

COMMITTEE
ON
PUBLIC UNDERTAKINGS
(1967-68)

THIRTEENTH REPORT
(FOURTH LOK SABHA)

ASHOKA HOTELS LTD., NEW DELHI
MINISTRY OF WORKS, HOUSING & SUPPLY



समयस्य वरुणे

LOK SABHA SECRETARIAT
NEW DELHI

4R

April 1968/Vaisakha, 1890 (Saka)

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COMMITTEE ON PUBLIC UNDERTAKINGS
(1967-1968)

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SECRETARIAT

Shri A. L. Rai - Deputy Secretary

Shri M. M. Mathur - Under Secretary

*Ceased to be a Member of the Committee consequent on his retirement from Rajya Sabha on 2.4.1968

INTRODUCTION

I, the Chairman, Committee on Public Undertakings, having been authorised by the Committee to submit the Report on their behalf, present ~~this~~ Thirteenth Report on the Ashoka Hotels Ltd., New Delhi.

2. The Report is based on the examination of the working of the Ashoka Hotels Ltd. upto the year ending 31st March, 1967. The Committee took the evidence of the representatives of the Ashoka Hotels Ltd., on the 13th and 14th February, 1968 and of the Ministry of Works, Housing & Supply on the 15th February, 1968.

3. The Report was considered by the Committee on the 10th and 11th and was adopted on the 17th April, 1968. The Committee then reconsidered the Report on the 23rd April, 1968 with reference to letters received from the Secretary of W. H. & S and the Managing Director of the Ashoka Hotels Ltd. and made a slight change in it.

4. The Committee wish to express their thanks to the officers of the Ministry of Works, Housing & Supply and the Ashoka Hotels Ltd. for placing before them the material and information that they wanted in connection with their examination. They also wish to express their thanks to the non-official organizations/individuals who, on request from the Committee, furnished their views on the working of the Corporation.

5. The Committee also place on record their appreciation of the assistance rendered to them in connection with the examination of audit paras pertaining to the Ashoka Hotels Ltd. by the Comptroller and Auditor General of India.

New Delhi ;
April 23, 1968
Vaisakha 3, 1890 (Saka)

D. N. Tiwary
Chairman
Committee on Public Undertakings

I

INTRODUCTORY

A. Background

Ashoka Hotels Limited, a public limited company, was floated in October 1955 with His Highness the Jam Saheb of Nawanagar, Shri H. L. Chadha and the Government of India as joint promoters. In terms of the Promoters' Agreement the Government decided to :

- (i) lease out to the company 25 acres of land in the Diplomatic Enclave @ Rs. 50,000 per acre;
- (ii) purchase Preference Shares worth Rs. 26 lakhs out of the authorised capital of Rupees one crore; and
- (iii) advance to the company a loan of Rs. 25 lakhs.

2. His Highness the Jam Saheb and Shri H. L. Chadha were expected to contribute Rs. 74 lakhs by way of share capital and the extra money required was to be raised by issue of debentures.

3. The work on the hotel building started in December 1955. On the 30th May, 1956, however, the Government decided that the entire project be taken over and completed by the Ministry of Works, Housing & Supply as it became evident that the Jam Saheb and Shri H. L. Chadha could not raise the share capital to the extent of Rs. 74 lakhs nor get the hotel ready for housing the delegates to the UNESCO Conference which was to be held in Delhi in October 1956.

4. With 200 rooms ready to receive the UNESCO delegates, but the project is still incomplete, the hotel started functioning from the 30th October, 1956. The hotel was, however, completed in all respects in the early part of 1957 at a cost of Rs. 2.77 crores.

B. Salient Features of the Hotel

5. The hotel occupies an area of 21.108 acres of land and with its cantilevered 'Chhatttri' 123 feet from the ground floor, it is the largest and the tallest hotel building in India. The structure is a harmonious blending of the traditional Indian and modern architecture and there is a skilful plan arrangement and use of functional heights for different portions of the building. The arched entrance, the perforated floral 'jalies', the exquisitely carved red stone, the white marble coulumns, the black and multi-coloured marble flooring and the wood work lend to the building a character and tone which is dignified and charming.

6. The hotel is entirely air conditioned providing heating in winter and cooling in summer and each guest room is equipped with a refrigerator. There is a central sound system which relays Indian and western music of the hotel's 17 piece Orchestra to the dining and banquet halls, public rooms, terraced garden and the swimming pool. The swimming pool is equipped with wet niche under water lighting adorned by cascades and pergolas, linked by flower beds and a paved terrace all round.

7. The public rooms in the hotel consist of a main lounge, a private lounge, drawing rooms, a dining room, a banquet hall, a grill room, and three private dining rooms, a soda fountain, billiard and card rooms, a library, writing room, conference halls, a nursery and a gymnasium.

8. For the guests there are 190 single rooms and 67 double rooms. In addition there are 58 single suites, 23 double suites, and 13 deluxe suites. The hotel has been graded as Five Star de Luxe Hotel by the Hotels Classification Committee.

C. Expansion Plans

9. The hotel has taken up an expansion project to construct an Annexe to the hotel at an estimated cost of approximately Rs. 2.39 crores. The project when fully completed will provide the following facilities :—

- (i) 300 additional beds;
- (ii) at least two speciality restaurants including a Revolving Tower Restaurant;
- (iii) a banquet-cum-convention hall;
- (iv) a modern kitchen and a laundry with other equipments.

The Annexe and the banquet-cum-convention hall have been completed, but the entire project including the Revolving Tower Restaurant is expected to be completed by the 31st July, 1968.

D. Essential Features of Revolving Tower Restaurant

10. The Revolving Tower will consist of 15 floors starting from the basement level. The first two floors (basement and ground) will be used for storage; the next ten floors will have ten special residential suites for guests; the thirteenth floor will house the kitchen and pantry; the fourteenth floor will be used as a lounge, while on the fifteenth floor will be the restaurant. The restaurant will be 80 feet in diameter and only its outer periphery 12 feet wide having seating capacity for about 250 persons will be revolving. In the stationary portion, there will be a service-cum-cashier counter, telephone booths and other service facilities. Above the stationary portion of the restaurant will be a machine room for the lifts and around that a promenade from which also the client will be able to view the city all round.

11. The total expenditure on the Revolving Tower project was estimated at Rs. 37,78,300 out of which about Rs. 6 lakhs has been spent on the construction so far. The cost on account of the revolving mechanism was of the order of Rs. 4 lakhs.

E. Objects and Present Functions

12. Delhi needed a hotel like the Ashoka for the following reasons :—

- (i) A first class hotel was essential to cater to the needs of the ever-growing number of tourists and official delegations to the capital of India; and
- (ii) The establishment of a big, modern hotel, it was felt, would bring down the soaring hotel prices in Delhi and introduce an element of healthy competition in the hotel industry.

13. Section III of the Memorandum of Association of Ashoka Hotels Ltd., lays down in detail, the objects and functions of the hotel. The primary function of the Ashoka Hotels Ltd. is to provide board and lodging to the guests and cater for parties. The hotel also runs two restaurants, one named Rouge-et-Noir and the other Bar-e-Kabab, and also a bakery and a confectionery. The hotel provides the amenities and services of a luxury hotel.

F. Examination by the Estimates Committee

14. The working of the Ashoka Hotels Ltd. was examined by the Estimates Committee in 1960-61 and their recommendations/observations are contained in their Hundred and Nineteenth Report (2nd Lok Sabha). The replies furnished by the Government indicating the action taken by them on the aforesaid report were considered by the Estimates Committee in 1962-63 and their comments are contained in their Sixth Report (Third Lok Sabha). The recommendations made by the Committee in these reports and action taken by the Government, as are relevant to the present examination of the Ashoka Hotels Ltd., have been referred to at appropriate places in this report.

II

CONSTRUCTION OF THE MAIN HOTEL BUILDING

A. Estimates

15. The original cost of the hotel building was estimated at about Rs. 2 crores. The actual expenditure incurred on the project was, however, of the order of Rs. 2.77 crores.

16. The break-up of the original estimates and of the final cost are given below :

(Rs. in lakhs)

Item	Original rough estimate	Actual expenditure
1. Land	10.55	10.58
2. Buildings	100.00	141.02
3. Airconditioning & cold storage.	18.00	20.05
4. Electrical installations	20.00	23.71
5. Water Supply & Sanitary system	15.00	20.44
6. Lifts	3.00	3.63
7. Furniture & Fixtures	18.00	22.45
8. Carpets	7.00	15.58
9. Plant & Machinery . . . . .	..	5.16
10. Kitchen equipments . . . . .	..	4.39
11. Miscellaneous Equipments . . . . .	..	1.43
12. Musical instruments . . . . .	..	0.40
13. Curtains . . . . .	..	2.35
14. Cars & Station Wagons . . . . .	..	0.47
15. Refrigerators . . . . .	..	5.20
	191.55	276.86

B. Reasons for Variations

17. It has been stated that the original estimates were prepared by agencies other than the Government and the latter had to revise the estimates according to the subsequent requirements. The rise in estimates has been explained as being due to construction of staff quarters, and expenditure on candy filters, tile works, decorative glasses, water proofing, electric connections, provision of office furniture, furnishings, etc., etc., and other items of work which were not included entirely in the original calculations.

C. Non-Acceptance of Lowest Tenderer for the Construction of Main Hotel Building. Audit Report (C), 1964 P. 29-30

18. Tenders for the construction of main block of the Ashoka Hotels Ltd. at an approximate cost of Rs. 60 lakhs were invited on the 6th August, 1955. In the absence of detailed estimates or schedules of items in support of the cost of the building, the tenderers were required to quote a percentage above or below the 1950 CPWD Schedule of Rates then prevalent.

19. The following tenders were received.

Name of Contractor	Percentage quoted	Condition
1. M/s M. L. Dalmia & Co., Calcutta	7½% above	No conditions
2. M/s Partap Chand & Co., New Delhi	2%	Conditional
3. M/s Uttam Singh Duggal & Co., New Delhi.	1·7% below	No conditions
4. M/s Shah Construction & Co., Bombay	5¼% above	No condition
5. M/s Tirath Ram Ahuja, New Delhi	12·8% above	Conditional

It is seen from the minutes of the meeting of Promoters held on 24-8-1955 that the Jam Saheb was of the view that in the selection of a contractor, it was not only the lowest quotation but also the quality of work together with his capacity, assurance, behaviour, and the completion of work in stipulated time that should be the basic considerations.

20. The Jam Saheb, who had studied the various tenders and their merits informed the Board in a meeting on 24-8-1955 that amongst the contractors Shri Uttam Singh Duggal had quoted the minimum rates. In the normal course, if the company were to build an ordinary structure without any restriction as to time limit, he should have been given the contract but as the company was required to have the building to be of 'A' class quality and also within the minimum time, it was thought desirable to take the opinion of the Architects. The Jam Saheb further explained that on his instructions, the Architects Shri Doctor saw the new building of the Central Board of Revenue near Hardinge Bridge which had been constructed by M/s Uttam Singh Duggal. Their opinion was that the work was of a very poor quality and they could not with all their supervision expect much better quality out of this contractor. In having this hotel which was expected to be a model class hotel they felt very reluctant to go only by financial quotations and, furthermore, the work which had been seen, did not create a sense of confidence which was absolutely necessary before entrusting any contractor with the work. Therefore, even though their quotations were low, having regard to the quality of the work done by them, the Jam Saheb felt that he should recommend to the other promoters that it would be very unsafe to entrust this work to

M/s Uttam Singh Duggal. He also felt that Shri Duggal had other major works in hand and he would not be able to concentrate on this work. He had also heard that he was a somewhat difficult person to deal with.

21. The Managing Director of the Ashoka Hotels Ltd. stated during evidence that M/s Duggal had Government contracts worth Rs. 143 lakhs at that particular point of time, while M/s Tirath Ram Ahuja had Government contracts worth Rs. 26 lakhs.

22. Out of the other four tenderers, M/s Partap Chand & Co. who had quoted 2% above seemed to be a small contractor and according to the Jam Saheb he could not be entrusted with this work. Also it was not known as to whether they had under taken any work of a substantial size. In these circumstances, their tender could also not be accepted.

23. The third lowest quotation was that of M/s Shah Construction Co. of Bombay. This company had to its credit the completion of the Secretariat of Bombay Government at Bombay within 16 months even though the stipulated time was 18 months. The Architects had seen their work and had considered that that party would be able to put up quality work. The only objection against this firm could be that it was not a local firm and might not be able to command labour and hence might not be able to finish the work, but as the firm was an established one, he could not *prima facie* rule out the possibility of the firm getting labour from Rajasthan and other areas. This firm, in fact, had given an assurance to finish the work in the stipulated time.

24. M/s Dalmia & Co. was unknown to the Jam Saheb and he had no knowledge whether they had put up any major work in Delhi. He could not, therefore, repose any confidence in them.

25. The last was Shri Tirath Ram Ahuja. It was a local firm of very good repute and on the Jam Saheb's instructions, the Architects had seen the building of the Reserve Bank of India which was being built by them. The Architects had given their opinion that the quality of work was very good; far better than that of M/s Uttam Singh Dugal. The point in their favour was that they were a local firm having done a number of works in Delhi. Unfortunately, they had quoted very high and had also put up a condition that the time limit schedule be extended. The Jam Saheb could not agree to the extension of time limit but he felt that it would be open to negotiate with them as to whether they would be prepared to do the work at a lower rate.

26. The Chief Engineer, C.P.W.D. Shri Burman pointed out that while the contractors who had tendered, with the exception of M/s Partap Chand & Co. had the capacity and resources to execute the work, he was of the considered opinion that it would be impossible for any one of them to complete the job to the required standard within the stipulated time. He further pointed out that one of them M/s Uttam Singh Duggal had their hands too full

on account of various Government contracts which they were executing. The Chief Engineer further pointed out that so far as mass work was concerned, M/s Uttam Singh Duggal had the required capacity and resources. As far as quality work was concerned, it depended upon what one would like to have.

27. The Jam Saheb had several discussions with the Prime Minister and felt that the work of this hotel should be of very good quality because it was to be a model hotel in the whole of India. It was with this view that he had directed his Architects to have a look particularly at the buildings put up recently by the local contractors—M/s Uttam Singh Duggal and M/s Tirath Ram, and the Architects after having seen the building which had recently been finished for the Central Board of Revenue by M/s Uttam Singh Duggal as well as the building of the Reserve Bank of India by M/s Tirath Ram, and after keeping all the points in view, had recommended that the standard of the Reserve Bank building was the one to be followed for the proposed hotel. In their view the building of the Central Board of Revenue did not have that finish and standard as would be expected of the proposed hotel.

28. The Jam Saheb at the Promoters' meeting on the 24th August, 1955 suggested for the consideration of the promoters that they should negotiate with M/s Shah Construction Co., Bombay, and M/s Tirath Ram for some minimum rate to be decided in consultation with the Chief Engineer and the Architects.

29. On the advice of the Chief Engineer and the Architects, it was decided that a fair rate for the building would be two per cent above the C.P.W.D. schedule of rates. The promoters thereafter authorised the Jam Saheb to negotiate with the two selected contractors—M/s Shah Construction Co. and Shri Tirath Ram—on the basis of above decided rate.

30. On the 29th August, 1955 the Jam Saheb reported to the promoters that in pursuance of their resolution, he had met the representatives of M/s Shah Construction Co. on the 25th August, 1955, and explained to them that the promoters felt that in the interest of the work and the quality required, it would not be possible to accept the lowest tender and in view of the reputation of their firm, he had invited them to consider whether it would be possible for them to come to a reasonable rate below their tender. The Jam Saheb also explained that the promoters were keen to finish the entire work as the time limit was short and the quality expected was high. In order, however, to meet the requirements of the Government for which he stood committed for 250 rooms, he would confine the completion only to those rooms and essential public rooms necessary to go with them. The rest of the work might be continued and finished later on. It would, however, be desirable if the structure of the entire building was completed so as to cause very little inconvenience to the residents later. The representatives of the company welcomed his suggestion and were agreeable to these conditions. They, however, were

reluctant to quote their rates and left it to him to make a genuine offer. He then told them that in his opinion it would be reasonable if they could agree to a rate of 2% above the C.P.W.D. schedule of rates. The representatives thereupon agreed to this suggestion and assured him of their whole-hearted co-operation.

31. Later he met M/s Tirath Ram Ahuja and explained to them what he had done to the representatives of M/s Shah Construction Co. and wanted to know what their reaction would be. He further added that it was quite out of question to extend the time limit to two years as demanded by them in their reply to the tender notice except that the promoters had to a certain extent relaxed the condition of completion of rooms over and above 250 and repeated what he had stated in this connection to the representatives of M/s Shah Construction Co. Shri Tirath Ram welcomed his offer of negotiations and said that he was more interested to put up a good show than earn large profits. He was agreeable to the offer made to him. However, on pressing the matter further about the rates, he said that it would not be possible for him to go below 1.99% above the C.P.W.D. schedule of rates.

32. Since both the parties had agreed on the same figure of 2% above the scheduled rates, the Jam Saheb felt that in the interest of work, it would not be desirable to press the parties for any further reduction and in view of the fact that both the parties had responded to his suggestion in a very sporting manner, it would be fair to divide the work equally between them. It was also taken into consideration that the division of work into two contractors would not be disadvantageous. On the contrary, in view of the advice of the Architects it might perhaps be advantageous to divide this work between two good contractors of equal standing to enable them to finish it satisfactorily. As to whether the division of work was possible, a reference to the tender notice made it clear that a clause to that effect was already in existence and the contractors were supposed to be aware of this clause and it could, therefore, be assumed that they would be prepared to work in parts.

33. The Jam Saheb informed the promoters that both the firms agreed to undertake this job half and half and assured him that not only would they co-operate with each other but they would set an example of quality and leave no room for any one to complain. They were asked to get into touch with each other to work out details.

34. On the morning of the 27th August, 1955, the representatives of M/s Shah Construction Co. sent a letter to the Jam Saheb stating that while thanking him for giving half the work to them and the other half to the other agency on the same terms and conditions, they felt that they could not finally agree to this proposal and that in the interest of the work, it was very much necessary that the work be handled only by one agency and they voluntarily would like to withdraw from this proposal of participating in half the work. The management of the Ashoka Hotels Ltd. have intimated in

writing that a copy of M/s Shah Construction Co.'s letter dated the 27th August, 1955 is not readily available on record. The minutes of the Promoters' meeting held on the 29th August, 1955, however, reproduce, more or less, verbatim the letter itself.

35. The Jam Saheb in the interests of the work as well as in view of the time factor, accepted the withdrawal and sent for the other party who were asked whether they would be prepared to take up the whole job at 2% above the C.P.W.D. schedule of rates. The other party agreed to this proposal.

36. Since the auspicious date for the laying of foundations had been fixed for 10-30 A.M. on Sunday, the 28th August, 1955 and no more time could be wasted, the Jam Saheb conveyed the acceptance to Shri Tirath Ram on the following conditions :—

- (a) That they would complete the entire structure by the 1st of September, 1956.
- (b) That they would complete and hand over to the company 250 rooms together with the necessary public rooms required on that date ready for use.
- (c) That the remaining work would be completed after that date in accordance with the instructions of the company.
- (d) That the firm revoke their forwarding letter accompanying their tender in its entirety.
- (e) That other conditions in the tender shall remain unaltered.
- (f) That the percentage shall be reduced to 2% above the C.P.W.D. schedule of rates as given in the tender.

37. He explained to the promoters that he had taken these steps in the interest of the work and in view of the fact that the job had to be completed within the very short time. He further added that he could not agree to anybody who did not have his confidence and he requested the promoters to ratify these arrangements. The promoters after due consideration confirmed the action taken by the Jam Saheb.

38. From the foregoing account the Committee are not satisfied with the manner in which the contract for the main building of the Ashoka Hotels Ltd. was awarded. M/s Uttam Singh Duggal were the lowest tenderer. According to the Chief Engineer CPWD they had the capacity and resources to construct the building. The Chief Engineer C.P.W.D. was further of the opinion that as far as quality work was concerned it depended upon what one would like to have. The Jam Saheb as the chief promoter was authorised by the promoters to negotiate and award the contract for the construction of the main hotel. The Jam Saheb was of the view that as the company was required to have the building of a superior quality and also within the

minimum time it would be very unsafe to entrust the work to M/s Uttam Singh Duggal. The Architect's opinion was also against them and besides this they had other major works in hand. M/s Duggal were also difficult persons to handle.

39. The Committee feel that a part of the work could have been assigned to M/s Uttam Singh Duggal in view of the opinion of the Chief Engineer that it was impossible for any one of the tenderers to complete the job to the required standard within the stipulated time.

40. M/s Shah Construction Co. after having informed the Jam Saheb on the 25th August, 1955 that they would undertake half the work and cooperate with each other and leave no room for complaint, had again written on the 27th August, 1955 that in the interest of work it was very much necessary that the work be handled only by one agency and they voluntarily would like to withdraw from this proposal of participating in half the work. It would appear that M/s Shah Construction Co. did not opt out of the contract but merely from the proposal of participating in half the work. The management have stated that a copy of their letter is not readily available and the minutes of Promoters' meeting held on the 29th August, 1955 reproduce more or less verbatim the letter itself. It is unfortunate that such an important letter is stated by the management to be not readily available, as it gives rise to the apprehension about the exact nature of the letter. The Committee desire that this letter should be traced and a copy forwarded to the Committee.

41. The Committee are not convinced with the reasons for ignoring M/s Shah Construction Co. from further negotiation and awarding the contract to M/s Tirath Ram Ahuja. The Committee feel that M/s Shah Construction Co. which were not prepared to do half the contract should not have been ignored while negotiating for the entire contract as was done with M/s Tirath Ram Ahuja.

D. Expenditure on Extra Items not covered by the C.P.W.D. Rates

42. As pointed out in the Audit Report (Commercial) 1964 (pp. 29-30), out of the total cost of the main hotel amounting to about Rs. 1.20 crores, an expenditure of about Rs. 50 lakhs was on account of a large number of extra items, not covered by the C.P.W.D. rates, but paid for at special *ad hoc* rates fixed by the Architect. As some of these rates were considered to be on the high side, the management referred items valued by the Architect at approximately Rs. 30 lakhs to the Planning Circle of the CPWD for scrutiny of the rates. The Chief Engineer CPWD found that some of these rates were excessive and he felt that a sum of Rs. 5 lakhs had been paid in excess to the contractor. On receipt of this opinion discussions were held

by the management with the CPWD and the management noticed that there was divergence between the Architect's conception of the quality and speed he had desired on the works, and that by the CPWD who had no current work of the like nature on hand. The management decided as an *ad hoc* measure to recover Rs. 77,490 from the contractor as offered by him to secure a settlement.

43. In the post evidence information furnished to the Committee it has been stated that the proposal to refer extra items to CPWD was initiated by the then General Manager of the Company Shri D. Dutt. His note dated 6-4-1957, is reproduced below :—

“Placed below is a list of extra items 141 to 237. These extra items are based on the analysis submitted by the contractor. The necessity of sanctioning these extra items arises as they do not find a place in the schedule of rates. In the Central P.W.D. the scrutinising and sanction of extra items are done very carefully in the C.E.'s office by the Planning Circle specifically ment for this purpose. The analysis of rates are carefully scrutinised. These rates are based on some rates of those items of works in the schedule of rates which are somewhere similar to the extra items under examination. To arrive at the correct rate therefore requires very careful examination. Otherwise it is possible that we may get involved in excessive payments. I would, therefore suggest that one of the E.E.'s of the Planning Circle in the C.E.'s office be got deputed for this hotel for about a month. He could carefully scrutinise the rates of the extra items and submit them to the Board for approval.”

44. The above proposal was accepted by the two Government Directors Sarvashri S. Ratnam and M. R. Sachdev. The references to the C.P.W.D. were made in two instalments, on 15-5-1957 and 21-6-1957. The C.P.W.D. comments were received in batches and after the receipt of the comments on all items it appeared that on the recommendations of the Architect there was a possible overpayment of Rs. 5 lakhs compared to the CPWD analyses. On this, discussions were held at a meeting in the room of the Secretary, Ministry of Works, Housing and Supply, when the Chief Engineer, CPWD, the representative of the hotel and contractors were present. No record of these discussions are, however, available in the hotel files. After the discussions in the Ministry the rates were further discussed with the contractor as a result of which the contractor agreed to a deduction of Rs. 77,490 keeping in view the trend of discussions held with the CPWD authorities in the Ministry. The amount of Rs. 77,490 was proposed to be deducted in the 28th running and final bill of the contractor. However, before the final bill could be paid, the contractor went for arbitration and, taking this opportunity, the hotel authorities put in a counter claim amongst others for all the differences between the CPWD analyses and payment recommended by the Architects which amounted to nearly Rs. 5,00,000.

Finally, against the Architect's certified payment of Rs. 2.26 lakhs, which was normally payable to the contractor, he was given an award of Rs. 95,000 only. It was thus that the hotel's accounts with the contractor were finally settled in Arbitration.

45. When asked during evidence that in view of the above circumstances, what action was taken by the management to fix the responsibility of the excess payment on the Architect and recover the money, the Managing Director stated that in view of the various defaults on the part of the Architect, his bill had been held up for almost 4 years. He was to be paid 3% on the total value of works and the structural consultant fee @2½%. The fees admissible to him worked out to Rs. 4.92 lakhs, but he was only paid Rs. 4.40 lakhs, i.e., an amount of Rs. 52,000 was finally deducted from him.

46. The representative of the hotel explained that in order to ensure that there was no collusion between the Architect and the contractor, the management had a small engineering organisation attached to the hotel. The bills certified by the Architect, were than scrutinsed by this organisation, which was subsequently headed by a Superintending Engineer on deputation from the C.P.W.D.

E. Undue Reliance placed on Architect

47. The Committee feel that the excess payment of Rs. 5 lakhs pointed put by the CPWD in regard to items valued Rs. 30 lakhs by the Architect cannot be entirely explained away by the fact that the CPWD and the Architect had different conceptions of quality and speed. In the present case the opinin of the country's premier engineering organisation viz, CPWD with its experience and skill is entiled to greater weightage as against that of the Architect who had subsequently figured in many cases of default during construction. The Committee cannot help the conclusion that far too great a reliance had been placed by the management on the Architect whose estimates have resulted probably in the present case in a loss to the tune of about Rs. 4 lakhs. The Committee do not consider with equanimity the exclusion of about 97 items costing nearly Rs. 50 lakhs from the rate contract. Every item that is excluded from the rate contract gives a loophole for malpractice. Having such a large number of items beyond the purview of the rate contract is also significant. This case appears to deserve a detailed enquiry with reference to the terms of the agreement with the Architect and the actual performance of the Architect, who had not apparently given satisfaction to the management.

F. Extra Contractual Payment Due to Height Factor (Audit Report (Commercial), 1964, page 30)

48. Audit have stated that clause I of the agreement with the building contractor provided that all the conditions given in the tender notice would

form a part of the contract. One of the conditions of the tender notice was that the rates would be applicable to all heights and depths. It was, however, observed that the contractor had claimed and was paid a sum of Rs. 1,21,322 extra for height factor on cost of reinforced cement concrete work above plainth level.

49. The Management have explained that originally it was their intention to build the hotel upto 4 floors only; and it was only later that the decision to build the hotel upto 6 floors was taken. This, however, is not borne out by the records. The line plan of the building attached to tender notice indicated basement ground floor and 6 floors above. The draft tender notice and drawings attached to the agreement drawn on the 5th May, 1956 also confirm that the building comprised of 6 floors. Hence the payment of Rs. 1,21,322 to the contractor does not seem to be justified as it was made in contravention of the agreement.

During evidence the Committee enquired how it could be stated by the management that the decision to build upto the 6th floor was taken only later when the line plan of the building and the drawings attached to the agreement with the contractor were upto the 6th floor. The Managing Director replied that the original intention was to build the hotel upto the 4th floor. The line plan of the building and the drawings attached to the agreement with the contractor were upto the 6th floor. Since, however, the whole thing was not free from ambiguity, the Ministry of Law examined it in detail and they came to the conclusion that the contract was for four storeys and if the management had to go upto six storeys, they had to pay for the height factor.

50. The Comptroller and Auditor General pointed out during evidence that if the management had any means of strengthening and substantiating their position they could furnish to the Committee a detailed note giving all the previous references which could establish that the original intention was for four floors and not six floors.

51. In the subsequent information furnished to the Committee it has been stated that the Jam Saheb in his letter to the contractor dated the 27th August, 1955 (Annexure I) told him that he would have to complete and hand over to the company 250 rooms together with necessary public rooms required on that date ready for use and that the remaining work would be completed after that date in accordance with the instructions of the company. The reference to the entire structure could not but mean only four floors, because 250 rooms were referred to in the letter. In actual fact, four floors gave a total of 262 rooms. This was also confirmed by a note of the Officer on Special Duty, Shri D. Chandra (Annexure II). The Architect was also aware of these facts. It was clear that 250 rooms would come up to 4 floors only. The original contract was for these number of rooms and as per Clause

17(c) of the agreement, the Architect could fix reasonable rates for extra work involved over and above the original contract. Even clause 9 of the Agreement which read as follows :—

“The remaining work shall be completed by the contractors after 1st September, 1956, in accordance with the instructions of the Company or the Company in its discretion decide not to have any further work on the buildings.”

would indicate that though the line plan showed six floors, the intention was to construct four floors only and there was a possibility of no more than 250 rooms coming up in the project. The Ministry of Law's opinion was sought in a note which brought out both the possible views as argued by the Ministry and Audit. The opinion makes it clear that the contractor's right to payment of height factor would be upheld in a court of law. Ministry of Law's opinion together with Shri S. Ratnam's letter dated the 5th December, 1961 and Gen. Rajendra Singh's reply dated the 27th December, 1961, are at Annexures III, IV & V.

52. The Committee are distressed to note that the extra payment of Rs. 1,21,322 for height factor is explained due to the fact that the original intention at the time of placing the contract was to build the hotel upto 4 floors only. It is beyond comprehension as to how the line plan an important document attached to the tender notice, showing that the building would be upto the 6th floor is tried to be superseded in favour of the contractor by saying that the intention was to build only upto the 4th floor. It is a sad commentary on the laxity exhibited by the management in so far as the words 'entire job', 'entire structure', and 'remaining work' have not been defined in the contract. Such looseness in the wording of the contract has resulted in avoidable overpayment to the contractor. The method of awarding the contract for the construction of the Ashoka Hotels Ltd. and the extra payments made demonstrate that the project had not been promoted in accordance with the principles of financial prudence.

G. Octroi on Steel and Cement Consignments (Audit Report (Commercial), 1964, pp. 30-31)

53. According to the terms of the agreement with the building contractor, cement and steel were to be supplied by the hotel management at specified rates loaded in wagons at local railway stations. The contractor was to bear all subsequent incidental charges. The contractor, however, claimed from time to time in his bill octroi charges paid by him on such consignments. A sum of Rs. 13,488 was paid on account of such octroi to the building contractor upto the 29th February, 1956. It appears that similar payments of octroi charges were made by the hotel later also for which no detailed accounts were produced to audit.

54. It has been stated that as per agreement with the contractor the cement and steel had to be delivered at the railway station. All expenses such as handling, unloading, cartage to site were to be borne by the contractor. The payment of octroi charges by the management for steel and cement was made for the following reasons :—

- (i) The octroi was to be paid by the owner of the materials *i.e.* the consignee and not the clearing agent. In this contract the contractor acted as clearing agent and not the consignee.
- (ii) The cement and steel were procured by the management. As per the agreement, the management continued to be the owners of the above material till the same was consumed by the contractor and cost, therefore, recovered from him. This was clearly evident from the fact that one key of the godown was to be with the contractor and another key with the management, as per agreement.
- (iii) The agreement also says that in the event of the cement being delivered at any site other than the railway station, the carriage charges will only be recovered from the contractor. This also clearly shows that the intention was not for the contractor to pay the octroi charges.
- (iv) In the C.P.W.D. wherever the delivery of the Government stores are made to the contractor at the railway station, terminal tax, octroi etc., are paid by the C.P.W.D. and not the clearing contractor.

55. During evidence it was stated that the payment for octroi charges was made in good faith and according to the legal opinion (Annexure III) subsequently obtained it appeared that no overpayment had been made. The Ministry of Law had stated that—

“It is clear from clause 10 in the conditions of Contract annexed to the Tender that the materials shall remain the absolute property of the Architect who was acting on behalf of the promoters and unused materials in good condition were liable to be returned to the promoters if required. It is thus clear that the contractor did not become the owner of the materials upon taking delivery at the railway station. The materials must, therefore, be held to have been brought into municipal limits by the company and not by the contractor. The charge for octroi consequently fell to be borne by the company and in any absence of any express and specific provision in the contract, the company could not require the contractor to bear this charge. It cannot be said to be embraced in the words “all incidental charges” which were specifically stated to be “for cartage, storage and safe custody of materials” in condition 2 of the condition of issue of materials. No money can, therefore, be said to have been over-paid to the contractor.”

56. The Committee are, however, of the opinion that the contract should have specifically provided about payment of octroi charges as part of incidental charges payable by the contractor. The Committee trust that immediate steps will be taken to examine the contracts for the Annexe Project so as to ensure that no over payments are made as a result of different interpretations of ambiguous clauses.

III

THE ANNEXE PROJECT

57. The matter regarding the construction of the Annexe Project of Ashoka Hotels Ltd., New Delhi consisting of 300 additional beds, a convention/banquet hall and two speciality restaurants (including a Revolving Tower Restaurant) at an estimated cost of Rs. 2.39 crores, was raised* in the Lok Sabha on the 15th June, 1967, when a number of members asked the Minister of Works, Housing and Supply the following Short Notice Question :—

- “(a) Whether it is a fact that steps have been taken for construction of Revolving Restaurant and Conference Hall as an annexe to a Public Sector Hotel in New Delhi at a cost of Rs. 2.5 crores; and
- (b) Whether the contract for the construction of the same has been awarded to a firm which did not submit the lowest tender.”

The above matter was discussed also in the Rajya Sabha** on the same day on a notice for a Short Duration Discussion.

58. In replies to the above Short Notice Question and Short Duration Discussion, the Minister of Works, Housing & Supply (Shri Jagannath Rao) *inter-alia* gave the following facts :—

- (i) Government approved on the 27th January, 1967 the construction at a cost roughly of Rs. 2.39 crores of an annexe to the Ashoka Hotels Ltd. consisting of 300 additional beds, a convention/banquet hall and two speciality restaurants (including a Revolving Tower Restaurant) to be ready in time for the United Nations Conference on Trade and Development which was to begin in New Delhi on the 1st February, 1968.
- (ii) that 2500 delegates from various countries were expected to attend this conference. The total accommodation in Delhi hotels at that time was available for not more than 1300 persons. Therefore, the Ashoka Hotels Ltd., wanted to expand its capacity and also to construct a Conference Hall which could hold 2500 delegates at a time. This was sanctioned by the Government towards the end of January, 1967.

* *Annexure VI* : Extracts from Lok Sabha Debates dt. 15-6-67 re : Short Notice Question No. 13 on Revolving Tower Restaurant of Ashoka Hotels Ltd.

** *Annexure VII* : Extracts from Rajya Sabha Debates for 15-6-1967, regarding Short Duration Discussion on Ashoka Hotels Ltd.,

- (iii) The Board of Directors of the company decided to award the work to M/s. Tirath Ram Ahuja, the second lowest tenderer. However, when the matter came to the Government, the Minister of W.H.&S. in consultation with the Deputy Prime Minister directed the Ashoka Hotels Ltd. to ask the contractor concerned to reduce the quoted rate by Rs. 2.20 lakhs and this was agreed to by him. He thus became the lowest tenderer at Rs. 87,47,570.
- (iv) The notice inviting tenders was not published in any newspaper because all the firms in the construction field were asked to submit offers. In all, tender notices were issued to 24 firms in the country spread over Bombay, Calcutta, Madras and Delhi. Only six firms in Delhi purchased tender forms and out of those only five tendered. Tenders were received on the 10th April, 1967 and the management decided on the tenders on the 20th April, 1967.
- (v) The name of M/s. Uttam Singh Duggal was not in the list of 24 contractors supplied by the C.P.W.D. But their name for tender was included at the instance of the Minister.
- (vi) The lowest tender of Messrs Uttam Singh Duggal was not accepted and negotiations were carried on only with one of the contractors who had tendered and not with all, because of the fact that the past performance of M/s Duggal in the contracts which they had with the C.P.W.D. and Defence was not satisfactory. That is why he was not considered at all. Even his tender was not according to the rules.

59. There was also Half-an-Hour discussion* in the Lok Sabha on this matter on the 24th July, 1967.

A. Proposals for Construction of Annexe

60. On the 27th October, 1966 the Secretary, Ministry of Civil Aviation wrote to the Secretary, Ministry of Works, Housing & Supply, suggesting that the construction of Hotel Akbar might be taken up by that Ministry immediately, in view of the forthcoming United Nations Conference on Trade and Development. On examination of this point in the Ministry of Works, Housing and Supply it was found that the detailed plans for the Hotel Akbar project would be ready only towards the end of 1967 and that it would not, therefore, be possible to complete that hotel in time for UNCTAD. On the other hand it was felt in the Ministry that if the extension to the Ashoka Hotels Ltd. was sanctioned and carried out with the utmost expedition the additional hotel accommodation could be ready well in time for the UNCTAD Conference.

61. An informal meeting of the Board of Directors of Ashoka Hotels Ltd. was therefore, held on the 27th December, 1966 to consider the proposal (Annexure IX) for the extension of the hotel building.

*Annexure VIII : Extract from Lok Sabha Debates for 24-7-1967 re. Half-an-Hour Discussion on the construction of Annexe to Ashoka Hotels including Revolving Tower Restaurant.

62. On the 25th January, 1967 the Government approved the construction of an Annexe to the Ashoka Hotels Ltd., consisting of 300 additional beds, and two speciality restaurants along with a banquet-cum-convention hall sufficient to seat 2500 persons at a cost roughly of Rs. 2.39 crores to be ready in time for the United Nations Conference on Trade and Development which was to be held in New Delhi from the 1st February, 1968. The Ministry of Works, Housing and Supply informed the hotel on the 27th January, 1967 that they had made a provision of Rs. 2 crores for the Ashoka Hotel Ltd.'s expansion scheme in the Budget Estimates, 1967-68.

63. The Annexe project of the hotel involved excavations cutting of earth and rock to an extent of about 5 lakh cubic feet in order to bring the ground to a formation level, as preparatory to laying foundations and starting the construction for the Annexe. The management felt that excavation should start immediately without waiting for the award of the construction work. The management were of the view that the National Building Construction Corporation or M/s Tirath Ram Ahuja should, by negotiation be awarded this excavation work which was estimated to cost about Rs. 2 lakhs. Both N.B.C.C. and M/s Tirath Ram Ahuja could bid at the appropriate time for the main construction work. The management also feared that with either, the N.B.C.C. or M/s Tirath Ram Ahuja being awarded the excavation work earlier, other firms might refrain from bidding for the construction work thinking that one or the other stood a good chance of getting the construction work also. The management also felt that on the other hand there was the possibility of other firms quoting unrealistically low rates for the construction work just to spite the N.B.C.C. or M/s Tirath Ram Ahuja and to make things difficult for them. The management stated to the Secretary, Ministry of Works, Housing and Urban Development on the 6th February, 1967 that it was proposed to award the excavation work by negotiation to either the N.B.C.C. or M/s Tirath Ram Ahuja so that the cutting of earth and rock might commence straightaway.

64. The Secretary of the Ministry directed that the earth cutting work might be awarded to M/s Tirath Ram Ahuja by negotiation, as N.B.C.C., whom he had consulted were unable to take up this work. He directed that the cost of the work should not exceed the estimated value of C.P.W.D. rates.

65. On the 20th January, 1967 the Board of Directors of the hotel approved the Annexe project of the hotel. Relevant extracts from the proceedings are as under :—

“The Board considered the Memorandum. They sanctioned the construction of an Annexe with about 300 beds, two speciality restaurants and a banquet-cum-Convention Hall as per drawings submitted by M/s Chowdhury and Gulzar Singh, Architects. The Chairman was authorised to finalise the fee payable to the Architects within the ceiling indicated at the meeting”.

66. Accordingly limited item-rate tenders were invited for the construction of the Ashoka Hotel Ltd.'s Annex including amongst other things, a revolving tower restaurant, a banquet-cum-convention hall and a cooling tower for the air-conditioning system. Notice inviting tenders (NIT) were sent to 24 selected contractors contained in the list furnished by the Government under postal certificate. The Secretary to the Ministry of Works, Housing and Supply, however, informed the Committee during evidence that the notice inviting tenders were sent by registered post. However, in the post evidence information furnished to the Committee, it was stated that these were sent under certificate of posting. Originally the list included the names of 14 selected contractors but subsequently it was expanded by the addition of names of 10 more contractors to make the list sufficiently large so as to ensure fair competition.

This was done at the instance of Financial Adviser attached to the Ministry of Works, Housing and Supply. A list showing the names of contractors to whom the notice inviting tenders were sent is at Annexure X. The name of M/s Uttam Singh Duggal was however, not in the aforesaid list of 24 contractors supplied by the Government.

67. Out of these 24 contractors, six namely :—

- (i) Om Parkash Baldev Kishan.
- (ii) Mehta Teja Singh & Co.
- (iii) Tirath Ram Ahuja (Pvt.) Ltd.,
- (iv) C. Lyall & Co.
- (v) Shah Construction Co. (Pvt.) Ltd.
- (vi) Bhai Sunder Das Sardar Singh (Pvt.) Ltd.

purchased the tender forms within the due date from the Architect M/s Chowdhury and Gulzar Singh, entrusted with construction work. In addition, Uttam Singh Duggal, also asked for the tender forms which were issued at the instance of the Minister of Works, Housing and Supply before the date of the tender.

68. Five tenders were received on the due date from :

- (i) Bhai Sunder Dass.
- (ii) Uttam Singh Duggal & Co.
- (iii) Tirath Ram Ahuja (Pvt.) Ltd.
- (iv) Mehta Teja Singh.
- (v) C. Lyall & Co.

These were opened in the presence of the contractors and the Architects. The total amounts as indicated in the tender were read out and also the covering letters accompanying the tenders. The item rates of the two lowest tenders were read out in detail.

69. On a detailed scrutiny of the tenders it was noticed that C. Lyall and Uttam Singh Duggal had quoted for all the items in the N.I.T. though both demanded escalation in respect of labour and/or material costs. Mehta Teja Singh had omitted to quote for item 122 of the tender and M/s Tirath Ram Ahuja had omitted to quote for RCC item in the Revolving Tower Restaurant above the 3rd floor on the ground that the details for this were not complete as indicated to them by the Architects, the height of the tower being under negotiation with the Civil Aviation authorities. Bhai Sunder Das Sardar Singh quoted an overall percentage although the tender was an item rate tender. As the contract for the air-conditioning plant had not been finalised by the time of examining the tenders for the Annex, the cost of the cooling tower estimated at Rs. 40,055 only was omitted from all tenders while preparing the comparative statement.

70. Comparing the tenders for similar items of work quoted by all tenderers the result was—

Estimated cost	Rs. 63,41,339
(i) Uttam Singh Duggal & Co.	Rs. 86,61,151
(ii) Tirath Ram Ahuja (Pvt.) Ltd.	Rs. 88,44,090
(iii) Mehta Teja Singh	Rs. 8,16,122
(iv) C. Lyall & Co.	Rs. 90,35,654

The tender of Bhai Sunder Das could not be compared as they had quoted an overall percentage of 55% above estimated cost.

71. From the comparative statement it was seen that the tender of Uttam Singh Duggal was the lowest and Tirath Ram Ahuja (Pvt.) Ltd., was the second lowest. As both these contractors had quoted for item 122, foam concrete over terrace the net result of the comparison was :—

Uttam Singh & Co.	Rs. 87,55,231
Tirath Ram Ahuja (Pvt.) Ltd.	Rs. 89,67,570

the latter being Rs. 2,12,338 higher than the former.

72. The tenders were checked by the Architects. While recommending that the work be entrusted to M/s Tirath Ram Ahuja (Pvt.) Ltd., the Architects, commented on the incompleteness of the offer as follows :—

“M/s Tirath Ram Ahuja & Co.’s tender did not include the RCC work above the 3rd floor level for the Sky Restaurant on the ground that the Architect’s drawings were not clear enough to indicate the complicated nature of the work. We have to clarify that it was not possible for us to give precise information to the Contractors regarding the construction of the Sky Restaurant as the height of the tower was still under negotiation with the Civil Aviation

authorities. We had, however, made it clear that as per terms of the contract it would be possible to work out the rates of the work above the 3rd floor level even if any contractor chooses not to quote for the uncertain items. We, therefore, think that M/s Tirath Ram Ahuja & Co.'s tender is in order".

73. The Board of Directors considered the tenders at their meeting held on the 20th April, 1967. An extract of the relevant minutes on this subject is reproduced below :—

"The Board considered in detail the Agenda relating to the tenders received for civil works for the Annexe to the Ashoka Hotel. The point was raised about possible variations in the quantity of RCC work and in the quantity of wood works, as there was an appreciable difference in the rates quoted by the two lower tenders for these two items of work. It was explained that the probability of variations in these two items of work did exist but the quantities involved would bear a very small proportion to the quantities specified in the Notice Inviting Tender.

Another point raised was in relation to the construction of the Sky restaurant above the 3rd floor level. It was explained that the value of this portion of work would be approximately Rs. 2 lakhs and the scope for difference as between the tenderers in monetary terms would, therefore, not be very appreciable in considering the contract as a whole.

The Board then considered in detail the tenders received. They also took note of the recommendation made by the Architects in their letter No. ND/67/868, dated 20th April, 1967 in this regard. The Chairman said that taking note of M/S Tirath Ram Ahuja Pvt. Ltd.'s creditable performance in constructing the existing Ashoka Hotel building, his view was that this firm of contractors could, with a greater degree of assurance be relied upon to do this rush job in the very short time available than the other tenderers including the lowest. More recently, M/s Tirath Ram Ahuja (Pvt.) Ltd. had done a rush job and completed it satisfactorily in prescribed time in the case of Security Paper Mills at Hoshangabad. After exhaustively discussing the matter in all its aspects and, after considering the views expressed by the Chairman and taking into account the recommendation made by the Architect, the Board of Directors decided to reject the tenders submitted by M/s Bhai Sundar Das Sardar Singh Pvt. Ltd., C. Lyall & Co., Mehta Teja Singh and Uttam Singh Duggal & Co. Pvt. Ltd., and felt that it would be in the interest of the company to award the contract to the second lowest tenderer, namely M/s Tirath Ram Ahuja Pvt. Ltd. on the terms and conditions specified in the Tender Notice and without accepting any of the conditions mentioned in their letter dated the 10th April, 1967. It was thereupon resolved—

“that the tender of M/S Tirath Ram Ahuja Private Ltd., for the construction of the Ashoka Hotel Annexe be and is hereby accepted on the following terms and conditions :—

- (a) the conditions laid down in M/S Tirath Ram Ahuja Private Ltd. letter dated 10th April, 1967 are not acceptable. The contract shall be given to them on the terms and conditions specified in Notice Inviting Tender (the general rules and specifications agreement and schedule of conditions and contract printed form sent along with the Notice Inviting Tender by the Architect);
- (b) the rates for the construction of the Sky Restaurant above the 3rd floor shall be based on the rates for similar items quoted in the tender; and
- (c) M/S Tirath Ram Ahuja Private Ltd. should signify their acceptance within 24 hours of the receipt of the communication from the Managing Director in this regard.

74. The rates of items of work not quoted by Tirath Ram Ahuja (Pvt.) Ltd., can be derived from the rates tendered by them in accordance with the provisions in the contract for deriving rates for extra and deviated items of work. In this particular case, the total figure for Tirath Ram Ahuja (Pvt.) Ltd., including the projected cost for the tower restaurant for which they had not quoted in the tender would be Rs. 91,98,318 against the lowest tender figure of Rs. 89,77,556 *i.e.*, a difference of Rs. 2,20,762 or say Rs. 2.20 lakhs.

75. The decision of the Board of Directors was communicated to M/S Tirath Ram Ahuja on the 20th April, 1967, and they conveyed on the 21st April, 1967, their acceptance of the award of the work to them on the conditions stipulated by the Board. When the matter came up before the Minister for Works, Housing and Supply, he met the Deputy Prime Minister and after consultations with him directed the management to obtain from the contractor a reduction of Rs. 2.20 lakhs. This was accordingly done and M/S Tirath Ram Ahuja agreed to a deduction of Rs. 2.20 lakhs from their running bills at 2.5% of the value of the bills until the total deduction of Rs. 2.20 lakhs was made up.

76. The question of construction of Revolving Tower Restaurant and the awarding of the contract for its construction to M/S Tirath Ram Ahuja came up for discussion in both the Houses of Parliament (*see Annexures VI, VII & VIII*). The Minister of Works, Housing and Supply (Shri Jagannath Rao) while replying to the debate in the Lok Sabha on the 24th July, 1967 supported the decision of the Board of Directors of the public sector undertaking, who, according to him, had the right to choose its own contractor. Under condition 14 of the tender notice, the Managing Director had the right to reject the lowest tender without assigning any reason. He stated that the tender of M/S Tirath Ram Ahuja was accepted because it was a special

job which they only could do, because of their high standard of performance, reputation and experience particularly in architectural building works. This project had to be undertaken despite financial stringency because of the necessity for the hotel to compete with other hotels in the private sector. The hotel was earning good foreign exchange and had to provide novelties to cater to the foreign tourists. The Minister assured the House that there was nothing fishy in the matter.

77. When asked during evidence on what basis were the estimates of the work prepared in the absence of detailed drawings and specifications, the Managing Director stated that on the 5th January, 1967 they submitted rough cost estimates for the construction based on plinth area rate. It was on that basis that the Government accepted the estimates and sanctioned the project and also made the budget provisions. The Secretary to the Ministry stated that it was not possible in a rush work of this nature to conform to these details as a work of this size would have taken in the usual manner anything about 12 to 21 months between the administrative sanction and the technical sanction.

78. To a question as to who initiated the proposal to call for only limited tenders instead of open tenders, the Managing Director stated that the Board of Directors passed a resolution to this effect. In the subsequent information furnished to the Committee, it has, however, been stated that there are no minutes showing the Board's prior approval to the calling of limited tenders. From a note submitted by the Ashoka Hotels Ltd., on the 6th February 1967 to the Government it is seen that the decision to call limited tenders was taken in consultation with the Secretary, Ministry of W.H. & U.D. and the Finance Secretary (Annexure XI). The Board's Agenda meeting of the 20th April, 1967 on the basis of which the decision was taken to award the work clearly mentioned that the tender notice had been sent to only 24 selected contractors on the basis of the list received from the Ministry. Copies of the notes on the subject are at Annexure XII.

79. The Secretary to the Ministry stated during evidence that all details of calling tenders accepting tenders and other things were handled by the Ashoka Hotels management themselves without reference to the Ministry. Approval of detailed technical and other matters rested with the Ashoka Hotels Ltd., and the Government did not give any direction.

80. When asked as to what were the over-riding reasons that led to M/S Tirath Ram Ahuja's manifestly incomplete tender being accepted, the representative of the hotel stated that the Architect had examined the matter who recommended that the work be entrusted to M/S Tirath Ram Ahuja. In their opinion, the omission of the tenderer to include quotations for RCC work above 3rd floor level for the Sky Restaurant was no bar for its consideration since it would be possible to work out the rates above the 3rd floor level as per terms of the contract.

81. The Managing Director stated that no consultations were made with the Chief Engineer in regard to the awarding of the contract to M/S Tirath Ram Ahuja. It was the decision of the Board who were guided by the Architect's appraisal of the comparative merits of the two contractors viz., M/S Uttam Singh Duggal and M/S Tirath Ram Ahuja. They were of the view that for the architectural features which were new in this project, M/S Tirath Ram Ahuja was better than M/S Uttam Singh Duggal.

82. As regards the performance of M/S Uttam Singh Duggal, the Secretary to the Ministry drew the attention of the Committee to the following observations of the Estimates Committee contained in their 33rd Report (2nd Lok Sabha) on Hindustan Steel Ltd. In paragraph 97 of that Report, the Committee found that M/S Uttam Singh Duggal had been given a contract in the Chandigarh Capital Project and that PAC of Punjab Vidhan Sabha dealing with this matter in their audit report of 1954 had stated thus about M/S Uttam Singh Duggal :—

“The Contractors had in resiling from their verbal statement, betrayed utter lack of good business principles and are, therefore, unworthy of any Government contract being given to them. The Committee, therefore, strongly recommend that in view of this misdemeanour, they and their allied concerns should be black-listed by the State Government and intimation to this effect sent to the Government of India as well as other State Governments”.

83. In subsequent information furnished to the Committee, the Secretary to the Ministry while commenting on the award of the contract to M/S Tirath Ram Ahuja stated *inter alia* as follows :—

“When tenders were opened, only 5 firms had quoted. M/S Uttam Singh and Co. were the lowest tenderers (Rs. 87,55,231/-) and M/S Tirath Ram Ahuja Pvt. Ltd. the second lowest (Rs. 89,67,570/-). The lowest tender of M/S Uttam Singh & Co. was rejected by M/S Ashoka Hotel Ltd. because they had in the past failed in a number of cases to complete the works in time and their reputation and past performance did not inspire any confidence that they would be in a position to execute this very high priority work within the prescribed time. The second lowest tender of M/S Tirath Ram Ahuja was, therefore, accepted by the Management. While accepting the tender of M/S Tirath Ram Ahuja, the considerations which weighed with the Management were that this contractor had satisfactorily completed in the past several important works of high quality including the original building of Ashoka Hotel within the prescribed time limits. At this time of awarding the work to M/S Tirath Ram Ahuja, the Management of Ashoka Hotels did not ask them to reduce their rate and as such, it would not be correct to say that M/S Tirath Ram Ahuja were asked to agree to a reduction of Rs. 2.20 lakhs to make

them the lowest tenderers. It was only after the work had been awarded to M/S Tirath Ram Ahuja Pvt. Ltd., that this Ministry directed the Management of M/S Ashoka Hotels Ltd. to ask M/S Tirath Ram Ahuja (Pvt.) Ltd., to reduce their tender price by Rs. 2.20 lakhs so that the Management did not have to pay more than what was quoted by the lowest tenderer”.

84. To a question as to what steps were taken by the Government to ensure that the awarding of contract was done in a fair manner, the Secretary to Ministry stated thus :—

“M/S Ashoka Hotel Ltd., is an autonomous body and has full powers under its Articles of Associations to award contracts of this nature. Government had appointed, amongst other Directors, the Joint Secretary of Finance Ministry, who deals with this Ministry as Director. They keep a close watch and would bring to notice of the Ministry any departure from fairness. As already stated the award of contract to M/S Tirath Ram Ahuja was entirely proper”.

85. The hotel management in their post evidence information furnished to the Committee have stated that the members of the Board of Directors, when they took the decision to award the work to M/S Tirath Ram Ahuja, the second lowest tenderer, were not un-mindful about the capabilities of M/S Uttam Singh Duggal who had tendered the lowest. The Board also knew that in not considering M/S Uttam Singh Duggal for the Curzon Road and the Vigyan Bhavan Annexe buildings, the CPWD had very clearly indicated what they thought of M/S Uttam Singh Duggal. Again, the way these contractors had behaved in the matter of the Trisuli Project was fairly well known. It was common knowledge in the engineering circles that in the work relating to the construction of the road bridge over the Jamuna, behind the Hummayun Tomb, New Delhi, M/S Uttam Singh Duggal had not been able to execute the work according to programme and that the progress had not been satisfactory. In the Short Duration Discussion in the Rajya Sabha on 15-6-1967, the Minister of W.H. & S. also stated as follows :—

“I still say, I repeat it and I will go on repeating it that his (Uttam Singh Duggal's) past performance of the contracts with the Government was not satisfactory. I have got reports with me and if the House wants, I am prepared to read them. He took up a contract in the Trisuli Project. His performance was very bad. He has done only 25% of the work which has been entrusted to him and the work is still incomplete and he has preferred some claims. The matter is before arbitration... Even if he was the lowest tenderer, I would not prefer him for a contract of this type. I wanted the contract to be completed in ten months' time. Even I would have defended the Ashoka Hotel Management if they had stuck to the tender of Rs. 89 lakhs odd quoted by Tirath Ram Ahuja”.

86. The management have stated that on examining the tenders received and having ruled out the lowest tenderer, the Board decided to award the work to the second lowest tenderer M/S Tirath Ram Ahuja. The question of negotiating with him was considered but it was felt that since the rates quoted by him were not unduly high for a job of this complexity and magnitude, negotiations with him would entail negotiations with others also which would delay the start of work. The Architect also had very clearly stated in his letter dated the 20th April, 1967, that there were not even $8\frac{1}{2}$ months left to complete the entire job, and that if no immediate decision was taken in awarding the contract, it would be impossible to complete the work within the specified period.

87. Explaining the justification for the construction of the Annexe Project, the Secretary of the Ministry of Works, Housing and Supply informed the Committee that on the 28th April, 1966 an offer was made by India to the United Nations to hold the UNCTAD Conference in India. The Ministry of Works, Housing & Supply was, however, informed of it in October, 1966. Since the question of putting up Hotel Akbar was in the preliminary stages, it was thought advisable to construct an Annexe to the Ashoka Hotels Ltd. to provide accommodation to the UNCTAD delegates. The management of Ashoka Hotels Ltd. were told about the Annexe Project in November, 1966.

88. The Committee were informed that out of 500 rooms in the Ashoka Hotels Ltd., 314 were reserved for the UNCTAD and the rest for the normal traffic. On the 13th February, 1968, out of 314 rooms reserved for them, 271 rooms were occupied in the hotel by people connected with the UNCTAD.

89. To a question as how the construction of the Annexe Project including a banquet hall and a Revolving Tower Restaurant at such a huge cost only to accommodate a small percentage of the total UNCTAD delegates, for short period, could be justified, the Secretary to the Ministry stated during evidence that the proposal to have a larger hotel was not a new one. They had been thinking on it for quite a long period. It became emergent because decision was taken in October, 1966 to build the Annexe within the next few months. The Annexe was not only for the UNCTAD, but its construction was expedited because of UNCTAD. Otherwise the Annexe Project would have come over a longer period because estimates of tourism in India, made by the Ministry of Tourism were that the number of tourists coming to India would be doubled by 1970-71. It was, therefore, entirely in accordance with the need to develop tourism that the hotel was to be expanded. As regards the Revolving Tower Restaurant, it was a general tourists attraction and it was not intended for UNCTAD only. More tourists were expected to be attracted towards the hotel, with the coming up of the Revolving Tower Restaurant.

90. As regards the banquet hall, the Committee were informed that it would cost about Rs. 70 lakhs. It was so constructed that it could be broken up into three distinct and independent halls. The intention was to use one-third of the whole and the lawn for the swimming pool. The other two sections could be laid out for various functions like marriages, tea parties, meetings, etc. It was a useful addition and the management had already started booking for shows etc. Almost all hotels not only in USA, but even in Japan and Hongkong had such halls. It was useful for the hotels to have banquet halls providing accommodation for two to three thousand persons. The reason being that if a hotel had these facilities, it attracted people specially from USA to come and hold their functions in the country. Tokyo and Hongkong had attracted such functionaries. The main idea, therefore, in construction of this hall was to bring tourism into the country generally.

91. The Committee have carefully gone into the question of the award of the contract for Ashoka Hotels Ltd.'s Annexe Project to M/S Tirath Ram Ahuja, who was also the contractor entrusted with the construction of the main building. The primary purpose of expediting the project was the provision of additional accommodation for the delegates and the convention hall for the UNCTAD Conference which was scheduled to commence on the 1st February 1968 and a sense of urgency appears to have motivated all actions in pursuance of this object. Whatever be the compelling nature of the urgency, the following features stand out rather conspicuously while reviewing the whole course of finalisation of the contract :—

- (i) The decision of the Board for inviting limited tenders was based on the note recorded by the Secretary, Ministry of Works, Housing & Urban Development (Shri Prem Krishan) wherein he had directed* that "for the main construction work, limited tenders may be called and the work awarded to the lowest tenderer, or if he is not suitable, by negotiation with the lowest suitable tenderer". The Committee fail to understand the considerations that prevailed with the Secretary of the Ministry to direct the hotel management to invite limited tenders. Normally for such a huge contract an open advertised tender should have been resorted to. The limited tender narrowed down the field of offers and precluded the management from finding better and cheaper contractors.
- (ii) The Committee regret to note that during evidence they were told by the Managing Director of the hotel that limited tenders for the construction of the Annexe were invited in pursuance of the resolution of the Board of Directors.

* Annexure XI supplied after evidence.

They had asked the management to substantiate the statement with the minutes of the Board meeting where this resolution was passed. The management has failed to produce the relevant minutes showing Boards prior approval to the calling of limited tenders. The Committee regret to observe that the management of the Ashoka Hotels Ltd. did not give correct facts to the Committee in this regard.*

- (iii) The initial decision was to invite tenders only from contractors in a severely restricted list of 14, which was later expanded to 24 at the suggestion of Joint Secretary, Ministry of Finance to make the tenders more competitive. In such cases open tenders should have been called instead of restricted tenders. Calling of restricted tenders gives rise to misapprehensions.
- (iv) It is a matter of surprise that the invitations for tenders were sent by the Architect to a selected few contractors under Certificate of Posting and not by registered post as was stated to the Committee by the †Secretary, Ministry of Works, Housing & Supply, during his evidence. Only tenders from five persons were received out of 24 persons to whom notices inviting tenders were said to have been sent under Certificate of Posting.
- (v) Although the tender of M/S Uttam Singh Duggal was the lowest and in ordinary course they should have been given the contract, it was not awarded to them since their performance according to the management was not up to the mark. There were also adverse remarks against them by the Punjab PAC as quoted in 33rd Report of the Estimates Committee (Second Lok Sabha) para 79, which were brought to the notice of the Committee by the Secretary of the Ministry.

The Committee are sorry to note that in spite of the fact that the Government was in the know of this report no action was taken to black-list this firm while on the other hand, four major contracts totalling about Rs. 2.9 crores were awarded to them by the Government since 1962 (vide Annexure XIII).

- (vi) It is seen that out of 24 firms to whom the Architect sent the invitation to tender only six purchased the tender forms and out of these only 5 submitted their tenders on the due date for the construction of the Annexe Project of the Ashoka Hotels

*See Annexure XXVI.

†See Annexure XXVII.

Ltd. The fears of the management that persons might not come forward with tenders if M/S Tirath Ram Ahuja was awarded the excavation work appear to have come true.

The Committee feel that the Ministry and the management of the hotel have acted wrongly by granting M/S Tirath Ram Ahuja the excavation work at a cost of Rs. 2 lakh for the Annexe Project before calling for tenders for the construction of the Annexe. From this it appears that the issue had been prejudged.

- (vii) It is a pity that in a contract of such magnitude, tenders were invited in the absence of full specifications and drawings, despite the high fees given to the Architect. The details for the RCC item in the Revolving Tower Restaurant above the 3rd floor, were not indicated on the plea that the height of the tower was under negotiation with the Civil Aviation authorities. It is surprising that in a project invested with such urgency this matter could not be expeditiously settled with another government department. The contract for the air-conditioning plant was also incomplete. Vagueness in defining the obligations of the contractors has rendered unrealistic the assessment of the various tenders offered by the contractors.
 - (viii) The incomplete tender of M/S Tirath Ram Ahuja and the subsequent recommendations of the Architect and the decision of the management to overlook the defects may suggest the intention of favouring this particular contractor. The urgency of the project was given as a reason by the management for not following the normal principles observed in competitive tenders.
 - (ix) In the case of the contract for the Annexe the tender of M/S Tirath Ram Ahuja did not include the R.C.C. work above the 3rd floor level for the sky restaurant. The management have stated that the rates of items of works not quoted by M/S Tirath Ram Ahuja can be derived from the rates tendered by them in accordance with the provisions in the contract for deriving rates for extra and deviated items of works.
- In the case of construction of the main building it has been observed that about 97 items costing nearly Rs. 50 lakhs had been excluded from the rate contract. The Committee hope that a repetition of the same state of affairs does not occur in the case of the contract for the Annexe Project.
- (x) It is interesting to note that despite the sense of urgency which has characterised this project, the hotel has been able to provide accommodation to only 271 visitors connected

with the UNCTAD Conference. When lack of occupation of hotel rooms was pointed out to the management it was explained that the Annexe Project was not intended for UNCTAD alone, but for promoting more tourist traffic. If promotion of more tourist traffic was the main objective planning could have been undertaken well in advance and the irregularities ensuing from handling a rush job could have been avoided.

- (xi) It is significant to note that for the construction of the main hotel building also, the contract was given to M/s Tirath Ram Ahuja who even then was the second lowest tenderer and due to vague provisions in the contract he had to be paid a large sum on account of extra height factor, which was not envisaged in the original contract vide paras 47-51.

92. The Committee recommend that the role of the Architects and the actions of the management in awarding the contract of the annexe to M/s Tirath Ram Ahuja who was also awarded the contract for the construction of the main building, calls for further probe by the Government regarding the irregularities in the deal.

B. Estimates for the Annexe Project

93. The entire Annexe Project of the hotel comprising of 300 additional beds, a convention/banquet hall and two speciality restaurants including a Revolving Tower Restaurant is estimated to cost Rs. 2.39 crores. The break-up of these estimates is given below :—

	Rs.
1. Building work	1,04,93,000
2. Sanitary installations, water supply and drainage	20,51,620
3. Electric installations	20,86,145
4. Lifts	10,00,000
5. Air-conditioning and Cold Storage	40,00,000
6. Furniture, carpets and curtains	26,50,000
7. Boilers, Cooking Ranges, Steam Generators Pumps, etc.	1,26,000
	2,24,06,765
Add 3% Contingency	6,72,203
	2,30,78,968

Add Architects and consultants fee (4% on items

1, 2, 3, 6) =

Rs. 1,72,80,765

Rs. 6,91,231

Rs.

(ii) 2% on items 4, 5 and 7 =

Rs. 51,26,000

Rs. 1,02,520

7,93,751

2,38,72,719

Say . . . 2,39,00,000

94. During evidence the representative of the hotel stated that the original estimates for the construction of the Annexe had not been revised so far, but the management was expecting a revision within the permissible limit of 10% of the administrative approval.

95. In the post-evidence information furnished to the Committee, it has been stated that the final estimates were awaited from the Architects. The break-up of the estimates of the construction of the Annexe Project as reviewed by the management would be as follows :—

Description	Guest Block	Convention Hall & Foyer	Tower
Building including roads & site development	48,00,000	44,50,000	20,00,000
Sanitary & Water Supply, Internal and External	10,00,000	1,50,000	1,00,000
Electrical installation, Internal & External including Sound System, Piped music, fittings etc.	15,00,000	11,00,000	1,00,000
Lift	5,00,000	..	5,50,000
Airconditioning	21,00,000	13,00,000	2,00,000
FURNISHING :			
Furniture	5,00,000	6,00,000	1,00,000
Carpets	4,40,000	4,00,000	1,00,000
Curtains, sheets, rugs etc.	3,10,000	1,00,000	50,000
Laundry equipment, Kitchen equipment, pumps etc.	3,20,000	..	..
Pneumatic Conveyor System	1,50,000	20,000	10,000
Revolving Mechanism	..	..	4,00,000
	1,16,20,000	81,20,000	36,10,000
Contingencies @3%	3,48,600	2,43,600	1,08,300
Architects fee, Specialist fee and N.D.M.C. charges	5,00,000	3,00,000	60,000
Total	1,24,68,600	86,63,600	37,78,300
	Total=Rs. 2,49,10,500	or Say Rs. 2.49 crores.	

Note : Cost of speciality restaurants, one in the guest block and the other in the tower, are included in the respective costs.

95. It is seen that the original estimates of Rs. 2.39 crores have been increased to Rs. 2.49 crores during a review by the management, while the final estimates were still awaited from the Architects. This implies that the estimates will considerably deviate from the original estimates. Wide variations between the estimated cost and actual expenditure has become a common feature in the public sector projects and the Committee have criticised this aspect in their earlier reports. If estimates are framed with care, the actual performance should not be wide off the estimates. The Committee would watch with interest as to how in the case of the Annexe Project of the hotel the actual cost compares with with estimated cost.

C. Appointment of Architects

97. The Architect for the construction of the main hotel building was Shri B. E. Doctor who was selected by the private sponsors of the hotel project.

In a meeting held on the 16th March, 1962, the Committee of Directors desired that the General Manager should carry out preliminary negotiations with some leading architects with a view to appointing one of them as consultants. Offers were invited from the following reputable firms of architects :—

1. M/s. Heinz Karl Marte Von, 32, Alipore Road, Delhi.
2. M/s. Gulzar Singh & Chowdhury, Scindia House, New Delhi.
3. Shri Mahandru T. R., 14, Asaf Ali Road, New Delhi.
4. Master Sathe & Kothari, 65/G, Connaught Circus, New Delhi.
5. M/s. Anand Aptay & Jhabvala, 3/90, Connaught Circus, New Delhi.
6. M/s. Kavinde & Rai, 14/F, Connaught Place, New Delhi.
7. M/s. B. E. Doctor, Bombay (Architects when the main building of the Ashoka Hotel was built).

98. On the 6th July, 1962, the Committee of Directors after considering the quotations received selected M/s. Chowdhury & Gulzar Singh on a trial basis for one year with effect from 1-8-1962 on the following terms and conditions offered by them :—

- (i) For normal maintenance work retainer fee of Rs. 850/- per month.
- (ii) For new projects between Rs. 10,000/- and Rs. 50,000/- on one item 5% of the total cost.

For new projects above Rs. 50,000/- 4% of the total cost.

99. In the meeting held on 29-8-1963, the Committee of Directors decided to continue with the arrangement till further decision on the existing terms and conditions. The details of services to be expected from M/s. Chowdhury and Gulzar Singh were laid down in letter No. Eng./57 dated 25-7-1962 (Annexure XIV).

100. In connection with the construction of Annexe, M/s. Chowdhury & Gulzar Singh were selected by the Board of Directors without inviting offers from any other parties. They had originally asked for payment of fees at the rate of 6% of actual cost of works *vide* their letter No. ND/67/prof. dated the 19th January, 1967 at Annexe XV. The actual fees payable to the architects agreed upon were, however, @4% of the actual cost of civil works (for details *see* Annexure XVI).

101. The amounts paid to the Architects for services rendered are given below :—

Sl. No.	Name of Architect	Amount	Nature of Service
1.	Shri B. E. Doctor	4,40,000	Construction of main hotel building.
2.	M/s. Chowdhury & Gulzar Singh		
	1962-63	6,800	} Retainer fee for normal maintenance work.
	1963-64	10,200	
	1964-65	7,650	
	1965-66	10,200	
		<hr/> 34,850 <hr/>	
	1964-65	19,054	For new projects. The amounts were paid on account of the following works.
			1. Construction of Staff quarters 'A' type;
			2. Construction of Staff quarters 'B' type;
			3. Construction of Staff quarters 'C' type;
			4. Installation of high speed lifts;
			5. Forced ventilation of main Kitchen.
			6. Increasing water supply for drinking and fire fighting.

7. Construction of Diesel Power Station and Installation of generating set.

8. Construction of cycle stand.

9. Construction of workshop building.

10. Construction of lavatory building.

11. Construction of cooling tower and pump house;

12. Extension of Bakery
Payments made upto 14-2-1968 on account of construction of Annexe to the Hotel.

1967-68 4,71,191.05

3. M/s. Bose Bros.	1965-66	7,839.01	Interior design and decoration of Roughe-et-Noir.
	1966-67	4,500.00	
	1966-67	350.00	Bhar-e-Kabab.
	1967-68	2,000.00	

102. In reply to a question the management have stated that no enquiry was made from the CPWD whether their Architects could be made available for the Annexe Project. The Board of Directors decided to entrust the work to a firm of private Architects. The scale of fees for Government Architects as furnished to the Committee by the.....

Ministry of Works, Housing and Rehabilitation (Deptt. of W. & H.) are given in Annexure XVII. The private architects normally charge their rates as per the scale of fees laid down by the Institute of Architects. But sometime they accept the rates below the minimum laid down by the Institute of Architects on grounds of prestige of work etc. as has been done by M/s. Chowdhury & Gulzar Singh.

103. **The Committee are not happy to note that the services of M/s. Chowdhury & Gulzar Singh who were originally appointed as Architects on the 1st August, 1962 on retainership basis were later used also for an important project like the Ashoka Hotels Ltd.'s Annexe without giving an opportunity to other established Architects to quote their rates for the same. In a case where fees to the extent of Rs. 4 lakhs and above were involved, it would have**

been in the fitness of things if negotiations were carried on with other established architects, however, compelling was the Urgency of the project. It is surprising that the management completely relied on one firm of architects only who had not done any major work earlier for the hotel. The incompleteness of the tender for the Annexe Project referred to elsewhere in this Report, does no credit to the Architects. The Architects played a very important role in the selection of the contractor. As has been pointed out in earlier paragraphs the rejection of the lowest tenderer for the construction of the Annexe was done mainly on the advice of the Architects. Their independence of judgement and fairness of assessment are likely to be biased.

The Committee are of the view that it was not prudent on the part of the management of the hotel to have appointed these Architects for the Annexe Project without calling for other offers. ,

IV

A. Board of Directors

104. Section 117 of the Memorandum of Association of Ashoka Hotels Ltd., provides that the number of directors shall not be less than seven or more than twenty four, unless otherwise determined by a general meeting. At present the Board of Directors of the hotel consists of 11 members including the Chairman and the Managing Director. The Chairman is part-time whereas the Managing Director is whole time. The present composition of the Board is as follows :—

1. Shri Himmat Singhji of Mansa	. Chairman
2. Shri N. P. Dube . . . .	. Managing Director
3. Shri K. L. Hathi . . . .	. Director (non-official)
4. Shri M. R. Dhawan . . . .	. Do.
5. H. H. Jam Saheb . . . .	. Do.
6. Princess Indira Devi Dhanrajgir .	. Do.
7. Shri D. J. Madan . . . .	. Director (official)
8. Shri B. L. Chak . . . .	. Do.
9. Shri S. K. Roy . . . .	. Do.
10. V. P. Sud . . . .	. Do.
11. Shri S. Bikram Shah . . . .	. Do.

105. The Estimates Committee in paras 10-11 of their 119th Report on Ashoka Hotels Ltd. had noted that in large industrial undertakings like HAL, Neyveli Lignite Corporation, NCDC, the number of directors ranged between 8 and 9 and had, therefore, urged that the Government should examine the possibility of reducing the number of directors in the case of Ashoka Hotels Ltd., New Delhi.

106. In reply the Government has stated in December 1961 that in pursuance of the decisions embodied in the Report of Krishna Menon's Committee, the Board of Directors of the Ashoka Hotels Ltd. was being reconstituted to consist of only 9 directors (including a whole time Managing Director) against the existing approved strength of twelve. Out of the 9 directors only three were to be Government officials, one representative each for the Ministries of W.H. & S., Finance and the Department of Tourism.

107. On perusal of the Annual Reports of Ashoka Hotels Ltd., it, however, transpired that while the Government had undoubtedly reduced the composition of the Board to 9 in the year 1961-62, its strength was again raised to 11 in the year 1965-66 out of which six were officials and five non-officials.

108. When asked during evidence, as to how officials representation of six directors on a Board of 11 directors could be justified, the Secretary to the Ministry stated that in view of the fact that the Government had invested 15 times more than the private share capital in the hotel, the official representation could not be considered as excessive.

109. In the post-evidence information furnished to the Committee, it has been stated by the management that the number of directors was increased from 9 to 11, in view of increasing competition for business from other hotels in the capital. As regards the justification for six officials on a Board of 11 directors, it has been stated that apart from the three Government officials, *i.e.* one representative each of the Ministry of W.H.&S., Finance and Department of Tourism, the fourth, the Managing Director is, under the Articles of Association, appointed by the Government of India. As most of the Government business comes from the Ministry of External Affairs it was thought appropriate to have the Chief of Protocol, who is fifth director, associated with the affairs of the hotel. The sixth, the Managing Director of the other Government hotels in the capital is also a director of Ashoka Hotels Ltd., for exchange of views between the Government hotels. The Managing Director, Ashoka Hotels Ltd., is also a director on the Board of Directors of the Janpath Hotels Limited. The Jam Sahib, the seventh, is a special director, in terms of the Promoters' Agreement. The other four directors (including the Chairman) represent the private share-holding in the company.

110. Having accepted the desirability of reconstituting the Board of Directors with only 9 members in 1961-62, in pursuance of the recommendation of the Estimates Committee made in their 119th Report (2nd Lok Sabha), the Government have again reconstituted the Board with 11 members from 1965-66. The Committee are not convinced with the arguments advanced in justification of the increased strength.

B. Tenure of Directors

111. The Committee noted that Sarvashri K. L. Hathi and M. R. Dhawan, were continuing as directors on the Board of Directors of the Ashoka Hotels Ltd. since its inception *i.e.* 17th October, 1955.

112. When asked as to what were the precise reasons for such long tenure of these two directors, the Secretary explained during evidence that they were share-holders who had offered themselves as directors. The former was an advocate and the latter a stock and share-broker and director of eight companies including Hotel Khayam Pvt. Ltd.

113. The Committee are not satisfied with the reasons given above. The Committee feel that although the continuance of these two directors on the Board of Directors of the hotel for such a long

period may not be against regulations, it would be desirable to restrict the tenure of directors to prevent creation of vested interests in the hotel.

C. Qualifications for Board Membership

114. The Committee noted that on the Board of Directors of Ashoka Hotels Ltd., no director was from the hotel industry, although six of the present directors have been associated in one way or the other with the Ashoka and Janapath hotels for a period ranging from 3 to 12 years.

115. When this matter was discussed with the representatives of the Government, the Secretary to the Ministry was of the view that it would be advantageous if the Ashoka Hotels Ltd. had directors on the Board who knew hotel business also, so long as they were not from a hotel which was in competition with Ashoka Hotels Ltd.

116. While appreciating the difficulty to secure suitable men with experience of hotel industry for the Board of Directors of the company, the Committee recommend that the Government should endeavour to appoint persons with knowledge and experience of hotel industry, so that the Board plays a more useful role. The Committee trust that this will be kept in view while appointing the Board of Directors in future.

D. Appointment of a Director as Legal Adviser

117. The Committee were informed that Shri K. L. Hathi, who was one of the directors of the hotel, had also been appointed as a Legal Adviser of the hotel and was being paid a retainerhip fee of Rs. 200 per month with the effect from the 1st October, 1958.

118. The amounts paid to Shri K. L. Hathi year-wise were as follows :

	Rs.
1957-58	2,000
1-10-58 to 31-3-61	6,000
1961-62	2,400
1962-63	2,400
1963-64	2,400
1964-65	2,400
1965-66	2,400
1966-67	2,400
TOTAL	22,400

119. During evidence the Committee were informed that in addition to this retainership fee, Shri Hathi was being paid a fee on the basis of cases handled by him in courts. The figures of payments received by him on this account were not furnished to the Committee.

120. The Committee feel that although the appointment of Shri Hathi, as Legal Adviser of the company on retainership basis, who is also a share-holder and director of the company, may not run counter to the provisions of Article 129 of the Articles of Association of Ashoka Hotels Ltd., it is not a very happy arrangement to appoint a director as the Legal Adviser of a company since his actions/inactions are likely to be judged by the same Board of Directors.

121. Besides Shri Hathi, the hotel had also appointed Sarvashri O. N. Mohindroo and Parshottam Sarup as advocates on retainership basis since the 1st October, 1960. The terms and conditions on which they are at present working as Legal Advisers on retainership basis are as follows :—

(i) *Shri O. N. Mohindroo*

- (a) Rs. 30 per day for an effective hearing and Rs. 10 per day for a non-effective hearing in addition to retention fee of Rs. 100 p.m. and Rs. 25 per month as conveyance charges and subject to an overall maximum of Rs. 500 per month and a minimum of Rs. 330 per month.
- (b) The amount due will be worked on the basis of Shri O. N. Mohindroo's own certificate as to whether a particular hearing was effective or non-effective.
- (c) Court fees and other charges (typing etc.) would be borne by the hotel.

(ii) *Shri Parshottam Sarup*

	Rs.
Retainership	275.00
Conveyance charges	75.00
	350.00 p.m.

In addition to the above sum of Rs. 350.00 per month Shri Parshottam Sarup will be given for civil suits and appeals fee according to the schedule of rates allowed by the court as costs. The retainership fee will include appearance in Municipal cases (including appeals before the Deputy Commissioner), High Court and in criminal cases etc.

122. The Committee are not convinced that there is any valid justification for the hotel to have more than one Legal Adviser on

retainership basis. They would, therefore, urge that existing arrangement may be reviewed with a view to reducing the number.

E. Chairman/Managing Director

123. The management of the hotel vests in the Board of Directors who in turn elect one of them as Chairman at the first meeting of the Board immediately succeeding every annual general meeting. The Chairman is part time.

124. The Managing Director on the other hand is appointed by the Government for a stipulated period of time in terms of Article 142 of the Articles of Association of the hotel. He is the chief executive officer of the company and is a whole time employee.

125. During evidence the representative of the Ministry of Works Housing & Supply informed the Committee that in his opinion the system in itself was a bad one for the public sector. He was of the view that there should only be a Chairman, who should also be the chief executive officer of the company.

126. The present Chairman of the Board of Directors was appointed w.e.f. the 29th September, 1967. He has no earlier experience of the hotel industry. He is entitled to the following benefits :—

- (a) A sitting fee of Rs. 100 for a meeting of the Board of Directors and Rs. 50 for a meeting of the Committee of Directors;
- (b) Air or ACC rail fare from the place of his residence to Delhi and back;
- (c) Full board and lodging in a single suite in the hotel for the duration of his stay;
- (d) The expenditure incurred on entertainment on behalf of the hotel at the cost of the hotel.

127. Although the Chairman has decided not to take any sitting fees a sum of Rs. 5,581 has been paid to him to cover the air fare incurred by him in connection with the meetings and business of the company during the short period of his appointment.

128. It is well known that a part-time Chairman has no specific functions or responsibilities, besides presiding over the meetings of the Board and the executive responsibility is vested in the Managing Director. In this context the Krishna Menon Committee has rightly observed that 'a Chairman who has only the trappings of authority is not much of functional value'. The Committee, therefore feel that the Government should review the position and examine the feasibility of combining the posts of Chairman and Managing Director in the case of Ashoka Hotels Ltd.

F. Termination of Services of Brig. Raj Sarin, Former Managing Director

129. Brig. Raj Sarin of the Indian Army was on deputation with the Ashoka Hotels Ltd., as General Manager from the 15th July, 1959. Later, on retirement from the Indian Army from the 1st September, 1961, he was given an offer of appointment by the Board of Directors as Managing Director of the Ashoka Hotels Ltd., w.e.f. the 1st September, 1961 in consideration of good and valuable services rendered by him to the Ashoka Hotels Ltd., One of the conditions of the contract was that either party may terminate the contract by giving 12 months' clear notice in writing to the other without assigning any cause. In the event of the company terminating the appointment it had the option to pay his salary in lieu of 12 months or shorter period to the extent to which such notice fell short of 12 months. That he rendered useful service is borne out by the following appreciations one from late Shri Jawahar Lal Nehru in a letter to the Managing Director '.....I must congratulate you on the progress made by Ashoka Hotel during the last year.....' (Letter No. 2299-PMH/63, dated 23rd September, 1963) and the other from the published Annual Report of the company for the year 1962-63, viz.,

“.....Special mention must be made on this occasion of the unflagging zeal and enthusiasm of Brig. Raj Sarin, the Managing Director.....The terms of the Contract for the appointment of the Managing Director Shri Raj Sarin were determined by the Board of Directors of the Company, and approved by the share holders at the sixth Annual General Meeting. The concurrence of the Central Government to these terms has also been obtained. It is one of the specific conditions of the contract that the Managing Director would, in addition to his monthly remuneration, be provided with lodging and boarding in the Ashoka Hotel for which he shall reimburse the hotel Rs. 500 per month.”

130. The Managing Director in a letter to the Chairman on 30-3-1963, while acknowledging the kindness shown and trust reposed by the superiors, referred to irresponsible, unfriendly and unhelpful attitude adopted by some new directors, whose attempts appeared to him to clash against the best interests of the undertaking, and indicated the development of a cancerous growth. This letter was followed on the 5th September, 1963 by a notice from him for termination of his contract with immediate effect. The Board considered the notice at their meeting held on the 25th September, 1963 and decided to accept it and forward the same to the Government of India for further action. The matter was reported to the Government in a letter on 3-10-1963 (Annexure XV) indicating *inter alia* the imperative nature of the circumstances for letting Shri Sarin vacate his appointment on the expiry of the

notice period. Subsequently in his letter dated the 4th November, 1963 (Annexure XVIII) the Chairman referred to the necessity of relieving Brig. Raj Sarin immediately in view of certain attitudes adopted by him. On the 7th November, 1963, the Government forwarded to the Board of Directors extracts from notes giving legal advice (Annexure XIX) for such action as might be considered necessary in the matter. The sum and substance of the legal advice was that the original appointment was made contrary to the express terms of the original Regulation 142 of the Articles of Association of Ashoka Hotels Ltd., which required previous sanction in writing of the President and this requirement not having been fulfilled, there was no valid appointment of Brig. Sarin. He should, therefore, be treated as not being in service and could only claim remuneration of the actual service rendered on the basis of *quantum meruit*. The Board of Directors considered the matter at the meeting on the 10th November, 1963, and resolved that Shri Raj Sarin was not entitled to function as Managing Director and should be required to desist forthwith from rendering such services.

131. In response to claims made by Brig. Raj Sarin from time to time the Board at their meeting held on 30-9-1965 decided to make an *ex-gratia* payment of an amount not exceeding Rs. 36,000 to Shri Raj Sarin and later at the meeting of the Board on the 30th December, 1965, decided to pay him Rs. 23,386.38 in full and final settlement of all dues.

132. **The foregoing account regarding the appointment to a key post in the undertaking and the termination of the services of the incumbent is distressing. It passes the comprehension of the Committee as to how a vital appointment had been made without obtaining the sanction of the President in writing, as required under the Articles of Association. It is equally surprising as to how in the Annual Report of the Company for 1962-63, it had been stated that the concurrence of the Central Government to the terms had been obtained. The omission of an elementary procedural requirement in the appointment rendered the contract null and void and resulted in wasteful and avoidable expenditure to the hotel.**

133. **It is also evident from the above account that the Managing Director, whose services were appreciated in 1962-63, suddenly became *persona-non-grata* due to a clash of personalities. There is no evidence to show that the reasons for clashes were fully investigated before the Board accepted the resignation of the Managing Director, whose services were upto that time acknowledgedly meritorious.**

134. **As referred to in para 130 of the Report, Shri Sarin's services as Managing Director were terminated from the 10th November, 1963. The Annual Report for the year 1963-64, however, makes no mention of the termination of the appointment of Brig. Sarin.**

as Managing Director. The Committee are surprised to note that, no mention was made in the Annual Report for the year 1963-64 regarding this change in the key appointment of the company.

135. The *ex-gratia* payment of Rs. 23,386.38 made to the ex-Managing Director, was actually not due as in the opinion of the Ministry of Law, the contract was not valid. The action of the Board, in recommending the *ex-gratia* payment on the 30th December 1965, *i.e.*, two years after the termination of the services of Brig. Sarin can only be taken as a tacit admission that the action of the Management was questionable. The Committee hope that useful lessons will be drawn from this to avoid such sad episodes in future.

V

BUSINESS RESULTS

A. Occupancy

136. The total number of rooms in Ashoka Hotels Ltd. is before the completion of the Annexe was 345 and the total number of beds 448. The comparative position of the average daily occupancy of the hotel during the last five years was as follows :—

Year	Average daily occupancy	Percentage of total bed capacity
1962-63	369	83%
1963-64	402	90%
1964-65	403	90%
1965-66	353	79%
1966-67	340	75%

137. It would be seen from the table above that occupancy of the hotel is showing a downward trend. The addition of 300 more beds to the hotel, with the coming up of the Annexe is further likely to lower the average occupancy of the hotel. The management have attributed the decrease in occupancy since 1965-66 due to the coming up of new hotels in the capital. It has been stated that since a good portion of the occupancy in de Luxe hotels consists of foreign tourists, it would be possible to attract more to the Ashoka Hotels Ltd. by adopting, among other things, the following measures :

- (i) Increasing still further the standards of service and efficiency in the hotel;
- (ii) Offering attractive and competitive group rates;
- (iii) Increasing the volume of publicity abroad;
- (iv) Appointing sales representative in U.S.A. and perhaps in U.K./continent and other places also;
- (v) Offering more free sale and report facilities to Air Lines;
- (vi) Introducing seasonal rates in consultation with Travel Agents and Airlines.

138. The Committee feel that since the continued low occupancy of the hotel directly affects its profitability, it is essential that the Ashoka Hotels Ltd., should increase further the standards of comforts, maintenance of furniture, etc. food and service. The hotel should also lay greater emphasis in attracting foreign tourists to the hotel through travel agencies abroad. In Committee's view, one way of attracting more tourists to the hotel would be for the hotel to consider the practicability of introducing competitive seasonal rates during the lean months.

B. Tariff

139. The table below gives the various tariffs of the hotel since its inception :—

Category of Rooms	Original tariff as in 1956	Tariff revised with effect from 1-10-1958	Tariff revised as on 15-10-59	Tariffs as revised on 6-6-66	Tariffs as revised on 1-1-68*
	Rs.	Rs.	Rs.	Rs.	Rs.
Single room	40 & 45	45 & 50	50 & 55	60 & 65	70 & 75
Single suite	60 & 65	65 & 70	70 & 75	90 & 95	150 & 155
Double room	75 & 85	80 & 90	90 & 100	110 & 120	130 & 140
Double suite	110 & 120	115 & 120	120 & 130	140 & 150	160 & 170
Luxury Suite	200	200	200	250	} 325
De Luxe Suites	250	250	250	350	

140. It would be seen from the above that there have been four upward revisions of tariffs of the hotel since its establishment. Explaining the reasons for these upward revisions the management have stated that an increase in prices of provisions and stores, general increase in operating expenses and food costs and the expenditure incurred in providing greater amenities and facilities in the hotel; increase in electricity and water charges etc. have been responsible for an upward revision of the tariffs in the hotel from time to time. Despite these increases, the tariff in the Ashoka Hotels Ltd. was lower than that of any comparable hotel in Delhi. The Department of Tourism were consulted at the time of revising the tariff w.e.f. the 1st January, 1968 and they approved of the upward revision. A general

*Modified American Plan of tariffs viz., Room rent, morning tea and breakfast.

increase had been allowed by the Department of Tourism to other hotels also. Elucidating the reasons for increase in tariffs from 1-1-1968 it has been stated that the hotel adopted the American Plan, when it commenced business in 1956. The American Plan in its entirety had gradually gone out of date and was not very satisfactory either from the viewpoint of the guest or of the hotel. In view of this as well as keeping in mind the profitability of the company, the prevailing prices in other luxury hotels and the paramount need of holding the price line, the hotel decided to switch over with effect from 1-1-1968 to a modified American Plan (room rent, morning tea and breakfast included; newspaper and local telephone calls free).

141. In this connection tariff rates in respect of the main categories accommodation available in the hotels in Delhi were as follows :—

	Single	Double	Remarks
	Rs.	Rs.	
Ashoka Hotel	70—75	130—140	With morning tea and breakfast.
Oberoi Intercontinental Hotel	80—90	115—130	Without meals
	102.50	160	With breakfast and one main meal
	117.50	190	With meals.
Imperial Hotel	55	95	Without meals
Claridge Hotel	60—65	95—110	With meals

142. It has been stated that Ashoka Hotels Ltd. is the only 5 star deluxe hotel in India. The Oberoi Intercontinental which was opened after the list of classification of hotels in India was published, can claim 5-star classification according to international standards. It will appear from the statement above that while the tariffs of Ashoka Hotels Ltd., are higher than those of Imperial and Claridge hotels, these are lower than the tariffs in Oberoi Inter-continental.

143. The Hotel Standards and Rate Structure Committee which submitted its report in 1958 had gone into the question of fixing a basic guiding formula to be followed by the hotel industry in the country for determining their tariff rates. After taking into consideration the conditions prevailing in this country that Committee recommended the adoption of a formula which is based on the Hubbard Formula as accepted and recommended by the American Hotel Association. This modified formula contemplated amongst other things a return of 10 per cent on the capital employed in hotel keeping.

144. According to the formula adopted by Hotel Standards and Rate Structure Committee (1958) the room rent that should prevail in respect of Ashoka Hotels Ltd., worked out as follows :

	Rs.
1959-60	67.00
1960-61	59.9
1961-62	58.5
1962-63	79.1
1963-64	81.3
1964-65	47.40
1965-66	73.4
1966-67	91.00

145. It would thus be seen that the Ashoka Hotels Ltd.'s tariffs have all along been lower than those envisaged in the formula. The Ashoka Hotels Ltd., has not been able to yield a return of 8% on the land and buildings and 10% on the capital employed. When asked how the hotel proposed to achieve this return, the management have stated that with that view the tariffs of the hotel have been revised from 1-1-1968. The addition of 300 beds was likely to lower the average occupancy for some time, but given a good flow of foreign tourists, a phased programme of hotel expansion in the capital and general prosperity all round, it should be possible to get a good return on the investment.

146. Since the tariffs of Ashoka Hotels Ltd are lower than envisaged in the formula, only an increased occupancy was likely to yield or maintain a return of 8% on the capital invested. The other source for increasing the profits is to increase sale of food stuffs not included in the tariff. Judging the performance from the above standards, it is seen that though the hotel had about 79% occupancy of the total bed capacity the daily average occupancy decreased from 403 in the year 1964-65 to 340 in the year 1966-67, i.e. 76%: Further the food and beverage sales also decreased from about Rs. 32 lakhs in 1964-65 to about Rs. 26 lakhs in the year 1965-66 but rose to Rs. 29 lakhs in the year 1966-67.

147. The Committee note that the increased tariffs of the Ashoka Hotels Ltd. are considerably less than those of the other five star Deluxe Hotel viz., Oberoi Inter-continental and slightly more than those of the other hotels. It is also likely that the occupancy rate viz., 76% of the bed capacity in 1966-67 may further drop due to the creation of additional bed capacity in the Annexe. The main objectives in establishing the hotel were to arrest the soaring hotel rates in Delhi. The problem for the hotel is not to lose sight of this objective, and also to run it on profitable lines. The Committee recommend that possibilities of effecting economy in operational and administrative expenditure should be explored.

C. Mode of Payment of Bills

148. It has been brought to the notice of the Committee that considerable leakage of foreign exchange was taking place in Indian hotels through acceptance of payment of bills from foreign tourists in Indian currency instead of in foreign currency and traveller's cheques. It has been suggested that it would be much better to make it obligatory on the foreign tourists to pay their bills in foreign exchange when they stay in Indian hotels. Very often foreign guests paid their bills in foreign exchange in the hotels, but the hotel employees substituted it with rupees and then sold the foreign exchange for a premium in the open market.

149. The above point came up for discussion with the representatives of the Ashoka Hotels Ltd., during the course of the Committee's visit to the hotel in August, 1967. The Committee were informed that all payments to the hotel were made in Indian currency. A Pay Office of the Central Bank of India was functioning in Ashoka Hotels Ltd., for exchange of foreign currency into Indian currency. The Department of Tourism and the Reserve Bank of India were looking into this matter of acceptance of payments through traveller's cheques only instead of in Indian currency.

150. The Reserve Bank of India and the Ministry of Finance were requested to give their views in the matter. Ministry of Finance (Department of Economic Affairs), while communicating* their views have stated *inter alia* as follows :

- (i) "...What was under consideration of the Department of Tourism and the Ministry of Finance was a proposal that all foreign tourists should compulsorily be made to pay all their bills at least to hotels and the Indian Airlines in foreign currencies which expression would include currency notes as well as travellers cheques. The Ministry of Law were consulted on this proposal and they advised that in view of Indian Rupees (coins & notes) being legal tender in India it will not be practicable to lawfully require all foreign tourists to pay their bills in foreign currencies. If any foreign tourist sought to discharge his bills in India by tendering Indian Rupees (coins or notes), then it will not be lawful for an Indian to refuse to accept the same since these were legal tenders in India. They also referred to certain practical procedural problem that will arise in trying to organise such facilities at very point visited by a foreign tourist. After the deliberations in consultation with those concerned, it was decided to drop the proposal.
- (ii) The present arrangements are that certain major hotels on the recommendations of the Department of Tourism, are given by the Reserve Bank of India facilities known as 'limited money changer's

*Annexure XX.

licences'. Such hotels are permitted to accept foreign currencies from foreign tourists required to maintain proper accounts and record of all such transactions. This is only on voluntary basis more from the point of view of providing a facility to the foreign visitor, since at that point of time, he may not have sufficient Indian currency to pay his bills and may have only foreign currencies. Otherwise, if a foreign tourist offers to pay his bills by tendering Indian currency, the Indian recipient cannot lawfully refuse to accept the same (unless he suspects the currency to be counterfeit). It may, however, be repeated that, foreign currencies and travellers cheques in themselves stand on the same footing and do not by themselves influence the problem of leakage."

151. In the post evidence information furnished to the Committee, the hotel management have stated that their exchange business was done by the Central Bank of India located in the hotel premises. As regards the question whether any instance of infringement of foreign exchange regulations by any one in the Ashoka Hotels Ltd., had come to light, it has been stated that three shops functioning in the hotel came to the attention of the competent authorities, presumably because they were alleged to be infringing foreign exchange regulations.

152. The hotel had a money changer's licence. They, however did not normally accept foreign currency and travellers' cheques in foreign currency. During the year 1966-67, they accepted 2 payments of \$ 10 (Rs. 73.50) and one dollar (Rs. 7.35).

Besides this, cheques in foreign currency of the rupee equivalent of Rs. 1,45,686.41 from foreign travel agents etc. mostly on account of advances for the the stay of guests, were accepted by the hotel.

153. The Committee understand that in many of the East European countries payment of hotel bills by foreign visitors is insisted upon in foreign currency. It is of primary importance that the leakage of foreign currency should be prevented. Unless payment of bills from visitors in foreign currency or travellers' cheques is insisted upon, the problem of leakage will remain. The Committee desire that the matter be further reviewed to arrive at a permanent solution, if necessary by enacting legislation which of course would apply to the entire hotel industry in the country.

D. Rouge-et-noir and Bar-e-Kabab

154. The hotel has recently opened two restaurants, one named "Rouge-et-Noir" and the other "Bar-e-Kabab". The former serves French specialities and the latter has on its menu typical Indian specialities.

155. The management has stated that the hotel did not maintain a separate profit and loss account for the different sales centres in the hotel and, therefore, the results of the working of Rouge-et-Noir and Bar-e-Kabab

could not be assessed independently. The cost of raw materials used in the preparation of food in these two restaurants was, however, checked every day to see that it was about 35% to 40% of the sales. In this connection, the sales in these two restaurants during the last three quarters were as follows :—

	Quarter ending 30-6-1967	Quarter ending 30-9-1967	Quarter ending 31-12-1967
	Rs.	Rs.	Rs.
Rouge-et-Noir	57,074	60,569	58,276
Bar-e-Kabab	24,100	22,561	33,334

156. It had been represented to the Committee that toning down of prices at the Rouge-et-Noir was called for. Similarly the out door Bar-e-Kabab Restaurant had considerable scope for improvement but the potential was cut down due to lack of variety on the menu. To a question as to how they proposed to meet these objections and at the same time to improve and popularise these restaurants, the management have stated that the prices at Rouge-et-Noir might be somewhat high, but clients went back satisfied. The Bar-e-Kabab menu had been enlarged to attract a larger number of customers.

157. **The Committee are not in a position to comment whether the two restaurants Rouge-et Noir and Bar-e-Kabab are running profitably in addition to providing customers' satisfaction. It is necessary that proforma accounts should be maintained regarding the in-puts, out-puts and sales separately in the two Restaurants, in which case it will be possible to control their working from the point of view of economy and efficiency. The Committee also hope that due regard [will be paid to] providing variety of menu in the restaurants and also to slightly toning down of prices of popular varieties, which may result in increased popularity.**

E. Entertainment Facilities

158. It had been represented to the Committee that whatever entertainment was provided in the Ashoka Hotels Ltd. could hardly be called recreational. In reply to a question as to what further facilities the management proposed to introduce in the hotel to catch the imagination of the foreign tourists, it was stated that the foreign tourists generally liked to see Indian dances and shows which they could not easily see outside India. These

were presented at the hotel on every Saturday night. It was felt that bar facilities and a Night Club would bring in more customers and attract more Indian and foreign clients.

159. From the point of view of encouraging tourist traffic, a modern hotel like the Ashoka Hotels Ltd. should provide all types of entertainment. The Committee feel that there is ample scope for enlarging the entertainment facilities, provided by the hotel, from the point of view of tourist attraction and making the foreigners conscious of India's artistic and cultural heritage.

VI PERSONNEL MATTERS

A. Staff Strength

160. The hotel is under the overall supervision of a Managing Director assisted by a Manager and Finance-cum-Chief Accounts Officer. There are also 3 Deputy Managers, 5 Assistant Managers and a complement of staff. The table below gives the staff strength of the hotel categorywise—

Strength as on	Supervisory	Clericals	Others	Total
31-3-1957	25	63	794	882
31-3-1958	26	60	803	889
31-3-1959	38	71	1045	1154
31-3-1960	32	83	1019	1134
31-3-1961	47	97	1201	1345
31-3-1962	48	121	1235	1404
31-3-1963	47	125	1204	1376
31-3-1964	50	128	1215	1393
31-3-1965	56	129	1200	1385
31-3-1966	54	122	1151	1327
31-3-1967	63*	128	1113	1304*
Feb. 1968				1296

*Does not include engineering and accounts employees, six in number, taken in connection with the Hotel Expansion construction programme.

161. It will be seen from the above that the total staff strength increased from 882 in 1956-57 to 1404 in 1961-62. It, however, came down to 1296 in February, 1968.

B. Ratio of Staff to Beds

162. It has often been said that Indian hotels have to employ far too much staff as compared with similar establishments in the West or in Japan. The ratio of the total staff to beds *vis-a-vis* that obtaining in comparable establishments in India and the Western countries is given below :

Name of the country	Ratio	
	Staff	: bed
U.S.A.	about	$\frac{1}{2}$: 1
U.K.		1 : 1
Europe generally		1 : 1
Indian hotels		2.5 : 1
Ashoka Hotels		3 : 1

163. The management have attributed the higher ratio of staff to beds in Ashoka Hotels Ltd. to the following factors :—

- (i) Lack of education and proper training of staff employed in the hotel especially personnel working in the kitchens, dining rooms and on the floors ;
- (ii) hotel is doing all the maintenance, repair and laundering work itself, and has also to undertake extra business and serve food, beverages in connection with banquets etc., on a much higher scale than is perhaps done abroad.

164. In the post evidence information furnished to the Committee, the hotel management have stated that with the addition of 300 extra beds to the hotel, the ratio now was 1.81 : 1.

165. The Committee feel that lack of proper training facilities is an important factor contributing to the disproportionate ratio existing between staff and bed capacity in Indian hotels as well as in the Ashoka Hotels Ltd. They fail to understand as to why the management has not been able to train the staff after 12 years of establishment of the hotel. They would, urge that the hotel management should take adequate steps to train its staff by in-service training. The Committee hope that efforts will be made to bring the bed to staff ratio nearer to 1 : 1 in due course.

C. Board & Lodging to Officers and Staff

166. Ashoka Hotels at present employes a total staff of 1296. Out of these some of the employees are provided with free accommodation and free meals whilst on duty. A statement showing the employees of the hotel who were provided with board and lodging facilities in the hotel either free or on concessional rates, together with the expenditure incurred thereon as worked out on the basis of Hotel's Tariffs is at Annexures XXI & XXII. It is observed therefrom that the Manager, Assistant Manager (Food & Beverages), Vigilance Officer and two House-keepers being afforded board and lodging facilities in the hotel. Besides, tea to 1305 persons, meals to 101 persons including the Kitchen staff not entitled to meal allowance on duty were provided during the year 1966-67. An amount of Rs. 1,47,999.37 was incurred on this account during the year 1967. It has been stated that Managers and Assistant Managers are allowed free meals on duty in other well known hotels also.

167. The Committee note in this connection that the expenditure on the board and lodging facilities provided by the hotel to its employees including the service of tea, has been progressively increasing from year to year. In Committee's view the expenditure on this account is on the high side. They are, however, not aware of the expenditure incurred by other leading hotels on this account. The

Committee would, therefore urge that the hotel should compare their expenditure on such facilities with other hotels and follow a pattern in this matter which conforms with other leading hotels.

D. Training of Hotel Personnel

168. The back bone of any hotel is the staff that works in the hotel. Whether it is the staff that comes into direct contact with tourists or the staff that works behind the scenes such as the kitchen, pantry, stores and maintenance personnel, it is the efficiency of such staff individually as well as collectively that goes to form the standard of efficiency and good service of the hotel. To achieve these ends, there is a prime need for properly trained personnel for the hotel.

169. In the case of Ashoka Hotels Ltd. the management has stated that employees mainly on the food and service side had so far been imparted training including orientation training. A foreign 'chef' Instructor had been employed to train kitchen staff. Hotel employees were also sent abroad under foreign scholarship schemes as well as under employment-cum-practical training arrangements to get training.

170. The details of hotel staff, who have so far been sent abroad under foreign scholarship schemes and employment-cum-practical training arrangements are given at Annexure XXIII.

171. The hotel management have stated that the existing catering institutes in the country impart Hotel/Management Training, with little emphasis on the waiting side, with the result that skilled workers in the hoteliering trade such as cooks, stewards, waiters, bakers etc. were in short supply.

172. When asked during evidence as to whether the Government had given any thought to the idea of opening Craft Schools which could impart training to room bearers, waiters, stewards and other personnel, the Secretary to the Ministry stated that the proposal for opening of Craft Schools would be one for the Ministry of Labour & Employment and the Department of Tourism to consider.

173. The Committee feel that it hardly needs any emphasis that if hoteliering trade is to prosper and flourish in the country, there is a prime need to establish adequate number of Craft Schools to train cooks, stewards, waiters, bakers and other personnel. The Committee hope that the Ministry of Works, Housing and Supply will take up this question with the Ministry of Labour & Employment and Department of Tourism for implementation.

E. Service Charge and Tipping

174. In many countries, there is a system of levying a surcharge known as 'Service charge', which is added to the bill and is payable by the customer. In countries where there is no such surcharge, what is known as 'tipping'

is left to the individual customer himself and the ultimate destiny of such gratuities is determined either by a system of pooling the extra sum or retaining individually the payment made by the customer. In some establishments no charge is levied at all and there is no compulsion for the customer to pay such a charge to the servants of the establishment.

175. In India a system has grown up comparatively recently, of levying a service charge on all hotel bills varying from 5% to 15% of the totality of the bill. In the case of Ashoka Hotels Ltd. under the terms and conditions of service of the employees, a certain percentage is normally added to the bills of the clients and the amount specially collected for the purpose is transferred to the 'Service Surcharge Benefit Fund'. Out of the service charges realised from the customers during the years 1963-64 to 1965-66, the following amounts were distributed among the staff :

Year	Amount distributed
1963-64	Rs. 10,75,209
1964-65	Rs. 11,14,680
1965-66	Rs. 10,30,073
1966-67	Rs. 11,10,448

176. During the year 1966-67, the average amount received by an employee from Service Charge Fund was Rs. 69 per month. The hotel has stated that a suitable amount is kept aside for the purpose of meeting 75% of the cost of replacements where undue loss and breakage of items like crockery, cutlery and linen has been caused by the employees and where individual responsibility cannot be fixed. The amount of loss debited to service charges account for the years 1964-65, 1965-66 and 1966-67 were Rs. 38,692, Rs. 35,854 and Rs. 38,223 respectively.

177. It had been represented to the Committee that in Ashoka Hotels Ltd. no tipping was allowed, but in actual practice the staff expected to be tipped, despite the 'no tipping' signs. Similarly it had also been represented to the Committee that service charges were not paid to the workers in full and unwarranted deductions were made therefrom. During evidence the Managing Director stated that in the matter of tipping, there was complete unanimity between the management and the workers of the hotel. The hotel was levying 12½% as service charges on all bills. Distribution of service charges was done in consultation and in agreement with the workers. A certain amount was held back to cover 75% of loss on account of breakages etc. for which responsibility could not be fixed. The recent industrial awards provided that at least 85% of the service charges must be distributed amongst the workers. The hotel had distributed 94% in 1964-65, 96% in 1965-66 and 93% in 1966-67.

178. The Committee were glad to be assured that there was complete unanimity between the management and workers of the hotel in the matter of tipping and that distribution of service charges was being done in consultation with the workers. It was particularly satisfying to note that 93% to 96% of the service charges were being distributed amongst its employees. The Committee would also expect the management to enforce the 'no tipping rule' amongst its employees more vigorously to avoid any cause for complaint from its customers.

F. Labour Management Relations

179. The Ashoka Hotels Ltd. has at present two registered Trade Unions *i.e.*, the Ashoka Hotel Employees' Union, affiliated to AITUC and recognised by the management and the Ashoka Hotel Karamchari Sang affiliated to INTUC. The industrial relations in the hotel have been generally satisfactory during the past 5 years excepting for a short period when the workmen of the hotel resorted to a strike on the 8th November, 1963. The strike was declared illegal under section 24 of the Industrial Disputes Act by the Delhi Administration and called off the same evening after the then Chief Commissioner of Delhi had intervened and the parties agreed to abide by his decision.

180. Further on the 1st June, 1967 the Ashoka Hotel Employees Union submitted a memorandum levelling certain charges against some officers of the hotel. While the matter was being discussed with the Union representatives, they resorted to 'Dharna' outside the main gate of the hotel *w.e.f.* 15-6-1967 which continued till 17-6-1967. Except for these incidents, the labour-management relations have been generally cordial and satisfactory.

181. Labour unrest and strained labour-management relations are a problem with which many public undertakings are afflicted. In Committee's view cordial relations between the workers and management are, therefore, of paramount importance. The Committee would, therefore, urge both the employer and the employees to recognise their mutual rights and duties, and work in harmony for the efficient working of the hotel.

VII
FINANCIAL POSITION

A. Working Results

182. The table below gives the capital structure and financial results of the company during the last 5 years :—

(Rs. in lakhs)

	1962-63	1963-64	1964-65	1965-66	1966-67
1. Paid up Capital	150·00	150·00	150·00	150·00	150·00
2. Loans	32·00	27·00	27·00	27·00	27·00
3. Reserves & surplus (at the beginning of the year)	15·18	16·98	19·67	23·64	27·92
4. Depreciation Provision	10·41	10·65	9·25	8·57	9·13
5. Total capital employed (Total of 1, 2 and 3)	197·18	193·98	196·67	200·64	204·92
6. Total income	107·48	118·31	126·37	108·48	117·53
7. Net Profit (after tax and interest)	12·22	15·31	18·47	11·55	15·49
8. Percentage of Net Profit (after tax & interest) to total capital	8·1%	10·2%	12·3%	7·7%	10·33%

183. It would be seen from the table above that (i) the total income of the company fell considerably during the years 1965-66 and even in the year 1966-67 could not reach the figures of 1963-64 viz., Rs. 118·31 lakhs and (ii) the percentage of the net profit to total capital has also considerably declined from the year 1965-66.

184. The management have stated that the fall in income for the year 1965-66 was due to lower occupancy. Occupancy during the year was partly affected by the situation arising out of the conflict with Pakistan and partly by the opening of new hotels in the capital. Similarly the income for the year 1966-67 was lower on account of fall in occupancy which was partly due to the opening of new hotels in the capital.

185. The profits of a hotel depended on occupancy and on sale of food and beverages. It was stated that constant efforts were being made to improve the standards of service and amenities. Two new restaurants had been opened and greater attention was paid to publicity. The addition of 300 beds to this hotel while helping to tide over the difficult accommodation

position in the capital, during the nine week period of UNCTAD Conference will however, result in lower average annual occupancy in the hotel for some time and this will affect the profitability of the hotel. The profitability of the hotel in the future will depend mainly on :

- (i) The flow of foreign tourists into the country. The Directorate General of Tourism has laid down a target of doubling the tourist traffic by the year 1970-71;
- (ii) Phased programme of expansion of hotel accommodation in the capital; and
- (iii) General economic prosperity of the country.

186. It has been stated that the percentage of net profits to capital in a hotel industry ranged upto 20.18%. When asked during evidence as to what were the reasons for low percentage of net profits in the case of Ashoka Hotels Ltd. the Managing Director stated that position of the hotels was quite good as compared to other hotels. During the year 1964-65, the profits of Associated Hotels were 6% whereas in the case of Ashoka Hotels Ltd. these were 12%. In the case of Taj Mahal Hotel, in the year 1964-65, their profits were 14.14% as against the figures of 12.3% in the case of Ashoka Hotels Ltd.

187. **The Committee note that the profits of Ashoka Hotels Ltd. are not rising as expected. The crux of any scheme for making a hotel profitable is the provision of first-class amenities for customers in accordance with the best standards to which they are accustomed. The Committee hope that the management will institute measures to make the hotel the best of its kind in the country, so that the occupancy rate in the hotel does not at any time fall below the specified normal level. It is also necessary that attention be paid towards more economic working of the hotel consistent with increasing efficiency by eliminating avoidable wastage and losses.**

B. Outstandings

188. The table below gives the outstandings *vis-a-vis* total income of the hotel during the years 1962-63 to 1966-67 :—

	Total Income	Out- standings	Percen- tage
1962-63	1,07,47,567	12,78,000	11.89
1963-64	1,18,31,007	10,82,000	9.15
1964-65	1,26,36,846	12,17,000	9.63
1965-66	1,08,48,312	12,98,000	11.96
1966-67	1,17,53,727	12,78,000	10.87

189. The following figures show the major defaulting parties who have outstandings for over six months :—

	Total out- standings	Over six months
	Rs.	Rs.
Travel Agents	269,228	92,000
Government Companies	73,972	27,871
Ministries	351,500	95,828
Private Companies	160,433	76,011

190. Category-wise statements of outstandings together with the break-up of outstandings as at the closing date of financial year for the last 5 years are at Annexures XXIV and XXV. It is seen therefrom that there is no appreciable improvement with regard to the settlement of dues from year to year. Further the outstandings in each financial year for a period of over six months, constituted an excessively high percentage of the total outstandings. The undesirable feature was particularly pronounced in the case of Travel Agents and private companies. The management have stated that during the year 1966-67, the amount outstanding from Government parties (Ministries and Departments of Government and Government Companies) was Rs. 4,59,821.78 and the amount outstanding from other parties was Rs. 8,18,277.94. In the hotel industry it is usual to allow credits within certain limits to Travel Agents, Air Lines, private companies and some guests. There was no credit limit in respect of Government parties (Ministries and Departments of Government and Government Companies) and Embassies. The total of the credit limits allowed to non-Government parties was Rs. 14.30 lakhs and the amount outstanding from such parties on 31-3-1967 i.e. Rs. 8,18,277.94 was thus within the credit limit. In the hotel industry more and more credit facilities were being allowed and the Ashoka Hotels Ltd, was having more guests holding credit cards issued by institutions like the Diners Club and the American Express. It was stated that the hotel had also created a special cell to look into the outstandings and they had been quite successful on this score. For realisation of outstandings as on 31-3-1967 the management had instituted 16 legal cases involving a sum of Rs.78,071.33. Out of these 16 cases, decrees had been obtained in respect of 11 cases involving a sum of Rs. 52,902.72 and the remaining 5 cases involving a sum of Rs. 25,168.61 were pending in courts.

191. The Committee are not satisfied with the explanation given by the management that the bulk of the outstandings is on account of credit facilities given generally in the hotel industry. Though according to normal commercial practice credits may be allowed

upto three or four months, the outstandings for six months and above, which constitute a considerable percentage of outstandings cannot be attributed to merely the prevailing system of affording credits but to the lack of purposeful, vigilant and intensive action to realise the outstandings in time. Moreover, there should be no reason for huge outstandings against the Government departments and undertakings for such long periods. The Committee hope that earnest efforts will be made to liquidate the outstandings within the shortest possible time.

C. Bad & Doubtful Debts

192. The table below gives the details of bad and doubtful debts as on 31-3-1967:—

	Rs.
Under six months	37,204
Over six months but below two years	15,695
Over two years but below three years	96,817
Over three years	1,31,222
TOTAL	2,80,938

193. The hotel had total outstandings of Rs. 12,78,000 as on 31-3-1967. The total amount of bad debts thus form about 22% of the total outstandings. The management has stated that the sum of Rs.2,80,222 represents the reserve created for bad and doubtful debts. Details of debts over three years which have been included in the reserve for bad and doubtful debts as on 31-3-1967 are as under:—

Sl. No.	Name of the party	Amount
1	Ministries	24,333.45
2	Government Companies	3,574.22
3	Embassies	2,295.74
4	Travel Agents	34,326.38
5	Private Companies.	12,840.50
6	Shops (Ashoka Hotels)	2,483.23
7	Staff	124.76
8	Disputed cases & Miscellaneous parties	51,243.91
		1,31,222.19

194. The defaulting parties are mostly Ministries, Government companies, leading commercial concerns, Travel Agents and Embassies. The management have stated that Special Cell created for the purpose was engaged in examining old outstandings with a view to settling them.

195. **The high percentage of bad debts is a sad commentary on the lack of promptness on the part of the hotel management in realising the outstandings. A considerable percentage is due from Ministries and the Travel Agents. It is surprising that Government Departments/Government companies have not settled their bills and have to be treated as "bad debts". The high accumulations from private parties like Travel Agents betray lack of business promptitude on the part of the management. The Committee recommend that the organisation of the hotel should be geared up and expeditious action taken to liquidate the outstandings.**

D. Shortages of Linen Uniforms

196. It has been stated that physical verification was done in respect of all stores once in a year. Internal Audit and Concurrent Company Auditors also conducted physical verification of some items of stores selected by them. The Government Auditors in their inspection report have observed that shortages of linen uniforms etc. to the extent of Rs. 20,234.62 revealed as a result of physical verification conducted on the 9th October, 1966 was abnormal. The management have stated that procedure had been tightened up and the shortages for the year 1966-67 and for the six months of 1967-68 were lower than those for the earlier years as seen from the table below:—

Year	Amount
1962-63	22,466.95
1963-64	10,043.68
1964-65	17,827.98
1965-66	13,999.83
1966-67	5,461.56
*1967-68	2,778.18

197. The representative of the hotel stated during evidence that now they were carrying out the physical verification after every six months.

198. **The Committee are not aware as to what action has been taken so far in respect of the shortages of linen, uniforms etc. to the extent of Rs. 20,234.62 pointed out by the Government Auditors. The Committee hope that responsibility will be fixed on the individuals responsible for the shortages and the amount recovered from them. The Committee also trust that the procedure in regard to custody and periodical verification of stores will be tightened up.**

*For six months ending September 1967.

E. Loss due to Breakage of Crockery and Cutlery

199. The Company Auditors have pointed out that loss due to breakage of crockery and cutlery had not been properly brought to light in the annual physical verifications with the result that huge loss on account of breakages was detected during the year. It had been stated that the management was looking into this problem. In the subsequent information furnished to the Committee it has been stated that total value of the crockery and cutlery written off year-wise, the amount recovered from the Service Charge Fund (SCF) on this account and the amount of loss which the hotel had to bear was as follows:—

Year	Total value of write-off	Recovery from S.C.F.	Loss borne by Hotel
	Rs.	Rs.	Rs.
1956-57 (1-10-56 to 30-9-57)	54,438	27,219	27,219
1957-58 (1-10-57 to 30-9-58)	63,361	47,521	15,840
1958-59	37,112	27,834	9,278
1959-60	46,972	35,229	11,743
1960-61	50,912	38,184	12,728
1961-62	65,196	48,897	16,299
1962-63	47,369	35,527	11,842
1963-64	53,503	40,127	13,376
1964-65	51,588	38,691	12,897
1965-66	47,805	35,854	11,951
1966-67	50,965	38,223	12,742
TOTAL	5,69,221	4,13,306	1,55,915

200. During evidence the Managing Director stated that the Board of Directors had set up a regular inquiry which he with another director were conducting. The matter was still under investigation. The Manager of the hotel stated that they had compared their figures with those published by the American Hoteliers' Association and various others. They had found on comparison, the write off in respect of crockery and cutlery in Ashoka Hotels substantially below their ratio.

The Committee feel that the comparison of figures of losses with those published by the American Hoteliers' Association cannot serve as a correct guide in the matter. The figures of Indian hotels in this regard would be more comparable. The management should compare the position with other Indian hotels.

201. The Committee do not find any justification for the failure of the management to bring to light every year in the annual physical verification reports the loss due to breakage of crockery and cutlery. The figures of losses for the last 11 years now collected seem to be uniformly excessive, being well over Rs. 50,000 per year. It should be the aim of any good management to bring down to the minimum any avoidable losses. The Committee hope that the enquiry at present instituted by the Board of Directors will yield fruitful results.

F—Grant of Loan to M/s. Budhu Ram Bhugra & Sons

202. The management granted a loan of Rs. 20,000 to M/s. Budhu Ram Bhugra & Sons after consideration of their application for an advance payment for entitling them for making arrangements for the regular supply of poultry, fish and game. The loan is stated to have been sanctioned against proper security and was paid after obtaining the advice of the Legal Adviser. The loan was recovered from the monthly bill of the contractor with 8½% interest within the stipulated period of 3 months from January to March, 1966.

203. Apart from this contractor a loan of Rs. 8,500 was given during 1965-66 to M/s. Arden Farms, the contractors for the supply of eggs to the hotel. When asked during evidence whether such loans were covered by any rules of the hotel, the representative of the hotel stated that they had no rules on the subject of granting loans, but big firms like Phillips and Voltas had been given advance money ranging from 30% to 40% of the stores. The other Government Departments too allowed such advances against bank guarantee. The Managing Director added that in the difficult position in which they were today for supplies it was not only a question of advance, the suppliers in fact, wanted money before they supplied anything.

As regards the loan advanced to M/s. Arden Farms, the Managing Director explained that as against a request for loan of Rs. 10,000 the hotel management agreed to give a loan of Rs. 8,500. The firm, however, defaulted in making payment and also discontinued the supply of eggs to the hotel. The hotel had, therefore, to go to the market for the supply of eggs and at a higher price than that stipulated by M/s. Arden Farms. After protracted discussion and negotiations a final settlement was reached with M/s. Arden Farms, whereby the hotel got Rs. 10,900 as against the dues of Rs. 18,425. The loan money was recovered, but the risk purchase loss was not recovered.

204. The Committee feel that advancing of loans to a contractor before he has made any supplies is not a healthy practice and is likely to lead to a criticism that a particular contractor is being unduly favoured by the management with financial assistance. The risk purchase loss suffered by the hotel in the case of M/s. Arden Farms should serve as a sufficient warning to the management against entering into such transactions. The Committee, therefore, recommend that this practice may be discontinued, unless specifically authorised by the Board.

G—Renewal of Licences for Shops

205. Government Auditors have observed that there is no specific procedure or standard with reference to which licences to shops in the hotel are renewed. In their subsequent report the Government Auditors have stated that in the matter of renewing licences for the shops, the Board has decided to retain the existing shop licences who had rendered satisfactory services on an increased licence fee by negotiation rather than awarding licences to the highest tenderer. Where tenders were invited, the highest tender was taken as guide for negotiations for the increase in the licence fee for existing licences.

206. The management have explained that it was difficult to fix reserve price for shops for renewal of licences. It was thought better to carry on with existing licence holding shopkeepers at negotiated enhanced licence fee in preference to unknown people who might tender higher.

207. The Managing Director was asked during evidence whether the practice followed by the Ashoka Hotels Ltd., in the matter of renewal of licences of shops did not run counter to the very fundamental principle that all tenders should be deemed to be at par unless there was something cognizably adverse on the part of any one. In reply he explained that while the Board was not against calling for tenders, they had found by experience that it was better to carry on with existing licence holding shopkeepers at negotiated enhanced licence fee in preference to unknown people who may tender higher. There had been other instances also, when the management was not satisfied with the performance of existing licensee and the shops had to be put to tender. The Transport Counter and the Brass Ware Shop were awarded to parties giving the highest offer in the year 1964. Similarly the Book Shop was awarded to the party who gave the highest offer in the year 1966. The general policy, however, had been to assess as far as possible the performance of the existing licensee and if it was satisfactory, to renew his licence at a negotiated enhanced price.

208. Some shops/counters were also allotted later on application/invitation/negotiation. The Management also invited offers by advertisement in the newspapers.

209. The amount of money realised by way of licence fees has been as follows:—

Year	Rs.
1956-57	2,14,463
1957-58	1,12,450
1958-59	1,26,842
1959-60	2,85,967

Year	Rs.
1960-61	3,41,886
1961-62	3,08,863
1962-63	3,54,836
1963-64	3,91,108
1964-65	4,12,322
1965-66	4,43,825
1966-67	4,59,257

210. The Committee are not convinced with the explanation given by the management for renewing licence on the basis of negotiations with the existing licensee instead of going in for fresh tenders. The licence fees being considerable, there should be no insuperable objection for the management to go in for open tenders after every 3 years and secure attractive offers of which there should be plenty, considering the location and importance of the hotel.

211. The Committee suggest that the position in this respect may be reviewed and suitable action may be taken to put the matter on a firm footing to augment the resources of the hotel by giving licence to reputable parties on the basis of open tender. In addition to the licence fee of Rs. 15,000 the hotel is taking three air tickets from Delhi to London from Air India. The Committee are not aware of the reasons for arrangement of getting 3 single tickets from the Air India. The arrangement appears to be unusual.

VIII

CONCLUSION

212. The hotel industry in India is of national importance as it is one of the major earners of foreign exchange. Besides, there could be no adequate growth of tourist traffic without an upto-date and flourishing hotel industry. A first class hotel to cater to the needs of the ever growing number of tourists and official delegations to the capital of India was therefore, the need of the hour. The establishment of a big, modern hotel, besides bringing down the soaring hotel prices has introduced an element of healthy competition in the hotel industry. The establishment by Government of Ashoka Hotels Ltd., a five Star De-luxe Hotel in the public sector, was therefore a step in the right direction.

213. A number of short-comings have come to light in the award of construction of contracts for the main Ashoka Hotels Ltd.'s Building and the Annexe Project, the only redeeming feature in respect of the latter appears to be the reduction of the sum of Rs. 2.20 lakhs from the running bills of the contractor at the instance of the Minister of Works, Housing and Supply and thereby reducing the total cost of the project.

214. The Ashoka Hotel Ltd., as a premier hotel has an important role to play in keeping up the standards of hotel industry in India. The Committee hope that the hotel management will rise to the occasion and ensure that the service offered by it measures up to and even excels that of not only the Indian hotels but also those rendered by its counterparts in foreign countries.

NEW DELHI;

April 23, 1968
Vaisakha 3, 1890 (S)

D. N. TIWARY,
Chairman,

Committee on Public Undertakings.

ANNEXURES

ANNEXURE I

(Para 51)

HOTEL AMBASSADOR,
New Delhi, 27th August, 1955.

From

H. H. The Maharaj of Jam Saheb of Nawanagar,
New Delhi.

To

Messrs. Tirath Ram,
Engineer and Contractors,
16, Fire Brigade Lane,
New Delhi.

Dear Sirs,

With reference to the negotiations concluded between myself and M/s. Shah Construction Co., Bombay, and yourself where it was agreed that the work should be carried out by both the concerns half and half, I have now been informed by M/s. Shah Construction Co., Bombay, that it would not be possible for them on reconsideration, to take over this job in accordance with the above decision and that they have now withdrawn from their previous commitment. Consequently I offer to you the construction of entire job on certain conditions, which are given below and to which you have agreed. The conditions are these—

- (a) That you will complete the entire structure by the 1st of September 1956.
- (b) That you will complete and hand over to the Company 250 rooms together with the necessary public rooms, required on that date ready for use.
- (c) The remaining work would be completed after that date in accordance with the instructions of the Company.
- (d) That you revoke your forwarding letter accompanying your tender in entirety.
- (e) That the other conditions in the tender shall remain unaltered.
- (f) That the percentage shall be reduced from 12½% to 2% above the C. P. W. D. schedule of rates as given in the tender.
- (g) That the item of tile flooring is for the time being excluded.

2. Please confirm whether these conditions are now finally acceptable to you.

Yours faithfully,

Sd/- JAM SAHEB OF NAWANAGAR.

ANNEXURE II

(Para 51, page 26)

MINISTRY OF WORKS, HOUSING & SUPPLY

A note on the award of contract for the construction of a Hotel in the Diplomatic Enclave is placed below. H. M. may like to see.

Sd/- D. CHANDRA,

2-9-55.

Officer on Special Duty.

H.M. has seen.

Sd/- ILLEGIBLE,

19-9-55.

SUBJECT:—*Construction of a Hotel in the Diplomatic Enclave—award of work to M/s. Tirath Ram Ahuja, New Delhi.*

A limited Tender Enquiry was issued on 6th August, 1955 to 11 contractors suggested by the Chief Engineer, C.P.W.D. Of these contractors tenders were received only from 5 and were opened in the presence of these contractors at 3.30 p.m. on 20th August, 1955, the date mentioned in the Tender Notice for the receipt of tenders. A brief statement indicating the rates quoted in the tenders is enclosed.

2. The tenders were discussed in a meeting of the Promoters held on 24-8-1955. Shri Ratnam and Shri Puri attended the meeting on behalf of the Government. The Architects of the proposed Company and Shri Barman, C. E., C. P. W. D., were also present. Minutes of the meeting may please be seen at Slip 'T'. The concensus of opinion was that, apart from the rates tendered by the contractors, the guiding considerations for award of work for a project of the type of the proposed Hotel should be the capacity, the quality of performance, general reputation and the ability of the contractor to complete the job in the stipulated time, to perfect finish, good quality and workmanship. In the light of the discussions His Highness the Jam Saheb has had with the Prime Minister, His Highness had, in fact, apart from being a Promoter, undertaken the completion of the proposed Hotel Project, upto desired standards, in time; it was of prime importance, therefore, that the work should be entrusted only to the contractor who could carry the full confidence of the Promoters and the Architects.

3. During the discussions that following about the merits of the contractors, who had tendered, it was pointed out that M/s. Uttam Singh Duggal, who had tendered the lowest rates, would not be the suitable party to be entrusted with this important and yet a rush job. M/s. Uttam Singh Duggal

had built up a reputation of being rather difficult persons to handle. They had plenty of work on their hands already. The C. B. R. building at Hardinge Bridge, recently constructed by this firm had been inspected by the Architects of the proposed Company and, in their opinion, the quality of workmanship exhibited in this building was rather poor. Further, the Architect could not guarantee that, with all his supervision, he could ensure proper quality of work from M/s. Uttam Singh Duggal & Co.

4. M/s. Pratap Chand & Co., the next lowest tenders, did not, apparently, possess the necessary organisation etc. to undertake the work of this project. M/s. Dalmia and Co. also did not find favour with the Promoters as the firm was not sufficiently well-known and did not inspire confidence and moreover the C. E. had informed the Promoters that this firm was averse to negotiations. M/s. Shah Construction Co. and M/s. Tirath Ram both of them, were considered capable of undertaking the construction of the building to proper specifications and in time. The Shah Construction Co. recently completed the Secretariat building of the Bombay Government in 16 months and the quality of work produced by the Company had been seen by the Architects and approved. The Architects had also seen the Reserve Bank Building and approved of the standards of construction of that building which is being constructed by M/s. Tirath Ram. In the circumstances, the promoters agreed that negotiations should be carried out with both M/s. Shah Construction Co. and Messrs. Tirath Ram on the basis of reasonable rates; the rates earlier tendered by them were considered on the high side. In consultation with the C. E., C. P. W. D. it was agreed that a fair rate for the proposed building would be 2% above the C. P. W. D. schedule of rates. The Promoters also authorised His Highness the Jam Saheb to carry out the negotiations with these 2 contractors on the above basis.

5. The negotiations were, accordingly, undertaken by His Highness the Jam Saheb. Both the Contractors expressed their willingness to undertake the work on 2% above the C. P. W. D. rates. It was then considered by him that, in fairness, the work might be entrusted to both the contractors on a 50:50 basis. M/s. Shah Construction Co., however, after consultation with their principals in Bombay, later, chose to opt out of the transaction. M/s. Tirath Ram were willing to take over the entire project and, accordingly, the work was awarded to this firm. The firm also agreed to withdraw the conditions mentioned in their tender. With a view to ensuring proper finish it was agreed that the completion of the entire structure by 1-9-1956 need not be meticulously insisted upon. The Company was, of course, committed to the completion of 250 rooms together with necessary public rooms etc. by 1-9-1956. The following conditions which were accepted by M/s. Tirath Ram, were, therefore, stipulated in the contract:—

1. That the entire structure should be completed by 1956.
2. 250 rooms, together with necessary public rooms, should be ready for use by 1-9-1956.

3. The remaining work would be completed after 1-9-1956, in accordance with the instructions of the Company.

6. Another meeting of the Promoters was held on 29-8-1955. The meeting was attended by Shri Sachdev, Shri Puri and Shri Ratnam on behalf of the Government; C. E., C. P. W. D. was also present. Minutes of the meeting may please be seen at slip 'E'. His Highness the Jam Saheb explained to the Promoters the result of his negotiations and the Promoters ratified the decision already taken by him to be the most suitable one in the circumstances.

ANNEXURE III

(Para 51, page 27)

Terms of reference to the Ministry of Law regarding draft Audit Paras in the Construction of the Ashoka Hotel

I. Re: *Payment of Octroi to the contractors M/s. Tirath Ram*

1. Item V of draft Para prepared by the Director of Commercial Audit is reproduced below:—

“V. Octroi on Steel and Cement consignments.

According to the terms of agreement the cement and steel were supplied by the Hotel Management to the Building Contractor @ Rs. 100 and Rs. 550 per ton respectively loaded in wagons at the respective local railway stations of Delhi. The contractor was to bear all subsequent incidental charges *e. g.*, handling, unloading, cartage etc. to the site of the works. The contractor claimed from time to time in his bills the amount of octroi paid by him on such consignments. Under these arrangements the octroi charges were payable by the contractor. The Board of Directors, however, resolved in their meeting on 23-9-1956 that the claim for octroi on steel and cement by M/s. Tirath Ram be accepted.

Examination of a few rates pertaining to completed items of work in which cement and steel were used by the contractor, indicated that octroi had been included in such rates. The payment of Octroi at the occasion of supply of such materials to the contractors by the Hotel, therefore, constituted double payment of octroi, once at the time of supply of materials and secondly in the finished items of work.

A sum of Rs. 13,488 was paid to the building contractor in the early period (upto 29-2-56) on account of octroi. Subsequently similar payments were also made by the Hotel management. No detailed accounts were, however, produced. During the course of discussion, it was stated that the amount involved was about Rs. 50,000/60,000. The total amount actually paid to the contractor on account of octroi on steel and cement consignment, therefore, constitutes an overpayment and required to be calculated and recovered.”

2. The reply furnished by the Ministry of Works, Housing and Supply together with the enclosure is reproduced below:—

“V. Octroi on Steel and Cement consignments.

As per the agreement with the contractor, the cement and steel are to be delivered at the Railway station. All expenses such as handling, unloading, cartage to site are to be borne by the contractor. There is no mention

in the agreement, that octroi will also be paid by the contractor. The payment of the octroi by the management for steel and cement was made for the following reasons :

(i) The octroi is to be paid by the owner of the materials *i.e.* the consignee and not the clearing agent. In this contract, the contractor acted as the clearing agent and not the consignee.

(ii) The cement and steel were procured by the management. As per the agreement, the management continued to be the owners of the above materials till the same was consumed by the Contractor and cost therefore recovered from him. This is clearly evident from the fact that one key of the godown is to be with the contractor and another key with the management as per the agreement.

(iii) The agreement also says that in the event of the cement being delivered at any site other than the railway station, the carriage charges will only be recovered from the contractor. This also clearly shows that the intention was not for the contractor to pay the octroi charges.

(iv) In the C. P. W. D. wherever the delivery of the Govt. stores are made to the contractor at the railway station, Terminal tax, Octroi etc. are paid by the C. P. W. D. and not the clearing contractor.

(v) The arrangement was made for the delivery of the cement and steel at the railway station instead of at the site to save the management the trouble and expenses involved in clearing the stores from the railways, transport to site and storage of the same in godowns."

3. The Audit does not agree with the replies of the Ministry and they feel that as in C. P. W. D., octroi paid by the department is recovered in the issue rates at which cement etc. are supplied to the contractors, the rates of finished items payable to the Hotel's contractors as per agreement are also inclusive of the octroi.

4. With reference to the above, the Ministry of Law may kindly advise whether the octroi are paid by the management is legally in order.

A copy of the agreement is placed below for reference.

II. Re : *Extra Contractual payment of Rs. 1,21,322 due to height factor.*

5. Para VI of the draft Audit report is reproduced below:—

"VI. Extra contractual payment of Rs. 1,21,322 due to height factor.

Clause 1 of the agreement with the building contractor provided that all the conditions given in the tender notice would form part of the contract. One of the conditions of the tender notice was that the rates for the additional items of work not finding place in the 1950 C. P. W. D. schedule of rates and which were, therefore, listed with the tender notice would be applicable to all heights and depths. It is, however, observed that the contractor has claimed

a sum of Rs. 1,21,322 extra for height factor on cost of R.C.C. work above plinth. This claim for height factor on R.C.C. work is not in conformity with the provisions of the agreement. The Planning Circle of the C.P.W.D. to whom this item was referred also held this view.

The management have explained that originally it was their intention to build the hotel upto 4 floors only and it was only later that the decision to build the hotel upto 6 floors was taken. This is, however, not borne out by records. The line plan of the building attached to the tender notice indicated basement, ground floor and 6 floors above. The draft tender notice also indicated 6 floors. Clause 7 of the agreement with the building contractor also provided that upto the end of September, 1956, the contractor would give 250 rooms ready for occupation along with the necessary public rooms and the entire structure of the hotel building should also be completed by that time, indicating clearly that the intention was all along to build six floors.

The original estimate of the building was Rs. 60,00,000 against actual cost of about Rs. 1,20,00,000. The original cost was not based on any detailed estimate of quantities and the additional cost was mostly due to the extra items amounting to about Rs. 50,00,000. The management has also indicated that they were unable to foresee details of the extra items before the tender for basic structure was invited.

The contractor was to give 250 rooms completely ready for occupation upto end of 9/56 and the entire structure upto 6th floor was also to be completed by that time. As these 250 rooms were evidently required for the UNESCO Conference, the furnishing etc. was also to be carried out for these 250 rooms upto about 4th floor by that date. The fact remains that the entire structure upto 6 floor as per line plan and agreement, was to be completed by September, 1956.

A sum of Rs. 1,21,322, therefore, requires to be recovered from the building contractor."

6. The reply furnished by the Ministry is also reproduced below :—

"In the final bill of M/s. Tirath Ram the Architect has verified a payment of Rs. 1,21,422 under the extra item No. 32-68 A" Extra for height on cost of R. C. C. work above plinth" being 5.1% of the value of R.C.C. work in main building viz. 23,78,871 and Rs. 6,250 being 1.7% of the value of RCC of 3,65,621 in servant quarters. This extra payment for 'LIFT' for RCC work was sanctioned by the Architect for the following reasons:

- (i) The contract with M/s. Tirath Ram for construction of Ashoka Hotel was for Rs. 60 lacs. The contract also specified that entire work consisting of 250 rooms and Public Rooms should be completed within 12 months from 1-9-55. These 250 rooms were proposed upto 4th floor. The statement enclosed clearly shows that upto 4th Floor, there are about 250 rooms. In other words

the original proposal under the contract was for construction of the Hotel upto 4th floor only together with servant quarters, road, viaducts, compound walls, drains, levelling and terracing etc.

- (ii) The agreement no doubt states that the rates provided therein are for all height and depths except where specifically mentioned otherwise. But the original contract was for only 250 rooms upto 4th floor costing Rs. 60 lakhs. As per clause 17(C) of the agreement, the Architect could fix reasonable rates for extra work involved over and above the original contract.

The original contract of 60 lakhs could be broadly split up under the following sub-heads:—

Servant quarters	10.15 lakhs
Electrical sub-station	1.12 „
Storm water drain	1.07 „
Compound wall	0.55 „
Roads and Viaducts	3.93 „
Levelling & Terracing	1.29 „
Main Building	41.89 „
	<hr/>
	60.00 lakhs

The cost of the main building alone as per final bill is approximately 94.68 lakhs out of which lift is not admissible for the following items :—

Excavation filling	5.73 lakhs
Masonry	3.60 „
Miscellaneous stone work	2.00 „
	<hr/>
	11.33 lakhs

Net amount on which 'LIFT' is admissible on main building is 94.68—
(11.33+41.89).

Taking 5.1% as the payment for lift on Main building the amount of lift legitimately payable to the contractor would work out Rs. 41.46 × $\frac{5.1}{100}$ = 2.11 Lacs. We have on negotiation paid only Rs. 1,27,672. In the light of the above facts the Architect certified the payment of lift of Rs. 1,27,672 approx. by virtue of the powers vested in him under cl. 17(c) of the agreement and clause 4 of the agreement of the management with M/s. Tirath Ram.

(iii) It may be added that all the items under R.C.C. provided in the contract are as per 1955 Schedule of Rates of CPWD which are exclusive of the 'LIFT' payable to the contractor. As 1955 schedule was in operation during the progress of the contract, it was considered reasonable to pay the contractor 'LIFT' only for R.C.C. work instead of the entire extra work carried out by the contractor.

ASHOKA HOTELS LIMITED

List of Living Rooms upto 4th Floors

Floor	Single Room	Single Suite	Double Room	Double Suite	Luxury suite	Total No. of rooms
1st floor .	20	(8) × 2	6	—	—	42 rooms
2nd ,, .	26	(10) × 2	6	(4) × 2	—	60 ,,
3rd ,, .	26	(10) × 2	11	(7) × 2	—	71 ,,
4th ,, .	41	(10) × 2	8	(4) × 2	(4) × 3	89 ,,
	113	(38) × 2	31	(15) × 2	(4) × 3	262 ,,
5th ,, .	41	(10) × 2	8	(4) × 2	(4) × 3	89 ,,
6th ,, .	41	(10) × 2	8	(4) × 2	(4) × 3	89 ,,
	82	(20) × 2	16	(8) × 2	(8) × 3	178 ,,

The Audit contends that the agreement provides payment as per 1950 schedule of rates except for those items which were listed separately and the list formed part of the agreement. Reference to the 1955 schedule of rates with regard to the payment for the height factor is, therefore, not relevant.

7. With reference to the above and with reference to the agreement for this work, the Ministry of Law may kindly advise whether the contract as executed provided for the construction upto the 4th floors of the hotel or upto six floors of the Hotel.

MINISTRY OF LAW

(DEPARTMENT OF LEGAL AFFAIRS)

The first audit objection relates to payment of octroi duty on steel and cement supplied to the contractor. Under clause 4 in the Tender Notice, steel and cement was to be arranged for by the owners. The detailed conditions of the supply were as set out in Schedule B to the Tender Notice which were annexed to the tender and have ultimately been embodied in the agreement of 5th May, 1956.

2. According to Audit, cement and steel were to be delivered at the railway station instead of at the site of work and under condition 2 of the conditions for issue of materials all incidental charges for cartages, storage and safe custody of materials have to be borne by the contractor. On examining some rates for completed items involving use of cement and steel, it was found by Audit that the element of octroi duty was included in the rates. Audit, therefore, considers that the payment of octroi sanctioned by the Board of Directors on 23-9-1956 was a double payment.

3. It may be that because of the finding of Audit, upon examination of rates, the contract as made was defective. That, however, will not entitle the company to recover back any money from the contractor. Such recovery can be possible only if it can be shown that payment was made under a mistake and was not due under a proper interpretation of the contract.

4. It is clear from clause 10 in the Conditions of Contract annexed to the Tender that the materials shall remain the absolute property of the Architect who was acting on behalf of the promoters and unused materials in good condition were liable to be returned to the promoters if required. It is thus clear that the contractor did not become the owner of the materials upon taking delivery at the railway station. The materials must, therefore, be held to have been brought into municipal limits by the company and not by the contractor. The charge for octroi consequently fell to be borne by the company and in the absence of any express and specific provision in the contract, the company could not require the contractor to bear this charge. It cannot be said to be embraced in the words "all incidental charges" which were specifically stated to be "for cartage, storage and safe custody of materials" in condition 2 of the condition of issue of materials. No money can, therefore, be said to have been over paid to the contractor.

5. The second objection relates to payment sanctioned by the Directors to the contractor on account of height factor involved in the construction of the fifth and sixth floors of the Hotel building as extra works. In the Schedule of Rates for R.C.C. work which governed the contract, it was provided that the rates for different items of work shall apply for all heights and depths. It is, therefore, contended that the payment on account of height factor certified by the Architect under clause 17(c) of the conditions of contract is not justified.

6. It has been explained by the management that it was their intention to build only upto four floors and the contractor had to be compensated for continuing the construction upto the sixth floor. It appears from the Jam Saheb's letter on behalf of the promoters, dated 27th August, 55 to the contractor that after tenders were received, there were negotiations with the

contractor. The terms on which the contract was finalised, as stated in this letter, were as follows :—

The contractor was offered the construction of the “entire job” on the conditions :

- (a) that he will complete the ‘entire structure’ by the 1st of September, 56;
- (b) that he will complete and hand over to the company 250 rooms together with the necessary public rooms required on that date ready for use (this takes the building upto four floors only) ; and
- (c) that the remaining work would be completed after that date in accordance with the instructions of the company.

7. A precise meaning cannot be given to the language of this letter as neither ‘the entire job’ nor ‘the entire structure’ nor ‘the remaining work’ have been defined therein even with reference to any other document. It appears that a line plan of the building showing six floors above basement and ground floor had been enclosed with the Tender notice. The letter of the Jam Saheb did not, however, make any reference to this line plan and it cannot necessarily be understood as written with reference to that document. The position being clearly ambiguous, other evidence is admissible to decide the meaning of the words “entire job”, “entire structure” and “remaining work”. The Jam Saheb is obviously the best person to say what was in his mind and he has now stated clearly that originally when the agreement was made with the building contractor, the intention was to build only upto four floors. That being so, the entire job and the entire structure can reasonably be understood to mean the main Hotel building upto four floors and subsidiary buildings as planned on the site. In this state of facts, the payment of the height factor is not open to question.

8. It appears that the management decided about seven months after commencement of the work on 1st September, 55 to have a building of six floors above basement and ground floor. In view of the agreement being for construction of four floors only, the contractor had ground to insist on additional payment. If the contractor was not prepared to execute the additional work on the original terms, the management had no alternative but to come to a reasonable settlement with him. The work was properly an extra work and the Architect had the power under clause 17(c) of the conditions of contract to award additional payment on account of height factor.

9. On the terms of the formal agreement of 5th May, 1956 an apparent difficulty no doubt arises because by that agreement the contractor undertook to execute the work shown upon the plans and drawings which have been signed by or on behalf of the parties and those plans show a building of six floors. It appears that although the agreement for payment of an

additional rate on account of height factor had been made with the contractor in March, 1956, the agreement of May, 1956 was drawn up to embody the terms of the original contract between parties and did not embody a term providing for payment for the additional height factor because being an extra work, it could be covered under the Architect's powers. The circumstances that the plan was prepared as showing not only the fourth but also the fifth and sixth floors and was annexed to the agreement and incorporated with it would not, however, enlarge the scope of the work undertaken by the agreement as the written instrument was merely an act of ratification and confirmation on the original terms of a contract already made by the promoters and work already undertaken by the contractor. The agreement will have to be construed in the light of the terms agreed upon by the promoters at the end of August, 1955. In any event, the contractor's right to payment of height factor would be upheld by a court as there was a genuine dispute between the parties and the terms on which it was settled are binding as a compromise. I do not therefore consider that the company has a reasonably arguable case for recovery of the payment basing itself on the ground that by virtue of the plans annexed to the agreement of 5th May, 1966 the construction of six floors was a part of the original work and not an 'extra'.

10. For all these reasons, I am of the view that the second audit objection also can be satisfactorily answered.

(Sd.) H. C. DAGA,
Joint Secretary & Legal Adviser
 8-2-62

(Sd.) B. N. LOKUR,
 17-2-62

Minis. of W. H. & S. (Shri N. P. Dubc)

Min. of Law (Deptt. of Legal Aff.) u.o. No. 30525/62, dt. 19-2-62.

ANNEXURE IV

(Para 51, page 27)

Shri S. Ratnam,
Director

D. O. No. E-22(37)
5th Dec., 1961.

Your Highness,

I am writing this letter as Shri Sachdev is out of India and is not likely to return before the end of December. Certain queries have been raised in respect of higher rates allowed by the Ashoka Hotel for the construction above the fourth floor on account of height factor over and above what was negotiated by you in August, 55, for the initial construction. I may add that the question to take the building upto six floors was considered at the Board's meeting held on March, 56 (*i.e.* seven months later and it was decided to have the building complete upto six floors). At this stage the Board agreed to pay an additional rate to compensate for the height factor in respect of certain items to M/s. Tirath Ram. But your Highness's letter of the 27th August, 55 has been construed to mean that the rate agreed upon by your Highness with M/s. Tirath Ram initially relate to the entire project *i.e.* upto the six floors and that he has agreed to charge at 2% above the CPWD rate for the entire work. At the time when you started the negotiations, the 1950 schedule was in force and it did not contain any clause about the height factor but soon after the construction work was begun, the CPWD schedule of rates for 1955 was published and it does contain allowance for height factor. On the basis that the additional construction of the 5th and 6th floor was a new contract, the Board agreed to pay the rates for work above the 4th floor in accordance with the provision in the 1955 schedule. We shall be obliged if your Highness indicates the exact scope of the contract awarded by you in August, 55. A copy of the Board's Resolution by which it was decided to have the building up to six floors is enclosed herewith for your Highness's perusal.

Yours sincerely,
(Sd.) S. RATNAM.

H. H. The Maharaj Jam Saheb of Nawanagar,
The Palace, Jamnagar.

ANNEXURE V

(Para 51, page 27)

General Maharaj Rajendrasinhji,
Director

Ashoka Hotels Ltd.,
New Delhi.

27th December, 1961.

My Dear Ratnam,

Before coming to Delhi His Highness the Maharaj Jam Saheb of Nawalnagar mentioned to me about your D. O. letter No. E-22(37) of 5th December, 1961.

His Highness has not been feeling well and as such he directed me as one of his Special Directors to convey his message that the Jam Saheb remembers that originally when the agreement was made with the Building Contractor the intention was to built only upto four floors. As such it would be only to correct in his opinion to pay the contractor separately for the height factor in respect of the 5th and 6th floors.

Yours sincerely,
(Sd.) M. RAJENDRASINHJI.

Shri S. Ratnam,
Director,
Ashoka Hotels Ltd.,
New Delhi.

ANNEXURE VI

(Para 57)

Extracts from Lok Sabha Debates Part I for the 15th June, 1967, relating to the Short Notice Question No. 13 re: Revolving Restaurant at Ashoka Hotels Ltd.

SHORT NOTICE QUESTION NO. 13

Revolving Restaurant

Will the Minister of **Works, Housing and Supply** be pleased to state :

- (a) Whether it is a fact that steps have been taken for construction of Revolving Restaurant and Conference Hall as an annexe to a Public Sector Hotel in New Delhi at a cost of Rs. 2·5 crores ; and
- (b) Whether the contract for the construction of the same has been awarded to a firm which did not submit the lowest tender ?

Minister of Works, Housing and Supply (Shri Jagannath Rao) :

(a) Government approved on the 27th January, 1967 the construction at a cost roughly of Rs. 2·39 crores of an Annexe to the Ashoka Hotels Limited, consisting of 300 additional beds, a Convention/Banquet hall and two speciality restaurants (including a Revolving Tower restaurant) to be ready in time for the United Nations Conference on Trade and Development which begins in New Delhi on the 1st February, 1968.

(b) The Board of Directors of the Company decided to award the work to the second lowest tenderer. However, when the matter came to the Government they directed the Ashoka Hotels Limited to ask the contractor concerned to reduce the quoted rate by Rs. 2·20 lakhs and this was agreed to by him. He thus became the lowest tenderer at Rs. 87,47,570.

Shri B. K. Daschoudhury : In view of the great economic crisis in our country, may I know what made the Government approve of this big scheme involving a huge amount of money, and further, you finalised the contract surreptitiously; you took a particular firm, Ahuja & Co., and allowed them to reduce their original tender by Rs. 2,20,000. May I know why ?

The Minister of Works, Housing and Supply (Shri Jagannath Rao) : As stated in the main answer, the United Nations Conference on Trade and Development will be held here in Delhi on the 1st February, 1968.

2,500 delegates from various countries are expected to attend this conference. At present, the hotel accommodation in Delhi is not more than 1,300. Therefore, the Ashoka Hotels Limited wanted to expand its capacity; also a conference hall which could hold 2,500 delegates at a time has to be constructed. At this time, apart from the project, it is also considered necessary to have a special restaurant. That is why a revolving tower restaurant was also contemplated.

As regards the second part of the question, that it was given to Tirath Ram Ahuja in a hush-hush manner is entirely wrong. We strongly repudiate it. It was the second lowest tenderer. The management, the Ashoka Hotels Limited, decided to accept the tender. When it came to Government, we considered it, it was put up to the Prime Minister, and we asked the management to see that the tender is reduced by Rs. 2,20,000. It was done. There is nothing hanky-panky in this.

Shri B. K. Daschoudhury : Is it a fact that in the forwarding letter by Messrs Ahuja and Company to Ashoka Hotels Limited, it has been specifically stated that whenever any point is at variance with the terms of contract as laid down by Government, the terms of the letter shall prevail? May I know why the Government was so eager to agree to the dictates of this particular contractor firm? Secondly, is it not a fact that this Ahuja and Company did not quote for items 15, 16, 17 and 27, which means an additional expenditure of Rs. 25 lakhs or more?

Shri Jagannath Rao : According to the tender notice, no tenderer was asked to quote for those three items as stated by the hon. Member, because the mechanism of the tower itself was not finalised by the consultant architects. Regarding the letter referred to by the hon. Member, they were asked to withdraw those conditions. The tenders were examined by the consultant architects and they found that the tender of Tirath Ahuja and Company was in order.

Shri Samar Guha : My question consists of two parts (a) and (b).

(a) At a time when millions of human skeletons are crying for food in the near-famine areas and when our country has been reduced to the status of a global beggar in search of food all over the world and when the nation is facing the worst crisis demanding the strictest measures of economic austerity.

Mr. Speaker : What is his question? This is all known to every body.

Shri Samar Guha : This is the background, Sir. Why has the Government indulged in such a perverse luxury in constructing a revolving restaurant and a hall for the international conference annexed to the Ashoka Hotel at a fantastic cost of Rs. 2.5 crores for entertaining the so-called international visitors?

Shri Iqbal Singh : Our country has invited the delegates for the international conference. It is good that sometimes we should also invite. It is also paying. This is generally of the American pattern. If we want to make more money for Ashoka Hotel, these facilities are necessary. About the other things, we do not think so.

* * * *

Shri Chittaranjan Roy : In view of the fact that our Government is going to reduce its expenditure to a great extent, even cutting down our planning also, may I know what is the relevant reason that the Government can show for the construction of this revolving restaurant and conference hall which goes in defiance of the declaration so far made by the Finance Minister in this House ? May I also know whether it is a fact that the notice inviting tenders was not published in the papers and whether it was given to some selected contractors ? I would like to know whether it is also a fact that this revolving tower has been incorporated into the items of the tender though the architect at that time had not completed the design ?

Shri Jagannath Rao : Regarding the last part of the question, to take it first, tender notices were issued to 24 firms in the country spread over Pombay, Calcutta, Madras and Delhi. The notice inviting tender was not published in any newspapers because it happened that all the firms in the construction field were served notices. Only six firms in Delhi purchased tender forms and out of those six only five tendered. Therefore, it makes little difference.

Shri Jyotirmoy Basu : That is a matter of opinion.

Shri K. Lakkappa : Crores of rupees are involved.

* * * *

Shri Jaganath Rao : Tenders were received on 10th April, 1967 and the management decided on the tenders on 20th April, 1967. Therefore, nothing was done in a hush-hush manner.

Shri M. L. Sondhi : From the questions put and the answers given, in all seriousness I suggest that this case is a portfolio of corruption and, I believe, the principal adviser of the Minister has, to the best of my knowledge, a shady past in the External Affairs Ministry. Is the Minister aware that this contract remains an uncertain contract and therefore is really void in letter and in spirit because the contractor alleges or says or claims that he will revise his prices if this happens or that happens ? I have a letter here according to which it is clear that he is browbeating the Minister and the Minister is living in an illusion. Will the Minister now realise that he has inherited a situation and is he prepared to take into account the fact that the contract is an uncertain contract ?

Shri Jagannath Rao : I have inherited a healthy baby; I have not inherited anything which is not legitimate (*Interruptions*). We have not accepted any condition imposed by the contractor. We asked him to withdraw and he withdrew the conditions. It is a firm contract, a valid contract and nothing is void.

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Shri M. L. Sondhi : He is trying to shield Shri Prem Krishen.

श्री ओंकार लाल बोरवा : यह ठेकेदारी का प्रश्न है और ठेकेदारी मेरा घंघा है। 22 साल ठेकेदारी करते हुए मुझे हो गए हैं। मुझे बड़ा आश्चर्य हुआ यह सुन कर जब मंत्री महोदय ने कहा कि मैंने प्रधान मंत्री से पूछ लिया है। कानून के अन्दर जितनी कंडीशनज होती हैं, टेंडर के जितने नियम होते हैं उनका जिम्मेदार प्रधान मंत्री नहीं होता है, उनका जिम्मेदार चीफ इंजीनियर होता है। मुझे बड़ा आश्चर्य हुआ जब उन्होंने कहा कि मैंने प्रधान मंत्री से पूछ लिया है।

मैं यह जानना चाहता हूँ कि जब टेंडरिंग के लिए नेगोशिएशन की गई है, ठेकेदारों से आम मिले हैं तो क्या उन चार ठेकेदारों को भी आपने बुलाया था जिन्होंने टेंडर दिये थे? नियमों के अनुसार जिसका लोएस्ट टेंडर होता है उसको कन्ट्रैक्ट दिया जाता है। मैं जानना चाहता हूँ कि उसको क्यों नहीं दिया गया? अगर नेगोशिएशन की गई तो उन चार टेंडरिंग से भी क्यों नहीं की गई? मैं यह भी जानना चाहता हूँ कि जो टेंडर कंडीशनल था, उसको रिजेक्ट क्यों नहीं किया गया? उसका क्या कारण था?

Shri Jagannath Rao : It is not a CPWD tender. The tender was issued by the Ashoka Hotels Limited, an autonomous body.

An hon. Member : But it is under you.

Shri Jagannath Rao : In consultation with the Deputy Prime Minister, who is the Finance Minister, I suggested to the Management of the Ashoka Hotels to ask the contractor to reduce the amount. Regarding the other question, why the lowest tender was not accepted, it is a well-known fact that in every tender notice there is a clause—in this case, clause 14—which says that it is not incumbent upon the management to accept the lowest tender.....(*Interruptions*)

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श्री ओंकारलाल बोरवा : ठेकेदारी में कुछ नियम होते हैं, जिन के अनुसार अगर कोई ठेकेदार कन्डीशन लगाता है, तो उसका टेंडर रिजेक्ट हो जाता है। जिस का टेंडर लोएस्ट होता है, उस को कन्ट्रैक्ट दे दिया जाता है। अगर लोएस्ट टेंडर भी कन्डीशनल टेंडर होता है, तो उसके बारे में पूछा जाता है। अगर दूसरे नम्बर का टेंडर उस से ज्यादा होता है, या तीन चार टेंडर होते हैं और वे ज्यादा होते हैं, तो उन चारों को बुला कर बातचीत कर के टेंडर का फैसला किया जाता है। मैं यह जानना चाहता हूँ कि प्रधान मंत्री के कहने पर—चीफ इंजीनियर के कहने पर नहीं—दूसरे नम्बर के ठेकेदार को क्यों काम दे दिया गया, जब कि उस का टेंडर कन्डीशनल था, उस को रिजेक्ट क्यों नहीं किया गया। मैं यह भी जानना चाहता हूँ कि क्या उन चारों ठेकेदारों को भी बुला कर पूछा गया था।

Shri Jagannath Rao : Sir, I did not bring in the name of the Prime Minister at all. I said that I consulted the Finance Minister who is also Deputy Prime Minister, but the hon. Member brings in the name of the Prime Minister.

His question, as I understood him, is as to why the lowest tender was not accepted and why negotiations were carried on only with one of the contractors who had tendered and not with all. My answer to the first part of the question is that the lowest tender was of Messrs. Uttam Singh Duggal and Company. His past performance in the contracts which he had had with the CPWD and Defence was not satisfactory. That is why he was not considered at all. Even his tender was not according to the rules. The architects examined all the tenders and held that the tender of Messrs. Tirath Ram Ahuja was in order; therefore, the management's choice was limited to the acceptance of this tender. But when it came to the Government, while the Ashoka Hotel management had the power to accept the tender, Government suggested that the tenderer should be asked to reduce further the amount by Rs. 2.20 lakhs and that was done.

श्री मधु लिमये : अध्यक्ष महोदय, मेरा व्यवस्था का प्रश्न है। अभी माननीय सदस्य, श्री बेरवा, ने यह सीधा सवाल पूछा था कि क्या टेंडर सम्बन्धी कोई नियम होते हैं, जैसे यह नियम 14 है :

“All tenders in which any of the prescribed conditions are not fulfilled or are incomplete in any respect are liable to be rejected.”

जिनको ठेका दिया गया, उन्होंने जो पत्र लिखा है, जिसको सोंधी साहब पढ़ना चाहते थे, उसमें से एक जुमला मैं आप के सामने रखता हूँ :

“If any point mentioned in this letter is at variance with the tender documents mentioned above, the point in this letter will prevail.”

अध्यक्ष महोदय, यह बात बिल्कुल साफ है कि इस सम्बन्ध में नियमों का उल्लंघन किया गया है। श्री बेरवा ने जो प्रश्न किया है, उस का जवाब नहीं दिया गया है। पी०ए०सी० के पचासवीं रिपट में बाम साहब को श्री बृथलिगम द्वारा लिखा गया एक पत्र दिया गया है। वही बात इस मामले में भी लागू होती है—बिल्कुल वही केस है। कुछ चुनी हुई फ़र्मों के कान में जा कर कह दिया जाता है। इस काम के बारे में अखबारों में विज्ञापन नहीं दिया गया। मंत्री महोदय इन सब प्रश्नों का जवाब दें। तभी सदन को तसल्ली होगी।

Shri D. N. Deb : May I know the reason why such a huge amount of money is being spent on an unproductive project when the conference will be only for two or three days.

Shri Jagannath Rao : It is a very productive project, you will see it from the occupants of the Ashoka Hotel for the last four years, it is very good and there is every prospect of improvement in the future. The hotel industry is a very competitive industry and it has to keep pace with the growing needs and improvements.

ANNEXURE VII

(See para 57)

Extracts from Rajya Sabha Debates for 15th June, 1967 re : Short Duration Discussion on Ashoka Hotels Ltd., New Delhi

Short Duration Discussion Under Rule 176. Discussion re : Ashoka Hotel

Shri M. P. Bhargava (Uttar Pradesh) : Madam Deputy Chairman, I rise to raise a discussion on the proposed construction of an annexe and a revolving tower to Ashoka Hotels Limited, New Delhi, the grant of contract to a particular firm therefor, and matters connected therewith.

I would like to take up this subject in three parts. The first part would be whether additional accommodation is required to justify the construction of an annexe to the Ashoka Hotel, and a hall. The second part would be whether a revolving tower is necessary, what purpose does it serve and what would be its approximate cost. And the third part would be the grant of contract to a particular contractor.

The first report of the Ashoka Hotels Limited was discussed in this House on the 30th August, 1957. Many hon. Members of this House expressed doubts at that time that the expenditure on this Ashoka Hotel was an expenditure which would not bear fruit, that it was wasteful expenditure and, in fact, they wanted the Government to stop the project at whatever stage it was. At that time I had said that the Ashoka Hotel was going to prove that it would earn foreign exchange for the country and that it would be a good place for tourists from all over the world to come and stay there. And I am happy to tell the House that my prophesy of 1957 had come true, and that is borne out by the fact that the occupancy of the Ashoka Hotel is very high all the year round, and the Ashoka Hotel enjoys a reputation in the world, of which India should be proud.

Shri N. Sri Rama Reddy : After 'Oberoi International'.

Shri M. P. Bhargava : Now I come to the first part of my question, whether additional accommodation is necessary. India has a vast potential for the development of tourism and for earning of foreign exchange from tourism. One of the first essentials for the development of tourism is the availability of good hotel accommodation. From time to time the Tourist Department has been assessing the availability of beds in the various hotels and their assessment has always shown that additional beds are required for coping with the foreign tourist traffic. That is one consideration why it is thought desirable to have additional accommodation in the annexe

which is to be built to the Ashoka Hotel. Now there is another pressing reason which is more important, and that is the conference of UNCTAD, which is to be held in January-March, 1968, in Delhi, which is sponsored by the Ministry of Commerce and Industry—now they are of course two Ministries. That would require about 2,500 beds for housing the delegates who will come from all parts of the world. Even if we take into account the accommodation of all the first-class hotels in Delhi, it will not be possible to accommodate all of them. Therefore, a good decision had to be taken as to what should be done to meet the situation. And to meet this situation a hurried decision had been taken that to the Ashoka Hotel an annexe should be built. All possibilities were explored whether another hotel could come up in time, whether any other arrangements could be made for housing the delegates, and ultimately they came to the decision that only an annexe to the Ashoka Hotel can be ready in time to meet the requirements of that conference. And in connection with that conference and other similar conferences that might be held hereafter, it was found that there was no hall large enough for a big gathering of all the delegates for a meal or for a conference. In the past the Hotel had been unable to meet the demands for banquets of gatherings of even 1,500 persons. It was therefore decided that a conference hall to seat 2,500 persons be built along with the annexe to the Ashoka Hotel. That explains part 1 of my question, *i.e.*, why additional accommodation is required and that is the justification for the construction of the annexe and the hall.

Now I come to the revolving tower. There is some misapprehension about this revolving tower. What is this revolving tower? In a number of countries hotels have been built with revolving restaurants on the top of the hotel buildings or on high towers. These have become a great tourist attraction. If we want to earn foreign exchange from our visitors we have to provide them with certain comforts consistent with their needs. Such revolving restaurants or revolving towers have become almost a necessity all the world over and all modern countries are building such revolving restaurants in their first class hotels. (Time Bell) I will be finishing soon.

Shri P. N. Sapru (Uttar Pradesh) : What is this revolving tower?

Shri M. P. Bhargava : I will explain to you, Mr. Sapru. The revolving restaurant only means that a portion of the restaurant in the top of a ring round a core would slowly revolve making a full round in every sixty minutes. While the service would be in the non-revolving core, the visitors to the restaurant would be sitting in the revolving portion and they would get a view of the historical and government buildings such as the Qutub, Purana Quilla, Humayun's Tomb, Safdarjang, Juma Masjid, Rashtrapati Bhavan, the Central Secretariat and the august Parliament House, the whole city with its houses, roads and gardens.

Shri Akbar Ali Khan (Andhra Pradesh) : And Parliament House?

Shri M. P. Bhargava : Please let me finish. Time is very short. By this we will be providing out foreign visitors with an opportunity to see at a glance the whole city while sitting at one place without having to move from place to place. That is the advantage of having a revolving tower.

Shri Mulka Govinda Reddy (Mysore) : Is it to be a Tokyo Tower or Eiffel Tower?

Shri M. P. Bhargava : There seems to be some misapprehension about the cost and probably some hon. Members have a feeling that it will cost several crores. That is not so. The whole project comprising the annexe, hall and the revolving tower will cost Rs. 87 lakhs. The revolving tower will cost only about Rs. 4 to Rs. 5 lakhs. This is the misapprehension which I wanted to remove.

Now I come to the third part of my question, namely about the contract.

Dr. B. N. Antani (Gujarat) : That is the main part.

Shri M. P. Bhargava : That is the main part and I will reply to that part. I am sorry to say that the courtesy shown by the Minister in giving interview and asking his Ministry to issue tender notices and so on is being exploited. I am very sorry having to make that remark. Now what is this contract? Twenty four limited tenders were issued.

Shri Om Mehta (Jammu and Kashmir) : On a point of information, Sir, I would like to know how many new rooms will be built?

Shri M. P. Bhargava : One hundred and fifty.

Shri Mulka Govinda Reddy : The Minister will give the answer.

Shri M. P. Bhargava : Although the tender notices were issued to 24 parties only six parties responded. That shows that of the 24 contractors—and they were all first class contractors—18 were not in a position to even give the tender. Only 6 of them could give a tender. And then the tenders were opened. If I may say so, all the tenders were not complete in the true sense of a tender. And they could not be complete because all the particulars about the revolving tower and how it is to be built, were not known either to the ministry or to the contractors themselves. So if I was to consider these six tenders I would have rejected all the six of them. I would have done it if I had the time. But time was the essence of the whole thing. The whole project had to be finished by a particular date. Now what should be the consideration when examining these tenders? The considerations should be these. Which of the six parties can finish the work? What is the past record of the parties? What are the financial resources of the parties? What is the technical know-how of the parties? What is the capacity of the party to complete the project in time? These are the considerations which are to be

taken into account. (Time bell) I will finish in a minute, Madam. When the six tenders were opened the lowest tender was that of the gentleman of that firm to whom the Minister had shown courtesy. But unfortunately . . .

Shri P. N. Sapru : What is the name of the firm ?

Shri M. P. Bhargava : I am not going to give the name of the firm. You can find it. To that firm the Minister had shown courtesy. But unfortunately the record of his work in taking up previous Government work was far from satisfactory. I will humbly ask the House this question. Should a project which had to be completed within a specified time and for a particular specific purpose, namely, for the holding of a conference, be entrusted to a party whose record of work was unsatisfactory ? That was the situation which we were placed in. And then the second best contractor had to be considered and when that second best contractor was considered, the Government thought it fit to negotiate with him and to arrive at a solution which will be satisfactory to both the parties. That is exactly what was done and that is how the particular contract had to be given to the second contractor. These are the facts and I am sure the House will agree with me that this project is a "must" and the contract had been rightly given keeping in view the fact that the work has to be completed in time.

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Shri Bhupesh Gupta : We did not give notice for raising this discussion to have a ministerial statement right at the beginning. Well, I do not know how Mr. Bhargava's name came first because as soon as the statement was made I sent in my name. But that is a matter into which I do not wish to go now. The minister should have made the statement. As far as the revolving tower is concerned it is not needed. I shall come to that later. Now I shall deal with the contract.

Madam Deputy Chairman, the tenders were opened on the 10th April, 1967 at 3.30 P. M. Firstly, the tender of Messrs. Lyall & Co. was opened, then of Messrs. Uttam Singh Duggal & Co. followed by the tenders of Tirath Ram Ahuja & Co., Bhai Sunder Dass Sardar Singh and Mehta Teja Singh & Co. That was how the tenders were opened. When the first tender was opened the total amount and the forwarding letter accompanying the tender were read out. This was followed by other tenders in the same way. When all the tenders were opened the Managing Director thanked all those who were present at the time of opening of the tenders and said that since all the tenders had been received they would take care of them. At this point, Madam Deputy Chairman, the representative of Messrs. Uttam Singh Duggal & Co. Ltd., Mr. A. S. Bhandari, pointed out that the tender of Messrs. Tirath Ram Ahuja was incomplete.

Then objection was made that the tender of Messrs. Tirath Ram Ahuja was considered to be incomplete. Now manipulations happened after that. Even before other tenders were invited Mr. Ahuja to the best of my knowledge was telling his friends and others that he would be getting the contract

for about a crore of rupees, Rs. 100 lakhs. That was the initial figure; it is also given in the tender. That was what he said. Now it is clear from what he was telling in the market place that Mr. Ahuja would be favoured. How could Mr. Ahuja say so? Mr. Ahuja's tender was incomplete in the sense—and I have managed to get a copy of the tender submitted later.....

Shri Arjun Arora : Everybody has got it.

The Deputy Chairman : Mr. Arora, I have permitted him; let him continue.

Shri Bhupesh Gupta : Certain conditions had been put in. I am not supporting any of these tenders.

Shri Arjun Arora : You are supporting a particular firm, U. S. Duggal & Co.

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Shri Bhupesh Gupta : Not at all. I demand that all these tenders must be cancelled and none of these six who submitted these tenders should get it. That is my contention. And the one to whom you have given the work, take it away also. I tell you why I say so. Serious allegations have been made. I do not know, Mr. Ratnam, who happens to be the Chairman happens to be a friend of the particular contractor and we are told.....

Shri Jagannath Rao : Madam, how is my hon. friend entitled to mention the name of a person who is not present in the House?

Shri Akbar Ali Khan : I think the officers should not be mentioned by name.

Shri Bhupesh Gupta : In the contract everything is given. I shall say that the Chairman of the Ashoka Hotels is connected with the contractor (*Interruptions*). Let me finish. What is all this as if names are not mentioned here? The Chairman of the Ashoka Hotels Ltd.—if you do not like the name to be mentioned—I say happens to be a friend of this particular contractor and it was because of this he was saying such a thing. We have information. I would like to place before this House that this particular contractor has been favouring this gentleman and a house has been built for him—we are told—by this contractor and the contractor himself supervised the construction of this house in Delhi, that is, Mr. Ahuja, proprietor of this firm. I have also got letters from various sources, from the Union people, from the workers of the Ashoka Hotel. I find that this gentleman is connected with the Delhi Cloth Mills. He is connected with that and yes he is the Chairman of this Public sector concern also. These are all very material facts and all these things have given rise to the suspicion in the mind of the Ashoka Hotel workers and in the mind of the people in general. Therefore is it not better that all these people who submitted tenders be put out of bounds in regard to this matter? None of them should be given this. If one has been given, it should be taken back from him.

Madam Deputy Chairman, many things can be said about the Ashoka Hotel. Apart from all this, this contractor, Mr. Ahuja, somehow or other has got very good pull with the Government. In Bhopal I understand he got certain contracts earlier on very favourable terms. His tender was accepted although it was the highest tender. And you will find here a lot of money is being wasted, and the Ashoka Hotel is running at a loss; not loss, but its profits are going down. Machines worth lakhs of rupees have been imported but are rusting and these include a costly generator, electric ovens for bakery, a soda fountain in the swimming pool, bread-cutters, milk shakers, etc. The Manager of the Hotel is the most ill-mannered person. Leave aside the workmen who are insulted but even Ambassadors are insulted. I will give you an example of typical mismanagement. We find that a Bar-e-Kabab—whatever it is called—is being run there. It is outside the main Hotel building and there is great leakage there. Then after spending lakhs of rupees in making a new restaurant—I think it is called Rouge-et-noir; I do not know all these names.....

The Deputy Chairman : That is all right.

Shri Bhupesh Gupta :the management has failed to popularise it and the average sale of this restaurant is about Rs. 40 per day while the expenditure on it is not less than Rs. 300 per day. It is worth mentioning here that the bandwallahs are paid Rs. 3000 per month to play at this restaurant alone. This is the kind of mismanagement going on there.

The Deputy Chairman : Your time is up.

Shri Bhupesh Gupta : I have got a list of such cases of examples of mismanagement. Lots of things are being stolen; lots of things are being taken away. Refrigerators and other things are being used by a certain big official of the Hotel. All these things have come to our notice. I can divulge the source; it is the workers and the Union people who have brought this to notice.

Madam Deputy Chairman—I should like to keep within time—this tender was incomplete. Mr. Bhargava says other tenders were also incomplete. I say reject all the tenders including this.

Shri M. P. Bhargava : That is what I said.

Shri Bhupesh Gupta : First of all nobody raised objection to the other contracts. Even so, since the deal is suspicious I demand an enquiry into the whole thing. We would also like to know about the house in Lajpat Nagar as to who built that house for Mr. Ratnam, Chairman of the Ashoka Hotels, whether it is not a fact that the owner of this firm which got the contract built that house. And according to our information he even supervised its construction. I say all this because this is the entire story.

As for the revolving tower, nobody knew what it was. And according to our information the cost would not be Rs. 4 lakhs but much higher. Nobody knew what it would be like; somebody gave the idea 'let us have a revolving tower' and immediately it was decided upon. If you go through the tenders received, Mr. Tirath Ram Ahuja does not know what it is. In his tender he expressed doubts on this; even so the tender was given to him. In his tender he put in a number of conditions and these conditions made the tender invalid. I have not got copies of the other tenders and if Mr. Bhargava says they were incomplete, I will believe him. But the surprise is that Mr. Tirath Ram Ahuja has been favoured in this manner under the new scheme. They took the opportunity of the new scheme for the new construction. It was somewhere justified that the construction had to be made, but then immediately their favourite contractor got the contract, who had all the connections. Why was not a general tender invited? Why, first of all, there were only twenty-four? Why was there no advertisement in the newspaper inviting general tenders from all the contractors and then they could have decided as to who should be given and who should not be given? First of all, the number was restricted to twenty-four. Then six came and then things were going on behind the stage. There were negotiations between the management of Ashoka Hotels and that particular contractor, so that things went according to schedule. The tender formality was nothing but a show window behind which the deal was clinched.

Mr. Deputy Chairman : That will do.

Shri Bhupesh Gupta : The Chairman happens to be connected with the Finance Ministry earlier. Now, he is connected with the Delhi Cloth Mills and possibly, therefore, it is a collusion between the contractor and the officials and so on. I demand a thorough enquiry into this entire affair and I hope the Ashoka Hotel workers and employees, whatever demand is made, will stand by you. We shall stand by you. Thank you very much, Madam Deputy Chairman. Before I sit down, I demand that a public enquiry be made into the entire episode.

The Deputy Chairman : Mr. Banka Behary Das. Brevity is a rare commodity. I hope you will be brief.

Shri Mulka Govinda Reddy : Madam, we shall extend the time by one hour, otherwise no Member can do justice to it.

The Deputy Chairman : We shall see.

Shri Banka Behary Das (Orissa) : Madam Deputy Chairman, I accuse the Government for three reasons. Firstly, there was no necessity for constructing a revolving tower, when the entire economy is now suffering because of dearth of funds. You know even now the Fourth Plan is to be reduced. You know most of the very important projects, including very important factories, cannot be set up or cannot be expanded in the public sector, because

the Government always says that they have no resources to meet these demands. So, when our resources are so inadequate, it is highly improper for the Government to go in for a revolving tower only to give some facilities to foreign tourists. If private hotels like Oberois can function without those facilities, the Ashoka Hotels too could do without it. Our economy cannot stand this heavy burden—at this hour. I accuse in this connection the Finance Minister. As you know, the Finance Minister, to meet the demands of the economy, is having additional taxes on tea, coffee, footwear and what not. When all these taxations are taking place, the Finance Ministry has approved this loan to Ashoka Hotels. I want to say about Ashoka Hotels that the entire capital and also the working capital has been provided by the Government of India. Also, this loan has been provided by the Government of India.

Diwan Chaman Lall : Not the entire capital.

Shri Banka Behary Das : To a great extent, if not the entire amount. So, when the Finance Minister says to the States that he has not enough money to meet the demands of the various States' Plans, when he has not enough money even for the public sector projects, it is highly improper for the Finance Minister to accept the proposal of Ashoka Hotel. This is my first accusation. My second accusation is about the tender. All the tenders were incomplete. Mr. Bhargava here has admitted—might have been briefed by the Government—that it was all incomplete because.....

Shri M. P. Bhargava : Madam, I take strong objection to his saying 'briefed by the Government'. I have my own source of information. I said that if I had been the deciding authority I would have cancelled all the six tenders.

Shri Banka Behary Das : I concede for the time being that he has not been briefed by the Government, but I again say that he has taken advantage of some technicalities. I would say that all the tenders were incomplete. If for various reasons the entire design was not complete, the Government had no business to call for tenders. The entire designing and other things were not complete. Secondly, the tender of this particular gentleman was incomplete if only because in his first tender he gave certain conditions which went contrary to the conditions that were given in the tender notice itself. So, when he had given certain conditions to Ashoka Hotels Limited, that tender was absolutely invalid and the Government should have rejected that tender outright. I here again say this. The Minister in the other House, I am told, has said that though these conditions were first advanced by the contractor, later on, during the period of negotiations they were withdrawn. It is for the Minister to give the reasons. When the tender was incomplete, it ought to have been rejected. And if the Minister thought that no tender was proper or valid, he should have called for a fresh tender and accepted the tender which was the lowest and also valid. So, for this

reason also I want to accuse the Government that they have also favoured a particular contractor, whatever might be the reason, whether he has any relation with the managing director or not. He was also the Chairman of the Heavy Electricals, Bhopal, during which time this particular contractor was favoured. So, all these reasons give enough scope for suspicion that this particular contractor has been favoured by the Department or Ashoka Hotels.

The third accusation, for which I am very sorry, is that the Minister should not have involved himself in this affair. We know the PWD code everywhere. We know how tenders are called. Even if it is a case for negotiation, it is the officials who conduct the negotiations.

Shri Jagannath Rao : There was no negotiation. I have never said so.

Shri Banka Behary Das : I will be happy, but here also I want to tell you that Ashoka Hotels Limited is an autonomous organisation. If any negotiation is to be conducted, it has to be conducted by the Managing Director himself. The Works Ministry does not come into the picture. Even the Secretary, Works, Housing and Supply Ministry, does not come into the picture. I am told—I stand to be corrected—here the Secretary of the Works, Housing and Supply Ministry or the Minister had involved themselves either directly or indirectly, which they should not have done. I would have been happy if the Managing Director of Ashoka Hotels would have involved himself in this affair and he would have come under the fire of this House. So, I want to attack and also accuse the Government that in this respect the proper procedure, the P.W.D. code, has not been followed. Therefore, for all these reasons the tenders should have been rejected and a proper enquiry should have been instituted. I demand that it should be instituted just now, because all these irregularities have been committed by Ashoka Hotels Ltd.

Shri Triloki Singh (Uttar Pradesh) : Madam Deputy Chairman, I am afraid the very purpose of this discussion was lost by the hon. Member who initiated the discussion. The simple question is why this construction of a luxury item was undertaken when we are short of funds, when our finances are so depleted. If I am to go by the statement of the hon. Member, who initiated it, it was to earn foreign exchange. All that I would like to submit in this connection is that foreign exchange can be earned in many better ways and in a better manner than running an inn. What is the hotel like? It is an inn. I would not like the Government of India to reduce itself to the position of an inn-keeper to earn foreign exchange. The second point is though there is nothing wrong about it, I do not think any respectable gentleman in this country at least has ever been proud of running an inn.

Hon. Members : No, no.

An Hon. Member : There is nothing wrong in it. (*Interruptions*).

Shri A. M. Tariq : He is running an inn and he has got himself elected to Rajya Sabha.

Shri Triloki Singh : The hon. Member has knowledge of inn-keepers, but unfortunately I have never had that privilege. The other question is the contract is given to a particular firm. This particular firm had not put in all the items that they were asked in the invitation to tender. One of the conditions of that invitation to tender was that incomplete tenders were liable to be rejected. I do not want to make a speech, but I want a specific answer to the question why the tender of a contractor which was incomplete was not rejected. Yet one of the conditions of the invitation to tender was that incomplete tenders were liable to be rejected.

The second question that I would like to put through you, Madam, to the hon. Minister in charge of Housing is this. When one of the conditions of tender was that the tenderer had no authority to change the conditions of the tender and if he did so, the tender was liable to be rejected. I want to know whether it is a fact or not that Messrs. Tirath Ram Ahuja & Co., the firm to which this tender was ultimately given, had changed the conditions of tender. If that was so, what was it that led the Managing Director of the Ashoka Hotels Ltd. or for the matter of that the high-ups in the Housing Ministry not to reject this tender?

The third thing that I would most regretfully like to submit in this connection is this. Although I have had nothing to do with inn-keeping, I have had occasion to approve tenders for public works connected with Zilla Parishad, Corporation and so many other institutions long before many hon. Members who are here in this House have had anything to do with public works. My own experience is that if you do not stick to the conditions of the tender, then it is open to anybody whatsoever to accuse you or to have suspicion that there has been a shady deal. In a contract involving about Rs. 1 crore—it is my regret but I think I have got to say it and not make a secret of it—my own suspicion is, not only suspicion but I have strong grounds to believe, that there has been a shady deal so far as this contract is concerned. Therefore, Madam, I join in the suggestion made by my hon. friends, Shri Bhupesh Gupta and Shri Banka Behary Das, to institute an enquiry.

An Hon. Member : I am sorry for Mr. Bhupesh Gupta.

Shri Triloki Singh : You may be sorry for Mr. Bhupesh Gupta but please do not be sorry for yourself and at least do not be sorry for the Government which has been responsible for this shady deal. I have nothing more to add. I would most humbly request the Minister concerned through you, Madam, that he should not make it a point of prestige. I know that the Government will go ahead with this tender, with this contract, because certain high-ups have got to be provided for some conference to be held there. Put then go ahead with the contract all right, hold an enquiry, and

if the Government is not afraid, if is sure that there has been no shady deal, that is all the more the reason why it should concede an enquiry, and I hope an enquiry will be held. If an enquiry is held, whether anybody briefs me or not, I undertake to lead evidence in support of the suspicion that I hold and which I have given expression to.

श्री रमेशचन्द्र शंकरराव खांडेकर (मध्य प्रदेश) : उप सभापति जी, इस समय जो विवाद हो रहा है वह पिछले दिनों एक सवाल से उत्पन्न हुआ था। इस समय जो चर्चा हो रही है उसमें दो तीन प्रश्न मुख्य हैं। पहला सवाल यह है कि क्या इसकी आवश्यकता है? मैं हमेशा इस मत का रहा हूँ कि इस प्रकार के व्हाइट एलीफेंट को कम से कम सरकार को अपने हाथ में नहीं लेना चाहिये। कहा जाता है कि हम विदेशी मुद्रा इसके द्वारा कमायेंगे, लेकिन जहाँ जहाँ इस तरह से विदेशी मुद्रा की कमाई हुई, वहाँ पर उसका किस तरह से दु उपयोग किया गया, यह बात सब लोग अच्छी तरह से जानते हैं। तो मैं इस नतीजे पर पहुँचा हूँ कि सरकार के अपने जो रिमॉर्सेज हैं उनको इकट्ठा करके इस देश का डेवलपमेंट करना चाहिये वरना हम इसी तरह विदेशी मुद्रा खर्च करने के होड़ में रहें, तो जिस तरह से हम पहले देखते आ रहे हैं कि विदेशी मुद्रा का दुरुपयोग किया गया है, उसी तरह से इस में भी होगा और इससे हमारे देश की आर्थिक स्थिति कमजोर हो जायेगी।

Shri M. P. Bhargava : What about the Ashoka Hotel it self ?

श्री रमेशचन्द्र शंकरराव खांडेकर : अशोक होटल को बंद कर देना चाहिये और सरकार को इस तरह से काम अपने हाथ में नहीं लेने चाहिये। **इन्ट्रपक्षस्त :** इसके बारे में यह कहा जाता है कि अगले साल फरवरी में एक कॉन्फ्रेंस यहाँ पर होगी जिसमें काफी बड़े बड़े लोग आयेंगे जिसकी वजह से यह चीज अशोका होटल में बनाई जा रही है ताकि उन लोगों के काम में आ सके। लेकिन मैं पूछना चाहता हूँ कि इतना बड़ा एम० पी० जे का विटल भाई भवन है, कर्जन रोड में वहाँ बड़ी इमारतें बनाई जा रही हैं, वहाँ पर इन लोगों को ठहरान की व्यवस्था क्यों नहीं की जाती है? इस समय क्या आवश्यकता है कि अशोका होटल पर 87 लाख रुपया खर्च करने की? जब यह बनकर तैयार हो जायेगा तो उसमें कितना खर्च होगा, इसकी कल्पना नहीं की जा सकती है। हम को अनुभव है कि सरकार इस तरह के कार्यों में खर्चा पहले कम बतलाती है। चम्बल बांध बनाते समय कहा गया था कि इस पर 70, 80 करोड़ रुपया खर्च आयेगा, लेकिन होते होते वह सवा करोड़ रुपये तक पहुँच गया और अब भी परा नहीं हुआ है। इसी प्रकार अभी तो कहा जा रहा है कि इसमें 87 लाख रुपया ही खर्च आयेगा, लेकिन इसके ऊपर जो रीविंग टावर सरकार बनाना चाहती है, अगर वह बना तो फिर उसमें कई करोड़ रुपये का खर्चा आयेगा, इसमें कोई सन्देह नहीं है।

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तीसरी बात यह है कि जो कुछ मुझे इस बारे में बातें मालूम हुई हैं, वह बाहर से हुई हैं क्योंकि मुझे इसके बारे में व्यक्तिगत जानकारी नहीं है। मंत्री जी ने खुद कहा कि एक टेन्डर इनकम्पलीट होते हुए भी उसको मंजूर कर लिया गया। तो मैं पूछना चाहता हूँ कि इस तरह के टेन्डर को मंजूर क्यों किया गया? जब दूसरे टेन्डर इनकम्पलीट आये थे तो सब को कैंसिल कर दिया जाता और दुबारा टेन्डर काल किये जाते और फिर जो जाल्ते की कार्यवाही होती उसको किया जाता। इसमें वाकई कोई गोलमाल हुआ है, इसमें जरूर कुछ काला है और इसकी जांच होनी बहुत आवश्यक है। आप इस तरह की जांच कोई न्यायाधीश या कराइये, पार्लियामेंट द्वारा कराइये या फिर इंडिपेंडेंट कमिशन नियुक्त करके कराइये, लेकिन उसकी जांच अवश्य होनी चाहिये। अगर कोई प्राइवेट सेक्टर होता तो उसमें सरकार यह बात नहीं देखती, लेकिन यह तो पब्लिक अन्डरटेकिंग है, उसमें अगर कोई गोलमाल होता है, तो हम समझते हैं कि उसमें एक घन्टा लग गया है। **(इन्ट्रपक्षस्त)** आप सोसलाइजेशन की बात कहते हैं। हमारे जो पब्लिक अन्डरटेकिंग्स हैं, जैसे भोपाल में हैवी इलैक्ट्रिकल है, उसको 10 साल हो गये हैं उसमें घाटा ही

दिखलाया जा रहा है। अगर पब्लिक सेक्टर में इस तरह से गोलमाल होगा तो जनता का समाजवाद से विश्वास उठ जायेगा। पब्लिक सेक्टर की तो "सीजर्स वाइफ इज अबव्ह सस्पिशन" होना चाहिये। इस प्रकार जो पब्लिक के अन्डरटेकिंग्स हैं उनका दायित्व बढ़ जाता है और अगर उनमें गोलमाल होता है तो फिर जनता का विश्वास ही हट जाता है। तो मैं यह निवेदन करना चाहता हूँ कि इसमें जो गोलमाल है, मंत्री जी को खुद उसकी जांच करनी चाहिये। इस प्रकार का डिसकशन करना और इस प्रकार की मांग करने की आवश्यकता नहीं है। अगर जांच के बाद इसमें कोई शैडी डील मालूम नहीं हुई तो सरकार का ही नाम होगा और पब्लिक सेक्टर पर जनता का विश्वास बढ़ेगा। इस लिए यह आवश्यक है कि अगर पब्लिक सेक्टर और समाजवाद को बचाना है तो कम से कम इस प्रकार के कामों की जांच की जानी चाहिए ताकि लोगों के मन में शंका न रहे कि पब्लिक सेक्टर में इस तरह का घपला होता है।

Shri M. M. Dharia (Maharashtra) : Madam Deputy Chairman, at the outset, I would like to deplore in the strongest possible terms the activities of such contractors who have tried to take advantage of this august forum for bringing up such issues. It should not be like that. Secondly, the Ashoka Hotels is a public sector undertaking—I believe in the public sector. The performance of the Ashoka Hotel has definitely improved, it has been improving every day, and I feel that this House should stand by this public sector. Of course, I would like to make it very clear that I am not happy over the procedure that has been adopted at the time of this tender. It was only on the 10th April, 1967 that the tenders were opened. I do not know why the tenders were not called earlier, because we wanted to utilise the opportunity of the UNCTAD Conference to be held in 1968. Had it happened so, there would have been no occasion for having any haste in this respect. Madam, however, I feel that there is nothing shady because the other day the hon. Minister has made it clear that he has consulted the Deputy Prime Minister and the Finance Minister and others. When they have been consulted in this connection, when the leaders are taken into confidence by the Managing Board, I feel.....

Shri Bhupesh Gupta : How does it come?

Shri M. M. Dharia : Let me have my say.

When all these top leaders in whose character and qualities we all have faith have been consulted in the matter, I am of the opinion that there is nothing shady. However, I would like to appeal to the hon. Minister to take more care in such matters. At the same time, I feel that having regard to the tender and the various terms that are put on the Government, it may be that this amount which has been agreed to may not be the amount, and it may vary to any extent. So, the hon. Minister should take care to see that this amount does not exceed as such a fear has been expressed by many of us.

Then, I would also like to suggest to the hon. Minister for Works, Housing and Supply that if we want to get rid of the contractors, the only course open is to have our own departmental construction activities so that we are not a victim of or we are not bullied by such private contractors.

So far as the revolving tower is concerned, I would like to make it clear that I am not opposed to the revolving tower. I am surely of the opinion that we should march with the modern world; we should have all those modern

activities as in those other countries. But as I said the other day, I do feel that the Government should examine the priorities as to where we should invest, whether we should invest in the revolving tower first or not. There are some other forms wherein we can invest. If I am to quote, in my own State there are 250 small irrigation projects which are just now ready and if we can get an amount of Rs. 11 crores within one year to come, we shall not come to the Centre for a single bag of foodgrains for our State. When we have been spending Rs. 150 crores in importing foodgrains and when we have been spending the valuable foreign exchange, instead of that, if we could have these priorities and invest on such good schemes which are more essential for this country, the food problem might be solved. I entirely agree with my hon. friend, Mr. Banka Behary Das when he said that when we have been failing in fulfilling or satisfying the basic needs of the people, if we are not going to take into consideration the priorities, we are not going according to our own aims and ideals.

Madam, my last point is regarding the style of conducting hotel business here. I was in Japan and I could see that the hotels run on Japanese style there were costlier for the foreigners but at the same time they were more popular also. Why should we not try on those lines in our country also? Why should we go on imitating the foreigners in all respects? With our own country's heritage and culture, we could have our own imagination and we can no doubt run this industry on our Indian pattern, which can be an ideal pattern in the whole world. It is in that direction that we should move. I would like to say this. Now that the Conference is to take place, let this public sector project not suffer. Let it go ahead. But at the same time, all these precautions should be taken, for the time being and also for the future.

Thank you very much.

Dr. (Mrs.) Mangladevi Talwar (Rajasthan) : Madam Deputy Chairman, I agree that more accommodation in hotels—more beds and more rooms—is necessary to attract the tourists and also in view of the fact that a conference is going to take place here. In August, 1966, the Department of Tourism felt that they wanted one hundred additional beds at least for the next two or three years. Madam, I do not agree with Mr. Khandekar and others who have expressed the view that we should shut down the Ashoka Hotel. Ashoka Hotel is one of the most attractive places and it has justified, more than justified, its existence during the last so many years, and an extension of it would only add to the attraction of the foreign tourists who come to this country. And therefore, it would help us to earn more foreign exchange which is so badly needed for the economy of our country. The cost of it, I do not know. But as some of the hon. Members have said, it might be much more than indicated now. However, we have to take the figures which are indicated here; it is 6.85 lakhs.

Madam, I would like to say that it has been alleged that the tenders were opened in a hurry and that the whole deal took place within a few hours, on one evening, and it is also alleged that one person of the firm to whom the

contract has been given was also present. In view of the fact that the hon. Members are very sensitive and also the public at large is very sensitive at this time about the good behaviour of the Government, all our deals should be above suspicion. The Ashoka Hotel is one of the public sector projects. I believe in public sector projects. Therefore I feel that the Government and the hon. Minister should look into this matter and if there is anything in it, they should clear the suspicion in the minds of the hon. Members and also of the public at large. There is no harm in doing that. Whatever action they feel is appropriate and necessary should be taken in this direction because the question has been raised more than once in this House, and a definite allegation has been made by different hon. Members.

Thank you.

श्री जगत नारायण (हरियाणा):मेरा पहला सवाल यह है कि इसको अखबारों में क्यों मुश्तहिर नहीं किया गया? मैं भी मिनिस्टर रह चुका हूँ, हेल्थ का, ट्रांसपोर्ट का और एजुकेशन का और अपने वक्त में काफी बिल्डिंगें बनवाई हैं, तो इसको अखबारों में मुश्तहिर क्यों नहीं किया गया जब कि मैं समझता हूँ कि हर काम मुश्तहिर होता है, हर टेंडर अखबारों में मुश्तहिर होता है। तो यह क्यों नहीं किया गया और सिर्फ चन्द आदमियों को क्यों टेंडर भेजा गया। भागंब साहब ने कहा कि चन्द आदमियों को इसलिये भेजा गया कि वह काम जल्दी में करवाना था। मुझे समझ में नहीं आया कि आज अखबारों में दिया जाय कि एक हफ्ते के अन्दर टेंडर आना चाहिये तो एक हफ्ते के अन्दर टेंडर आ जाता है और आप देखें कि जितने टेंडर देने वाले हैं वे दिल्ली के हैं और बाहर से भी बहुत अच्छे अच्छे वर्थवाइल कांट्रैक्टर थे जो कि टेंडर दे सकते थे लेकिन उनमें से किसी को भी ईश्यु नहीं किया गया। अगर अखबार में देते तो सबको अपना चांस मिलता। ऐसा इसलिये किया गया कि चार पांच आदमी के, कांट्रैक्टर के, ही टेंडर आयें, ऐसे में चार पांच टेंडर ही आते रहते हैं उन्हीं के जो कि उनके आदमी होते हैं। इस लिये अखबारों में इसको देना निहायत जरूरी था। क्यों नहीं अखबारों में दिया गया?

दूसरा सवाल मैं यह पूछना चाहता हूँ कि टेंडर शाम को चार बजे खोला और रात के दस बजे जिसने टेंडर दिया था उससे दस्तखत करवा लेना यानी सिर्फ 6 घंटे के अन्दर, ऐसा क्यों? मेंडेम, इसमें एक क्लॉज है कि 10 दिन के अन्दर साइन करेगा तो एक दिन होता, दो दिन होता, तीन दिन होता, लेकिन चार-छः घंटों के अन्दर-अन्दर टेंडर साइन किया गया, इससे यह मालूम होता है कि अशोका होटल के जो चेयरमैन थे वह बहुत एक्साइज थे कि तीरथ राम एंड कम्पनी को ही यह दें क्योंकि उन्होंने उनका भकान सस्ते दाम पर बनवा कर दिया था, जो कि मैंने पहले अर्ज की थी। मैं समझता हूँ कि आज तक कहीं हिस्ट्री में नहीं हुआ कि एक करोड़ का टेंडर हो और चार घंटे में उस पर दस्तखत हो जाय कि उसका टेंडर मंजूर कर लिया।

तीसरा सवाल मैं यह पूछना चाहता हूँ कि यह वजीर साहब किस तरह से बीच में आये। मैं समझता हूँ, जहां तक मेरी इनिला है, जैसा कि मेरे दोस्त बांका बिहारी दास ने कहा, टेंडर में वजीर बिल्कुल नहीं आता है, टेंडर के खोलने में या टेंडर के देने में या उस पर अपने दस्तखत करने में, वजीर को सिर्फ इनफार्म कर दिया जाता है और वजीर को उसी वक्त दखल देना चाहिये जब कि वजीर के पास शिकायत आये कि यह टेंडर गलत तरीके से खोला गया है या, इसमें यह बाकायदगी नहीं हुई है then the Minister comes in और मैं हैरान हूँ कि इन्होंने उस दिन सप्लीमेंटरी में अपने जवाब में यह कहा था :—

“May I submit that when the Board of Directors of the Ashoka Hotels accepted this tender of Tirath Ram Ahuja and Company, it came to me for approval. When I met the Finance Minister and had

consultations with him and I directed the Ashoka Hotels Board of Directors to ask the contractor to reduce it by Rs. 2,40,000 and it was given to him."

मिनिस्टर कैसे दखल दे सकता है। उन्होंने उनको यह कहा कि आप दो लाख, ढाई लाख रुपया छोड़ दें ताकि लोएस्ट टेंडर वाले हो जावें तो आपको दे दिया जाय। मैं समझता हूँ कि मिनिस्टर साहब इस तरह से दखल नहीं दे सकते हैं। तो इन्होंने कैसे दखल दिया। मेरे दिल में बड़ी इज्जत राव साहब के लिये है और इकबाल साहब तो मेरे अपने पंजाब के अजीब हैं, तो इनको इन बातों में कोई दखल नहीं देना चाहिये। मगर मैं यह जरूर कहना चाहता हूँ कि अशोका होटल लिमिटेड के जो चेयरमैन हैं—यह सारी सरकारी कंसर्न है नहीं, यह कंसर्न प्राइवेट लिमिटेड है और उसमें गवर्नमेंट के 51 परसेंट शेयर होंगे या इससे ज्यादा होंगे

Shri Jagannath Rao : It is a public limited company.

श्री जगत नारायण : कम्पनी पब्लिक लिमिटेड है तो वजीर साहब का दखल क्यों? यह फाइनेंस मिनिस्टर के पास गये। Why he ran about it? इससे यह शक पैदा होता है कि इनके अफसरान ने इनको मिसगाइड किया और इनसे जल्दी से जल्दी फैसला कराने की कोशिश की। मैं समझता हूँ कि इसके मुताल्लिक वजीर साहब को जरूर रोशनी डालनी चाहिये क्योंकि इनके इस तरह से दखल देने से इन पर शक का इजहार होता है। मैं समझता हूँ कि वजीर साहब को इसकी सफाई करनी चाहिये, इसके मुताल्लिक जरूर अपने आप को साफ करना चाहिये, how he came in, यह किस तरह से आ गये, यह आ नहीं सकते थे।

चौथी बात मैं यह उनसे पूछना चाहता हूँ कि जब टेंडर इनकम्प्लीट था, आपके टेंडर के मुताबिक नहीं था, तो फिर आपने इस टेंडर को क्यों कबूल किया और मैं इस राय का हूँ जैसा कि भागव साहब ने कहा, बाकी सब साहबान ने भी कहा, कि इस वक्त भी आप को सब टेंडर्स को नामंजूर कर देना चाहिये चाहे जितने भी टेंडर देने वाले हों। मैं समझता हूँ कि यह कोई ऐसी बात नहीं है, अगर आपको रश आफ वर्क है तो भी इस पर टेंडर मंगाइये और ऐसे मौके आते हैं कि जो काम बहुत जल्दी करना होता है तो जो लोएस्ट टेंडर होता है उसके मुताबिक तमाम कॉन्ट्रैक्टर्स में वह बांट देते हैं ताकि जल्दी काम खत्म हो जाय। तो आप दुबारा टेंडर मंगाइये और जो लोएस्ट टेंडर हो उसके मुताबिक बांट करके आप काम को जल्दी करवा सकते हैं और इस होटल को तैयार करा सकते हैं। क्या इसके मुताल्लिक भी वजीर साहब कुछ सोचने की कोशिश करेंगे?

Shri Niren Ghosh (West Bengal) : Madam Deputy Chairman, I think, the whole idea of the Annexe and the revolving tower, if possible, should be dropped even now. It is said that an international conference is scheduled to be held. So an annexe has to be constructed. Suppose next year another international conference is going to be held, you would like to have another Annexe and another revolving tower. It is ridiculous.

Secondly, every one of us knows that in contracts covering lakhs and crores of rupees there are shady deals. Generally, it is tried that things do not get exposed. But somehow or other shady things come to light. We have a duty to expose such things thoroughly and to catch the culprit. And I do think that it would be proper that this forum is utilised for this purpose because the thing is connected with a public sector undertaking.

Thirdly, it is alleged that some high-ups in private business, the D.C.M., Mr. Ratnam, is connected with it. They should never be on the Board of Directors. I want an assurance from the Government that persons connected with private business or their Board of Directors or high officials would never be placed on the Board of Directors of a public sector undertaking.

My fourth point is that there should be no selective tenders. Every tender must be opened as general tender. The practice of selective tenders should be abolished forthwith.

Coming to the Annex, what is the accommodation? It is at the most 10' × 12'. For 150 such rooms a sum of Rs. 51 lakhs has been sanctioned. It is not a new construction; it is an addition, and unfurnished at that. The total cost of it would come to Rs. 10—15 lakhs. But you have given a contract for Rs. 51 lakhs. Is it not suspicious?

Finally, the revolving tower. Yes, there are revolving towers in Western countries. But they are meant for those who want to have a show of beer or whisky. Private businessmen generally avail themselves of the luxury of these revolving towers. But if you had a mind to construct a revolving tower, why did you not give it to a public contractor and allowed him to run it commercially. And whenever you required it you could take advantage of that. Otherwise, why have a show-piece? They are meant for Western, white people who are going to come here.

Shri Bupesh Gupta (West Bengal) : Our kitchen Cabinet will revolve there.

Shri Niren Ghosh : I do not think you want to have a show of whisky or beer at this revolving tower. At least our Government should not indulge in such things. But if at all you had an idea of having a revolving tower, you could give it to a private contractor. Let him run it. But I do not like it to be put up at the Ashoka Hotel. This lowers our prestige.

श्री निरंजन शर्मा (मध्य प्रदेश) : आदरणीय उपाध्यक्षा जी, अशोक होटल का जब से जन्म हुआ है तब से देश की जनता के लिये यह बड़ा विवादास्पद रहा है। पहले तो लाखों रुपया इस पर खर्च हुआ, फिर इसके पश्चात्, बाहर के लोग जो यहां आते थे उनके लिये भारतीय भोजन और भारतीय संस्कृति की बातें दूर रहीं वहां पर तरह तरह का विदेशी माल और गोमांस तक खिलाने का यत्न किया गया। इसके पश्चात् भी अब ऐसा समय आया है जब करोड़ों रुपये की मुद्रा इस पर खर्च की जाने वाली है।

आदरणीय उपाध्यक्षा जी, हमें इसमें किसी प्रकार का आश्चर्य नहीं होता अगर अमरीका की तरह इम्पायर स्टेट बिल्डिंग बनाने के लिये, या लंदन का ब्रिज टावर या फ्रेंच टावर की तरह कोई बड़ी बिल्डिंग बनायी जाती—उसमें हम हर्ष व्यक्त करते। लेकिन उन देशों में जहां बड़ी बड़ी इस प्रकार की चीजें बनाई गई हैं, उन देशों में आर्थिक स्थिति बहुत अच्छी थी। हमारे देश में आर्थिक स्थिति बहुत खराब है। हमारे इस देश में अगर विदेशी मेहमान आएँ, तो केवल विदेशी मेहमानों के लिये हम करोड़ों रुपये खर्च कर दें, तो कभी अच्छी बात नहीं हो सकती। हमारे मंत्रालय ने जो भूलें की हैं, अभी हमारे योग्य मित्रों ने उनकी तरफ ध्यान दिलाया। उसमें बहुत जल्दबाजी की गई, टेन्डर दिलाने में जल्दबाजी की गई और एक ऐसे व्यक्ति जिसको स्वयं अशोक होटल के निर्माण का कार्य दिया गया था उसी के लिये दोबारा टेन्डर दिया गया।

एक बात और हमारा मंत्रालय भूल गया। अगर यह मंत्रालय अशोक होटल के मैनेजर को कोई ऐसी शराब बनाने के लिये कह देता कि हमारे नये मेहमान उस शराब को पीकर यह बात भूल जाते कि यह देश जो हमारी मेहमानबाजी कर रहा है, यह सारा रुपया ऋण के रूप में उनके देश से दुर्भाग्यवश हमारे देश में आता है और उस शराब को पीने के बाद वह शायद यह भूल जाता कि इस देश में उनके लिये जो केक्स खाने के लिये मिल रहे हैं यह हमारे देश का नहीं है

बल्कि अमरीका के पी० एल० 480 ऋण से प्राप्त गेहूँ से भोजन मिल रहा है, और शायद वह सराब पीने के बाद यह बात एक क्षण को भूल जाता कि इस देश में बिहार में और उत्तर प्रदेश में करोड़ों व्यक्ति भूख से मर रहे हैं, और हमारे इस देश में करोड़ों रुपये का इस तरह से अपव्यय हो रहा है, तो शायद बहुत अच्छी बात होती। हम समझते हैं, हमारा मंत्रालय इस ओर उदासीन नहीं रहेगा। जितना आवश्यक खर्च है उसे अवश्य किया जाना चाहिये लेकिन जितना अनावश्यक खर्च है उसके लिये ऐसे समय में जब कि बाहर से हम ऋण ले रहे हैं, हमारे देश में भुखमरी है तो एक पैसा खर्च करने की इजाजत नहीं दी जानी चाहिये। हम समझते हैं, मंत्रालय इस ओर ध्यान देगा।

The Deputy Chairman : I have ten names with me and I will call every one by one if you have patience. But please keep within the time-limit.

Shri Akbar Ali Khan : If you will permit, I will just take two or three minutes. Madam, I want to make it very clear that the question that I am interested in is to promote tourism in this country. As one who has some experience of the life in Switzerland and in other countries, I would say that, not only for the purpose of getting foreign exchange which is very important, but also to give greater opportunities and facilities to people from all parts of the world to come to my country and to remain here comfortably, there is no doubt that there is a great demand for creating . . .

Shri Bbupesh Gupta : But they come with the knowledge that we are depending on American P.L. 480 wheat . . .

Shri Akbar Ali Khan : No, neither for America nor for the Soviet Union. Forget it for the time being. We want the tourist industry to be encouraged and for that, it is necessary that the hotel accommodation should be extended to a considerable extent. In the same way, air passage and railway accommodation should be improved and such centres which would attract the people and would give them a real holiday and an insight into the culture of India, should be created. That is very necessary. For that purpose, I fully support the extension of the Ashoka Hotel. The other part is I am not at all happy at the way in which this has gone and I think this being public money and we being the custodians of public money, it is our duty to see that there is nothing suspicious about it. Regarding this part of the matter, I fully agree with my friends that an enquiry should be made into this case.

Shri M. S. Oberoi (Bihar) : Madam Deputy Chairman, the Ashoka Hotel was built in 1956. This hotel has accommodation for about 350 rooms and 450 beds, with extensive public room areas and facilities. I personally think that the Ashoka Hotel is one of our good hotels in the Capital of India. I also think that the Ashoka Hotel Management—the Board of Directors—was very wise to take steps to add 150 more rooms accommodation to the hotel. And this additional accommodation, as you know, is urgently required in the principal towns of India including Delhi, particularly for the fact that the Jumbo Jets carrying 400 passengers, with a speed of 600 miles an hour, will be in operation in 1971. The Air-India has already placed an order for four big jets at a cost of Rs. 83 crores. It is a coincidence that the added accommodation at the Ashoka Hotel will be used for the United Nations Conference on Trade and Development which is to be held

in January-March 1968, when about 2,000 delegates will be arriving in Delhi. It was just a coincidence. Otherwise the added accommodation was needed not only in this city, but in all the big cities of India. As a matter of fact, by the addition of 150 rooms or 350 beds, the Management has saved about Rs. 2 crores. You would ask me how. They had a scheme to build a Akbar Hotel which would have cost Rs. 3 crores. The Board of Directors thought that 'rather than spending Rs. 3 crores, why not have an annexe in the Ashoka Hotel itself at a cost of not more than, say, Rs. 1½ crores?' So actually they have saved about Rs. 2 crores.... They have scrapped that scheme of Akbar Hotel.

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So the Board of Directors, Madam Deputy Chairman, have saved about Rs. 2 crores by deciding to build this annexe to the Ashoka Hotel and all the hon. Members would be glad that they have saved Rs. 2 crores.

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Madam, I have noted down a few lines and I will quickly read them. About the revolving tower, there has been a lot of discussion over this item of expense on the tower. I have been to a number of countries in the world and I have seen revolving restaurants; the last one was built was in one of the hotels in Tokyo. The extra cost is only that of the mechanism. There is no other extra cost because when the tower is built, the whole building comes up. Out of this Rs. 51 lakhs, the mechanism is the only extra cost and it would come to only Rs. 4 to Rs. 5 lakhs. There should be no doubt that this is an added attraction to the visitors residing, particularly the tourists but again it depends upon good management to operate such a restaurant and the return one expects. I personally think that one can get a better return by additional guest rooms. However, it is a matter of opinion, and the decision should be left with the management. I am coming to tenders.

Shri Banka Behary Das : The private sector never believes in tenders.

Shri M. S. Oberoi : Tenders were invited and as I can see, the tie is between Messrs. Uttam Singh Duggal and Company and Messrs. Tirath Ram Ahuja & Co. Private, Limited. The difference is only Rs. 2 lakhs and Messrs. Tirath Ram Ahuja & Co. have agreed to accept the lowest figure. So instead of Rs. 87 lakhs and Rs. 89 lakhs, the Minister and the Board of Directors made him agree to come to Rs. 87 lakhs so that the difference between the two tenders and the tie between the two was only Rs. 2 lakhs and Rs. 2 lakhs on a project of Rs. 2 crores is a very small amount which is not very considerable. The objection as appears to is that Messrs. Uttam Singh Duggal and Co. should have been given the contract whose figure was Rs. 87 lakhs as against Rs. 89 lakhs. Both these firms are outstanding contracting firms in India. I think what weighed with the management was that Messrs. Tirath Ram Ahuja & Co. originally built the Ashoka

Hotel and it was built within the record period of 12 months' time to house the UNESCO Conference, which ordinarily for a hotel of that size it should have taken more than 3 years. There seems to be a good case for the Ministry of Housing to award this contract to the party in view of the urgency for completion of the Annexe building in time for the forthcoming Conference.

Shri Bhupesh Gupta : The link is Mr. Rathnam.

The Deputy Chairman : You must finish now. I cannot give you more time.

Shri M. S. Oberoi : To provide more beds in the capital city is the urgency of the day and I have no doubt that our dynamic Minister of Tourism and Aviation, Dr. Karan Singh, with all his enthusiasm and foresight will see that we reach the target shared both by the public and private sectors.

Our urgent need is to earn foreign exchange and we cannot achieve this goal until and unless all such schemes are taken in hand and completed without any loss of time.

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Shri A. G. Kulkarni (Maharashtra) : I request the attention of the House to look at this problem in two ways. One is that we are looking to the performance of a public sector industry and I am surprised to see that when we are criticising the Government for not efficiently working the public sector, the main contention or point is, we are not giving a free hand to the public sector undertaking to take their own decisions. I am really surprised that when the management of the Ashoka Hotels Limited, whoever it might be, has taken a decision to build something to increase the profitability and to earn more foreign exchange, on what ground are we objecting to this? Another point is about the priorities. I may bring to the notice of the House that I can understand about priorities for irrigation and for all other developmental activities but when this hotel industry is earning foreign exchange, what is the reason to object to such an investment when the much-needed-foreign exchange can be earned? I can agree with Mr. Dharia when he says that instead of having such a lavish hotel, is there not any other pattern of having the Indian culture connected with the hotel industry? That is another point to be studied by the management of the Ashoka Hotels to see that the Indian culture is reflected and as in Japan, the hotels are on a cheaper basis and not on such a lavish scale. I see in the way tenders are decided, there is something to be desired. It seems that the tenders were not properly routed and the tender for Rs. 87 lakhs should have been considered a hundred times. We in the districts, when dealing with road and irrigation works, take so much care to look at the correctness of the tenders. I do feel that there is a necessity for going through how the tenders were decided and in what fashion they were decided but I will request the House

that we must always back up the public sector and give the maximum protection to the man who works in the public sector as the Head of the Board of Directors.

Shri Uttam Singh Dugal (Punjab) : Madam, I had no mind to speak on this but some irrelevant remarks have been made by the hon. Minister of Works in the Lok Sabha this morning and so answer I must. He has been pleased to mention there that the lowest tender has not been accepted because there were some adverse remarks against that firm. I challenge that statement. There is no fact in that.

Shri M. M. Dharia : On a point of order. As per my information the hon. Member is an interested party. Will it be fair on the part of the hon. Member to defend his cause where he is having his self-interest in this august House? I am opposed to this sort of argument being made here. He can use this forum for criticising the procedure and all that but if he is going to say that way, he should be prohibited from speaking. What is this House ?

The Deputy Chairman : Mr. Dugal, you must be objective.

Shri Uttam Singh Dugal : I was referring to certain remarks and I said that I challenge that statement.

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The hon. Minister on the 7th made a statement in this House that I approached him in relation to this tender and it was his courtesy that the tender was issued. I also challenge this. As a matter of right this tender was issued to this firm and it is not a courtesy. I did call on him and I told him : 'This is irregular, this is not correct that some firm should be selected and others should be deprived of the work.' On the other hand, the hon. Minister made a statement also, Madam, that the tender has been issued to some reputed and big firm. If the tender has been issued to some reputed firm, why should the lowest tender have been rejected. They should have seen at the time of the tender whether this firm was a reputed firm or not. As a matter of fact, if I may say this, the hon. Minister is new to the Ministry and he has been wrongly briefed by certain officials in this case. I would strongly request the hon. Minister to go into this question very carefully. As a matter of fact, for tenders to be accepted, the Government of India has made certain rules and laws, and we abide by them. The main issue before this House is not whether this contract has gone to Messrs. Tirathram Ahuja, or anybody else. The main issue before the House is that an illegal tender has been accepted and why it has been accepted. The hon. Minister should go into this.

Shri M. M. Dharia : Madam, if I may say, I would like to deplore this sort of using this floor by a Member who is a concerned member in this industry. Why should he be allowed to use this floor in this manner? I

would like to lodge my protest against this. We should not allow this sort of convention in this House. One who is interested should not participate in such discussions. I would like to lodge my protest. He said, "It is illegal" and he is a member who applied for the contract. (*Interruptions*)

Shri Uttam Singh Dugal : I have not tendered. The firm has tendered; I have not tendered. You are very wrong in this. I have not tendered. I have nothing to do with it.

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Therefore I would submit that in accepting that illegal tender injustice has been done, harm has been done to the various other contractors who have tendered, who had tendered for this. My request to the hon. Minister would be that he should go into this question and see for himself why those other tenders had not been accepted. Supposing the lowest tender was not accepted because there was an adverse report against the tenderer, what about the second, third, fourth? And why were they not called, and why were they not consulted even when they were issued the tender? My submission to you, Madam, is this, that it was a pre-arranged thing, because the work of constructing this annexe by the side of this Hotel was awarded to Messrs. Tirathram Ahuja before tenders were called for. What does this show? What is it behind this?

The Deputy Chairman : Now your time is running out.

Shri Uttam Singh Dugal : Therefore, Madam, I would request you to kindly ask. . . .

Shri M. M. Dharis : Madam, why do you allow the hon. Member, who is one of the interested parties, to speak like this, and create such precedents?

Shri Niren Ghosh : Why not?

Dr. M. M. S. Siddhu : It only shows, in my opinion, that it is a case for further enquiry.

Shri Bhupesh Gupta : We are hearing both sides. Government is also a party.

Dr. B. N. Antani (Gujarat) : Madam Deputy Chairman, I have listened to the whole debate. I will even agree with the premises of the first speaker in this debate, because I happened to be an erstwhile Minister under my master who first sponsored this project, namely the Ashoka Hotel. I do have vision. I share his ambitions. Let there be a good revolving tower. Let this Hotel be the best in the world. I have no quarrel with it. I am not a Puritan but I certainly believe in purity and clean administration so far as

the construction of these works is concerned. So many things have been said. I have found not one sentence, not one justification, in the debate, in the speeches of some of the sponsors on this side. It is sufficient for me to say that, if this Government has any consideration left for their prestige and reputation and integrity, and for the confidence of the people on whose votes they govern sitting on these benches here, this is an instance which requires scrutiny and action. Caesar's wife must be above suspicion.

Shri Bhupesh Gupta : It is apparent that this Caesar's wife belongs to Congressmen.

Dr. B. N. Antani : Now let me finish, Mr. Gupta. If this Government desires to survive with some reputation left, this is a case which must be scrutinised and which must be left to the Committee for a final decision.

Shri Bhupesh Gupta : We should like to examine it.

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Dr. B. N. Antani :may I remind you that I have some experience of public works, and even at this stage, if this whole question of the competing claims of these tenders is re-examined, and the tender given to the best tenderer, the work, for the purposes of the conference, as visualised, will be finished without any hitch or hindrance if there is still some efficiency left in those who govern the country. On the other hand, if they want to have a shady deal, or if they want to do things, or have things done, in a partisan manner, then the days are numbered for this Government in so far as their integrity and the confidence of the people in them are concerned.

The Deputy Chairman : I have seven more names here and I am going to go in the order of those names. Dr. Siddhu. (After a pause) (As Dr. Siddhu did not rise to speak) You do not want to say anything, I take it Mrs. Rajagopalan.

Shrimati Lalitha (Rajagopalan) (Madras) : Madam Deputy Chairman, I endorse the view expressed by my colleague in the opposition. On the other hand, I have no objection in having this revolving tower. But this scheme should be started on a clean slate. At the same time, I also agree with what Mr. Oberoi said, namely, that if it is earning foreign exchange for us, then it is really essential. But I view it from a different angle altogether, from the practical point of view. In view of the present grave economic situation I think that this scheme should be shelved for some time at least. When we have been hesitating on projects like fertilizers, as a matter of policy, and on other things which are more essential for the country, and when we have been shelving some of the major and important projects because we have to have foreign collaboration, when such things are hanging in the balance, I think, from the public point of view, if we construct this revolving tower, though it is a benefit from the point of view of the Housing

Minister that it may earn foreign exchange, it is something which the public will not let go without a protest, and just at the present moment it will only look that it is something which is really throwing dust in the public eye. When we see at the present moment that people are dying of starvation and deaths are taking place in Bihar and other places, and that people are not even provided with proper housing accommodation in this capital city itself and that the poorest among them are living in the drainage pipes and other things, if we are to create this revolving tower at this moment, I want you to imagine what the reaction of the people to it would be. I am only saying this from the point of view of the common people. At the same time I also endorse the point made by the Housing Minister that it would earn foreign exchange. But the point is whether it is proper for us at this moment to carry on with this thing. I would advise the Housing Minister to keep this scheme alive but at the same time put it into cold storage for some time.

Shri Arjun Arora (Uttar Pradesh) : Madam Deputy Chairman, I am not concerned with the contractors. I am, however, concerned with the propriety and the procedure adopted in giving the contract. I would have been happy if the Government had shown more foresight and the plans had been made earlier and the tenders had been called after due publicity had been given in the press and so on. But sorry as I am that this was not done, I find there is nothing to suspect the *bona fides* of those in charge of giving the tender. The Minister with full responsibility has said more than once in this House and in the other place that the lowest tenderer was not considered desirable. This discretion we must give to the people in charge of the affairs of this hotel or of any other project. A small difference of a lakh or two in such a big scheme is something which we can easily ignore and condone, if those in charge of accepting the tender feel that between two parties one is more reliable than the other. This project is also important because the work has necessarily got to be finished in time. That was why a sort of rapport between the tenderer and the management became very important. I therefore feel that there was nothing wrong in accepting the tender of one firm and in ignoring that of the other.

Shri Mulk Govinda Reddy : There were six tenders.

Shri Arjun Arora : Well, a choice had to be made between the two lowest tenders. The others were high up.

Shri Uttam Singh Dugal : They were not. The figures show that they were not.

Shri Arjun Arora : Yours also was not the lowest. I am very sorry that Mr. Uttam Singh Dugal who is an honourable Member of this House has chosen to project the interest of his firm in this House through his own

self and in a way he has taken advantage of his membership of this House which advantage is not available to other tenderers and other contractors.

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The Deputy Chairman : You have to conclude now.

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Shri Arjun Arora : I am trying to conclude within as short a time as possible.

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Shri Arjun Arora : There are two parts in this project. The first part relates to the addition of some 300 rooms. Nobody in this House or anywhere else has objected to that.

Several Hon. Members : Yes, yes. We have.

Shri Arjun Arora : You have not.

The Deputy Chairman : Mr. Arora, your time is up. That will do.

Shri Arjun Arora : The other part relates to the revolving tower over which all of us are revolving. I was myself not very convinced about the utility of the revolving tower.

The Deputy Chairman : I think that will do.

Shri Arjun Arora : But from what Mr. Oberoi has said it is obvious that the tower will be a useful thing and not much expenditure is involved in it. Therefore I support the construction of this revolving tower so that we can be revolving in it.

شی اے - ایم - طارق (جموں اینڈ کشمیر) - مہدم ڈپٹی چہرمین - میں
 منسٹر صاحب کو اور اشوکا ہوٹل کو ان کے اس کا نامہ پر مبارک باد دیتا ہوں -
 جہاں تک ہندوستان کا تعلق ہے - ہمیں یہ دیکھنا ہے کہ ہندوستان کو اور
 بھی دوسرے مہذب ملکوں کا مقابلہ کرنا ہے اور دنیا کے مہذب ملکوں میں
 ہوٹلوں کی ازحد ضرورت ہے - ہوٹل بنائے جانے ہیں لیکن مجھے انتہائی
 افسوس ہے اپنے دوست بھوپیش گپتا پر - جو اپنے آپ کو سوشلسٹ کہتے ہیں -
 کمونسٹ کہتے ہیں اور یہاں پبلک سیکٹر پر پرائیویٹ سیکٹر کے بیہاف پر
 حملہ کرتے ہیں - X X X میں یہ عرض کر رہا تھا کہ اگر ہم دنیا
 کے ملکوں کو دیکھیں تو یو - اے - آر میں - ماسکو میں گورنمنٹ خورن
 ہوٹلس کو رن کرتی ہے - بہتر سے بہتر ہوٹلس ہیں - کھرو میں سی - جیو
 ہمارے بعد آزاد ہوا - ان کے یہاں ٹاورس ہیں - ٹاورس ہونا کوئی بہت بڑی
 بات نہیں ہے - آپ قاعہ میں جا کر دیکھئے - لوگ قطار میں ڈھوے ہوتے
 ہیں - یو ارن فارین ایکسچینج - اور آپ کے اپنے لوگ وہاں چاہینگے - جو لوگ
 یہ کہتے ہیں کہ پیسے کا ناجائز استعمال ہوتا ہے - وہ خود اس ہاؤس میں
 بیٹھ کر یہ کہتے ہیں -

They come into the House and say things without full knowledge.

لیکن اگر ہم ایک مہذب ملک کے ہیں۔ اگر ہمیں دنیا کے ملکوں سے مقابلہ کرنا ہے۔ تو اپنے ملک کی شان کو بھی بڑھانا ہے۔ جو ملک کو دیکھنے آجائیں۔ ان کو ایسی مہولیتوں۔ ایسی ضروریات بہم پہنچانا ہیں۔ جس کے وہ عادی ہیں۔ ناکہ وہاں کے لوگ بھی متاثر ہو جائیں اور ہمارے لوگوں کو بھی یہ پارر میں ہوجائے۔ اور ملکوں میں ہے۔ تو کیوں میں ہے۔ فرانس میں ہے۔ اور جگہ ہے۔ تمام دنیا میں ہے۔

لیکن دو باتوں کا مجھے انتہائی افسوس ہوا اور مجھے اس بات کا بڑا افسوس ہے کہ کسی ممبر نے اس کی طرف توجہ نہیں کی۔ جہاں تک چیئرمین۔ اشوکا ہوٹل کا تعلق ہے۔ اُنی نو ہم پرسنلی۔ مہدم۔ میں ان کو اس زمانے سے جانتا ہوں جبکہ وہ فائننس منسٹری میں تھے۔ جبکہ اسٹیٹ ٹریڈنگ کارپوریشن میں تھے۔ میں ان کی پوری ذمہ داری لیتا ہوں ان کی دیانت داری کی۔ مجھے انتہائی افسوس ہے کہ بڑا آسان ہو گیا ہے پرائیویٹ سیکٹر کی طرف سے پبلک سیکٹر کو مختلف طریقوں سے کڈیم کرنا۔ آپ یہ کہیں کہ اشوکا ہوٹل کی ضرورت ہی نہیں ہے۔ پھر یہ کہ ریوالونگ ٹاور نہیں چاہئے اور پھر یہ کہیں کہ منسٹری نے کڑبو کی ہے۔ پھر افسروں کی نیت پر شبہ کریں۔ یہ سب حملہ ہے اور ہمیں دیانت داری سے ان حملوں کا مقابلہ کرنا ہے۔ کون سا کنٹریکٹر ہے اس ملک میں۔ جو کہ کمیشن نہیں دیتا۔ فوق صرف دو لاکھ کا ہے۔ اگر دوکل صاحب کو ملتا۔ تو وہ بھی کمیشن دیتے۔ کمیشن کے بغیر کسی کو ملتا نہیں۔ مسٹر دوکل نے ایک اور بات کہی کہ صاحب۔ میں وزیر صاحب کے گھر نہیں گیا۔ آپ وزیر صاحب کے گھر مزاج پرسی کے لئے نہیں گئے تھے۔ ٹھیک ہے۔ مگر ٹیلڈر کہتے ہیں پھنچا آپ کے پاس اور اگر پھنچا تو آپ کی فرم نے ریٹس کہیں کوٹ کئے۔ آپ پروٹیسٹ کے طور پر ٹیلڈر کو واپس کر دیتے۔ ٹیلڈر کو ہی نہ ایتے۔ لیکن یہ سب باتیں ہم کو ایک خاص انداز سے دیکھنی ہیں۔ یہ کہنا کہ صاحب۔ مسٹر رتنم ہیں۔ مسٹر رتنم کو میں جانتا ہوں۔ میں ان کا کوئی وکیل نہیں ہوں۔ لیکن مہرے لحاظ سے یہ ان پر حملہ ہے۔ یہ سارا ہمارے سوشلزم پر حملہ ہے۔ اور مجھے انتہائی افسوس ہے ان لوگوں پر بھی۔ جو اپنے آپ کو سوشلزم سے ایک قدم آگے سمجھتے ہیں۔

X X X

I know about Mr. Tirath Ram. As a Kashmiri I can tell you something. I have never seen Mr. Tirath Ram.

مگر تیرتھ رام ٹھیکیدار کے بارے میں تمام گورنمنٹ کی یہ رائے ہے کہ وہ وقت پر کام کرتا ہے۔ جو پل انہوں نے کشمیر میں بنائے ہیں۔ وقت پر بنائے ہیں۔ اگر وہ نہیں ہوتے۔ تو شاید انہیں اُرسی کبھی جموں میں نہیں پہنچتی۔ اس کی شکل کیا ہے۔ میں نہیں جانتا ہوں۔ اور پھر سرکار نے یہ بھی دیکھا ہے کہ اس کا کام کون وقت پر کرتا ہے۔ اگر کہیں تین لاکھ

या चार लاکھ का खर्च है - तो कौसी زیادہ نہیں ہے - X X X برائی کرنے میں میں ماہر ہوں - لیکن اچھائی کو اچھائی ہی کہوں گا -

تو اس لحاظ سے چھوٹے ملازمین کو - جن کو کم تنخواہ ملتی ہے - سٹرائک کرنے کا حق ہے - لیکن یہ کہنا کہ مہینہ بھر بے ایمان ہے - منسٹرو نے غلطی کی ہے - غلط بات ہے - ایسی بات کہنے سے اپنے اس ملک کے مزدوروں کی تحریکوں کو نقصان پہنچانا ہے - اپنے مزدوروں کو غلط راستے پر ڈالنا ہے - آپ مزدوروں سے کہئے ان کی مزدوری بڑھائیے - لیکن یہ نہیں کہئے کہ سارا مہینہ جیمینٹ چور ہے -

میں ان الفاظ کے ساتھ اس اشوکا ہوٹل پراجیکٹ کی پرزور حمایت کرتا ہوں اور سرکار سے کہتا ہوں کہ دلی میں - بمبئی میں - کلکتہ میں - ہر جگہ اس قسم کا ایک ایک پراجیکٹ ہو -

श्री टी० पांडे (उत्तर प्रदेश) : मैं बहुत कम समय लूंगा। मैं होटल कारपोरेशन का डायरेक्टर रह चुका हूँ। अब इस वक्त इन्डियन टुअरिज्म होटल कारपोरेशन बना हुआ है। शायद मेम्बर्स को यह ज्ञात नहीं है कि भारत सरकार की यह योजना है कि हिन्दुस्तान के बड़े बड़े शहरों में और जो पुरातन स्थान हैं उन सभी जगहों में होटल बनाने की योजना है। हमारी मिक्सड इकानामी है—प्राइवेट सेक्टर और पब्लिक सेक्टर। यह जो अशोक होटल की योजना है, इसको बढ़ाने की है उसमें एक रिवाल्विंग टावर की बात भी है। इस योजना का मैं हृदय से समर्थन करता हूँ। सार्वजनिक क्षेत्र में यह काम होना बहुत ही अच्छा है, इसके प्रबन्ध के बारे में मुझे बहुत जानकारी नहीं है। सार्वजनिक निर्माण विभाग के बारे में मैं अच्छी राय नहीं रखता हूँ। मैं एक बहुत बड़े बुजुर्ग की राय प्रकट करता हूँ। श्री राजगोपालाचारी सन् 1937 में जब मद्रास के मुख्य मंत्री हुए तो उन्होंने तीन दुशमन अपने बताए और पी०डब्लू०डी० को नम्बर 1 बताया। और वो दुशमनों को मैं छोड़े देता हूँ।

श्री भूपेश गुप्त : वह क्या है ?

श्री टी० पांडे : पी०डब्लू०डी० नम्बर 1। दो जो हैं उनको मैं छोड़ देता हूँ।

डा० एम० एम० एस० सिद्धू : नहीं, छोड़िये नहीं।

श्री टी० पांडे : उसमें से कुछ यहीं बैठे हुए हैं। कहने से क्या फायदा ? हल्ला करेंगे, ब्रे बड़ा शोर मचाएंगे। इस लिये मैं यह कहता हूँ कि जिस प्रकार से टेन्डर दिया गया है, अखबार में नहीं प्रकाशित किया गया है, सेलेक्टेड लोगों को बुला लिया गया है, यह पद्धति उचित नहीं है। अवांछनीय है और इससे संदेह पैदा होता है। अब रह गया : इसकी जांच पड़ताल की जाय। मैं मिनिस्टर की ईमानदारी पर विश्वास करता हूँ। जैसा वे उचित समझें वैसा करें लेकिन कान्सेन्सस आफ ओपीनियन इस हाउस की यह है कि जिस प्रकार से, जिस ढंग से, जिस तरीके से, टेन्डर दिया गया है वह अवांछनीय है, अनुचित है और आलोचना से बरी नहीं किया जा सकता।

इन शब्दों के साथ मैं इस योजना का हृदय से समर्थन करता हूँ और मैं चाहता हूँ कि भारतवर्ष के बड़े बड़े शहरों में सार्वजनिक क्षेत्रों में होटल खोले जायें और जितना अधिक सुप्रबंध हो सके उतना सुप्रबंध किया जाये।

Shri Jagannath Rao : Madam Deputy Chairman, at the outset let me thank the Chair for admitting this motion which has given me an opportunity to dispel some of the doubts, fears and suspicions in the minds of some hon. Members of this House.

Shri Bhupesh Gupta : Let us see how you do it.

Shri Jagannath Rao : I must also thank the hon. Members who have taken part in this debate, those who have supported me and those who have not supported. This debate has given me an opportunity to explain in detail the expansion project, the circumstances in which tenders had to be accepted and how the procedure adopted was proper and legitimate and to prove how there was nothing shady about it.

Now in the month of December the Ministry of Tourism advised the management of the Ashoka Hotels Ltd. for expansion. Also the Ministry of Commerce wrote to the management that India is the host country for the UNGTAD Conference to be held in Delhi from the 1st February 1968. The accommodation in posh hotels available in Delhi is, Ashoka Hotels 450 beds; Oberoi International 603 beds, Imperial 150, Claridges 203, total 1406. Apart from the other traffic that these hotels might be having and will have about 2500 delegates from all over the world are expected. So is it or is it not proper that an undertaking which is in this field, the hotel industry, should extend its activities at this time? Accordingly the management wrote to the Government asking for sanction to undertake a project for expansion and permission was granted by the Government towards the end of January 1967. This project had to be completed by November-December so that the rooms with all the amenities become available by middle of January. When this permission was granted by the Government in January, the Works Ministry, I understand from the records, advised the Ashoka Hotels management not to go in for open tender enquiry, because in the C.P.W.D. where the work is of an urgent nature or of a specialised nature limited tender enquiry could be issued. Therefore the Ministry suggested the issue of tender notices to 24 leading firms in the field of construction.

Shri Bhupesh Gupta : That is all right.

Shri Jagannath Rao : No, I will read out the names also for the information of hon. Members because it was alleged to be a hush-hush business. The firms are, Shah Construction Company, Bombay; I am talking of the Bombay firms first. Jolly Brothers, Bombay, Hindusthan Construction Ltd., Bombay, Gannon Dunkerley, Bombay, Gamon India (Private) Ltd., Bombay; some firms in Calcutta like B. Nag Chaudhury, Calcutta, Patel Engineering Co.

Shri Bhupesh Gupta : Not many in Calcutta.

Shri Jagannath Rao : No good contractor there in Calcutta; you know better. Then Tarapore and Co., Madras and other leading firms in the

field of construction in Delhi. They were all given notices but none was interested. Only these six firms of Delhi purchased the tender forms and out of the six only five tendered.

One tenderer, Das & Co., did not quote itemwise which was required according to the tender and therefore his tender was not at all considered. Only four remained in the field. The lowest was that of Dugal & Co., and the second lowest was that of Tirath Ram Ahuja & Co. I may mention that every contractor had imposed conditions while submitting his tender. When these tenders were opened on the 10th April, 1967, they were sent to the consulting architects for examination. Their opinion was sought and on their opinion the Board of Directors of Ashoka Hotels held a meeting on the 20th April, 1967. They decided and accepted the tender of Messrs. Tirath Ram Ahuja and Company for Rs. 89 lakhs odd. The consultants, when they examined the tender

Shri Mulka Govinda Reddy : What was the quotation of the other two tenderers?

Shri Jagannath Rao : I answered that in reply to a question the other day. Therefore, the hon. Member can refer to that.

Shri Mulka Govinda Reddy : What not give it now?

Shri Jagannath Rao : It is not necessary for the purpose. These are the two tenders which are in question. Now, they examined the tenders and they held that the tender of Tirath Ram Ahuja is in order. It is not incomplete. Then, they also said.....

Shri Akbar Ali Khan : Mr. Dugal's was not in order?

Shri Jagannath Rao : Dugal's was in order, but it was not accepted. I will give the reasons why it was not considered. This is what the architect said :—

“In so far as large architectural projects require a very high degree of co-ordination of services, workmanship and finish, such as a luxury hotel, their experience seems to be limited.”

Their experience means the experience of Uttam Singh Dugal and Company. It says :—

“Comparing, therefore, the standard of performance, reputation, smooth dealings and experience, particularly in the architectural building works, and taking into account the nature and complexity of Ashoka Hotels Annexe, we recommend that Messrs. Tirath Ram Ahuja and Company may be entrusted with the work....”

So, it is in order. Ashoka Hotels Limited is an autonomous corporation. They have got a Board of Directors. They rightly accepted the tender. They did accept it, the second lowest tender. But when it came to me, I am the

Minister answerable to Parliament. What should I do? Mr. Jagat Narain said that I ran to the Finance Minister. I am also answerable to Parliament. I have to satisfy myself about the *bona fides* of the transaction. When I looked into the matter I felt that the Board of Directors of Ashoka Hotels had the right to accept the tender. I did not question that. But then regarding the amount for which it was accepted I felt, well, I should consult the Finance Minister. I went to him and he also agreed with me, well, let us not interfere with the decision of the Board of Directors regarding the selection of the contractor. But he said they should be asked to reduce the amount by Rs. 2,20,000.

Shri Bhupesh Gupta : Why did not the Board make that suggestion? I am not questioning and I am not opposing what you did. If you had brought it down, it is good, but how is it that the Board did not do so? The Board should have done it itself. (*Interruptions*).

Shri Jagannath Rao : The Board did not do it.

Shri Chandra Shekhar : The provision is to refer the matter to the Minister. What the Board did not do the Minister did. Why should he object to it ?

Shri Bhupesh Gupta : The Board should have recommended it.

The Deputy Chairman : Order, order.

Shri R. S. Khandekar : How did you arrive at that figure?

Shri Jagannath Rao : I will tell you. Please have patience. Please allow me to speak.

The Deputy Chairman : Now, you have put your questions: Listen to him.

Shri Jagannath Rao : Madam Deputy Chairman, the second lowest tender of Tirath Ram Ahuja was accepted by the Board of Directors and then the file came to me for my approval, because the Government has the controlling interest and I, as the Minister-in-charge of the Department and the Hotels which are attached to the Department, am answerable to Parliament. Therefore, I thought it my duty and necessary duty to consult the Finance Minister because I was not in this Ministry when the earlier portion of the project was considered by the Government. There is continuity of Government, of course. When it was done, I thought I should go to the Finance Minister. I took his advice. He also agreed with me that we should not interfere with the discretion, the decision of the Board of Directors, because they are an autonomous body. But then in the matter of money, we both thought that he should be asked to reduce it by Rs. 2,20,000 and he did it. Therefore, there is no question of any negotiation.

The Deputy Chairman : They want to know how you arrived at that figure:

Shri Bhupesh Gupta : Why did you do it? The Board should have done it.

Shri Jagannath Rao : The Board accepted it. I said the difference between the figures of Messrs. Uttam Singh Dugal and Company and Messrs. Tirath Ram Ahuja and Company was Rs. 2,12,000 odd. So, I said it should be at least Rs. 2,20,000. We arrived at that figure and asked them to reduce it. I would go the extent of saying that even the acceptance of the second lowest tender was within the rights of the Board of Directors. I need not have interfered with their decision, but I felt, well, in the circumstances let us try to reduce the amount by a large sum and that was done. That is how I came into the picture. There is nothing shady about it. Mr. Jagat Narain said that I was running about and I got myself involved. There is no involvement in this case. I felt it my duty. I could have myself said: You reduce it by Rs. 2 lakhs, but I thought a senior Minister, the Finance Minister, should be consulted, because I came to this Ministry and I was new then. Therefore, Madam, there is nothing wrong in this. Then, why is it that Messrs. Uttam Singh Dugal and Company were not considered? I still say, I repeat it and I will go on repeating it that his past performance of the contracts with the Government was not satisfactory. I have got reports with me and if the House wants, I am prepared to read them. He took up a contract in the Trisuli Project. His performance was very bad. He has not done even 25 per cent of the work which has been entrusted to him and the work is still incomplete and he has preferred some claims. The matter is before arbitration.

Shri Uttam Singh Dugal : Madam, this is completely untrue.

Shri Jagannath Rao : Even if he was the lowest tenderer, I would not prefer him for a contract of this type. I wanted the contract to be completed in ten months' time. Even I would have defended Ashoka Hotel's management if they had stuck to the tender of Rs. 89 lakhs odd quoted by Tirath Ram Ahuja. But I thought it to be my duty to try and reduce it. Therefore, I need not say more. If the House wants it, I can say more...

(Interruptions)

Nobody can say anything against me. The hon. Member, Mr. Uttam Singh Dugal, wanted an interview with me. He is a colleague of mine.

Shri Bhupesh Gupta : Why did you see him? No. You should not have met him. Did you ask him as to what was the business? *(Interruptions)*

Madam Deputy Chairman, he is a Member of this House. If the hon. Minister knew that he was coming to see him, he should not have granted that interview.

Shri Jagannath Rao : Madam, I did not know that he was coming to me with this purpose. He is a Member of Parliament and a colleague of ours. I saw him and then he made some personal remarks against my predecessor, Mr. Khanna. He said Mr. Khanna did not like him. He did not give him any

contract or the Chief Engineer did not like him and so on. Then, I told him that I did not know and I was new to the Ministry. He used the word 'insult' and said that he had been insulted all along....

Shri Triloki Singh : May I ask a question? According to the hon. Minister, Mr. Dugal's contract performance was not satisfactory. According to his statement also among the list of 24 firms, to whom the tender was issued, Dugal was one of them and this list had been issued with the approval of the Works Ministry. May I know if Dugal's performance was not satisfactory, why was a tender issued to this firm?

Shri Jagannath Rao : Dugal's name did not figure in the list of 24 contractors. The C. P. W. D. Office did not give his name. It was I who did it. Now I realise that I did a mistake. He saw me. I did not know what for, for what purpose he wanted to see me. I said, he is a Member of Parliament and a colleague of mine and it is my duty to see him. I saw him in the Ministry. I have still got his visiting card and gave the time as 4 p.m. It is not a personal dealing. He saw me and he explained to me....

Shri Bhupesh Gupta : Never believe these contractors.

Shri Jagannath Rao : I am not going to see a contractor a second time;

Shri Bhupesh Gupta: Take a vow in Kali Bari that you will never meet a contractor.

Shri Jagannath Rao : We will both of us go there. (*Interruptions.*)

The Deputy Chairman : Let the Minister speak.

Shri Jagannath Rao : Madam, these are the circumstances. There is nothing shady about it. It is unfortunate that Mr. Ratnam's name has been brought in. The Ashoka Hotel was constructed in 1955-56 when Mr. Ratnam was not the Chairman of Ashoka Hotels. Perhaps he was a Director. I understand he constructed a house somewhere in Delhi, in 1960-61. He got lands from the Government and he constructed it. Where was the connection between the construction of the house and the 1967 contract?

Shri Bhupesh Gupta : The connection is this. He has been associated with him. It is all suspicion.

Shri Jagannath Rao : This has become a fashion in Parliament now a days. Mud-slinging has become the fashion and allegations are made, unfounded allegations. Unfortunately persons who are not present in the House, who cannot defend themselves are the targets. Therefore, there is nothing shady in this. The project was a necessity.

Then some Members said that an enquiry was necessary. There is accountability for public undertakings to Parliament. What does accountability mean? The Public Accounts Committee of Parliament goes into these things. If the Public Accounts Committee feels that there is something bad and fishy, then there is need for appointment of a Committee.

Shri Bhupesh Gupta : What about the employees' union ?

Shri Jagannath Rao: That does not arise in this connection. Therefore, Madam, I am not going to say anything more, it is not necessary for me. All aspects of the case have been explained. Once again I repeat that there is nothing fishy about it, nothing shady about it. It had to be pushed through. It had to be completed in ten months. Therefore, we have done it. I once again thank the House for giving me this opportunity to explain the matter.

ANNEXURE VIII

(See Para 57)

Extracts from Lok Sabha Debates Part II for the 24th July, 1967, re: Half-an-Hour discussion on construction of Annexe to Ashoka Hotels (including a Revolving Tower Restaurant etc.)

HALF-AN-HOUR DISCUSSION

Construction of annexe to Ashoka Hotels (including a Revolving Tower Restaurant etc.)

Mr. Speaker : We now take up the Half-an-Hour Discussion.

श्री कंबर लाल गुप्त : अध्यक्ष महोदय, अशोक होटल में कुछ कमरे, कुछ टाबर और कन्स्ट्रक्शन बनाने के लिए 2 करोड़ 29 लाख का टेंडर निकाला गया। मुझे इस से कोई मतलब नहीं। अध्यक्ष महोदय कि टेंडर किस को मिलता है, ए को मिले या बी को मिले, उससे मतलब नहीं, पर मैं यह जरूर चाहता हूँ और सदन भी मुझसे इस बात में इत्फाक करेगा कि उस का प्रोसीजर ठीक होना चाहिये। वह कानून के हिसाब से ठीक जिस को मिलना चाहिए उस को मिले और उस के अतिरिक्त जिस को न भी मिले उस को यह विश्वास हो कि ठीक सिस्टम से ठीक प्रोसीजर के हिसाब से वह टेंडर दिया गया है।

अध्यक्ष महोदय, पहली मेरी आपत्ति जिस का मैं चाहता हूँ कि मिनिस्टर साहब जवाब दें यह है कि आप ने 24 फर्में को छंट कर के कि यह आउटस्टैंडिंग मेरिट के हैं, यह निश्चय किया कि इन को टेंडर का नोटिस भेजें। आप ने अखबारों में टेंडर क्यों नहीं भेजा जो कि उसका कानून है? हो सकता है कि दो चार जो बड़ी फर्म हैं जिन को आप के अफसर न चाहते हों उन को टेंडर नोटिस न भेजा गया हो। अच्छा यह होता और सिस्टम भी यह है कि समाचार पत्रों में आप पब्लिश करते हैं और उस में जो लोग भी टेंडर देना चाहें वह टेंडर दे सकते हैं और जो सब से बड़ी इर्रैगुलैरिटी हुई है वह यह हुई है कि ऐसा सुना है कि मिनिस्ट्री ने ऐवाइज किया कि ओपेन टेंडर न करें, सिलेक्टिव टेंडर करें। मैं समझता हूँ कि मिनिस्ट्री में भी जिस किसी ने यह कहा है वह बड़ी जबदस्त गलती है और इर्रैगुलैरिटी है। दूसरी चीज कि जो टेंडर आप के पास आये हैं उन में से लोएस्ट टेंडर को आप ने कान्ट्रैक्ट नहीं दिया। सेकेंड लोएस्ट को आप ने कान्ट्रैक्ट दिया। उन्होंने कुछ कंडीशंस लगायीं और उन का इनकम्प्लीट टेंडर था यह मैं मानता हूँ कि जहां तक इनकम्प्लीशन का सवाल है कुछ और लोगों ने भी इनकम्प्लीट टेंडर दिए लेकिन उन की इनकम्प्लीटनेस केवल उतनी हद तक थी कि जितनी हद तक आप ने डीटेल्स नहीं दे रखे थे। लेकिन यह जो दूसरे थे सेकेंड लोएस्ट टेंडरर उन्होंने 36 आइटम्स के बारे में कोट नहीं किया और इन्होंने कुछ शर्तें लगायीं अपने फारवाइडिंग लेटर में जो कि मिनिस्टर साहब कहते हैं कि बाद में हम ने वह शर्तें नहीं मानीं। लेकिन जो ओरिजिनल टेंडर हैं उसके हिसाब से, अगर आप कहें तो मैं पढ़ सकता हूँ, समय थोड़ा है इस लिए नहीं पढ़ना चाहता, उस में दो बातें हैं कि अगर कोई शर्त लगाएगा तो वह टेंडर रिजेक्ट हो जायगा और दूसरी चीज यह कि अगर इनकम्प्लीट होगा तो उस को कंसिडर नहीं किया जायगा। मेरे स्थान से तीर्थ राम आहूजा एंड

कंपनी को जिस को आप में यह टेंडर दिया है, वह गलत दिया है। बाकी पांच लोगों को भी कंसिडर करना चाहिए था और लोएस्ट टेंडर को देना चाहिए था। लोएस्ट टेंडर को क्यों नहीं दिया गया उस के बारे में जो कहा कि लोएस्ट टेंडर में और सेकेंड लोएस्ट में 1 लाख 20 हजार का डिफरेंस था, उस को बदलना टेंडर की सैक्टिटी को खत्म करना है। मैं समझता हूँ कि यह ठीक नहीं है। जब आप ने एक प्रोसीजर दिया है तो उस के हिसाब से काम करना चाहिए। उस के जो रिजन्स मिनिस्टर साहब ने दिए थे कि क्यों नहीं दिए लोएस्ट को वह एक तो यह कहा कि हमने प्राइम मिनिस्टर से और डिप्टी प्राइम मिनिस्टर से कन्सल्ट किया

Shri Jagannath Rao : Not Prime Minister.

Shri Kanwar La! Gupta : I can quote him.

Shri Jagannath Rao : I have corrected it. It said Deputy Prime Minister.

श्री कंवर लाल गुप्त : तो आप ने कहा कि एक तो डिप्टी प्राइम मिनिस्टर से आप ने सलाह ले लिया था . . . (व्यवधान) . . . डिप्टी प्राइम मिनिस्टर और फाइनेंस मिनिस्टर एक ही हैं, सरदार साहब को मालूम होना चाहिए।

दूसरा यह कहा कि लोएस्ट टेंडर जिसका था उस की पास्ट परफार्मेंस ठीक नहीं था। मैं यह पूछता हूँ कि अगर उसकी पास्ट परफार्मेंस ठीक नहीं थी तो आप ने उस को टेंडर ईश्यू क्यों किया ?

Shri Jagannath Rao : That also I explained.

श्री कंवर लाल गुप्त : तीसरी चीज, आप ने जब यह टेंडर रिजेक्ट किया उस के बाद मेरी इन्फार्मेशन यह है कि कई करोड़ रूपए के टेंडर उस को दे रखे हैं। पहले भी दिए और बाद में भी दिए। तो जब आप उस को दूसरे टेंडर दे सकते हैं, उस को टेंडर नोटिस ईश्यू कर सकते हैं तो केवल इसी लिए कि यह टेंडर उस को न मिले इसी लिए उस का पास्ट परफार्मेंस ठीक नहीं था ? मैं यह समझता हूँ कि मिनिस्टर साहब मुझ से इनफार्म करेंगे कि यह आर्ग्यूमेंट ठीक नहीं है।

दूसरी चीज, आप ने फाइनेंस मिनिस्टर से पूछा, उनका मशविरा लिया, उस से कोई फर्क नहीं पड़ता। जो कानून है, प्रोसीजर है उस में प्राइम मिनिस्टर हो या आप हो या कोई हो, उस के कहने से कोई फर्क नहीं पड़ता। प्रोसीजर के हिसाब से चलना चाहिए था। दूसरी चीज-- लोएस्ट टेंडर का पास्ट परफार्मेंस ठीक नहीं था उस को हटा दें, का क्या किया ? आपने कंसल्टेशन कर के उन से कहा कि 2 लाख 40 हजार रूपया कम कर दीजिए बाकी चार को क्यों नहीं कहा ? बाकी लोगों को क्यों नहीं कहा ? जिसका पास्ट परफार्मेंस ठीक नहीं था, मान लिया मैंने—उस को निकाल देते लेकिन बाकी लोगों को तो मौका देना चाहिए था। इन से 2 लाख 40 हजार कम कराया, हो सकता है 3 करोड़ कम करने वाला कोई मिल जाता। तो इस का भी जवाब आना चाहिए। होना यह चाहिए था कि या तो आप नया टेंडर ईश्यू करते या फ्रेश टेंडर अगर जल्दी की वजह से नहीं कर सकते थे तो सब को बुला कर उन को कहते कि यह पोजीशन है, आप बताइए कि कितना रिडक्शन करने के लिए तैयार हैं ? यह कुछ नहीं किया। यह एक शेकी शेबी, शेडी डील या जो कुछ भी कह लीजिए ऐसा है कि जिस के बारे में सुबहा लोगों को है और मैं तो अध्यक्ष महोदय, मैं कहना चाहता हूँ कि यह एक कान्सपिरेसी है जिस में

इस मिनिस्ट्री के अफसर, आर्कीटेक्ट, अशोक होटल के चेयरमैन और कान्ट्रैक्टर शामिल है। मिनिस्टर को इसलिए शामिल नहीं करता कि उन्होंने गवाही प्राइम मिनिस्टर की और डिप्टी प्राइम मिनिस्टर की बनायी और उन से सलाह ले लिया लेकिन वह जो अफसर हैं उन्होंने इस तरह से उन को बहकावे में रखा। और इस तरह से उन के सामने चीज रखी गई कि वह उस के जाल में खुद फंस गए। यह कान्सपिरेसी में किस लिए कह रहा हूँ कि जो लोगों के सामने चीज आई है वह यह है कि यह जो चेयरमैन हैं अशोक होटल के इन का एक मकान लाजपत नगर में बना, इन्हीं कान्ट्रैक्टर की देखरेख में वह बना। भोपाल हैवी इलैक्ट्रिकल के अन्दर जब यह पदाधिकारी थे तो वहां उन्होंने ठेका लिया

Shri Jagannath Rao : He is making an allegation against a person. Under rule 353, if any member wants to make allegation against a person who is not present, he must give previous notice.

Shri Kanwar Lal Gupta : I am not naming any officer.

Mr. Speaker : The convention is not to make any allegation against a person on the floor of the House when he is not present here to defend himself.

श्री कंवर लाल गुप्त : और तीसरी चीज यह—मैं एक सवाल मिनिस्टर साहब से यह पूछना चाहता हूँ कि यह साइट क्लीअरेंस और साइट लेवेल का काम तीन लाख रुपये का आपने दिया वह इसी कान्ट्रैक्टर को दिया। इसी अशोक होटल के बारे में, वह क्यों दिया? इस का कोई टेंडर इन्वाइट किया था आपने? कोई टेण्डर इस का इन्वाइट नहीं किया गया—न सीलेक्टेड टेण्डर हुआ और न ओपन टेण्डर हुआ, अपनी मर्जी से एलाट कर दिया गया। पहले से ही यह चल रहा था कि यह टेण्डर इन्हीं को देना है। मैं यह समझता हूँ कि यह एफ फिट केस है, जिसको सी०बी०आई० के पास भिजवा देना चाहिए। सी०बी०आई० के पास भिजवाना कोई पनिशमेन्ट नहीं है। अगर आपको विश्वास है और आपके कार्ड्स ओपन हैं, प्रोसीजर के हिसाब से ठीक है तो इस में आपको कोई तकलीफ नहीं होगी। लेकिन ऐसा करने से जो शून्हा लोगों के मन में है वह दूर हो जायगा और आइन्दा जो अफसर इस तरह से घाघली बाजी करते हैं, फँवरटिज्म करते हैं, करफन करते हैं, मिनिस्टरों को भी जाल में फंसाते हैं, वहां रिपीट नहीं होगा। हम इस में इन्टरेस्टेड नहीं हैं कि यह ए को मिले या बी को मिले या सी को मिले, लेकिन हम यह चाहते हैं कि ठीक प्रोसीजर से दिया जाय। मैं यह नहीं चाहता कि किसी अफसर को डिमोरलाइज किया जाय, बेकसूर को सजा नहीं देनी चाहिये, लेकिन जो कुसुरवार है उसको सजा नहीं दी गई तो वह ठीक नहीं होगा।

इस लिये मैं यह अपील करना चाहता हूँ कि आप इस को अपनी पर्सनल प्रेस्टिज का सवाल न बनायें। अगर आप कुसुरवार को प्रोटेक्शन देंगे तो देश की यह डेमोक्रेसी नहीं चलेगी, देश आगे बढ़ नहीं सकेगा। अगर इस में खुद को इन्वाल्व कर लेंगे तो उस का नतीजा भी ठीक नहीं होगा। यह केस सी०बी०आई० को जाना चाहिये ताकि सारे फ्रैक्ट्स सदन के सामने आ जायें, ताकि सी०बी०आई० की रिपोर्ट सदन के सामने आ जाय।

Shri Samar Guha (Contai) : At a time when the country is passing through an acute economic crisis, this project of a revolving tower seems to me to be an example of towering immorality on the part of the Congress Government. When our country is going all over the world for rice with the

begging bowl and has become almost a global beggar, it is extraordinary that international dignitaries will be shown the panoramic view of Delhi and the splendours of our country from the sky scraper of the revolving tower. I think it is a shameful act on our part.

I will now come to the contract. I have carefully gone through all the papers. It seems the whole deal is a backdoor black business. I repeat the whole deal is a backdoor black business. The tender was invited from selected contractors. The tender was incomplete when it was given to Ahuja & Co. Again, I should say there is reason to believe that there had been some underhand interests between this Tirath Ram Ahuja and the Chairman of the Ashoka Hotel. The Chairman of the Ashoka Hotel, when he was Chairman of Heavy Electricals,

Mr. Speaker : Do not bring in names.

Shri Samar Guha : Because there is a past connection. He was Chairman of Heavy Electricals, at that time also he gave tenders to this very company at a higher rate of Rs. 4 to Rs. 5 lakhs.

Mr. Speaker : That you can say.

Shri Samar Guha : This gentleman had a bungalow constructed recently in Lajpat Nagar, and this company supervised and constructed the bungalow for him at a very cheap rate. Again, this company was offered the contract for the exhibition in Ashoka Hotel.

Therefore, we have reason to believe that there has been an underhand and shady deal with the contractor. (*Interruptions*). Through you I make a request to the present Minister that this illegitimate and corrupt product of the last ministry should be considered a fit case for investigation by a parliamentary committee.

Some hon. Members rose—

Mr. Speaker : It is not a question of any party here; if so only two or three people will be allowed. The names are here. If hon. friends will confine themselves to questions, we should be able to finish.

Shri M. L. Sondhi : Mr. Speaker, this is a hare-brained scheme and Parliament, I believe, has a right to refuse to pay funds for schemes which are not well considered. In fact it is no exaggeration to say that the whole project is against public policy as it is understood by us in the Opposition at least. It is called a rush-job for the purpose of welcoming the guests from abroad. I spent sometime in Czechoslovakia at the time of Sparta Kiad where a number of guests were housed by the citizens. . . .

Shri C. C. Desai : These are things of a personal nature; the person's name should not be brought in here

(*Interruptions*)

Shri M. L. Sondhi : There is some misunderstanding. It is the name of a festival there, not of a person. Will the Minister kindly explain why in this major construction project at public expense all rules had been thrown to the winds merely because it was defined as a rush job? Why was it not possible for the Minister to solicit public co-operation to house these people who are coming here as paying guests? My reference to Czechoslovakia was only intended to suggest that they had followed the same practice at the time of that festival.

Shri V. Krishnamoorthi : The answer given by the hon. Minister is that the lowest tenderer had a shady past and so the second lowest tenderer had agreed to execute the work at the lowest tendered rates and so he got the sanction of the Deputy Prime Minister. The whole thing is a coloured transaction. The facts placed by the Minister reveal that he has an invisible thread or connection between himself and the contractor, the second lowest tenderer. Normally when the works are executed, they are published in various papers but for a work here involving more than Rs. 2 crores, there is no procedure followed. This must be sent to the CBI who must enquire into all the files thoroughly.

Mr. Speaker : Mr. Kothari. You want the case to go to the CBI?

Shri V. Krishnamoorthi : Why are you trying to protect the Ministers?

Mr. Speaker : So many of you have said the same thing. You give a big background instead of putting a question.

Shri S. S. Kothari : Caesar's wife would be above suspicion and that saying applies to the government. The procedure laid down with regard to the acceptance of tenders should be rigidly followed in all cases so that justice may be done and justice may appear also to be done before the public and Members of Parliament. In view of the shady atmosphere surrounding this deal would the Minister consider the appointment of an *ad hoc* committee to enquire into this matter? What steps does he propose to take to ensure that in future the procedure laid down is rigidly followed in his department because we receive so many complaints about this department in particular?

श्री यज्ञवल्कल शर्मा (अमृतसर) : अध्यक्ष महोदय, यह ठेकेदार आर्किटेक्ट और चेअरमैन के बीच घोटाले के सम्बन्ध में क्या मंत्री महोदय बतलायेंगे कि आर्किटेक्ट महोदय ने क्या यह सिफारिश की थी कि ठेका इसी ठेकेदार को दिया जाय और अगर इस प्रकार की कोई सिफारिश थी तो क्या इस सारे मामले से एक घोटाले की गंध नहीं आती है और अगर आती है तो क्या मंत्री महोदय इस सारे मामले की कोई सही व्यवस्थित खोज करेंगे?

Shri Jyotirmoy Basu : This is quite a delicate matter. I hope you will not make a rush job of me, Sir. We find on the one hand corrupt officials and on the other hand, the owner of a private sector luxury hotel has a hand in this matter. This business was dished out by two officers—the Secretary of the department and the Director. Let us go to the background of the Secretary. I am not mentioning any name.

Mr. Speaker: Even then, we are not discussing the Secretary's background.

Shri Jyotirmoy Basu : This man was so corrupt that he could not resist the temptation of stealing the silverware of our Embassy while he was the Ambassador there. I have got the PAC report, Sir. It says, "A silver fruit set of 12 pieces purchased by the Indian Embassy in April 1951 for the Ambassador's use was replaced by another inferior set."

Mr. Speaker : Please put a question.

Shri Jyotirmoy Basu : The people who have dished out the business were thoroughly corrupt.

Mr. Speaker : You want CBI or parliamentary committee?

Shri Jyotirmoy Basu : The total business is valued at about Rs. 1 crore. On enquiry, we have found that the contractor is making a profit of Rs. 20 lakhs, out of which Rs. 5 lakhs have been given as *baksheesh* to those persons from whom he is getting the business. Sir, it will be a drop in the ocean because the CPWD is a monument of corruption.

An Hon. Member : You are all angels.

Shri Jyotirmoy Basu : In this case, let there be a judicial probe.

श्री ओ० प्र० त्यागी : आज केवल यहां का केस नहीं है बल्कि समूचे भारतवर्ष में जितने भी गवर्नमेंट के बड़े बड़े प्रोजेक्ट्स चलते हैं वहां क्लर्क से लगा कर अफसर तक रिश्वतें बंधी हुई हैं परसेंटेज के हिसाब से। जहां तक करप्शन का सवाल है यह केवल यहीं नहीं बल्कि समूचे भारतवर्ष में व्याप्त है। बाकी मेरा कहना है कि जब यहां सेंट्रल गवर्नमेंट की नाक के नीचे अशोक होटल में करप्शन का एक बहुत बड़ा केस आप के सामने आ चुका है तो मैं क्या आशा करूं गवर्नमेंट से कि वह इस की बाकायदा इनक्वायरी सी० बी० आई० के जरिए कराने का साहस करेगी ?

Shri C. C. Desai : Now that the work is progressing and it is likely to bring in valuable foreign exchange, will the Minister take steps to see that if the work is not properly executed, there is a penalty clause which will cover the cost of rectification of the mistake? If this revolving tower turns out to be static, God help this ministry.

Shri Nath Pai : Under the directions issued by this ministry regarding such contracts, is it not the rule that the Contractor should fill in the rates tendered in figures as well as in words? The amount for each item should be worked out and the requisite total given. Tenders which do not fulfil these requirements are liable to be summarily rejected. The acceptance of the tender will rest with the Managing Director. Tenders in which any of the prescribed conditions are not fulfilled or are incomplete in any respect are liable to be rejected.

In their letter to this concern, the Managing Director wrote to this effect :

“Para 13 of your above mentioned letter relates to the sky rostrum and you have not quoted detailed rates for the construction thereof above the third floor. As these are, however, similar items in the tender the rates for these items quoted by you will be the basis for working out the rates for the various items.”

May I know, when the rules categorically state that if the items are not filled the tender will be rejected, why the Government went out of its way in this particular case to do the work which the contractor is supposed to do? Why did it take it upon itself to do this work? May I know why this special tender kindness was shown to this firm ?

श्री रबी राय (पुरी) : अध्यक्ष महोदय, पहले तो मेरा यह कहना है कि हिन्दुस्तान देश की तरह के भूखे व गरीब मुल्क में इस तरह का कोई खर्चीला प्रोजेक्ट जैसा कि अशोक होटल में किया जा रहा है वह करना नहीं चाहिए ।

मेरा सवाल यह है कि क्या जब यह पार्लियामेंट में बहस हो रही है और संदेह भी प्रोजेक्ट के सिलसिले में पैदा हुआ है तो क्या मंत्री महोदय इस को पार्लियामेंटरी कमेटी को भेजेंगे ?

इस के साथ साथ में मंत्री महोदय को यह भी सूचना देना चाहता हूँ कि बिहार की गैर कांग्रेस सरकार के जो वक्त के मिनिस्टर हैं उन्होंने यह सारे के सारे कंट्रैक्ट सिस्टम को खत्म करने की पहले की है क्योंकि इस कंट्रैक्ट सिस्टम के चलते सारे देश में भ्रष्टाचार पैदा हो रहा है तो मंत्री महोदय क्या उस को खत्म करने के लिए यह कार्यवाही करेंगे ?

Shri Surendranath Dwivedy (Kendrapara) : Mr. Speaker, Sir, I would like to know from the hon. Minister whether there is any precedent to show that although the contractor did not fulfil all the conditions and tendered an incomplete tender his tender was accepted ignoring all other tenders; and, secondly, may I know whether the Minister or the Government has enquired what are the antecedents of this particular firm to which the contract was given, what was the connection between the contractors and the present Chairman of the Ashoka Hotels and whether the Secretary of the Ministry had anything to do with him?

The Minister of Works, Housing and Supply (Shri Jagannath Rao) : Sir, the first question raised in this half-hour debate is about the propriety of issuing a limited tender notice. May I refer, at the outset, to the background of this whole matter? On the 29th December, 1966, the Tourist Department wrote to the Ashoka Hotels Management that the tourist traffic is increasing and by 1970-71 it is expected to be doubled and the accommodation (Interruptions). Let me be allowed to proceed. If hon. Members are not satisfied with my reply they may put a question and I will answer. The Ministry of Commerce wrote to the Hotel Managements that the UNCTAD Conference was going to be held from February to March

in 1968 and about 2500 delegates are expected to be in Delhi. The hotel accommodation available in Delhi—posh hotels—is 435 beds in Ashoka Hotels, 202 in Claridge's, 150 in Imperial and 604 in Oberoi International.

Therefore, there was a need for expanding the capacity of hotel accommodation (*Interruptions*).

Shri Jyotirmoy Basu : Where is the need ?

Shri Jagannath Rao : There is the need and that is why we are expanding. You may not agree, that is a different point (*Interruptions*).

Mr. Speaker : Order, order. If hon. Members do not want to hear the hon. Minister, I will adjourn the House. If this happens again I can only helplessly adjourn the House.

Shri Jagannath Rao : Therefore, the Asoka Hotel management came to the Government for permission to extend the hotel. The Government of India gave permission in January 1967. The expansion project has to be completed by the end of this year. Therefore, on the 25th of March, a limited tender notice was issued on the advice of the Ministry of Works, Housing and Supply. Of the 24 notices issued to the important contractors in this field of building construction in Bombay, Calcutta, Madras and Delhi, none of them took any interest ; only five of them responded. Firms like Gamons, Martin & Burns and other important firms did not evince any interest.

Shri Surendranath Dwivedy : It was not advertised.

Shri Jagannath Rao : It is my case that it was not advertised. We issued limited tenders to the noted building contractors in the country, 24 only and out of them only 5 purchased the forms. Four of them submitted their tenders. The tenders were opened on the 10th of April. Then they were sent to the architects for scrutiny. The architects on examination found that this is a special job, a structural job which only Messrs. Tirath Ram Ahuja and Company could do, because they had constructed the original Asoka hotel building. Considering their high standard of performance, reputation and experience, particularly in the architectural building works and taking into account the nature and complexity of the Asoka Hotels Annex project, the management accepted the second lowest tender, because they did not consider the lowest tender as competent. Then it came to me. . .

Shri S. S. Kothari : The explanation makes the case worse.

Shri Jagannath Rao : Listen to my case. They accepted the second lowest tender. When it came to me, I came to the conclusion.....

Shri Jyotirmoy Basu : Entirely a cock and bull story.....
(*Interruptions*).

Shri Jagannath Rao : I came to the conclusion.....

An hon. Member : We are not satisfied.....

Shri Jagannath Rao : Don't be satisfied. I do not want you to be satisfied..... (*Interruptions*).

Mr. Speaker : Will you all kindly sit down? Otherwise, I will have no alternative except to adjourn the House.

* * * * *

Shri Surendranath Dwivedy : He must explain why the second lowest tender was accepted.

Shri Jagannath Rao : I am stating the facts. The Asoka Hotel management accepted the second lowest tender on the ground that they have confidence in this contractor, because he has constructed a number of such buildings and the main Asoka Hotel was constructed by this contractor in the year 1956-57. Then it came to me when I came to this Ministry. I thought that Asoka Hotels being a public sector undertaking, which is somewhat autonomous, it has the right to choose its own contractor.

As regards the tender amount, when there was the lowest tender and the difference being Rs. 2,12,000. I thought I should consult the Finance Minister. I went to him and he also agreed with me. On his advice I directed the Ashoka Hotel Management that if they were interested in accepting the second lowest tender he should be asked to reduce it by Rs. 2,20,000.

Shri Jyotirmoy Basu : You cannot do it.

Shri Jagannath Rao : We can do it and that was done. The contract was given to Tirath Ram Ahuja and Company.

Shri Surendranath Dwivedy : The only question is why others were not given the same privilege.

Shri Jagannath Rao : Technically the architects who examined all the tenders..... (*Interruption*).

Shri Kanwar Lal Gupta : Not all. The architect has given remarks about Sardar Uttam Singh Dugal and Company, not about others.

Shri Jagannath Rao : On the advice of the architects this tender was accepted and because of my intervention the amount was reduced by Rs. 2,20,000.

Then, as regards the point that the lowest tender should be accepted, where the tender is incomplete it is liable to be rejected. Under condition 14 of the tender notice the Managing Director has the right to reject the lowest tender without assigning any reason. That is the general condition which you find in any tender notice.

Another thing is that it is open to the Managing Director to accept the whole tender or only in part. The power or right to accept the tender in whole or in part vests with the Managing Director.

Shri Surendranath Dwivedy : That is quite different.

Shri M. L. Sondhi : But you are a Minister. You should accept....

Shri Jagannath Rao : Where the tender is incomplete it is liable to be rejected. It does not mean that *ipso facto* it shall be rejected.

Shri Jyotirmoy Basu : Why did you consult the Finance Minister?

Shri M. L. Sondhi : Why are you passing the buck to others ? You take a decision.

Shri Jyotirmoy Basu : It is a case of corruption and stealing.

Shri Jagannath Rao : We shall come to the corruption aspect later. As to why I consulted the Finance Minister, I thought I should accept the recommendation of an autonomous body but, at the same time, because a large amount was involved I thought I should consult the Finance Minister. I sought his advice and on his advice I directed them to see that the tender was reduced by Rs. 2,20,000.

Shri S. S. Kothari : You are exonerated.

Shri Jagannath Rao : There is no question of insinuation or exoneration.

Shri Kanwar Lal Gupta : He wants to involve himself.

Shri Jagannath Rao : That does not matter. If anybody can involve me, he can involve me.

Then, all this is attributed to two persons—one is the Chairman and the other is the Secretary to the Ministry. Answering a short notice question in this House I said that the Secretary did not figure in the transaction at all.

Shri Jagannath Rao : I am answering one point. Why do you raise another point ? Let me finish this point.

The Secretary of the Ministry had nothing to do with this. When the papers came to me, straightaway without even telling the Secretary I went to the Finance Minister.

Shri M. L. Sondhi : It was behind the scenes influence, not on paper.

Shri Jagannath Rao : About the Chairman, Shri Rathnam, he was only a director of the Ashoka Hotels management in 1955-56 when the hotel was constructed.

Sbri Jagannath Rao : At that time nobody could have imagined that Ashoka Hotel would expand in 1967 and that this project would again be given to a contractor. In the mean-while if Tirath Ram Ahuja and Company had constructed his house—I do not know, but even, for the sake of argument, supposing he did it—could it be assumed, much less presumed that this contract was given to Tirath Ram Ahuja and Company because he had constructed his house? Is there any evidence to show that ?

Shri Kanwar Lal Gupta : Send the case to CBI. CBI will tell you.

* * * *

Shri Jagannath Rao : Wild allegations against persons.....

Shri M. L. Sondhi : Not wild, specific.

Shri Kanwar Lal Gupta : There is a *prima facie* case for a CBI inquiry.

Shri Jagannath Rao : I am coming to the other point.

Shri Kanwar Lal Gupta : Sir, are you convinced ?

Mr. Speaker : He is replying.

Shri Kanwar Lal Gupta : Nobody is convinced, not even the Minister himself.

Shri C. C. Desai : Was the contract awarded by the Chairman or by the Board of Directors ?

Mr. Speaker : Let him complete the main points.

Shri Nath Pai : The incomplete tender is the whole thing.

Shri Jagannath Rao : These tenders were considered by the Board of Directors at a meeting on the 20th April after the tenders were opened and examined by the architects and the Board of Directors decided that it should be given to the second lowest tenderer.

Shri C. C. Desai : It was not the Chairman but the Board of Directors who accepted it.

Shri Jagannath Rao : By the Board of Directors.

Then, two hon. Members raised the question as to whether we should go ahead with a project of this type at a time when we are passing through a financial stringency.

The hotel industry is a very competitive industry. The Ashoka Hotel was constructed in 1955-56. For the last ten years, it has been there. If the Hotel is to exist, if it has been doing well for the last ten years and earning foreign exchange, it has to compete with other Hotels in the private sector.

Shri C. C. Desai : What is the dividend declared by them ?

Shri Jagannath Rao : I can give you the figures of profits roughly. It has been earning good profits and valuable foreign exchange. About occupancy, 75 per cent of the occupancy is of foreign tourists which means that we are earning foreign exchange. That is why this Hotel has to expand. It can expand either horizontally or vertically. In the vertical expansion, they are going to have 9 luxury suits and a revolving restaurant. This public sector Hotel cannot think of having a night club or other attractions that go with a night club. While Oberoi has got a night club, we cannot think of having a night club. There should be some novelty to catch the attention of the foreign tourists (*Interruptions*)

Shri Samar Guha : The idea of novelty, etc. is nonsense for a poor country like ours.

Shri Jagannath Rao : There is nothing wrong in that. If we simply say ours is a poor country, there is financial stringency and that we should not do anything, how is this industry to progress and to complete ?

About the revolving tower, that portion of mechanism is going to cost about Rs. 5 lakhs or so. (*Interruptions*).

The important thing is not so much about the tower that revolves but there are two other important questions. The first is the question of the autonomy of the public sector and what is the extent of parliamentary control that should be exercised in such cases. This question came up before the House in 1950 and late Mr. Mavalankar who was in the Chair observed as follows. I would like to quote it for the benefit of the house. He said :

“The House has certainly got the right to enquire into any detail but then for the purpose of exercising the jurisdiction, we must have the balance as to how far we should interfere in the autonomy of these bodies.....”

Then, in 1952 again, a similar question arose. (*Interruptions*).

Shri Surendranath Dwivedy : Do you mean to say they can misappropriate money and Parliament will not say anything ?

Shri V. Krishnamoorthi : Sir, in the guise of replying to the Half-an-Hour Discussion, he is questioning the very sovereignty of this House..... (*Interruptions*)

Shri Jagannath Rao : In 1952 again, another question arose.....

Mr. Speaker : As to what extent they have got the powers, and all that, you are trying to defend that. Why should they come to the Government ? The moment they come to the Government, naturally, the Parliament can have control.

Shri Jagannath Rao : I am explaining the position.

Shri Surendranath Dwivedy : He is completely out of order. Since you have permitted this matter to be discussed the question now whether Parliament can go into it is completely irrelevant..... (Interruptions)

Shri Jagannath Rao : Parliament can, by all means, go into this question, not the day-to-day working of the public undertaking. (Interruptions)

Shri Kanwarlal Gupta : This is not the day-to-day working.

Shri M. L. Sondhi : A bad precedent is being created. (Interruptions)

Mr. Speaker : Order, order ; if this is the way, we better adjourn and go. If this continues, I am going to adjourn the House. Please conclude now.

Shri Jagannath Rao : Sir, Parliament comes into the picture at a late stage. The transaction has been entered into, the Minister-in-charge is satisfied and the Government is satisfied. Still the House may question the propriety of the transaction. Parliament comes into the picture when the Public Accounts Committee enquires into it..... (Interruptions)

Shri M. L. Sondhi : Why should you wait for the Public Accounts Committee ? Can this House tolerate corruption?

Shri Jagannath Rao : Whether something fishy has been done, I can assure the House that nothing fishy has been done, nothing unholy has been done, and there is no suspicion of that at all.

Shri Kanwar Lal Gupta : What about having a C. B. I. enquiry? (Interruptions)

Mr. Speaker : He has not acceded to that.

ANNEXURE IX

(Para 61)

N. P. DUBE,
Managing Director.

No. F.41/66/AH/MD.
ASHOKA HOTELS LIMITED,
NEW DELHI

January 5, 1967

DEAR SIR,

I enclose a note on the construction of an Annexe to the Ashok Hotel for Government's consideration and very early orders.

Yours faithfully,
(Sd/-)
(N. P. DUBE)

Encls :

As above.

Shri Prem Krishen,
Secretary to the Government of India,
Ministry of Works, Housing & Urban Development,
New Delhi.

Copy to Shri D.J. Madan, Finance Director, Ashoka Hotels Limited,
Joint Secretary to the Government of India, Ministry of Finance, New Delhi.

Sd/- (N. P. DUBE)
Managing Director

IMMEDIATE

Government of India

MINISTRY OF WORKS, HOUSING & URBAN DEVELOPMENT

No. 32/1/67-P.S.

NEW DELHI,

Dated the 25th January, 1967

The Managing Director,
Ashoka Hotels Limited.
New Delhi.

SUBJECT :—*Construction of an annexe to the Ashoka Hotel*

DEAR SIR,

With reference to your letter No. F.41/66/AH/MD, dated 5-1-67, I am directed to say that as already intimated, the Government of India have

approved your proposal for the construction of annexe to the Ashoka Hotel consisting of 300 beds and two speciality restaurants along with a banquet-cum-convention hall sufficient to seat 2,500 persons. This work should be completed in time for the United Nations Conference on Trade and Development to be held in New Delhi from February, 1968.

2. This Ministry has made a provision of Rs. 2 crores for Ashoka Hotel's expansion scheme—Rs. 1 crore loan and Rs. 1 crore investment in Budget Estimates, 1967-68.

Yours faithfully,

Sd/-

(K. SRINIVASAN)

Under Secretary to the Govt. of India

ANNEXURE IX

(PARA 61)

ASHOKA HOTELS LTD., NEW DELHI

Construction of an Annexe to the Ashoka Hotel

The United Nations Conference on Trade and Development is being held in New Delhi for a period of ten weeks commencing from 1st February 1968. Some 2,500 delegates and members of the UNCTAD Secretariat are expected to attend this Conference and a survey of the available first class hotel beds by the Department of Tourism has revealed that unless substantial extensions are effected in the existing hotels and new rooms built, it will be impossible to provide to the visitors and the accommodation they need and the amenities that they would normally expect from the country hosting this international Conference. It is understood from the operative Ministry of Commerce that they have so far been able to get only 1,500 beds—not all first rate in quality—out of the required number of 2,500. It is fairly obvious that the public sector of the hotel industry will have to act fast in order to shorten, to the extent it can, the gap between the demand for and the availability of first class hotel beds in the Capital. It would therefore, be for consideration whether steps should not be taken to increase the bed capacity of the Ashoka Hotel.

2. The Ashoka Hotel, which started functioning in October, 1956, has a bed capacity for 448 persons and the average occupancy for the last three years has been 90%, 90% and 79%. During the current year, the occupancy has so far been nearly the same as last year. With this occupancy, the Ashoka Hotels Ltd., have been able to show, after providing for taxation and depreciation, a profit of Rs. 16.56 lakhs, Rs. 18.47 lakhs and Rs. 11.54 lakhs during the last three years.

This, together with the profits of the previous years, has enabled the Company to pay off the arrears of dividends on Rs. 1 crore worth of cumulative preference shares upto the year 1964-65. The Company has, however, not been able to declare any dividend so far on the equity share holding of Rs. 50 lakhs. Out of a total loan of Rs. 1.25 crores which the Company owed Government on 31-3-1960, repayable in 20 yearly instalments of Rs. 6.25 lakhs each, it had already paid off by 31-3-1964, Rs. 98 lakhs, besides the interest due on that amount, which normally should have been paid by 31-10-1975. It is not required to clear off the balance loan of Rs. 27 lacs before 31-10-1979. The Company has also been able to meet from its own resources capital expenditure of about Rs. 23 lacs for modernising the Hotel in certain aspects during the last five years.

3. The Ashoka Hotels Ltd., which already have sufficient land for an expansion project, would be able to construct an Annexe which will have the following main features :—

- (i) 300 beds.
- (ii) at least two speciality restaurants; and .
- (iii) a banquet-cum-convention hall.

With the additional 300 beds up, the Hotel will come to have a bed capacity for 750 guests. Convention and banqueting facilities for about 2500 persons, it is felt, will be a powerful inducement for a increased traffic flow into the country. Hotels in Japan and elsewhere provide these facilities which encourage professional bodies in the United States and Europe to hold their annual convention abroad. During the recent past the Ashoka Hotel has been called upon on at least three occasions to cater to sit-down banquets for over 1500 persons each time. The arrangements made under Shamianas, however, left much to be desired on each occasion. A big columnless hall which can seat 2500 persons and which can be split up, when required, into a 3 or 4 sections for three or for different uses, would provide a facility which does not exist anywhere in the country today. The Hotel is at present woefully short of restaurants which has perforce kept it very much behind times in the matter of the tariff it offers to its clients. While the modern hotel practice is to sell only the room or at least room and breakfast only to the client, leaving him free to have his meals in a variety of specialised restaurants or Coffee shop, the Ashoka Hotel by reason of the way it has been constructed can only offer him today a tariff which includes the room and all meals. It is necessary, therefore, to fall in line with modern Hotel practices and to provide at least two specialised restaurants in the annexe.

4 The time which the Ashoka Hotel has had to draw up even a preliminary project estimate has been extremely short a matter of few days, in fact. According to very rough estimates, the construction of an annexe, matching the existing standards, and consequential changes in the existing building is likely to cost about Rs. 2.39 crores inclusive of Rs. 45 lacs of foreign exchanges needed to meet the inescapable imports. A tentative break-up of Rs. 2.39 crores is enclosed.

5 The estimated cost of the project about Rs. 2.39 crores—may, it is submitted be financed to the extent of Rs. 1 crore by Government subscribing to an Equity share capital of the Company and the balance being lent by Government to the Company as an interest bearing loan to be repaid in 20 years, with a moratorium on repayment for the first three years. The Company at present has a somewhat lop-sided capital structure, comprising of Rs. 50 lacs of Equity capital and Rs. 1 crore of 7.15% Cumulative Preference Shares. Under the foregoing proposal, the new capital structure will

become Rs. 1·50 crores of Equity and Rs. 1 crore of preference shares, which will be more in line with the current thinking on Capital Issues. If the proposal is accepted, the share-holding in the Company will be as follows :—

<i>At present</i>		<i>Proposed</i>	
<i>Preference Shares :</i>		<i>Preference Shares :</i>	
Govt. Holding	Rs. 94·74 lacs	Govt. Holding	Rs. 94·74 lacs
Private holding	Rs. 5·26 lacs	Private holding	Rs. 5·26 lacs
	<u>Rs. 100·00 lacs</u>		<u>Rs. 100·00 lacs</u>
<i>Equity Shares :</i>		<i>Equity Shares :</i>	
Government	Rs. 39·41 lacs	Government	Rs. 139·41 lacs
Private	Rs. 10·59 lacs	Private	Rs. 10·59 lacs
	<u>Rs. 50·00 lacs</u>		<u>Rs. 150·00 lacs</u>

6 Provision of extra beds in the Hotel, while helping to tide over partially the crisis which is threatened during the period of the Conference will however, lower the average annual occupancy of the Ashoka Hotel for some time and consequently also the profits to be made. But if the intention really is firstly to provide some substantial number of extra beds for the forthcoming Conference and secondly to double the tourist traffic by 1970-71 the target laid down by the Department of Tourism—it can be argued that it is well worthwhile to embark on the expansion of the Hotel now, even if it means lower occupancy and smaller profit for a couple of years or so. It would, of course, be for Government to lay down a phased programme of expansion of hotel accommodation in the Capital in order to ensure that there is no intolerable imbalance between the demand for and supply of first class hotel beds for any appreciable period of time.

7 The Ashoka Hotels Ltd., about 90% of the present stock of which is held by Government feel that if Government can provide immediately the finances and foreign exchange required, it should be possible, by adopting special methods and procedures, to build even in the extremely short time available, habitable accommodation for an additional 300 persons in the Hotel in time for the Conference. It may be recalled that the main building itself came up in eleven months' time for the UNESCO Conference in 1956.

8 If Government approve of the proposals mentioned above within a fortnight, it may be possible to complete the expansion project by 31st January, 1968.

ANNEXURE X

(PARA 66, PAGE 36)

List showing the names of contractors to whom Notice inviting Tenders for the Annexe Project were sent.

1 M/s Shah Construction Co. (p) Ltd., 198 Church Gate Reclamation, Bombay.

M/s Shah Construction Co. (P) Ltd., 3/24, Lajpat Nagar, New Delhi.

2 Bhai Sunder Dass Sadras Singh (P) Ltd., 4-23/B Asaf Ali Road, New Delhi.

3. M/s New Bharat Construction Co., G-87, New Dlehi, South Extension Part II, New Delhi.

4. M/s Jolly Bros. (P) Ltd., Lakshmi Insurance Building, Sir P. M. Road, Bombay.

5. M/s Mehta Teja Singh & Co., 63, Golf Links, New Delhi.

6. M/s Hindustan Construction Co. Ltd., Construction House, Ballard Estate, Bombay.

M/s Hindustan Const. Co. Ltd., B-1 Pusa Road, New Delhi.

7. M/s Gannon Dunkerley & Co. Ltd., Chartered Bank Building, Fort, Bombay.

M/s Gannon Dunkerlay & Co. Ltd., K-block, Chaudhury Building, Connaught Place, New Delhi.

8. Shri Dewan Chand, 33-B, Pusa Road, New Delhi.

9. Gammon India Pvt. Ltd., Hamilton House, Ballard Estate, Bombay.

9-A. M/s Gammon India (P) Ltd., 74, Link Road, Lajpat Nagar III, New Delhi.

10. M/s Tirath Ram, 16, Fire Brigade Lane, New Delhi.

11. M/s C. Lyall & Co., 26, Barakhamba Road, New Delhi.

12. M/s Om Prakash Baldev Krishan, 8-C/6, W.E.A. Karol Bagh, New Delhi.

13. L. Hazari Lal Marwah & Sons, 44, Regal Building, Connaught Place, New Delhi.

14. M/s Vig Brothers, 113/61, Swarup Nagar, Kanpur.

15. B. Nag Chowdhury, 28, Hari Ghosh St., Calcutta.

16. S.B. Joshi & Co., Examiner Press Building, 25, Dalal St., Bombay.

17. Harbans Lal Bhayana, M-43, Greater Kalilash, New Delhi-14.
18. Patel Engineering Co., United India Building, Sir P. M. Road, Bombay.
19. Tarapore & Co., Engineers & Contractor, 125/1, Mount Road, Madras-2.
20. Som Dutt & Co., Engineers & Contractors, Ranchi.
21. Arvind Construction Co., (P) Ltd., 32/2, Hanuman Lane, New Delhi.
22. Gian Singh Sukhadev Singh, K-42, Connaught Place, New Delhi.
23. Martin Burn Ltd., 12, Mission Road. Calcutta-1.
Martin Burn Ltd., Jeevan Bihar Building, Parliament Street, New Delhi.
24. Civien Construction Co., R-699, New Rajendra Nagar, New Delhi.

ANNEXURES XI & XII

(Para 78)

ASHOKA HOTELS LIMITED

We have just about finalised the commission payable to the Architects—M/s. Chowdhury & Gulzar Singh—who are to handle the Hotel's expansion project. They are expected to take about six weeks at least from now to finalise the detailed working drawings, estimates, draft NIT etc., on the basis of which we shall have to decide on the contractor who will be awarded the building work. It is important that these 6 weeks or so be not wasted but put to good use in order to see that the structures start coming up as soon as possible after the Architects have finalised the above mentioned documents.

2. An important feature of the Hotel's expansion project is that it involves excavations, cutting of earth and rock to an extent of about 5 lacs cubic feet in order to bring the ground to formation level, as preparatory to laying the foundations and starting the construction. This quantity of excavation has been worked out by the Architects in consultation with the supervisory engineering personnel of M/s. Bhatt, Mehta and Gandhi, the firm which is to be responsible for the preparation of structural designs.

It is felt that excavation should start immediately, without waiting for and independent of the action to be taken for the award of the construction work. As pointed out above, this action can only start after about 6 weeks from now. During these six weeks, a reliable firm can, it is felt, almost finish the entire work of the excavation involved. In our opinion, the National Building Construction Corporation or the firm M/s Tirath Ram Ahuja (Private) Ltd. should by negotiation be awarded this excavation work estimated to cost about Rs. 2 lacs. The N. B. C. C. is a public sector contractor company, while M/s. Tirath Ram are the firm which built the original Ashoka Hotel building and are familiar with the nature of the soil and the existing foundations.

3. Both the N. B. C. C. and M/s Tirath Ram can bid, when the time comes, for the main construction work. For this work we will probably have to invite several limited tenders and award it by negotiations thereafter. There will of course be the possibility that with either the N. B. C. C. or Tirath Ram having been awarded the excavation work earlier, other firms may refrain from bidding for the construction work thinking that one or the other (N. B. C. C. or Tirath Ram) stand a good chance of getting the construction work also, in which case we may be faced with unrealistically high rates. On the other hand, there is also the possibility of other firms quoting unrealistically low rates for the construction work, just to spite the N. B. C. C. or Tirath Ram and to make things difficult for them. In either case, it will be the Hotel

Expansion project that will suffer. We will have to face these problems as and when they arise, but the likelihood of these problems arising at a later date should not, however, deter us from selecting a suitable contractor/agency for starting the excavation work straightaway.

4. The above points were discussed at a meeting in Secretary's room this morning, at which Shri S. Ratnam (Chairman, Ashoka Hotels Ltd.), Shri V. Kumar (Joint Secretary, Ministry of W. H. & U. D.), Shri D. J. Madan (Joint Secretary, Ministry of Finance), Shri B. K. Guha (Chief Engineer, CPWD) were present. Secretary, Ministry of W. H. & U. D., also spoke on the telephone about this matter to Shri T. P. Singh (Secretary, Expenditure, Ministry of Finance) and Shri Moorthy of the N. B. C. C.

5. With the concurrence of the Board of the Ashoka Hotel, it is proposed to :—

- (i) award the excavation work by negotiation to either the N. B. C. C. or M/s. Tirath Ram, so that the cutting of earth and rock may commence straightaway; and
- (ii) award the main construction work by negotiation after calling restricted tenders from reliable and resourceful firms which can undertake the work which involves a considerable amount of pre-stressed concrete engineering.

Sd/- N. P. DUBE
6-2-1967.

Chairman.

Sd/- S. Ratnam.
6-2-1967.

Shri Prem Krishen (Secretary, Ministry of W. H. & U. D.).

Ashoka Hotels Ltd. U. O. No. F. 41/66/AH/MD, dated 6-2-1967.

Discussed with Shri T. P. Singh. The earth cutting work may be awarded to M/s. Tirath Ram by negotiation as the N. B. C. C., whom I have consulted are unable to take up this work. The cost of the work should not exceed the estimated value of CPWD rates.

For the main construction work, limited tenders may be called and the work awarded to the lowest tenderer or, if he is not suitable, by negotiation with the lowest suitable tenderer.

F. A. may also see.

Sd/- Prem Krishen
8-2-67.

F. A. (Shri D. J. Madan).

Seen thanks, We would suggest that the number of contractors to whom the tender enquiry will be addressed should be sufficiently large so as to ensure fair competition.

Sd/- D. J. Madan
8-2-1967.

Secretary (WH&UD)

This may now be forwarded to the Ashoka Hotels Ltd., for necessary action.

Sd/- Prem Krishen
9-2-67.

J.S. (K).

Managing Director, Ashoka Hotel, may please see and return it to us.

S/d- V. Kumar
9-2-67.

M. D. Ashoka Hotel.

Min. of WH&UD U. O. No. 567/JKK/67 dated 9-2-1967.

CONFIDENTIAL

G. S. Bhasin
Under Secretary.

No. 1085-W&E/67.
Ministry of Finance
(W. & E. Unit)
New Delhi, the 9/10th February, 1967.

My dear Dube,

The question of inviting tenders for the construction of multi-storeyed hotel at the site of Constitution House, which is desired to be completed by December 1967, was discussed recently in Secretary (W&H)'s room. It was decided that in order to have fairly competitive quotations. the list of selected contractors should be expanded by the addition of at least 10 more contractors. I am sending you herewith a record note of discussions held in Chief Engineer's room on the 8th February 1967, indicating the names of the contractors proposed to be added to the select list attached with the record note as Annexure 'A'. Shri Madan had desired that I should send you the expanded list of contractors which may be useful in the matter of inviting quotations for construction of additional room for the Ashoka Hotels.

Yours sincerely,
Sd/-
(G. S. Bhasin)

Shri N. P. Dube,
Managing Director,
Ashoka Hotels Limited,
New Delhi.

CENTRAL PUBLIC WORKS DEPARTMENT

SUBJECT : Construction of multi storeyed hostel at the site of Constitution House. Minutes of the meeting held in the room of Shri B. K. Guha, Chief Engineer at 3.30 P. M. on 8-2-1967.

In the meeting held in the room of Secretary, Ministry of WH & UD on 7-2-67, it was desired by the Finance (Works) that the name of ten more contractors to whom the tenders for the works are to be sent should be added to the list already sent, to make it more competitive. The Secretary directed that the Chief Engineer, CPWD, should, in consultation with Shri S. Chowdhury, Deputy Secretary, Shri Bhasin, Asstt. Financial Adviser and Shri Endlaw Addl. Chief Engineer II, finalise the names of these additional ten contractors to be included in the list.

Accordingly, a meeting was held in the room of the Chief Engineer on 8-2-67 at 3.30 PM when Shri Endlaw, Addl. Chief Engineer II, Shri C. D. Kapur, Addl. Chief Engineer, Shri S. Chowdhury and Shri Bhasin and Shri Bali, Superintending Engineer, Delhi Central Circle IV, were present. After going through the list of selected contractors approved by the Ministry for Works in Calcutta and in Zone II, it was decided to include the names of the following ten contractors to the fourteen names already sent to the Ministry *vide* this office u. o. No. 3(3)/67-A&CI, dated 27-1-67.

1. B. Nag Chowdhari, 28, Hari Ghosh Street, Calcutta.
2. S. B. Joshi & Co., Examiner Press Building, 35, Dalal Stree, Bombay.
- *3. Oriental Construction, Delhi (Ltd.) 24, Alipore Road, Delhi.
4. Patel Engineering Co., United India Building, Sir P. M. Road, Bombay.
5. Tarapore & Co., Engineer & Contractor, 125/1, Mount Road, Madras-2.
6. Som Dutt & Co., Ranchi.
7. Arvind Construction Company, Calcutta.
8. Gian Singh Sukhdev Singh, K-42, Connaught Place, New Delhi.
9. Martin and Burn, Calcutta.
10. Civien Construction Co., R-699, New Rajendra Nagar, New Delhi.

Regarding item No.13 of the list already sent to the Ministry *i.e.* L. Hazari Lal Marwah and Sons, Shri Bhasin had mentioned in the meeting held in the Secretary's room that the M. E. S. had written to the CPWD to withhold payment to this contractor to the extent of Rs. 7 lacs on account of his liability to that department for certain works abandoned by him but completed by them at his cost and risk, and that Chief Engineer should in

*Subject to a report by Superintending Engineer, Shri Bali.

the circumstances review if his name should be included. This fact has been verified to be correct. In view of the fact that the work in question is a priority one no risk can be taken by awarding it to a contractor whose financial position may be in jeopardy in case the M. E. S. take firm action, such as orders through the Court, to recover the dues from him, it was decided to delete his name from the list.

Sd/-

(C. D. Kapur)

Addl. Chief Engineer I.

No. 2(37)/61-WI (B)

Dated New Delhi, the 9-2-1967.

Copy to Shri Prem Krishen, Secretary, Ministry of WH & UD, New Delhi or approval of the above proposal.

Sd/- C. D. Kapur

Addl. Chief Engineer I.

Copy forwarded to:—

1. Shri S. Chaudhuri, Deputy Secy. Ministry of WH&UD, New Delhi.
2. Shri G. S. Bhasin, A. F. A. Min. of WH&UD (Works), New Delhi.
3. Chief Engineer, GPWD, New Delhi.

Sd/- C. A. Sham Lal

for Addl. Chief Engineer I.

ANNEXURE 'A'

1. M/s. Shah Construction Co. (P) Ltd. 198, Church Gate, Reclamation, Bombay. (M/s Shah Construction Co. (P) Ltd., 3/24, Lajpat Nagar, New Delhi.)
2. Bhai Sarder Dass Sardar Singh (P) Ltd. 4-23/B, Asaf Ali Road, New Delhi.
3. M/s New Bharat Constn. Co., C-87, New Delhi, South Extension Part II, New Delhi.
4. M/s Jolly Bros. (P) Ltd., Lakshmi Insurance Building, Sir P. M. Road, Bombay.
5. M/s Mehta Teja Singh & Co., 63, Golf Links, New Delhi.
6. M/s Hindustan Construction Co., Ltd., Construction House, Ballard Estate, Bombay. (M/s. Hindustan Constn., Co., B-1, Pusa Road, New Delhi.)
7. Gammon Dunkerley & Co., Ltd. Chartered Bank Building, Fort, Bombay. (M/s. Gammon Dunkerley & Co. Ltd., K Block, Chaudhury Bldg. Connaught Circus, New Delhi.)

8. Shri Dewan Chand, 33-B, Pusa Road, New Delhi.
9. Gammon India Private Ltd., (M/s Gammon India (P) Ltd. Hamilton House, Ballard Estate, 74-Link Road, Lajpat Bombay. Nagar, II New Delhi.)
10. M/s Tirath Ram, 16, Fire Brigade Lane, New Delhi.
11. M/s. C. Lyall & Co., 26, Barakhamba Road, New Delhi.
12. M/s. Om Parkash, Baldev Krishan, 8-C/6, W E. A. Karol Bagh, New Delhi.
13. L. Hazari Lal Marwah & Sons, 44, Regal Building, Connaught Place, New Delhi.
14. M/s Vig Brothers, 113/61, Swarup Nagar, Kanpur.

ANNEXURE XIII*(See Para 91, page 53)*

Sl. No.	Name of work	Date of award/ sanction by Central works Ad- visory Board	Amount
1	2	3	4
			Rs.
1	Construction of Road over River Jamuna (S. H. : Guide Bank)	21-11-62	23,12,305
2	Construction of Road Bridge over River Jamuna behind H. Tomb.	15-11-63	88,26,550
3	Construction of Utterlai (Barmer) Airfield- sub-head Runway Taxi Tracks Dis- persal Track and Hardstandings.	20-10-66	1,32,37,730
4	Development of Utterlai (Barmer) Air- field-sub-head Construction of Blast, Pens and Linkes to Blast Pens.	13-4-67	44,25,252

ANNEXURE XIV

(Para. (99))

ASHOKA HOTEL LIMITED

No. Eng/57

July, 25, 1962

M/s Chowdhury & Gulzar Singh, 17, Scindia House, New Delhi.

Please refer to the correspondence resting with your No. 3531/ND/62 dated the 2nd May 1962, and the subsequent discussion your, Shri J. K. Chowdhury, had with our Managing Director. I have the pleasure to inform you that it has been decided to appoint you as our Consulting Architects, on a retainer fee basis, initially for a period of one year. The arrangement will come into effect from 1st August, 1962, and is liable to be terminated on a notice in writing of one month from either side. In case of any dispute, the matter will be decided by the sole arbitration of a senior Government Officer (who will not be an employee of the Company) appointed personally by the Secretary, Ministry of Works, Housing & Supply. You will be paid a retainer fee of Rs. 850/- per month and will render your professional services in respect of the following:—

- (i) Normal Maintenance and Routine advice.

This requirement will cover the general advice, consultation and supervision on maintenance of the main building staff quarters and their surroundings with particular reference to the following points:—

- (a) Colour Schemes of various rooms and decorations.
- (b) Selection of soft furniture such as carpets, curtains, uniform of staff etc.
- (c) Selection of lighting fixtures, shelves, cup-boards etc.
- (d) Selection and design of stationery, letter heads etc.
- (e) Selection of Crockery, Cutlery, China, Brassware, silver-ware etc.
- (f) Wall decorations such as paintings, murals, sculptures etc.
- (g) Gardening, landscaping and fixtures.
- (h) Structural defects and suggestions for remedying them.
- (i) Accoustical problems.
- (j) Electrical illumination inside and outside the building.
- (k) Electrical equipment : such as cooking ranges, Airconditioning, lifts, etc.
- (l) Line drawings of proposed constructions.

(m) Minor works, modifications etc., involving not more than Rs. 10,000 on any one plan. The item will include your advice, designing and supervision including both architectural and structural designing detailed estimates of costs regarding buildings electricity and sanitary fittings etc., as well as perspective drawings of interiors.

Remuneration for the above will be covered by the retainer fee of Rs. 850.00 per month mentioned above.

(ii) Minor works (when entrusted to your firm costing more than Rs. 10,000 but less than Rs. 50,000/- on any one work.

This will cover your advice, designing and supervision including both architectural and structural designing detailed estimates of cost regarding buildings, electricity and sanitary fittings etc. as well as perspective drawings of interiors.

Remuneration 5% (five per cent) of the total cost.

(iii) Major works (when entrusted to your firm) costing over Rs. 50,000 on any one work.

This will cover your advice designing and supervision including both architectural and structural designing, detailed estimates of cost regarding buildings, electricity and sanitary fittings etc. as well as perspective drawings of interiors.

Remuneration 4% (four per cent) of the total cost.

2. It is requested that your acceptance to the above may be confirmed within a week from the receipt of this letter. It will also be appreciated if one of your senior partners makes it convenient to visit the hotel and see our Managing Director on a convenient date so that details regarding procedures be settled.

Yours faithfully,
Sd/-

J. N. Zutshi
Chief Administrative Officer.

ANNEXURE XV

(Para. 100)

Copy of the letter No. ND/67/Prof dated 19-1-1967 from M/s Chowdhury & Gulzar Singh in which they originally asked for a 6% fees is reproduced below:—

Confidential

Dear Mr. Ratnam,

As asked for by you, I am sending herewith our terms and conditions of our professional services for the design & execution of the Annexe to Ashoka Hotels Ltd. to enable you to consider the matter and discuss with us when we meet you in the afternoon. We have considered the matter carefully and realized after working with the Ashoka Hotel for the last two years that the amount of time involved in coordinating services by way of discussions with the various specialists, making adjustments in the design and drawings we spend far more time and labour than in the actual architectural and structural design work. To make up for this, we were enable to reduce our fees on the equipment. I do hope that you will appreciate our point of view and obtain the approval of the Board with regard to the fees of 6% which is by no means a big amount particularly for a Hotel involving also additions and alternations etc. Had it been an office Block or ordinary Institutional Building it could have been possible for us to reduce our fees to some extent. 6% fees is the minimum prescribed fee by the Indian Institute of Architecture for works of simple nature only. For Hotels & Hospitals, architects fees are more than 6% but in view of the discussion that we had with you we have agreed to the minimum of 6% which we trust you will be kind enough to agree particularly with the speed and responsibility that we have to execute the scheme.

With kind regards,

Yours sincerely,
Sd/- J. K. CHOWDHURY.

Shri S. Ratnam,
Chairman,
Ashoka Hotels Ltd.,
50B, Chanakyapuri,
New Delhi.

ANNEXURE XVI

(See para 100)

The fees payable to the architects M/s Chowdhury and Gulzar Singh in connection with the annexe are given below.

GROUP 'A' CIVIL WORKS

- (a) Buildings, Civil works including false ceilings, shafts, built-in furniture, etc. but excluding cost of internal and external painting.
 - (b) Internal electrifications, conduits and wiring etc. but excluding fittings.
 - (c) Internal water-supply and sanitary Installations but excluding cost of sanitary ware and fittings.
- } 4% of actual cost of works..

GROUP 'B' MECHANICAL AND ELECTRICAL WORKS

- (a) Air-conditioning plant weather maker, room fan coil units, chillers, piping system, ducts, and other cognate mechanical equipment, Refrigeration, and cold storage equipment etc. including cost of erection and fixing.
 - (b) Sub-station equipment including transformers and associated switchgear and external cabling including erection, fixing and laying.
 - (c) Lifts including erection, but excluding cost of lift cage.
 - (d) Sanitary ware and sanitary fittings.
 - (e) Sound relay and amplification equipment in the Banquet Hall including fixing charge; if done by outside agencies.
- } 1½% of the actual cost of works subject to the condition that the Architects would undertake complete planning viz., estimating designing and drawings preparation of tender documents, specifications, Contracts, agreements, Engineering supervision, check of measurements, bill of contractors and final testing of plant machinery and equipment by an Engineer in their employ or by a specialised firm of consulting engineers in their employ.

- (f) Laundry equipment, boilers, including erection if done by outside agency.
- (g) Bakery equipment as is newly bought.
- (h) Printing equipment.
- (i) Mechanical and electrical gear for revolving tower restaurant including erection cost if done by outside agency.
- 1½% of the actual cost of the work if entrusted to the Architect.

GROUP 'C' —INTERIOR & EXTERIOR DECORATION WORK

- (a) Furniture, curtains and carpets, colour scheme, design of lift cages.
- (b) Decorative painting, internal and external
- (c) Electrical fixtures and fittings
- Rs. 1,50,000 lumpsum.
- (v) Amounts paid to the Architects for services rendered are given below:—

S.No.	Name of Architect	Amount Rs.	Nature of service
1	Shri B. E. Doctor	4,40,000	Construction of main hotel building.
2	M/s. Chowdhury & Gulzar Singh		} Retainer fee for normal maintenance work.
	1962-63	6,800	
	1963-64	10,200	
	1964-65	7,650	
	1965-66	10,200	
		<hr/> 34,850	
	1964-65	19,054	} For new projects. The amount were paid on account of following works.
	1965-66	15,927	
			1. Construction of Staff quarters 'A' Type
			2. Construction of staff quarters 'B' Type
			3. Construction of staff quarters 'C' TYPE.
			4. Installation of high speed lift.

S.No.	Name of Architect	Amount	Nature of service
2	M/s. Chowdhury & Gulzar Singh— <i>contd.</i>		5. Forced ventilation of main kitchen. 6. Increasing water supply for drinking and fire fighting. 7. Construction of Diesel Power Station and Installation of generating set. 8. Construction of Cycle Stand 9. Construction of workshop building. 10. Construction of lavatory building. 11. Construction of cooling tower and Pump house. 12. Extension of Bakery.
	1967-68	Rs. 4,71,191.05	Payments made upto 14-2-1968 on account of construction of Annexe to the Hotel.
3	M/s. Bose Brothers	Rs.	
	1965-66	7,839.01	} Interior design and decoration of Rouge et Noir
	1966-67	4,500.00	
	1966-67	350.00	
	1967-68	2,000.00	Bar-e-Kabab
4	M/s. Chowdhury & Gulzar Singh		
	1967-68		Fees for the Annexe Projects paid so far Rs. 4,71,191.00.

ANNEXURE XVII

(Para 102)

No. 21(80)/61-Cont/W. II

GOVERNMENT OF INDIA

MINISTRY OF WORKS, HOUSING AND REHABILITATION,
(DEPTT. OF W & H).

New Delhi, dated the 18th/19th October, 1963.

FROM

Shri S. N. Banerji,

Under Secretary to the Government of India.

TO

The Chief Engineer, Central Public Works Department, New Delhi.

SUBJECT.—*Departmental charges leviable by the Central Public Works Department.*

Sir,

With reference to the correspondence ending with your U. O. No. 5(I)/63-B (CE) dated the 17th July, 1963, on the subject mentioned above, I am directed to say that the President is pleased to decide that the departmental charges mentioned below will be levied by the Central Public Works Department for the following services :—

Item	Works costing Rs. 5 lacs and above	Works costing Rs. 2 lacs and above but less than Rs. 5 lacs	Works costing more than Rs. 40,000 but less than Rs. 2 lacs	Works costing Rs. 40,000 and below
1. Preparation of preliminary sketches . . .	1/4%	1/4%	1/4%	1/4%
2. Preparation of detailed and working architectural drawings . . .	1%	1½%	1½%	1½%

	Works costing Rs. 2 lacs and above	Works costing less than Rs. 2 lacs
3. Scrutiny of preliminary estimates	1/8%	1/4%
4. Scrutiny of detailed estimates	1/2%	3/4%

2. For the preparation and/or supply of designs the charges shall be calculated on the estimated cost of a single building and in the case of block type construction, on the estimated cost of the entire block shown in the drawing. The estimated cost should include the cost of internal water supply and sanitary installations but not of internal electrification.

3. The above charge should be levied even in the case of requests for reference purposes. Within the departmental charges received there should be no objection to supply upto four sets of drawings.

4. This issues with the concurrence of the Ministry of Finance (Department of Expenditure) *vide* their U.O. No. 5338/W/63, dated 26-9-1963.

Yours faithfully,
Sd/- S. N. BANERJI,
Under Secretary to the Government of India.

ANNEXURE XVII

(See Para 129 page 74)

S. Ratnam

5-A, Ring Road, Lajpat Nagar IV,
New Delhi-14,

October 3, 1963.

My dear Shri Mehr Chandji,

Brigadier Raj Sarin, the Managing Director of the Ashoka Hotels Ltd. has served a notice of termination of his contract as in the letter copy enclosed. The Board of Directors of the Company at a meeting held on the 25th September, 1963 decided to accept this notice and report the same to Government for further action as may be necessary.

Some months back, Shri Raj Sarin approached the Reserve Bank for foreign exchange sanction to cover his and his wife's study tour abroad. This was turned down, and in a letter to the Reserve Bank he gave vent to his feeling that some officials in the Ministry were instrumental in having his application negatived. He seems to have worked himself up to a state of mind envisaging clique on the part of the Government Directors on the Board of Ashoka Hotels bent on doing him down. He gave expression to this sentiment in his letter No. F.34/62/AH/MD, dated the 30th March, 1963 which has already formed the subject matter of discussion in the Ministry.

More recently, when there was an audit-comment on the perquisites allowed to him as Managing Director, he forwarded the same to me with a note dated the 3rd September, 1963, in which *inter alia* he remarked "possibility cannot be ruled out regarding a "link" between the present attitude of the Audit and the points raised by the Managing Director in his letter No. F. 34/62/AH/MD, dated the 30th March, 1963 regarding an unhappy situation developing about the affairs of the Company". The reference to his letter of the 30th March, 1963, in this connection which is repeated in his letter of resignation could show that your talk with him has had no salutary effect, but, on the contrary, his delusion has become more of a fixity.

In the circumstances, it is imperative to let Shri Sarin vacate his appointment on the expiry of the notice period. I shall be glad to discuss with you further at your convenience.

With regards,

Shri Mehr Chand Khanna,
Minister of Works, Housing & Rehabilitation,
North Block,
New Delhi-1.

Yours sincerely,
Sd/- S. RATNAM

ANNEXURE XVIII

(See Para 129, page 74)

S. RAJNAM
Chairman,
Ashoka Hotels Ltd.

New Delhi
Nov. 4, 1963.

My dear Shri Mehr Chandji,

I write in continuation of my earlier letter dated 3rd October, 1963, in which I reported that the Board of Directors of the Ashoka Hotels Limited have decided to accept the notice of termination of his contract tendered by Raj Sarin, Managing Director.

The notice period lasts 12 months. Since his notice was received by us, the AITUC union of the Hotel workers also served us with a strike notice. Points arising out of the latter are being discussed with the Labour Commissioner, who has already expressed the view that the strike, if it takes place would be illegal, in view of an agreement subsisting between the Union and the Hotel. The progress in the matter has been reported to you from time to time.

Meanwhile, certain attitudes adopted by Raj Sarin have convinced me and other members of the Board that it is imperative we should relieve him of his position immediately. I discussed in the matter with Raj Sarin himself and he appreciates that it would serve his interests best if he were to vacate office at once. But, under his contract, he would be entitled to receive pay for the balance of the period of his notice which is about 10 months. He also suggested that he might be allowed to continue to have his board and lodging at the Hotel as hitherto, since it would be very difficult for him to find alternative accommodation at the rate the Hotel is charging him under the contract, i.e. Rs. 500 a month. He, however, would not like to stay longer than is absolutely necessary after giving up his post.

Informal discussions with the Ministry of Law seem to indicate that if the Hotel were to pay Raj Sarin the pay for the notice period in one lump on his vacating office, the Hotel may not be liable to continue his board and lodging under the contract. We are having further discussions with the Ministry of Law and on getting confirmation of the legal position I shall convene a meeting of the Board of Directors and secure a decision on the immediate termination of Raj Sarin's services.

The question that arises is the selection of a new incumbent for the post of Managing Director. In the interim period, it would be possible to manage the affairs of the Hotel with the next senior Manager.

In the light of our experience with the operation of the Raj Sarin's contract, I am of the view—and you agreed with me—that we should look for a suitable Government official on deputation terms, that is one who can revert to his parent cadre at the end of his tenure or earlier, if it is so decided. You had in mind a likely candidate of this type and you also suggested that I might try to locate other similar candidates. I am now actively engaged on this task.

With regards,

Yours sincerely,
Sd/- S. RATNAM

Shri Mehr Chand Khanna,
Minister for Works, Housing & Rehabilitation,
North Block,
New Delhi-1.

ANNEXURE XIX

(See Para 129, page 75)

No. 5(22)/63-ENT/H-III

GOVERNMENT OF INDIA

MINISTRY OF WORKS, HOUSING & REHABILITATION

New Delhi, 7th Nov., 1963.

From

Shri K. B. Mathur,
Under Secretary to the Govt. of India.

To

The Chairman,
Board of Directors,
Ashoka Hotels Ltd.,
New Delhi.

SUBJECT.—Notice of termination of the contract of Shri Raj Sarin.

Sir,

I am directed to refer to your confidential letter dated the 3rd October, 63 addressed to the Union Minister for Works, Housing and Rehabilitation on the above subject and to say that the matter referred to therein has been considered by the Central Government. Relevant extracts from notes giving legal advice relevant to the issue are enclosed for your information and guidance. As the Central Government are not concerned with the notice given by Shri Raj Sarin, you may take such action as you consider necessary in the matter.

Yours faithfully,

Sd/- K. B. MATHUR,
Under Secretary to the Govt. of India.

ANNEXURE XIX

(See Para 129, page 75)

Extracts from notes giving legal advice by the Ministry of Law regarding Shri Raj Sarin.

I have gone through the papers. I am surprised that the original appointment was made contrary to the express terms of the original Regulation 142 of the Articles of Association of Ashoka Hotels Ltd. That regulation provided that the Board of Directors would appoint any person as the General Manager but with the previous approval of the President in writing. In Regulation 1 the President is defined as the President of India. The appointment letter dated the 29th of September, 1961 being the letter signed by Shri N. P. Dube purports to be merely an offer though Brig. Sarin appears to have accepted the offer by his letter dated 30th of September, 1961. The letter of acceptance is not addressed to the company but to Mr. N. P. Dube. Leaving aside the technical question as to whether the offer was on behalf of the company and the acceptance was to the company, the most important question that falls to be determined is whether there was a valid appointment of Brig. Sarin having regard to the mandatory provisions of Regulation 142 as it then was.

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The question is whether this appointment without the previous sanction of the President is ultra vires the company or ultra vires the Board of Directors. The difference between an which is ultra vire the company and an which is ultra vires the Board of Directors is well known: whereas the former cannot be ratified by the shareholders the latter can be. Having regard to the language of Regulation 142, I am inclined to hold that the power of appointing a General Manager is exclusively vested in the Board of Directors which can only be exercised with the previous sanction in writing of the President. Any appointment, therefore, which is contrary to this provision would be ultra vires the company. In any event it is certainly ultra vires the Board of Directors.

I am, therefore, of the opinion that the so-called appointment letter of 29th of September, 1961 is of no effect and there is no valid appointment of Brig. Sarin. It is well settled that a void contract by a company cannot be ratified subsequently. Only a new contract can be entered into. Merely acting on a void contract does not make it binding on the company. [See the case of Northumberland Avenue Hotel Co. (1886) 33 Ch.-D.16. See also National Motor Mail Coach Co., Clinton's claim (1908) 2 Ch. 515].

My advice, therefore, would be that Brig. Sarin should be told that there was no valid appointment by the Company as required by the old Regulation 142. He should, therefore, be treated as not being in service and could only claim remuneration of the actual service rendered on the basis of quantum merit. He should therefore only claim remuneration under section 70 of the Indian Contract Act.

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The proper course would be to treat the contract as void and not subsisting and to pay him at the rate at which he has been paid upto the date when he works last by way of quantum merit. There no valid appointment of Brig. Sarin as Managing Director under the new Reg. 142.

ANNEXURE XX

(See Para 150)

No. F.1/18/EC/67

MINISTRY OF FINANCE

(DEPARTMENT OF ECONOMIC AFFAIRS)

New Delhi : the 2nd February, 1968.

OFFICE MEMORANDUM

SUBJECT.—Examination of the working of Ashoka Hotels Ltd. by the Committee on Public Undertakings—Suggestions regarding 'Leakage' of foreign exchange.

The undersigned is directed to refer to the Lok Sabha Sectt. O.M. No. 20-PU/67, dated the 28th October, 1967, and to offer the following comments thereon. The Reserve Bank of India have also been consulted since the Lok Sabha Secretariat had endorsed a copy of the above O. M. to them as well.

2. It has been stated that the Committee on Public Undertakings was informed about the leakage of foreign exchange taking place in Indian hotels due to the practice of accepting payments of bills from foreign tourists in foreign exchange instead of travellers cheques. On this point, it may be mentioned that the distinction between currency notes and travellers cheques is only nominal; for the latter, once discharged by the holder (by affixing a second signature) becomes a bearer instrument and is thus almost equal to currency notes. It would not be correct to say that leakage has increased because of hotels accepting currency notes instead of travellers cheques alone. Actually leakage occurs when recipients of foreign exchange do not properly account for the full receipts and surrender the same to the proper authorities. This would equally apply to foreign currencies as well as travellers cheques. In other words, the distinction sought to be made between currencies and travellers cheques is not valid and does not influence the fact or the problem of leakage.

3. Secondly it is stated that while visiting Ashoka Hotels Ltd. the Committee were informed that Department of Tourism and the Reserve Bank were considering the question of acceptance of payments through travellers cheques only instead of foreign currency. As stated in the previous paragraph payment through travellers cheques and payment through foreign currencies stand on the same footing and make no difference at all. Actually what was under consideration of the Deptt. of Tourism and the Ministry of Finance was a proposal that all foreign tourists should compulsorily be made to pay all their bills at least to hotels and to the Indian Air Lines in foreign currencies

which expression would include currency notes as well as travellers cheques. The Ministry of Law were consulted on this proposal and they advised that in view of Indian Rupees (coins and notes) being legal tender in India, it will not be practicable to lawfully require all foreign tourists to pay their bills in foreign currencies. If any foreign tourist sought to discharge his bills in India by tendering Indian rupees (coins or notes), then it will not be lawful for an Indian to refuse to accept the same since these were legal tender in India. They also referred to certain practical procedural problems that will arise in trying to organise such facilities at every point visited by a foreign tourist. After due deliberations and consultation with those concerned, it was decided to drop the proposal.

4. The present arrangements are that certain major hotels, on the recommendation of the Department of Tourism, are given by the Reserve Bank of India facilities known as 'limited money changers licences'. Such hotels are permitted to accept foreign currencies from foreign tourists in payment of their own bills. Such hotels are also required to maintain proper accounts and record of all such transactions. This is only on a voluntary basis more from the point of view of providing a facility to the foreign visitor, since at that point of time, he may not have sufficient Indian currency to pay his bills and may have only foreign currencies. Otherwise, if a foreign tourist offers to pay his bills by tendering Indian currency, the Indian recipient cannot lawfully refuse to accept the same (unless he suspects the currency to be counterfeit). It may however be repeated that, foreign currencies and travellers cheques in themselves stand on the same footing and do not by themselves influence the problem of leakage.

Sd/- P. K. KAUL

Director.

To

The Lok Sabha Sectt.,
(Shri A. L. Rai, DS.)
New Delhi.

ANNEXURE XXI

(Para 166)

ANNEXURE 'D'

Particulars of accommodation etc. given to the officers in the Hotel during the period form 1-1-62 to 31-3-67

Designation	No. of family members	Type of accommodation occupied	Normal hotel tariff for similar accommodation in the case of those living in the main hotel building	Remarks
(1)	(2)	(3)	(4)	(5)
1. Managing Director upto 10-11-63.	Wife & three children.	Manager's flat (Board & Lodging).	Rs. 6,150. p.m.	Rs. 500. per month towards board & lodging.
2. Manager from 1-6-62 . . .	...	Single suite & menu food.	Rs. 2,100 p.m. upto 5-6-66 and Rs. 2,700 p.m. w.e.f. 6-6-66.	No recovery made.
3. Asstt. Manager (F & B) upto 31-5-62.	...	Sub standard room and menu food.	There is no normal tariff for sub standard rooms which they are often used as store rooms for surplus beds, furniture, electric fans etc.	No recovery made.

4. Vigilance Officer upto 11-11-62.	One sub standard room (Board & Lodging).	There is no normal tariff for sub standard rooms which they are often used as store rooms for surplus beds, furniture, electric fans, etc.	Rs. 100 p.m. towards food.
5. House Keeper upto 5-9-64	Do.	Do.	No recovery made.
6. House Keeper 1-9-65 to 31-8-66.	One substandard room (room only)	Do.	12½% of pay equivalent to Rs. 41.25 p.m.
1-9-66 to date.	Do.	Do.	No recovery made.
7. House Keeper from 11-4-66 to 31-8-66.	One substandard room (room only)	There is no normal tariff for sub-standard rooms which they are often used as store-rooms for surplus beds, furniture electric fans etc.	Rs. 7.50 towards accommodation.
1-9-66 to date.	Accommodation in Barsati (terrace) (room only).		No recovery is made.
8. Orchestra player upto 1-7-64.	Sub standard room and free meals three courses menu food.		

Terms of appointment were :

- (1) Free accommodation of appropriate type.
- (2) Free meals--- three courses menu food.
- (3) Pocket allowance Rs. 350.

ANNEXURE XXII

(Para 159)

Statement of Expenditure on staff

	1964	1965	1966	1967
1. Free tea per day.	1394	1365	1298	
2. Free Accommodation	1*	1*	1*	1* (Manager)
3. Free meals to *persons per day.	114	114	100	100

*Most of these are Kitchen staff, who do not get meal allowances granted to other employees drawing pay upto the scale of Rs. 300-525. These numbers include also Asstt. Managers and Deputy Managers, who are on broken duties.

MONTH	1965			1966			1967		
	Tea	Mcals	Total	Tea	Mcals	Total	Tea	Mcals	Total
4. Monthly expenditure on :									
January	5786.29	2676.94	8463.23	7702.24	3062.05	10764.29	9134.32	3162.12	12296.44
February	3445.08	2257.22	7702.30	7070.26	2883.35	9953.61	8390.22	2884.00	11274.22
March	5948.78	2591.48	8540.26	7834.42	3113.49	10947.91	9287.03	3383.34	12670.37
April	6030.72	2455.99	8486.71	7696.55	3187.20	10883.75	9106.42	3334.95	12441.37
May	6121.70	2863.06	9284.76	8164.92	3228.47	11693.39	9507.57	3762.01	13269.58

June	6188.25	2813.75	9002.00	8158.38	3578.11	11736.49	9013.50	3806.46	12819.96
July	6755.70	3017.82	9773.52	8845.41	3415.58	12261.05	9981.83	3375.14	13356.97
August	6644.10	2880.44	9524.54	8663.95	3231.46	11904.41	11392.39	3548.23	14940.62
September	6884.08	3083.08	9967.16	9058.65	3231.46	12290.11	11277.49	3709.69	14987.18
October	6419.23	3323.21	9742.44	9078.36	3066.09	12144.45	10841.92	8618.46	14460.38
November	6787.48	3322.49	10109.97	8584.22	3239.19	11823.41	12030.69	3451.59	15482.28
December	7254.85	3174.76	10429.61	9225.51	3254.79	12480.30			
Total	76566.26	3460.24	111026.50	100388.93	33494.24	133883.17	109963.33	38035.99	147999.37

ANNEXURE XXIII

(See Paras 168-169)

Names of Ashoka Hotel staff sent abroad under foreign scholarship schemes

Name	Nature of training received abroad
1. Shri George Verghese, Manager.	He was sent abroad as a member of the Productivity Team on Hotel Industry sponsored by the National Productivity Council under US AID in 1963 and he undertook a seven weeks' tour of Japan and United States. He also visited England and Europe to conduct some special investigations with regard to procurement possibilities of technical personnel, to look over modern equipments and familiarise himself with latest developments in the Hotels.
2. Shri C. V. M. Mannar, ex-Deputy Manager(I)	He was awarded a French Government scholarship for specialised training in Hoteliering in France from September 1960, to May, 1961. Shri Mannar, however, left the Hotel service from 18-10-1966.
3. Shri S. T. Varadarajan, Deputy Manager.	He was sent by the Hotel to participate in the Hotel Management Course at the East-West Centre Hawaii-Honolulu, from September, 1966, to December, 1966.
4. Shri K. K. Suri, Deputy Manager.	He received a Scholarship from the Ministry of Transport & Communication for training in Hotel Management in Austria for a period of two years from November 1960 to November 1962.
5. Shri Kulin Mehra, ex-Senior Assistant Manager.	He was awarded a Scholarship by the Ministry of Transport & Communication for training in Hotel Management in U.K. for a period of three years from September, 1960. Shri Mehra underwent further practical training in Birmingham for which he was granted extension of 16 months'

leave without pay from 1st September, 1963. Shri Mehra reported for duty on 1st Feb. 1965 after his three years' training and 1½ years' practical training abroad in Hoteliering. Shri Mehra resigned his job w.e.f. 15-11-66 and proceeded to London.

6. Shri S. N. Gulati, Orchestra Conductor. He was granted one year's study leave from 5-12-63 for studies at School of Music at Amsterdam. Shri Gulati was granted a fellowship to study Music at Amsterdam by the Netherland Government.
7. Shri S. Fernandes, Chef. He was sent to West Germany for "Inservice Training" for a period of one year. Shri Fernandes worked as 'Demichief de cuisine' with Frankfurt Airport Restaurant—an establishment of M/s.a. Steigenberger Hotel-gessellschaft, Frankfurt, from March, 1966, to March, 1967.
8. Shri N. L. Badhwar, Maitred' Hotel. He was sent to West Germany for "Inservice Training" as 'Com is de rang' at Hotel Frankfurter Hof in Frankfurt, for a period of one year from March, 1966 to February, 1967.
9. Shri L. K. Bose, Executive Chef. He was granted study leave for six months at half monthly salary. He underwent practical training in Europe during this period.

ANNEXURE XXIV

(See para 185)

Category-wise Statement of outstanding as at the closing date of financial year for the last 5 years

Parties	1962-63	1963-64	1964-65	1965-66	1966-67
Ministries	2,13,559.14	1,95,325.97	2,49,301.51	3,15,545.76	3,51,499.63
Govt. Companies	31,046.39	18,826.49	51,926.81	42,572.09	73,972.29
Embassies	70,348.81	63,559.51	33,370.15	36,022.69	34,349.86
Travel Agents	3,00,042.75	1,84,310.51	3,14,219.93	2,40,120.88	2,69,227.54
Private Companies	3,71,231.77	2,74,483.94	2,92,948.48	3,24,405.21	3,40,560.03
Individual	1,10,343.21	27,333.61	28,341.51	17,329.93	16,192.91
Others (Staff Disputed etc.)	53,303.39	1,99,457.26	1,49,033.33	89,622.18	53,365.09
Current Billing	1,28,319.82	1,18,641.53	92,820.70	2,32,089.14	1,38,902.37
TOTAL	12,78,195.28	10,81,938.82	12,16,962.42	12,97,707.88	12,78,099.72

ANNEXURE XXV

(See para 185)

5 years Break-down Statement of Outstandings

Outstanding as on	Under 6 months	Over 6 months	Over 1 year	Over 2 years	Over 3 years	4 years and above	Total
As on 31-3-63 (1962-63)	7,27,701.22	1,94,129.93	2,45,042.96	57,512.16	19,843.12	33,566.89	12,78,195.28
As on 31-3-64 (1963-64)	5,45,365.46	87,790.02	2,71,852.05	1,08,841.86	53,729.61	14,339.82	10,81,938.82
As on 31-3-65 (1964-65)	7,11,788.31	1,07,661.94	1,06,255.79	60,255.56	1,51,582.31	49,619.51	12,16,962.42
As on 31-3-66 (1965-66)	8,37,996.29	94,716.70	1,25,643.69	1,03,485.77	42,703.02	93,162.41	12,97,707.88
As on 31-3-67 (1966-67)	8,82,769.75	1,07,066.13	1,10,224.62	96,817.03	49,323.11	81,899.08	12,78,999.72
		Total Income	Outstanding	Percentage			
1962-63		1,07,47,567	12,78,000	11.89			
1963-64		1,18,31,007	10,82,000	9.15			
1964-65		1,26,36,846	12,17,000	9.63			
1965-66		1,08,48,312	12,98,000	11.96			
1966-67		1,17,53,727	12,78,000	10.87			

ANNEXURE XXVI

[See para 91 (ii), page 52]

At the time of Factual Verification of the report on Ashoko Hotels, the Managing Director of Ashoko Hotel in his letter No. 7/19/Accts II (a) dated 20/21 April 1968 Stated Thus :—

I refer to paragraph 88(ii) of the draft report of the Committee on Public Undertakings on the Ashoka Hotels Ltd. and beg their leave to place the following facts before them.

Since 4 Directors of the Company—namely the Chairman, the Managing Director and the two Special Directors from Government—knew of the decision that limited tenders would have to be invited for the work, as is indicated in the Note referred to in paragraph 75 of the draft report and since the item in the Agenda for the Board meeting on 20-4-1967 informed all the Directors that tender notices had been sent to selected contractors only. I was under the impression that a formal prior approval of the Board also existed for the call of limited tenders. I regret that I was not more careful during oral evidence in making a statement to this effect without having the actual minutes before me on the subject for which I apologise to the Committee.

As the fact of calling limited tenders is on record in the Agenda for the 20-4-1967 Board meeting which is also indicated in paragraph 75 of the draft report, I would request the Committee's indulgence in accepting my apology and in suitably amending paragraphs 75 and 88 (ii) of the draft report, if they so think proper.

Sd/- N. P. DUBE
Managing Director.

ANNEXURE XXVII

[See para 91 (iv), page 53]

At the time of factual verification of the Report on Ashoka Hotels Ltd., the Secretary, Ministry of Works, Housing & Supply in his letter No. 18/19/67-P.S. dt. 20th April, 1968, stated as follows :—

I would like to refer to the comment made in para 88(iv) "under certificate of posting and not by registered post as was stated to the Committee by the Secretary, Ministry of Works, Housing & Supply, during his evidence". This is factually correct, but I would like to bring to the notice of the Committee the circumstances in which this statement was made by me. Information on the question whether these invitations for tenders were sent by registered post or ordinary post or under postal certificate was not available with the Ministry. When the question was asked, I consulted the officers of Ashoka Hotel who were sitting near me and on their informing me that these were sent by registered post, I gave the information accordingly to the Committee. I regret that incorrect information was so given. I now realise that I should have requested the Chairman's permission for the question to be answered by the management of the Hotel since I had no information, instead of getting information on the spot and conveying it to the Committee which has resulted in this incorrect statement being made.

In the circumstances, I will be grateful if the Committee kindly drops the words 'as was stated to the Committee by the Secretary, Ministry of Works, Housing & Supply during his evidence' if considered fit. I shall be obliged if this letter is placed before the Committee for their kind consideration.

Sd/- B. R. PATEL
Secretary to the Govt. of India.

ANNEXURE XXVIII

Summary of Conclusions/Recommendations

Sl. No.	Reference to para No. of the Report	Summary of Conclusions/Recommendations
1	2	3
1	38—40	<p>The Committee are not satisfied with the manner in which the contract for the main Ashoka Hotel building was awarded. M/s. Uttam Singh Duggal were the lowest tenderer. According to the Chief Engineer, C.P.W.D. they had the capacity and resources to construct the building. The Chief Engineer, C.P.W.D. was further of the opinion that as far as quality work was concerned it depended upon what one would like to have. The Jam Saheb as the Chief Promoter was authorised by the Promoters to negotiate and award the contract for the construction of the main Ashoka Hotel. The Jam Saheb was of the view that as the company was required to have the building of a superior quality and also within the minimum time it would be very unsafe to entrust the work to M/s. Uttam Singh Duggal & Co. The architect's opinion was also against him and besides this he had other major works in hand. M/s. Duggal & Co. was also a difficult person to handle.</p> <p>The Committee feel that a part of the work could have been assigned to M/s. Uttam Singh Duggal & Co. in view of the opinion of the Chief Engineer that it was impossible for any one of the tenderers to complete the job to the required standard within the stipulated time.</p> <p>M/s. Shah Construction Co. after having informed the Jam Saheb on the 25th August, 1955 that they would undertake half the work and cooperate with each other and leave no room for complain, had again written on the 27th August, 1955 that in the interest of work it was very much necessary</p>

that the work be handled only by one agency and they voluntarily would like to withdraw from this proposal of participating in half the work. It would appear that M/s. Shah Construction Co. did not opt out of the contract but merely from the proposal of participating in half the work. The management have stated that a copy of their letter is not readily available and the minutes of Promoters' meeting held on the 29th August, 1955 reproduce more or less verbatim the letter itself. It is unfortunate that such an important letter is stated by the management to be not readily available, as it gives rise to the apprehension about the exact nature of the letter. The Committee desire that this letter should be traced and a copy forwarded to the Committee.

The Committee are not convinced with the reasons for ignoring M/s. Shah Construction Co. from further negotiation and awarding the contract to M/s. Tirath Ram Ahuja. The Committee feel that M/s. Shah Construction Co. which were not prepared to do half the contract should not have been ignored while negotiating for the entire contract as was done with M/s. Tirath Ram Ahuja.

The Committee feel that the excess payment of Rs. 5 lakhs pointed out by the C.P.W.D., in regard to items valued Rs. 30 lakhs by the Architect cannot be entirely explained away by the fact that the C.P.W.D., and the Architect had different conceptions of quality and speed. In the present case the opinion of the country's premier engineering organisation *viz.*, C.P.W.D., with its experience and skill is entitled to greater weightage as against that of the Architect who had subsequently figured in many cases of default during construction. The Committee cannot help the conclusion that far too greater a reliance had been placed by the management on the Architect whose estimates have resulted probably in the present case in a loss to the tune of about Rs. 4 lakhs. The Committee do not consider with equanimity the exclusion of about 97 item costing nearly Rs. 50 lakhs from the rate contract. Every item that is

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excluded from the rate contract gives a loophole for malpractice. Having such a large number of items beyond the purview of the rate contract is also significant. This case appears to deserve a detailed enquiry with reference to the terms of the agreement with the Architect and the actual performance of the Architect, who had not apparently given satisfaction to the management.

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The Committee are distressed to note that the extra payment of Rs. 1,21,322 for height factor is explained due to the fact that the original intention at the time of placing the contract was to build the hotel upto 4 floors only. It is beyond comprehension as to how the line plan an important document attached to the tender notice, showing that the building would be upto the 6 floors is tried to be superseded in favour of the contractor by saying that the intention was to build only upto the 4th floor. It is a sad commentary on the laxity exhibited by the management in so far as the words 'entire job', 'entire structure', and 'remaining work' have not been defined in the contract. Such looseness in the wording of the contract has resulted in avoidable over payment to the contractor. The method of awarding the contract for the construction of the Ashoka Hotel and the extra payments made demonstrate that the project had not been promoted in accordance with the principles of financial prudence.

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The Committee are of the opinion that the contract should have specifically provided about payment of octroi charges as part of incidental charges payable by the contractor. The Committee trust that immediate steps will be taken to examine the contracts for the Annexe Project so as to ensure that no over payments are made as a result of different interpretations of ambiguous clauses.

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The Committee have carefully gone into the question of the award of the contract for Ashoka Hotels Annexe Project to M/s. Tirath Ram Ahuja, who was also the contractor entrusted with the construction of the main building. The primary purpose of

expediting the project was the provision of additional accommodation for the delegates and the Convention Hall for the UNCTAD Conference which was scheduled to commence on the 1st February, 1968 and a sense of urgency appears to have motivated all actions in pursuance of this object. Whatever be the compelling nature of the urgency, the following features stand out rather conspicuously while reviewing the whole course of finalisation of the contract—

- (i) The decision of the Board for inviting limited tenders was based on the note recorded by the Secretary, Ministry of Works, Housing & Urban Development (Shri Prem Krishan) where in he had directed* that “for the main construction work, limited tenders may be called and the work awarded to the lowest tenderer, or if he is not suitable, by negotiation with the lowest suitable tenderer”. The Committee fail to understand the considerations that prevailed with the Secretary of the Ministry to direct the hotel management to invite limited tenders. Normally for such a huge contract an open advertised tender should have been resorted to. The limited tender narrowed down the field of offers and precluded the management from finding better and cheaper contractors.
- (ii) The Committee regret to note that during evidence they were told by the Managing Director of the hotel that limited tenders for the construction of the Annexe were invited in pursuance of the resolution of the Board of Directors. They had asked the management to substantiate the statement with the minutes of the Board meeting where this resolution was passed. The management has failed to produce the relevant minutes showing Boards prior approval to the calling of limited tenders. The Committee regret to observe that the management of the Ashoka Hotels did not give correct facts to the Committee in this regard.

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- (iii) The initial decision was to invite tenders only from contractors in a severely restricted list of 14, which was later expanded to 24 at the suggestion of Joint Secretary, Ministry of Finance to make the tenders more competitive. In such cases open tenders should have been called instead of restricted tenders. Calling of restricted tenders gives rise to misapprehensions.
- (iv) It is a matter of surprise that the invitations for tenders were sent by the Architect to a selected few contractors under Certificate of Posting and not by registered post as was stated to the Committee by the Secretary, Ministry of Works, Housing & Supply during his evidence. Only tenders from five persons were received out of 24 persons to whom notices inviting tenders were said to have been sent under Certificate of Posting.
- (v) Although the tender of M/s. Uttam Singh Duggal was the lowest and in ordinary course they should have been given the contract, it was not awarded to them since their performance according to the management was not upto the mark. There were also adverse remarks against them by the Punjab PAC as quoted in 33rd Report of the Estimates Committee (Second Lok Sabha) para 79, which were brought to the notice of the Committee by the Secretary of the Ministry.

The Committee are sorry to note that in spite of the fact that the Government was in the know of this report, no action was taken to black-list this firm while on the other hand, four major contracts totalling about Rs. 2.9 crores were awarded to them by the Government since 1962. (*vide* Annexure XIII).

- (vi) It is seen that out of 24 firms to whom the Architect sent the invitation to tender only six purchased the tender forms and out of

these only 5 submitted their tenders on the due date for the construction of the Annexe Project of the Ashoka Hotels. The fears of the management that persons might not come forward with tenders if M/s. Tirath Ram Ahuja was awarded the excavation work appear to have come true.

The Committee feel that the Ministry and the management of the Hotel have acted wrongly by granting M/s. Tirath Ram Ahuja the excavation work at a cost of Rs. 2 lakh for the Annexe Project before calling for tenders for the construction of the Annexe. From this it appears that the issue had been prejudged.

- (vii) It is a pity that in a contract of such magnitude, tenders were invited in the absence of full specifications and drawings, despite the high fees given to the Architect. The details for the RCC item in the Revolving Tower Restaurant above the 3rd floor, were not indicated on the plea that the height of the tower was under negotiation with the Civil Aviation authorities. It is surprising that in a project invested with such urgency this matter could not be expeditiously settled with another government department. The contract for the air-conditioning plant was also incomplete. Vagueness in defining the obligations of the contractors has rendered unrealistic the assessment of the various tenders offered by the contractors.
- (viii) The incomplete tender of M/s. Tirath Ram Ahuja and the subsequent recommendations of the Architect and the decision of the management to overlook the defects may suggest the intention of favouring this particular contractor. The urgency of the project was given as a reason by the management for not following the normal principles observed in competitive tenders.

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(ix) In the case of the contract for the Annexe the tender of M/s. Tirath Ram Ahuja did not include the R.C.C. work above the 3rd floor level for the sky restaurant. The management have stated that the rates of items of works not quoted by M/s. Tirath Ram Ahuja can be derived from the rates tendered by them in accordance with the provisions in the contract for deriving rates for extra and deviated items of works.

In the case of construction of the main building it has been observed that about 97 items costing nearly Rs. 50 lakhs had been excluded from the rate contract. The Committee hope that a repetition of the same state of affairs does not occur in the case of the contract for the Annexe Project.

(x) It is interesting to note that despite the sense of urgency which has characterised this project, the hotel has been able to provide accommodation to only 271 visitors connected with the UNCTAD Conference. When lack of occupation of hotel rooms was pointed out to the management it was explained that the Annexe Project was not intended for UNCTAD alone, but for promoting more tourist traffic. If promotion of more tourist traffic was the main objective, planning could have been undertaken well in advance and the irregularities ensuing from handling a rush job could have been avoided.

(xi) It is significant to note that for the construction of the main hotel building also, the contract was given to M/s. Tirath Ram Ahuja who even then was the second lowest tenderer and due to vague provisions in the contract he had to be paid a large sum on account of extra height factor, which was not envisaged in the original contract *vide* paras 47-51.

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The Committee recommend that the role of the Architects and the actions of the management in awarding the contract of the annexe to M/s. Tirth Ram Ahuja who was also awarded the contract for the construction of the main building, calls for further probe by the Government regarding the irregularities in the deal.

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It is seen that the original estimates of Rs. 2.39 crores have been increased to Rs. 2.49 crores during a review by the management, while the final estimates were still awaited from the Architects. This implies that the estimates will considerably deviate from the original estimates. Wide variations between the estimated cost and actual expenditure has become a common feature in the public sector projects and the Committee have criticised this aspect in their earlier reports. If estimates are framed with care, the actual performance should not be wide off the estimates. The Committee would watch with interest as to how in the case of the Annexe Project of the hotel the actual cost compares with estimated cost.

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The Committee are not happy to note that the services of M/s. Chowdhury & Gulzar Singh who were originally appointed as Architects on the 1st August, 1962 on retainership basis were later used also for an important project like the Ashoka Hotel Annexe without giving an opportunity to other established Architects to quote their rates for the same. In a case where fees to the extent of Rs. 4 lakhs and above were involved, it would have been in the fitness of thing if negotiations were carried on with other established architects, however, compelling was the urgency of the project. It is surprising that the management completely relied on one firm of architects only who had not done any major work earlier for the hotel. The incompleteness of the tender for the Annexe Project referred to elsewhere in this Report, does not credit to the Architects. The Architects played a very important role in the selection of the contractor. As has been pointed out in earlier paragraphs the rejection of the lowest tenderer for the

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construction of Annexe was done mainly on the advice of the Architects. Their independence of judgement and fairness of assessment are likely to be biased.

The Committee are of the view that it was not prudent on the part of the management of the hotel to have appointed these architects for the Annexe Project without calling for other offers.

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Having accepted the desirability of reconstituting the Board of Directors with only 9 members in 1961-62 in pursuance of the recommendation of the Estimates Committee made in their 119th Report (2nd Lok Sabha), the Government have again reconstituted the Board with 11 members from 1965-66. The Committee are not convinced with the arguments advanced in justification of the increased strength.

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113

The Committee are not satisfied with the reasons given above. The Committee feel that although the continuance of these two directors on the Board of Directors of the hotel for such a long period may not be against regulations, it would be desirable to restrict the tenures of directors to prevent creation of vested interests in the hotel.

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While appreciating the difficulty to secure suitable men with experience of hotel industry for the Board of Directors of the company, the Committee recommend that the Government should endeavour to appoint persons with knowledge and experience of hotel industry, so that the Board plays a more useful role. The Committee trust that this will be kept in view while appointing the Board of Directors in future.

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The Committee feel that although the appointment of Shri Hathi, as Legal Adviser of the company on retainerhip basis who is also a share-holder and director of the company may not run counter to the provisions of Article 129 of the Articles of Association of Ashoka Hotels Ltd., it is not a very happy arrangement to appoint a director as the Legal Adviser of a company since his actions/inactions are likely to be judged by the same Board of Directors.

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The Committee are not convinced that there is any valid justification for the hotel to have more than one Legal Advisers on retainership basis. They would, therefore, urge that existing arrangement may be reviewed with a view to reducing the number.

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It is well known that a part-time Chairman has no specific functions or responsibilities, besides presiding over the meetings of the Board and the executive responsibility is vested in the Managing Director. In this context the Krishna Menon Committee had rightly observed that 'a Chairman who has only the trappings of authority is not much of functional value'. The Committee, therefore, feel that the Government should review the position and examine the feasibility of combining the posts of Chairman and Managing Director in the case of Ashoka Hotels Ltd.

14 129, 132—135

The account given in paras 129-131 regarding the appointment to a key post in the undertaking and the termination of the services of the incumbent is distressing. It passes the comprehension of the Committee as to how a vital appointment had been made without obtaining the sanction of the President in writing, as required under the Articles of Association. It is equally surprising as to how in the Annual Report of the Company for 1962-63, it had been stated that the concurrence of the Central Government to the terms had been obtained. The omission of an elementary procedural requirement in the appointment rendered the contract null and void and resulted in wasteful and avoidable expenditure to the hotel.

It is also evident from the above account that the Managing Director, whose services were appreciated in 1962-63, suddenly became *persona non-grata* due to a clash of personalities. There is no evidence to show that the reasons for clashes were fully investigated before the Board accepted the resignation of the Managing Director, whose services were up to that time acknowledgedly meritorious.

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As referred to in para 130 of the Report, Shri Sarin's services as Managing Director were terminated from the 10th November, 1963. The Annual Report for the year 1963-64, however, makes no mention of the termination of the appointment of Brig. Sarin as Managing Director. The Committee are surprised to note that no mention was made in the Annual Report for the year 1963-64 regarding this change in the key appointment of the Company.

The *ex-gratia* payment of Rs. 23,386.38 made to the ex-Managing Director, was actually not due as in the opinion of the Ministry of Law, the contract was not valid. The action of the Board, in recommending the *ex-gratia* payment on the 30th December, 1965 i.e. two years after the termination of the services of Brig. Sarin can only be taken as a tacit admission that the action of the Management was questionable. The Committee hope that useful lessons will be drawn from this to avoid such sad episodes in future.

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138

The Committee feel that since the continued low occupancy of the hotel directly affects its profitability, it is essential that the Ashoka Hotel should increase further the standards of comforts, maintenance of furniture, etc. food and service. The hotel should also lay greater emphasis in attracting foreign tourists to the hotel through travel agencies abroad. In Committee's view, one way of attracting more tourists to the hotel would be for the hotel to consider the practicability of introducing competitive seasonal rates during the lean months.

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147

The Committee note that the increased tariffs of the Ashoka Hotel's Ltd., are considerably less than those of the other five star Deluxe Hotel viz., Oberoi, Inter-continental and slightly more than those of the other hotels. It is also likely that the occupancy rate viz. 76% of the bed capacity in 1966-67 may further drop due to the creation of additional bed capacity in the Annexe. The main objectives in establishing the hotel were to arrest the soaring hotel rates in Delhi. The problem for the hotel is not to

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lose sight of this objective, and also to run it on profitable lines. The Committee recommend that possibilities of effecting economy in operational and administrative expenditure should be explored.

153

The Committee understand that in many of the East European countries payment of hotel bills by foreign visitors is insisted upon in foreign currency. It is of primary importance that the leakage of foreign currency should be prevented. Unless payment of bills from visitors in foreign currency or travellers' cheques is insisted upon, the problem of leakage will remain. The Committee desire that the matter be further reviewed to arrive at a permanent solution. If necessary by enacting legislation which of course would apply to the entire hotel industry in the country.

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The Committee are not in a position to comment whether the two restaurants Rouge-et-Noir and Bar-e-Kabab are running profitably in addition to providing customer's satisfaction. It is necessary that proforma accounts should be maintained regarding the in-puts, out-puts and sales separately in the two Restaurants, in which case it will be possible to control their working from the point of view of economy and efficiency. The Committee also hope that due regard will be paid to providing variety of menu in the restaurants and also to slightly toning down of prices of popular varieties, which may result in increased popularity.

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159

From the point of view of encouraging tourist traffic, a modern hotel like the Ashoka Hotels Ltd., should provide all types of entertainment. The Committee feel that there is ample scope for enlarging the entertainment facilities, provided by the hotel, from the point of view of tourist attraction and making the foreigners conscious of India's artistic and cultural heritage.

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The Committee feel that lack of proper training facilities is an important factor contributing to the disproportionate ratio existing between staff and bed capacity in Indian hotels as well as in the Ashoka

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| | | Hotels Ltd. They fail to understand as to why the management has not been able to train the staff after years of establishment of the hotel. They would urge that the hotel management should take adequate steps to train its staff by in-service training. The Committee hope that efforts will be made to bring the bed to staff ratio nearer to 1 : 1 in due course. |
| 20 | 167-168 | The Committee note in this connection that the expenditure on the board and lodging facilities provided by the hotel to its employees including the service of tea, has been progressively increasing from year to year. In the Committee's view the expenditure on this account is on the high side. They are, however, not aware of the expenditure incurred by other leading hotels on this account. The Committee would, therefore, urge that the hotel should compare their expenditure on such facilities with other hotels and follow a pattern in this matter which conforms with other leading hotels. |
| 21 | 173 | The Committee feel that it hardly needs any emphasis that if hoteliering trade is to prosper and flourish in the country, there is a prime need to establish adequate number of Craft Schools to train cooks, stewards, waiters, bakers and other personnel. The Committee hope that the Ministry of Works, Housing and Supply will take up this question with the Ministry of Labour & Employment and Department of Tourism for implementation. |
| 22 | 178 | The Committee were glad to be assured that there was complete unanimity between the management and workers of the hotel in the matter of tipping and that distribution of service charges was being done in consultation with the workers. It was particularly satisfying to note that 93% to 96% of the service charges were being distributed amongst its employees. The Committee would also expect the management to enforce the 'no tipping rule' amongst its employees more vigorously to avoid any cause for complaint from its customers. |

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23	181	<p>Labour unrest and strained labour-management relations are a problem with which many public undertakings are afflicted. In Committee's view cordial relations between the workers and management are, therefore, of paramount importance. The Committee would, therefore, urge both the employer and the employees to recognise their mutual rights and duties, and work in harmony for the efficient working of the hotel.</p>
24	187	<p>The Committee note that the profits of Ashoka Hotel Ltd., are not rising as expected. The crux of any scheme for making a hotel profitable is the provision of first-class amenities for customers in accordance with the best standards to which they are accustomed. The Committee hope that the management will institute measures to make the hotel the best of its kind in the country, so that the occupancy rate in the hotel does not at any time fall below the specified normal level. It is also necessary that attention be paid towards more economic working of the hotel consistent with increasing efficiency by eliminating avoidable wastage and losses.</p>
25	191	<p>The Committee are not satisfied with the explanation given by the management that the bulk of the outstandings is on account of credit facilities given generally in the hotel industry. Though according to normal commercial practice credits may be allowed up to three or four months, the outstandings for six months and above, which constitute a considerable percentage of outstandings cannot be attributed to merely the prevailing system of affording credits but to the lack of purposeful, vigilant and intensive action to realise the outstandings in time. Moreover, there should be no reason for huge outstandings against the Government departments and undertakings for such long periods. The Committee hope that earnest efforts will be made to liquidate the outstandings within the shortest possible time.</p>
26	195	<p>The high percentage of bad debts is a sad commentary on the lack of promptness on the part of the hotel management in realising the outstandings.</p>

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A considerable percentage is due from Ministries and the Travel Agents. It is surprising that Government Departments/Government Companies have not settled their bills and have to be treated as "bad debts". The high accumulations from private parties like Travel Agents betray lack of business promptitude on the part of the management. The Committee recommend that the organisation of the hotel should be geared up and expeditious action taken to liquidate the outstandings.

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198

The Committee are not aware as to what action has been taken so far in respect of the shortages of linen, uniforms etc. to the extent of Rs. 20,234.62 pointed out by the Company Auditors. The Committee hope that responsibility will be fixed on the individuals responsible for the shortages and the amount recovered from them. The Committee also trust that the procedure in regard to custody and periodical verification of stores will be tightened up.

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The Committee do not find any justification for the failure of the management to bring to light every year in the annual physical verification reports the loss due to breakage of crockery and cutlery. The figures of losses for the last 11 years now collected seem to be uniformly excessive, being well over Rs. 50,000 per year. It should be the aim of any good management to bring down to the minimum any avoidable losses. The Committee hope that the enquiry at present instituted by the Board of Directors will yield fruitful results.

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The Committee feel that advancing of loans to a contractor before he has made any supplies is not a healthy practice and is likely to lead to a criticism that a particular contractor is being unduly favoured by the management with financial assistance. The risk purchase loss suffered by the hotel in the case of M/s. Arden Farms should serve as a sufficient warning to the management against entering into such transactions. The Committee, therefore, recommend that this practice may be discontinued, unless specifically authorised by the Board.

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210—211

The Committee are not convinced with the explanation given by the management for renewing licence on the basis of negotiations with the existing licence instead of going in for fresh tenders. The licence fees being considerable, there should be no insuperable objection for the management to go in for open tenders after every 3 years and secure attractive offers of which there should be plenty considering the location and importance of the hotel.

The Committee urge that the position in this respect may be reviewed and suitable action may be taken to put the matter on a firm footing to augment the resources of the hotel by giving licence to reputable parties on the basis of open tender. In addition to the license fee of Rs. 15,000 the hotel is taking three air tickets from Delhi to London from Air India.

The Committee are not aware of the reasons for arrangement of getting 3 single tickets from the Air-India. The arrangement appears to be unusual.

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212—214

The hotel industry in India is of national importance as it is one of the major earners of foreign exchange. Besides, there could be no adequate growth of tourist traffic without an upto-date and flourishing hotel industry. A first class hotel to cater to the needs of the ever growing number of tourists and official delegations to the capital of India was therefore, the need of the hour. The establishment of a big, modern hotel, besides bringing down the soaring hotel prices has introduced an element of healthy competition in the hotel industry. The establishment by Government of Ashoka Hotels Ltd., a five Star De-luxe Hotel in the public sector, was therefore a step in the right direction.

A number of shortcomings have come to light in the award of the contracts for the main Ashoka Hotel Building and the Annexe Project, the only redeeming feature in respect of the latter appears to be the reduction of the sum of Rs. 2.20 lakhs from the running bills of the contractors at the instance of the Minister of Works, Housing & Supply and thereby reducing the total cost of the project.

The Ashoka Hotels Ltd., as a premier hotel has an important role to play in keeping up the standards of hotel industry in India. The Committee hope that the hotel management will rise to the occasion and ensure that the service offered by it measures up to and even excels that of not only the Indian hotels but also those rendered by its counterparts in foreign countries.

Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
27 Bahree Brothers, 188, Lajpatrai Market, Delhi-6.	27	33	Bookwell, 4, Sant Naran-kari Colony, Kingsway Camp, Delhi-9.	96
28 Jayana Book Depot, Chap-parwala Kuan, Karol Bagh, New Delhi.	66			
			MANIPUR	
29 Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.	68	34	Shri N. Chaoba Singh, New Agent, Ramlal Paul High School Annex, Imphal.	77
30 People's Publishing House, Rani Jhansi Road, New Delhi.	76		AGENTS IN FOREIGN COUNTRIES	
31 The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88	35	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.-2.	
32 Hind Book House, 82, Janpath, New Delhi.	95			

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