

# COMMITTEE ON PUBLIC UNDERTAKINGS

(1971-72)

(FIFTH LOK SABHA)

## FIFTEENTH REPORT

[Action taken by Government on the recommendations contained in the Thirteenth Report of the Committee on Public Undertakings (Fourth Lok Sabha)]

ASHOKA HOTELS LTD.  
(INDIA TOURISM DEVELOPMENT CORPORATION)

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(1971-72)

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Shri M. A. Soundararajan—*Deputy Secretary.*

Shri M. N. Kaul—*Under Secretary.*

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\*Elected w.e.f. 11-8-71 in the vacancy caused on the resignation of Dr. V. K. R. Varadaraja Rao, M. P. on 29-7-71.

\*\*Ceased to be member of the Committee w.e.f. 3-4-72 consequent on retirement from Rajya Sabha.

## STUDY GROUP VII ON ACTION TAKEN REPORTS AND GENERAL MATTERS

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3. Shri S. N. Misra—*Member*
4. Shri Dahyabhai V. Patel—*Member*
5. Shri Syed Ahmad—*Member*
6. Dr. Kailas—*Member*
7. Smt. Subhadra Joshi—*Member*

## INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Fifteenth Report on the action taken by Government on the Recommendations contained in the Thirteenth Report of the Committee on Public Undertakings (Fourth Lok Sabha) on Ashoka Hotels Ltd.

2. The Thirteenth Report of the Committee on Public Undertakings was presented to Lok Sabha on the 23rd April, 1968. Government furnished their replies indicating the action taken on the recommendations contained in that Report on the 16th December, 1969 and 27th February, 1970. The replies of Government to the recommendations contained in the aforesaid Report were considered and approved by the Committee on Public Undertakings (1970-71) on the 11th November, 1970. The Report, however, could not be presented to the Fourth Lok Sabha due to its dissolution on the 27th December, 1970.

3. Subsequently further information was received from the Government in respect of certain recommendations on the 17th July, 1971 in the form of a detailed statement. This Report was again considered by the Committee on Public Undertakings (1971-72) on the 21st January, 1972 and the Chairman was authorised to finalise the Report on the basis of the decisions of the Committee. The Report was adopted by the Committee on the 7th April, 1972.

4. The Report has been divided into the following five Chapters :—

- (i) Report.
- (ii) Recommendations that have been accepted by Government.
- (iii) Recommendations which the Committee do not desire to pursue in view of the Government's reply.
- (iv) Recommendations in respect of which replies of Government have not been accepted by the Committee.
- (v) Recommendations in respect of which final replies of Government are still awaited.

5. An analysis of the action taken by Government on the recommendations contained in the Thirteenth Report of the Committee is given in Appendix III. It would be observed therefrom that out of 32 recommendations contained in the Report, 38% have been accepted by Government and the Committee do not desire to pursue 31% of the recommendations in view of the Government's reply. Replies in respect of 28% of the recommendations have not been accepted by the Committee while replies in respect of 3% of the recommendations are still awaited.

NEW DELHI,  
April 13, 1972  
Chaitra 24, 1894(s)

M. B. RANA,  
Chairman,  
Committee on Public Undertakings.

## CHAPTER I

### REPORT

#### A. *Proposal for Construction of Annexe [Paras 60—92 of Thirteenth Report (4th Lok Sabha)]*

##### **Recommendation (Serial No. 5)**

In their recommendation in paras 91-92 of the Thirteenth Report, the Committee had stated that they had 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 appeared to have motivated all actions in pursuance of the object. Whatever be the compelling nature of the urgency, the following features in the Committee's views stood 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 failed to understand the consideration 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 tenders 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 had failed to produce the relevant minutes showing Board's 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 gave 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 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 lakhs 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 pity that in a contract of such magnitude, tenders were invited in the absence of full specifications and drawing, despite the high fees given to the Architect. The details for the RCC items 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 work. In the case of construction of the main building it had been observed that about 97 items costing nearly Rs. 50/- lakhs had been excluded from the rate contract. The Committee hoped that a repetition of the same state of affairs did 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 had 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 large sum on account of extra height factor, which was not envisaged in the original contract *vide* paras 47—51."

The Committee recommended that the role of Architects and the actions of the management in awarding the contract of the Annexe to Messrs. Tirath Ram Ahuja who was also awarded the contract for the construction of the main building, called for further probe by the Government regarding the irregularities in the deal.

1.2. In reply, the Government have stated that the matter was considered by the Board of Directors of the Ashoka Hotels which informed the Government that it would welcome Government looking, as expeditiously as possible, into the matter of award of the contract for the Annexe Project as recommended by the Committee on Public Undertakings. The Government of India in the former Ministry of Works, Housing & Supply (Department of Works & Housing) accordingly set up an Inquiry Committee in June, 1968, with reference to paras 91-92 of the Report of the Committee on Public Undertakings to carry out the desired probe. This Committee consisted of the following :

1. Shri S. Chakravarti, Secretary, Ministry of Transport and Shipping.
2. Shri N. Sahgal, Additional Secretary to the Cabinet.
3. Shri G. A. Narasimha Rao, Chairman, Central Water & Power Commission.

1.3. The above Inquiry Committee has since submitted its report to Government. (Appendix I) Their findings and the Government's decisions thereon are given below :—

(a) *Role of Architects :*

The Committee have observed that the assessment made by the architects regarding the relative merits of the two lowest tenderers (Messrs Uttam Singh Duggal & Co. Private Ltd., and Messrs Tirath Ram Ahuja Private Ltd.) was not sufficiently comprehensive and objective; and that on a detailed consideration of the matter, the Committee were left with the impression that the architects, Messrs. Chowdhury and Gulzar Singh were from the beginning keen on having M/s. Tirath Ram Ahuja Private Ltd. as contractors for this work.

(b) *Actions of the management :*

The Committee have observed that the name of M/s. Uttam Singh Duggal & Co. Private Ltd. did not figure in the select list of 24 contractors furnished by Government to Ashoka Hotels Ltd. for inviting tenders for the Annexe project, and that the Hotels would have been justified in not agreeing to the subsequent addition of this firm to the select list since they felt that this firm was not suitable for the type of work to be done. Having however, later agreed, even though reluctantly, to this addition, the rejection of the tender of this firm, which was the lowest, was procedurally incorrect. Taking all the circumstances into account, however, the Committee have come to the conclusion that, in spite of the procedural frailties, the action of the Board of Directors in preferring the second lowest tenderer was understandable in view of their doubts regarding the capability of the lowest tenderer."

It was further stated that Government had accepted the findings of the Committee and had decided that since the Committee's report did not attach any blame to any particular officer or Director of the Ashoka Hotels Ltd., no further action on the part of Government was called for in the matter. The Government had further noted that the findings of the Committee had been communicated to the management of the Ashoka Hotels Ltd. who had since dispensed with the services of the Architects in question."

1.4. The following further information was called for by the Committee :

"The Government have not cared to reply to individual items listed in Paras 91-92 of the 13th Report of the Committee of Public Undertakings on Ashoka Hotels Ltd. The Committee, would, therefore, very much appreciate that each and every item listed above is replied individually and comprehensively. The question as to whether any blame was to be attached to any particular officer or Director of the Ashoka Hotels, was to be determined by the Inquiry Committee appointed by Government in the light of the irregularities pointed out by the Committee on Public Undertakings in paras 91-92 of their 13th Report.

The Committee on Public Undertakings would, therefore, like to be informed of the considered views of Government in the matter."

In reply, the Government have stated that the Inquiry Committee had gone into the various points raised by the Committee on Public Undertakings paras 91 and 92 of the Report. As the Committee was informed earlier, Government had accepted the findings of the Committee and had decided that since the Committee's Report did not attach any blame to any particular officer or Director of the Ashoka Hotels Ltd., no further action on the part of the Government was called for in the matter. Also, the Ashoka Hotels Limited had dispensed with the services of the architects who had been adversely commented upon both by the Committee on Public Undertakings and the Inquiry Committee.

1.5. The Committee are glad that in pursuance of their recommendations in paras 91-92 of their 13th Report, a probe was carried out by Government and that as a result, the services of the Architects who had been adversely commented upon have been dispensed with. The Committee would like at the same time to emphasise that the entire blame cannot be laid at the door of the Architect, the Management being also severally responsible for the finalisation of the contract which from the outset, showed a strong predisposition for one contractor. It is far from the intention of this Committee to have a witch hunt but where the principles of propriety in handling of public finances suffer any deviation, the occasion should be made use of drawing useful guideline against any further recurrence.

1.6. The Government have furnished a detailed statement showing the conclusions/recommendations made by the Committee on Public Undertakings in Paras 91-92 of their 13th Report (Fourth Lok Sabha) on Ashoka Hotels Ltd. and Government's comments on all aspects covered therein. (Appendix—II)

As already pointed out by the Committee M/s. Tirath Ram Ahuja was granted "excavation work" at an estimated cost of Rs. 2 lakhs for the Annexe Project. This was done before calling for tenders for the construction of the Annexe. This could not but give the impression that the issue was being prejudged. Secondly, 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 the Joint Secretary, Ministry of Finance to make the tenders more competitive. Thirdly, notices to these 24 persons calling for tenders were sent by the Architect under Certificate of Posting instead of under registered post. Tenders from only 5 persons were received. The name of M/s. Uttam Singh Duggal & Co. Pvt. Ltd. did not figure in the select list of 24 contractors suggested by Government for inviting limited tenders. Their name was, however, added as a result of a representation made by Shri Uttam Singh Duggal to the Minister for Works, Housing and Supply. The tender of M/s. Uttam Singh Duggal though the lowest was not accepted by the Management, on the ground that "the construction of Annexe involved intricate architectural features, a type of work for which the experience of M/s. Duggal was considered to be limited." The Board of Directors examined the various tenders at their sitting held on 20th April, 1967 and came to the conclusion that M/s. Tirath Ram Ahuja Private Ltd. "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." In

their reply, the Government have sought to justify these procedural lapses of ignoring the lowest tenderer on the plea of urgency to complete the Ashoka Hotel Annexe Project to provide, inter alia, 300 additional beds for the Delegates and a Banquet-cum-Convention Hall for the UNCTAD Conference which was scheduled to commence on the 1st February, 1968. The Inquiry Committee constituted by Government to probe into the award of contract to M/s. Tirath Ram Ahuja have in their Report held that having agreed to the addition of the name of M/s. Uttam Singh Duggal & Co. in the select list, even though reluctantly, the rejection of the lowest tender of M/s. Uttam Singh Duggal & Co. was 'procedurally incorrect'.

The Committee are not convinced about the plea of urgency advanced by Government as justification for the actions of the Management of Ashoka Hotels Ltd. because as already pointed out, the Hotel had been able to provide accommodation to only 271 visitors connected with the UNCTAD Conference and this could well be found from the rooms available in the existing building.

The Committee, therefore, reiterate their earlier recommendation and recommend that Government should ensure the observance of the procedure laid down for awarding contracts and any deviation from the prescribed procedure on considerations of urgency should be avoided in future. The Committee feel that the plea of urgency appears to be only a cover to favour M/s. Tirath Ram Ahuja Private Ltd.

In para 103 of 13th Report of CPU on Ashoka Hotels Ltd., the Committee had expressed their unhappiness 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 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, the appropriate course would have been to invite offers from other established architects of repute and experience before awarding the Ashoka Hotel Annexe Project to the above mentioned contractors. The Committee are surprised to note that the management had put complete reliance on one firm of architects only and that firm had not underaken any major work earlier for the hotel. The Committee had observed that the incompleteness of the tender for the Annexe Project referred to elsewhere in the Report did not bring credit to the Architects. Moreover, the lowest tender for the construction of Annexe was rejected mainly on the advice of the Architects whose independence of judgment and fairness of assessment were likely to be biased. The Committee had therefore expressed 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.'

The Inquiry Committee appointed by Government observed as under about the role of Architects :—

"The tender of M/s. Tirath Ram Ahuja Private Ltd. was conditional and incomplete and the Architects' opinion that it was 'in order' not correct. While the Architects were very critical of the price escalation clause included in the tender of M/s. Uttam Singh Duggal & Co. Private Ltd. they glossed over similar and more onerous conditions stipulated by M/s. Tirath Ram Ahuja Private Ltd. The numerous other conditions laid down in the latter's

letter were not commented upon by the Architects at all, but, on the contrary some of them were regarded as 'suggestions' and recommended for acceptance "as far as practicable" without specifying them. The Committee are left with the impression that the Architects were from the beginning keen on having M/s. Tirath Ram Ahuja Private Ltd. as contractor for this work."

In reply, the Government have stated that they have noted this for future guidance and the services of the Architects had since been dispensed with. They recommend that Government Undertakings should exercise every care in the appointment of Architects who have to perform a key function.

B. *Estimates for the Annexe Project and the Abandonment of Revolving Tower Project (Paras 9 and 93—96).*

#### Recommendation (S. No. 6)

1.7. In their recommendation in para 96 of the Thirteenth Report, the Committee observed that the original estimates of Rs. 2.39 crores had been increased to Rs. 2.49 crores during a review by the management, while the final estimates were still awaited from the Architects. That implied that the estimates would considerably deviate from the original estimates. Wide variations between the estimated cost and actual expenditure had become a common feature in the public sector projects and the Committee had criticised this aspect in their earlier reports. If estimates were 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 compared with estimated cost.

1.8. In their reply, the Government stated that the management of the Ashoka Hotel had since decided not to proceed with the completion of the revolving tower. In view of that, it would not be realistic to draw any comparison between the original estimated expenditure and the expenditure incurred so far on the Annexe Project.

1.9. The following further information was called for by the Committee :

"The Committee note that the Ashoka Hotel Management had taken up an expansion project of the Hotel at an estimated cost of approximately Rs. 2.39 crores. The project when fully completed was to provide the following facilities :

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

The Annexe and the banquet-cum-convention hall have been completed but the entire project including the Revolving Tower Restaurant was to be completed by the 31st July, 1968. To the utter surprise of the Committee, the Ashoka Hotel management have now stated that they have since decided not to proceed with the completion of the revolving tower. The Committee would, therefore, like to be furnished with a comprehensive note as to what were the factors which prompted the Ashoka Hotels.

management to go in for the Revolving Tower Restaurant; what was the total cost involved in the Revolving Tower Restaurant Project and how much total amount has been spent on this project so far. Who were the persons responsible for conceiving this project and whether any responsibility, has been fixed upon the officers who were responsible for conceiving this project and then leaving it half way through, as being unpracticable? What is the total infructuous expenditure incurred on this project and what is being done to utilise or dispose of the revolving Tower mechanism and what is its total value?

- (b) What was the total estimated cost of the Annexe project?
- (c) What has been its final cost after its completion?
- (d) How much it has exceeded from the original estimates of Rs. 2.39 crores."

1.10. In their reply, the Government stated that in a number of countries, hotels had built revolving restaurants on top of hotel buildings or on high towers and these had been a great tourist attraction. In India there was no revolving restaurant at present although it was understood that one was contemplated in Bombay. It was, therefore, felt that before anyone else built a revolving restaurant, and as hotels were vying with each other to provide more and modern facilities, there should be one in the public sector and it might be built along with the expansion of the Ashoka Hotel.

1.11. As a tourist attraction, the restaurant would help earn more foreign exchange.

With this object in view, the Board of Directors of Ashoka Hotels Limited decided in 1967 to construct a Revolving Tower Restaurant. It was originally intended that the height of the Tower would be 150 ft with 11 floors. Before the UNCTAD Conference began, the Tower was completed upto the third storey level and the work was stopped thereafter, on the basis that the work could be resumed after the UNCTAD Conference. Subsequently, the Architect suggested that the height of 150 ft. initially planned would prove inadequate, in as much as, with that height, the Tower would be on a level with the main building of the Hotel itself.

1.12. After successive changes in the plans of the Architects, a height of 227 ft. was agreed upon. Clearance of the Civil Aviation Department to the proposed height was also obtained. In the meanwhile, the Committee on Public Undertakings had submitted their Report on the working of the Ashoka Hotels Ltd. in which they had adversely commented on the role of the Architects and the action of the Management in awarding the contract for the Annexe to M/s. Tirath Ram Ahuja Private Ltd. in preference to the lowest tenderer, namely Uttam Singh Duggal & Co.

1.13. Since Government had set up an Inquiry Committee to go into the whole matter, the management of Ashoka Hotel decided not to proceed with the completion of the Revolving Tower Restaurant and to await the findings of the Inquiry Committee. After the findings of the Enquiry Committee became available, they were communicated to the Ashoka Hotels Ltd. The Board of Management of the Ashoka Hotels Ltd. at its meeting held on 17-6-1969 resolved that the construction of the Tower should be suspended for the present and that this question could be reviewed later. The Board

of Ashoka Hotels had now decided not to proceed further with the work. The main reasons for suspending the work on the Tower were :—

- (1) Against a total estimated expenditure of Rs. 47.71 lakhs as now envisaged, the Restaurant when completed was unlikely to pay its way.
- (2) The management had embarked on a scheme of major renovations.

1.14. No renovation had taken place since inception of the Hotel, 13 years ago. The first phase of renovation was expected to cost about Rs. 50 lakhs. As between the need for renovation and the desirability of constructing a Revolving Tower, the management felt that the work of renovation was more important.

1.15. The original estimated expenditure was Rs. 25 lakhs for a height of 150 ft. The revised estimated cost on the basis of 227 ft. was Rs. 47.71 lakhs.

Against this a sum of Rs. 14.13 lakhs had so far been committed as per details given below :

|   | Rs. Lakhs |
|---|-----------|
| (i) On the Construction upto third floor level                      | 6.63      |
| (ii) On the revolving mechanism already imported and lying in stock | 2.40      |
| (iii) Lifts imported from abroad and lying in stock                 | 2.48      |
| (iv) For indigenous lifts already ordered                           | 1.92      |
| (v) Airconditioning equipment already ordered                       | 0.70      |
| TOTAL   | 14.13     |

1.16. The possibility of disposing of the machinery including lifts which had been acquired for the Revolving Tower Restaurant was being explored by the management of the Ashoka Hotels Ltd. Some tentative enquiries had been received from Hotels in Bombay and Delhi. According to the management of Ashoka Hotels, the present indications were that the disposal of this equipment might not present any great difficulties.

1.17. Of the Rs. 14.13 lakhs committed Rs. 6.63 lakhs were on construction to the third floor level—the space was being utilised as stores and offices, which were required in any case.

1.18. The revolving tower machinery and other equipment came to Rs. 7.50 lakhs. This would not be wasted as it could be utilised in some other projects.

1.19. The original estimate for the Annexe Project was Rs. 2.39 crores. The total expenditure so far booked by the hotel was Rs. 2.17 crores.

1.20. The Committee cannot help feeling that the whole episode of Revolving Tower right from the planning of its construction to the present stage of suspension for the time being can hardly be regarded as a responsible attempt of an organisation to increase the attractiveness and utility consistent with sound canons of financial propriety and prudent management.



1.21. The Revolving Tower was originally planned as a tourist attraction and obviously no clear cut decision could be taken at the start whether the height should be 150 feet or 227 feet. The Architect appears to have recommended a height of 227 feet and by this time following the Report of the Committee on Public Undertakings which inter-alia had referred critically to the Architect, Government set up an Inquiry Committee. The result is that the work on the Tower has been suspended and the accent will be on more important work of renovation in the Hotel. The following facts arising from the above call for a deep analysis :—

- (1) If the Project was thought important to attract tourists attraction why were not clear blue prints drawn out at the outset and why should there be second thoughts about the height of the Revolving Tower as originally conceived.
- (2) Having already committed Rs. 14.13 lakhs, towards construction of the Tower was it prudent to suspend the project, as the initial objective of enhancing the attraction could not have been affected by the passage of time.

If the Management really felt that the tower would be a great asset why should they have suspended the project following the report of the Parliamentary Committee which had in no way recommended suspension, but only its economic execution.

- (3) It would be clear that a greater part of the amount already invested is tantamount to incurring infructuous expenditure if the project is finally abandoned.

1.22. The Committee find it a fit subject for a high level enquiry and hope that exemplary action will be taken against all those found responsible for imprudent use of public funds.

#### C. Occupancy (Paras 136—138)

##### Recommendation (Serial No. 15)

1.23. In their recommendation in para 138 of the Thirteenth Report, the Committee observed that since the continued low occupancy of the hotel directly affected its profitability, it was 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.

1.24. In their reply, the Government stated that the management of the Ashoka Hotel had noted the observations made by the Committee. The Hotel had set up a Standards Committee to look into the standards of comforts, maintenance of furniture, etc. food and service. The Company had also decided in consultation with the Department of Tourism to appoint suitable agencies abroad. The Hotel had already introduced seasonal rates with effect from 17-6-68. These seasonal rates were 10 per cent lower than the normal tariff of the Hotel.

1.25. The Committee would draw attention to paras 1.35 to 1.39 at pp. 21—23 of this Report regarding the continued decline in occupancy vis-a-vis bed capacity. Earnest efforts for increasing the amenities and

attractions of the Hotel are clearly required to enable the hotel to draw a greater volume of customers than is at present the case. It is hoped the Ashoka Hotel's management will take suitable remedial measures in this direction.

D. *Tariff (Paras 139—147)*

**Recommendation (Serial No. 16)**

1.26. In their recommendation in para 147 of the Thirteenth Report, the Committee observed that the increased tariffs of the Ashoka Hotels Ltd. were considerably less than those of the other five star Deluxe Hotel viz., Oberoi International and slightly more than those of the other hotels. It was also likely that the occupancy rate viz. 76 per cent 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 was not to lose sight of this objective, and also to run it on profitable lines. The Committee recommended that possibilities of effecting economy in operational and administrative expenditure should be explored.

1.27. In their reply, the Government have stated that the Ashoka Hotel was making constant efforts to effect economy in operational and administrative expenditure. A firm of business consultants had been appointed to examine the working of the Hotel and to submit its recommendations. The Bureau of Public Enterprises had also been requested to study the financial position of the Company.

**1.28. The Committee hope that the investigations of the business consultants and the Bureau of Public Enterprises would be carried on and concluded at a very early date and fruitful efforts undertaking to effect economy in operational and administrative expenditure.**

E. *Entertainment Facilities (Paras 158-159)*

**Recommendation (Serial No. 193)**

1.29. In their recommendation in para 159 of the Thirteenth Report, the Committee observed that 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 felt that there was 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.

1.30. In their reply the Government stated that constant efforts were being made for the improvement of entertainment facilities in the hotel.

1.31. The Committee called for the following further information :—

“The Committee had recommended *inter-alia* that from the point of view of encouraging tourist traffic, a modern hotel like Ashoka Hotels Ltd. should provide all types of entertainments and there was ample scope for enlarging the entertainment facilities. The hotel management have simply stated that constant efforts were being made for the improvement of entertainment facilities in the Hotel. At the time of recent visit of the Committee to Ashoka Hotels in December 1969, no such improvement was

visible. The Committee would, therefore like to be informed of the concrete and specific action taken to provide all types of entertainment to the visiting tourists both Indian and foreign."

1.32. In reply the Government have stated that at present they had Western music provided by Crooners working with Bands in the Rouge-et-Noir and Peacock Restaurants. Indian music was provided in the main Dining Hall by the Hotel Orchestra during lunch and dinner. Entertainments based on Indian Classical Dances and themes were staged in the Convention Hall.

1.33. Whilst there would always be scope for improvement of the existing form of entertainment and of introduction of new talent the content and quality of their shows had been generally appreciated. By entertainment the Committee excludes entertainment such as vulgar shows and nude dances/cabarets which are contrary to Indian culture and tradition.

1.34. The Committee feel that apart from the efforts made by the management to improve the existing forms of entertainment, it would be useful to ascertain customers' preferences through modern scientifically conducted 'quiz' techniques and random sampling methods. For a hotel to run long and well a continuous drive for effecting improvements is an imperative need.

#### F. Working Results (Paras 182—187)

##### Recommendation (Serial No. 25)

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

In the first instance the Government simply noted the recommendation.

1.36. The Committee, therefore, called for the following further information :—

"The Committee note that the occupancy ratio of the Hotel and consequently its profits have been coming down. The Committee would like to know what attention the hotel management has paid towards the economic working of the hotel consistent with increased efficiency by eliminating avoidable wastages and losses."

1.37. In reply, the Government have stated that it would not be correct to say that the occupancy of the hotel was going down as would be borne out by the undermentioned figures of occupancy :—

|   |        |
|---|--------|
| Average occupancy for the period from 1-4-1969 to 31-1-70 as compared to the corresponding period during 1968 | 326.33 |
| 1-4-68 to 31-1-69   | 318.88 |

1.38. Emphasis was being given to the question of market analysis, sales promotion and public relations and a concerted drive was to be launched to gain additional custom. Internally a major programme of renovation and re-decoration, largely financed from the internal resources of the company, had already been launched. The first phase of this programme covering the public areas of the first floor of guest rooms on the sixth and seventh floors had been completed and further phases were in hand. As part of the first phase, centralised room service was being instituted and two new restaurants were being established; these would be serviced by the modern and up-to-date kitchens where quality food of various tastes would be prepared. It was anticipated that with the renovation and redecoration of the entire main building, the Ashoka Hotel would compare favourably with any hotel of its kind in the world with regard to elegance and comfort. In regard to control on expenditure, it might be mentioned as had already been stated in the annual report of the company for the year 1968-69, that the increase in expenditure that was taking place was largely due to circumstances beyond the control of the management in so far as it related largely to the increasing expenditure on salaries and wages. Nevertheless, stricter controls in the matter of food costing and inventory controls in the matter of stocks and stores had already been instituted and these were beginning to show results. Further, mechanisation of bills was being instituted which should have its impact on customer relationship.

1.39. In the opinion of the Committee the decrease in the profits of the company is mainly attributable to the low occupancy ratio in the Hotel as will be seen from the following figures :

|         | Percentage of net profit to total capital | Average daily occupancy | Percentage to total bed capacity |
|---------|---|-------------------------|----------------------------------|
|         | percentage                                |                         | percentage                       |
| 1962-63 | 8.1                                       | 369                     | 83                               |
| 1963-64 | 10.2                                      | 402                     | 90                               |
| 1964-65 | 12.3                                      | 403                     | 90                               |
| 1965-66 | 7.7                                       | 353                     | 79                               |
| 1966-67 | 10.33                                     | 340                     | 75                               |

1.40. The situation revealed by the above figures is not one which can be viewed with complacency and indicates a vital need for a concerted and continuous drive for reorientation of the Hotel to provide greater customer attraction side by side with vigorous efforts to avoid waste and streamline activities.

1.41. The Committee also feel that over-staffing in Ashoka Hotel should be reviewed consistent with efficiency and occupancy with a view to reduce the avoidable overheads and earn profits.

#### G. Outstandings (Paras 188—191)

##### Recommendation (Serial No. 26)

1.42. In their recommendation in para 191 of the Thirteenth Report, the Committee observed that they were not satisfied with the explanation given by the management that the bulk of the outstandings was on account of

credit facilities given generally in the hotel industry. Though according to normal commercial practice credits might be allowed up to three or four months, the outstandings for six months and above, which constituted a considerable percentage of outstandings could not 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 expressed the hope that earnest efforts would be made to liquidate the outstandings within the shortest possible time.

In the first instance, the Government simply noted the recommendation.

1.43. The Committee, therefore, called for the following further information :—

“The Committee are surprised that here again the Government have simply noted the recommendation. They have not indicated as to what concrete steps they have taken to bring down the outstandings. The Committee would like to be furnished with the figures for the years 1967-68, 1968-69 and 1969-70.”

1.44. In reply the Government have stated that the amount of outstanding of the hotel during the three years 1967-68, 1968-69 and for the period 1st April, 1969 to 31st December, 1969 were as shown below :—

|                                  | Rs.       | Rs.          |
|----------------------------------|-----------|--------------|
| 1967-68                          | 24,71,615 |              |
| 1968-69                          | 21,27,471 |              |
|                                  | 1969      | 1968         |
|                                  | Rs.       | Rs.          |
| 1-4-1969 to 31-12-1969 . . . . . | 28,26,619 | 28,74,664·97 |

1.45. It was further stated that the sundry debtors increased in 1967-68 mainly as a result of the business done during the UNCTAD-II Conference which was held in February/March, 1968. Efforts made by the management during 1968-69 resulted in a reduction of the outstandings during that year. At present the question of realising the heavy outstandings was being actively pursued.

1.46. The Committee note that the figures of outstandings for the years 1967-68 and 1968-69 reflect upward swing as will be seen below :—

|                              | Rs.       |
|------------------------------|-----------|
| 1965-66 . . . . .            | 12,98,000 |
| 1966-67 . . . . .            | 12,78,000 |
| 1967-68 . . . . .            | 24,71,615 |
| 1968-69 . . . . .            | 21,27,471 |
| 1-4-69 to 31-12-69 . . . . . | 28,26,619 |

1.47. The position is clearly unsatisfactory and calls for a purposeful, alert and vigilant action in liquidating the outstandings. The Committee desire that a detailed list of defaulters, giving the names of Departments/individuals with the amount outstanding against each and the date since when it is outstanding, should be laid on the Table of the House.

H. *Bad and Doubtful Debts (Paras 192—195)*

**Recommendation (Serial No. 27)**

1.48. In their recommendation in para 195 of the Thirteenth Report, the Committee had observed that the high percentage of bad debts was a sad commentary on the lack of promptness on the part of the hotel management in realising the outstandings. A considerable percentage was due from Ministries and the Travel Agents. It was surprising that Government Departments/Government Companies had not settled their bills and had to be treated as "bad debts". The high accumulations from private parties like Travel Agents betrayed lack of business promptitude on the part of the management. The Committee recommended that the organisation of the hotel should be geared up and expeditious action taken to liquidate the outstandings.

1.49. In the first instance the Government simply noted the recommendation.

The Committee therefore, called for the following further information :

"The Committee would like to have details of bad and doubtful debts as on 31-3-1968, 31-3-1969 and 31-1-1970. The concrete steps taken to gear the hotel organisation for expeditious liquidation of outstandings may also be indicated."

1.50. In reply the Government gave the details of bad and doubtful debts as on 31st March, 1968 and 31st March, 1969 as shown below :—

|             |                 |
|-------------|-----------------|
| (a) 1967-68 | Rs. 3,83,625.21 |
| (b) 1968-69 | Rs. 4,54,547.01 |

1.51. It was stated that similar figures as on 31-1-1970 were not available at present. These would become available after the accounts were finalised for the current year 1969-70.

1.52. It was further stated that steps were already being taken to ensure that credit was allowed only to parties whose credit worthiness had been assessed to be wholly satisfactory. It would be appreciated that in a business like the Hotel Industry, Credit facilities were normal and were extended by all Hotels in the country. To some extent therefore, bad and doubtful debts, arising out of the extension of credit, would feature in annual statement of accounts. The current level of debts were largely old debts which had not yet been written off.

1.53. It is a matter for concern that the figures of bad and doubtful debts for 1968-69 have again registered considerable increase. This does not reflect a satisfactory position despite the claim of the management that the credit was allowed only to sound parties. It calls for great wariness and circumspection to ensure that the amount of bad debts is reduced to the minimum and to institute effective steps for realisation from the parties with greater promptness.

1. *Loss due to Breakage of Crockery and Cutlery (Paras 199—201)*

**Recommendation (Serial No. 29)**

1.54. In their recommendation in para 201 of the Thirteenth Report, the Committee observed that they did 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 seemed 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 expressed the hope that the inquiry at present instituted by the Board of Directors would yield fruitful results.

1.55. In reply the Government stated that the enquiry into the loss due to breakage of crockery, cutlery and glassware was under way and the Management were making every effort to bring down the avoidable loss.

1.56. The following further information was therefore called for by the Committee :—

“The Committee note that the Board of Directors had set up a regular inquiry in the later part of 1967. It makes a distressing reading that until (December 1969) the enquiry into the loss of breakage of crockery, cutlery and glasswares is still under way. The Committee would like to be furnished with the copy of the Report of the enquiry by the 15th February, 1970.”

1.57. In reply the Government have stated that the enquiry into the loss due to breakage of crockery, cutlery and glassware was still in progress.

1.58. It causes great surprise that an enquiry which is stated to have been instituted nearly two years back in respect of losses due to breakage of crockery and cutlery should have been allowed to drag on indefinitely. Even now no prospect of early completion of the enquiry has been held out. This dilatoriness in the opinion of the Committee, would put a great premium on any slackness characteristics of such losses in crockery and cutlery. For an enquiry to be fruitful, the proceedings should bear the stamp of expedition and purposefulness. The Committee trust that there will be no further delay in the matter.

## CHAPTER II

### RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

#### Recommendation (S. No. 4)

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 overpayments are made as a result of different interpretations of ambiguous clauses. (Para 56)

#### Reply of Government

The above paragraph relates to the payment by the Hotel of octroi on steel and cement which, according to the Committee on Public Undertakings, had not specifically been provided for in the agreement with the contractor. The Committee on Public Undertakings in effect, desire that no such ambiguity should arise in the case of the Annexe Project. The Management of the Hotel have stated that in the Annexe Project all materials required by the Building Contractor like cement, steel etc. are to be arranged by him direct. Therefore, the question of payment of octroi charges by the Hotel does not arise.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels dated 16-12-69.]

#### Recommendation (S. No. 7)

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 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 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. (Para 103).



### **Reply of Government**

Noted for future guidance. The services of the Architects have since been dispensed with.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels dated 16-12-69.]

### **Recommendation (S. No. 8)**

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. (Para 110).

### **Reply of Government**

Government have decided recently to merge the Ashoka Hotels Ltd. and Janpath Hotels Ltd. with the India Tourism Development Corporation. The recommendation made by the Committee will be kept in view when the new Board of Directors is constituted for the merged Company.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels dated 16-12-69.]

### **Recommendation (S. No. 9)**

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. (Para 113).

### **Reply of Government**

Noted.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels dated 16-12-69.]

### **Recommendation (S. No. 10)**

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. (Para 116).

### **Reply of Government**

Noted.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels dated 16-12-69.]

### **Recommendation (S. No. 11)**

The Committee feel that although the appointment of Shri Hathi, as Legal Adviser of the company on retainership basis who is also a shareholder 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. (Para 120).

#### **Reply of Government**

The appointment of Shri Hathi as Legal Adviser of the Company on a retainer basis has been discontinued with effect from 1-9-1968.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels dated 16-12-1969.]

### **Recommendation (S. No. 12)**

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. (Para 122).

#### **Reply of Government**

The Hotel has only one Legal Adviser on retainership basis with effect from 1-9-1968.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels dated 16-12-1969.]

### **Recommendation (S. No. 13)**

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. (Para 128).

#### **Reply of Government**

A proposal to merge the Ashoka and Janpath Hotels Ltd., with the India Tourism Development Corporation is now under active consideration of Government. The recommendations made by the Committee will be kept in view at the time the new Articles of Association are finalised for the merged Units.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels dated 16-12-1969.]

### **Recommendation (S. No. 14)**

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 upto that time acknowledgedly meritorious.

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.

(Paras 129, 132—135)

### Reply of Government

Noted.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels dated 16-12-69.]

### Recommendation (S. No. 22)

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. (Para 173).

### Reply of Government

Government in the Department of Food is already seized of the question of establishment of adequate number of Food Craft Centres. Under the Apprentices Act, 1961, it is a statutory obligation of all employers in specified industries including the hotel industry to engage a number of apprentices in designated trades for undergoing apprenticeship training. It has been decided to utilise the facilities available at all food Polytechnics, Food Craft

Centres, etc. for imparting basic training to apprentices engaged by various hotels and catering establishments, under the Apprentices Act.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels dated  
16-12-1969.]

### **Recommendation (S. No. 30)**

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. (Para 204).

### **Reply of Government**

Noted.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels dated  
16-12-1969.]

### **Recommendation (S. No. 32)**

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 up-to-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 Deluxe 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 Buildings 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 lakh 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 (Paras 212--214).

### **Reply of Government**

Noted.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels dated  
16-12-1969.]

### **Further information called for by the Committee**

The Committee note it with distress that the Ashoka Hotel a Five Star Deluxe Hotel has been relegated to a secondary position by Hotel Classification Committee. The Committee would like to be informed as to what concrete steps the Ashoka Hotel management have taken to rise to the occasion and to ensure that the services offered by it measures upto and even excels that of not only the Indian hotels but also those rendered by its counterparts in the foreign countries.

(Lok Sabha Sectt. O.M. No. 27-PU/68, dated the 5th February, 1970)

### **Further reply of Government**

The classification awarded by the Hotel Classification Committee in 1963 is still current. Under this award the Ashoka Hotel was given a Five-Star-Deluxe classification. The new Hotel Review Committee appointed by Government is scheduled to visit the Ashoka Hotel in May, 1970 to award the classification to the Ashoka Hotel. As stated elsewhere, vigorous efforts have already been made by the management in renovating the entire main building of the hotel which is now about 14 years old. In hotels of this class renovation is normally taken in hand as a matter of course every 5 years or so. Renovation of the main building of the Ashoka Hotel therefore was definitely required and the results achieved by the first phase of the renovations of the Public areas on the first floor and the rooms on the 6th and 7th floors have already been acclaimed. This process would be pursued till the remaining floors of the main building are also fully renovated. With the completion of this programme the main building of the Ashoka Hotel will compare with the best of its kind in other countries. Intensive modifications and alterations have also been taken in hand to centralise room service which will ensure a uniformly high standard of service in the rooms. Mechanisation of bills, establishment of new Restaurants with distinctive decor and cuisine and the establishment of a mini golf club and lawn tennis are some of the other measures that are designed to provide better facilities and services for clients and in particular foreign clients.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels, dated 27-2-70.]

### CHAPTER III

## RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES

### Recommendation (S. No. 1)

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 them and besides this they had other major works in hand. M/s. Duggal & Co. were also difficult persons to handle.

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.

M/s. Shah Construction Co. after having informed the Jam Saheb on the 25th August, 1955 that they would undertake half the work and co-operate 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 on the 29th August, 1955 remove 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.

(Paras 38—40)

### Reply of Government

The Committee's first point is that a part of the work could have been assigned to M/s. Uttam Singh Duggal as the Chief Engineer had stated that no single party would be able to tackle the work alone.

The Management of the Ashoka Hotels Ltd. have stated that the reasons for ignoring the tender of M/s. Uttam Singh Duggal were :—

- (a) the Chief Engineer's opinion was that M/s. Uttam Singh Duggal had their hands full (para 26 of CPU's report);
- (b) the Architects opinion was that they could not with all their supervision expect much better quality of work than that produced by M/s. Uttam Singh Duggal at the Central Board of Revenue building which according to the Architect was of a very poor quality (Para 20 of the C.P.U. report); and
- (c) Besides, M/s. Duggal were difficult persons to handle. (Para 38).

Thus faced with the clear opinion of the Chief Engineer, C.P.W.D. and the Architects the Promoters could not be expected to entrust even a part of the work of M/s. Uttam Singh Duggal.

2. The second point raised is with regard to the letter to M/s. Shah Construction Co. withdrawing from participating from half the work.

The Management of the Hotel have stated as follows :

It has already been explained in Para 34 of the Report that the letter of M/s. Shah Construction Co. withdrawing from the proposal of participating in half the work is not readily available at this distance of time, over 11 years. It is worth remembering that when these negotiations and decisions were being taken in August 1955, there was hardly any secretarial assistance with the Promoters and that the Company was registered only on the 17th October, 1955. It is not known where the late Jam Saheb or the late Shri D. Chandra recorded the papers addressed to the Jam Saheb by name. The Management of the Hotel feel that there is no reason to apprehend that any substantial statement of the letter was suppressed by the late Jam Saheb, when he reported the matter to the Promoters. The Management therefore urge that the letter as reported by the Jam Saheb be accepted as a faithful reproduction of the substance of the letter. The Management have again written to the present Jam Saheb of Navanagar to try and trace the letter addressed by M/s. Shah Construction Co. to the late Jam Saheb and the result will be intimated in due course.

3. The third point raised is with regard to the reasons for ignoring M/s. Shah Construction Co. from further negotiations for the award of the entire work to them.

The Management have stated as follows :—

It is difficult to state the exact reasons as to why Shah Construction Co. were ignored for the entire contract. The reasons appear to be the unwillingness of M/s. Shah Construction Co. and their voluntary withdrawal from the work. It might be remembered that on 24th August, 1955, the Promoters authorised the Jam Saheb to conduct negotiations with M/s. Tirath Ram Ahuja Private Ltd. and M/s. Shah Construction Co. and award the work to them at 2 per cent above the Schedule of Rates. Armed with this authority,

the Jam Saheb conducted the negotiation and, finding M/s. Shah Construction Co. unwilling to participate in the work, awarded the entire work to M/s. Tirath Ram Ahuja, performed the foundation ceremony on the 28th and reported to the Promoters on 29th August the action taken which was unanimously endorsed by all the Promoters. The Chief Engineer whose advice was earlier sought was also present at this meeting and was obviously satisfied with the award of the work and the contractor selected for the work. Apart from this we cannot state with any certainty why Shah Construction Co. were not offered the full work.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels dated 16-12-1969.]

### Recommendation (S. No. 2)

The Committee feel that the excess payment of Rs. 5 lakhs pointed out by the C.P.W.D., in regard to items valued at 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 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 annual performance of the Architect, who had not apparently given satisfaction to the management. (Para 47).

### Reply of Government

The Management of the Ashoka Hotel have stated as follows :—

The work relating to the construction of the Ashoka Hotel was completed by about March 1957 and the Architects began demanding the settlement of their fees. But as the final bills of all the contractors were not paid, no action was taken for a long time on finalising the fee dues of the Architects. Having waited till September, 1959 the Architects issued a notice to the Management threatening to take legal steps to recover their dues. This was followed by a letter of 5th February, 1960. To this a reply was sent on 12th February, 1960 to the effect that the matter would be decided at a meeting to be held shortly. The matter was examined by a Committee of Directors on 29-4-60 when it was decided that a full report on the claim of Mr. Doctor, the Architect, should be prepared and also a brief, in case the matter had to go before Arbitration.

The material so prepared was considered at a Committee meeting on 26-8-60 when it was decided to appoint a sub-committee to negotiate with the Architect in order to narrow down the differences and to submit their recommendation to the Board of Directors.



While this examination was going on Mr. Doctor again issued a notice on 12th December, 1960 calling upon the Management to refer the matter to arbitration. After examining this letter it was decided to have a sub-committee to negotiate with Mr. Doctor for a settlement. Finally a meeting was held with the Architects on 18-2-67 and the claim of the Architect was examined in detail. The total claim of the Architect of Rs. 5,04,368 was checked and corrected to Rs. 4,92,299 and against this the final fee to be paid was settled at Rs. 4,40,000 only. Of this, a sum of Rs. 3 lakhs had already been paid earlier, so that the balance due to the Architect was Rs. 1,40,000 only. The faults noted for which the reduction was made were :—

- (i) Excessive Rates and quantities in several items were allowed to the contractor.
- (ii) Defective Egg Crate Lights.
- (iii) Brick work in Viaduct had to be dismantled after construction.
- (iv) Cost of modifications to expansion joints executed defective.
- (v) Two Pin Plugs were provided in place of three Pin Plugs throughout which had to be changed.
- (vi) Defective size of Union Locks ordered by the Architect.
- (vii) The hot water system had to be re-designed by another expert.
- (viii) The Lifts provided are of obsolete quality.
- (ix) A large crack has developed in Servants Quarters.
- (x) Food smells in the Hotel.

The above decision of the Sub-Committee was considered by the Committee of Directors at its meeting held on 27th February, 1961 when the following decision of the Sub-Committee was considered :—

“that the claim of Shri B. E. Doctor pertaining to his professional fee in connection with the construction of the hotel be settled finally by paying a further sum of Rs. 1,40,000 (Rupees one lakh and forty thousand only) to the Architect. In offering this compromise, the Committee have taken into account the faults, the speed of construction, the fees admissible in such cases, the contract with the Architect and other relevant consideration. In all the circumstances of the case the compromise was in the best interest of the Hotel and should be accepted.”

The Committee of Directors accepted the above recommendation and after the approval of the Board, the payment was made to the Architect.

It will be seen from the above that all the points on which Mr. Doctor had not given satisfaction to the Management, including the question of excess payment pointed out by the C.P.W.D. had been fully and carefully examined in all aspects and a compromise reached. It would not appear to be prudent now to reopen the issue after a lapse of 7 years.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels dated 16-12-1969.]

### **Recommendation (S. No. 3)**

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 up to 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. (Para 52)

### Reply of Government

The Management of the Hotel have stated as follows:—

It was explained to the Committee, *vide* paragraphs 49 & 51 of the C.P.U's report that the Ministry of Law who had been consulted in the matter had advised that the contract was for 4 storeys and if the management had to go upto 6 storeys they would have to pay for the height factor. Subsequently, it was also explained to the Committee that the contractor went into arbitration on the settlement of the final bill. The Ashoka Hotel management took the opportunity of the arbitration to prefer the claim of the payment of Rs. 1,21,322 for height factor against the contractor as an inadmissible payment even though the Law Ministry's opinion was to the contrary. The Arbitrator before giving his award, took into account the claims of the Hotel and as the full claim of the contractor was not admitted by the Arbitrator, it would not be correct to say that the full payment of Rs. 1,21,322 due to height factor was actually paid to the contractor.

The letter of award of work to the contractor was evidently drawn up by the late Jam Saheb himself and it is difficult for the present management to comment on the language used in the letter.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels dated 18-12-1969.]

### Recommendation (S. No. 18)

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. (Para. 157).

### Reply of Government

Noted.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels dated 16-12-1969.]

### Further information called for by the Committee

The Government have simply noted the recommendation. It may be made clear whether the two restaurants Rouge-et-Noir and Bar-e-Kabab are running profitably and whether proforma regarding the in-puts, out-puts and sales separately in the two restaurants from the year 1968-69 onwards and if so what trends do these indicate.

[Lok Sabha Sectt. O.M. No. 27-PU/68, dated the 5th February, 1970.]

### Further reply of Government

The Ashoka Hotels Ltd. have stated that they have since appointed a Cost Accountant who has been entrusted with the task of examining the introduction of proforma accounts for the two Restaurants viz., Rouge-et-Noir and Bar-e-Kabab separately and also to determine the extent of the financial justification for the running of these two Restaurants. At present sales in these two Restaurants are being booked separately and from 1-4-1969 to 31-12-1969 these were as follows:—

For the period from 1-4-1969 to 31-12-1969:

- (a) Bar-e-Kabab—Rs. 73,032.85
- (b) Bouge-et-Noir—Rs. 2,20,957.75

Sales were not booked separately prior to this period.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels dated 27-2-1970.]

### Recommendation (S. No. 20)

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 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. (Para 165).

### Reply of Government

Arrangements exist for in-service training of hotel staff but steps are being taken to improve the training facilities and also to bring down the staff ratio in relation to bed.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels dated 16-12-1969.]

### Further information called for by the Committee

Although the Government has accepted this recommendation, the Committee would, however, like to be informed as to what arrangements exist in the hotel for in service training of the hotel staff and how far the ratio of staff in relation to bed capacity has come down in the case of Ashoka Hotel. Detailed and comprehensive note may be furnished to the Committee.

[Lok Sabha Sectt. O.M. No. 27-PU/68, dated the 5th February, 1970]

### Further reply of Government

The management of the Hotel have stated as follows:—

“Considerable attention is being paid to continuously provide training facilities for our employees. Some of the high-lights of the training imparted during the current financial year are briefly mentioned below:—

We have an Executive Chef a French national, who under the terms of his employment, is required to provide training to all staff working in the Kitchens. It may be mentioned that he has been an Instructor in the Institute of Hotel management and Catering. The services of a Lecturer from the Highbury College, Portsmouth, U.K., were secured during 1969 for a period of 3 months to impart training to selected employees in the fields of Cooking, Waiting, Bartending and Stewardship. Considerable benefit was derived from this venture. An effort was also made during 1969 to revive sophisticated modes of Indian Classical Cooking and an expert was employed for a period of two months with a view to standardise old Indian recipes. Vacancies have been secured in the Institute of Hotel Management and Catering for Reception, Reservation and Book-keeping courses for our employees. An Executive Housekeeper has been appointed to improve standards of housekeeping in the hotel and to evolve drills for working in the housekeeping department. A team of 15 to 20 employees is being deputed to Expo-70 to be held in Osaka, Japan to manage the Asoka Restaurant at the Indian Pavilion being constructed in Osaka. It is anticipated that this batch of our employees will gain valuable experience of catering to foreign tourists and they would acquire appreciable skills and labour saving techniques during their stay in Japan during the next 9 months or so. It is visualised that an intensive training programme will be taken in hand in the coming lean season *i.e.* summer of 1970 which would cover a wide range of employees.

At present the staff strength of Ashoka Hotel is 1398, for a bed capacity of 800. The present staff to bed ratio therefore works out to 1.75 : 1 which compares favourably with the all India average of 2.5 : 1 (*vide* para 29 of the 19th report of the Estimates Committee 1960-61). Although constant effort will always be made to reduce the staff to bed ratio currently obtaining in the hotel, the Committee would appreciate that retrenchment of staff is neither practicable nor is it desirable in the light of the aims and objectives of the Public Sector as a whole. In this connection, it may also be stated that the staff to bed ratio of the Ashoka Hotel has already come down from its earlier figure of 3.1 : 1 to its present figure of 1.75 : 1”

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels dated 27-2-1970.]

### **Recommendation (S. No. 21)**

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. (Para 167).

### **Reply of Government**

Noted.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels dated 16-12-1969.]

### **Further information called for by the Committee**

It is not clear as to how far the board and lodging facilities provided by the hotel to its employees including the service of tea etc. has come down during the years 1968-69 and 1969-70. An upto-date statement may be furnished to the Committee. A comprehensive statement showing as to how far the expenditure on Ashoka Hotel on such facilities compared with other leading hotels may also be furnished.

[Lok Sabha Sectt. O.M. No. 27-PU/68, dated the 5th February, 1970]

### **Further reply of Government**

The management of the Hotel have stated as follows :—

The question of the perquisites that were to be allowed to operational staff in the hotel was considered at length by the Staff and Finance Committee of Directors in November, 1968. It was then decided by the said Committee that the manager should be allowed free board and lodging under the terms of his contract. This has since been modified to payment of rent as applicable under the rules to the new Manager since appointed. He is also not permitted to have free board but is allowed free meals whilst on duty. In addition to the Manager, the Executive Housekeeper is permitted to reside on the premises and is allowed free meals whilst on duty. Further, the following officers are permitted free meals on duty:—

- (a) Duty Manager (Accommodation).
- (b) Deputy Manager (Food and Beverage).
- (c) Assistant Managers (Restaurants).
- (d) Assistant Manager (Public Relations).

Subordinate staff who are entitled to meal allowance in terms of the Wage Board's recommendations forego their meal allowance or part thereof if they avail of the facility of free meals. Grant of food facilities to subordinates is therefore governed entirely by the recommendations of the Wage Board.

It will be appreciated that the facilities permitted to officers and staff are provided largely in the interest of the company. In the Hotel Industry, such privileges are common and although it has not been possible to obtain authenticated information on this subject from other leading hotels, the facilities provided by the Ashoka Hotel cannot be regarded as high or extravagant.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels dated 27-2-1970.]

### **Recommendation (S. No. 23)**

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 per cent to 96 per cent 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. (Para 178.)

### **Reply of Government**

Noted.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels dated 16-12-1969.]

### **Further information called for by the Committee**

The Committee were assured that there was complete unanimity between the management and the workers in the matter of tipping. Instances, however, come to the notice where non-tipping rules is not being observed amongst the employees. The concrete steps taken by the management in this regard may be furnished to the Committee.

[Lok Sabha Sectt. O.M. No. 27-PU/68, dated the 5th February, 1970]

### **Further reply of Government**

The Management of the Hotel have stated that although unanimity does exist between the management and the workers in the matter of tipping it cannot be guaranteed that the rules will not be violated at all. Such instances are however uncommon and where violation of a rule does come to notice and is substantiated after due enquiry, disciplinary action is invariably initiated against the defaulting employee.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels, dated 27-12-1970.]

### **Recommendation (S. No. 24)**

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. (Para 181).

### Reply of Government

Noted.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels, dated 16-12-1969.]

### Further information called for by the Committee

Although the Government have noted down the recommendation, they have not indicated the concrete steps taken in this regard. From the press reports appearing in the press, it is seen that the Labour unrest is again raising its head in the hotel. A comprehensive note indicating the Labour-management relations may be furnished to the Committee.

[Lok Sabha Secretariat O.M. No. 27-PU/68, dated the 5th February, 1970.]

### Further reply of Government

The management of the Hotel is conscious of the fact that for efficient running of the hotel, cordial relations should exist between the management and the workers. In this connection, it may be mentioned that the pay scales of employees have been recently enhanced even, where necessary beyond the recommendations of the Wage Board. For the same reason, concrete steps are being taken to improve Labour Welfare and discipline. It may be mentioned that management staff relations is an evolutionary process and there can never be a full-stop to the generation of demands by the workers and/or the satisfaction of these demands by the management.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels, dated 27-2-1970.]

### Recommendation (S. No. 28)

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. (Para 198).

### Reply of Government

The shortages mentioned in the Government Auditors' Inspection Reports were written off in January, 1968. In a big hotel like Ashoka Hotel where a large number of items of linen are changed daily, moved from place to place and sent to laundry, and where staff work in different shifts, such losses cannot altogether be avoided. It is not, therefore, possible to fix individual responsibility. However, the custody and periodical verification of stores has been tightened up so as to minimise the loss on this score.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels, dated 16-12-1969.]

### Further information called for by the Committee

The result of physical verification which was now being conducted after every six months, may be indicated for the years 1967-68, 1968-69 and it may be indicated as to how far the losses due to shortages of linen uniforms have come down as a result of various measures taken to tighten pilferages.

[Lok Sabha Sectt. O.M. No. 27-PU/68, dated the 5th February, 1970.]

### Further reply of Government

The amount of linent and uniforms written off during the years 1967-68 and 1968-69 are shown below :—

1967-68—Rs. 23,292.00

1968-69—Nil.

[Ministry of Toursim & Civil Aviation O.M. No. 7/45/68-Hotels, dated 27-2-1970.]

### Recommendation (S. No. 31)

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.

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 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. (Paras 210-211).

### Reply of Government

The practice of calling for open tenders except for the allotment of shops etc. to public sector undertakings has been introduced. As regards Air India, the Corporation chose to give 3 free economy class air tickets to Ashoka Hotel from Delhi to London in lieu of increased licence fee. These tickets are being utilised by officials of the Hotel for going abroad for business or training.

[Ministry of Tourism and Civil Aviation O.M. No. 7/45/68-Hotels, dated 16-12-1969.]

### Further information called for by the Committee

The Committee would like to be furnished with the names of officers with their designations who have availed of these Air tickets for Air India, for business or training. The exact business and training and the duration of stay may be clearly indicated.

[Lok Sabha Sectt. O.M. No. 27-PU/68, dated the 5th February, 1970.]



### Further reply of Government

The following officers availed of free air tickets of Air India for the nature of duty performed by them overseas as shown against each :—

| Name                                     | Date                      | Place visited           | Purpose   |
|--|---------------------------|-------------------------|---|
| S/Shri N. L. Badhwar<br>Maitred' Hotel   | 17-3-66<br>to<br>7-1-67   | Frankfurt               | Training  |
| Shri S. Fernandes<br>(Chef)              | 17-3-66<br>to<br>2-3-67   | "                       | "   |
| Shri S. T. Vardarajan                    |                           |                         |   |
| Shri S. T. Vardarajan<br>Dy. Manager     | 12-9-66<br>to<br>28-12-67 | Hawaii                  | Hotel Management course at East-West Centre, Hawaii.                        |
| Shri G. Verghese<br>Manager              | 20-4-66<br>to<br>2-6-67   | Around the world        | To attend PATA Conference at Seattle, U. S. A. and study tour of Europe.    |
| Shri Vishwanath,<br>Asstt. Manager       | 4-3-68<br>to<br>1-7-68    | Hawaii                  | Hotel Management Course at East-West Centre, Hawaii,                        |
| Shri M. S. Sundara,<br>Managing Director | 25-1-69<br>to<br>9-2-69   | Bangkok/<br>to<br>Tokyo | To attend PATA Conference at Bangkok and study tour to Tokyo and Hong Kong. |

[Ministry of Tourism and Civil Aviation O.M. No. 7/45/68-Hotels, dated 16-12-69.]

## CHAPTER IV

### RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

#### Recommendation (S. No. 5)

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 failed 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 the 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 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 Board's 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 mis-apprehensions.

- (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 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 lakhs 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 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 tenders 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.

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. (Paras 91-92).

#### **Reply of Government**

The Committee on Public Undertakings recommended 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". The matter was considered by the Board of Directors of the Ashoka Hotels which informed the Government that it would welcome Government looking, as expeditiously as possible, into the matter of award of the contract for the Annexe Project as recommended by the Committee on Public Undertakings. The Government of India in the former Ministry of Works, Housing & Supply (Department of Works & Housing) accordingly set up an Inquiry Committee in June, 1968 with reference to paras 88 and 89 (paras 91-92 in the printed copy) of the

Report of the Committee on Public Undertakings to carry out the desired probe. This Committee consisted of the following :—

1. Shri S. Chakravarti, Secretary, Ministry of Transport and Shipping.
2. Shri N. Sahgal, Additional Secretary to the Cabinet.
3. Shri G. A. Narasimha Rao, Chairman, Central Water and Power Commission.

2. The above Inquiry Committee has since submitted its report to Government. Their findings and the Government's decisions thereon, are given below :—

- (a) *Role of Architects* : The Committee have observed that the assessment made by the architects regarding the relative merits of the two lowest tenderers (Messrs Uttam Singh Duggal & Co. Private Ltd.) and (Messrs Tirath Ram Ahuja Private Ltd.) was not sufficiently comprehensive and objective; and that on a detailed consideration of the matter, the Committee were left with the impression that the architects, Messrs Chowdhury and Gulzar Singh were from the beginning keen on having M/s. Tirath Ram Ahuja Private Ltd. as contractors for this work.
- (b) *Actions of the management* : The Committee have observed that the name of M/s. Uttam Singh Duggal & Co. Private Ltd., did not figure in the select list of 24 contractors furnished by Government to Ashoka Hotels Ltd. for inviting tenders for the Annexe Project, and that the Hotels would have been justified in not agreeing to the subsequent addition of this firm to the select list since they felt that this firm was not suitable for the type of work to be done. Having, however, later agreed, even though reluctantly, to this addition, the rejection of the tender of this firm, which was the lowest, was procedurally incorrect. Taking all the circumstances into account, however, the Committee have come to the conclusion that, in spite of the procedural frailties, the action of the Board of Directors in preferring the second lowest tenderer was understandable in view of their doubts regarding the capability of the lowest tenderer.

3. Government have accepted the findings of the Committee and have decided that since the Committee's report does not attach any blame to any particular officer or Director of the Ashoka Hotels Ltd., no further action on the part of Government is called for in the matter. The Government has further noted that the findings of the Committee have been communicated to the management of the Ashoka Hotels Ltd. who have since dispensed with the services of the architects in question.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels, dated 16-12-69.]

#### **Further information called for by the Committee**

The Government have not cared to reply individual items listed in paras 91-92 [item No. (i) and (xi)]. The Committee, would therefore, very much appreciate that each and every item listed above is replied individually and comprehensively. Five copies of Inquiry Committee Report may also be furnished for use of the Committee. The question as to whether any blame was to be attached to any particular officer or Director of the Ashoka Hotels, was to be determined by the Inquiry Committee appointed by Government

in the light of the irregularities pointed out by the Committee on Public Undertakings in paras 91-92 of their 13th Report. The Committee on Public Undertakings would, therefore, like to be informed of the considered views of Government in the matter.

[Lok Sabha Secretariat O.M. No. 27-PU, 68, dated the 5th February, 1970.]

#### **Further reply of Government**

Five copies of the report of the Ashoka Hotel Annexe Inquiry Committee are enclosed (Appendix I). It will be observed that the Inquiry Committee had gone into the various points raised by the Committee on Public Undertakings in paras 91 and 92 of the Report. As the Committee was informed earlier, Government have accepted the findings of the Committee and have decided that since the Committee's Report does not attach any blame to any particular officer or Director of the Ashoka Hotels Ltd., no further action on the part of the Government is called for in the matter. Also, the Ashoka Hotels Limited had dispensed with the services of the architects who had been adversely commented upon both by the Committee on Public Undertakings and the Inquiry Committee.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels, dated 27-2-1970.]

#### **Comments of the Committee**

Please see paras 1 to 1.6 of Chapter I.

#### **Recommendation (S. No. 6)**

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. (Para 96).

#### **Reply of Government**

The management of the Ashoka Hotel has since decided not to proceed with the completion of the revolving tower. In view of this, it will not be realistic to draw any comparison between the original estimated expenditure and the expenditure incurred so far on the Annexe Project.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels, dated 16-12-1969.]

#### **Further information called for by the Committee**

The Committee note that the Ashoka Hotel management had taken up an expansion project of the Hotel at an estimated cost of approximately 2.39 crores. The project when fully completed was to provide the following facilities :—

- (i) 300 additional beds;
- (ii) two speciality restaurants including a Revolving Tower Restaurant;

- (iii) a banquet-cum-convention Hall;
- (iv) a modern kitchen and a laundry with other equipment.

The Annexe and the banquet-cum-convention hall have been completed, but the entire project including the Revolving Tower Restaurant was to be completed by the 31st July, 1968. To the utter surprise of the Committee, the Ashoka Hotel Management have now stated that they have since decided not to proceed with the completion of the revolving tower. The Committee would, therefore, like to be furnished with a comprehensive note as to what were the factors which prompted the Ashoka Hotels management to go in for the Revolving Tower Restaurant; what was the total cost involved in the Revolving Tower Restaurant Project and how much total amount has been spent on this project so far. Who were the persons responsible for conceiving this project and whether any responsibility has been fixed upon the officers who were responsible for conceiving this project and then leaving it half way through, as being unpracticable? What is the total infructuous expenditure incurred on this project and what is being done to utilise or dispose of the revolving tower mechanism and what is its total value.

- (a) What was the total estimated cost of the Annexe Project ?
- (b) What has been its final cost after its completion ?
- (c) How much it has exceeded from the original estimates of Rs. 2.39 crores ?

[Lok Sabha Secretariat O.M. No. 27-PU/68, dated the 5th February, 1970].

#### **Further reply of Government**

In a number of countries, hotels have built revolving restaurants on top of hotel buildings or on high towers and these have been a great tourist attraction. In India there is no revolving restaurant at present although it is understood that one is contemplated in Bombay. It was, therefore, felt that before anyone else built a revolving restaurant, and as hotels are vying with each other to provide more and modern facilities, there should be one in the public sector and it may be built alongwith the extension of the Ashoka Hotel.

As a tourist attraction the restaurant would help earn more foreign exchange.

With this object in view, the Board of Directors of Ashoka Hotels Limited decided in 1967 to construct a Revolving Tower Restaurant. It was originally intended that the height of the Tower would be 150 feet with 11 floors. Before the UNCTAD Conference began, the Tower was completed upto the third storey level and the work was stopped thereafter, on the basis that the work could be resumed after the UNCTAD Conference. Subsequently, the Architect suggested that the height of 150 feet initially planned would prove inadequate, inasmuch as, with that height, the Tower would be on a level with the main building of the Hotel itself.

After successive changes in the plans of the Architects, a height of 227 feet was agreed upon. Clearance of the Civil Aviation Department to the proposed height was also obtained. In the meanwhile, the Committee on Public Undertakings had submitted their report on the working of the Ashoka Hotels Ltd., in which they had adversely commented on the role of the Architects and the action of the management in awarding the contract for

the Annexe to M/s. Tirath Ram Ahuja Private Ltd., in preference to the lowest tenderer, namely Uttam Singh Duggal & Co.

Since Government had set up an Inquiry Committee to go into the whole matter, the management of Ashoka Hotel decided not to proceed with the completion of the Revolving Tower Restaurant and to await the findings of the Inquiry Committee. After the findings of the Inquiry Committee became available, they were communicated to the Ashoka Hotels Ltd. The Board of Management of the Ashoka Hotels Ltd. at its meeting held on 17th June, 1969 resolved that the construction of the Tower should be suspended for the present and that this question could be reviewed later. The Board of Ashoka Hotels have now decided not to proceed further with the work. The main reasons for suspending the work on the Tower are :—

- (1) Against a total estimated expenditure of Rs. 47.71 lakhs as now envisaged, the Restaurant when completed is unlikely to pay its way.
- (2) The management have embarked on a scheme of major renovations.

No renovation has taken place since inception of the Hotel, 13 years ago. The first phase of renovation is expected to cost about Rs. 50 lakhs. As between the need for renovation and the desirability of constructing a Revolving Tower, the management feel that the work of renovation is more important.

The original estimated expenditure was Rs. 25 lakhs for a height of 150 feet. The revised estimated cost on the basis of 227 feet is Rs. 47.71 lakhs. Against this a sum of Rs. 14.13 lakhs has so far been committed as per details given below :—

|   | Rs. Lakhs.   |
|---|--------------|
| (i) On the construction upto the third floor level . . . . .                  | 6.63         |
| (ii) On the revolving mechanism already imported and lying in stock . . . . . | 2.40         |
| (iii) Lifts imported from abroad and lying in stock . . . . .                 | 2.48         |
| (iv) For indigenous lifts already ordered . . . . .                           | 1.92         |
| (v) Air conditioning equipment already ordered . . . . .                      | 0.70         |
| <b>TOTAL</b>  | <b>14.13</b> |

The possibility of disposing of the machinery including lifts which have been acquired for the Revolving Tower Restaurant is being explored by the management of the Ashoka Hotels Ltd. Some tentative enquiries have been received from Hotels in Bombay and Delhi. According to the management of Ashoka Hotels, the present indications are that the disposal of this equipment may not present any great difficulties.

Of the Rs. 14.13 lacs committed Rs. 6.63 lacs are on construction to the third floor level—the space is being utilised as stores and offices, which are required in any case.

The revolving tower machinery and other equipment comes to Rs. 7.50 lakhs. This will not be wasted as it can be utilised in some other projects.

The original estimate for the Annexe Project was Rs. 2.39 crores. The total expenditure so far booked by the hotel is Rs. 2.17 crores.

[Ministry of Tourism & Civil Aviation, O.M. No. 7/45/68-Hotels, dated 27-2-1970.]



### Comments of the Committee

Please see paras 1.7 to 1.22 of Chapter I.

### Recommendation (S. No. 15)

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. (Para 138).

### Further reply of Government

The management of the Ashoka Hotel has noted the observations made by the Committee. The Hotel have set up a Standards Committee to look into the standards of comforts, maintenance of furniture, etc. food and service. The Company have also decided in consultation with the Deptt. of Tourism to appoint suitable agencies abroad. The Hotel have already introduced seasonal rates with effect from 17th June, 1968. These seasonal rates are 10 per cent lower than the normal tariff of the Hotel.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels, dated 16-12-1969.]

### Comments of the Committee

Please see Paras 1.23 to 1.25 of Chapter I.

### Recommendation (S. No. 16)

The Committee note that the increased tariffs of the Ashoka Hotels Ltd., are considerably less than those of the other five star Delux Hotel viz. Oberoi Inter-continental and slightly more than those of the other hotels. It is also likely that the occupancy rate viz. 76 per cent 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. (Para 147).

### Reply of Government

The Ashoka Hotel is making constant efforts to effect economy in operational and administrative expenditure. A firm of business consultants have been appointed to examine the working of the Hotel and to submit its recommendations. The Bureau of Public Enterprises have also been requested to study the financial position of the Company.

[Ministry of Tourism and Civil Aviation, O.M. No. 7/45/68-Hotels, dated 16-12-1969.]

### Comments of the Committee

Please see Paras 1.26 to 1.28 of Chapter I.

### Recommendation (S. No. 19)

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. (Para 159).

### Reply of Government

Constant efforts are being made for the improvement of entertainment facilities in the hotel.

[Ministry of Tourism and Civil Aviation O.M. No. 7/45/68-Hotels, dated 16-12-1969.]

### Further information called for by the Committee

The Committee had recommended *inter alia* that from the point of view of encouraging tourist traffic, a modern hotel like Ashoka Hotels Ltd., should provide all types of entertainments and there was ample scope for enlarging the entertainment facilities. The hotel management have simply stated that constant efforts were being made for the improvement of entertainment facilities in the hotel. At the time of recent visit of the Committee to Ashoka Hotels in December, 1969, no such improvement was visible. The Committee would, therefore, like to be informed of the concrete and specific action taken to provide all types of entertainment to the visiting tourists both Indian and foreign.

[Lok Sabha Sectt. O.M. No. 27-PU/68, dated the 5th February, 1970.]

### Further reply of Government

The Management of the Ashoka Hotel have stated that at present they have Western music provided by Crooners working with Bands in the Rouge-et-Noir and Peacock Restaurants. Indian music is provided in the main Dining Hall by the Hotel Orchestra during lunch and dinner. Entertainments based on Indian Classical Dances and themes are staged in the Convention Hall.

Whilst there will always be scope for improvement of the existing form of entertainment and of introduction of new talent, the content and quality of their shows has been generally appreciated.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels, dated 27-2-1970.]

### Comments of the Committee

Please see Paras 1.29 to 1.34 of Chapter I.

### Recommendation (S. No. 25)

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. (Para 187).

### Reply of Government

Noted.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels, dated 16-12-69.]

### Further information called for by the Committee

The Government have simply noted the recommendation. The Committee note that the occupancy ratio of the Hotel and consequently its profits have been coming down. The Committee would like to know what attention the hotel management has paid towards the economic working of the hotel consistent with increased efficiency by eliminating avoidable wastages and losses.

(Lok Sabha Sectt. O.M. No. 27-PU/68, dated the 5th February, 1970.)

### Further reply of Government

It would not be correct to say that the occupancy of the hotel is going down as would be borne out by the undermentioned figures of occupancy:—

|   |        |
|---|--------|
| Average occupancy for the period from 1-4-69 to 31-1-70 as compared to the corresponding period during 1968 . . . . . | 326.33 |
| 1-4-68 to 31-1-69 . . . . .   | 318.88 |

Emphasis is being given to the question of market analysis, sales promotion and public relations and a concerted drive is to be launched to gain additional custom. Internally a major programme of renovation and re-decoration, largely financed from the internal resources of the company, has already been launched. The first phase of this programme covering the public areas of the first floor and guest rooms on the sixth and seventh floors has been completed and further phases are in hand. As part of the first phase, centralized room service is being instituted and two new Restaurants are being established; these will be serviced by the most modern and up-to-date kitchens where quality food of various tastes will be prepared. It is anticipated that with the renovation and re-decoration of the entire main building, the Ashoka Hotel would compare favourably with any hotel of its kind in the world with regard to elegance and comfort. In regard to control on expenditure, it may be mentioned, as has already been stated in the annual report of the company for the year 1968-69, that the increase in expenditure that is taking place is largely due to circumstances beyond the control of the management in so far as it relates largely to the increasing expenditure on salaries and wages. Nevertheless, stricter controls in the matter of food costing and inventory controls in the matter of stocks and stores have already been instituted and these are beginning to show results. Further, mechanisation of bills is being instituted which should have its impact on customer relationship.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels, dated 27-2-1970.]

### Comments of the Committee

Please see Paras 1.35 to 1.41 of Chapter I.

### Recommendation (S. No. 26)

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. (Para 191).

### Reply of Government

Noted.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels, dated 16-12-1969.]

### Further information called for by the Committee

The Committee are surprised that here again the Government have simply noted the recommendation. They have not indicated as to what concrete steps they have taken to bring down the outstandings. The Committee would like to be furnished with the figures for the year 1967-68, 1968-69 and 1969-70.

(Lok Sabha Sectt. O.M. No. 27-PU/68, dated the 5th February, 1970.)

### Further reply of Government

The amount of outstanding of the hotel during the three years 1967-68, 1968-69 and for the period 1st April, 1969 to 31st December, 1969 are shown below :—

|                                  | Rs.                     |
|----------------------------------|-------------------------|
| 1967-68 . . . . .                | 24,71,615               |
| 1968-69 . . . . .                | 21,27,471               |
|                                  | 1969      1968          |
| 1-4-1969 to 31-12-1969 . . . . . | 28,26,419, 28,74,664·97 |

It may be stated that the sundry debtors increased in 1967-68 mainly as a result of the business done during the UNCTAD-II Conference which was held in February/March 1968. Efforts made by the management during 1968-69 resulted in a reduction of the outstandings during that year. At present the question of realising the heavy outstandings is being actively pursued.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels, dated 27-2-1970.]

### Comments of the Committee

Please see Paras 1.42 to 1.47 of Chapter I.

### Recommendation (S. No. 27)

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. (Para 195).

### Reply of Government

Noted.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels, dated 16-12-69.]

### Further information called for by the Committee

Here also Government have simply noted the recommendation. The Committee, therefore, strongly take exception to this method of replying by Government to the Committee's recommendations. The Committee would like to have details of bad and doubtful debts as on 31st March, 1968, 31st March, 1969 and 31st January, 1970. The concrete steps taken to gear the hotel organisation for expeditious liquidation of outstandings may also be indicated.

(Lok Sabha Sectt. O.M. No. 27-PU/68, dated the 5th February, 1970.)

### Further reply of Government

The details of bad and doubtful debts as on 31st March, 1968 and 31st March, 1969 are shown below:—

(a) 1967-68—3,83,625.21

(b) 1968-69—4,54,547.01

Similar figures as on 31st January, 1970 are not available at present. These will become available after the accounts are finalised for the current year 1969-70.

Steps are already being taken to ensure that credit is allowed only to parties whose credit worthiness has been assessed to be wholly satisfactory. It will be appreciated that in a business like the Hotel Industry, credit facilities are normal and are extended by all Hotels in the country. To some extent therefore bad and doubtful debts, arising out of the extension of credit, will feature in annual statement of accounts. The current level of debts are largely old debts which have not yet been written off.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels, dated 27-2-1970.]

### **Comments of the Committee**

Please see Paras 1.48 to 1.53 of Chapter I.

### **Recommendation (S. No. 29)**

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. (Para 201).

### **Reply of Government**

The enquiry into the loss due to breakage of crockery, cutlery and glassware is under way and the Management are making every effort to bring down the avoidable loss.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels, dated 16-12-1969.]

### **Further information called for by the Committee**

The Committee note that the Board of Directors had set up a regular inquiry in the later part of 1967. It makes a distressing reading that upto (December 1969) the inquiry into the loss of breakage of crockery, cutlery and glass-ware is still under way. The Committee would like to be furnished with the copy of the Report of enquiry by the 15th February, 1970. (Lok Sabha Sectt. O.M. No. 27-PU/68, dated the 5th February, 1970.)

### **Further reply of Government**

The enquiry into the loss due to breakage of crockery, cutlery and glass-ware is still in progress.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels, dated 27-2-1970.]

### **Comments of the Committee**

Please see Paras 1.54 to 1.58 of Chapter I.

## CHAPTER V

### RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

#### Recommendation (S. No. 17)

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. (Para 153).

#### Reply of Government

An *ad hoc* Committee appointed by Government is already seized of the matter.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels, dated 16-12-1969.]

#### Further information called for by the Committee

A copy of the Report of the *Ad hoc* Committee appointed by Government to decide the mode of payment of hotel bills by foreign visitors in foreign currency, may be furnished to the Committee.

(Lok Sabha Sectt. O.M. No. 27-PU/68, dated the 5th February, 1970.)

#### Further reply of Government

The *Ad hoc* Committee has not yet submitted its report.

[Ministry of Tourism & Civil Aviation O.M. No. 7/45/68-Hotels, dated 27-2-1970.]

M. B. RANA,  
*Chairman,*  
*Committee on Public Undertakings.*

NEW DELHI;  
April 13, 1972  

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Chaitra 24, 1894(S)

## APPENDIX I

### *Ashoka Hotel Annexe Inquiry Committee Report*

#### *Introduction*

In paragraph 89 (para 92 of the printed copy) of its Thirteenth Report (Fourth Lok Sabha) dated the 23rd April 1968, on the Ashoka Hotels Ltd., New Delhi, the Committee on Public Undertakings (1967-68) recommended 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".

2. On the 3rd June 1968, the Board of Directors of the Ashoka Hotels Ltd., adopted the following resolution :—

"The Board considered item 24 of the agenda. It took note of the \*paragraphs 88 and 89 of the Report of the Committee on Public Undertakings on the Ashoka Hotel and authorised the Managing Director to inform Government that it would welcome Government looking, as expeditiously as possible, into the matter of the award of the contract for the Annexe Project as recommended by the Committee on Public Undertakings".

3. In pursuance of the recommendation made by the Committee on Public Undertakings and the resolution of the Board of Directors of the Ashoka Hotels Ltd., the Government of India, on the 11th June 1968, appointed a Committee consisting of Shri S. Chakravarti, Secretary, Ministry of Transport and Shipping and Shri N. Sahgal, Additional Secretary to the Cabinet to look into the points raised by the Committee on Public Undertakings in \*paragraphs 88 and 89 of its Report.

Shri G. A. Narasimha Rao, Chairman, Central Water and Power Commission was added as the third Member of the Committee on the 19th of June 1968; and on the 25th of June, Shri T. N. Srivastava, Officer on Special Duty (Housing) Department of Works and Housing, was appointed as the Committee's Secretary. (Copies of the relevant Government orders are attached as Annexures I, II and III).

#### *Ashoka Hotel Annexe Project*

4. In April 1966 the Government of India informed the Secretary General of the United Nations Conference on Trade and Development of its desire to offer host facilities in New Delhi for the meeting of the 2nd Session of the Conference. In pursuance of this invitation, the Ministry of Commerce in consultation with the Ministry of Works, Housing and Urban Development and the other Ministries concerned immediately started an examination of the various arrangements that would have to be made for the Conference and the hotel accommodation that would be needed for the 1500 expected delegates and other participants. Action was accordingly taken to reserve all the available accommodation in the public sector hotels and the assistance of the Department of Tourism was sought to persuade private hoteliers to spare the maximum number of rooms. The YMCA and other

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\*Paragraphs 91 and 92 of the printed copy of the Report.



hostels, the India International Centre and other similar establishments, State Guest Houses and Guest Houses of Public Sector Enterprises were contacted and the possibility of arranging for paying guest accommodation was also explored. By about October 1966, however, it became clear that there would be a considerable shortfall in the accommodation required. It was now expected that the number of delegates and other participants requiring hotel accommodation would be in the neighbourhood of about 2200. As against this the Ministry of Commerce had been able to secure firm offers of only about 1100 rooms with 1550 beds.

5. In this background the Secretary of the Department of Civil Aviation addressed a letter to the Secretary, Ministry of Works, Housing and Urban Development on the 27th October 1966, (vide Annexure IV) urging that the construction of the proposed Akbar Hotel should be taken up on a priority basis so that it could be completed by September 1967. (At that time it was anticipated that the Conference would commence in September 1967). The suggestion of the Secretary, Department of Civil Aviation was examined but it was found that even the detailed drawings for the construction of the Akbar Hotel were unlikely to be ready before the end of 1967 and in the circumstances it would be impossible to build the hotel in time for the Conference. It was felt that it would be quicker to add a wing to an existing hotel than to build and complete an entirely new one. A proposal to construct an annexe to the Ashoka Hotel thus emerged as a project of great urgency.

6. On the suggestion of the Ministry of Works, Housing and Urban Development, the Management of the Ashoka Hotels wrote to the Architect who had designed the main Hotel in 1955 (Shri B. E. Doctor of Bombay) on the 31st October 1966, requesting him to visit Delhi for a discussion on the expansion project. On the 18th November 1966, Shri Doctor visited Delhi and held detailed discussions with the Hotel Management and a few days later on the 28th November indicated that he would require a fortnight for the submission of sketch schemes. On the 5th December 1966, however, he informed the Management that there might be a few days delay in his plans. The Management immediately informed Shri Doctor that what was required at that stage was a sketch scheme only. Shri Doctor's reply was received on the 15th December stating that the plans were being sent separately. On the 22nd December 1966, the Management informed Shri Doctor that the length of 300 feet shown by him in his plans for the new Wing was not practicable as the space available was only 235 feet. Shri Doctor then asked the Management for further lay out plans showing the existing structures. While discussions and correspondence were going on with Shri Doctor, M/s. Chowdhury & Gulzar Singh were evidently pressing their own claims to be given a chance to show their sketch plans for the proposed expansion. It seems that they had already prepared some sketches for a possible future expansion programme during the period that they were the retained architects of the Hotel (from 1st August 1962 to 31st March 1966). This request was acceded to and the plans prepared by Shri Doctor and M/s. Chowdhury & Gulzar Singh were considered at an informal meeting of the Board of Directors of the Hotel on the 27th December 1966. The Directors felt that the plans of M/s. Chowdhury & Gulzar Singh were more practical and architecturally more satisfying than those of Shri Doctor.

7. On the 5th of January 1967, the managing Director of the Ashoka Hotels Ltd., wrote to the Secretary, Ministry of Works, Housing and Urban

Development making a formal proposal for the construction of an Annexe to the Hotel (Annexure V). The proposal was that the Hotel which already had sufficient land for an expansion project, should be permitted to construct an Annexe with the following main features :—

- (a) 300 beds
- (b) at least two speciality restaurants and
- (c) a Banquet-cum-Convention Hall.

The Management observed that with the additional 300 beds the Hotel would have a bed capacity for 750 guests. They also felt that Convention and Banquet facilities for about 2500 persons would be a powerful inducement for an increased traffic flow into the country. According to very rough calculations—the time for working out a preliminary project estimate was very short—the construction of the Annexe would cost about 2.39 crores, inclusive of Rs. 45 lakhs in foreign exchange. The Management recommended that a sum of Rs. 1 crore should be provided by the Government in the form of equity share capital and the balance should be loaned to the Company by the Government as an interest bearing loan repayable in 20 years with a moratorium on repayment for the first three years.

8. The Management pointed out that while the provision of extra beds in the Hotel would help to meet a part of the accommodation requirements for UNCTAD II, the annual occupancy rate of the Hotel and consequently its profits would go down for some time. As against this, however, the Management were of the view that the expansion of the Hotel would be justified as the Department of Tourism were expecting to double the tourist traffic by 1970-71.

9. In conclusion, the Ashoka Hotels Ltd., felt that if Government could immediately provide the finances and foreign exchange requirements 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 forthcoming UNCTAD Conference. (The date for the Conference had now been fixed for the 1st February 1968 and the estimate of the Ministry of Commerce now was that accommodation was to be found for about 2500 persons).

10. On the 20th January 1967 the Board of Directors formally considered the note sent to the Ministry of Works, Housing and Urban Development on the 5th January 1967 by the Managing Director, and sanctioned the construction of the Annexe in accordance with the drawings submitted by M/s. Chowdhury and Gulzar Singh, Architects. They also authorised the Chairman to finalise the fee payable to the Architects within the ceiling indicated at the meeting.

11. On the 25th January the Government of India conveyed their approval of the proposal for the construction of an Annexe to the Ashoka Hotel consisting of 300 beds, two speciality restaurants along with a banquet-cum-convention hall sufficient to seat 2500 persons. The work was to be completed in time for the 2nd UNCTAD Session commencing from February 1968. The Ministry of Works, Housing and Urban Development also informed the Ashoka Hotels that they had made a provision of Rs. 2 crores for the Hotel's expansion scheme (Annexure VI).

*Action taken subsequent to Government's Sanction*

12. On the 6th of February 1967 the Chairman and the Managing Director of the Ashoka Hotels Ltd., held discussions with the Secretary of the Ministry of Works, Housing and Urban Development. A Joint Secretary of that Ministry, the Joint Secretary of the Ministry of Finance (Works) both of whom were Directors of the Ashoka Hotels Ltd., and the Chief Engineer, C.P.W.D. were present. It was observed that the architects for the Annexe Project (M/s. Chowdhury & Gulzar Singh) were expected to take at least six weeks to finalise the detailed working drawings, the estimates and draft notice inviting tenders etc., and it was important that this time should be gainfully utilised. The levelling of the site for the Annexe involved cutting of about 5 lakh cubic feet of earth and rock and it was felt that the six week period should be used for completing this process. The Management of the Ashoka Hotels were of the opinion that this work which was estimated to cost about Rs. 2 lakhs should be awarded by negotiation either to the National Building Construction Corporation, a Public Sector Undertaking or to M/s. Tirath Ram Ahuja Private Ltd., who had built the main Ashoka Hotel and were thus familiar with the nature of the soil and the existing foundations. They were also of the view that for the main construction work severely limited tenders would probably have to be called and the work awarded by negotiation thereafter. At the appropriate time both the NBCC and M/s. Tirath Ram Ahuja Pvt. Ltd., could bid for this work. The Management, however, appreciated that there were certain risks in awarding this work by negotiation to either of these two firms, as this could result in other firms refraining from bidding for the main construction work in the belief that the NBCC or M/s. Tirath Ram Ahuja Pvt. Ltd., having already been entrusted with the excavation work, stood a good chance of getting the main work also. In such circumstances either of these two firms might get away with unduly high rates. On the other hand, there was also the possibility of other firms quoting unrealistically low rates in order to embarrass the NBCC or M/s. Tirath Ram Ahuja Pvt. Ltd. In either case the Hotel expansion project would suffer. The Management nevertheless felt that these risks would have to be faced as and when they arose and in the meanwhile these possible difficulties should not come in the way of immediately selecting a suitable contractor/agency for the excavation work.

13. Immediately after the meeting, the Managing Director of the Ashoka Hotels recorded a note of the discussions and forwarded it to the Chairman who referred it to the Secretary, Ministry of Works, Housing and Urban Development (Annexure VII). The latter after discussion with the Ministry of Finance (Department of Expenditure) observed that the earth cutting work may be awarded to M/s. Tirath Ram Ahuja Pvt. Ltd., by negotiation since the NBCC whom he had consulted were unable to take it up. The cost of the work was not to exceed the estimated value of the CPWD rates. The Secretary also recorded that for the main construction work, limited tenders may be called and the work awarded to the lowest tenderer, or if he was not suitable, by negotiation with the lowest suitable tenderer.

In recording their concurrence the Ministry of Finance (Department of Expenditure) suggested that the number of contractors to whom the tender enquiry would be addressed should be sufficiently large so as to ensure fair competition.

14. Accordingly on the 9th/10th February 1967, the Ministry of Finance (Works & Estates) addressed a letter to the Managing Director of the Ashoka Hotels enclosing a select list of 14 contractors and the names of 10 more whom it was proposed to add to the list for the purpose of inviting tenders for the construction of a multi-storeyed hostel at the site of Constitution House on Curzon Road (Annexure VIII). It was suggested in the letter that this list might be useful to the Management in the matter of inviting quotations for the construction of the Ashoka Hotel Annex. (This list of 24 contractors did not contain the name of M/s. Uttam Singh Duggal & Co. Pvt. Ltd.).

15. In the meanwhile on the 9th of February 1967, the Managing Director of the Hotel had written to the Additional Chief Engineer, CPWD enquiring about the prevailing market rate for excavation work, (vide Annexure IX).

The following chronological table describes the subsequent events upto the issue of the notice inviting tenders to the 24 contractors mentioned above :—

- (i) 10th February 1967 :—
  - (a) The Additional Chief Engineer, CPWD, indicated (Annexure X) that the prevailing rate for excavation work was 20 to 25 per cent above the CPWD 1962 schedule of rates (reprinted in 1966).
  - (b) Terms of the architects settled by the Chairman subject to the approval of the Board of Directors. (This approval was given on 1st March 1967, subject to certain conditions).
- (ii) 11th February 1967.—The Board of Directors awarded the excavation work of M/s. Tirath Ram Ahuja Pvt. Ltd., at 25 per cent above the CPWD 1962 schedule of rates.
- (iii) 13th February 1967.—The architects (M/s. Chowdhury and Gulzar Singh) were informed of the Board's decision in regard to the excavation work.
- (iv) 15th February 1967.—Excavation work was started by M/s. Tirath Ram Ahuja Private Ltd.
- (v) 17th March 1967.—The Management received the tender documents from the architects for scrutiny and approval. (The structural and architectural drawings were just sufficient to give intending contractors an indication of the work involved).
- (vi) 20th March 1967.—The tender documents were returned after scrutiny by the Management to the architects for the preparation of tender papers.
- (vii) 23rd March 1967.—Notices inviting tenders were sent under Certificates of Posting to the 24 contractors whose names had been supplied to the Management by the Ministry of Finance (Works & Estates) in their letter of the 9th/10th February, 1967.

## 16. The tender notice covered four separate items as follows :—

| Name of work  | Approximate cost   | Earnest money | Date of completion |
|---|--------------------|---------------|--------------------|
| 1. Guest room block and Sky Restaurant upto 3rd floor roof parapet. | Ra.<br>1,00,00,000 | Rs.<br>50,000 |                    |
| 2. Convention Hall and extension to the existing main kitchen.      |                    | 1&2           | 30-12-67           |
| 3. Sky Restaurant above 3rd floor roof parapet.                     |                    | 3             | 30-6-68            |
| 4. Cooling tower for air-conditioning.                              |                    | 4             | 30-6-67            |

17. As the notice inviting tenders had not been issued to M/s. Uttam Singh Duggal & Co. Private Ltd., Shri Uttam Singh Duggal M.P., met the Minister of Works Housing and Supply and also the Deputy Minister and made a complaint about it. In the words of the Minister (Short duration discussion on Ashoka Hotels Ltd, in the Rajya Sabha on 15th June 1967) "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. . . . .". The upshot of the interview was that the Minister directed that a tender paper should be given to M/s. Uttam Singh Duggal & Co. Pvt. Ltd., also. This was accordingly done by the architects on the 4th April, 1967.

18. The tender documents were purchased by six of the contractors on the original list of 24, namely :—

1. Om Prakash Baldev Kishen.
2. Mehta Teja Singh & Co.
3. Tirath Ram Ahuja Pvt. Ltd.
4. C. Lyall & Co.
5. Shah Construction Pvt. Ltd.
6. Bhai Sunder Das Sardar Singh Pvt. Ltd.

and also by Uttam Singh Duggal & Co. Pvt. Ltd.

Of these seven firms only five, namely :—

1. Bhai Sunder Das Sardar Singh Pvt. Ltd.
2. Uttam Singh Duggal & Co. Pvt. Ltd.
3. Tirath Ram Ahuja Pvt. Ltd.
4. Mehta Teja Singh & Co. and
5. C. Lyall & Co.

submitted tenders on the due date. These tenders were opened on the 10th of April 1967, by the Managing Director of the Ashoka Hotels in the presence, *inter-alia*, of the contractors/contractors' representatives and the architects. The total amount of each tender was read out (after excluding provisional items for which the contractors had not been asked to quote) as also the covering letter accompanying the tender.

19. The position that emerged was that :

(i) M/s. C. Lyall & Co. had quoted a figure of Rs. 94,33,176. In their covering letter they made what they called "certain suggestions" for the Management's consideration. One of these was that in the event of an increase in the wages of labour or in the rate of any materials or taxes over the then prevailing rates due to any State or Central Government legislation or the orders of any properly constituted authority, their rates would be reasonably increased.

(ii) M/s. Uttam Singh Duggal & Co. Pvt. Ltd. had quoted a sum of Rs. 90,36,049. Their covering letter (Annexure XI) explained that in pricing the tender cost the firm had assumed that the prevailing market rate for cement was Rs. 180/- per metric ton. Any increase or decrease in the cost of materials due to "Act of Legislation etc." would be adjusted accordingly.

(iii) M/s. Tirath Ram Ahuja Private Ltd. had quoted a figure of Rs. 90,42,397. In their covering letter (Annexure XII) they specified a number of "conditions" and observed that "this forwarding letter will form part of our tender in the same way as architects general instructions to contractors, form of agreement, conditions of contract, schedule of quantities, specifications, architects drawing and the rates submitted by us. If any point mentioned in this letter is at variance with the tender documents mentioned above, the point in this letter will prevail."

In paragraph 2 of their covering letter the firm stated "we feel that we are capable of completing the work in its essential parts in time to enable the Ashoka Hotel authorities to put the proposed extension to use before the Convention is held, provided the conditions detailed in the following paragraphs are fulfilled." A lengthy description of the contractor's responsibilities and what would be the responsibilities of the owners and architects, followed.

Paragraph 13 of the letter made it clear that the firm had not quoted for the Sky Restaurant above the 3rd floor.

Paragraph 20 was an escalation clause in which the firm stated that they had based their rates on the then prevailing prices of materials and wages of labour and that if these went up as a result of any action, direct or indirect on the part of Government or a local authority during the execution of the Project they would be compensated for the additional expenditure incurred by them.

(iv) Bhai Sunder Das Sardar Singh Pvt. Ltd. had not furnished item rates as required in the tender. Their covering letter, however, stated that their rates would be 55 per cent above the 1962 CPWD schedule of rates and that this would also be their rate for non-schedule items. The letter *inter alia* made it clear that any increase in the prices of steel and cement would have to be reimbursed to them and that the firm would charge additionally for the height factor above the third floor level. There were a number of other demands including one for an advance of Rs. 5 lakhs.

(v) Mehta Teja Singh & Co. had quoted a total figure of Rs. 93,04,841.89. There was no demand for any escalation of rates in their covering letter.

20. Immediately after the covering letters and the overall tender amounts had been read out, the two apparently lowest tenders of M/s. Uttam Singh Duggal & Co. Private Ltd. and M/s. Tirath Ram Ahuja Pvt. Ltd. were read out in detail, item wise.

21. An arithmetical check of the figures mentioned in the tenders was immediately thereafter undertaken by the accounts staff of the Hotel. This was completed on the 11th April, 1967, and the tenders were then made over to the architects for the preparation of a detailed comparative statement.

22. The architects submitted a comparative statement to the Management on the 12th of April 1967, with a brief covering letter in which they stated that "comparing the tenders for similar items M/s. Uttam Singh Duggal & Co.'s tender is the lowest at 36.85 per cent above the estimated cost and that of M/s. Tirath Ram Ahuja Private Ltd.'s is the second lowest at 39.47 per cent above the estimated cost." The architects added that they were examining carefully the implications of the tenders and would forward their comments/recommendations shortly.

23. On the 14th of April 1967 the Hotel Management prepared the agenda item in regard to the Annexe tenders and circulated it to the Board Members for their meeting to be held on the 20th April. The letter of the architects (Annexure XIII) recommending that the work should be awarded to M/s. Tirath Ram Ahuja Private Ltd., was received by the Management on the morning of the 20th April and copies were distributed to the Members of the Board before their meeting was held on that afternoon.

24. The Board 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.'s letter dated 10th April 1967, are not acceptable. The contract shall be given to them on the terms and conditions specified in the notice inviting tender (the general rules and specifications, agreement and schedule of conditions and contract printed form sent along with the notice inviting tenders by the architects);
- (b) The rates for the construction of the Sky Restaurant above the third 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."

25. On that very day (20th April 1967) the Managing Director informed M/s. Tirath Ram Ahuja Private Ltd., of the Board's decision and on the 21st April 1967, the firm conveyed their acceptance of the award of the work to them on the conditions mentioned by the Board and also stated that they were starting work on the project with immediate effect.

26. On the 22nd April 1967 M/s. Uttam Singh Duggal & Co. Private Ltd. made a long complaint in writing to the Secretary Ministry of Works, Housing and Supply in regard to the award of the contract to M/s. Tirath Ram Ahuja Private Ltd. A complaint was also received in this regard by the Deputy Prime Minister alleging *inter-alia* loss of public funds in the award

of the contract. Under his verbal orders the Secretary, Ministry of Works, Housing and Supply telephonically directed the Managing Director of the Ashoka Hotel on the evening of the 22nd April, 1967 to stop the work awarded to M/s. Tirath Ram Ahuja Private Ltd. and also informed him that the Deputy Prime Minister would like to look into the whole matter in a day or two. This was done by the Management on the 24th April, 1967. On the evening of the same day the Deputy Prime Minister after considering the matter, directed that M/s. Tirath Ram Ahuja Private Ltd.'s tender's price should be reduced by Rs. 2.20 lakhs. These instructions were conveyed by the Secretary, Ministry of Works, Housing and Supply to the Managing Director on the telephone immediately. On the 25th of April, 1967, the Managing Director informed the Secretary verbally that after oral discussions with him the contractor had reluctantly agreed to reduce his bills by Rs. 2.20 lakhs.

27. The Minister of Works, Housing and Supply discussed the matter with the Chairman of the Ashoka Hotels Ltd. and Dy. Prime Minister on the 29th April, 1967. As a result of these discussions and since the hotel management had asked for a directive in the matter, the Minister indicated in a note to the Chairman that "there is no question of Tirath Ram not being allowed to proceed with the work. He is a reliable contractor and must go on with the work and finish it in time. He has been rightly awarded the work by the Board of Directors who rejected the lowest tenderer. However, we should even now obtain from them a reduction of Rs. 2.20 lacs representing the difference in tendered amounts."

*Award of excavation (levelling) work*

28. The land adjoining the main building of the Ashoka Hotel on which the Annexe was to be built, was bound by the Panchsheel Marg on one side the hutments on the other and the then existing hotel building on the other two sides. This land had to be levelled up in time to enable the construction work to commence without any delay after the contract had been awarded to the successful tenderer. The excavation work (it should be correctly described as levelling of the site) involved the cutting of about 5 lakh cubic feet of earth and rock, and was estimated to cost about Rs. 2 lakhs. The work involved some 25,000 man-days and had to be completed in a period of about 6 weeks which meant mustering immediately of about 500 persons daily in the compact and restricted area described above. Since the hotel was functioning, it could not afford to have a shanty town come up inside its compound to house this large labour force nor permit blasting of rocks by dynamite etc. inside its compound. It was, therefore, essential to utilise a special class of labour—the Khandars—who specialise in cutting rocks without blasting.

29. The Committee has examined this question in detail and find that the work which was awarded to M/s. Tirath Ram Ahuja Priv. Ltd., was not the excavation work for foundations of the Annexe but the general levelling of the site necessitated by the site conditions. The excavation of foundations formed part of the Notice Inviting Tenders (issued for the work subsequently).

30. The Committee has inspected the site. It is clear that a large quantity of levelling work was involved. It was an essential prerequisite to going abroad with the construction of the Annexe, and had to be completed by



the time the tenders for the construction were received and decided. Otherwise it would have been very difficult for any building contractor to work and arrange his materials for the speedy construction of the Annexe.

31. The question of levelling of the site was discussed by the Chairman and Managing Director of the Ashoka Hotels Ltd. with the Secretary, Ministry of Works, Housing & Urban Development on the 6th February, 1967, when a Joint Secretary of that Ministry, the Joint Secretary of the Ministry of Finance (Works) both of whom were Special Directors of the Hotel, and the Chief Engineer, CPWD were present. On the basis of this discussion, the Management of the Hotel submitted a note dated 6-2-1967 to the Ministry of W.H. & U.D. (Annexure VII) suggesting that the above work be awarded by negotiation either to N.B.C.C. (a public sector company) or to Messrs. Tirath Ram Ahuja Private Ltd.—the firm which built the original Ashoka Hotel building and were thus familiar with the nature of the soil and the existing foundations. The Ministry of W.H. & U.D. discussed the matter with the Ministry of Finance and the N.B.C.C. Since the latter regretted their inability to take on the work, the Ministry of W.H. & U.D. recorded that the work may be awarded to M/s. Tirath Ram Ahuja Private Ltd. subject to the condition that the cost of the work did not exceed the estimated value of CPWD rates. The proposal was concurred in by the Ministry of Finance and the papers passed on to the Management of the Hotel for necessary action. The Management immediately wrote to the Additional Chief Engineer enquiring about the prevailing market rates for excavation work and were informed by the latter (on 10-2-67) that the prevailing rate was 20 to 25 per cent above the CPWD 1962 schedule of rates (reprinted in 1966). On the 11th February, 1967, the Board of Directors awarded the excavation work to M/s. Tirath Ram Ahuja Private Ltd. at 25 per cent above the CPWD 1962 schedule of rates.

The Management's note dated 6-2-67 does not record any reasons for not inviting even limited/short notice tenders for this work. It was, therefore, not clear to the committee as to why this work could not be given on the basis of tenders. The Management explained in a note furnished to the Committee that M/s. Tirath Ram Ahuja Private Ltd., were engaged at the time on similar excavation (levelling) work at the site of the NDMC hotel nearby and having built the original hotel were fully conversant with the underground services etc. which would need diversion, and in addition, they had at hand an adequate and specialised labour force for the work. The Management thus felt that the award of work to this firm apart from saving time avoided the setting up of hutments for this labour within the compound of the hotel.

32. The Committee are not entirely satisfied by the procedure adopted within this matter. Firstly, they do not understand why the management thought it necessary to obtain governmental approval to awarding this particular work on nomination either to the NBCC or to M/s. Tirath Ram Ahuja Private Ltd. Such a decision should have been taken by the Management themselves as the work was estimated to cost only about Rs. 2 lakhs. Secondly and more important, the management itself had some doubts about awarding the work on nomination as it felt that this might be prejudging the issue of the selection of a contractor for the main work. The Committee feel that in these circumstances, even though the Management had the power to award the work on nomination, it would have

been more appropriate for the Management to have invited severely limited short-notice tenders from local firms specialised in such work specifying that—

- (i) The total quantity of earth and rock to be excavated was about 5 lakhs cu. ft.;
- (ii) The work was to be completed in a period of six weeks;
- (iii) "Blasting" of rock will not be permitted, and that special labour experienced in excavating rock without blasting should be employed;
- (iv) Labour camp will not be allowed to be put up inside the Hotel compound.

### ROLE OF THE ARCHITECTS

33. In the previous two chapters the background of the Ashoka Hotel Annexe project has been described in narrative form up to the point of awarding the construction work to M/s. Tirath Ram Ahuja Private Ltd. The present chapter deals with the role of the architects, M/s. Chowdhury and Gulzar Singh with particular reference to the part played by them in the selection of the contractor for the building work.

34. It has been stated in the previous chapter that the terms of the Architects were settled by the Chairman on the 10th February, 1967, subject to the approval of the Board of Directors. It was only after this that the Architects would have taken up the preparation of the tender documents and drawings. Since the Board of Directors did not have any prescribed procedures of its own for construction works, it seems that the CPWD procedure were adopted as far as practicable. This is borne out by the fact that on almost every-thing that was essential, the CPWD procedures, specifications and schedule of quantities and rates were followed.

35. Para 6.301 of the CPWD Manual (Vol. II) stipulates that "a detailed estimate showing the quantities, rates and amount of various items of work and also the specifications to be adopted should be prepared" before tenders are invited for any work. In emergent cases, however, it is permissible to work out rough quantities for major items *vide* para 6.302 of the Manual (Vol. II) which is reproduced below :—

"6.302 :—In the case of urgent works, when there is no time to prepare a complete estimate, rough quantities and rates for the main items of that part of the work for which tenders are called and which cover the major part of the cost should be worked out before tenders are invited and adopted for the purpose of comparison."

In the case of the Ashoka Hotel Annexe the notice inviting tenders was based on rough quantities for the main items covering a major portion of the work and it was indicated that other items would be detailed by the Architects in their drawings later.

36. Paragraph 6.303 of the CPWD Manual (Vol. II) provides that tender documents should consist of the following :—

- (i) The notice inviting tenders.
- (ii) The form of tender to be used.

- (iii) The schedule of quantities of work.
- (iv) A set of complete drawings.
- (v) A set of conditions of contract.
- (vi) A complete specification of the work to be done.

The tender documents compiled by the Architects and submitted to the Hotel Management on the 17th March, 1967, included all the items mentioned above except item (iv) *i.e.* a set of *complete* drawings and item (vi) *i.e.* a *complete* specification of the work to be done. In both these items there were omissions in respect of finishing or decorative/architectural items. Only thirty five 1/8" drawings were made available and not the one hundred and six detailed drawings for finishing or decorative/architectural items which were referred to in the tender Schedule under the expression "as per architects' drawings." Similarly for item (vi) specifications were furnished for all items relating to the construction of the building but not for the finishing or decorative/architectural items. These omissions could have been condoned in terms of paragraph 6.801 (iii) of the CPWD Manual (Vol. II), which stipulates that

6.801 (iii) : "In the case of big projects where all the complete drawings cannot be prepared in the beginning, the senior Architects and the Suptdg. Surveyor of Works concerned must lay down a programme showing the dates on which the complete drawings would be supplied for different parts of the buildings and they must adhere to that programme."

However, the Architects did not furnish the programme envisaged in para 6.801 (iii) referred to above.

37. The Schedule attached to the tenders contained only approximate quantities involved in the work particularly in respect of a number of "finishing items". A lack of these details would make it difficult for a contractor to work out correctly the cost of material and labour involved and he would face a risk in tendering for such work, as the detailed drawings/specifications to be furnished by the Architects later might either have inflated the actual costs so as to put him to considerable loss or brought him unduly large profits (with or without the connivance of the Architects). It has been ascertained, however, that the total value of works for which details were furnished by the Architects later (excluding extra items which were not covered by the tender) was about Rs. 13.47 lakhs or 18 per cent of the total cost of the contract amount. It has to be borne in mind that the Ashoka Hotel Annexe was a project of great urgency and had to be completed before the commencement of the UNCTAD II. In the circumstances it was impossible for the Architects to prepare detailed drawings for all the finishing items before calling tenders, as this work alone would have taken six to nine months. Considering the fact that the value of finishing items for which detailed drawings were not made available at the time of issue of notice inviting tenders covered only 18 per cent of the total cost of the contract amount and that the finishing would be more or less on the pattern adopted for the main hotel, the Committee consider that the thirtyfive 1/8" drawings made available to the tenderers were adequate to enable them to quote with reasonable confidence for all the items in the tender Schedule.

38. The Committee note that the Architects did not supply a set of the thirtyfive 1/8" drawings to each tenderer and that the tenderers were required to inspect the drawings in the Architect's office. In this connection para 6.334 of the CPWD Manual (Vol. II) is relevant and is reproduced below :—

"6.334 :—As it is not always practicable to supply plans and drawings along with each set of tender documents to the contractors for the purposes of tendering, plans and drawings should be displayed on Notice Boards in such a manner that they can be seen by intending tenderers without causing damage to the plans."

It has been ascertained from the CPWD that they also followed on identical procedure for the construction of the Curzon Road Hostel, a project of the same urgency and magnitude as the Ashoka Hotel Annexe and executed during the same period. In other words, in the case of the Curzon Road Hostel also, 1/8" scale drawings had to be inspected in the Executive Engineer's Office. (Detailed drawings were prepared later and supplied as the work progressed).

39. During the course of their examination of the tender documents the Committee came across a 1/16" scale drawing of the Annexe on which certain explanations/clarifications had been indicated by the Architects in free hand in the shape of rough sketches etc. It appears that these were given on demand to some tenderer(s) when they went to the Architect's office to inspect the 1/8" drawings of the Project. There is no evidence to show that these clarifications/explanations were shown to each one of the tenderers. Those tenderers who saw these free hand sketches would have been in a better position to quote more accurately for the finishing items in question. The Committee are of the view that the proper course would have been for the Architects to have furnished these sketches to all tenderers who purchased the tender documents

40. On the 11th of April, 1967, the five tenders received from M/s. C. Lyall and Co., M/s. Uttam Singh Duggal & Co. Pvt. Ltd., M/s. Tirath Ram Ahuja Private Ltd., Bhai Sunder Das Sardar Singh Private Ltd., and M/s. Mehta Teja Singh & Co. along with their respective covering letters were made over by the Management of the Ashoka hotels to M/s. Chowdhury & Gulzar Singh for the preparation of a comparative statement. The Architects furnished the comparative statement on the 12th of April, 1967. In their forwarding letter they stated that "Comparing tenders for similar items, M/s. Uttam Singh Duggal & Co.'s tender is the lowest at 36.58 per cent above the estimated cost and that of M/s. Tirath Ram Ahuja Private Ltd.'s is the second lowest at 39.47 per cent above the estimated cost. We are examining carefully the implications of the conditions of the tenders and shall forward our comments/recommendation shortly."

41. An examination of the statement forwarded by the Architects shows that they had entirely excluded the cooling tower for air conditioning which had been specifically mentioned as item 4 in the notice inviting tenders. While no reason for this exclusion was mentioned it would seem that the type of plant to be installed had not been finalised and it was therefore left out of consideration. Further, in coming to the conclusion that M/s. Uttam Singh Duggal & Co.'s tender was the lowest and M/s. Tirath Ram Ahuja's the second lowest, the reinforced cement concrete items for the Sky Restaurant above the third floor and item 122 of the tender (foam concrete) were excluded. This was apparently done because M/s. Tirath Ram Ahuja

Private Ltd., had not quoted for the RCC items in the Sky Restaurant above the third floor, while Mehta Teja Singh & Co. were considered not to have quoted for item 122. It may be mentioned here that this omission in Mehta Teja Singh's tender clearly seems to have been due to a clerical error in that though no quotation was given in their original tender, the duplicate copy of their tender which was submitted along with the original mentioned their quotation for this item without varying their overall total quotation, which was the same in the original as well as the duplicate copy of the tender.

There is nothing to show that the Cooling Tower for Air conditioning, the RCC items above the third floor and item 122 were excluded by the Architects under any written directions of the Hotel Management. Indeed, if the Cooling Tower was to be totally ignored at the time of comparing the tenders, there was no point in mentioning it as an item of work in the Notice inviting tenders.

42. The Committee are of the view that the Architects would have compared the tenders as a whole and pointedly brought out the defects and omissions in each. They could also have projected incomplete tenders by calculating the costs of unquoted items on the basis of CPWD rates or similar items quoted by the contractors.

43. The comments/recommendation promised by the Architects in their letter of the 12th April, 1967, came in their letter of the 20th April, 1967. While stating that M/s. Uttam Singh Duggal & Co.'s tender was the lowest at 36.58 per cent above the estimated cost and M/s. Tirath Ram Ahuja Private Ltd.'s was the second lowest at 39.47 per cent above the estimated cost, the Architects made the following observations :—

- (a) Though M/s. Uttam Singh Duggal & Co.'s tender was the lowest, it was based on the assumption that the market rate of cement was Rs. 180/- per metric ton. The firm's condition that any increase or decrease in the cost of *materials* due to any Act of legislation etc., would be adjusted accordingly, would have far reaching effects because of its vagueness and complexity. The price of cement at the site of delivery was about Rs. 190/- per metric ton and this meant that the contractor could already claim Rs. 50,000 for cement alone. Apart from the financial liabilities which the firm's condition involved, there would be serious difficulties in keeping a record of fluctuations in the market price of each and every material. There would thus be endless trouble, dispute, claims and litigation resulting in the contract becoming almost inoperative.
- (b) Though M/s. Tirath Ram Ahuja Private Ltd.'s tender did not include the RCC items above the third floor level for the Sky Restaurant on the ground that the architects' designs were not clear enough to indicate the complicated nature of work, it would be possible to work out the rates of the work above the third floor level. M/s. Tirath Ahuja Private Ltd.'s tender could, therefore, be considered as being in order.
- (c) In their covering letter M/s. Tirath Ram Ahuja Private Ltd., had made certain suggestions which were very useful and as far as practicable some of these could be accepted. The firm had also made certain conditions, but it would be neither in the interests

of the architects nor of the Management to accept any conditions not already included in the tender documents.

- (d) The Architects had not had any experience of working with M/s. Uttam Singh Duggal & Co. and were, therefore, unable to comment definitely on their competence, performance or capability to finish work of architectural importance within a specified time limit. While M/s. Uttam Singh Duggal & Co. had executed large engineering projects for the Government of India their experience in architectural projects requiring a very high degree of coordination of services, workmanship and finish seemed to be limited.
- (e) M/s. Tirath Ram Ahuja Private Ltd. had constructed a large number of buildings of great architectural merit and had the reputation of being a most capable and resourceful firm possessing a high degree of integrity. They were also cooperative and willing contractors. These qualities were essential for the successful completion of the Annexe Project. The firm had worked with the architects on two projects in the past and had completed them very satisfactorily. One of these projects had been finished two months ahead of schedule.
- (f) Comparing the standard of performance, reputation and experience particularly in architectural building works, and taking into account the nature and complexity of the Ashoka Hotel Annexe Project, the work should be entrusted to M/s. Tirath Ram Ahuja Private Ltd. None of their conditions other than those stated in the tender documents should be accepted.

44. In regard to the RCC items above the third floor level the Architects stated in their letter of the 20th April, 1967, that it was not possible for them to give precise information to the contractors in regard to the construction of the Sky Restaurant as the height of the tower was still under negotiation with the Civil Aviation authorities. If the Architects were not in a position to give adequate information in regard to the construction of the Sky Restaurant, they should have brought this to the notice of all the contractors in writing at the time of closing the tenders making it clear that omission to quote for the RCC items above the third floor would not invalidate their tenders. This was not done. The inference, therefore, is that sufficient information was available for the contractors to enable them to quote. Indeed M/s. C. Lyall & Co., M/s. Uttam Singh Duggal & Co. and Mehta Teja Singh & Co., did actually give their quotations. If they could do so, the Committee do not understand why M/s. Tirath Ram Ahuja Private Ltd. found it impossible. The statement of the Architects that "as per terms of the contracts it would be possible to work out the rates of the work above the third floor even if any contractor chooses not to quote for the uncertain items" thus avoid the real issue and the Committee is of the view that M/s. Tirath Ram Ahuja Private Ltd.'s tender was conditional and incomplete and the Architects' opinion that it was 'in order', was not correct.

45. In comparing the two tenders of M/s. Uttam Singh Duggal & Co. and M/s. Tirath Ram Ahuja (Private) Ltd., the Architects expressed grave misgivings in regard to the complications and even litigation that might arise out of the condition contained in M/s. Uttam Singh Duggal & Co.'s letter

dated the 10th of April, 1967, to the effect that their tendered rates had been based on the assumption of the market price of cement being Rs. 180/- per metric ton and that any increase or decrease in the cost of materials due to any act of legislation etc., would be adjusted accordingly. (This condition was somewhat modified in M/s. Uttam Singh Duggal & Co.'s subsequent letter dated the 18th April, 1967, in which they clarified that the enhancement due to act of legislation would be applicable to cement only but this letter does not appear to have been referred to the Architects by the Management). It is, therefore, surprising that the architects fore saw no difficulties in the far wider and more onerous price escalation conditions demanded by M/s. Tirath Ram Ahuja Private Ltd. in paragraph 20 of their letter dated the 10th of April, 1967, reading as follows :—

“We have based our rates on the present prices of materials and the present wages of labour. If, as a result of the action, direct or indirect, on the part of Government or local authority, during the execution of the project the wages of labour or price of materials are raised, we shall be compensated for the extra expenditure that will have to be incurred by us as a result of such action by Government or local authority.”

46. The numerous other conditions laid down in M/s. Tirath Ram Ahuja Private Ltd.'s letter were not commented upon by the Architects at all, but, on the contrary, some of them were regarded as practicable without specifying them, and this in spite of the fact that in the very first paragraph of their letter the firm had clearly stated that if any point mentioned in their letter was at variance with the tendered documents their letter would prevail. It is also surprising that while the architects glossed over the various conditions laid down by M/s. Tirath Ram Ahuja Private Ltd., by recommending that none of them should be agreed to except in so far as they were already contained in the tender documents, no such recommendation was made in the case of M/s. Uttam Singh Duggal & Co.

47. That the Architects had a very high opinion of M/s. Tirath Ram Ahuja Private Ltd. is clear from their remarks in their letter of 20th April, 1967. This by itself, however, was not sufficient reason to recommend that the work of building the Annexe should be awarded to that firm. Their statements that “we have not had any experience of working with M/s. Uttam Singh Duggal & Co., and therefore we are unable to say definitely about their competence, smooth performance ...”. “we understand that they have executed large engineering projects of the Government of India but we have no knowledge as to their performance, capacity etc.”. “in so far as large architectural projects requiring a very high degree of coordination of service, workmanship and finish such as a luxury hotel their experience seems to be limited”, would leave the impression that the architects made no serious efforts to find out more about M/s. Uttam Singh Duggal & Co. before making their recommendation. Their recommendation was thus based on their personal knowledge of Messrs. Tirath Ram Ahuja Private Ltd., and lack of knowledge about Messrs. Uttam Singh Duggal & Co. In this connection it is also interesting to note that as far back as the 10th of February, 1967, that is long before the Notice inviting tender was issued, the Architects had recommended to the Chairman of the Ashoka Hotels Ltd. that the work of constructing the foundation and footings of columns up to the plinth level might also be negotiated with M/s. Tirath Ram Ahuja Private Ltd., or in the alternative the firm might be persuaded to agree to the lowest tenderer's

rates in case that work was to be allotted after calling tenders. Fortunately, this recommendation was not accepted by the Management. The Committee are left with the impression that the Architects were from the beginning keen on having M/s. Tirath Ram Ahuja Private Ltd., as contractors for this work.

*Award of contract for the Annexe by the Management*

48. As stated earlier, the Management took up the construction of an Annexe to the Hotel at the instance of Government. While submitting the proposals to the Ministry of Works, Housing and Supply on the 5th January, 1967, the Management had made it clear, *inter alia*, that having regard to the urgency of the project, "special methods and procedures" will have to be adopted if the project was to be completed and "habitable accommodation for an additional 300 persons" made available in the Hotel in time for UNCTAD-II. (The total period available for planning and constructing the Annexe was barely 11 months).

49. Had the project been executed in the normal course, and in full compliance with the various codal formalities, the preparation of detailed drawings and estimates alone would have taken 6-9 months *before* tenders could be called for. Besides, a very much longer time would have had to be allowed to the selected contractor for actual construction. In this connection, the following paragraphs of the C.P.W.D. Manual (Vol. II) are relevant :—

"6.313. The notice inviting tender should stipulate reasonable time for completion of the work; in an urgent case, the authority which is competent to approve the N.I.T. in that particular case might curtail the period, *but in no case the period should be unrealistic.*"

"6.314. The schedule of contract period as per Appendix IV of this Manual should be followed as far as possible."

In fact, the project had to be taken up and completed in about 11 months only—a period which would have been considered unrealistic in the normal course. Consequently, special methods and procedures had necessarily to be resorted to. Even so, having regard to the nature and magnitude of the work, the Management of the Hotel took upon themselves an onerous responsibility. The various actions of the Management which are discussed under appropriate headings in the succeeding paragraphs, have to be judged against this background.

50. *Scrutiny of Tender documents* : The tender documents were received by the Management from the Architects on the 17th March and returned to them after scrutiny on the 20th March, 1967. Ordinarily, preparation of detailed drawings and estimates by the Architects should be insisted upon. The Management could not insist on this being done. They must have been aware that it was impossible to enforce compliance with this requirement for the simple reason that there was no time to do so, as already explained in the opening paragraphs of the Chapter dealing with the Role of Architects. In any case the action taken broadly conformed to the procedure laid down in the CPWD Manual (Vol. II) for "urgent" works.

51. *Limited Tenders*

In the normal course open tenders are invited for works of any appreciable magnitude, "by advertisement in the press or by notice in English



and the written language of the district posted in public places" as provided in para. 6.316 of the CPWD Manual (Vol. II). The process of selecting a suitable contractor by open advertisement etc. would not have been suitable for this work, having regard to the nature of the work and the urgency with which it had to be executed. Para 6.318 of the CPWD Manual (Vol. II) provides that—

"In urgent cases where the Engineer in charge is satisfied that an emergency exists and it is absolutely essential in the interest of public service to dispense with the invitation of open tenders for works costing more than Rs. 10,000/- he may invite limited tenders from selected contractors readily available in the area and award works on the basis thereof or by negotiations thereafter. The actual selection of contractors for the purpose of limited call of tenders or for negotiations is left to the Engineer-in-charge of the works. Prior approval of the Government of India will, however, be necessary for the actual award of work in such cases as usual."

Whether an "emergency" for the purposes of the above para of the CPWD Manual exists or not, has necessarily to be determined with reference to the time available for the completion of the relevant work having regard to its nature and magnitude. In view of what has been stated earlier in this chapter, there can be no doubt that the construction of the Annexe had to be treated as a project of the utmost urgency, and, therefore, the selection of contractors had to be made from among those capable of executing in time such a large work involving special architectural features. The Architects (who functioned as the "Chief Engineer in charge" in the present case) would accordingly have been justified in recommending to the Management that limited tenders should be called for the work, as also in suggesting the names of the tenderers who should be invited to quote for the work. This would have been in accordance with the accepted principles laid down in the C.P.W.D. Manual (Vol. II). The decision to invite limited tenders for the Annexe construction was taken by Government. In view of the urgency of the work and the special architectural features involved, this decision was not unjustified.

The Committee would, however, like to suggest that Government might examine the existing procedures and practices under the limited tender system, circumscribe its scope to the extent possible and indicate in specific terms the exceptional circumstances in which, and the authority by whom such tenders should be called for. The Committee would also suggest that when limited tenders from previously approved and selected contractors are called for, the lowest valid tender should automatically be accepted, unless there are exceptional circumstances which should be explained in writing. The preparation of select lists of contractors should also be rationalised. Such lists should be compiled separately for each category of work and approved by the competent authority. The lists should be revised annually after taking into account the performance etc. of the contractors during the preceding year and kept up to date.

52. So far as the selection of suitable contractors who were invited to quote for the Annexe construction is concerned, it is observed that the Management of the Hotel did not compile any list of their own : they merely

adopted the list of 24 selected contractors which was compiled by Government for inviting limited tenders for the Curzon Road Hostel, i.e. the multi-storied hostel built for the UNCTAD delegates on the site of the old Constitution House on Curzon Road, a project of the same urgency, and more or less the same magnitude, as the Ashoka Hotel Annexe, and executed during the same period. This list was finalised after discussion at a meeting presided over by the Chief Engineer CPWD, when two Additional Chief Engineers, a representative of the Ministry of Finance and a representative of the Ministry of W. & H. were present, and a copy thereof was furnished to the Ashoka Hotel with the Ministry of Finance d.o. letter No. 1085-W&E/67, dated 9th/10th February, 1967 (Annexure VIII). The name of M/s. Uttam Singh Duggal & Co. Private Ltd. did not find a place in the above list of 24 selected contractors even though this firm was a registered 1st class contractor. The inference is that the CPWD omitted it from the above list as they did not consider the firm suitable for the type of work in view.

53. The Committee has also looked into the question whether the decision to award on nomination the work of excavation (i.e. levelling of site) to Messrs. Tirath Ram Ahuja Private Ltd. had on the one hand put this contractor at an advantage and on the other resulted (coupled with the decision to invite limited tenders for the construction of the Annexe) in any adverse effect on the response to tenders for the construction of the Ashoka Hotel Annexe.

One way of judging the issue at this stage appeared to be to study the statistics pertaining to tenders issued by the C.P.W.D. in the recent past—i.e. since January, 1967. The C.P.W.D. were accordingly requested to furnish relevant particulars of contracts of the value of Rs. 30 lakhs and above for which tenders were invited by them during the period January, 1967 to June, 1968. (The estimated cost of the Annexe project, excluding the cooling tower, was Rs. 65.88 lakhs). An abstract of the details received from the CPWD is given below :—

| S. No. | Name of work  | Approx. Value   | Whether open or limited tenders were invited. | No. of tenders received. |
|--------|---|-----------------|---|--------------------------|
| 1.     | Curzon Road Hostel . . . . .                            | Rs. 51.39 lakhs | Limited                                       | 5                        |
|        | (a) Sub-work I . . . . .                                | Rs. 31.23 lakhs | Do.   | 5                        |
|        | (b) Sub-work II . . . . .                               |                 |   |                          |
| 2.     | Industrial Housing Tenements at Shahdara (Phase I & II) | Rs. 30.75 lakhs | Open  | 4                        |
| 3.     | Subsidised Tenements at Okhla (Phase II)                | Rs. 37.07 lakhs | Open  | 4                        |
| 4.     | Type II quarters at R. K. Puram . . . . .               | Rs. 41.70 lakhs | Do.   | 6                        |
| 5.     | 16 Units of State Emporia building Irwin Road . . . . . | Rs. 37.58 lakhs | Do.   | 5                        |

It will be observed that out of the 6 contractors detailed above, 2 were awarded on the basis of limited tenders, and the remaining four on the basis of open tenders. Only in one case of open tender did the number of tenders received exceed (by one) the number received in the case of the two limited

tenders, while in two of the open tenders the number was actually less. The number of tenders received in the case of Ashoka Hotel Annexe was 5, *i.e.* exactly the same as in the case of the Curzon Road Hotel which was also required to be completed in time for the UNCTAD-II, and was accordingly given out by the CPWD on the basis of limited tenders. It cannot, therefore, be said with any certainty that had open tenders been invited, the response would have been better.

#### 54. *Issue of tender documents to M/s. Uttam Singh Duggal & Co.*

As pointed out in para 52 above, the name of Messrs. Uttam Singh Duggal & Co. did not figure in the list of 24 selected contractors compiled by the CPWD (for inviting tenders for the Curzon Road Hostel) and which was also used by the Management for inviting tenders for the construction of the Annexe. The circumstances in which the firm of M/s. Uttam Singh Duggal & Co. obtained the tender for this work of Ashoka Hotel Annexe were explained by the Minister of W.H. & S., in reply to a Short Duration Discussion in the Rajya Sabha on the 15th June, 1967. It would appear that the Management accepted the addition of Messrs. Uttam Singh Duggal & Co. to the select list with some reluctance.

#### 55. *Scrutiny of Tenders*

After the tenders had been opened on the 10th April, 1967, and read out as detailed in an earlier chapter, the Accounts Staff of the Hotel checked the arithmetical calculations and made over the original copy of the tenders to the Architects the next day for making out the comparative statement and furnishing their comments/recommendations. Here it may be mentioned that the Architects had asked each prospective tenderer to submit his tender in triplicate—an unusual step from the point of view of the procedures followed in the CPWD who call for only one copy of the tender. This was reported to have been done with a view to facilitating simultaneous examination of the tenders by the Architects and the technical/accounts staff of the Hotel. Actually only a few of the tenderers complied with this requestfully. Others merely submitted duplicate copies. These extra copies of the tenders were neither read out nor attested by the Managing Director when he opened the tenders. The C.P.W.D. procedure does not prescribe calling for tenders in duplicate or triplicate, nor reading out and attesting such extra copies of tenders.

56. The Architects furnished the comparative statement to the Management on the 12th April 1967, omitting the cooling tower (estimated to cost Rs. 440,054). They also stated that comparing "similar items" quoted in the various tenders, M/s. Uttam Singh Duggal & Co. and M/s. Tirath Ram Ahuja Private Ltd. were the lowest and second lowest tenderers respectively, and that their comments will follow. As pointed out in the preceding chapter, the Architects did not give any reason for omitting the items *viz.* cooling tower, the R.C.C. works in respect of the Sky Restaurant above the 3rd floor, and item 122 of the tender (Foam concrete) estimated to cost Rs. 40,054, Rs. 1,42,872 and Rs. 1,03,841 respectively, for purposes of comparison. There is nothing on record to show that this was done under any written instructions from the Management. It has, however, been observed from para 2 of the Agenda Note circulated by the Management on the 14th April for consideration at the meeting of the Board of Directors fixed for the 20th April, 1967, (Annexure XIV) that the cooling tower was excluded from the comparative statement because its final design would

depend largely on the recommendations of the firm yet to be selected for awarding the air-conditioning work. Apparently, the Architects who must have been in constant touch with the Management during the period, were aware of this position.

57. It has been stated earlier that the Architects failed to put up a comprehensive comparative note on the tenders received. Moreover, the Management did not get an opportunity for examining the recommendations of the Architects and formulating their comments for consideration of the Board as the letter of the Architects on the subject was received only on the day of the Board's meeting. In view of this, the agenda note circulated by the Management for the Board's meeting was of limited value for enabling the Board to take a decision on the tenders.

The Committee would like to emphasise that the Agenda Note should analyse the comparative merits and demerits of each of the tenders and indicate the correct procedures to be followed together with a specific recommendation so that the Board can come to a clear decision in the matter. This procedure would enable a clear appreciation of the circumstances in which a particular decision has been taken.

The first thing which the technical/account staff of the Management should have done was to examine whether the various tenders were really valid or not. For example, they should have pointed out that all the tenders were liable to rejection for one reason or the other as discussed below :—

- (i) Bhai Sundar Das Sardar Singh had not given their quotations in the manner prescribed by the Management. (They had given an overall percentage rate tender instead of quoting for individual items as required). Besides, they had stipulated certain conditions.
- (ii) M/s. Uttam Singh Duggal & Co., Tirath Ram Ahuja Private Ltd., and C. Lyall & Co. had all stipulated various conditions in their covering letters. As a rule, conditional tenders are to be rejected. The tender of M/s. Tirath Ram Ahuja was also incomplete as they had not quoted for R.C.C. items pertaining to the Sky Restaurant above the 3rd floor.
- (iii) The remaining tenderer M/s. Mehta Teja Singh & Co., did not stipulate any condition. They, however, did *not* fill in the rate against item 122 of the tender (foam concrete), even though the total amount quoted by them was inclusive of the cost of this item and the rate had been duly filled in in the duplicate copy of the tender. It could be argued that the omission was more technical than real. At the same time, it has to be admitted that it is only the "original" copy of the tender (which was opened in the presence of the contractors and others and duly attested by tender opening officer) which would constitute the legally valid tender.

58. Having brought out the fact that in strict accordance with tender procedure, all the tenders were liable to be rejected being either conditional or incomplete, the Management could have proceeded to examine each tender individually to see if any of the tenders could be recommended for acceptance, having regard to the extreme urgency of the work. The first step in this direction should have been to arrive at the total value of each tender by evaluating in terms of money the conditions stipulated by the

tenderers, adopting derived/projected rates in respect of items not quoted by them and taking into account the cost of item 122 also. In the present case, however, the various conditions could not be converted in terms of money on account of the uncertainties involved (e.g. price fluctuations in building materials during the period of construction). So far as the items which were *not* quoted for are concerned, the Management instead of deriving/projecting rates for those items, accepted the basis adopted by the Architects viz. omitting all such items. Such a practice can sometimes lead to a distortion of the comparative position of the various tenderers. However, irrespective of any basis that might be adopted for the purpose, it has been found on a detailed examination of the tenders that M/s. Uttam Singh Duggal & Co. and M/s. Tirath Ram Ahuja Private Ltd. remain the lowest and second lowest tenderers respectively.

59. Another important point to be discussed in the Agenda note while comparing the various tenders is the capability and the past performance of the various tenderers. This, however, does not arise when limited tenders are called for, as in such cases, tender documents are issued to those selected contractors only who can be depended upon to execute the work properly and in time. Normally, therefore, when limited tenders are called for, the lowest tender must be automatically accepted unless it is an incomplete or conditional tender, or contain unworkable or absurd rates. The lowest tender in this case was that of M/s. Uttam Singh Duggal & Co., but as it was a conditional tender, it would not have been incorrect to reject it. But if this was the basis of disposing of the tenders, there was no justification for accepting the tender of M/s. Tirath Ram Ahuja Private Ltd. which was also a conditional tender. However, the tenders do not seem to have been considered from this angle at the meeting of the Board of Directors held on 20-4-1967.

60. All the tenders were considered by the Board before they decided to award the contract to the second lowest tenderer, M/s. Tirath Ram Ahuja Private Ltd. It is clear from the minutes of the Board's meeting that the Board selected this firm on grounds of their dependability and past performance; the Board were of the view 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.*" At the same time, since the minutes of the Board's meeting do not record any positive reasons for rejecting the lowest tender of M/s. Uttam Singh Duggal & Co., it might, on the face of it, give the impression that the Board was keen to award the work to M/s. Tirath Ram Ahuja Private Ltd. without considering the points in favour of or against the lowest tenderer. In order to clarify the matter, the Committee examined the Managing Director, the Special Director (representing the Ministry of Finance) and the Superintending Engineer of the Hotel. All of them categorically stated that the past performance etc. of M/s. Uttam Singh Duggal & Co. was fully within the knowledge of the Board, that this was the reason for rejecting this firm's tender, and that it was discussed at the meeting in detail before a decision was taken to award the work to M/s. Tirath Ram Ahuja Private Ltd. It is unfortunate that this was not mentioned in the minutes of the Board meeting.

The Committee, however, feel that whilst such reasons for rejection would have been relevant at the time of compiling a select list of contractors, once such a list had been finalised, reasons for rejection should be based on a careful consideration of the merits of the tenders as such. The Board

would have been justified in not agreeing to the addition of M/s. Uttam Singh Duggal & Co. to the select list. Having agreed, even though reluctantly, to this addition, the rejection of the lowest tender of M/s. Uttam Singh Duggal & Co. at this stage was procedurally incorrect. However, taking all the circumstances into account, the Committee consider that in spite of the procedural frailties, the action of the Board in preferring M/s. Tirath Ram Ahuja Private Ltd. was understandable in view of their doubts regarding the capability of M/s. Uttam Singh Duggal & Co.

61. While awarding the work to M/s. Tirath Ram Ahuja Private Ltd. the Board of Directors rejected all the conditions put forward by the former and stipulated that their rates for items which they had omitted to quote (i.e. R.C.C. items pertaining to the Sky restaurant above the 3rd floor) will be worked out on the basis of rates already quoted by them for similar items. This action precluded the firm from demanding (and bargaining for) higher rates for R.C.C. items pertaining to the Sky restaurant had they been allowed to proceed beyond the 3rd floor. (The design etc. of the tower and sky restaurant are, it is understood, being reviewed by Government).

62. Notwithstanding the procedural shortcomings mentioned above, the Committee would like to mention the three precautionary steps taken by the Management which helped to safeguard the Hotel's interests. First, they inserted a clause in the agreement executed by them with the Architect in terms of which he could *not* prescribe any items or specifications not already covered by the tender, or determine the rates therefore, without first obtaining the approval of the Management in writing, though according to para 6-804 of the C.P.W.D. Manual (Vol. II) the Architects (in their capacity as Chief Engineer in charge of the work) would have been the competent authority for the purpose. Secondly, the rates for items not covered by the agreements with the contractors were got scrutinised by the Management by a Committee consisting of an officer from the Ministry of Finance, and a Superintending Surveyor of Works from the CPWD with the S.E. of the Hotel being the third member. Binding the contractor down in this fashion checked any material deviation from the basis on which the work was awarded to him and pinned him down to a performance as was expected of him in his tender which was accepted by nullifying the vagueness that was inherent in his quotation. Thirdly, they also took the initiative to enter into a tripartite agreement with the Architects and the Engineering firm of M/s. Bhatt Mehta and Gandhi (Selected by the Architects for structural designs and supervision of the work). Under this agreement the Engineering firm was required to employ the nominees of the Hotel as clerks of works (i.e. the staff responsible for taking measurements etc. for payment to the contractor). For this purpose, the Management borrowed the requisite technical officers and staff from the C.P.W.D. and deputed them to work with the firm of Engineers. The salaries of these officers and staff were also disbursed to them by the Management after deducting the required amount from the fees payable to the Architects. These steps have been responsible in keeping down the expenditure on extra items.

### *Conclusions*

The construction of Ashoka Hotel Annexe had to be taken up as a project of the utmost urgency in the context of arrangements for UNCTAD-II. Having regard to the nature and magnitude of the work, and the time available for its completion, the adoption of special methods and procedures as

envisaged in the note enclosed with the management's letter of the 5th January 1967, to Government was justified.

(Paras 5 and 9-11)

*Award of Excavation (levelling) work*

2. Excavation (levelling) of the site was an essential pre-requisite to the construction of the Annexe and had to be completed prior to the receipt of tenders for the construction of the Annexe.

(Paras 12 & 30)

3. The Committee do not understand why the management thought it necessary to obtain Government approval for awarding this particular work which was estimated to cost only Rs. 2 lakhs, on nomination to either the N.B.C.C. or M/s. Tirath Ram Ahuja Private Ltd. Such a decision should have been taken by the management itself.

(Para 32)

4. The Committee consider that even though the management had the power to award the excavation (levelling work) by nomination, it would have been more appropriate to invite severely limited short notice tenders from local firms specialising in such work.

(Para 32)

*Role of Architects*

5. It was impossible for the Architects to prepare detailed drawings (and estimates) for all the items before calling for tenders as this work alone would have taken 6-9 months. However, the Architects should at least have furnished a programme showing the dates on which the complete drawings would be supplied.

(Para 36)

6. Considering the fact that the value of finishing items for which detailed drawings were not made available at the time of the issue of notice inviting tenders covered only about 18% of the total cost of the contract amount, and that the finishing would be more or less on the pattern adopted for the main Hotel, the Committee consider that the thirtyfive 1/8" drawings made available to the tenderers were adequate to enable them to quote with reasonable confidence for all the items in the tender schedule.

(Para 37)

7. The clarifications/explanations indicated by the Architects on a 1/16" scale drawing of the Annexe (in free hand in the shape of rough sketches etc.) should have been furnished to all contractors who purchased the tender documents. There is no evidence to show that this was done.

(Para 39)

8. There is nothing to show that the Cooling Tower for Air-conditioning, the RCC items for the Sky Restaurant above the 3rd floor, and item 122 (Foam concrete) were excluded by the Architects under any written directions of the Hotel Management, while comparing the various tenders. The Committee are of the view that the Architects should have compared the tenders as a whole, and pointedly brought out the defects and omissions in

each of them. They could also have projected incomplete tenders by calculating the costs of unquoted items on the basis of C.P.W.D. rates or on the basis of rates quoted for similar items by the concerned contractors.

(Paras 41 & 42)

9. The tender of M/s. Tirath Ram Ahuja Private Ltd. was conditional and incomplete and the Architects opinion that it was 'in order' not correct. While the Architects were very critical of the price escalation clause included in the tender of M/s. Uttam Singh Duggal & Co. Private Ltd. they glossed over similar and more onerous conditions stipulated by M/s. Tirath Ram Ahuja Private Ltd. The numerous other conditions laid down in the latter's letter were not commented upon by the Architects at all, but, on the contrary, some of them were regarded as "suggestions" and recommended for acceptance "as far as practicable" without specifying them. The Committee are left with the impression that the Architects were from the beginning keen on having M/s. Tirath Ram Ahuja Private Ltd. as contractors for this work.

(Paras 44-47)

*Award of contract for the Annexe by the Management*

10. The action taken by the Management in calling for tenders without detailed drawings and estimates broadly conformed to the procedure laid down in the CPWD Manual (Vol. II) for urgent works.

(Para 50)

11. In view of the urgency of the Annexe construction and the special architectural features involved, the decision to invite limited tenders for the work was not unjustified.

The Committee would, however, like to suggest that Government might examine the existing procedures and practices under the limited tender system, circumscribe its scope to the extent possible, and indicate in specific terms the exceptional circumstances in which, and the authority by whom, such tenders should be called. The Committee would also suggest that when limited tenders from previously approved and selected contractors are invited, the lowest valid tender should automatically be accepted unless there are exceptional circumstances which should be explained in writing. The preparation of select lists of contractors should also be rationalised. Such lists should be compiled separately for each category of work and approved by the competent authority. The lists should be revised annually after into account the performance etc. of the contractors during the preceding year and kept up-to-date.

(Para 51)

12. The name of Messrs. Uttam Singh Duggal & Co. Private Ltd., did not figure in the select list of 24 contractors suggested by Government for inviting limited tenders. Their name was, however, added as a result of a representation made by Shri Uttam Singh Duggal to the Minister for works, Housing and Supply. Since the Management evidently even then felt that the firm was not suitable for the type of work to be done, they should not have agreed to its inclusion in the select list. The inclusion of a firm of contractors in a select list implies that it is capable of executing the particular work satisfactorily.

(Paras 52 & 54)



13. Five tenders were received for the construction of the Annex. It cannot be said with any certainty that had open tenders been invited, the response would have been better.

(Para 53)

14. The agenda note prepared by the management for the Board's meeting on 20-4-1967 should have been more exhaustive, provided an evaluation of each of the tenders as a whole and pointed out that all the tenders were liable to rejection for one reason or the other. The management should then have proceeded to examine each tender in order to see if any of the tenders could be recommended for acceptance having regard to the extreme urgency of the work. However, on a detailed examination, the Committee find that M/s. Uttam Singh Duggal & Co. and M/s. Tirath Ram Ahuja Private Ltd. would have been the lowest and second lowest tenders, respectively, whatever basis might have been adopted for purposes of comparison of the tenders.

(Paras 57-58)

15. The minutes of the meeting of the Board of Directors held on 20th April 1967 mentioned that the various tenders were examined in detail and that the Board came to the conclusion that M/s. Tirath Ram Ahuja Private Limited "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." The Committee are of the opinion that since the tenderers were all from a select list, reasons should have been given for rejecting the lowest tender, rather than justifying the selection of the next higher tender. The management of the Hotel have explained to the Committee that the Board of Directors were aware that the performance of M/s. Uttam Singh Duggal & Co. in some other contracts had not been entirely satisfactory. It would, therefore, appear that the lowest tender of Messrs. Uttam Singh Duggal & Co. was rejected for that reason. The Committee, however, feel that whilst such reasons for rejection would have been relevant at the time of compiling a select list of contractors, once such a list had been finalised reasons for rejection should be based on a careful consideration of the merits of the tenders as such. The Board would have been justified in not agreeing to the addition of Messrs. Uttam Singh Duggal & Co. to the select list. Having agreed, even though reluctantly, to this addition, the rejection of the lowest tender of Messrs. Uttam Singh Duggal & Co. at this stage was procedurally incorrect. However, taking all the circumstances into account, the Committee consider that in spite of the procedural frailties, the action of the Board in preferring Messrs. Tirath Ram Ahuja Private Ltd. was understandable in view of their doubts regarding the capability of Messrs. Uttam Singh Duggal & Co.

(Para 60)

Sd/-

(S. CHAKRAVARTI)  
Chairman

Sd/-

(N. SAHGAL)  
Member

Sd/-

(G. A. NARASIMHA RAO)  
Member

NEW DELHI;  
October 31, 1968.

## ANNEXURE I

GOVERNMENT OF INDIA

### MINISTRY OF WORKS, HOUSING & SUPPLY (DEPTT. OF WORKS & HOUSING)

No. 7/13/68-P.S.

New Delhi, dated the 11th June, 1968.

#### ORDER

**SUBJECT :—***Construction of the Ashoka Hotel Annexe—enquiry by Government into as recommended by the Committee on Public Undertakings in its 13th Report.*

To meet the increasing demand of tourists for luxury accommodation and to provide residential accommodation and a Convention Hall for U.N.C.T.A.D. II the Ashoka Hotels Limited decided to put up an Annexe to its main building, consisting of 149 residential suites, a Convention-cum-banquet hall and two speciality restaurants including a revolving tower restaurant. Broad details of the project were forwarded by the company on 5-1-1967 to Government who conveyed their approval to the project on 27-1-1967. As the Company did not have the requisite financial resources to implement the project, which was estimated to cost Rs. 2.39 crores, Government gave a commitment, also on 27-1-1967, to provide funds to the company to the extent of Rs. 2.00 crores during the year 1967-68.

2. On 20-4-1967 the Company awarded the work of the construction of the Annexe to M/s. Tirath Ram Ahuja. The contract stipulated that the work of the entire project with the exception of the Revolving Restaurant should be completed by 31-1-68. The tower restaurant was to be ready by 30-6-68.

3. In its 13th Report (Paras 88 and 89) on the Ashoka Hotel, the Committee on Public Undertakings of Parliament, have remarked and recommended as follows :—

“88. The Committee have carefully gone into the question of the award of the contract for Ashoka Hotels Limited 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. 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 Board's 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 give rise to misapprehension.
- (iv) It is a matter of surprise that the invitation 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 those only 5 submitted their tenders on the due date for the construction of the Annexe Project of the Ashoka Hotels.

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 lakhs 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 recommendation 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.

89. 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."

4. At its meeting held on 3-6-1968 the Board of Directors of the Ashoka Hotels Limited adopted the following resolution in this connection :—

"The Board considered Item 24 of the Agenda. It took note of the paragraphs 88 and 89, of the Report of the Committee on Public Undertakings on the Ashoka Hotel and authorised the Managing Director to inform Government that it would welcome Government looking, as expeditiously as possible, into the matter of the award of the contract for the Annexe Project as recommended by the Committee on Public Undertakings."

5. In deference to the observations of the Committee on Public Undertakings and taking into account the above mentioned resolution of the Board of Directors, the Government of India hereby appoints :

(1) Shri S. Chakravarti, Secretary, Ministry of Transport and Shipping; and

(2) Shri N. Sahgal, Additional Secretary to the Cabinet.

to constitute a Committee to look into the points raised by the Committee on Public Undertakings in paragraphs 88 and 89 of its Report and to report to the Government on its findings.

6. The Committee shall submit its Report to Government within 3 months.

Sd/- (B. R. PATEL)  
Secretary to the Government of India

Copy forwarded to :—

- (1) Shri D. S. Joshi, Secretary to the Cabinet.
- (2) Shri S. Chakravarti, Secretary, Ministry of Transport and Shipping.
- (3) Shri N. Sehgal, Additional Secretary to the Cabinet.
- (4) Shri N. P. Dube, Managing Director, Ashoka Hotels Ltd.
- (5) P. S. to Minister/Deputy Minister.
- (6) P. S. to Secretary.
- (7) Financial Adviser (W&H), (Shri D. J. Madan).
- (8) Shri B. L. Chak, Joint Secretary (A).

Sd/- (K. SRINIVASAN)  
Under Secretary to the Govt. of India.

## ANNEXURE II

GOVERNMENT OF INDIA

### MINISTRY OF WORKS, HOUSING & SUPPLY (DEPTT. OF WORKS & HOUSING)

No. 7/13/68-PS.

New Delhi, the 19th June, 1968.

#### ORDER

**SUBJECT :—***Construction of the Ashoka Hotel Annexe—Enquiry by Government into, as recommended by the Committee on Public Undertakings in its 13th Report.*

In partial modification of the Order of the Government of India issued under No. 7/13/68-PS, dated the 11th June, 1968, of the Ministry of Works, Housing & Supply (Deptt. of Works & Housing), Government of India, hereby appoints Shri G. A. Narasimha Rao, Chairman, Central Water & Power Commission, to be the third member of the Committee.

Sd/- (B. R. PATEL)

Secretary to the Government of India

Copy forwarded to :—

- (1) Shri D. S. Joshi, Secretary to the Cabinet.
- (2) Shri K. P. Mathrani, Secretary, Ministry of Irrigation & Power. A copy of the Department of Works & Housing order of even number dated the 11th June, 1968, is enclosed.
- (3) Shri S. Chakravarti, Secretary, Ministry of Transport and Shipping.
- (4) Shri N. Sahgal, Additional Secretary to the Cabinet.
- (5) Shri G. A. Narasimha Rao, Chairman, Central Water & Power Commission. A copy of the Deptt. of Works & Housing's order of even number dated the 11th June, 1968, is enclosed.
- (6) Shri N. P. Dube, Managing Director, Ashoka Hotels Ltd.
- (7) P. S. to Minister/Deputy Minister.
- (8) P. S. to Secretary.
- (9) Shri D. J. Madan, F.A. (W&H).
- (10) Shri B. L. Chak, Joint Secretary, Deptt. of Works & Housing.

Sd/- (K. SRINIVASAN)

Under Secretary to the Govt. of India.

### ANNEXURE III

GOVERNMENT OF INDIA

#### MINISTRY OF WORKS, HOUSING & SUPPLY (DEPTT. OF WORKS & HOUSING)

No. 7/13/68-PS.

*New Delhi, dated the 25th June, 1968.*

#### ORDER

**SUBJECT :—***Construction of the Ashoka Hotel Annexe—Enquiry by Government into, as recommended by the Committee on Public Undertakings in its 13th Report.*

With reference to the Orders of the Government of India issued under No. 7/13/68-PS, dated the 11th & 19th June, 1968, of the Ministry of Works, Housing & Supply (Deptt. of Works & Housing) Government of India, hereby, appoints Shri T. N. Srivastava, O.S.D. (Housing), Deptt. of Works & Housing, to be the Secretary of the Committee in addition to his normal duties as O.S.D. (Housing).

Sd/- (B. R. PATEL)

*Secretary to the Government of India*

Copy forwarded to :—

- (1) Shri D. S. Joshi, Secretary to the Cabinet.
- (2) Shri K. P. Mathrani, Secretary, Ministry of Irrigation & Power.
- (3) Shri S. Chakravarti, Secretary, Ministry of Transport and Shipping.
- (4) Shri N. Sahgal, Additional Secretary to the Cabinet.
- (5) Shri G. A. Narasimha Rao, Chairman, Central Water & Power Commission.
- (6) Shri N. P. Dube, Managing Director, Ashoka Hotels Ltd.
- (7) P. S. to Minister/Deputy Minister.
- (8) P. S. to Secretary.
- (9) Shri D. J. Madan, F.A. (W&H).
- (10) Shri B. L. Chak, Joint Secretary, Deptt. of Works & Housing.
- (11) Shri T. N. Srivastava, O.S.D. (H), Deptt. of Works & Housing. Copies of the Deptt. of Works & Housing's orders of even No. dated 11-6-68 and 19-6-68 are enclosed.
- (12) D.S.(V). Copies of Deptt. of W & H's orders of even No. dated 11-6-68 and 19-6-68 are enclosed.

Sd/- (K. SRINIVASAN)

*Under Secretary to the Govt. of India.*

*ANNEXURE IV*

D.O. No. 239-SAT(1)/66  
AVIATION SECRETARY  
GOVT. OF INDIA

*New Delhi, the 27th October 1966.*

My dear Prem Krishen,

As you are probably aware, the Ministry of Commerce is going to be host to the United Nation's Commission for Trade & Development Conference which is to be held in New Delhi from September to November 1967. They expect about 2200 delegates and staff to attend the Conference and are having some difficulty in finding adequate accommodation for such large a number, of a standard suitable for foreign visitors.

2. The reason of my writing to you is to request you kindly to let us know whether construction of Hotel Akbar can be taken up on a priority basis so that it can be completed by September, 1967. I recall that the Cabinet Committee on Tourism approved that funds should be made available to the Works & Housing Ministry to complete this hotel project, providing that the proposal to this effect was put up to the Cabinet. Since there seems to be an imperative need of additional good hotel accommodation at this stage, the construction of Hotel Akbar would go a long way towards meeting the need for extra accommodation. As regards the time schedule, I am suggesting it on the basis of Ashoka Hotel precedent.

3. In this connection, I should like to make a minor suggestion which is that the Works & Housing Ministry could also consider air-conditioning, whether temporarily or permanently, some of the rooms at the Ranjit and Lodhi Hotels and also offer other facilities so that both these hotels can be brought up to the standard required for foreign visitors.

With regards,

Yours sincerely,  
Sd/- (V. SHANKAR)

Shri Prem Krishen,  
Secretary, Min. of Works & Housing,  
*New Delhi.*



*ANNEXURE V*

N. P. Dube,  
Managing Director.

**ASHOKA HOTELS LIMITED,**  
*New Delhi, the 5th January, 1967*

Dear Sir,

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

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

Shri Prem Krishan,  
Secretary to the Govt. of India,  
Ministry of Works, Housing & Urban Development,  
*New Delhi.*

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

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

## 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 lakhs before 31-10-1979. The Company has also been able to meet from its own resources capital expenditure of about Rs. 23 lakhs 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 an 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 four 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 lakhs of foreign exchange 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 lakhs of Equity capital 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 crores 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 :—

| At present      |                 | Proposed        |                 |
|-----------------|-----------------|-----------------|-----------------|
| Govt. Holding   | Rs. 94.74 lacs  | Govt. Holding   | Rs. 94.74 lacs  |
| Private Holding | Rs. 5.26 lacs   | Private Holding | Rs. 5.26 lacs   |
|                 | Rs. 100.00 lacs |                 | Rs. 100.00 lacs |
| Equity Shares : |                 | Equity Shares : |                 |
| Government      | Rs. 39.41 lacs  | Government      | Rs. 139.41 lacs |
| Private         | Rs. 10.59 lacs  | Private         | Rs. 10.59 ..    |
|                 | Rs. 50.00 lacs  |                 | Rs. 150.00 lacs |

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 VI*

GOVERNMENT OF INDIA

MINISTRY OF WORKS, HOUSING & URBAN DEVELOPMENT

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

*New Delhi, 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 Government of India.*

## ANNEXURE VII

### 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, it is felt, 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) awarded 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 prestressed 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 earthcutting 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.

Sd/- V. KUMAR  
9-2-67.

*M.D., Ashoka Hotel.*

Min of WH&UD U.O. No. 567/JKK/67 dated 9-2-1967.

**CONFIDENTIAL**

**ANNEXURE VIII**

No. 1085-W&E/67.

G. S. Bhasin,  
Under Secretary.

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 W.H. & U.D. 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, C.P.W.D., should in consultation with Shri S. Chowdhury, Deputy Secretary, Shri Bhasin, Assistant 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 P.M. 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 Street, 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 contractors 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 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 be 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.

No. 2(37)/61-WI(B), dated New Delhi, the 9th February 1967.

Copy to Shri Prem Krishen, Secretary, Ministry of W.H. & U.D., New Delhi for approval of the above proposal.

Sd/- C. D. KAPUR  
Addl. Chief Engineer I.

Copy forwarded to :—

1. Shri S. Chaudhuri, Deputy Secretary, Ministry of W.H. & U.D., New Delhi.
2. Shri G. S. Bhasin, A.F.A., Ministry of W.H. & U.D. (Works), New Delhi.
3. Chief Engineer, C.P.W.D. 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 Sunder Dass Sardar Singh (P) Ltd., 4-23/B, Asaf Ali Road, New Delhi.
3. M/S. New Bharat Construction 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 Construction 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 Building, Connaught Circus, New Delhi.)
8. Shri Dewan Chand, 33-B, Pusa Road, New Delhi.
9. Gammon India Private Ltd., Hamilton House, Ballard Estate, Bombay.—(M/S. Gammon India (P) Ltd., 74-Link Road, Lajpat 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. 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 IX**

**MOST IMMEDIATE**

**N. P. Dube,**  
Managing Director

Feb. 9, 1967.

My dear Rama Verman,

The Government have approved the construction of an Annexe to the Ashoka Hotel, which, amongst other things, will entail a considerable volume (about 5.7 lacs cft. of excavated material) of earth and stone cutting. Of this figure, some 20 per cent will consist of hard rock and about 30,000 cft. of good earth suitable for our gardens and the balance will consist of material other than hard rock and good earth. This general excavation to the formation level will have to be completed by about 15th of March, so that the entire Annexe is ready by about the end of this year.

I spoke about this to you over the telephone and shall be grateful if you will kindly indicate to us immediately the prevailing market rate for this type of excavation work as compared with the CPWD Delhi Schedule of Rates, 1962 (Reprinted in 1966).

Yours sincerely,  
Sd/- N. P. DUBE

Shri Rama Varman,  
Additional Chief Engineer,  
5.1, Multi-storeyed Flats,  
Shahjahan Road,  
New Delhi

**ANNEXURE X**

**CENTRAL PUBLIC WORKS DEPARTMENT**

(Delhi Administration Zone)

Delhi Vikas Bhavan

D.O. No. ACE(DA)/WT-169

*Dated, New Delhi, the 10th February 1967.*

**K. RAMA VARMAN,**  
Addl. Chief Engineer (DA)

My dear Dube,

Kindly refer to your d.o. letter No. F. 41/66/AH/MD, dated the 9th February, 1967. I find from your letter that the work under reference entails excavation of about 5.7 lakhs Cft. of material consisting of earth and stone cutting. About 20% of this will be hard rock, about 5% to 6% will be good earth and the balance, I take it, will be either disintegrated rock or similar hard material. For work of this nature, the prevailing market rate is 25% to 29% above the 1962—C.P.W.D. Delhi Schedule of Rates (reprinted in 1966). It is presumed that the work will be measured and paid for in accordance with the standard specifications and practice followed in the C.P.W.D.

Yours sincerely,

Sd/-

**K. RAMA VARMAN**

Shri N. P. Dube,  
Managing Director,  
Ashoka Hotel,  
New Delhi.

**ANNEXURE XI**

**UTTAM SINGH DUGAL & CO. PRIVATE LIMITED**  
**Engineers & Contractors**

11, Marina Arcade,  
New Delhi  
10th April, 1967

DLH/43

The Managing Director,  
Ashoka Hotels Limited,  
New Delhi.

**SUBJECT :—Tender for the Construction of Annexe to Ashoka  
Hotels Ltd., New Delhi (Civil Works).**

Dear Sir,

We have pleasure in enclosing herewith our tender for the above job.

1. In pricing our tender cost, we have assumed the prevailing market rate for cement which is Rs. 180/- per metric ton. Any increase or decrease in the cost of materials due to Act of Legislation etc., shall be adjusted accordingly.

2. The employer shall arrange power connection only. We shall pay the usual consumption charges. We propose to erect two Tower Cranes to complete the job in time. Therefore our requirement for electricity will be about 70 KVA.

3. For prestressed girders, we propose to use the Freyssinet System for which we have got the requisite equipment to complete the job in time. As regards our experience in prestressed concrete, we have constructed several bridges, Airport Hangers and Buildings etc. Currently the construction of Road Bridge over River Jumna, behind Humayun's Tomb, New Delhi, in prestressed concrete is in hand.

4. Earnest Money Receipt No. 105/27 dated 7-4-67 for Rs. 50,000/- on National & Grindlays Bank Ltd., Lloyds Branch, New Delhi, is enclosed.

Assuring you of our best services at all times.

Yours faithfully,

for Uttam Singh Dugal & Co. Private Limited.  
Sd/-  
Managing Director

## ANNEXURE XII

### TIRATH RAM AHUJA PRIVATE LIMITED

Engineers & Contractors

Regd. Office—16, Fire Brigade Lane, New Delhi

No. HO B/143/67-68

New Delhi, the 10th April 1967.

The Managing Director,  
Ashoka Hotels Limited,  
New Delhi.

### TENDER FOR THE CONSTRUCTION OF ASHOKA HOTEL ANNEXE, NEW DELHI.

1. In response to invitation for tenders for the above mentioned work by the architects, Messrs Chowdhary & Gulzar Singh, we submit this our tender for your consideration. We beg to state that this forwarding letter will form a part of our tender in the same way as architect's general instructions to contractors, form of agreement, conditions of contract, schedule of quantities, specifications, architects drawings and the rates admitted by us. If any point mentioned in this letter is at variance with the tender documents mentioned above, the point in this letter will prevail.

2. The amount and complexity of works involved in this tender are very great as compared with the time during which these are to be completed. To complete them in time would necessitate their being executed under emergency conditions. We feel that we are capable of completing the work in its essential parts in time to enable Ashoka Hotel authorities to put the proposed extensions to use before the convention is held, provided the conditions detailed in the following paragraphs are fulfilled.

3. *Contractor's Responsibilities.*—The tender notice stipulates the dates on which each of the four parts are to be completed, but it does not specify the date by which decision of the hotel authorities will be communicated to the successful tenderer. We have assumed that the work order will be issued on the 15th April, 1967. Based on this assumption :—

- (a) the cooling tower is to be completed by 30-7-1967. This allows 3½ months for completing the work.
- (b) the guest room block, the sky restaurant upto 3rd floor roof parapet, the Convention hall and extension to the existing main kitchen will be completed by 30-12-1967. Thus, these works are to be completed in 8½ months.
- (c) The sky restaurant above 3rd floor parapet level is to be completed by 30-6-1968. However, in view of the facts (a) that agreement with the hotel authorities about the method of construction with a view to avoiding nuisance or disturbance to the guests and traffic between the guest block and convention hall can only be reached after the new extensions have

been brought into use; (b) that the structural drawings of the sky restaurant have not yet been prepared and it is impossible for a tenderer to visualise the volume and complexity of the work, the date of completion of this part of the work will be determined in consultation with the hotel authorities at a later date. In the beginning, the volume of work actually executed will be comparatively small, but as soon as the tempo of works is built up, the volume of work may reach a peak of Rs. 25 lacks per month.

It is clear that unless there is complete collaboration between the various authorities appointed by Ashoka Hotels on the one hand and between these authorities and the contractor on the other, and further, unless prompt decisions on the very large number of points that are bound to crop up every now and then in a project of this nature, the project is not likely to be completed in time. Our proposals for bringing about this collaboration are set out in the following paragraphs.

We feel that if the work is to be completed in time, both the contractor and the hotel authorities must organise themselves strongly and responsibilities of each side should be clearly stated and fixed.

4. If the work is allotted to us, we propose to organise ourselves in the following manner :—

*Planning Division.*—(a) We will have planning division, charged with the responsibility of :

- (i) remaining in constant touch with the architects, structural Engineers, the Superintending Engineer and the Managing Director. This division will receive all instructions from the above mentioned authorities and will bring to the notice of these authorities the difficulties and obstructions in the way of the timely completion of the work. We have presumed that the hotel authorities will provide suitable office accommodation free of rent for this division by the side of the accommodation allotted to the authorities mentioned above.
- (ii) This division will prepare time schedules from time to time, giving the dates by which various parts of the work ought to be completed.
- (iii) This division shall take daily measurements of the work done along with representatives of the architects, shall prepare and submit bills to the architects for payment from time to time, and shall be available to the various authorities for discussions on measurements and payments.
- (iv) This division will submit rates for extra items and will supply such data as may be required by the authorities for arriving at fair rates. This division will always be available to the architects in connection with the work and rates in connection with provisional items.
- (v) This division will prepare and submit detailed calculations designs and drawings for prestressed concrete beams (*vide* item 28 of the schedule of quantities) and for the roof of the Convention hall (*vide* item 29 of the schedule of quantities).

- (vi) This division will receive and maintain a complete record of the drawings and instructions about designs, progress of work and bills. We would like to state that we shall require at least 5 copies of each drawing issued by the architect, structural Engineers and other authorities for record and issue to the various sections incharge of construction.

**(b) Construction Division :**

- (i) In addition to the planning division, we shall organise a division in charge of construction. Under this division, there will be 3 or 4 sub-divisions, each responsible for the proper and timely completion of the work in his sub-division of the Project in accordance with the time schedule prepared by the planning division from time to time. We propose dividing up the guest block into 2 construction sub-divisions.

The remaining work, consisting of the cooling tower, convention hall, additions to kitchen and sky restaurant will also be divided among two constructional sub-divisions.

- (ii) Each sub-division under this Division will have its own materials, labour, tools and plant, shuttering and scaffolding, and supervising staff. The idea is to make each sub-division feel that it is in charge of a separate and independent project without having to depend upon or ask for help from another sub-division.
- (iii) The architects and other authorities will issue instructions about construction matters to the sub-division, together with a copy to the officer in charge of the Division.

**(c) Stores Division :**

In addition to the two divisions in charge of planning and construction, there will be a division in charge of procuring materials, issuing them to the various constructional sub-divisions and maintaining complete accounts of receipts, issues and balances. Looking at the 155 items of work for the main building, 24 provisional items and 25 items of the cooling tower, it is evident that large quantities of different types of materials will have to be properly stored long before these are required for use. Secured advance payments will be required by us as soon as materials arrive at the site. These advances will be recovered gradually from our bills as the materials get used up. Our stores division will provide all facilities to the architects for inspection and counting of materials at all times.

\*

**6. Responsibilities of the owners & Architects :**

- (i) The owners and the architects will also have to set up site offices to discharge their obligations. It would be necessary that representatives of architects and structural Engineers should have their site offices in the hotel premises, so that the entire work is coordinated by constant consultations with the Superintending Engineer and our Planning Division. Officers responsible for checking and payment of Contractor's bills should also be located in this site office. The number of bills will be large enough to justify a strong accounts organisation to ensure speedy payments.

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\* Paragraph 5 is missing due to mistake in paragraphing in the Original Report itself.



- (ii) Normally, for a rush job like this, all drawings, and structural, must be available to the contractors on the date on which his tender is accepted and he is asked to start work. The speed of construction will be so high that mistakes are likely to be made if the drawings are not complete in every detail. The structural drawings should indicate levels and give bar bending schedules. Large scale architectural drawings showing all details will be absolutely necessary. It is also desirable to indicate inserts, fastenings etc. which are proposed to be embedded in concrete, in the structural drawings. Sanitary Electrical, hot water and air-conditioning drawings should also be available to our Constructional Engineers to enable them to understand the requirements intelligently. If it is not possible to supply all the drawings on the date on which the tender is accepted, the following minimum schedule must be followed :—

| S. No. | Name of work                                    | Date of issue of drawings                |
|--------|---|--|
| 1.     | All work in basement.                           | The date of acceptance of tender.        |
| 2.     | All work in ground floor.                       | 15 days after the acceptance of tender.  |
| 3.     | All work in first floor.                        | 1 month after the acceptance of tender.  |
| 4.     | All work in 2nd and 3rd floor and in all roofs. | 1½ months after the acceptance of tender |

Unless this schedule is rigidly followed, there is no possibility of completing the work in time.

- (iii) It is necessary that the site is handed over to the Contractor free from all obstructions such as water and soil pipes. Electric cables, tanks, buildings, and materials buried in the ground.
- (iv) The owners will have to ensure that our work is not held up at any stage because a specialist contractor is not available to lay his pipes, conduits, or ducts which are to be embedded in concrete or brick work. We will be entitled to compensation at the rates given in clause 30 of the conditions of the contract in addition to extension of time for twice the number of days for which our work is held up. As we will have to do the work day and night in several shifts without any holidays, the specialist contractors will have to fall in line, work in the same manner and should be in a position to lay their pipes, conduits, ducts, etc. whenever we are ready for concreting.
- (v) Running bills will be prepared and submitted separately for each of 4 constructional sub-divisions. Daily measurements for work done in each of the sub-divisions will be taken jointly by our staff with the representatives of the Architects. It would be convenient if the Architects appoint an Engineer for each of the 4 sub-divisions to take daily measurements.
- (vi) For work done, we will submit 2 bills every month for each of sub-division, whatever may be the amount of the bill. One of these bills will be based on complete measurements and the other will give the approximate quantities completed without

detailed measurements. 90% of the amount payable under the bill based on detailed measurements must be paid within 24 hours of its submission and the balance 10% of the amount payable must be paid within 10 days. The bill based on approximate quantities must be paid within 24 hours. For delay in the payment of any of these bills, we will be entitled to extension of time for twice the period of delay on each bill. In the beginning, the values of bills will be small, but their values will increase rapidly as various items are taken in hand. We do not accept the stipulation that the amount of bill should be Rupees five lacs before it is paid. It may please be remembered that the contractor's investment on a job like this is bound to be very high.

- (vii) Separate running and final bills will be submitted for secured advances for the materials brought to the site of work, as soon as materials arrive. We will be entitled to payment as secured advances within 24 hours of the submission of bill. Delay in payment beyond 24 hours of the submission of our bill will entitle us to extension of completion time by twice the number of days the bill remains unpaid beyond the due date. It would be convenient if separate series of bills is maintained for these advance payments until full recovery of advances has been made.
- (viii) As stated in the paragraph under scarce materials, it will be impossible for us to procure cement in adequate quantities. The Ashoka Hotels must, therefore, assume full responsibility for the procurement of cement and its transportation by rail. If, even with all the efforts made by the hotel authorities, cement does not become available in time and our work is consequently held up, we shall be entitled to compensation at the same rates as are given in clause 30 of the conditions of the contract for non-completion of the work in time. Further, we shall be entitled for extension of time for the completion of the Project for 5 days for every day the supply of cement is delayed.
- (ix) For all items which we may be asked to execute and which do not find a place in the schedule of quantities attached to this tender, we shall submit our rates with full analysis to the architects who will approve the rates within 10 days of their submission. Our planning Division will be available to the architects for discussion and clarifications. If the approval is not received within 10 days of the submission of rates, it will be assumed that the rates have been sanctioned by competent authority.

**7. Secured Advances.**—In emergency works, involving a lot of investment by the contractor, it is essential that 90% of the actual cost of materials brought to site be paid instead of 75% stipulated in the architect's tender documents. In order to avoid delay in obtaining secured advance payments,

we give below the list of materials and the rates at which payments for secured advances will be made to us :—

| S.No. | Name of Materials              | Rate at which secured advance will be paid. |
|-------|--------------------------------|---|
| 1.    | Mild Steel for reinforcement   | 800 Metric Tonne                            |
| 2.    | Structural steel.              | 900 Metric Tonne                            |
| 3.    | Timber teak ordinary.          | Rs. 30 cft.                                 |
| 4.    | Timber teak special.           | Rs. 40 cft.                                 |
| 5.    | Timber, deodar.                | Rs. 15 cft.                                 |
| 6.    | Block board, 19mm thick        |   |
|       | (a) Commercial                 | Rs. 2.40 sft                                |
|       | (b) Teak faced, one side.      | Rs. 3.60 sft                                |
|       | (c) Teak faced, both sides.    | Rs. 4.20 sft                                |
| 7.    | Block board, 32 mm thick]      |   |
|       | (a) Commercial.                | Rs. 2.90 sft                                |
|       | (b) Teak faced, one side.      | Rs. 4.00 sft                                |
|       | (c) Teak faced, both sides.    | Rs. 4.80 sft                                |
| 8.    | Red stone, Dholpur.            | Rs. 6.00 cft.                               |
| 9.    | Marble of different varieties. | Rs. 8/- per cft.                            |
| 10.   | Steel window frames            | Rs. 5/- per sft.                            |
| 11.   | Steel door frames.             | Rs. 9/- sft.                                |
| 12.   | Rolling shutters               | Rs. 5/- sft.                                |
| 13.   | Glass :                        |   |
|       | (a) 32 oz thick.               | Re. 1/- sft.                                |
|       | (b) 36 oz thick.               | Rs. 1.24 sft.                               |
|       | (c) 7/32" thick                | Rs. 2.50 sft.                               |
| 14.   | Tilee, mosaic                  | Rs. 1.25 sft.                               |
| 15.   | Tiles, white glazed.           | Rs. 4/- sft.                                |
| 16.   | Tiles Vinyel                   | Rs. 4/- sft.                                |
| 17.   | Tiles, marble.                 | Rs. 8/- sft.                                |
| 18.   | Kotah stone                    | Rs. 2/- sft.                                |
| 19.   | Copper.                        | Rs. 25/- per kg.                            |
| 20.   | Gunmetal                       | Rs. 20/- per kg.                            |
| 21.   | Acid resisting tiles.          | Rs. 2.50 per sq.                            |
| 22.   | Fronica or similar boards      | Rs. 6/- per sft.                            |
| 23.   | Hinges.                        | Rs. 3/- each.                               |
| 24.   | Bricks.                        | Rs. 52/- per thousand                       |
| 25.   | Bricks tiles.                  | Rs. 52/- per Do.                            |
| 26.   | Foam concrete.                 | Rs. 4.50 per cu. ft.                        |
| 27.   | Any other item.                | 90% of the cost at site                     |

9. *Electric Power.*—We shall require 40 kilowats of Electric power to be supplied to us at a point near the site of work. The distribution lines from this point to various parts of the work will be laid by us at our own cost. We shall also pay the cost of power consumption on the metered quantity at rates fixed by Electricity authority.

10. *Water.*—We shall instal our own pumps at the 2 wells existing at the site. No charges for the water pumped by us shall be levied by the hotel authorities. We may have to sink one or more open or tubewells on the site.

11. *Land.*—For stacking construction materials and building our offices, godowns and workshops, we shall need the use of land indicated in the attached drawing. No rent will be paid for the hotel land, but for land which is not the property of the hotel and for which hotel is paying rent, we shall pay rent to the hotel at the same rates as the hotel is paying to

\* Paragraph 8 is missing due to mistake in paragraphing in the Original Report itself.

**Government.** If this land is not sufficient for our purpose and for labour huts, the hotel authorities will secure sufficient land for us from appropriate authorities in the proposed Nehru Park free of rent. Space will be required for steel and aluminium shops, for fabricating reinforcing steel, for a very large wood workshop, for dressing and polishing marble and Dholpur stone and for construction offices etc. Besides these, land will be needed for storing cement, glass, fittings, nails, screws, flood lights, electric wire and fittings etc. As soon as the Basement is completed, some of the shops and stores will be accommodated there for the period of construction.

12. *Scarce Materials.*—Left to our own resources, it will be impossible for us to procure cement in adequate quantities. As the work will be very fast, the supply of cement and its transportation by rail will have to be arranged by the hotel authorities under very high priority at Government level. We shall pay rail charges, will unload the wagons, will transport to the site of work and will store in our godowns. Cost of cement will be recovered from our bills for the quantity consumed in the work.

From the schedule of quantities, we find that very large quantities of marble and red Dholpur stone are proposed to be used. We shall try our best to procure these materials from the mines, but as the quantities are very large, all the material may not arrive in time. We feel that in case of both-rooms, where imported bath tubs and other fittings are proposed to be used, where the working space is restricted and where there is no natural light for craftsmen to work, the materials for flooring and wall lining should be, in our opinion, such as can be readily obtained in adequate quantities and fixed quickly and satisfactorily under the working conditions which are likely to exist. It has to be remembered that before in work on flooring or wall lining can be started, all piping and some essential imported fittings have to be fixed and the fixation may take long time. Parquet flooring may have to be deferred to some later date to ensure proper seasoning of wood and high quality workmanship. If the work is allotted to us, we will make a number of constructive suggestions for accelerating the work and completing it in time. In some items, Dholpur stone and marble could easily be substituted by other materials.

Copper and Gunmetal are scarce in India and are being replaced by other materials in building construction.

For transporting large quantities of timber, help of hotel authorities may be required for procuring railway wagons on priority basis.

13. *Sky Restaurant.*—This is a fairly complicated structure, both from the point of view of structural design and from the construction point of view. It is not definitely known if any parts will be in pre-stressed concrete or structural steel. Besides rough architectural drawings, method of construction is essential to avoid disturbance to guests and hotel authorities. Under the circumstances, we are unable to quote for this structure. As soon as final and complete designs are ready, the method of construction will be determined in consultation with the architect and hotel authorities, to whom we will submit detailed designs and drawings for our proposal for construction. At that stage, it should be possible for both sides to work out correct quantities and fair rates.

14. *Mode of Measurements.*—In items 50 and 51 which are to be measured in cm. meters, we have quoted our rates on the basis of C.P.W.D. specifications for works at Delhi, 1962, given on page 42, under 7-11, stone shelves, copings, cronices etc. measurements will be made under 7-1-5(4).

The stone work will be measured and evaluated at the rate quoted by us for item 49 in cubic meters and extra payment will be made at the rates quoted for items 50 and 51.

We do not find any separate items for fixed furniture in guest rooms. It is possible that a piece of furniture has been broken up and taken in other items such as doors, shelves, wall panelling etc. If this is so, we beg to point out that the quality of cabinet work in a piece of furniture is of much higher quality than in ordinary items of wood work, and a suitable additional payment will be called for.

The built in writing shelf and dresser with drawers will be measured as the total square meterage of block board and wood plank used.

The details, dimensions and sizes given in items 28 and 29 are approximate. On actual designing, figures given in the items for sectional area, for the numbers of wires and cables, for the section of tee ribs, spacing of ribs etc. may vary widely from the figures given in these 2 items. As suspendors have been taken separately under item 86, these have not been included in our rate for item 29. The tee joists may be either in reinforced concrete or in prestressed concrete as per design.

The rates quoted by us under item 19 are for plain and straight work. For curved surfaces, either in plan or elevation, our rates will be 50% more. Thickness of stone work in veneering will be the total thickness including mortar  $\frac{1}{2}$ " sista plyboard in item No. 70 has been taken as commercial plywood. All laps, chairs, supports, spacers, pins or bolts required for keeping Mild Steel reinforcement in position will be paid under item No. 21.

Our rates for reinforced concrete work under items No. 15, 16, 17, 18, 20 do not include finishing or plastering to give a smooth or even surface. We consider that the quality of our work will not need any rendering, but should the architect desire any rendering to give a smooth or even surface, we shall do so free of cost. As the entire work is to be plastered wholesale rendering is unnecessary.

15. *Tests.*—We shall instal our own concrete compression machine for testing concrete cubes. If the architects send some cubes to other laboratories for test, the cost of such tests shall be borne by hotel authorities.

16. *Liquidated Damages.*—No liquidated damages for delay shall be levied unless it is clearly established that the entire responsibility for delay is ours and was not beyond our control. In such a case liquidated damages will be payable only on the remaining amount of work left unfinished on the date of completion or the extended date of completion, as the case may be.

17. *Earnest Money.*—Earnest money for Rs. 50,000/- in the form of Bank Guarantee is submitted herewith.

18. *Return of Security Deposit.*—On occupation of the building by hotel authorities, Rupees. 1½ lacks out of Rs. 2 lacks retained as security deposit will be paid to us and the balance Rs. 50,000/- will be paid after the defects liability period.

19. *Specialist Contractors.*—As the design of the sky restaurant has not as yet been finalised, we have not been able to get in touch with a specialist capable of designing and manufacturing the rolling mechanical

devides for the rolling section of the restaurant. With the exception of flush doors; water proofing and terrazo tiles which will be obtained from one of the well known and established manufacturing firms, all other specialist work will be done in our own workshops. We have the specialised design organisation and construction equipment for prestressed concrete work. Form shutters for prestressed concrete beams will either be in steel or in timber.

20. *Rates.*—We have based our rates on the present prices of materials and the present wages of labour. If, as a result of the action, direct or indirect, on the part of Government or local authority, during the execution of the Project the Wages of labour or prices of materials are raised, we shall be compensated for the extra expenditure that will have to be incurred by us as a result of such action by Government or local authority.

21. *Provisional Items.*—These items amount to Rs. 27 lack in cost and are of a nature requiring high precision and workship. As these items are also to be completed by 30-12-1967, it is necessary that their designs and details are made ready as early as possible. If these designs do not become available by end of May 1967, it may not be possible to complete them in time.

Thanking you,

Yours faithfully,

for M/s. Tirath Ram Ahuja (Pvt.) Limited.

Sd/-

*Chairman and Managing Director.*

ANNEXURE XHI

CHOU DHURY & GULZAR SINGH  
ARCHITECTS

1, Scindia House, New Delhi-1  
20th April, 1967

REF : ND/67/868

The Managing Director,  
Ashoka Hotels Limited.  
New Delhi.

SUBJECT : *Construction of Annexe Building*

Dear Sir,

Kindly refer to our letter No. ND/67/867 dated 12-4-67 enclosing a copy of the comparative statement of all the five tenders received for the above work.

From a review of the tenders that have been received, it is seen that M/s. Tirath Ram Ahuja (P) Ltd., and M/s. Mehta Teja Co. have not quoted rates for items A, B, C, D, E, F and item 122 respectively in the comparative statement. Hence, in order to make a fair comparison of similar items quoted by all contractors, these items have to be deleted from the comparative statement.

Accordingly, the position in respect of the tenders received for the work will be as below :

- |                                   |   |
|-----------------------------------|---|
| 1. M/s. Uttam Singh Duggal & Co.  | —Rs. 86,61,151-00   |
|                                   | 36.58% above the estimated cost.  |
| 2. M/s. Tirath Ram Ahuja (P) Ltd. | —Rs. 88,44,090-00   |
|                                   | 39.47% above the estimated cost.  |
| 3. M/s. Mehta Teja & Co.          | —Rs. 89,16,522-00   |
| 4. M/s. C. Lyall Co.              | —Rs. 90,25,654-00   |
| 5. M/s. Sunder Dass               | —Rs. 1,02,11,481  |
|                                   | 55% above the estimated cost with additional conditions for increase in rates which cannot be worked out readily. |

From the above, it will be seen what M/s. Uttam Singh Duggal & Co.'s tender being 36.58% above the estimated cost is the lowest and M/s. Tirath Ram Ahuja (P) Ltd.'s tender being 39.47% above the estimated cost is the second lowest.

We have analysed these two tenders closely and our observations are as follows :

M/s. Uttam Singh Duggal & Co.'s tender though lowest has made the stipulation that the tendered rates are based on the market rate of Rs. 180/- per metric ton of cement and that any increase and decrease in the cost of materials shall be adjusted due to any act of Legislation etc. These two conditions have far reaching effects in the tender because of their vagueness and complexity. Already the price of cement at the site of delivery works out to about Rs. 190/- per metric ton. This means that as the total quantity of cement is about 5000 tons, already the contractors can claim about Rs. 50,000/- for cement alone. Moreover, these conditions have not only unlimited financial liabilities but will also cause serious difficulties and complications of keeping records of fluctuations of market rates of each and every material, due to legislation or any other causes (as the word etc. indicates)—as a result, there will be endless troubles, disputes, holding up of work, claims and litigations making the contract almost inoperative.

M/s. Tirath Ram Ahuja & Co.'s tender did not include the R.C.C. 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.

M/s. Tirath Ram Ahuja & Co. in their covering letter discusses the details and implication of the work in view of the necessity of having to execute the work under emergency conditions. They have made certain suggestions which are very useful and as far as practicable some of these may be accepted. They have also pointed out the areas in which delay and difficulties might arise in the execution of the scheme and stipulated certain conditions. While, we appreciate their sincere desire to get the work done in the most expeditious manner, it would not be in the interest of the Architects as well as of the Ashoka Hotels Ltd. to commit to these conditions except those already mentioned in the conditions of the Contract.

Of the two firms, M/s. Uttam Singh Duggal & Co. and M/s. Tirath Ram & Co. so far unfortunately, we have not had any experience of working with M/s. Uttam Singh Duggal & Co., and, therefore, we are unable to say definitely about their competence, smooth performance and dealings in the completion of work of architectural importance within a specified time limit. We understand that they have executed large Engineering Projects of the Government of India, but we have no knowledge as to their performance, capacity etc. In so far as large Architectural Projects requiring a very high degree of co-ordination of services, workmanship and finish such as a Luxury Hotel, their experience seem to be limited. On the other hand, M/s. Tirath Ram Ahuja & Co. have done a large number of buildings of great architectural merits. They have also got the reputation of being one of the most capable and resourceful contractors possessing a



high degree of integrity. They have also earned the credit of being one of the most co-operative and willing contractors who are ready to work smoothly with the Architects and the Employer. A highly Architectural Project like the one under consideration where time factors and quality of work are of over-riding considerations, these qualities are essential contributing factors in the successful completion of a Project. M/s. Tirath Ram Ahuja & Co. had the occasion to work with us in two of our projects in the past. In both these occasions, not only they have completed the projects to our as well as our client's entire satisfaction, but one of the projects they have completed two months a head of the scheduled date.

Comparing, therefore, the standard of performance, reputation, smooth dealings and the experience particularly, in the Architectural Building works and taking into account the nature and complexity of the Ashoka Hotel Annexe Project, we recommend that M/s. Tirath Ram Ahuja & Co. may be entrusted with the work subject, however, to the condition that while the Architects and the Ashoka Hotel Management will extend all possible help and co-operation to the contractors in the performance of their responsibilities, it would not be in the interest of the Ashoka Hotel Management to agree to any conditions other than the conditions already stated in the tender documents.

Finally, we like to draw your serious attention to the limiting time factor of the contract according to which the work has to be completed by the 30th December this year. There are not even 8½ months left now to complete the entire job. If therefore immediate decision is not taken in awarding the contract it will be impossible to complete the work within the specified period and impose the heavy penalty clause for non-completion of the work.

Yours faithfully,  
for CHOWDHURY & GULZAR SINGH  
Sd/- J. K. CHOWDHURY  
20-4-67

(Original on Ashoka Hotels Ltd. File No. SE-20/Extn. pages 1-3/c.)

## ANNEXURE XIV

(Annexure I to Item No. 5)

*AGENDA NOTE for consideration of the tenders received for civil works for the Annex to the Ashoka Hotel.*

Sealed tenders were invited for the above work on the basis of the tender documents and schedules prepared by the Architects, Messrs. Chowdhury and Gulzar Singh. The tender notice was sent to 24 selected contractors on the basis of the list received from the Ministry of Works, Housing & Supply. The last date for receipt of tenders was 10-4-1967 and the last date for issue of tenders was 6-4-1967. The following contractors purchased the tender forms in response to our notice :—

1. M/s. Om Prakash Baldev Krishan
2. M/s. Mehta Teja Singh & Co.
3. M/s. Tirath Ram Ahuja Pvt. Ltd.
4. M/s. C. Lyall & Co.
5. M/s. Shah Construction Co. Pvt. Ltd.
6. M/s. Bhai Sundar Dass Sardar Singh Pvt. Ltd.

M/s. Bhai Sundar Dass Sardar Singh Pvt. Ltd. purchased a duplicate copy of the tender on 10-4-1967 on the plea that the original tender was sent to their Calcutta office and had not been received back. In addition to the 24 firms, a tender form was also sold to M/s. Uttam Singh Duggal & Co. Pvt. Ltd. as desired by the Ministry.

2. Five tenders were received and opened on 10-4-1967 by the Managing Director in the presence of the contractors or their representatives. The firms which tendered are :—

1. M/s. Tirath Ram Ahuja Pvt. Ltd.
2. M/s. C. Lyall & Co.
3. M/s. Bhai Sundar Dass Sardar Singh Pvt. Ltd.
4. M/s. Uttam Singh Duggal & Co. Pvt. Ltd.
5. M/s. Mehta Teja Singh & Co.

A comparative statement of the tenders received has been prepared and will be placed on the table at the meeting. The comparative statement excludes the cooling tower as its final design will depend largely on the recommendations of the firm which is awarded the air-conditioning work. The summary of the comparative statement as in the tender after arithmetic check is as below :

|                                       |   |
|---------------------------------------|---|
| Estimated cost.                       | Rs. 65,88,052   |
| M/s. C. Lyall & Co.                   | Rs. 93,79,736   |
| M/s. Mehta Teja Singh & Co.           | Rs. 91,22,077   |
| M/s. Tirath Ram Ahuja Pvt. Ltd.       | Rs. 89,67,570   |
| M/s. Uttam Singh Duggal .             | Rs. 89,77,558   |
| M/s. Bhai Sundar Dass Sardar Singh, . | 55% above 1962 CPWD Schedule of rates for both schedule and non-schedule items. |

3. On a detailed scrutiny of the tender, it is seen that the tenders of M/s. C. Lyall & M/s Uttam Singh Duggal were complete and that they had quoted for all items.

M/s. Mehta Teja Singh had omitted to quote for item 122 of the tender (subsequently a representative of M/s. Mehta Teja Singh informed us that this was an accidental omission in the original tender but that the rate was noted in the copy of the tender submitted along with the original tender—this has been verified.

M/s. Tirath Ram Ahuja Pvt. Ltd. had omitted to quote for RCC items in the Sky restaurant on the ground that the details for this were not complete as indicated to them by the Architects.

M/s. Bhai Sundar Dass Sardar Singh have quoted an overall percentage and no item rate was indicated as required in the tender. As the rate quoted by them is the highest, no further comments are made on this tender.

4. In order to compare the remaining tenders on a similar basis so as to determine the lowest tenderer, the rate for item 122 has been omitted in all the four other tenders as also the RCC items for Sky Restaurant above the 3rd floor level and the results are tabulated below :—

|   |               |
|---|---------------|
| Estimated cost . . . . .                | Rs. 63,41,339 |
| M/S. C. Lyall & Co. . . . .             | Rs. 90,35,654 |
| M/S. Mehta Teja Singh . . . . .         | Rs. 89,16,122 |
| M/S. Tirath Ram Ahuja Pvt. Ltd. . . . . | Rs. 88,44,090 |
| M/S. Uttam Singh Duggal & Co. . . . .   | Rs. 86,61,151 |

It will thus be seen that M/s. Uttam Singh Duggal & Co. are the lowest : their tender being 36.58% above the estimated cost and that M/s. Tirath Ram Ahuja Pvt. Ltd. are the second lowest being 39.47% above the estimated cost.

5. Each contractor has enclosed a covering letter along with his tender and the copies of these are enclosed (Appendix A). The salient points in the covering letters are discussed below :—

#### I. *M/s. Uttam Singh Duggal & Co.*

The contractors have stated that their tender is based on the price of cement at Rs. 180/- per M. Ton and that any increase or decrease in the cost of the materials due to act of Legislation etc. shall be adjusted accordingly.

The other conditions of the contractor are in order and acceptable.

#### II. *M/s. Tirath Ram Ahuja Pvt. Ltd.*

The Contractor has furnished a 21 para covering letter of which paras 5 and 8 are not found in the letter. The more important paragraphs are discussed below :—

- (i) Para 6—(a) The contractors have given dates on which plans should be made available and these will have to be accepted and implemented by the Architects.
- (b) The contractors want payment of 2 bills a month and 90% payment within 24 hours of submission

of bill and balance 10% within 10 days. For delays in payment they claim proportionate extension of time.

- (c) For secured advances they claim payment within 24 hours of submission of bill falling which extension of time is to be granted for twice the number of days the bill is delayed.
  - (d) For scarce materials like cement, the contractor reserve right of compensation and extension of time if they are not procured in spite of the Hotels' recommendations and priorities.
  - (e) For extra items the contractors desire to assume approval of the rate quoted by them if such approval is not communicated within 10 days.
- (ii) Para 7—The Contractors have given the list and cost of materials on which they claim secured advances and these will have to be accepted in case their tender is considered.
- (iii) Para 12—The contractors desire that the Hotel authorities arrange for cement for which payment will have to be made by the Hotel authorities in the 1st instance and recovered from the contractors progressively when used on work. This may be acceptable as in any case 90% payment is claimed by them as indicated in an earlier paragraph.

Para 13—The contractors have not quoted the rates for Sky restaurant above 3rd floor and they would like to have this settled after the design is completed and methods of construction are settled. This will therefore have to be treated as an additional item.

Para 14—The contractors have indicated method of measurements for certain items and increase in certain other items. The method of measurement will follow the details as worked out in the estimate and further details will have to be discussed with the contractors before the agreement is drawn.

Para 16—The contract provides for liquidated damages at 1% per day subject to a maximum of Rs. 10 lacs. The contractor desires that this—in case it is payable should be 1% on the work remaining to be completed on the expected date of completion. This is for consideration.

Para 20—The contractor claims extra payment in case wages, of labour or price of materials are raised as a result of action, direct or indirect on the part of Government or local authority during execution of the project. This is for consideration.

Detailed comments on the covering letters of other contractors have not been indicated and their letters are enclosed as Appendix A.

6. The two lowest contractors namely M/s. Uttam Singh Duggal & Co. and M/s. Tirath Ram Ahuja Pvt. Ltd. are registered class I contractors of the Central P.W.D.

The quantities noted by the Architects in their schedule are approximate and are liable to variation as no firm detailed estimate has been prepared by the Architects so far.

7. The letter received from the Architects M/s. Chowdhury & Gulzar Singh is given in *Appendix 'B'*. Their recommendation will be circulated on receipt.

8. The Board is requested to select the contractor for the award of the work.

APPENDIX II

Statement showing the conclusions/recommendations made by the Committee on Public Undertakings in paras 91-92 of its Thirteenth Report (4th Lok Sabha) On Ashoka Hotels Ltd., and Government's comments thereon.

| Sl. No. | Reference of para No. of the report | Conclusions/recommendations  | Government's Comments   |
|---------|-------------------------------------|--|---|
| (1)     | (2)                                 | (3)  | (4)   |
| 5.      | 91-92                               | <p>91. The Committee have carefully gone into the question of the award of the contract for Ashoka Hotels Annex Project to M/s Tirath Ram Ahuja, who is 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—</p> <p>(i) The decision of the Board for inviting limited tenders was based on the note recorded by the Secretary, Ministry of Works, Housing &amp; 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 suitable tender". 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</p> | <p>The process of selecting a suitable contractor by open advertisement would not have been suitable for this work having regard to the nature of the work and the urgency with which it had to be executed. It may also be pointed out that award of the work by calling only limited tenders is a recognised procedure for execution of emergent works <i>vide</i> para 6.318 of the CpWD Manual (Vol. II) which provides that—</p> <p>"In urgent cases where the Engineer in charge is satisfied that an emergency exists and it is absolutely essential in the interest of public service to dispense with invitation of open tenders for works costing more than Rs. 10,000/-. He may invite limited tenders from selected contractors readily available in the area and award works on the basis thereof or by negotiations thereafter. The actual selection of contractors for the purpose of limited call of tenders or for negotiations is left to the Engineer-in-charge of the works. Prior approval of the Government of India will, however be necessary for the actual award of work in such cases as usual."</p> |
|         |                                     | <p>The Enquiry Committee appointed by Government to go into the various points made by the Committee on Public Undertaking in its 13th Report on Ashoka Hotel had <i>inter alia</i> come to the conclusion that</p>  |   |

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narrowed down the field of offers and precluded the management from finding better and cheaper contractors.

"there can be no doubt that the construction of the Annexe had to be treated as a project of the utmost urgency, and, therefore, the selection of contractors had to be made from among those capable of executing in time such a large work involving special architectural features."

The other question raised by the Committee on public Undertaking that the limited tender narrowed down the field of offers and precluded the management from finding best and cheaper contractor had also been examined at length by the Enquiry Committee on the basis of statistics pertaining to tenders issued by the C.P.W.D during the period the Annexe was built. An Abstract of the details received from the CPWD in respect of the tenders invited by them during the period January 1967 to June 1968 for works costing Rs. 30 lakhs and above contained in para 53 of the Enquiry Committee's report is given below :—

| S. No. | Name of work   | Approx. value   | Whether open or limited tenders were invited | No. of tenders received |
|--------|--|-----------------|--|-------------------------|
| 1.     | Curzon Road Hostel                                     |                 |  |                         |
|        | (a) Sub-work I   | Rs. 51.39 lakhs | Limited                                      | 5                       |
|        | (b) Sub-work II  | Rs. 31.23 lakhs | -do-   | 5                       |
| 2.     | Industrial Housing Tenements at Shahdra (Phase I & II) | Rs. 30.75 lakhs | Open   | 4                       |
| 3.     | Subsidised Tenements at Okhla (Phase II)               | Rs. 37.07 lakhs | Open   | 4                       |
| 4.     | Type II quarters at R.K. Puram                         | Rs. 41.70 lakhs | Open   | 6                       |
| 5.     | 16 Units of State Emporia building, Irwin Road         | Rs. 37.58 lakhs | Open   | 5                       |

The findings of the Inquiry Committee were as follows :

"It will be observed that out of the six contracts detailed above, 2 were awarded on the basis of limited tenders, and the remaining four on the basis of open tenders. Only in the case of open tenders did the number of tenders received exceed (by one) the number received in the case of the two limited tenders, while in two of the open tenders received the number was actually less. The number of tenders received in the case of Ashoka Hotel Annex was 5, i.e. exactly the same as in the case of Curzon Road Hostel which was also required to be completed in time for the UNCTAD-II, and was accordingly given out by the CPWD on the basis of *limited tenders*. It cannot, therefore, be said with any certainty that had open tenders been invited, the response would have been better."

Government agreed with this finding.

The circumstances in which the incorrect facts came to be given by the Managing Director, Ashoka Hotel, have been explained in Annexure XXVI of the 13th report of the Committee on Public Undertakings.

(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 Annex 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 Board's 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.

(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 mis apprehensions.

The basis on which the restricted list of 14 contractors was subsequently enlarged to 24 is contained in Ministry of Finance letter No. 1085-W&E/67 dated 9-10/2-67 forming a part of Annexure XI and XII of the Committee's Report.



(n) It is a matter of surprise that the invitations for tenders were sent by the Architect to a selected new contractors under Certificate of Posting and not by registered post as was stated to the Committee by the Secretary, Ministry of Works Housing and 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.

(o) 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 was 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 Govt. since 1962 (vide Annexure XIII)

(p) 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

The Secretary, Ministry of Works, Housing and supply had, by a separate letter, explained the circumstances in which this statement was made by him before the Committee. This letter is reproduced as Appendix XXVII of the Committee's Report.

Then Ashoka management were concerned with the construction of the Annexe which involved intricate architectural features, a type of work for which the experience of M/s Uttam Singh Duggal was considered to be limited. There should be no objection to M/s Uttam Singh Duggal being awarded works of other types by other agencies for which they had the necessary capacity and experience, in the opinion of such agencies.

The tenders were purchased by six out of 24 firms to whom architects extended invitation plus a tender issued to M/s Uttam Singh Duggal & Co., making in all seven sold tenders for the work. The seven firms who purchased tender forms were all contractors of standing in the CPWD who were not shy of competing with M/s Tirath Ram Ahuja. In view of this and of the position

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 lakhs 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 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.

explained against para (i) above, it will not be correct to hold that award of the excavation work to M/s. Tirath Ram Ahuja Private Ltd. had resulted in limiting the number of tenders. The response was normal and the matter could not be deemed to have been prejudged. Of necessity, the levelling work had to start prior to the calling of tenders for the construction of the Annexe. Synchronising the two would have meant delaying the commencement of the project by about 6 weeks, a thought which could not even be entertained at that time.

The matter has been examined at length by the Enquiry Committee.

Paragraph 6.303 of the CPWD Manual (Vol II) provides that tender documents should consist of the following:—

- (i) The notice inviting tenders.
- (ii) The form of tender to be used.
- (iii) The schedule of quantities of work.
- (iv) A set of complete drawings.
- (v) A set of conditions of contract.
- (vi) A complete specification of the work to be done.

The tender documents compiled by the Architects and submitted to the Hotel Management on the 17th March 1967 included all the items mentioned above except item (iv) i.e. a set of complete drawings and item (vi) i.e. a complete specification of the work to be done. In both these items there were omissions in respect of finishing or decorative/architectural items. Only thirty five 1/8" drawings were made available and not the one hundred and six detailed drawings for finishing or decorative/architectural items which were referred to in the tender Schedule under the expression "as per architects drawings". Similarly for item (vi) specifications were furnished but not for the finishing or decorative/architectural items. These omissions could have been condoned in terms of paragraph 6.801 (iii) of the CPWD Manual (Vol. II), which stipulates that—

6-801 (iii): "In the case of big projects where all the complete drawings cannot be prepared in the beginning, the senior architect and the Superintending Surveyor of Works concerned must lay down a programme showing the dates on which the complete drawings would be supplied for different parts of the buildings and they must adhere to that programme."

However, the architects did not furnish the programme envisaged in para 6-801 (iii) referred to above.

The Schedule attached to the tenders contained only approximate quantities involved in the work particularly in respect of a number of finishing items. A lack of these details would make it difficult for a contractor to work out correctly the cost of material and labour involved and he would face a risk in tendering for such work, as the detailed drawings / specifications to be furnished by the architects later might either have inflated the actual costs so as to put him to considerable loss or brought him unduly large profits (with/without the connivance of the Architects). It has been ascertained, however, that the total value of works for which details were furnished by the Architects later (excluding extra items which were not covered by the tender) was about Rs. 13-47 lakhs or 18 per cent of the total cost of the contract amount. It has to be borne in mind that the Ashoka Hotel Annexe was a project of great urgency and had to be completed before the commencement of the UNCTAD II. In the circumstances, the Enquiry Committee have observed that it was impossible for the architects to prepare detailed drawings for all the finishing items before calling tenders, as this work alone would have taken six to nine months. Considering the fact that the value of finishing items for which detailed drawings were not made available at time of issue of notice inviting tenders covered only 18

per cent of the total cost of the contract amount and that the finishing would be more or less on the pattern adopted for the main hotel, it is considered that the thirtyfive 1/8" drawings made available to the tenderers were adequate to enable them to quote with reasonable confidence for all the items in the tender Schedule.

It may also be explained that the details of most of the items for the revolving restaurant could not be worked out in the short time that was available for issue of tenders. This was made clear even in the tender schedule giving a longer time (i.e 30-6-68) for completion of the tower than the other items of work. The intention was to concentrate on completing the Annexes and the Convention Hall by 1-2-68 and to take up the work of the tower after the UNCTAD Conference. (During the period the conference was going on, the work had to be suspended).

The matter of the height of the tower was taken up with DGCA as soon as the architect was able to indicate the height of the tower.

Except the civil works for the cooling tower, no other air-conditioning plant was included in this tender.

The Enquiry Committee constituted by the Government which went into the question of award of work to M/s Tirath Ram Ahuja has come to the conclusion that "in spite of the procedural frailties, the action of the Board in preferring M/s Tirath Ram Ahuja Pvt. Ltd. was understandable in view of their doubts regarding the capability of M/s Uttam Singh Duggal & Co." The Government have accepted this finding of the Committee.

The RCC work above the 3rd floor level for the sky restaurant was not taken up at all. Hence the question of deriving extra rates for the RCC work of the tower did not arise.

(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 Annexes the tender of M/s Tirath Ram Ahuja did not include the RCC 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

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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 Messrs 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.

In this connection Government's reply to recommendation No. 3 refers.

As recommended by the Committee on Public Undertakings the Government set up an Enquiry Committee in this regard and the report of the Committee has been furnished to the Committee on Public Undertakings. The Government have accepted their findings.

### APPENDIX III

(Vide Para 5 of Introduction)

*Analysis of action taken by Government on the recommendations contained in the Thirteenth Report of the Committee on Public Undertakings (Fourth Lok Sabha)*

|   |     |
|---|-----|
| I. Total number of recommendations made . . . . .   | 32  |
| II. Recommendations that have been accepted by Government ( <i>vide</i> recommendations at S. Nos. 4, 7, 8, 9, 10, 11, 12, 13, 14, 22, 30 and 32) . . . . .                                   | 12  |
| Percentage to total . . . . .   | 38% |
| III. Recommendations which the Committee do not desire to pursue in view of Government's reply ( <i>vide</i> recommendations at S. Nos. 1, 2, 3, 18, 20, 21, 23, 24, 28, and 31) . . . . .    | 10  |
| Percentage to total . . . . .   | 31% |
| IV. Recommendations in respect of which replies of Government have not been accepted by the Committee ( <i>vide</i> recommendations at S. Nos. 5, 6, 15, 16, 19, 25, 26, 27 and 29) . . . . . | 9   |
| Percentage to total . . . . .   | 28% |
| V. Recommendations in respect of which final replies of Government are still awaited ( <i>vide</i> S. No. 17) . . . . .   | 1   |
| Percentage to total . . . . .   | 3%  |