

ESTIMATES COMMITTEE

1960-61

HUNDRED AND NINETEENTH REPORT

(SECOND LOK SABHA)

MINISTRY OF WORKS, HOUSING AND SUPPLY
THE ASHOKA HOTELS LIMITED, NEW DELHI
(REPORTS AND ACCOUNTS)



सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

March, 1961/Phalguna, 1882 (Saka)

Price : Re. 0.80 nP.

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 40. Makkalapustaka Press, Balamandira, Gandhi Nagar, Bangalore-9.
 41. People's Book House, Opp. Jaganmohan Palace, Mysore-1.
 42. Pervaje's Book House, Koppikar Road, Hubli.
 43. The S. S. Book Emporium, 'Mount-Joy' Road Basavangudi, Bangalore-4.

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ESTIMATES COMMITTEE

1960-61

CHAIRMAN

Shri H. C. Dasappa

MEMBERS

2. Shri Premji R. Assar
3. Shri C. R. Dasappa
4. Shri Chandra Shankar
5. Shri Panna Lal*
6. Shri Shambhu Charan Godsora
7. Shri H. C. Heda
8. Shri Yadav Narayan Jadhav
9. Shri D. A. Katti
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21. Shri T. Nagi Reddy
22. Shri Vutukuru Rami Reddy
23. Sardar Amar Singh Saigal
24. Shri Satis Chandra Samanta
25. Shri Kailash Pati Sinha

* Elected w.e.f. 25th November, 1960, vice Shri Dinesh Singh, resigned.

26. Shri Tayappa Hari Sonavane
27. Shri Sunder Lal
28. Shri A. M. Tariq
29. Shri Mahavir Tyagi
30. Shri M. G. Uikey

SECRETARIAT

Shri A. K. Ray	-	<i>Deputy Secretary</i>
Shri M. C. Chawla	-	<i>Under Secretary</i>

INTRODUCTION

I, the Chairman of the Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Hundred and Nineteenth Report on the Ministry of Works, Housing and Supply – the Ashoka Hotels Limited (Reports and Accounts).

2. A general examination of the published Annual Reports and Accounts of the Company for the period ending 31st March, 1959 was conducted by the Sub-Committee of the Estimates Committee on Public Undertakings whose Report thereon was finally approved by the whole Committee.

3. A statement showing an analysis of recommendations contained in this Report is also appended (Appendix XI).

4. The Committee wish to express their thanks to the Officers of the Ministry of Works, Housing and Supply and the Ashoka Hotels Ltd. for placing before them the material and information that they wanted in connection with the examination of the Annual Reports and Accounts of the Company.

NEW DELHI:
The 23rd March, 1961
Caitra 2, 1883 (Saka)

H. C. DASAPPA,
Chairman,
Estimates Committee.

A. HISTORICAL BACKGROUND

The idea of setting up a big, first class hotel in Delhi was conceived in 1947. The Government of India started negotiations for this purpose with a number of hoteliers and firms in January, 1948. Eventually it was decided in March, 1953 to promote a public limited company for putting up a high standard hotel to cope with the anticipated demand for hotel accommodation and to arrest the soaring hotel rates in the capital. On the 17th of October, 1955 the Ashoka Hotels Ltd. was floated by Government, the Jamsaheb of Nawanager and Shri H. L. Chadha as Joint promoters with an authorised capital of Rs. 1 crore.

Establishment.

2. According to an earlier Agreement^{of the Promoters} dated the 31st May, 1955, Government were to participate in the venture to a limited extent. Government purchased preference shares worth Rs. 26 lakhs and advanced a loan of Rs. 25 lakhs to the Company. The other promoters were to raise Rs. 74 lakhs by way of share capital and Rs. 1 crore by issue of debentures, thus making a total capital of Rs. 2 crores. The Government were, therefore, to be a minority shareholder in the venture.

Govt. join as a Minority Shareholder.

3. The other promoters could, however, raise funds to the extent of Rs. 15, 85, 100 only. The Company was thus faced with a situation in which it had committed itself to the extent of about Rs. 2 crores, while it had funds to the extent of Rs. 67 lakhs. It has been stated that this difficult situation arose because of two reasons. The anticipations of the non-government promoters, principally His Highness the Jam Saheb of Nawanager, did not materialise. Secondly, the work of constructing and equipping the Hotel had to be proceeded with at an extra-ordinary quick pace in view of the UNESCO Session to be held in Delhi in October, 1956. Government, therefore, decided on the 30th May, 1956 that the entire project should be taken over by them and completed in time. This decision meant that Government

Govt. take over the Project.

would become principal financier of the project. } Government's investment on the 31st March, 1959 in the form of share capital was Rs. 84, 14, 000; the loans advanced by Government to the Company amounted to Rs. 1, 85, 30, 000. . The total investment by Government therefore came to Rs. 2, 69, 44, 900. .

Committee's
observation:

4. . *It would thus appear that originally Government had no intention of setting up and running the hotel on their own. } They participated in a project which did not materialise as visualised and Government were practically compelled to take over much larger liabilities than anticipated. }*

B. HOTEL PROJECT

1) Estimates

Rise in Estimates.

5. . No detailed item-wise estimates for the project were stated to have been prepared by the promoters of the Company of which Government of India was one. } It was roughly estimated in 1955-56 that the total capital outlay of the project would be of the order of Rs. 2 crores. } The estimates were revised upward to Rs. 2.76 crores in 1956-57. . The final estimated cost was placed at Rs. 2.78 crores in 1958. The break-up of the original rough estimates and of the final estimated cost are given below:-

(In lakhs of Rs.)

Items	Original rough estimates	Final estimated cost
1. Land	10.55	10.56
2. Buildings	100.00	143.29
3. Air-conditioning & cold storage	18.00	20.00
4. Electrical installations	20.00	24.64
5. Water supply and sanitary systems	15.00	18.61
6. Lifts	3.00	6.99
7. Furniture & Fixtures	18.00	24.02
8. Carpets	7.00	14.51
9. Refrigerators	-	3.72
10. Kitchen equipment	-	3.35
11. Plant & Machinery	-	3.82

Items	Original rough estimates	Final estimated cost
12. Curtains	-	2.35
13. Orchestras	-	.40
14. Cars and station wagons	-	.30
15. Misc. equipment	-	1.24
Total:	19 L.85	278.00

6. The rise in the estimates has been explained in the First Annual Report of the Company for the year 1955-56 as follows:-

Reasons for rise in estimates:

' This increase is due primarily to the fact that we have had to undertake the construction of staff quarters and to incur expenditure on the provision of Candy Filters, tile works, decorative glasses, water proofing, electric connections etc. which were not included entirely in the original calculations. Similarly expenditure had to be incurred on the provision of office furniture, furnishings, furniture for the staff quarters etc. which was also not included wholly in the original estimates. Besides these items, there are a number of other items which were not included in the original estimate and which account for the increase in the estimated cost of the project.'

7. It was explained that the non-Government sponsors did not get any detailed estimate prepared and the figure of Rs. 2 crores was based on a 'Cube estimate' prepared by the Architect. When asked whether before joining the Company, Government satisfied itself as to the estimates and blueprints of the project, the representatives of the Government, who have been on the Board of Directors of the Company since its inception, stated that in view of the shortness of time the details had to be worked out only during the course of construction of the building itself. They admitted that the complete picture of the scheme and overall commitments thereof were not available and these became progressively evident in October, 1956 as construction proceeded. Thus there were no proper plan or estimates when the project was started in 1955. The Committee find it rather unusual that Government should have participated in a project placed before them without ascertaining fully the financial implications and other details.

Detailed Estimates not prepared.

ii) *Capital expenditure per bed*

Capital expenditure per bed high:

8. Normally in the hotel industry capital expenditure is related to the number of beds in a hotel. The Hotel Standards and Rate Structure Committee in their report (1958) stated that the cost of providing a bed in a deluxe hotel came to about Rs. 35,000. The Ashoka Hotels has 422 beds. On the basis of the final estimates of Rs. 278 lakhs for construction of the hotel, the cost of providing one bed in the Ashoka Hotels comes to Rs. 66,000 approximately. During evidence, the representative of the Ministry stated that no consideration was given to the idea of correlating the number of beds with the investment and that no norms about the cost per bed in a hotel of this magnitude were known to them. It was stated that the ornamentation of the building had contributed considerably to the high expenditure. Moreover, the project had to be completed in record time entailing payment of double wages to the workmen, providing them food on the spot etc. ;

9. *Even allowing for the extra expenditure due to extreme urgency of construction still it may not explain fully the difference between the normal cost of Rs. 35,000 per bed and the cost of Rs. 66,000 per bed in the case of Ashoka Hotels which is on the high side. It would have been a more proper thing to have got the estimates worked^{out} at least when the Government chose to take the Ashoka Hotels over and to have tried to confine their expenditure within the limits of those estimates. As it is, the actuals seem to be the only estimates available. ;*

C. BOARD OF DIRECTORS

Size of the Board.

10. The Company is managed by a Board of Directors consisting of 12 Directors of whom 8 represent the Government ; The remaining four are non-officials, by virtue of their holdings in the Company. ; The Committee find that in a number of large industrial undertakings like the R.A.L., the Neyveli Lignite Corporation Ltd., and the National Coal Development Corporation Ltd., the number of Directors ranges between 8 and 9. ;

The representative of the Ministry said that the present strength of the Board of Directors was due to the fact that Government had to have a larger number of Directors than those representing the non-official promoters. The number of non-official Directors is 4 only and that reason hardly explains the necessity of having twice as many Government Directors. Another reason given was that no remuneration was paid to the Directors and the Company had not to bear any appreciable expense in respect thereof. This also is hardly a ground for not having a reasonable limit set on the Board of Directors. The Secretary of the Ministry, however, stated that perhaps they would do with less number of Directors. *The Committee trust that Government will examine the possibility of reducing the number.*

11. A statement showing the present composition of the Board of Directors of the Company is given in Appendix I. It will be seen therefrom that of the 8 officials including the Chairman, two belong to the Ministry of Works, Housing and Supply; two to the Ministry of Commerce and Industry and one each to the Ministries of Irrigation and Power, Finance, External Affairs and Steel, Mines and Fuel. All the Directors work part-time and none of them has any experience of the hotel industry. The Committee were informed that some of the officials had been appointed on account of their earlier association with the project while in respect of others, the criterion of selection had been to give representation to the Ministries connected with the hotel business or tourism or which expected a large number of delegations from abroad. *The Committee feel that since the construction period of the Company is now over, the existing basis of selection of the Directors require to be changed. In the previous para they have suggested that the strength of the Board should be reduced. In this connection the Committee would invite attention to their recommendations made in their 16th, 39th and 41st Reports (First Lok Sabha) and 38th Report (Second Lok Sabha) wherein they have deprecated the increasing tendency on the part of Government to appoint Secretariat officials as members of the Corporations or Board of Directors of the Government Companies.*

Composition
of the
Board.

D. OCCUPANCY

Average occupancy.

12. The total number of rooms in the Ashoka Hotels is 335 and the total number of beds 422. The total overnight occupancy in the hotel during 1959 and 1960 was 1,03,779 and 1,24,799 respectively. A break-up of the occupancy during these years indicating the number of guests who stayed in the hotel on Govt. account, guests sponsored by Travel Agents and others who came through Company's own efforts is given in Appendix I A. The average bed occupancy during the last 3½ years is given below:-

Year	Average occupancy per bed	%age bed occupancy.
Year ending 30-9-57	80	19%
Year ending 30-9-58	214	51%
Half year ending 31-3-59	290	68.7%
Year ending 31-3-60	305	72%

It will be seen that there has been a steady improvement in the occupancy of the hotel. *The Committee have every hope that there would be further improvement in this respect as the years go by.*

Seasonality of hotel's business.

13. From a graph furnished to the Committee (Appendix II) they observe that while during the months from October to March, 1959-60, the hotel operated at 70 to 94% capacity, the occupancy during the months of April to September of that year ranged between 47 to 62%. The monthly occupancy was stated to have further gone up in the current year, though the increase is not spread evenly over all the months. This is obviously due to the fact that the tourist inflow is more in winter than in summer and a number of international conferences are also held during the winter months. The Committee understand that an average occupancy of 65% is necessary for the hotel to function without any loss. *It would therefore be desirable to take special steps to increase occupancy during the lean months from April to September. One way of doing so may be to allow a special discount on the usual tariff rates during these months. The Committee further feel that it would be useful if statistics regarding the monthly occupancy figures for all the months are appended to the Annual Reports of the Company.*

E. FINANCIAL POSITION AND RESULTS OF OPERATIONS

14. The following table shows in brief the financial position and results of operations of the Company during the two and a half years* ending with 31-3-59:-

(In lakhs of Rs.)

Particulars	Year ending 30-9-57.	Year ending 30-9-58.	Half-year ending 31-3-59.
(i) Total Capital**	294.47	290.92	284.95
(ii) Net Worth:			
(a) Paid-up Capital	100.00	100.00	100.00***
(b) Reserves	12.71	13.11	13.48
(c) Less fictitious assets	(-) 38.22	53.83	(-) 55.99
Total:	74.49	59.28	57.49
(iii) Loans taken from Govt.	175.00	185.30	185.30***
(iv) Income	19.99	48.58	38.94
(v) Net Loss/Profit (before interest on loans):	(-) 30.82	(-) 5.75	(+) 2.41
(vi) Net Loss (after interest on Loans):	(-) 37.76	(-) 15.76	(-) 2.22
(vii) Ratio of total capital to Income	1 : 0.07	1 : 0.17	1 : 0.14

i) Turnover

15. As against the total capital of Rs. 284.95 lakhs, the Company's gross income during the year 1958-59 was about Rs. 63 lakhs. The ratio of total capital to income is thus 1 : .22. This appears to be low. On being asked as to what should be the capital - income ratio in a hotel, the representative of the Ministry stated that it depended upon the conditions under which a hotel operated. He added that most hotels were operated on lease basis and the capital necessary in their cases was very much less. Though this ratio may differ from one hotel to another, a comparison with some leading hotels in the country would be relevant. The Committee find that during 1958-59, the ratio of total capital to income of one of the leading hotels in

* The financial year of the Company was formerly from the 1st October to 30th September. It was changed to correspond to the financial year of the Government from October, 1958 in accordance with the recommendations of the Estimates Committee made in their 20th Report (2nd Lok Sabha).

** Total of all assets less fictitious assets.

*** The paid-up capital was raised to Rs. 150 lakhs in 1959-60 by converting Rs. 50 lakhs out of the total amount of loans of Rs. 185.30 lakhs into share capital.

† The total capital as on 31.3.59 has been taken from the Report of the Company for the half year ended 31.3.59. The gross income for the whole year 1958-59 i.e. Rs. 43 lakhs has been taken from the graph (as furnished by the Company) at Appendix II.

Bombay* was 1 : 0.8. The Committee hope that the Ashoka Hotels would be able to show a much larger income in relation to its total capital in future.

ii) Expenses

Administra-
tive expenses
high:

16. The following table shows total expenditure *vis-a-vis* the total administrative expenses of the Company during the period ending 31-3-59:-

(In lakhs of rupees)

Period	Total expenditure.	Administra- tive expendi- ture.	Percentage of (3) to (2)
(1)	(2)	(3)	(4)
1956-57	58.33	2.32	3.9%
1957-58	66.07	3.73	5.6%
Six months ending 31.3.59	43.29	2.73	6.2%

Need to have
expenditure
regularly ana-
lysed. :

17. It will be seen that the percentage of administrative expenses to total expenditure rose from 3.9% in 1956-57 to 6.2% in the six months ending 31.3.59. This was ascribed to increased occupancy in the hotel. The Committee also find that the expenditure on flowers and decorations rose from Rs. 23,953 in 1957-58 to Rs. 32,049 during the 6 months ending 31-3-59 and on dance and musicals from Rs. 24,634 to Rs. 50,926 during the same period. During evidence the representative of the Ministry admitted that the expenditure on flowers and decorations had been high and that 'there was a certain amount of laxity on the part of the then management.' The rise under dance and musicals was explained to be due to invitation to certain foreign artistes. It was further urged that arrangements in these respects had since been revised and the matters had now improved. The Committee suggest that the

* The Tajmahal Hotel.

management may have the expenditure in the hotel analysed regularly and action taken to control undue increases.

iii) Depreciation

18. The total value of fixed assets (excluding lease hold land) of the Company as on 31-3-59 was Rs. 261.32 lakhs against which the amount of depreciation provided was Rs. 30.94 lakhs. In this connection the Director of Commercial Audit in his comments on the accounts of the Company for the half year ending 31-3-59 has stated as under:-

'The depreciation on fixed assets has been charged at income tax rates (except for furniture on which it has been charged @ 15% against 9% prescribed in Income Tax Rules). The life of the fixed assets has not been assessed by technical experts and the rate of depreciation arrived at with reference to their life. It is not therefore possible to state if the provision for depreciation is adequate.'

19. During evidence the representative of the Ministry stated that the particular requirements of the undertaking had been taken note of by the management in that they were charging depreciation on most of the items of fixed assets at rates higher than those allowed by the Income Tax Authorities. On attention being invited to the above remarks of the Director of Commercial Audit, he, however, admitted that it was only in the case of furniture and furnishings that the Company had provided depreciation at higher rates. Subsequently during the visit of the Sub-Committee to the Ashoka Hotels, the General Manager stated that the question had also been examined by technical experts and their report was yet to be considered by the Board of Directors. The Committee hope that the Ashoka Hotels will ensure that depreciation is charged on the basis of life of the assets. if such rates are higher than the Income Tax rates prescribed for the purpose. Since plant and machinery in a hotel are prone to rapid wear and tear, the normal rate of depreciation is not likely to prove adequate. The Hotel Standards and Rate Structure Committee in their Report had also observed

Need to provide depreciation on basis of actual life of fixed assets

that the highest rate of depreciation should be allowed on electric motors, air-conditioning plants etc. used in hotels. The Committee trust that the management would take into account the special condition obtaining in the hotel industry in respect of such classes of assets, when fixing their life.

iv) Losses

Total amount of Losses:

20. The cumulative amount of loss suffered by the Company upto 31.3.59 was Rs. 55.74 lakhs. This represents about 55% of the paid-up capital of the Company (Rs. 100 lakhs) as on 31.3.1959. The paid-up capital includes an amount of Rs. 50 lakhs representing 5000 cumulative preference shares of Rs. 1,000/- each. The rate of dividend payable is 5½%. The annual liability on this account was Rs. 2.75 lakhs, per annum and is shown as a contingent liability. The total amount of such liability was Rs. 8,24,874 at the end of March, 1959.

Reasons for Losses:

21. The main reasons given for the losses were as follows:-

(1) During 1956-57 the construction of the hotel was still going on and after the UNESCO Conference, it remained vacant for most of the time.

(2) Provision had to be set apart in 1956-57 and subsequent years for depreciation, development rebate, and interest on loans and a premium (price) of land etc.

Need to increase earnings:

22. The Company was stated to have since turned the corner and earned a profit of about Rs. 9.69 lakhs in 1959-60.

The Committee are glad to note that during the current year, the forecasts for a profit of over Rs. 20 lakhs. In this connection, it is to be seen that due to losses, no income tax had been paid by the Company and the liability thereof will arise only after all the losses of previous years have been wiped off. Further, the Company has not yet built up Reserves like General Reserve for development and expansion

of its activities. The amount of losses incurred so far being substantial, it seems that it would be sometime before the Company is in a position to give a return on the capital invested. Now that the Ashoka Hotels has started making profits the Committee trust that it will spare no pains to increase its earnings and reduce its expenses so that not only a fair return on the capital would be given after providing for adequate depreciation, and reserves inclusive of provision for expansion, but also to redeem in due course its capital for investment by Government in other fields.

E. TARIFF

23. The prevailing tariff rates in respect of the main categories of accommodation in the Ashoka Hotels and other leading hotels in Delhi are given below:-

Comparison
with other
hotels in
Delhi.

	Ashoka	Maidens	Imperial	Claridges
Single Rooms	Rs. 50/55	Rs. 35	Rs. 55	Rs. 40-50
Single Suites	Rs. 70/75	Rs. 40	Rs. 75	Rs. -
Double Rooms	Rs. 90/100	Rs. 55	Rs. 95	Rs. 75-85
Double Suites	Rs. 120/130	Rs. 75/85	Rs. 115	-
Luxury Suites	Rs. 200	-	Rs. 115-125 175 & 250.	Rs. 125-175
Delux Suites	Rs. 250	-	-	-

24. It will be seen that while the rates of Ashoka Hotels are more than those of Maidens and Claridges, they are about at par with those of the Imperial Hotel. It was claimed during evidence that the entering of Ashoka Hotels into the hotel business and fixing of their tariff rates had a salutary effect on the other hotels in the capital in the matter of charging proper rates. Regarding the fixation of rates of the Ashoka Hotels the Committee were informed that initially the tariff was fixed in the context of prices charged in comparable hotels in the Far East, especially in Hongkong and Tokyo.

Later on when the hotel had become well-known in tourist circles and amongst the clients, there were two upward revisions of Rs. 5/- per bed each time (excluding luxury and delux suites).

Recommendations of Hotel Standards and Rate Structure Committee.

25. 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 conditions prevailing in this country, that Committee recommended the adoption of a formula (Appendix III) which is based on the Hubbard Formula as accepted and recommended by the American Hotel Association. This modified formula contemplated, among other things, a return of 8 per cent on buildings and land and 10 per cent on the capital employed in hotel keeping.

26. During evidence the representative of the Ministry stated that the tariff in the Ashoka Hotels was not fixed on the basis of the above formula. It was added that the present rates were considered reasonable by the clients and also offered a fair margin of profit to the Company. On a request made by the Committee, the Ashoka Hotels worked out the average tariff on the basis of the formula referred to above. This is reproduced at Appendix IV. According to this calculation the average rate of a room in the Hotel comes to Rs. 67 as against the existing rate of Rs. 50 to Rs. 55 per day.

Committee's recommendation.

27. *The Estimates Committee are not happy about a position where the recommendations made by a Committee appointed by Government are not followed in respect of the hotels owned and run by them. The Ashoka Hotels has not been able to give yet the normal return of 8 per cent on land and buildings and 10 per cent on the capital employed in hotel keeping. It may not, however, be desirable to revise tariff rates to achieve this end, for one of the objects in setting up the hotel was to "arrest the soaring hotel rates in Delhi". The remedy would appear to lie*

in reducing operating expenses by all possible economies and by strictly controlling any further increase in the capital. The Committee hope that special measures would be taken by the Management for this purpose. They would also suggest that for fixing the tariff, the various elements of cost may be first gone into and tariffs worked out on the basis of the formula recommended by the Hotel Standards and Rate Structure Committee. If a lower tariff has to be fixed on considerations of market rates or other factors, it should be the constant endeavour of the Management to eliminate the difference between the rates assessed on the basis of that formula and the lower tariff fixed by bringing down their operating and other expenses.

G. PERSONNEL MATTERS

(i) Staff Strength

28. The hotel is under the overall supervision of a General Manager who is assisted by a Manager (a foreigner). There are also a Deputy Manager, Assistant Managers and a complement of staff. A statement showing the strength of staff in various categories is given at Appendix V. It will be seen therefrom that the total staff strength increased from 889 in 1957-58 to 1,154 in 1958-59. It has further gone up to 1,317 by 1.11.1960.

Increase in Staff Strength.

29. The ratio of the hotel staff to beds *vis-a-vis* that obtaining in comparable establishments* in India and Western countries is given below:—

Comparison with other establishments.

		<i>Staff : bed</i>
U.S.A.	...	About $\frac{1}{2}$: 1
U.K.	...	1 : 1

*The Hotel Standards and Rate Structure Committee Report (1958), p. 55.

Europe generally	...	1	:	1
Indian Hotels	...	2.5	:	1
Ashoka Hotels	...	3.1	:	1

Reasons for
high ratio.

30. It would thus appear that the ratio of staff to beds in Indian Hotels is higher than that of the Western countries and that of Ashoka Hotels is even higher than the other Indian Hotels. This was explained to be mainly due to the following factors:--

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

31. During evidence, the representative of the Ministry stated that the management had carefully gone into this matter and the staff strength had stabilised round about 1200 to 1300. Even allowing for some extra staff for maintenance, repair, laundry etc. *the Committee feel that the hotel is overstaffed and there is scope for effecting reduction therein.*

Minister's
observation.

32. In this connection, they would also refer to the following observation made by the Minister of Works, Housing and Supply, while replying to the debate on the Demands for Grants of the Ministry of Works, Housing and Supply for 1958-59, in the Lok Sabha on the 31st March, 1958:—

... Now it is well known that in any Hotel the proportion of the staff to the guests in the hotel is 2 : 1. So, on that basis, if the Ashoka Hotels can accommodate 400 and odd people the normal staff required for running such a hotel is about 800 and odd...It is not linked up

with the profit question at all; it is not linked up with the average occupancy of the Hotel. Though it is a fact that the average occupancy rose from 80 to 200 it does not mean that we ought to have adhered to the overstaffed position in the Hotel namely about 950 or 960."

33. Obviously the above ideas about the desirable staff strength in the hotel have not been put into effect by the management of the hotel. The Committee trust that the Government will take immediate steps to bring down the staff strength to the desired level.

Need to bring down staff strength.

(ii) Training

34. The Committee are glad to learn that the training on various aspects of hotel craft was being imparted to the staff since October, 1960 by the Manager. They suggest that the adequacy of the training scheme and programmes may be continuously reviewed.

Adequacy of Training.

(iii) Recruitment

35. The Committee were informed that out of the total establishment of 1,317 as on 1.11.60 only 218 persons had been appointed as a result of advertisements in the Press and only one had been taken through the Employment Exchange. Thus the general policy was not to advertise the posts. The Committee feel it would have been desirable if more recruitment had been made through advertisements and Employment Exchanges.

Recruitment: not made through advertisement/ Employment Exchange.

(iv) Pay Scales

36. The Company has not so far prescribed scales of pay for the various categories of posts and at present pay of

Pay Scales: not prescribed.

each category was fixed on an *ad-hoc* basis. It was explained that in early stages, when the hotel had to be started in a hurry, it was necessary to have recourse to emergency measures and persons had to be recruited on an *ad-hoc* basis depending upon their experience and qualifications. A Sub-Committee of four members under the Chairmanship of a Director of the Company was stated to have since gone into this matter and the pay scales and terms and conditions of service were to be introduced after the Board of Directors of the Company had approved the same. *The Committee do not appreciate the reasons given for not having laid down regular pay scales and terms and conditions of service for different categories of employees for more than four years. They trust these will be introduced without any more delay.*

(v) *Visit of General Manager to foreign countries*

No written
report sub-
mitted.

37. In April, 1960, the General Manager of the Ashoka Hotels undertook a study/liaison tour to certain Western countries to study the conditions and facilities available in luxury hotels there and thereby effect improvements in the running of the Ashoka Hotels. The trip lasted for about 7 weeks. During evidence it was stated by the General Manager that he did not submit any written report on return from tour but made a verbal report to the Board. It was also stated that no record of this verbal report had been made in the minutes of the Board's meeting. *The Committee consider that the procedure adopted in this case was not happy. In all such cases of study tours the submission of a written report within a reasonable time should be the invariable rule. The Committee are, however, glad to note that a report was drawn up subsequently by the General Manager, copies of which were made available to them.*

(vi) *Board and lodging to officers and staff*

38. A statement showing the members of the staff and their families who were provided with board and lodging in the hotel either free or at concessional rates, type of accommodation provided to them, monthly expenditure incurred thereon as worked out on the basis of Hotel's Tariffs and recoveries made from them on that account is given in *Appendix VI*. It would be observed that upto 31st March, 1959 eight officers were provided with free board and lodging. The number of such officers came down to six as on 1.11.60. From the 15th July, 1959, recoveries were being made from three of them, namely the General Manager, the Manager and the Vigilance Officer at concessional rates which on a calculation amount only to about 10% on an average of the usual charges. The Deputy Manager, the Assistant Manager and the House Keeper do not pay anything. In addition, more than 500 members of the staff of various categories are provided with free accommodation in the staff quarters. About 95% members of the staff are given free meals while on duty.

Board and lodging to officers and staff free or on concessional rates.

39. In course of evidence, the representative of the Ministry stated that concessions of free board and lodging were provided to the General Manager or Manager by other Hotels also. The net effect of all these concessions to various members of staff in the Ashoka hotels in terms of money works out ^{to} about Rs. 5 lakhs per year *vide* statements given at *Appendices VI to IX*. *This amount of concessions seems to be on the high side. The Committee consider that the proper criterion to be followed in this matter is the pattern existing in similar modern Hotels.*

Need to follow pattern as in other modern hotels.

(vii) *Staff Quarters*

40. Quarters for staff have been built in the hotel compound. During their visit to quarters for the low paid staff

Need for improvement.

the Sub-Committee noticed that the common bath rooms and lavatories were inadequate and the standard of cleanliness in the building also left much to be desired. There was no dormitory or a rest room for those members of the staff who were not on the premises and had to perform more than one spell of duty and were residing at a long distance from the Hotel. It was explained that the Company had a proposal to construct more staff quarters. *The Committee hope that the management would give due attention to these matters and provide necessary facilities to the staff.*

H. MISCELLANEOUS

(i) *Plant and Machinery*

Plant and
machinery
'ancient'

41. The Committee understand that lifts, laundry, kitchen and items of bakery equipment in the hotel are 'ancient'. It was stated that the Company proposed to draw up a phased programme for replacement of existing equipment. *The Committee regret that though the hotel had been set up recently sufficient care and attention could not be bestowed on the instalment of upto-date plant and machinery.*

(ii) *Outstanding Dues*

42. The following table shows the position regarding outstanding dues of the Company during the last 2½ years:—

	As on 30.9.57 (1)	As on 30.9.58 (2)	As on 31.3.59 (3)
Dues for less than 3 months (shown in B/S under current assets)	1,22,174	3,19,818	7,14,843
Dues for more than 3 months (shown in B/S under loans and advances).	50,931	2,95,354	3,20,316
• Total	1,73,105	6,15,182	10,35,159

	(1)	(2)	(3)
Percentage of dues to total income.	9%	12%	27%

43. Of the total dues of Rs. 10.35 lakhs as on 31.3.59, Rs. 9.61 lakhs were stated to be due from Government Departments, Travel Agents and big business firms and the balance of Rs. .74 lakhs from guests staying in the Hotel at that time. The Committee also find that out of the total dues of Rs. 3.20 lakhs for more than three months, Rs. 1.14 lakhs were outstanding for over six months and Rs. .47 lakhs for over a year. *The Committee do not feel happy that a commercial concern like Ashoka Hotels should have allowed outstanding dues to accumulate to such an extent. They recommend that special measures may be taken by the Company to liquidate the present outstandings and to prevent future accumulations.*

Need to liquidate outstanding dues.

(iii) *Provision for Bad and Doubtful Debts*

44. The Company made a provision of Rs. 2,09,629 for bad and doubtful debts during the six months ending 31.3.59. The doubtful accounts were broadly as follows:—

Air India International	...	Rs. 1,21,578
Oil & Natural Gas Commission		Rs. 24,778
Others	...	Rs. 63,273

It was explained that during 1958-59 the Air India International and the Oil and Natural Gas Commission reserved blocks of accommodation in the hotel which they actually did not utilise entirely. There was some misunderstanding in the

reservation of accommodation and the matter had to be settled by arbitration. The arbitrator gave an award of Rs. 20,000 in the case of dues from the A.I.I. and Rs. 4,000 in the case of dues from the O.N.G.C. The balance of Rs. 1,22,356 had since been written off against the Reserve. As regards other doubtful accounts it was stated that a sum of Rs. 33,000 had since been recovered by the Company. It was further stated that there were no specific rules for reservation of accommodation till 1959-60 and it is only in August, 1960 that proper rules had been framed. *The Committee regret to note that the Company took four years to frame the necessary rules.*

Long time taken to frame rules for reservation.

(iv) Purchase Procedure

Need to enter into rate contracts with suppliers.

45. The Committee understand that with the exception of a few items like meat, fish, ^{egg, poultry, fruit,} vegetables, all other commodities (medical stores, stationery and printing, fuel, uniforms, linen and blankets, crockery, cutlery, provision and stores, wine, cleansing and washing materials etc.) are procured by the Company without inviting any tenders. They are purchased direct from manufacturers or wholesalers and some from retailers after ^{calling for quotation or} selection by the members of the Purchasing Committee, comprising of a Manager, a financial representative and a cook appointed by the General Manager for each month. This procedure was stated to have been adopted to avoid any complaints regarding the quality of stores. *In view of the large consumption of stores in the hotel (value of provision and stores alone being Rs. 5.57 lakhs during 1959-60), and as most items now directly purchased from the market would appear to be of a standardised quality, the Committee feel that as far as possible the Company should enter into rate contracts with leading suppliers after inviting quotations for supply of such items.*

(v) *Subsidiary accounting in the kitchen*

46. The Auditors of the Company in previous reports stressed the desirability of introducing subsidiary accounting in the kitchen so as to properly check the appropriateness of consumption of stores. In their report on the accounts for six months ending 31.3.59, they observed as under—

Auditors' comments.

“The records relating to issue of stores call for further improvement. As for our note in our report on the previous year's accounts concerning the effective check on the consumption of stores in the kitchen, while there has been some improvement, there is still room for more.”

47. In evidence, the representative of the Ministry urged that there were adequate physical checks against any leakages and that the introduction of elaborate accounting system, as desired by the auditors, was not called for. It was further stated that the management had not been able to satisfy the auditors in this respect and that they have again repeated their earlier observation in the report on the accounts of the Company for the year 1959-60. *In view of large consumption of stores in the kitchen and the need to make use of unconsumed articles, the Committee suggest that a suitable form for maintaining an account of receipts/issues of stores in the kitchen and their effective consumption may be devised in consultation with the Company's auditors without delay.*

Need for introducing suitable accounting system.

(vi) *Library*

48. The Committee observed that though there is a Library room in the hotel it had no books. It was explained that books for the Library were not procured as it involved considerable expenditure. *It would be obviously desirable to have books in the Library. A beginning may be made*

Need for a Library.

with books pertaining to India's development plans, freedom movement, cultural heritage and biographies of national leaders etc. which may be procured without any appreciable expenditure. The hotel authorities may also approach the various Ministries for complementary copies of their publications suitable for the Library.

NEW DELHI;

The 23rd March, 1961

Caitra 2, 1883 (Saka)

H. C. DASAPPA,

Chairman,

Estimates Committee.

APPENDIX I
(Vide para 1:)

Composition of the Board of Directors of the Ashoka Hotels Ltd.

1.	Shri T. Sivasankar, Secretary, Ministry of Works, Housing & Supply.	-	Chairman
2.	Shri N.N. Wanchoo, Secretary, Ministry of Finance.	-	Special Director
3.	General Maharaj Rajinder Singhji	-	-do-
4.	Shri S. Dutt, Secretary, Ministry of External Affairs.	-	Director
5.	Shri S. Ranganathan, Secretary, Ministry of Commerce and Industry.	-	-do-
6.	Shri S.S. Khera, Secretary, Ministry of Steel, Mines & Fuel.	-	-do-
7.	Shri S. Ratnam, O.S.D., Ministry of Commerce and Industry.	-	-do-
8.	Shri N.P. Dube, Housing Commissioner, Ministry of Works, Housing and Supply.	-	-do-
9.	H.H. Yuvrani Yasho, Rajya Lakshmi of Jammu and Kashmir.	-	-do-
10.	Shri M.R. Dhawan	-	-do-
11.	Shri K.L. Hathi	-	-do-
12.	Shri M.H. Sachdev, Secretary, Ministry of Irrigation and Power.	-	Additional Director.

APPENDIX IA
(Vide para 12)

Statement showing break-up of overnight occupancy during last two years according to

- (i) the number of guests who stayed in the hotel on Government account,
- (ii) guests who were sponsored by the Travel Agents and
- (iii) others who came through the Company's own efforts.

Month	1959					1960				
	(a)	(b)	(c)	(d)	(e)	(bb)	(cc)	(dd)	(ee)	
	Guest nights in respect of Government sponsored clients	Guest nights in respect of clients sent by Travel Agents	Guest nights in respect of Government sponsored clients	Guest nights Direct Bookings	Total No. of Guest Nights	Guest nights in respect of Government sponsored clients	Guest nights in respect of clients sent by Travel Agents	Guest nights Direct Bookings	Total No. of Guest Nights	
January	251	4010	4093	8354	429	4824	5455	10719		
February	252	4038	4122	8412	475	4984	6407	11855		
March	298	4757	4957	9932	504	5295	6805	12633		
April	238	3808	3907	7953	428	4500	5784	10712		
May	215	3440	3508	7163	417	4375	5526	10418		
June	183	2928	2997	5108	344	3614	4545	8503		

(a)	(b)	(c)	(d)	(e)	(bb)	(cc)	(dd)	(ee)
July	228	3548	3715	7591	337	3544	4554	8435
August	257	4112	4216	8585	377	3967	5097	9441
September	237	3792	3881	7910	353	3704	4762	8519
October	282	4512	4692	9386	429	4504	5791	10724
November	• 324	5184	5291	10799	482	5058	5503	12043
December	347	5552	5687	11586	416	4370	5528	10414
TOTAL:	3112	49791	50876	103779	4991	52739	57069	124799

APPENDIX III

(Vide para 25)

Formula recommended by the Hotel Standards and Rate Structure Committee for evaluating Rate Structures of Hotels Rooms.

- A ... Operating expenses under all headings and a reasonable return on the present fair value of the property, namely, a return of 6% on land and buildings except where leased unless the lease, as in Delhi, approximates the sale price of existing hotels and a return of 10% on the capital employed in hotel keeping should be allowed in the calculations. In the case of new hotels (*i.e.* hotels built after 1955) the return on land and buildings may be allowed at 8% with the same exceptions
- The return in both cases should be net return after allowing for taxation, insurance and depreciation
- B Less Income from other sources such as store rentals, food and beverages and miscellaneous income.
- C Balance The balance comes to the amount to be realised from room income.
- D Compute ... Number of guest rooms multiplied by 365 days and reduced by giving an allowance for average vacancies. (The room occupancy ratio to be postulated for arriving at this return should be 60%. In the case of hotels in hill stations and sea side resorts, occupancy ratio should be the actual average annual room occupancy or 60% whichever is lower should be the basis).
- F Results ... $\frac{C}{D}$ average room rate.

(pp. 21-22 of Report of the Hotel Standards and Rate Structure Committee - June, 1958).

APPENDIX IV
(Vide para 25)

Statement showing the tariffs of the Ashoka Hotels worked out on the basis of formula recommended by the Hotel Standards and Rate Structure Committee (1958).

On the basis of the formula recommended by the Hotel Standards and Rate Structure Committee the room rent (board and lodging) of a single room in the Ashoka Hotel works out, as under:—

		Rs.	
(i) Operating expenses incurred during 1959-60	...	65,82,524	
Deduct development rebate	16,859	
		65,65,665	
These expenses include depreciation and insurance charges and house tax paid to the N.D.M.C.			
(ii) Total cost of the buildings and land as on 31.3.60, according to the Schedule of fixed assets forming part of the draft Balance Sheet for the year 59-60	...	2,72,68,617	
Deduct depreciation charged off to end of March 1960	43,34,284	
Net depreciated value of fixed assets	...	2,29,34,333	
Return on the above amount @ 8%	...	18,34,746	
(iii) Income from sources other than board and lodging	18,59,983	
(iv) Balance (i) + (ii) - (iii)	65,40,428	
(v) Number of single rooms in the Hotel (taking each double room and double suite equal to 2 single rooms and each luxury suite and Delux suite equal to 4 single rooms)	446	
Total occupancy	446×365 (No. of days in a year)	$\times \frac{60}{100}$	97,674
(vi) Average room rent	$\frac{(iv)}{(v)}$	=	Rs. 67/-

APPENDIX V
(Vide para 28)

Number of persons according to each category employed in Ashoka Hotels during each of the last 3 years.

<i>Category</i>	<i>Strength as on 31.3.1957</i>	<i>Strength as on 31.3.1958</i>	<i>Strength as on 31.3.1959</i>
Senior Staff	25	25	38
Accounts Estt. :	25	34	48
General Office Estt. :	22	26	23
Reservation & Reception	14	12	13
Telephone Staff	28	28	25
Orchestra	15	16	16
Stores Staff	41	35	34
Pantry	29	33	35
Stewards	29	34	39
Cooks	40	47	53
Confectionary	9	9	6
Bar staff	10	12	15
Butlers & Waiters	57	74	95
Room Bearers	68	61	74
Lloys	58	60	60
Daftries & Peons	15	14	23
Porters	10	11	13
Masalchis	104	100	116
Sweepers	116	120	138
Dhobis	15	15	14
Security	58	40	39
Garden Staff	15	10	10
Maintenance	37	42	184
Miscellaneous	21	39	43
	<hr style="width: 50%; margin: auto;"/>	<hr style="width: 50%; margin: auto;"/>	<hr style="width: 50%; margin: auto;"/>
	882	869	1154
	<hr style="width: 50%; margin: auto;"/>	<hr style="width: 50%; margin: auto;"/>	<hr style="width: 50%; margin: auto;"/>

APPENDIX VI

(Vide para 38)

Statement showing the officers and their families who were provided board and lodging in the hotel either free or at concessional rates; type of accommodation provided to them; monthly expenditure thereon as worked out on the basis of hotel's tariffs and recoveries, if any, made from the staff on that account during the last two years.

1958-59 1959-60

Designation	2	3	4	5	6	7
General Manager	-	Wife and 2 children	One Single Suite & One Single Room.	Rs. 3,500/-p.m.	Nil	No charges were made for board and lodging.
Manager	-	Wife and 1 daughter	One Double Suite.	Rs. 3,500/-p.m.	Nil	-do-
ES Manager	-	Nil	One Single Room.	Rs. 1,500/-p.m.	Nil	-do-
Chief Patil Saib	-	Nil	-do-	Rs. 3,000/-p.m.	Nil	-do-
Deputy Manager	-	Nil	Manager's Flat (part)	-	Nil	The Manager's Flat can, after conversion and refurnishing, be used for guests as large suite at an approximate tariff of Rs. 175/- per day

7

6

5

4

3

2

1

No charges were made for board and lodging.

Reception Manager	Nil	One Single Room.	Rs. 1,500/-p.m.	Nil		
House Keeper	Nil	One Single Room.	Rs. 1,500/-p.m.	Nil	-do-	
House Keeper	Nil	One Single Room.	Rs. 1,500/-p.m.	Nil	-do-	

NOTE.— In addition to the above approx. 50 members of the staff of various categories were provided with FREE accommodation in the Senior Staff Quarters, Junior Staff Quarters, Dormitories and Servant Quarters. About 95% members of the staff were provided with free meals whilst on duty, estimated cost of which was Rupee One per man per day.

AS ON 1ST NOVEMBER, 1960

General Manager	Rs. 2,400/- p.m.	Wife and 3 children.	Manager's Flat (Part)	Rs. 5,250/-p.m.	* Rs. 500/- p.m.	The Manager's Flat can, after conversion and refurnishing, be used for guests as large suite at an approximate tariff of Rs. 175/- per day.
Manager	Rs. 2,500/- p.m.	Wife	One Double Suite.	Rs. 3,900/-p.m.	Rs. 250/- p.m.	
Deputy Manager	Rs. 1,000/- p.m.	One Son.	One Double Room (converted)	Rs. 2,700/-p.m.	Nil	No charges are made for board and lodging.

* Recoveries being made from 15.7.59.

1	2	3	4	5	6	7
Asstt. Manager (Accommodation)	Rs. 400/- p.m. + Rs. 200/- family allow.	Nil	One Sub-standard room.	Rs. 1,050/-p.m.	Nil	No charges are made for Board and lodging.
Vigilance Officer	Rs. 550/-	Nil	-do-	Rs. 1,050/-p.m.	Rs. 150/- p.m.	
House keeper	Rs. 250/- + Rs. 50/- Ser- vice Surcharge Staff Benefit Fund.		One Single Room.	Rs. 1,500/-p.m.	Nil	-do-

NOTE.— In addition to the above approx. 530 members of the staff of various categories are provided with FREE accommodation in the Senior Staff Quarters, Junior Staff Quarters, Dormitories and Servant Quarters. About 95% members of the staff are provided with free meals whilst on duty, estimated cost of which is Rupee One per man per day.

APPENDIX VII
(Vide para 39)

Statement showing the number of Staff in Ashoka Hotel provided with Free Meals whilst on duty and Free Accommodation.

S.No.	Category	No. of persons whom free residential accommodation was provided.						No. of persons whom free food was provided while on duty.	
		Strength as on 31.3.59	Strength as on 31.3.60	As on 31.3.59	As on 31.3.60	As on 31.3.59	As on 31.3.60	As on 31.3.59	As on 31.3.60
1	2	3	4	5	6	7	8		
1.	Senior & Supervisory Staff	38	26	16	16	31	20		
2.	Accounts Establishment	48	59	11	11	40	45		
3.	General Office Estt.	23	24	8	9	16	15		
4.	Reservation & Reception	13	15	5	5	13	15		
5.	Telephone Staff	25	24	4	5	25	24		
6.	Orchestra Staff	16	15	12	12				
7.	Store Keepers	14	9	4	2	14	9		
8.	Asstt. Store Keepers	11	8	3	4	11	8		

	1	2	3	4	5	6	7	8
9. Helper in Stores			9	11	4	4	9	11-
10. Pantry Staff			35	24	26	20	35	24
11. Cooks			53	45	34	34	53	46
12. Stewards			39	39	28	30	39	39
13. Confectionery Staff			6	8	4	5	6	8
14. Bar Staff			15	14	10	10	15	14
15. Butlers			3	2	3	2	3	2
16. Waiters			92	80	52	53	92	80
17. Room Bearers			74	81	26	28	74	81
18. Lays			60	51	32	33	60	51
19. Drivers			6	4	5	3	6	4
20. Dafnies			2	2	-	-	2	2
21. Peons			21	26	12	12	21	25
22. Porters			13	15	8	8	13	15
23. Masaldhies			115	115	82	84	115	115
24. Sweepers			138	128	45	46	138	123
25. Dhobies			14	50	8	10	-	-
26. Asstt. Security Officers			2	3	2	3	2	3

1	2	3	4	5	6	7	8
27.	Darwars	5	5	3	3	5	5
28.	Chowkidars	32	31	26	27	-	31
29.	Garden Staff	10	35	2	3	-	35
30.	Maintenance	184	178	20	22	2	2
31.	C.R. Attendants	13	12	7	7	13	12
32.	Hair Dressers	1	-	-	-	1	-
33.	Barbers	3	3	-	-	-	-
34.	Dry Cleaners	1	-	1	-	-	-
35.	Compounder	1	1	1	1	1	1
36.	Ward Attendants	1	2	1	2	1	2
37.	Artist	1	1	1	1	1	1
38.	Assistant Artists	2	2	1	1	2	2
39.	Helper to Artist	1	1	1	1	1	1
40.	Tailors	7	7	-	-	7	7
41.	Time Keepers	5	5	1	1	5	5
42.	Tennis Marker	1	1	1	1	1	-
43.	Disinfectionery Squad Beldars	-	3	-	-	-	3
44.	Grill Room	-	50	-	10	-	50
TOTAL:		1154	1225	510	530	849	947

NOTE:- 95% of the members of the Staff get free tea and snacks while on duty.

APPENDIX VIII

(Vide para 39)

Statement showing monthly expenditure on food items in respect of free meals provided to Staff of Ashoka Hotel whilst on duty.

<u>1959:-</u>	<u>Expenditure</u>	<u>1960:-</u>	<u>Expenditure</u>
<u>Month</u>	<u>Rs.</u>	<u>Month</u>	<u>Rs.</u>
January	11,370 = 23	January	11,376 = 07
February	10,612 = 60	February	10,951 = 77
March	12,036 = 16	March	11,590 = 00
April	11,626 = 90	April	11,425 = 05
May	10,979 = 61	May	11,685 = 09
June	10,163 = 34	June	12,435 = 90
July	10,889 = 56	July	11,746 = 30
August	11,438 = 38	August	12,666 = 89
September	11,603 = 89	September	11,646 = 54
October	12,082 = 50	October	12,356 = 79
November	11,571 = 92	November	12,681 = 99
December	11,570 = 23	December	12,379 = 58
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	1,36,174 = 72		1,42,941 = 95
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APPENDIX IX

(Vide para 39)

Statement showing annual expenditure on staff quarters of
Ashoka Hotel in the years 1959 and 1960.

<u>Details of Expenditure</u>	<u>Year 1959</u>	<u>Year 1960</u>
Depreciation	46,098/-	44,405/-
Interest on total cost @ 5%	86,806/-	86,806/-
Maintenance Cost @ 2% of total cost	35,622/-	35,622/-
House Tax	8,680/-	8,680/-
Electricity & Water Charges, supplied free	20,000/-	21,000/-
	<u>1,97,206/-</u>	<u>1,96,513/-</u>

APPENDIX X

Summary of Conclusions/Recommendations

Sl. No. 1	Ref. to para No. of the Report. 2	Summary of Conclusions/Recommendations 3
1	4	It would appear that originally Government had no intention of setting up and running the hotel on their own. They participated in a project which did not materialise as visualised and Government were practically compelled to take over much larger liabilities than anticipated.
2	7	There were no proper plan or estimates when the project was started in 1955. The Committee find it rather unusual that Government should have participated in a project placed before them without ascertaining fully the financial implications and other details.
3	9	Even allowing for the extra expenditure due to extreme urgency of construction still it may not explain fully the difference between the normal cost of Rs. 35,000 per bed and the cost of Rs. 66,000 per bed in the case of Ashoka Hotels which is on the high side. It would have been a more proper thing to have got the estimates worked out atleast when the Government chose to take over the Ashoka Hotels (and to have tried to confine their expenditure within the limits of those estimates. As it is, the actuals seem to be the only estimates available. <i>lower</i>
4	10	The Committee trust that Government will examine the possibility of reducing the number of Directors on the Board of Directors of the Company.
5	11	The Committee feel that since the construction period of the Company is now over, the existing basis of selection of the Directors require to be changed. In the previous para they have suggested that the strength of the Board should be reduced. In this connection, the Committee would invite attention to their recommendations made in their 16th, 39th and 41st Reports (First Lok Sabha) and 38th Report (Second Lok Sabha) wherein they have deprecated the increasing tendency on the part of Government to appoint Secretariat officials as members of the Corporations or Board of Directors of the Government Companies.
6	12	The Committee have every hope that there would be further improvement in the occupancy as the years go by.
7	13	It would be desirable to take special steps to increase occupancy during the lean months from April to September. One way of doing so may be to allow a special discount on the usual tariff rates during these months. The Committee further feel that it

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would be useful if statistics regarding the monthly occupancy figures for all the months are appended to the Annual Reports of the Company.

- 8 15 The ratio of total capital to income of the Company appears to be low. Though this ratio may differ from one hotel to another, a comparison with some leading hotels in the country would be relevant. The Committee find that during 1958-59, the ratio of total capital to income of one of the leading hotels in Bombay was 1 : 0.8. The Committee hope that the Ashoka Hotels would be able to show a much larger income in relation to its total capital in future.
- 9 17 The Committee suggest that the management may have the expenditure in the hotel analysed regularly and action taken to control undue increases.
- 10 19 The Committee hope that the Ashoka Hotels will ensure that depreciation is charged on the basis of life of the assets, if such rates are higher than the Income Tax rates prescribed for the purpose. Since plant and machinery in a hotel are prone to rapid wear and tear, the normal rate of depreciation is not likely to prove adequate. The Hotel Standards and Rate Structure Committee in their Report had also observed that the highest rate of depreciation should be allowed on electric motors, air-conditioning plants etc. used in hotels. The Committee trust that the management would take into account the special conditions obtaining in the hotel industry in respect of such classes of assets, when fixing their life.
- 11 22 (i) The Committee are glad to note that during the current year the forecast is for a profit of over Rs. 20 lakhs.
- (ii) It is to be seen that due to losses, no income tax had been paid by the Company and the liability thereof will arise only after all the losses of previous years have been wiped off. Further, the Company has not yet built up Reserves like General Reserve for development and expansion of its activities. The amount of losses incurred so far being substantial, it seems that it would be sometime before the Company is in a position to give a return on the capital invested. Now that the Ashoka Hotels has started making profits, the Committee trust that it will spare no pains to increase its earnings and reduce its expenses so that not only a fair return on the capital would be given after providing for adequate depreciation and reserves inclusive of provision for expansion but also to redeem in due course its capital for investment by Government in other fields.

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12	27	<p>The Committee are not happy about a position where the recommendations made by the Hotel Standards and Rate Structure Committee, which was appointed by Government, are not followed in respect of the hotels owned and run by Government. The Ashoka Hotels has not been able to give yet the normal return of 8 per cent on land and buildings and 10 per cent on the capital employed in hotel keeping. It may not, however, be desirable to revise tariff rates to achieve this end for one of the objects in setting up the hotel was to "arrest the soaring hotel rates in Delhi". The remedy would appear to lie in reducing operating expenses by all possible economies and by strictly controlling any further increase in the capital. The Committee hope that special measures would be taken by the Management for this purpose. They would also suggest that for fixing the tariff, the various elements of cost may be first gone into and tariff worked out on the basis of the formula recommended by the Hotel Standards and Rate Structure Committee. If a lower tariff has to be fixed on considerations of market rates or other factors, it should be the constant endeavour of the Management to eliminate the difference between the rates assessed on the basis of that formula and the lower tariff fixed by bringing down their operating and other expenses.</p>
13	31-33	<p>Even allowing for some extra staff for maintenance, repair, laundry etc., the Committee feel that the hotel is over-staffed and there is scope for effecting reduction therein.</p> <p>Obviously the ideas expressed by the Minister of Works, Housing and Supply on the question of desirable staff strength in the Hotel, when replying to the discussion on Demands for Grants of the Ministry of Works, Housing and Supply on 31.3.58, have not been put into effect by the management of the hotel. The Committee trust that the Government will take immediate steps to bring down the staff strength to the desired level.</p>
14	34	<p>The Committee suggest that the adequacy of the training scheme and programmes may be continuously reviewed.</p>
15	35	<p>The Committee feel it would have been desirable if more recruitment had been made through advertisements and Employment Exchanges.</p>
16	36	<p>The Committee do not appreciate the reasons given for not having laid down regular pay scales and terms and conditions of service for different categories of employees for more than four years. They trust these will be introduced without any more delay.</p>
17	37	<p>The Committee consider that the procedure adopted in making a verbal report instead of a written report by</p>

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the General Manager on his return from tour from abroad was not happy. In all such cases of study tours, the submission of a written report within a reasonable time should be the invariable rule. The Committee are, however, glad to note that a report was drawn up subsequently by the General Manager, copies of which were made available to them.

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The amount of concessions on account of board and lodging given to officers and staff in the Ashoka Hotels seems to be on the high side. The Committee consider that the proper criterion to be followed in this matter is the pattern existing in similar modern hotels.

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The Committee hope that the management would give due attention to providing adequate and better accommodation to the staff.

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The Committee regret that though the hotels had been set up recently, sufficient care and attention could not be bestowed on the instalment of upto-date plant and machinery.

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The Committee do not feel happy that a commercial concern like Ashoka Hotels should have allowed outstanding dues to accumulate to such an extent. They recommend that special measures may be taken by the Company to liquidate the present outstandings and to prevent future accumulations.

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The Committee regret to note that the Company took four years to frame the necessary rules for reservation of accommodation.

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In view of the large consumption of stores in the hotel (value of provision and stores alone being Rs. 5.57 lakhs during 1959-60) and as most items now directly purchased from the market would appear to be of a standardised quality, the Committee feel that, as far as possible, the Company should enter into rate contracts with leading suppliers after inviting quotations for supply of such items.

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In view of large consumption of stores in the kitchen and the need to make use of unconsumed articles, the Committee suggest that a suitable form for maintaining an account of receipts/issues of stores in the kitchen and their effective consumption may be devised in consultation with the Company's auditors without delay.

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25 48 It would be obviously desirable to have books in the Library. A beginning may be made with books pertaining to India's development plans, freedom movement, cultural heritage and biographies of national leaders etc. which may be procured without any appreciable expenditure. The Hotels authorities may also approach the various Ministries for complementary copies of their publications suitable for the Library.

APPENDIX XI
(Vide: Introduction)

Analysis of the recommendations contained in the Report.

I. Classification of recommendations:

A. Recommendations for improving the organisation and working:

S.Nos. 4,5,6,7,8, 14, 16, 21, 23.

B. Recommendations for effecting economy:

S.Nos. 9, 11, 13, 18.

C. Miscellaneous:

S.Nos. 1, 2, 3, 10, 12, 15, 17, 19, 20, 22, 24, 25.

II. Analysis of the recommendations directed towards economy.

S. No.	No. as per summary of recommendations	Particulars
1	9	Desirability of having expenditure analysed regularly and controlling undue increases.
2	11	Need to increase earnings and reduce expenses.
3	13	Reduction in staff strength.
4	18	Desirability of following pattern existing in other hotels regarding provision of free board and lodging to staff.
