. 3.00 KVA capacity : 21 offers
4. 6.00 KVA capacity : 23 offers.

In all, this constituted offer from 38 firms out of which 18 were registered for supply of items of power plant (auto-voltage regulator is a part of power plant).

1.193. The Committee drew the attention of the witness to the fact that firm 'C' which had quoted Rs. 685 for 0.5 KVA regulator but had reduced its quotation to Rs. 650 per regulator after tenders were opened, was also given an order of 100 regulators on condition that it reduced its quotation still further to Rs. 592. The Stores Purchase Committee had suggested that if the firm did not agree, the order might be placed on firm 'B'. However, firm 'C' agreed to reduce the price. The Committee enquired whether this was not contrary to the accepted tender procedure which was to accept the lowest ones and the firm was asked to reduce the quotation. The witness stated : "We find from our records that this firm 'C' volunteered to reduce the quotation. After the opening of the tender, they said that they would still cut down the rate, the Chief Controller asked them to cut it down further. At that time we found that the firm did not negotiate with us."

1.194. The Committee desired to have the provisions of rules and orders issued by Government in the matter of—

(a) accepting reduction in tendered rates after the date of opening of tenders,

(b) negotiations with tenderers for reduction of rates.

The Department have stated that accepting reductions in tendered rates after the date of opening of tenders was not envisaged by rules. In case the rates were considered unsuitable, the tenders had to be cancelled and invited afresh. In any case, reduction from an individual tenderer was not contemplated by the rules except negotiations with the lowest tenderer only under certain circumstances. The Department have also furnished a copy of the rules which reads as follows :

Copy of Para 426/I of Chapter IX of Posts and Telegraphs Manual, Volume II

426/I. After the tenders have been opened and taken into consideration, no revision or abatement of any tender should in any circumstances be permitted. On no pretext whatever should any negotiations be entered into with a particular tenderer to modify the terms of his tender in order to reduce them to the level or below that of any other competitor.

Further clarifications

SUBJECT : *Negotiations with tenderers.*

The question as to whether it would be proper to enter into negotiations with the lowest tenderer has been under examination for some time in consultation with the Ministry of Law and Associated Finance.

It has been decided that negotiations with the lowest tenderer with a view to bringing down the prices in respect of items for which he has quoted unduly high rates is permissible and unobjectionable in law even after opening of the tender. Such negotiations should, however, be restricted to the lowest tenderer only. In this connection, a reference is invited to para 426(1) of P&T Manual, Volume II the provisions of which would no more be applicable in case of negotiations with the lowest tenderer in the circumstances mentioned above.

Further Note

The matter was again referred to the Finance during 1969-70 and they have clarified that the P&T authorities could enter into negotiations with the lowest tenderer with a view to bring down prices in respect of only such items for which he quotes unduly high rates compared to other tenderers. It has, however, been made clear that for such negotiations it is necessary that a provision should invariably be made in the tender enquiry form to the effect that acceptance of all items or any of the items mentioned in the tender would be optional.

[Copy of letter No. 42-102/59-NA, dated the 23rd October, 1961, from Asstt. Chief Engineer (T), P&T Directorate, New Delhi to all Heads of Circles and Telephones Districts.]

1.195. The Committee pointed out that firm 'C' had quoted Rs. 685. It reduced its quotation to Rs. 650/, for regulators. After tenders were opened it was also given an order for 100 regulators. It reduced its quotation still further to Rs. 592/-. Obviously some negotiations must have taken place. The witness stated: "Half of the negotiations is there. I think it is a wrong conduct." To a question the witness added: "I agree it could be taken as a negotiation partly. I would like to say that there is a lacuna there because there is a part negotiation. But obviously the Stores Purchase Committee feel that was not negotiation. They said because he volunteered, they had told him to reduce it further. That is what is implied".

1.196. Referring to the minimum and maximum tender quoted by the firms, the Committee asked why there was a great difference between the lowest and highest tenders. In the first case it ranged from 198 to 685 and in the second case it was 825 to 4295. The witness stated: "The recommendations of the Stores Purchase Committee reads that the lowest offer of M/s. National Engineering Corporation, Bombay at Rs. 198/- each was passed over by the Committee as the rate quoted by them was considered unrealistic and stores were found to be not conforming to specifications.

1.197. Referring to the orders for 6 KVA regulators case, the Committee enquired why firm 'B' was not persuaded to reduce its price, especially when there was a difference of Rs. 945 per regulator between the prices of firms 'B' and 'C'. The Committee also asked whether the fact that firm 'C' reduced its price, was brought to the notice of other tenderers. The witness stated that firm 'C' was not asked to reduce the price but it volunteered to reduce. Under the rules negotiations could be made with lowest tenderer. Firm 'C' was voluntarily coming forward. The Department could not naturally approach firm 'B'. It would have been a violation of the rules. The Department further stated, in a note, that as per rules negotiations were only permissible with the lowest tenderer in respect of items for which he had quoted higher than other tenderers in the field. In the case of firm 'C' however, the firm reduced the prices voluntarily although an opinion might be held that it was tentamount to negotiations.

1.198. The Committee asked why, if firm 'B' was not willing to reduce its price, the Department did not persuade firm 'C' to supply larger numbers. The Department have stated, in a note, that the question did not arise as firm 'B' was not asked to reduce their prices to the level of the firm 'C' and in view of the rules referred to above. Firm 'C' was given a larger order for 40 Nos. out of the total of 70. Order on 'B' was placed as he was an established supplier and therefore supply from that firm could be relied upon. Firm 'C' was supplying for the first time.

1.199. While the Committee agree that the [illegible] was justified in having ignored the lower offer of firm 'A', in the light of the firm's subsequent performance, they would like to point out that the method followed for placing orders with firms B and C, was not in conformity with the accepted procedures. For one item of store firm 'B's offer was in the first instance relatively lower. Orders were placed by the Department for this item on firm 'B' as well as on firm C, by asking firm 'C' to reduce its rate to bring it on a par with that of firm 'B' This was clearly tantamount to negotiation and under the rules, the Department was precluded from negotiating with firm 'C', as it was not the lowest tenderer. In any case, if negotiations had thus been resorted to, an opportunity should in fairness ought to have been given to other eligible tenderers also.

1.200. For the second item of store, for which firm 'C's quotation was lower than firm 'B's, the Department look cognisance of a reduction in rate offered by firm C, after the opening of tenders. This violated the sanctity of the tender procedure. Having thus departed from the recognise procedure for processing tenders, the Department did not take the step of starting negotiations with others, including firm 'B' which could have been asked to reduce its rate to the level of firm 'C'. Had that been done, the Department might have saved Rs.18,900.

1.201. The Committee would like the Department to issue instructions to ensure that in future the recognised procedure for acceptance of tenders is followed and that, if negotiations are conducted with parties other than the lowest tenderers, other eligible tenderers are given a similar opportunity.

Extra expenditure on purchase of stores:

Audit Paragraph

1.202. On 18th March, 1963, the Department placed an order with an established manufacturer for 400 battery eliminators (of certain specifications) at Rs. 422 per piece. Simultaneously, a trial order for 100 battery eliminators (of the same specifications) was placed with a new manufacturer at the rate of Rs. 395 per piece. The date for completion of supplies in both the cases was 31st March, 1964. The new manufacturer completed the supply by 19th November, 1963, but the established manufacturer could supply only 282 pieces by as late as 30th September, 1966 (after being given successive extensions of time). The order on him for the remaining supply was eventually cancelled in December, 1966. Moreover, while the established manufacturer had not yet exhausted even the first extension of time given to him, the new manufacturer offered, in response to another call for tenders for the same type of battery eliminators, to make additional supplies at the still lower rate of Rs. 360 per piece. These tenders are opened on 15th July, 1964, and even though this firm had already executed satisfactorily a trial order placed with it, no fresh order was placed with it until 1st March, 1955. The delay in placing further orders at lower rate with the new firm and extensions of delivery time given to the other firm beyond 31st July, 1964 resulted in extra expenditure of about Rs. 15,000.

[Paragraph 25(b), Audit Report (P&T), 1969].

1.203. The Committee enquired whether the established manufacturer was not asked to reduce the price to the lower price offered by the new manufacturer before extending the delivery period. The P&T Department have stated :

"The reply is in the negative. The right of the Department to cancel any order for delayed delivery has to be exercised cautiously to avoid litigation and to ensure reasonable compliance of the contractual obligations. The Department had always to take into account that supplies from more than one source are maintained and the firms who have been making supplies are given reasonable encouragement and time extended, for any difficulty that may be encountered. If all the conditions in the contract are strictly enforced, there will be very few suppliers under the existing market conditions to come forward in response to our tenders, particularly on items of import substitution. In this connection, recently, in January, 1969, the Central Purchase Organisation has stated that while Government may take advantage of downward trend in prices consistent with supplies being made available in good time, certain formalities are to be observed and contracts should not be cancelled straightaway when the firm refuse to agree to reduction of prices."

1.204. The Committee feel that Government should have at least asked the supplier to reduce his rates before extending the delivery period stipulated in the contract, particularly as it had become evident by that time (through rates offered for identical stores in another tender) that there had been a fall in prices. The argument of the Department that they wanted to avoid litigation and keep more than one source of supply going is not convincing. The supplier had in this case clearly failed to comply with the terms of delivery and Government was therefore under no obligation to extend the period of delivery. Moreover, the store in question is a battery [illegible] which apparently is not an item of production for which sources of supply are restricted. As the amount of extra expenditure involved is small

(Rs. 15,000) and the supplier was a small-scale unit, the Committee do not wish to pursue the case further. Government should, however, ensure that purchase officers keep Government interests in mind while offering concessions to suppliers.

NEW DELHI;
16th *April* 1970

26th *Chaitra* 1892 (*S*)

ATAL BIHARI VAJPAYEE,
Chairman,
Public Accounts Committee.

APPENDIX I

Details showing the position of Working connections, connectable capacity and waiting lists in respect of Agra and Sinidih Exchanges (Para 21 of the Report)

TABLE I—*New Connections provided, working connections, connectable capacity and the unutilised capacity excluding CCB group.*

AGRA EXCHANGE

Month	New connections given	No. of working connections (excluding connections in CCB Group)	Connectable capacity excluding CCB Group	Unutilised capacity	Waiting list	Remarks
1	2	3	4	5	6	7
February, 67 ..	12	4,497	4,509	12	929	
March, 67	32	4,504	4,509	5	997	
April, 67	12	4,500	4,509	9	1,025	
May, 67	4	4,487	4,509	22	1,048	
June, 67	3	4,489	4,509	20	1,109	
July, 67	3	4,474	4,509	35	1,145	
August, 67	2	4,470	4,509	39	1,137	
September, 67 ..	36	4,494	5,930	1,436*	1,212	*Mainly due to non-receipt of cables. Partly due to OYT introduction.
October, 67	8	4,494	5,930	1,436	1,321	
November, 67 ..	6	4,474	5,930	1,456	1,388	
December, 67 ..	12	4,468	5,930	1,462	1,464	
January, 68	6	4,475	5,930	1,455	1,141	
February, 68 ..	109	4,568	5,930	1,362	1,207	
March, 68	110	4,673	5,930	1,257	1,272	
April, 68	34	4,701	5,930	1,229	1,112	
May, 68	96	4,783	5,930	1,147	1,190	
June, 68	41	4,816	5,930	1,114	1,232	
July, 68	23	4,843	5,930	1,087	1,308	
August, 68	90	4,911	5,930	1,019	1,238	

1	2	3	4	5	6	7
September, 68 ..	34	4,913	5,930	1,107	1,261	
October, 68	7	4,930	5,930	1,000	1,348	
November, 68 ..	6	4,918	5,930	1,012	1,413	
December, 68 ..	60	4,957	5,930	973	1,232	
January, 69	77	5,107	5,930	823	1,317	
February, 69 ..	147	5,218	5,930	712	1,187*	*Cables received towards end of 1968 laid permitting substantial connections being provided.
March, 69	389.	5,578	5,930	352	873	
April, 69	135	5,730	5,930	200	616	
May, 69	58	5,761	5,930	169	638	
June, 69	61	5,818	5,930	112	731	
July, 69	50	5,852	5,930	78	707	
August, 69	32	5,836	5,930	94	630	
September, 69 ..	28	5,853	5,930	77	683	
October, 69	36	5,871	5,930	59	700	
November, 69 ..	44	5,881	5,930	49	723	
December, 69 ..	69	5,927	5,930	3	570	
January, 70	81	5,998	5,930	—	611	
February, 70 ..	120	6,103	5,930	—	307	

NOTE 1. The number of connections indicated in col. 2 are in respect of new connections and does not include restroation of disconnected connections.

2. The number of working connections in col. 3 is net number of connections taking into account disconnections due to non-payments etc., restorations of such disconnected numbers and opening of new numbers.

3. During the period April, 67 to January, 68 the number of disconnections has been quite substantial.

4. In December, 67 just after the commissioning of the exchange OYT scheme was extended to Agra. Notices had to be issued to all existing applicants to decide whether they would like to opt for OYT connections. Thus the rate of giving connections to even those who could be provided for by available cables showed down. The OYT scheme was relaxed in September/October, 68 only, so that the rate of giving connections could be stepped up substantially.

TABLE 2—*New connections provided, working connections, connectable capacity and the unutilized capacity excluding CCB group.*

SINIDIH EXCHANGE

Month	New Connections opened	No. of working connections	Connectable capacity	Unutilised capacity	Waiting list	Remarks
1	2	3	4	5	6	7
November, 64 ..	—	111	179	68*	66	*Due to non-availability of subscribers cables.
December, 64 ..	—	113	,,	66	70	
January, 65 ..	—	114	,,	65	70	
February, 65 ..	—	107	,,	72	72	
March, 65 ..	—	115	,,	64	74	
April, 65 ..	—	115	,,	64	55	
May, 65 ..	—	115	,,	64	55	
June, 65 .	—	113	,,	66	50	
July, 65 .	5	120	,,	59	54	Some subscribers cables received.
August, 65 .	—	119	,,	60	58	
September, 65 .	—	126	,,	53*	53	*Mainly due to capacity limited by traffic considerations on inter exchange junction routes.
Oct., 65 .	—	126	,,	53	54	
Nov., 65 .	6	122	,,	57	55	
Dec., 65 .	—	122	,,	59	56	
Jan., 66 .	—	118	179	61	56	
Feb., 66 .	—	120	,,	59	57	
March, 66 .	—	128	,,	51*	57	*Mainly due to congestion on junctions.
April, 66 .	—	118	,,	61	57	
May, 66 .	—	118	,,	61	57	
June, 66 .	—	119	,,	60	57	
July, 66 .	—	122	,,	67	58	
August, 66 .	—	122	,,	57	59	
Sept., 66 .	—	123	,,	56	62	
Oct., 66 .	—	123	,,	56	62	
Nov., 66 .	—	122	,,	57	64	
Dec., 66 .	—	123	,,	56	64	
Jan., 67 .	—	123	,,	56	64	
Feb., 67 .	—	124	,,	55	68	
March, 67 .	—	124	,,	55	52	
April, 67 .	—	124	,,	55	52	

1			2	3	4	5	6	7
M,	67	.	—	123	,,	56	52	
June,	67	.	—	124	,,	55	53	
July,	67	.	—	123	,,	56	54	
Aug.,	67	.	—	124	,,	55	55	
ept.,	67	.	—	124	179	55	55	
Oct.,	67	.	—	124	,,	55	55	
Nov.,	67	.	—	125	,,	54	55	Junction cables were laid and traffic capacity limitation was removed.
Dec.,	67	.	—	124	,,	55	55	
Jan.,	68	.	1	127	,,	52	57	
Feb.,	68	.	16	143	273	130*	24**	*Mainly due to applicants dropping out.
March,	68	.	—	143	,,	130	24	
April,	68	.	—	143	,,	130	23	
May,	68	.	2	144	,,	129	23	
June,	68	.	1	142	,,	131	24	
July,	68	.	—	142	,,	131	25	
Aug.,	68	.	—	142	,,	131	26	
Sept.,	68	.	—	144	,,	129	26	
Oct.,	68	.	—	144	,,	129	26	
Nov.,	68	.	—	144	,,	123	26	
Dec.,	68	.	—	144	,,	123	26	
Jan.,	69	.	—	143	,,	130	27	
Feb.,	69	.	1	142	,,	131	27	
March,	69	.	—	141	273	132	30	
April,	69	.	—	144	,,	129	30	
May,	69	.	2	144	,,	129	28	
June,	69	.	2	148	,,	125	26	
July,	69	.	—	147	,,	126	28	
Aug.,	69	.	—	148	,,	125	31	
Sept.,	69	.	—	145	,,	128	31	
Oct.,	69	.	—	143	,,	130	31	
Nov.,	69	.	3	146	,,	127	25	
Dec.,	69	.	—	142	,,	131	25	
Jan.,	70	.	—	142	,,	131	13	
Feb.,	70	.	6	151	,,	122	7	

NOTE.1. As of Feb., 70 the applications on the waiting list are only recent and sanctions for these have already been issued. Connections would be installed on payment of demand notes.

2. Many of the applicants on waiting list have dropped out when demand notes were issued to them.

3. The number of working connections each month varies, because of disconnections due to non-payments etc.

APPENDIX II

Copies of the three plaints relating to the suits filed by the Sole Advertising Agent (Para 38 of the Report)

Plaint No. I

IN THE COURT OF SENIOR SUB-JUDGE : DELHI

Shri

M/s. Plaintiff.

Versus

1. Union of India service through Shri .... Senior Member (Finance) P&T Board, Dak-Tar-Bhawan, New Delhi.

2. General Manager, Delhi Telephones Eastern Courts, New Delhi.... Defendants.

SUIT FOR MANDATORY INJUNCTION

Sir,

The Plaintiff submits as under :—

1. That plaintiff has been carrying on contract work with the Telephone Department under the name and style of which he is the Sole proprietor.

2. That Plaintiff tendered for appointment of advertising agent for securing advertisements for Delhi Telephone Directory (English Edition) for a period of four issues commencing form December 1969 or soon thereafter in response to the advertisement of President of India through Deputy General Manager (Admn), Delhi Telephones, New Delhi.

3. That said were previously too appointed Sole Advertising Agents for the four issues of the "Delhi Telephones Directory" (English Editions and Hindi Editions both) in the year 1966 and their bid by tenders was the highest of any telephone directory published in Bombay, Calcutta or Madras as per records available with the P&T Department.

4. That this time also our quotation were the highest of all tenders received by the P&T Department. That our quotations were the highest of all tenders received by Dy. General Manager (Admn), Delhi Telephones, New Delhi, this time as well, which is clear from the following comparative statement :—

1. Rs. 7,30,008/-
2. Rs. 7,13,980/-
3. Rs. 6,83,310/-
4. Rs. 6,57,000/-
5. Rs. 5,83,166/-
6. Rs. 5,55,555/-

5. That plaintiff quotation in response to defendants teneder being highest in figure and otherwise too plaintiff having the credit of previous good work in the last issues of the Telephone Directory, it was decided in a

joint meeting between the plaintiff and senior officials of the defendants held on 20-8-69, to accept the tender of "Union Agencies", for appointment as advertising agent for the next 4 issues of English Directory of Delhi Telephones District and assurances were given to the plaintiff that proforma agreement of the appointment shall be signed by the parties shortly thereafter.

6. That having been assured by the defendants of the grant of appointments as Sole Advertising Agent for securing advertisements of Delhi Telephone Directory (English Edition), the plaintiff started correspondence in this behalf with his old customers and some new customers describing at the top of the letter heads as Sole Advertising Commissionaries for the purpose, with the result that customers of the plaintiff came pouring in due to plaintiff business connections and reputation.

7. The plaintiff has thus entered into contracts with and has taken thousands of rupees advances from, various parties intending to give insertions in the "Delhi Telephones Directory", for the next four issues of English Edition, which fact is within the knowledge of defendants.

7(a) That in the mean while defendants by adopting coercive methods and using undue influence being in a dominant position, have been forcing plaintiff to agree for giving up his claim for compensation for the Hindi Directory not being brought out along with the 1st and 2nd Issues of English Editions and also to give up his claim of damadge caused to plaintiff on account of defendants printing "Descriptive" entries in Alphabets section which resulted in loss to plaintiff in respect of the previous contract with defendants. The compensations claimed, on both the above mentioned items, is a sum of Rs. 6,00,000.

8. That since plaintiff has paid all his outstanding dues to the P&T Department for the period ending June 1969 has also fulfilled all conditions pertaining to the present fresh appointment and is the highest bidder, plaintiff is entitled to the appointment as Sole Advertising Agent for the four issues of the "Delhi Telephone Directory" commencing from Dec. '69, acording to the terms and conditions of the tender, rules and regulations of the P&T Deptt., assurance given at the time of acceptance of the plaintiff's tender and the practise established in this behalf in the acceptance of such tenders as of right and in law.

9. That as there was deliberate delay on the part of defendants and no letter or communication was received from the P&T Department in calling upon the plaintiff to sign the printed form of agreement relating to this appointment, the plaintiff sent a telegram on 7th Jan. '70, and a confirmatory letter No. UA/DTD/P&T/69/69/10974 dated 7th Jan. '70, to defendant No. 2, asking for the reason of this delay. (Copy attached herewith). Defendants, however did not reply the above detailed letter of the plaintiff but sent a memo. DY/P-81/ADV/68-69/137, dated 13th Jan. '70' in reply to plaintiff said telegram only, informing the plaintiff that defendants have approved M/s Associated Agent for the Delhi Telephone Directory,

(English Edition), for the next 4 issues and they had already excuted an agreement with them to this effect. (True copy of letter attached).

10. That the said illegal action of the defendants is an invasion of the plaintiff valuable right to obtain the appointment as Advertising Agent for four issues of the "Delhi Telephone Directory", (English Edition), and a substantial infringement of the legal and contractual obligations on the part of defendants which offered the plaintiff against elementary principles of natural justice and is a continuing wrong which can be remedied only by grant of mendatory injunction ordering defendants not to permit the execution and compliance of the terms and conditions of the agreement executed for appointment of M/s.....***........and to cancel the same.

11. That plaintiff has been retaining his entire staff for the last over six months in the vain hope and assurances given by the defendants that plaintiff is sure to get this contract without any obstacle but the said contract has been denied to plaintiff for fraudelent and malafide motives which acts of commission and ommission on the part of the defendants have caused substantial loss and damage to plaintiffs' business reputation, finances and untold misery to this person.

12. That there exists no standard for ascertaining the actual damage caused or likely to be caused by the said invasion and denial of the right of the plaintiff to work as Sole Advertising Agent for four issues of the "Delhi Telephone Directory" (English Edition) of the defendant and also the damages, losses which plaintiff will suffer at the hands of the intending advertisers in the Delhi Telephone Directory about which contracts have already been made by the plaintiff.

13. That the plaintiff requested the defendants to perform their part of the contract and obligations towards the plaintiff and also served the defendants with a notice dated 13-11-69 under section 80 C.P.C. (Copy of which is attached to the plaint) but the defendants have taken the law in their own hands and refused to acceed to the requests of the plaintiff. Therefore the necessity for the present suit has arisen against the defendants.

14. The cause of action arose to the plaintiff on the expiry of the period given in the notice and finally on 14-1-70 at Delhi when information about approval of M/s. * * * Bombay as Advertising Agent for the Delhi Telephone Directory (English Edition) was received by the plaintiff. Hence court at Delhi have jurisdiction to try the suit.

15. That the value for the purposes of court fee and jurisdiction is fixed at Rs. 130/- and court fee on this amount is paid.

16. The plaintiff reserves the right to file claim for damages and losses previously caused and likely to be caused on account of illegal and unjustifiable actions of the defendants. It is respectfully prayed that this Hon'ble

Court be pleased to brought a mandatory injunction directing the defendants not to permit the execution and compliance of the terms and conditions of the agreement executed for appointment of M/s. * * * Bombay, as advertising agent for the Delhi Telephone Directory (English Edition) for the next four issues commencing from December, 1969 or any time thereafter and to cancel the same by granting the said contract to the plaintiff, by a decree with cost of the suit in favour of the plaintiff against the defendants.

Any other relief which the Hon'ble Court may deem fit and proper in the circumstances of the case may also be granted to the Plaintiff against the defendants.

Sd/-
* * *
Plaintiff

Through
* * *
Advocate

Delhi, the 17*th January*, 1970

Verification :—

Verified that the contents of para No. 1 to 13 are true to my knowledge and contents of rest of the paras are true to my belief and information received. Verified at Delhi on 17-1-70.

* * *

Plaint No. II

IN THE COURT OF THE SENIOR SUB JUDGE, DELHI

M/s. * * * and another ....Applicants.

Versus

The Deputy General Manager and General Manager, Delhi Telephones,

Eastern Court, New Delhi Respondents.

Application under Section 41 of the Arbitration Act, 1940 read with order 39 Rule 1 & 2 C.P.C. for *ad-interim* injunction.

The Applicants submits as under :—

1. That applicants tendered in about January, 1966 for appointment of advertising agent for securing advertisements for Delhi Telephones Directory (English and Hindi Edition) for a period of four issues commencing from August, 1966 or soon thereafter in response to the advertisement of Deputy General Manager Admn.), Delhi Telephones, New Delhi.

2. That the applicants tendered for appointment as Sole-Advertising Agents being the highest was accepted by the respondent Government on

13-5-1966, and an agreement pointing applicants Sole Advertising Agent was executed between the parties on 19-5-1966.

3. That in compliance with the instructions and the condition of the contract applicants furnished bank guarantee to the tune of Rs. 4,33,350/- on the clear understanding that there would be English and Hindi Editions of each issue calculating the said amount in respect of both English and Hindi Editions, whereafter plaintiff started securing business by doing hard labour and by spending considerable amounts for both the English and Hindi Editions.

4. The respondents were repeatedly informed that the applicants were collecting advertisements for the Hindi Edition and they should bring out the Hindi Edition alongwith the first issue of the English Edition but the respondents failed to bring out the Hindi Edition with the first issue of the English Edition which resulted inconsiderable loss of business and money to the applicants besides the amount of Rs. 2,16,675/- approx. paid in advance on account of the guarantee amount for the Hindi Edition.

5. That the respondents after insistence on the part of the applicants, promised to bring out the Hindi Edition of the second issue for which the applicants as before collected advertisements and advances from their customers. The respondents 1 and 2 however, repeated the same default without caring for the loss and injury likely to be caused or already caused to the applicants.

6. That on the applicants threatening to stop the working of the contract by direct action of creating strike conditions the respondents brought out alongwith the English Edition of the third issue the Hindi Edition. The applicants consequently, claimed refund of the guarantee money paid in respect of the Hindi Edition for the first issue from the respondents 1 & 2 but instead of adjusting this amount towards the guarantee money of the second issue of both the Editions the respondent Govt. falsely raised some claim of liquidated damages against the applicants and there was a dispute between the parties raked up by the respondent Government.

7. That the respondents committed another breach of the agreement by publishing the names of certain persons and firms in the nature of the advertisements by giving their profession, status, which could not be done under the rules and which only be done by and through the applicants.

8. That the applicants have suffered considerable loss and damage on account of the failure of the respondents 1 & 2 to bring out the Hindi Directory alongwith the English Directory of the first 2 issues and on account of the actions mentioned in proceeding para above. That the respondents 1 & 2 instead of reimbursing the applicants for the losses suffered by them and instead of refunding or adjusting the guarantee money relating to the Hindi Editions of the first two issues began to demand huge amounts by way of penalties which are not due to them.

9. That the respondent 1 & 2 have started demanding a sum of more than Rs. one lakh from M/s. Syndicate Bank, Super Bazar Bldg., Connaught Circus, New Delhi, which bank had stood guarantee for payments on behalf of the applicants, *vide* their letter dated 19-1-1970, and have also started demanding Rs. 2 lakhs, odd from the sureties of the applicants *vide* their letter dated Jan. 1970 threatening them that on their failure to pay the amounts claim within a stipulated period, legal action will be taken against them.

10. That the applicants estimate that a huge amount would be due to them from the respondent Govt. in case the proceedings before the arbitrator are finalised after hearing the parties

11. That there is a *prima facie* good case of the applicants but in case the respondent Govt. takes the threatened action for recovery of the alleged amounts from the Syndicate Bank or the sureties of the applicants, as land revenue or by coercive methods the applicants will be put to irreparable loss and injury which cannot be compensated by cost.

12. That in case the applicants are not restrained from taking any proceedings for recovery of the alleged amounts in the above matter there would be increase of litigation between the parties and the applicants will suffer loss of business reputation and prestige in the market.

13. That the balance of convenience is in favour of the applicants in as much as there is a bank guarantee of the amounts and pledging of immovable property on behalf of the applicants.

14. That as stated above, huge amount is due to the applicants from the respondent Government. Therefore it is in the interest of the justice that *status quo* may be maintained till decision of the matter by an Arbitrator appointed by the Court.

15. It is therefore respectfully prayed that respondents 1 & 2 and through them the Union of India, may be restrained from either by themselves or through their agents, or employees, realising or recovering in any manner whatsoever, any amount from the Syndicate Bank, Super Bazar Branch, Connaught Place, New Delhi, the respondent No. 3 or from the sureties of the Applicants. Intimation of the restrain order may also be sent to respondent No. 3 with similar order not to make any payment to respondents 1 & 2 on behalf of the applicants.

M/s. * * * & Shri * * * ....Applicants,

Through

Delhi

Dated 18-2-1970.

(* * *)
Advocate

Plaint III

IN THE COURT OF THE SENIOR SUB JUDGE : DELHI

1. Union Agencies, F-45, Bhagat Singh Market, N. Delhi.

2. J. C. Bawa, son of Sh. Ram Dass Bawa, Resident of B-876 New Rajinder Nagar, New Delhi-5 .... Applicants.

Versus

1. Deputy General Manager (Administration) Delhi Telephones, Eastern Court, New Delhi-1.

2. General Manager, Delhi Telephones, Eastern Court, New Delhi.

3. Syndicate Bank, Super Bazar Branch, Con. Place, New Delhi .... Respondents.

Application under section 20 of the Arbitration Act, 1940 & Section 11 of the said Act.

Applicants respectfully submit as under :—

1. That the applicant No. 2 is the sole proprietor of Applicant No. 1. Previously applicant No. 1 was a partnership firm of which applicant No. 2 was a partner, which firm stood dissolved by virtue of a decree of dissolution passed by Hon'ble the High Court Delhi, dated 21-10-1969, on the death of the only other partner during the pendency of the contract with the respondent Government.

2. That applicants tendered in about January, 1966 for appointment of advertising agent for securing advertisements for Delhi Telephone Directory (English and Hindi Editions) for a period of four issues commencing from August, 1966 or soon thereafter in response to the advertisement of Deputy General Manager (Admn.), Delhi Telephones, New Delhi.

3. That the applicants tendered for appointments as Sole Advertising Agent being the highest was accepted by the respondent Government on 13-5-1966.

4. That accordingly an agreement appointing applicant No. 1 Sole Advertising Agent to procure advertisements to be printed and published in the English and Hindi issues of the Delhi Telephones Directory was executed between the applicants and the respondent Government on 19-5-1966. The agreement is in possession of the respondent Government.

5. That in compliance with the instructions of the tender form, the applicants arranged to furnish bank guarantee to the tune of Rs. 4,33,350/- on the clear understanding that there would be English and Hindi editions of each issues and this guarantee money was calculated in respect of both the English and Hindi Editions.

6. That the Plaintiff at once started correspondence in this behalf with the intending customers and created a field for the business by spending considerable money and doing strenous work for both the English and Hindi editions with the result that advance payment for the English and Hindi editions commenced coming from the customers.

7. That the agreement above referred contained large number of stringent terms comtemplating serious penalties on even minor alleged faults on the part of the applicants and deliberately ommitted any respite for the failure on the part of the respondent Government. The most of the terms and conditions of the agreement were practically one sided leaning towards the respondent Government which offended the principles of business equality and are illegal and unconstitutional. These terms and conditions were introduced in agreement and the respondent Government was in a position to dominate the bill of the Applicants.

8. The respondent Government was repeatedly informed that the applicants were collecting advertisements for the Hindi Edition and they should bring out the same alongwith the first issue of the English Edition so that the advertisements collected by applicants may be passed on to them but the respondent Government failed to bring out the Hindi Edition alongwith the English Edition of the first issue resulting in considerable loss of business and injury to the applicants which amounted to, besides other losses a loss of Rs. 2,16,675/- approximately on account of the guarantee amount for Hindi Edition already paid to the Government.

9. That the respondent 1 & 2, after insistence on the part of the applicant, promised to bring out the Hindi Edition alongwith the English Edition of the second issue and the applicants as before collected advertisements and advances from their customers. The respondents 1 & 2 repeated default without caring for the loss and injury lightly, to be caused or already caused to the applicants, in not bringing out the Hindi Edition. These acts of commission and omission, on the part of the respondents 1 & 2 make the respondents liable for the consequent losses and damages suffered by the applicants.

10. That the applicants thereafter threatened the respondents 1 & 2 to stop the execution of the contract and to create strike of work unless the Hindi Edition was brought out alongwith the English Edition of the third issue to which the respondents 1 & 2 reluctantly agreed. Copies of the correspondence entered into this behalf are attached herewith.

11. That the applicants consequently claimed refund of the guarantee money paid in respect of the Hindi editions of the Directory for the first issue from the respondents 1 & 2 but instead of adjusting this amount towards the guarantee money of the second issue of both the editions the respondent Government falsely raised a claim of damages (liquidated) against the applicants without substantiating the same and there was a dispute between the parties raked up the respondent Govt. and unilaterally gave a decision that the applicants have given up their claim of the refund of guarantee money on account of non-publication of the two Hindi Editions of both the issues and that the respondent Govt. had reduced their claim of liquidated damages to Rs. 10,000/- only to which the applicants had never given their free consent.

12. That under exactly the similar circumstances in respect of the contract of the respondent Govt. with M/s. ....for Hindi and English Editions of the Rajasthan Directory, a dispute on account of non-publication of the Hindi edition arose between them and the Govt. on the refusal of the aforesaid contractors to pay the balance revenue of the guarantee money, had to bring out the Hindi edition alongwith the English Edition of the Telephone Directory (Rajasthan). That the respondent Government did not afford similar treatment to the applicant in the present case.

13. That the aforesaid discriminatory and differential treatment afforded to the applicants who were similarly situated and similarly circumstanced with respondent No. 6, in all respects, without any rational basis and criteria violated applicants Fundamental Rights of equality guaranteed by the Constitution of India and the consequent administrative and executive action which was purely arbitrary was illegal and *ultra vires.*

14. That the respondents committed another breach of the agreement by publishing the names of certain persons and firms in the nature of advertisements by giving their profession status, which could not be done under the rules and which could be only done by an advertisement through the applicants

15. That the applicants have suffered considerable loss and damage on account of the failure of the respondents No. 1 & 2 to bring out the Hindi Edition with the English Edition of the first two issues and on account of the actions mentioned in the para No. 14 above. The applicants thus, requested the respondent Government either to reimbursed the applicants for the losses suffered and the refund for adjustment of the guarantee money relating to the Hindi Editions of the first two issues but the respondents 1 and 2 instead of agreeing to the justness by way of penalties which are not due to them. Copy of the letter demanding the refund and other losses sent by the applicants to the respondents is attached herewith.

16. That the respondents 1 & 2 have started demanding a sum of more than Rs. One lakh from M/s. Syndicate Bank, Super Bazar Bldg.; Conn. Circus, New Delhi, which bank had stood guarantee for payments on behalf of the applicants, *vide* their letter dated 19-1-1970 (copy attached herewith), and have also started demanding Rs. 2 lacks, odd from the sureties of the applicants *vide* their letter dated Jan. 1970, threatening them that on their failure to pay the amounts claim within a stipulated period, legal action will be taken against them.

17. That in accordance with clause 16 of the Agreement dated 19-5-1966 between the parties any dispute or difference arising under those presents or in connection therewith the same shall be referred to the Sole Arbitrator of Director General, Posts and Telegraphs, New Delhi.

18. That applicants accordingly *vide* their letter dated 7th of February 1970 requested the Director General, Posts and Telegraphs, New Delhi to intervine forthwith between the parties has already promised earlier because as per forms of the contract disputes has arisen between the parties which are referrable to him as a Sole Arbitrator. The Director General of Posts and Telegraphs, New Delhi has refused and neglected to arbitrate between the parties for no valid reason, therefore the necessity for the present application has arisen.

19. That the applicants tentatively estimate that if the claims of parties are gone into an impartial tribunal then the claims of the applicants would be adjusted at more than Rs. 40,000/-. Therefore the value for the purpose of jurisdiction is fixed at Rs. 40,000/-.

20. That the named arbitrator does not appear to be a fit person as complicated questions of law and constitution are involved and also because the named arbitrator has failed to use all reasonable dispatch in entering on and proceeding with the reference. He exhibited annoyance and anger against the applicants and seems to be based in favour of the respondent Govt. It is therefore fair and proper that the original arbitration agrement in possession of the respondents Nos. 1 & 2 the order to be filed in Court and the matter in dispute between the parties should be referred to a person who is conversant with the intricises of law by removal of the named arbitrator under section 11 of the Arbitration Act.

21. That cause of action for the present application accrued to the applicants on 9th of February, 1970 on the refusal of the named arbitrator to enter on and proceed with the reference at Delhi. The courts at Delhi have jurisdiction to try the matter.

22. It is therefore prayed that respondents 1 & 2 be directed to file the arbitration agreement and thereafter the matter be referred to some other person considered suitable under the circumstances by the learned court.

Union Agencies
J. C. Bawa—Applicants.
Advocate.

Through

Verification : Verified at Delhi on 18th Feb., 70 that paras 1 to 20 are true to my knowledge and rest true to belief.

APPENDIX III

Statistics of production of major items in the Telecom. Factories for last four years ending 1968-69 *located in Calcutta, Jabalpur & Bombay*

(Ref para 53 of the Report)

CALCUTTA

Name of major item	1965-66	1966-67	1967-68	1968-69
1. Sockets (Eqv. B)	35,051	30,841	55,513	63,513
2. Anchors	2,64,540	2,24,203	61,493	99,400
3. Sole Plates	92,227	96,530	70,901	1,28,723
4. Bracket Tpn. Non-C 8 ..	24,500	78,150	69,980	31,700
5. B.A.T.6	—	—	22,310	26,000
6. Saddles	1,78,355	2,41,095	1,21,747	2,04,900
7. Plumber Metal	6,08,768 kg.	1,22,024 kg.	1,39,808 kg.	1,36,880 kg.
8. Stay Rod	4,17,000	2,62,660	78,000	2,14,860
9. U. Backs	6,02,899	9,00,114	9,38,408	9,93,851
10. Channel Iron Brackets (Eqv. 7)	5,80,750	5,09,080	4,28,420	4,34,540
11. Sounder Dubern.	1,388	1,825	588	550
12. Telegraph Keys	1,701	1,232	1,223	1,846
13. Relays	68,462	70,140	69,370	65,499
14. Jack Strips	8,188	6,870	12,522	15,281
15. Lamp Jack Strips	2,732	3,448	3,575	4,577
16. Key Lever & Plunger ..	17,874	20,766	20,153	20,155
17. Tag Block	4,699	4,612	5,566	8,175
18. Indicator	2,804	3,316	2,140	2,764
19. Junction/D.P. Box	6,741	11,056	7,930	5,556
20. Switch Board items (in lines)	36,980	59,312	63,760	69,100
21. Stalks	6,78,500	7,95,690	9,07,270	8,83,665

JABALPUR

Name of major item	1965-66	1966-67	1967-68	1968-69
1. Tubes (Eqv. B 8')	3,78,017	3,99,226	4,02,011	4,20,568
2. S. S. N. P.	2,77,130	2,63,950	1,93,210	2,43,990
3. Ties & Struts	6,60,010	5,68,370	3,00,210	3,86,270
4. B. A. T. Double	1,37,323	1,08,807	86,193	34,486
5. Channel Iron Brackets (Eqv. 4W)	8,74,460	6,71,590	4,27,490	1,99,010
6. Stalks	6,34,123	5,95,148	6,62,359	7,38,001
7. Protector A.F. 2 wires ..	30,300	22,505	26,345	8,275
8. Heat Coils	66,600	57,800	47,300	2,80,997
9. Telephone Plugs & Sockets ..	—	9,540	33,175	70,212
10. Cable Terminal Box (Eqv. 50 pairs)	—	2,855	2,506	5,133
11. Switch Board items (in lines)	8,892	5,320	5,930	6,094
12. Junction/D.P. Box	1,630	2,755	—	—

BOMBAY

Name of major item	1965-66	1966-67	1967-68	1968-69
1. Switch Board Cords	79,658	1,68,388	1,45,193	1,13,499
2. Coin Collecting Boxes ..	445	500	800	2,305
3. Relays	1,42,579	1,22,136	1,38,163	1,05,119
4. Jack Strips	17,570	20,009	18,102	18,641
5. Lamps Jack Strips	7,573	8,843	8,983	7,113
6. Key Lever & Plunger ..	51,276	55,185	85,698	57,181
7. Tag Block	16,517	1,324	18,227	19,206
8. Indicator	9,169	7,130	7,457	8,032
9. Junction/D.P. Box	1,719	—	2,074	1,584
10. Telephone Plug & Socket ..	—	—	—	17,001
11. Switch Boards items (in lines)	1,11,061	1,10,558	1,10,045	1,01,958

APPENDIX IV

Summary of main Conclusions/Recommendations

S. No.	Para No. of Report	Ministry/Deptt. Concerned	Conclusion/Recommendation
1	2	3	4
1.	1.9	P & T Board	The Committee are concerned to find that the Postal and Telegraph Branches of the P&T Department are continuing to run at a very heavy loss. The loss on the Postal Branches was Rs. 6.16 crores in 1968-69 and according to present estimates will go up to Rs. 7.06 crores in 1969-70. On the Telegraph side, the loss which was Rs. 6.71 crores in 1968-69 is expected to increase in 1969-70 to Rs. 6.86 crores. It has been only due to the surpluses earned by the Telephone Department that these losses have been largely neutralised.
2.	1.10	—Do—	The Committee observe that, in spite of enhancement in the postal and telegraph tariff proposed during 1970-71 these branches are expected to operate at a loss. The loss has been estimated at Rs. 2.27 crores in regard to the Postal Branch and Rs. 7.16 crores for the Telegraph Branch.
3.	1.11	—Do—	In successive reports, the Committee have expressed their concern over the continuing losses incurred by these two branches. These losses have acted as a drag on the development of telecommunication services by eroding the surpluses generated in that Branch.

4.	1.12	—Do—	The Committee have already, in paragraph 1.8 of their Eighty-Fifth Report (Fourth Lok Sabha) asked Government to come to an early decision on the important question raised by the P&T Tariff Enquiry Committee as to the duration of trial period for losing post offices. A decision on this point does not brook further delay. The question of economising on operational expenditure of this Branch, through standardisation of jobs and introductiou of modes techniques should also receive urgent consideration of the Department, as suggested in paragraph 1.13 of their Eighty-Fifth Report (Fourth Lok Sabha).
5.	1.13	—Do—	The progressive deterioration in the working of the Telegraph Branch also underlines the need for quick measures to reduce cost of opreations through detailed studies to be conducted by the Costing Cell set up in the P&T Directorate. The Committee would like in this connection to invite attention to their recommendations in paragraph 1.21 of their Eighty-Fifth Report (Fourth Lok Sabha).
6.	1.20	—Do—	The Committee would like to point out that the arrears of telephone revenue are substantial. A sum of Rs. 3.22 crores was awaiting realisation as on 1st October, 1969 with Government subscribers accounting for a little over 50% of the arrears (Rs. 1.62 crores). The bulk of the recovery from this category of subscribers (*i.e.* Rs. 1.13 crores) was pending for a year or more. The Committee would like the Telephone Department to launch a special drive for liquidating these arrears within the next six months. This drive should also cover arrears amounting to Rs. 1.12 crores from other subscribers which have been pending for a year or more.
7.	1.32	—Do—	The Committee note that due to erroneous estimates of anticipated traffic load, control equipment ordered for two cross-bar exchanges installed at Bombay in November 1967 turned out to be inadequate. As a result, not a

1	2	3	4
			single additional line could be provided by one of these exchanges which was expected to provide at least 2,375 additional connections while in the other exchange, 2000 lines remained unutilised. Potential revenue to the extent of Rs. 55 lakhs was thus lost.
8.	1.33	P & T Board	Government have stated that the traffic load was assessed in 1962 on the basis of traffic observations on strowger equipment (which the cross-bar equipment replaced). These observations were invalidated due to certain technical phenomena peculiar to the working of the cross-bar system, which the Department could not have anticipated at that time, being unfamiliar with the working of that system. While the Committee recognise that this argument has some force, they are unable to understand why the Department did not check the accuracy of the original estimates framed in 1962 for the Bombay Exchange with reference to traffic observations on the cross-bar system installed at Madras in February, 1967. It would have enabled them to take remedial measures in time. It is also not clear as to why the same mistake of under-estimating traffic load occurred again for a third cross-bar exchange at Bombay Fort, where also control equipment ordered turned out to be inadequate, resulting in substantial unutilised capacity in the exchange.
9.	1.34	—Do—	The Committee note that the extra equipment required by these exchanges is now in the process of installation. They would like the work to be completed early, so that the potential capacity of these exchanges is fully utilised. Progressively, Government are planning to introduce the cross-bar system in all the major exchanges in the country. It would be necessary for the Department to ensure that assessments of requirements of control and ancillary equipment for these new cross-bar exchanges are as accurate as

			possible by laying down guidelines for traffic estimation in the light of experience so far gained.
10.	1.44	—Do—	In successive reports, the Committee have expressed anxiety over the inadequate utilisation of the installed telephone exchange capacity in the country. The experience of the two exchanges at Agra and Sinidhi mentioned in the Audit paragraph show how unsatisfactory the position is.
11.	1.45	—Do—	The exchange at Agra which was expanded by stages between February, 1967 and December, 1967 to handle 6,600 lines had a connectable capacity of 5,930 lines. However, between one-fourth to one-sixth of this capacity remained unutilised upto November, 1968. Paradoxically, the exchange had during this period on its waiting list subscribers who could have more than taken up the unutilised capacity. It was not till January, 1970 that the exchange was able to use its connectable capacity fully.
12.	1.46	—Do—	The exchange at Sinidhi had likewise unutilised capacity ranging from about a half to a third of its connectable capacity, with a number of intending subscribers on the waiting list. In fact, the exchange has still not been able to utilise its capacity to the extent of about two-fifth.
13.	1.47	—Do—	The non-utilisation of capacity in both these exchanges should have resulted in substantial loss of revenue to Government (i.e., a few lakhs of rupees).
14.	1.48	—Do—	The Committee observe from the information furnished by the P&T Department that about a fifth of the 'nominal' capacity of telephone exchanges in the country remained unutilised as on 1st April, 1969. The main difficulty that the Department has been facing is in getting adequate supplies of underground cables. Due to their non-availability, the Department has not been

1	2	3	4
			able to provide telephone connections to the extent of 1.5 lakhs, which could have been easily accommodated by the available capacity in the exchanges. These represent a fifth of the Fourth Plan target of additional connections (7.6 lakh connections). The loss of revenue involved must be immense.
15.	1.49	P & T Board	The Committee feel that this situation will persist unless energetic measures are taken by Government. The annual requirements of the P&T Department for cables has over the last three years nearly doubled, from 3750 KMs in 1960-67 to 7,350 KMs in 1968-69. The only source of indigenous supply, i.e., Hindustan Cables, has not been able to meet more than half the requirements. Quick and effective steps will have, therefore, to be taken to expand indigenous production. The Committee have made detailed suggestions in this regard in paras 1.26 and 1.27 of their Eighty-Fifth Report (Fourth Lok Sabha). They would like these to be implemented early.
16.	1.58	P & T Board	The Committee observe that the Telephone Department is losing substantial revenue due to its inability to provide facilities for metering of calls in some of the exchanges in the country. The loss of revenue in respect of just two exchanges mentioned in the Audit paragraph amounted to Rs. 9.4 lakhs per annum. The information furnished to the Committee shows that in 21 other exchanges in the country, where the line capacity stipulated for introduction of meters has been reached, metering facilities have not been made available. Besides these exchanges, there are other exchanges (number not specified by the P&T Department) where the stipulated capacity has been reached, but meters have not been provided, as these exchanges employ a non-multiple type of Board which does not lend itself to metering.

17.	1.59	P & T Board	The Committee note that, apart from cables, the major bottleneck in introducing the metered system in these exchanges has been the shortage of meters. The major source of supply of meters is the Indian Telephone Industries which is at present not capable of meeting the Department's requirements in full. The Committee have, in para 2.26 of their Fortieth Report (Fourth Lok Sabha) already touched on the need to encourage other sources of supply of meters available in the country. The Committee would like Government to draw up a programme for this purpose, so that metering facilities could be expeditiously introduced in all the exchanges where the stipulated line capacity has been reached.
18.	1.83	—Do—	The Committee observe that the P&T Department entered into a contract in this case with a firm of advertising agents for procuring advertisements for four successive issues of a telephone directory. According to the information furnished by the Department, the agent did not pay a sum of Rs. 3.08 lakhs towards Government's share of advertising revenue in respect of the second issue of the directory. The recovery is pending, as the agent has contested his liability in this regard through a suit filed in court. The Committee would like to be apprised of the outcome of the suit.
19.	1.84	—Do—	Certain issues, which have a bearing on the procedure to be followed by Government in procuring advertisements, arise out of this case : (i) The established procedure in the P&T Department has been to procure advertisements through agents with whom contracts are periodically concluded for this purpose. These contracts provide for the agents guaranteeing to the Department a certain minimum revenue. The agents are entitled to get a commission of 25% up to the guaranteed minimum gross revenue and 40% for the revenue in excess of the guaranteed amount.

4Lss(CP)/70—8.

1	2	3	4
			During evidence, the representative of the P&T Department expressed the view that it may not be desirable for the Department to procure the advertisements directly. It was stated that this might lead to "undesirable" practices and, besides, might result in entertainment of staff on a scale which might not be commensurate with the extra revenue derived by government. The Committee, however, find that one of the Zonal Railways has been procuring advertisements for time-tables directly without the intervention of agents. Even where the procedure for employing agents is adopted, a uniform practice is not being followed by various departments of Government. The P&T Department pay commission at 25%/40%, with a guarantee from the agents for a minimum revenue, the All India Radio pays 15%, without a guarantee, while some of the Zonal Railways which employ agents, pay 15% if advertising revenue secured by the agents exceeds a stipulated figure. Even adevrtisements from Government Departments are routed through agents. The Committee are not happy over Governments/public undertakings advertisements for the telephone directory or any other government publication being routed through another agency to whom the same rate of commission has to be paid as is done by a private advertiser. The Committee feel that such advertisements ought to be either procured direct by Government or the rate of commission payable for them should be nominal.

The Committee would like a comprehensive review of the existing procedures in different departments to be made with a view to determining whether the services of agents should be employed or not and if so, at what rate they should be remunerated and whether the arrangements with agents need at all cover advertisements from Government Departments and public sector undertakings. A uniform procedure for observance by all the Departments should be introduced, if possible, after such a review.

(ii) The P&T Department has apparently no yardstick to measure the reasonableness of the minimum guaranteed revenue offered by the agents. The Committee feel that the Department should evolve some norms for judging whether the terms offered by the agents are reasonable or not. The Telephone Directory Standardisation Committee set up by the P&T Department had suggested for this purpose a reserve rate to be worked out by the Department based on the cost of the relevant space in the directory. A procedure on these lines should be worked out.

(iii) The agents employed by the P&T Department are required, according to the terms of the agreement, to furnish a bank guarantee to cover their obligations to Department. As an agreement covers three or four successive issues of a directory, it is essential to ensure that the bank guarantee runs for the full period of the agreement and further that the Department is not left without adequate guarantee, should the guarantee be invoked for default on the part of the agent in remitting Government's share of revenue in respect of the earlier issues of the directory,

1	2	3	4
			The Committee note that in the case mentioned in the Audit paragraph there were difficulties of this nature and the Ministry of Law, who were consulted, advised the Department to carry out modifications to the standard form of the agreement, so that Government's interests could be fully protected. The Committee would like suitable action to be taken in this regard.
			(iv) The Telephone Directory Standardisation Committee had pointed out that there were "adventurers" in the advertising field whom it was necessary to eliminate. Two cases of default by agents have so far come to the Committee's notice : how many other such cases there have been is not known, as the Department have not furnished information on this point to the Committee. However, to protect itself against unscrupulous agents, the Department should consider raising the quantum of earnest money to be furnished by the agents. The provisions in the agreement regarding recovery of liquidated damages should also be made sufficiently stringent to operate as a deterrent against the temptation on the part of agents to delay remittance of Government dues. Failure to make payment of government dues in time should entail liquidated damages which should invariably be collected.
20.	1.94	P & T Board	The Committee are disturbed to find that test-checks carried out by the Department have brought to light short collections in public call offices in respect of metered calls, ranging from 2% to 87% in different telephone circles. The Committee recognise of course that this could be due to several

			factors, not the least of which is the fact that unscrupulous elements have found ways to make calls without paying for them. To minimise the possibility of such misuse, the Department are stated to be experimenting with a new type of pre-payment coin box to be installed in these call offices. The Committee would like to be apprised of the results of the experiments and the steps taken by the Department in the light of these results.
21.	1.95	P & T Board	One factor which could cause shortage in collection is pilferage by departmental staff. The Committee note that Department are themselves cognisant of this, but are not in a position to pin point it as the sole reason in any particular case. It would be possible to minimise such pilferages, if each call office is provided with two coin boxes, one alternating with the other, ensuring also that coin boxes, which are removed for purpose of collection, are opened in one central place in the presence of a responsible official. In fact, instructions were issued in 1966 that two cash boxes should be provided for each telephone in a Public Call Office. This decision has not been fully implemented though over 3 years have passed. The Committee note that the production of cash boxes was not stepped up to any appreciable extent after the decision to provide duplicate coin collecting boxes was taken in 1966. Their production was trebled only in 1968-69. The Committee cannot help arriving at the conclusion that the short collection of money from Public Call Offices during the past 3 years is largely due to the omission to provide the duplicate cash boxes for which failure the responsibility rests on the P & T Department.
22.	1.96	—Do—	The Committee note the assurance given by the Department that a set of two boxes would be allotted to each public call office, in about six months. They trust that this will be done.

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23.	1.106	P & T Board	In the absence of information from the P & T Department about the value of additional production *vis-a-vis* incentive wages paid, the Committee are unable to come to any definite conclusion about the success of the incentive schemes in the P & T workshops. The Committee would like to await the information as promised in this regard. The Committee would, however, like to point out that nearly 6 years after the scheme was started, it actually covered only about 37% of the eligible workers in the Jabalpur workshop, 56% in the Calcutta workshop and 66% in the Bombay workshop. The data given in the Audit Report would also show that in the Calcutta workshop, less than 50% of the eligible workers actually earned incentive pay. The quantum of incentive pay earned by the workers in this workshop has gone down from Rs. 1.85 lakhs in 1965-66 to Rs. 1.34 lakhs in 1967-68.
24.	1.107	—Do—	The Committee appreciate the fact that, with raw material shortages that are stated to have occurred, the scope for extra production and payment of incentive pay would have been limited. However, the statistics of production of major items show that in respect of some items like stalks, sockets etc. production in the Calcutta workshop in 1967-68 was higher than in 1965-66. The Committee would like Government to undertake a review of the progress of the incentive schemes with a view to indentifying the factors that have inhibited the scope for their expansion, particularly in the Calcutta and Jabalpur workshops, so that these would be tackled. To ensure that these schemes achieve their intended purpose, norms for production will have to be realistically fixed, so that additional production achieved is comparable with incentive wages earned.

25.	1.124	P & T Board	The Committee cannot help feeling that in spite of partial mechanisation of the foundry, the performance of the Calcutta Workshop has not improved. The data in the Audit Report would show that production of good castings in the workshop foundry has come down from 4,030 tons in 1965-66 to 3,238 tons in 1967-68 with a corresponding increase in loss of metal. The representative of the P & T Department attributed the higher wastage to the product-mix of the workshop and stated that, if the production was oriented towards bigger items, the wastage would be less. However, in the absence of data from the Department about actual rejections on various operations in relation to prescribed norms, the Committee are reluctant to accept this explanation.
26.	1.126	—Do—	The data about the cost of production of major items in the workshop shows that the unit cost has gone up in respect of as many as 20 out of 26 items between 1966-67 and 1968-69. The increase in unit cost has been particularly marked in respect of different types of channel iron brackets, sole plates and charging boards. The Committee would like steps to be taken by the Department to bring down the cost.
27.	1.134	—Do—	The Committee can see no justification for the District Manager, Telephones having appropriated for use in his own offices, teleprinters supplied to him for allotment to subscribers in the waiting list. The needs of the public should have received priority over departmental requirements, particularly when there was a waiting list of customers. It has been stated by the Department that the installation of these teleprinters had brought about a saving of Rs. 10,638 in annual expenditure. The Committee find this explanation ingenious but unconvincing. Besides it is apparent from the reply given by the Department that the teleprinters would have been put to better use by the subscribers.

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28.	1.135	P & T Board	The Committee would like steps to be taken by the P & T Department to have these teleprinters withdrawn from Departmental use and supplied to the customers.
29.	1.143	—Do—	The Committee are not convinced by the explanation of the Department that District Manager, Telephones, Hyderabad, had taken these teleprinters for experiments and no special sanction was required in this case. The Department itself had accorded *ex-post-facto* sanction. The Committee note that bulk of the losses of the P & T Department were caused by thefts and mostly they were of copper wire. The thefts on this account have reached alarming proportions: they have shot up from Rs. 15.90 lakhs in 1965-66 to Rs. 72.62 lakhs in 1967-68. The Committee appreciate that this is primarily a law and order problem, as the thefts are perpetrated by gangs moving from place to place. Regular patrolling and better coordination with the police authorities might check these thefts. The Committee would also like Government to consider whether the penalty for these thefts, which is proposed to be made more stringent by an amendment to the "Telegraph Wires (Unlawful Possession) Act, 1950", could be made even more severe, as the Department have expressed the view that even the proposed amendment may not offer much relief
30,	1.144	—Do—	The Committee have already suggested in their earlier reports the progressive substitution of copper wire by copper weld wire and aluminium conductor steel reinforced wires, so that the inducement to thefts could be minimised. The Committee trust that a scheme for this purpose will be implemented by stages to cover within a stipulated period all alignments using copper wire.

31.	1.151	P & T Board	The Committee note that defalcations or frauds caused a loss of Rs. 19.43 lakhs in 1967-68 as compared to Rs. 14.25 lakhs in 1966-67. Savings banks frauds alone accounted for a loss of Rs. 5.76 lakhs and the number of cases of such frauds increased from 250 in 1966-67 to 319 in 1967-68. The Committee note that the Department are alive to the need to take precautions to avert frauds of this and other types and trust that constant vigilance will be maintained. Deterrent action should also be taken against all departmental officials found to be involved in such cases.
32.	1.157	—Do—	The Committee are not happy about prolonged and infructuous investigations that took place in these cases of thefts which involved a loss of Rs. 1.44 lakhs. There was delay of two to eight months in investigating these cases departmentally before the matter was reported to the police. There was a further delay of over a year on the part of the police authorities in completing the investigations, before the cases were finally closed. The Committee take a serious view of such delays in cases of theft or shortages. Better liaison will have also to be maintained by the Departmental authorities with the police to ensure swift investigation of all cases.
33.	1.165	—Do—	Though the amount of overpayments in this case was not large, the Committee feel that the irregularity which occurred was serious in nature. In 77 cases, covering a number of employees who were on leave between April 1966 and October, 1968, a test-check by Audit revealed that duty pay had been paid to the employees for periods when they were actually on leave. The fact that this occurred over a period of two years and that the irregularity was rectified by the Department only after Audit raised the matter shows how careless the Department had been in preparing the pay-bills. Apparently not one of the 77 employees pointed out at any time that they had been paid duty-pay for periods during which they were on

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			leave. The Committee would like the Department to investigate these cases and fix responsibility for the negligence that occurred.
34.	1.171	P & T Board	In the Committee's opinion this was a case of bad planning. The construction of quarters was undertaken without any detailed survey of the site or preparation of structural designs or drawings. Design and drawings for the work, which was to be completed by November, 1961 were supplied by the Department to the contractor only in February, 1963. The contractor abandoned the work shortly thereafter as the passage of time had rendered the rates he had originally quoted unremunerative. The Department also at this stage became aware that the site of construction was liable to flooding in monsoon and took up through another contractor construction of a bund which was completed in July, 1965. The building work was thereafter taken up and ultimately completed in April, 1966. The delay of over four years cost the Government about Rs. 60,000 on various counts.
35.	1.172	—Do—	The Committee cannot help feeling that a delay of this order in a petty work of this kind reflects badly on the method of working in the Department.
36.	1.176	—Do—	The Committee regret that the circle office in this case undertook the construction of a telegraph line in proximity to an existing power line, without ascertaining the voltage of the power line. According to the standard procedure, work on erection of telegraph lines involving parallelism with power lines above a stipulated voltage is required to be screened by a Power Telecommunication Co-ordination body. The circle which undertook the work in this case failed to obtain this clearance. The result

			was that after part of the line had been erected, it had to be dismantled and re-erected on a new alignment, causing an infructuous expenditure of Rs. 22,900. The Committee trust that a case of this nature will not occur. Apart from causing needless expenditure, such ill-considered actions could also result in fatalities. The Committee would like the P&T Board to investigate this case with a view to ascertaining why the prescribed procedure of getting clearance from the Power Telecommunication Co-ordination Body was not followed and take suitable action thereafter.
37.	1.184	P & T Board	The Committee observe that there was a failure on the part of the Chief Controller of Telegraph Stores to cancel orders placed in November, 1962 for voice frequency repeaters, supplies of which were accepted even after they had become obsolete. The orders specified supplies in 1963-64 and by 1965 these repeaters had become obsolete, due to a change in technology. With some care, and better liaison with the field offices which had originally indented for these repeaters, the Chief Controller could have cancelled a part of the order (for supplies which were actually made after 1965). The Committee note that Government themselves have come to the conclusion that there was a definite lapse in this regard. The Committee would like Government to take suitable action in the light of this finding. Government should also investigate why none of the indentors asked for cancellation of the supply orders after 1965 and take appropriate action.
38.	1.199	—Do—	While the Committee agree that the Department was justified in having ignored the lower offer of firm 'A' in the light of the firm's subsequent performance, they would like to point out that the method followed for

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			placing orders with firms B and C, was not quite in conformity with the accepted procedures. For one item of store firm B's offer was in the first instance relatively lower. Orders were placed by the Department for this item on firm 'B' as well as on firm C, by asking firm 'C' to reduce its rate to bring it on a par with that of firm 'B'. This was clearly tentamount to negotiation and under the rules, the Department was procluded from negotiating with firm 'C', as it was not the lowest tenderer. In any case, if negotiations had thus been resorted to, an opportunity should in fairness ought to have been given to other eligible tenderers also.
39.	1.200	P & T Board	For the second item of store, for which firm 'C's quotation was lower than firm 'B's, the Department look cognisance of a reduction in rate offered by firm C, after the opening of tenders. This violated the sanctity of the tender procedure. Having thus departed from the recognised procedure for processing tenders, the Department did not take the step of starting negotiations with others, including firm 'B' which could have been asked to reduce its rate to the level of firm 'C'. Had that been done, the Department might have saved Rs. 18,900.
40.	1.201	-Do-	The Committee would like the Department to issue instructions to ensure that in future the recognised procedure for acceptance of tenders is followed and that, if negotiations are conducted with parties other than the lowest tenderers, other eligible tenderers are given a similar opportunity.
41.	1.204	-Do-	The Committee feel that Government should have at least asked the supplier to reduce his rates before extending the delivery period stipulated in the contract, particularly as it had become evident by that time (through rates offered for identical stores in another tender) that there had been a

fall in prices. The argument of the Department that they wanted to avoid litigation and keep more than one source of supply going is not convincing. The supplier had in this case clearly failed to comply with the terms of delivery and Government was therefore under no obligation to extend the period of delivery. Moreover, the store in question is a battery eliminator which apparently is not an item of production for which sources of supply are restricted. As the amount of extra expenditure involved is small (Rs. 15,000) and the supplier was a small-scale unit, the Committee do not wish to pursue the case further. Government should, however, ensure that purchase officers keep Government interests in mind while offering concessions to suppliers.

LSS/70—28-4-70 GIPF.