

FORTY-NINTH REPORT
PUBLIC ACCOUNTS COMMITTEE
(2003-2004)

(THIRTEENTH LOK SABHA)

**INFRACTUOUS EXPENDITURE OF RS. 29 CRORE-
COMMUNICATION NETWORK**

MINISTRY OF EXTERNAL AFFAIRS

[Action Taken on 6th Report of Public Accounts Committee (12th Lok Sabha)]



Presented to Lok Sabha on 8.5.2003
Laid in Rajya Sabha on 8.5.2003

LOK SABHA SECRETARIAT
NEW DELHI

May, 2003/Vaisakha, 1925(Saka)

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2003-2004)

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2. Shri S.K. Sharma · *Joint Secretary*
3. Shri Devender Singh · *Deputy Secretary*
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INTRODUCTION

I, the Chairman, Public Accounts Committee having been authorised by the Committee to present the Report on their behalf, do present this Forty Ninth Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their 6th Report (12th Lok Sabha) on Infructuous Expenditure of Rs. 29 Crore — Communication Network.

2. This Report was considered and adopted by the Public Accounts Committee at their sitting held on 6th May, 2003. Minutes of the sitting form Part*II of the Report.

3. For facility of reference and convenience, the recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix* to the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

NEW DELHI;
6 May, 2003
16 Vaisakha, 1925(Saka)

SARDAR BUTA SINGH,
Chairman,
Public Accounts Committee.

*Not appended to the cyclostyled copy of the Report.

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by Government (Ministry of External Affairs) on the observations/recommendations of the Committee contained in their 6th Report (Twelfth Lok Sabha) on Paragraph 4.1 of the Report of the Comptroller & Auditor General of India for the year ended 31 March, 1996 (No. 2 of 1997), Union Government (Civil) regarding Infructuous expenditure of Rs. 29 crore — Communication Network.

2. The Sixth Report which was presented to Lok Sabha on 17th March, 1999, contained 15 observations/recommendations. The action taken notes on all these observations/recommendations have been received from the Ministry of External Affairs (MEA) and these are broadly categorised as follows:

- (i) Recommendations and observations which have been accepted by Government

Sl. Nos. 1, 4, 5, 6, 7, 9, 10, 11, 13, 14, 15

- (ii) Recommendations and observations which the Committee do not desire to pursue in the light of replies received from Government

Sl. Nos. 2, 3, 8, 12

- (iii) Recommendations and observations replies to which have not been accepted by the Committee and which require reiteration

-Nil-

- (iv) Recommendations and observations in respect of which Government have furnished interim replies

-Nil-

Setting up of High Frequency Radio Communication Network

3. The MEA approved a Project in August 1988 for setting up of High Frequency Radio Communication (HFRC) network for linking 27 missions abroad with New Delhi to facilitate voice and data communication in the event of emergencies in the host countries which could lead to disruption of normal communication facilities. The Project was scheduled to be completed by November 1989.

4. In their 6th Report, the Committee observed that number of equipment-related and operational problems had plagued this Project right since its inception. Apart from abnormal delay in the execution of the Project, the role of Telecommunications Consultants India Ltd. entrusted with the task of project management for consultancy, procurement, engineering and installation of equipment, was far from satisfactory. The Committee concluded that the MEA failed miserably to implement the HFRC project and that the inept handling of the Project by the MEA had rendered the expenditure of over Rs. 29 crore questionable

and defeated the basic objective of providing reliable communication network between New Delhi and identified Missions.

5. The action taken notes furnished by the MEA have been reproduced in the relevant chapters of this Report. In the succeeding paragraphs, the Committee however, deal with the action taken by Government on some of their observations/recommendations.

Utility of the HFRC System

(Sl. Nos. 13-14 Paragraphs 49-50)

6. In their 6th Report, the Committee observed that even after a delay of over ten years, out-of the twin objectives of HFRC *i.e.* voice and data communication, only voice communication had been partially established. The Committee concluded that the MEA did not do proper and sound spade work before committing themselves to such a heavy expenditure. This also brought into sharp focus the actual need and urgency of such a system, the availability of other alternative means of communication and their comparative reliability and cost. In the light of the inherent defects in the system, uncertainty about their rectification, unreliability of their availability in actual times of need and possible obsolescence, the Committee took a view whether it would be wise to close the project, to salvage whatever is possible and save further cost in its maintenance and operation. The Committee recommended that the Project should be evaluated by an independent group of experts to decide the future of the Project.

7. It is seen from the action taken notes that the MEA had constituted a high-level expert group chaired by the Foreign Secretary to review the future of the HFRC Project. Considering that the HFRC equipment was meant for standby and emergency use, the high cost of maintaining such equipment was not considered appropriate, when more reasonably priced alternatives, easier to maintain and operate, were available. The expert group therefore, recommended scrapping the existing HFRC system and to provide in its place satellite telephone systems based on more modern technology, for the emergency use of designated missions. The expert group had also recommended for utilising the equipment to the best advantage of the Government by handing it over to Government agencies or departments that currently use wireless communication. The Project was accordingly closed down with the approval of the External Affairs Minister and MEA approached the Directorate of Coordination (Police wireless), Ministry of Home Affairs, the Cabinet Secretariat (R&AW) and the intelligence Bureau, to make use of the equipment currently located in New Delhi and Missions abroad. MEA had also separately taken up with the Ministry of Finance the possibility of waiver of the customs duties in case of importation of equipment from our Missions abroad for use by these agencies. The MEA *vide* their communication dated 17 February 2003 intimated that the Ministry of Finance regretted their inability to grant exemption from payment of customs duty on the equipment which was to be brought back from Mission abroad for use by Government agencies and department who were interested in taking the equipment. MEA further stated that in July 2002 Intelligence Bureau and Cabinet Secretariat expressed their unwillingness in taking over the equipment due to their age (10 years) and the

non-availability of spare parts. The Directorate of Coordination (Police wireless), MHA had not responded to MEA's proposal till February 2003. According to the MEA, they had written to the Director General of Police in Rajasthan, Haryana and Uttar Pradesh on whether they would be interested in obtaining the equipment at a "no-cost" and on "as is where is" basis. The response from these states was awaited. In their communication, the MEA however, viewed the utilisation perspective of the equipment in the following lines:

"In view of the technological obsolescence of the equipment as a result of its age and also because spare parts are not available, it is possible that other departments and agencies of the Government of India and State Governments may not be interested in procuring this equipment even on a no-cost basis. Interest in obtaining the equipment in our Missions abroad is even more unlikely since Ministry of Finance has not waived the Custom Duties and the interested parties would also need to pay for the cost of packing freight and insurance in addition to customs duties.

In case no interest is shown by the above mentioned State Governments, MEA intends to approach the Ministry of Finance to write-off the equipment and to thereafter dispose it off to the best advantage of the Government.

In view of the availability of new technologies, key Missions abroad have already been linked with HQs through the installation of Secure Telephones (SECTEL), which provides secure voice communications. Ministry is also seeking necessary Governmental approvals for the introduction of a Secure Facsimile Machine (SECFAX) and for the development of the Secure Internet based communications system."

8. In their earlier report, the Committee had indicated the MEA for their inept handling of the Project on HFRC network which not only defeated the objective of establishing voice and data communication with our Missions abroad but also rendered the expenditure of over Rs. 29 crore questionable. The Committee were quite apprehensive of the communication network being made fully operational for intended exploitation and visualised its possible obsolescence on account of enormous intermittent delay. Refraining from sharing the optimism of the MEA about the viability of the project, the Committee had recommended that it would be prudent to close the project to salvage whatever was possible and save further cost in its maintenance and operation. Pursuant to the recommendation of the Committee, the MEA constituted a high-level expert group to consider the future of the HFRC Project. Considering the high cost of maintaining HFRC equipment and availability of more reasonably priced alternatives, the expert group recommended scrapping the existing HFRC system and utilising the equipment to the best advantage of the Government. The expert group also suggested replacement of the HFRC system with satellite telephone systems based on advanced technology, for the emergency use of the designated missions. The MEA have since closed the HFRC project. It is seen from the action taken notes that some of the

Government agencies/departments who were approached by MEA evinced no interest in utilising the equipment due to their old vintage and non-availability of spare-parts. The Committee note that the MEA have written to some of the State Governments with the offer to provide to them the equipment at a "no-cost" and on "as is where is" basis. The MEA have further admitted that in view of the technological obsolescence of the equipment, other departments and agencies of the Government of India and State Governments may not be interested in procuring the equipment even on a "no-cost" basis. According to the MEA, interest in obtaining the equipment in our Missions abroad is even more unlikely since Ministry of Finance has turned down their request to waive the customs duties in case of importation of equipment for possible use by the interested parties.

The Committee have been informed that in case no interest is shown by the State Governments, the MEA intend to approach the Ministry of Finance to write-off the equipment and thereafter dispose it of to the best advantage of the Government. From the foregoing, it is amply clear that notwithstanding the efforts made by MEA, there is little scope for salvaging the HFRC equipment and thus rendering the expenditure of over Rs. 29 crore infructuous as apprehended by the Committee. At this stage, the Committee hardly need to comment on the avoidable waste of public money in the unsuccessful pursuit of MEA to establish High Frequency Radio communication system.

CHAPTER II
RECOMMENDATIONS AND OBSERVATIONS WHICH HAVE BEEN
ACCEPTED BY GOVERNMENT

Recommendation/Observation

Recognising the imperative need to introduce an independent communication network, the then Minister of External Affairs had given directives in January 1987 for setting up a modern wireless communication system between MEA and some important missions abroad. In pursuance thereof, an Inter-Departmental Committee consisting of representatives from the Wireless Planning & Coordination Wing (Ministry of Communications), Cabinet Secretariat, Videsh Sanchar Nigam Ltd. (VSNL) (then Overseas Communication Services), Ministry of External Affairs (MEA) and Police Wireless suggested creation of High Frequency Radio Communication (HFRC) network, considered to be the most suitable network available during eighties. Accordingly, the MEA approved a Project in August 1988 on an urgent requirement basis at an estimated cost of Rs. 10.50 crores for setting up of HFRC for linking 27 missions located in the countries of strategic importance with New Delhi to facilitate voice and data communication. The project consisted of setting up of a control centre along-with transmission and receiving centre in New Delhi, a transit station at Accra and communication equipment in 27 missions. The proposed objective of creating the system was stated to be uninterrupted exchange of communication with missions abroad at critical times such as civil war, coup d'etat or natural calamities when the normal public telecommunication system become ineffective or non-functional or are interrupted due to hostile situation. The project was scheduled to be completed within 15 months *i.e.*, by November 1989. However, the project is yet to be fully completed. The Committee's examination of the Audit Paragraph has revealed several disquieting aspects in the execution of the project which are narrated in the succeeding paragraphs.

[Sl. No. 01, Appendix No. II, Para: 37 of 6th Report of PAC
(12th Lok Sabha)]

Action Taken

This paragraph contains the background information on the genesis of the High Frequency Radio Communications project of MEA and its objectives. MEA's response to the specific observations made by the Public Accounts Committee may please be seen in the replies to the succeeding paragraphs.

Sd/-

Joint Secretary (CNV)

[Ministry of External Affairs, CNV Division, RC Unit O.M. No. Q/RC/894/1/99
dated: 14 February, 2000]

Recommendation/Observation

The Committee are distressed to point out that even after a lapse of ten years of the scheduled date of completion and an expenditure of over Rs. 29 crores incurred on the project, equipment are yet to be installed in five missions (Georgetown, Paramaribo, Port-of-Spain, Ottawa & Kuala Lumpur), and in 10 missions (Jakarta, Bangkok, Dar-Es-Salam, Antananarivo, Muscat, Maputo, Damascus, Bahrain, Lagos & Jeddah) where installed, the system was non operational. Even where the system is in place, the reliability cannot be guaranteed as many of the equipment remain out of order for considerable periods of time. Two of the five transmitters installed at Delhi were not operational for want of spares. It is further disquieting to note that (i) four of the 13 message terminals in the South Block were not functioning since the MEA had failed to obtain lines from MTNL, (ii) the software for message communication was found to be deficient in the areas of acknowledgement and alignment memory which put severe limitation in utilisation of the system, and (iii) as of today, voice link could be established only with eleven missions, namely Accra, Harare, Kampala, Windhoek, Abu Dhabi, Riyadh, Lusaka, Khartoum, Cairo, Kuwait & Nairobi. While data mode with the missions still remains a problem due to software deficiencies. The Committee are shocked to note that equipment worth US\$ 8,60,098 are yet to be installed/commissioned. From the foregoing, the Committee are inclined to arrive at the inescapable conclusion that the abnormal delay in the execution of the project has not only rendered the expenditure of over Rs. 29 crores largely infructuous but also defeated the very objective of the project.

[Sl. No. 04, Appendix No. II, Para 40 of 6th Report of PAC
(12th Lok Sabha)]

Action Taken

While it is true that in five stations the equipment has still not been installed, the non-installation has been due to various factors like non-commissioning of the Accra relay station, structural and locational problems of some chancery buildings and , lately, the software deficiencies in the Delhi control room equipment. As regards the non-operatability of some stations and partial operation of some stations as of now, a major problem has been the absence of a full-fledged technical cadre consisting of maintenance team and qualified operational staff within the Ministry of External Affairs. Unfortunately, neither at the time of project formulation nor when the equipment was inducted and installed, did either the supplier or TCIL project the requirement of technically skilled personnel to operate and maintain the equipment. This requirement was projected by TCIL at a much later stage. Meanwhile, there was little possibility of running the system efficiently with the manpower available in the Ministry, since it was not within the scope of the Ministry's policy and activities to create a technical cadre within itself to run the HFRC system. This constraint has proved to be a major set-back in operating the system.

Information in respect of remaining points enumerated in the above paragraphs are, *ad-seriatim*, as follows:

- (i) *Message Terminals(MTs)*: As regards the 13 MTs attached to the HFRC system in delhi, 5 MTs were actually installed in Akbar Bhavan and the

remaining 8 MTs were installed in South Block. The Akbar Bhavan terminals do not need MTNL lines, since they are directly connected to the control room equipment, which in turn is connected directly to the transmission and receiving stations in Greater Kailash and Chattarpur respectively. However, the MTs in South Block terminals need MTNL lines for connectivity to the Akbar Bhavan control room for which 8 MTNL leased lines had been obtained and installed. The problem of connectivity, however, remains because the indirect connection works only when the entire system is in operation and not otherwise.

- (ii) *Software deficiencies:* A total of 13 software deficiencies in the control equipment had been listed jointly by representatives of Mackay Co., TCIL and VSNL. Out of these, about half have since been resolved, including the particular deficiencies mentioned in this paragraph.
- (iii) *Voice link:* Out of the eleven stations mentioned in the paragraph, data link was available until October 1999 with only two missions, namely Riyadh and Khartoum. To resume data links with the other stations, extensive repairs by technical personnel would be necessary. The entire system is currently down because of non-functioning of the Delhi transmitters, for which spares are required.
- (iv) *Uninstalled equipment:* The equipment at the remaining five stations is not expected to be installed at this stage of the project. An independent group of experts which has reviewed the project has recommended that the existing equipment should be disposed of to the best advantage of Government and alternate systems used for emergency communications. The recommendations of this Committee are contained in the reply to paragraph 50 of the Public Accounts Committee report.

Sd/-

Joint Secretary (CNV)

[Ministry of External Affairs, CNV Division, RC Unit O.M. No. Q/RC/894/1/99
dated: 14 February, 2000]

Recommendation/Observation

The Committee observe that when most of the equipment did not perform and many were found to be having inherent defects, MEA expressed their displeasure to TCIL as late as 1994 about the poor state of the equipment and the consequent delay in the execution of the project. While conceding that Mackay Co. was not a good choice, TCIL took the plea that they recommended the Company to supply the equipment as their quotation was the lowest and no other company would have been available at the approved cost. They further added: "We should make the best out of whatever is possible at this stage, and the same should be accepted." The Committee are perturbed over the attitude adopted by TCIL, the nominated nodal agency, at such a critical stage of implementation of the project. It speaks volumes about their sense of purpose and urgency, project management and attitude towards public funds. While elementary financial prudence warrants that

the minimum bid is to be accepted only after assuring or certifying the quality, the Committee would like to be explained under what circumstances sub-standard equipment was allowed to be purchased in the name of the lowest bid which eventually rendered the entire expenditure infructuous. Since the project was financed by MEA and they had vital stakes in its early operation, the Committee are unable to comprehend as to how MEA had left the entire project to be implemented by TCIL alone and made a significant omission to include a liability clause while appointing TCIL its nodal agency for consultancy services and for configuration and implementation of the project through all stages. What is intriguing to note is the fact that other than expressing their mere discontentment over the role of TCIL, no specific action was contemplated by MEA against them to pinpoint the responsibility. The Committee would like to be apprised of the compulsions of MEA for such inaction on this score.

[Sl. No. 05, Appendix No. II Para 41 of 6th Report of PAC
(12th Lok Sabha)]

Action Taken

The modalities leading to the selection of M/s Mackay Co.'s equipment has been explained in the answer to paragraph 39 of this report. At the cost of repetition, it may be pointed out here that before selection of the equipment, its quality had been tested by TCIL engineers through an *in-situ* demonstration at the Company's premises. The Technical Evaluation Committee and the Tender Evaluation Committee had certified the equipment to be of the required standard. The Ministry, at that point, had no good reason to doubt the advice tendered by these committees.

As regards contemplation of any action against TCIL, it may be noted that against TCIL was chosen on the direct recommendation of the then Minister of Communications, who was the head of the nodal Ministry concerned. TCIL had established in their report that the project was feasible. After necessary formalities were completed, TCIL had installed the equipment in 22 stations during 1992-93. At that time, neither MEA nor TCIL had any inkling of the problems that might crop up later. It was only when in 1994, various shortcomings were experienced in the working of the project, the Ministry's concerns were expressed to TCIL in various meetings. TCIL had then assured that they were looking into the problems and had even got the engineers of M/s Mackay Co. to visit Delhi in 1995 to repair the transmitters and the control room equipment. The overcoming of software deficiencies was an ongoing task and MEA had been working in tandem with TCIL, VSNL, M/s Mackay to set right the deficiencies. No action against TCIL was contemplated as it had remained committed to the project and was engaged in carrying out necessary repairs. It is regretted that the Ministry had, unfortunately, failed to draw up a proper contract with a suitable non-performance clause to protect its interests *vis-a-vis* TCIL.

Sd/-

Joint Secretary (CNV)

[Ministry of External Affairs, CNV Division, RC Unit O.M. No. Q/RC/894/1/99
dated: 14 February, 2000]

Recommendation/Observation

The Committee's examination had revealed that notwithstanding the efforts made by the MEA and TCIL in consultation with Mackay Co., serious equipment problems still exists in ten missions and fifty percent of software problems are yet to be resolved. The Committee have been informed that during Oct. 1997, the President of Mackay Co. was apprised of the recurring equipment problems and was asked to buy back the remaining uninstalled equipment. In response, the President of the Company denied that there was anything wrong in the equipment and stated that it was not possible at their end to buy back the equipment because those would be of no use of them. Considering the stance taken by the Company and the vulnerable position of the MEA, the Committee are least hopeful about expeditious operation of the system.

[Sl.No. 06, Appendix No. II Para 42 of 6th Report of PAC
(12th Lok Sabha)]

Action Taken

Even though the Ministry of External Affairs had not expected a favourable response from the American firm to the proposal to buy-back the remaining equipment, it had, nevertheless, explored such a possibility. The supplier, however, declined to take back the equipment and refund the costs. It may be mentioned here that M/s Mackay Co. have extended the bank guarantee amounting to US\$5,30,500 which still remains valid. Besides, a hold-back amount of approximately US\$4,00,000 as per the contract is still available with MEA, which was to be paid after the expiration of the warranty period.

As regards the continued operation of the system, an expert group has since evaluated the project and recommended that instead of incurring further costs on the system, it should be replaced by more modern and less expensive means of emergency communication and the existing HFRC equipment may be used or disposed of to the best advantage of the Government.

The recommendations of the expert group are contained in reply to paragraph 50 of the Public Accounts Committee report.

Sd/-

Joint Secretary (CNV)

[Ministry of External Affairs, CNV Division, RC Unit O.M. No. Q/RC/894/1/99
dated: 14 February, 2000]

Recommendation/Observation

The Committee note that an element of over optimism was amply evident at the Project planning stage itself when a seemingly unrealistic time frame of 15 months was fixed for the completion of such a sophisticated Project. The Foreign Secretary conceded during evidence that the time frame was a gross underestimate and it was a mistake. However, the fact remains that such deficiency in the project planning is not only indicative of casual attitude of TCIL right from the beginning

and lack of seriousness on the part of MEA but also suggestive of lack of urgency of the requirement projected.

[Sl. No. 07, Appendix No. II Para 43 of 6th Report of PAC
(12th Lok Sabha)]

Action Taken

At this juncture of the project, the Ministry of External Affairs requests that this error of judgement on the part of TCIL and MEA may be condoned.

Sd/-

Joint Secretary (CNV)

[Ministry of External Affairs, CNV Division, RC Unit O.M. No. Q/RC/894/1/99
dated: 14 February 2000]

Recommendation/Observation

The Committee are astounded to note sheer lack of advance planning and co-ordination between MEA & TCIL with regard to identification of the stations where the system was to be installed. In reply to the post-evidence questionnaire, the Ministry stated that in Georgetown, the system could not be installed due to local disturbances in the central area, where the chancery is located and that the Mission is trying to locate new premises before the system is installed. In Paramaribo, the system could not be installed as the lease was due to expire in November 1998. Moreover, the premises of the chancery were problematic for installation of antenna. Similarly, the chancery at Kuala Lumpur was not found suitable for antenna system and an alternative site was being located. Ottawa was first included in the project plan but later it was excluded on the ground that Canada has sufficiently advanced communication facilities and there may be no cause for emergency. The Committee would like to caution the Ministry to take all relevant factors into consideration like cost of shifting the chancery and the need for installing HFRC network before taking a decision in the matter in the best national interest.

[Sl. No. 09, Appendix No. II Para 45 of 6th Report of PAC
(12th Lok Sabha)]

Action Taken

Identification of stations had been an onerous and time-consuming task. In some cases, the host Government's permission had taken long and, in some others, such permission never materialised, necessitating changes of stations. Stations such as Georgetown (Guyana), Paramaribo (Surinam), Ottawa (Canada), Kuala Lumpur (Malaysia) and Port-of-Spain (Trinidad & Tobago) had been chosen due to the presence of large Indian expatriate population.

The Public Accounts Committee is right in suggesting that before envisaging the commissioning of the remaining stations, the Ministry should take all relevant factors into consideration, including the costs involved. It is in light of this suggestion that the independent group of experts have decided not to proceed

with the installation of the remaining stations. The complete summary of recommendations of the expert group set up to review the project as advised by the Public Accounts Committee, has been provided in the reply to paragraph 50 of the PAC report up to review the project as advised by the Public Accounts Committee, has been provided in the reply to paragraph 50 of the PAC report.

Sd/-

Joint Secretary (CNV)

[Ministry of External Affairs, CNV Division, RC Unit O.M. No.: Q/RC/894/1/99
dated 14 February, 2000]

Recommendation/Observation

The Committee find that there was no effective monitoring mechanism designed for technical follow-up of the project with a view to facilitating its timely completion and that the progress of this professedly vital project was never reviewed at the highest level except in 1991 and 1992 when revision of the cost estimates was necessitated. The Committee note with concern that the urgency with which the project was approved was never translated into the project management. Evidently, the fate of the Project was left at the mercy of TCIL, betraying a total lack of sense of purpose and seriousness at the higher echelons of MEA and an abdication of responsibility in monitoring such a professedly vital project.

[Sl. No. 10, Appendix No. II Para 46 of 6th Report of PAC
(12th Lok Sabha)]

Action Taken

While accepting the observation made by the Public Accounts Committee in this paragraph, Ministry would like to state that the project needed several technical inputs from the very inception of the project until its implementation. Since TCIL was the sole implementing agency, there was no alternative for the Ministry but to rely heavily on it for technical support.

Sd/-

Joint Secretary (CNV)

[Ministry of External Affairs, CNV Division, RC Unit O.M. No.: Q/RC/894/1/99
dated 14 February, 2000]

Recommendation/Observation

The Committee note that the operation and maintenance of the HFRC system at the Delhi end has been handed over to VSNL since 4 October 1995. An amount of Rs. 27 lakhs per annum is being paid to VSNL for this purpose. Besides, the MEA has set up four Zonal maintenance centres at Hong Kong, Dubai, Harare and PMI, New York to provide maintenance support to the equipment in the missions. However, the Committee find that the arrangements made for maintenance and repair of HFRC equipment in the designated missions was highly inadequate. This is further corroborated by Ministry's own admission that staff members who are operating the equipment at the missions are non-technical secretarial staff

who have no systematic training in operating such complex equipment and attending to related problems. The Committee consider it very unfortunate that even after incurring an expenditure amounting to over Rs. 1.11 crore, the Ministry are yet to institute adequate training arrangements for operating the system at missions. Expressing their utter displeasure over this poor spectacle of affairs, the Committee recommend that the MEA should address themselves urgently on the issue and initiate steps as to the desirability of creating a suitable technical cadre or mechanism for effective maintenance and proper operation of the system at missions. The Committee may be furnished a status report in this regard within a period of six months.

[Sl. No. 1 Appendix No. II Para 47 of 6th Report of PAC
(12th Lok Sabha)]

Action Taken

The task of operation & maintenance of mission equipment had posed several problems to the Ministry of External Affairs all along as the Ministry was ill-equipped technically to operate a project of this magnitude. The only solution envisaged by the Ministry was to approach another department of the Government of India to depute technical personnel in the field of radio communications to run and maintain this system. It has been calculated, on the basis of consultations with the Cabinet secretariat, which has acquired expertise in running a similar system, that the cost of a support organisation would run into about Rs. 11.5 crores annually just on the cost of personnel alone based on the deployment of at least two technicians for each wireless station abroad. This option was, therefore not considered feasible and alternative systems have now been considered to replace the existing HFRC system. This has been dealt with in Ministry's reply to paragraphs 49 & 50 of this report.

Sd/-

Joint Secretary (CNV)

[Ministry of External Affairs, CNV Division, RC Unit O.M. No.: Q/RC/894/1/99
dated 14 February, 2000]

Recommendation/Observation

The examination of the Committee revealed that as of now there were two instances where the system was used in cases of emergency. The first time the system was used for link with Lagos in the case of Liberian disturbance in 1993 and the second instance in 1994 during plague epidemic for monitoring and diverting the Air India flights to Muscat. In both cases, however, there was no breakdown of other means of communication and it cannot be claimed that the wireless communication was vital and the only means of communication during emergencies. The justification adducted by the Ministry in support of HFRC in its present state, does not hold water as out of the twin objectives of HFRC *i.e.*, voice and data communication, only voice communication has been partially established as of now and data communication is yet to materialise. Further, in view of the delay of over ten years in setting up the system and serious doubts/

uncertainty about it being fully operational for intended exploitation, the question of its obsolescence cannot be ruled out. The Committee are therefore inclined to conclude that the MEA did not do proper and sound spade work before committing themselves to such a heavy expenditure. This also brings into sharp focus the actual need and urgency of such a system, the availability of other alternative means of communication and their comparative reliability and cost. The Committee hope that the Ministry would evolve suitable procedure to ward off such incidents in future.

[Sl. No. 13, Appendix No. II Para 49 of 6th Report of PAC
(12th Lok Sabha)]

Action Taken

In implementing the recommendations made by the Public Accounts Committee, the Ministry had been mindful that wireless is the only dependable means of communications that does not require the support of any local land-based network. It is a communications facility that lies completely within the control of the mission and headquarters. Its use cannot be ordinarily disrupted except through sophisticated jamming techniques. Most countries, including Pakistan, use radio communications as their back-up facility.

At the same time, in a more recent evaluation carried out by the Ministry, it reached the conclusion that satellite based telephones, such as INMARSAT Mini-M, have also freed communications from the control of local P&T service providers, even if in times of extreme crisis the owners of the satellites for such communications could theoretically deny access to the users. This is unlikely in actual practice because INMARSAT is meant to be permanently in operation for the safety of the global merchant marine and all sea-faring vessels. The advances in telecommunications and information technology have thus made the earlier wireless system look anachronistic, especially if it were to be used only for emergencies. Moreover, the wireless apparatus of the type inducted almost a decade ago is extremely expensive to maintain and operate.

The Ministry has, therefore, decided to consider switching over to alternative, cost-effective system like the INMARSAT where the instrument is maintenance-free, requires no overheads and is portable. This alternative is fully in consonance with the spirit of the recommendation made by the Public Accounts Committee in the concluding part of paragraph 49 of its report.

Sd/-

Joint Secretary (CNV)

[Ministry of External Affairs, CNV Division, RC Unit O.M. No.: Q/RC/894/1/99
dated 14 February 2000]

Recommendation/Observation

In the light of the inherent defects in the system, uncertainty about their rectification, unreliability of availability in actual times of need and possible obsolescence, the Committee took a view whether it would be wise to close the project, to salvage whatever is possible and save further cost in its operation and maintenance. According to the Ministry, although the project has encountered

numerous technical problems, it would still be advisable to maintain it with the capability for voice communication and with some additional efforts, it might be possible to restore data exchange facility. The Committee refrained from sharing the optimism of the Ministry at this stage. The Committee have been informed that an evaluation of the project by an independent group of experts has been suggested by the Ministry in 1999-2000, based on which a final decision could be reached on the future of the project. The Committee would like to be apprised of the outcome of the proposed review.

[Sl. No. 14, Appendix No. II Para 50 of 6th Report of PAC
(12th Lok Sabha)]

Action Taken

The Ministry of External Affairs had constituted a high-level expert group chaired by the Foreign Secretary to consider recommendations on the future of the HFRC project. The summary minutes of this expert group meeting are attached in fulfilment of the Ministry's commitment to apprise the PAC of the outcome of the review.

Sd/-

Joint Secretary (CNV)

[Ministry of External Affairs, CNV Division, RC Unit O.M No.: Q/RC/894/1/99
dated 14 February 2000]

Ministry of External Affairs
CNV Division

The Summary Minutes of the expert group meeting on the future course of action on MEA's Automated High Frequency Radio Communication (HFRC) network, chaired by Foreign Secretary, is placed below.

2. Since the Public Accounts Committee has laid down that it would like to be apprised of the outcome of the review, Foreign Secretary had agreed that a suitable communication be drawn-up by the undersigned in consultation with AS(FA) for presenting before the Committee on the basis of the discussions held and the recommendations arrived at. This will be done as soon as the summary minutes of the expert group meeting have been approved by Foreign Secretary and circulated amongst the members of the expert group.

Sd/-
Joint Secretary (CNV)
January 7, 2000

Ministry of External Affairs

CNV Division

Subject: Summary Minutes of the Expert Group meeting on future course of action on MEA's Automated High Frequency Radio Communication (HFRC) network.

Foreign Secretary convened a meeting of a group of experts at 1600 hours on January 5, 2000 on the future course of action required on the MEA's automated High Frequency Radio Communication (HFRC) network. The following were present:

- Shri Lalit Mansingh (in the Chair)
Foreign Secretary
- Shri V.P. Shandlas
Chief Controller (R&D)
Defence Research & Development Organisation
- Shri N.R. Mokhariwale
Adviser (Operations) & Ex-officio Addl. Secretary
Department of Telecom Services
4. Shri B.R. Khurana
Sr. Dy. Director General (ML)
Department of Telecom Services
- Shri R.L. Verma
Joint Secretary (Telecom)
Cabinet Secretariat
6. Shri Raja Sagar
Joint Secretary (Admn.)
Cabinet Secretariat
7. Shri M.M.K. Sardana
Additional Secretary (FA)
Ministry of External Affairs
8. Shri Jayant Prasad (Secretary to the Committee)
Joint Secretary (CNV)
Ministry of External Affairs

2. This meeting was convened pursuant to the recommendation contained in the Public Accounts Committee's (PAC) Report asking for an evaluation of the HFRC Project by an independent group of experts, in 1999-2000, based on which a final decision could be reached on the future of the project. The PAC had further stated that "in view of the delay of over ten years in setting up the system and serious doubts and uncertainties about it being fully operational

for intended exploitation, the question of its obsolescence could not be ruled out. According to the Committee, this also brought into sharp focus the actual need and urgency of such a system, the availability of other alternative means of communication and their comparative reliability and cost. The Committee expressed the hope that the Ministry would evolve suitable procedure to ward off such incidents in future.

3. The Expert Group meeting considered the two clear options about the future of the project contained in the attached background note, which had been circulated to the participants prior to the meeting. While the experts present agreed that wireless provides the only dependable means of communication that does not require support of a local network, it is not the most appropriate option in terms of the costs involved on the technical personnel required to run the system and on replenishment and maintenance of the equipment. It was felt that in terms of comparative reliability and cost, satellite phone systems could provide a much more reasonable alternative for ensuring communications meant to be used as a standby system in the event of emergencies and the shutting down of local telecom networks. The high costs involved in maintaining the HFRC system at an optimal level is self-evident from the extent of expenditure currently incurred by MEA on behalf of Cabinet Secretariat in maintaining 14 wireless stations abroad for which the revised estimates for 1999-2000 and the budget estimates for 2000-2001 range between Rupees 8-9 crores annually. This is in addition to the cost of technicians stationed abroad, which comes to around Rs. 5 crores annually. The total cost of maintaining MEA's existing HFRC network would, therefore, approximate Rs. 15—20 crores annually, *i.e.* about Rs. 11 crores on technical personnel needed for operation, besides a substantial amount required for replenishment of equipment and provision of spares. As compared to this, the total capital cost of installing 27 satellite phones in the stations where HFRC system is currently located would be about half a crore of Rupees. DoT conveyed that if MEA chose to procure INMARSAT Mini-M equipment from within the fairly large number of these instruments already bought by the DoT, this cost would come down by a further 30—35%. Considering that the HFRC equipment is meant for standby and emergency use, the high cost of maintaining such equipment was not considered appropriate, when more reasonably priced alternatives easier to maintain and operate, were available.

4. The Expert Group, therefore, arrived at the consensus that it would be desirable to scrap the existing HFRC system and to provide in its place satellite telephone systems based on more modern technology, for the emergency use of designated missions.

5. The Expert Group also decided that a separate group be constituted to consider the issue of the use of the existing HFRC equipment. This group could consider, *inter-alia*, whether in view of the obsolescence of the equipment this could be written-off or whether it could be used by the existing government agencies that use wireless communications, including Cabinet Secretariat, the Police Wireless network of the Ministry of Home Affairs and the wireless systems

used by our armed forces so that the equipment could be salvaged and used to the best advantage of Government, if possible.

Sd/-
Joint Secretary (CNV)
M/o External Affairs

**Ministry of External Affairs
CNV Division**

Subject: Future course of action on MEA's Automated High Frequency Radio Communication (HFRC) network

Background

1. A proposal for establishment of an automated High Frequency Radio Communication (HFRC) network between selected Missions and the Ministry of External Affairs was initiated in January 1987, with a view to providing stand-by arrangements in the event of emergencies in host countries which could lead to disruption of normal communication facilities between India and the countries concerned. This channel of communication was to be independent of the host country's P&T lines and was meant for both voice and data communication. An Inter-departmental Committee consisting of representatives from Police Wireless, Videsh Sanchar Nigam Ltd. (then Overseas Communications Services), Cabinet Secretariat, Wireless Planning and Coordination Wing, Ministry of Communications and Ministry of External Affairs had jointly suggested creation of our HF radio network for voice and data communication incorporating features such as automatic link establishment, frequency selection, high speed message transmission and automatic routing of messages.

Project formulation

2. Accordingly, after a feasibility study, equipment conforming to the requirements outlined above was procured and installed. In our Missions, this consists of 1KW Transmitter/Receiver, computerised message terminal with keyboard and antenna (either roof-mounted or ground-mount) and at Delhi, of five 10KW Transmitters and five receivers, message switches to store and send/received messages, remote control equipment, five log periodic antennae, message terminals (PCS) and telex machine. The equipment at Delhi is located at VSNL's Greater Kailash Transmitting Station, the Chhatarpur Receiving Station and in the Control Room at Akbar Bhawan at Chanakyapuri. These three locations are interconnected through a dedicated UHF microwave link. The Control Room at Akbar Bhawan coordinates flow of messages between Missions and New Delhi.

3. The Missions covered by this network had been identified taking into account the reliability of communication facilities in the countries concerned, the importance of the Mission and the size of the Indian community in the country concerned. After detailed correspondence with around 60 Missions, 27 Missions were finally identified based on these parameters as well as availability of space in the chancery building and willingness of host governments to grant clearances for operation of equipment. The list of Missions is placed below.

Project execution

4. The Telecommunication Consultants India Ltd (TCIL) were appointed MEA's consultants for the project to float global tenders, identify and install the

equipment both at headquarters and Missions abroad. After considering all the received tenders, M/s. TCIL had selected the equipment offered by M/s. Mackay Communications Inc, Raleigh, USA after deliberations by a Technical Evaluation Committee. Senior TCIL experts had also visited the plant of this firm in USA to conduct tests, following which the equipment was ordered on 25.6.91. Supply of equipment to all the stations including Delhi was completed by July 1993. Installation of equipment at 22 Missions and at Delhi end was completed by December, 1993. In the five remaining missions, installation was held up due to the locational and structural problems of the chancery buildings or the absence of relay stations.

5. A number of equipment-related and operational problems have plagued this project right since its inception. As a result, the system has worked at less than optimum level. At present, voice link is available with only eight of our Missions, while data exchange is possible only with two Missions. Major repairs to the equipment are required in almost all the Missions. The equipment at Delhi also needs repairs and spares, which have to be procured from the foreign suppliers.

PAC's review

6. In view of the above-mentioned shortcomings, the project had come up for scrutiny in the Public Accounts Committee (PAC) session on 21 October 1997. The PAC has since submitted its report. Besides several critical observations and comments, the PAC has made several recommendations including an evaluation of the Project by an independent group of experts as suggested by the Ministry in 1999-2000 based on which a final decision could be reached on the future of the project. The PAC would like to be apprised of the outcome of the proposed review. The Committee further stated that in view of the delay of over ten years in setting up the system and serious doubts/uncertainty about it being fully operational for intended exploitation, the question of its obsolescence cannot be ruled out. This also brings into sharp focus the actual need and urgency of such a system, the availability of other alternative means of communication and their comparative reliability and cost. The Committee hope that the Ministry would evolve suitable procedure to ward off such incidents in future.

7. In implementing the recommendations of the Committee at paragraph 6 above, the Ministry has been mindful that wireless is the only dependable means of communications that does not require the support of any local, land-based network. It is a communications facility that lies completely within the control of the mission and headquarters. Its use cannot ordinarily be disrupted except through sophisticated jamming techniques. Most countries, including Pakistan, use radio communications as their back-up facility.

8. At the same time, satellite-based telephones such INMARSAT Mini-M have also freed communications from the control of local P&T service providers. Denial of access, while theoretically possible in times of a global conflagration or world war, is unlikely in actual practice because INMARSAT is meant to be permanently in operation for the safety of the global merchant marine and all sea-faring vessels. The advances in telecommunications and information technology have thus made

the old wireless system look anachronistic. Moreover, the wireless apparatus of the type inducted almost a decade earlier is extremely expensive to maintain. In terms of comparative reliability and cost, the INMARSAT phone/fax/data communication system easily scores over the antiquated wireless system.

Options available

9. There are thus two clear options before the MEA. The first option would entail the following:

- (a) The Cabinet Secretary (which has the requisite technically qualified personnel and currently operates 14 wireless stations of its own abroad) could take over and operate MEA's HFRC system since it is not within the scope of the Ministry's policy and activities to create a technical cadre within itself to run this system.
- (b) The rehabilitation of the base equipment at Delhi and full activation of four stations abroad can be taken up during the current financial year and the transfer of the remaining stations can be taken up in the next 2-3 years in a phased manner.
- (c) To commence the action described in the paragraphs above, it will be necessary to activate the transmitting station at Delhi and begin the process of transfer of the equipment located abroad to Cabinet Secretariat's technical personnel, for which spares would have to be procured for the transmitters at Delhi.
- (d) Cabinet Secretariat will require to put in place two technicians each for the operation and maintenance of each station on par with the deployment they have made in the existing stations where they have wireless facility. This would imply additional deployment of 54 technicians in 27 missions.

10. The financial implications for the maintenance and operationalization of the HFRC system as outlined in paragraph-9 above are follows:

(i) Total expenditure incurred on maintenance during the last five years (94-95 to 98-99)	Rs. 1,25,00,000
(ii) Estimated cost of rehabilitation of the existing system	Rs. 95,14,000
(iii) Cost of 54 technicians in 27 stations: Average Annual expenditure	Rs. 11,13,40,800
(iv) Cost of annual repairs to HFRC equipment like purchase of spares, transportation etc.	Rs. 10,00,000

11. The second option would entail purchase of 27 INMARSAT Mini-M instruments, for which the cost is likely to be Rs. 59,67,000, (each unit costs Rs. 2,21,000).

12. The first option, that of retaining the HFRC and making it operational would cost Rs. 11,23,40,800 (over Rupees eleven crores) Annually, besides the one-time expenditure on additional hardware for rehabilitation of Rs. 95,14,000

(over Rupees ninety five lakhs). The second option, that of connecting the selected missions with 27 INMARSAT MINI-M instruments would entail a one-time purchase cost of Rs. 59,67,000 (nearly Rupees sixty lakhs) only, besides a modest recurring expenditure of Rs. 20,000 per annum per unit as license fee, excluding call charges.

13. The group of experts has now to decide on the most appropriate options regarding the future of the project, taking the foregoing options and their relative merits and costs into account.

MEA's HFRC Stations

1. Kathmandu
2. Jakarta
3. Lusaka
4. Accra (Transit Station)
5. Maputo
6. Bahrain
7. Damascus
8. Dar-es-Salaam
9. Abu Dhabi
10. Cairo
11. Kampala
12. Antananarivo
13. Khartoum
14. Nairobi
15. Kuwait
16. Bangkok
17. Harare
18. Ottawa
19. Riyadh
20. Jeddah
21. Port-of-Spain
22. Georgetown
23. Kuala Lumpur
24. Paramaribo
25. Muscat
26. Windhoek
27. Lagos

Updated Action Taken Note

It may be recalled that in MEA's Action Taken Notes with regard to paragraph 50 of the Public Accounts Committee report, it had been mentioned to the effect that in view of the high costs involved in running the radio communication network, the expert group constituted to review the project, had recommended scrapping the project and utilising the equipment to the best advantage of the Government by handing it over to Government agencies or departments that currently use wireless communications. Accordingly, two such departments have since been identified who have shown a keen interest to make use of the equipment which are currently located in New Delhi and in 27 missions abroad. These two departments are:

- (i) Directorate of Coordination, Police Wireless, Ministry of Home Affairs, and
- (ii) Cabinet Secretariat.

It may be mentioned here that both the departments have existing wireless network with the requisite technical manpower to run and maintain such network. They would be in a better position to utilise the MEA's equipment which otherwise would remain idle. The Cabinet Secretariat have also conducted some essential tests on the New Delhi equipment and the results are reported to be satisfactory.

2. Discussions and correspondence are still on with both the departments mentioned above as to the items and quantity which they would like to take over. Further inputs are still awaited from them in this respect to arrive at an equitable distribution.

3. While it is proposed to hand over the New Delhi equipment on "as is where is" basis, in the case of the mission equipment, the recipient department would have to bear the cost of transportation and incidentals from the Indian missions to New Delhi as well as the custom duty that may be imposed by the custom department on the depreciated cost of the equipment in each case. To this end, the relevant information has been requested already from each mission and from the Central Board of Excise & Customs. As soon as the preparatory work is completed, administrative and financial approvals would be obtained and formal handing over/taking over would commence.

4. With regard to the provision of alternative means of emergency communications to the missions abroad, it may be recalled that the expert group set up to review the project had recommended use of Inmarsat phones of the compact type. However, this was held in abeyance pending a thoroughgoing review ordered by the External Affairs Minister into security systems of MEA including communications security as well as to revamp the existing communications structure itself. This is proposed to be accomplished in two ways:

- (i) Internal communication arrangements within New Delhi, and
- (ii) External Communication arrangements with missions abroad.

In the former case, the existing Public Switched Telecommunication Network (PSTN) would be used with secure telephones (SECTELs) and in the latter case, apart from continuing to use the available PSTN/Internet with security devices, a V-SAT based network with the central hub located at Delhi and V-SAT terminals with a minimum capacity of two speech plus one data located at each of the important missions abroad would be used. This will serve in times of emergencies also. In order to put in place a holistic communication infrastructure in MEA that is both efficient and secure, several immediate, short-term and medium-term measures are on the anvil.

5. Certain immediate measures include upgradation and installation of Secure Telephones (SECTELs) for voice communications with missions in all contiguous countries, the P-5 (Permanent Members of the security Council) and G-8 (Group of eight) countries, as also, in the next phase, the remaining Asian countries and all countries in the Gulf region and in the Middle-East, installation of computerised Crypto-System for exchange of cipher communications by end-2000 and setting up MEA's own server for exchange of cryptograms.

6. Ultimately, the objective is to update MEA's servers with increased speed and establishment of MEA-owned and fully secured intra-communication network based on V-SAT architecture.

7. In view of the absence of a professional cadre of communications experts, MEA proposes to put in place a communication management team by drawing staff on deputation from Ministry of Defence.

8. Further developments would be intimated to Lok Sabha Secretariat as soon as tangible results emerge.

Sd/-

Joint Secretary (CNV)

[Ministry of External Affairs, CNV Division, RC Unit O.M. No: Q/RC/894/9/99 dated 8th November 2000]

Recommendation/Observation

Curiously enough, the Ministry have attempted to shift the blame for the project to the TCIL. Apparently, the MEA have glossed over the fact that the ultimate responsibility for the project planning, specifications of the equipment, quality control and supervision rested with them. The Committee emphasise that merely because TCIL, who was their technical consultant and manager of the project, is a PSU does not absolve the Ministry of their responsibility. Further TCIL did not have a major stake in the project and it was assured of its remuneration (Rs. 55 lakhs as consultancy fee, Rs. 1.17 crore for factory inspection, installation and trianing) and above all, they did not have any liability towards wrong judgement in selection of the equipment, incompetent inspection etc. leading to system malfunctioning. While pointing out that an atmosphere of non-accountability was prevalent in the Ministry, the Committee cannot but conclude that the MEA failed miserably to implement the HFRC project and that the inept handling of the project by MEA has rendered the expenditure of over Rs. 29 crores questionable, and the basic objective of providing reliable communication network between New Delhi and 27 missions unattainable in the foreseeable future.

[Sl. No. 15, Appendix No. II, Para: 51 of 6th Report of PAC (12th Lok Sabha)]

Action Taken

The Ministry of External Affairs has taken careful note of the observations made by the Public Accounts Committee in regard to the implementation of the High Frequency Radio Communication (HFRC) project and is determined to make every endeavour to ensure that a similar situation does not recur in the future.

Sd/-

Joint Secretary (CNV)

[Ministry of External Affairs, CNV Division, RC Unit O.M. No. Q/RC/894/1/99 dated 14th February 2000]

CHAPTER III

RECOMMENDATIONS AND OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF REPLIES RECEIVED FROM GOVERNMENT

Recommendation/Observation

The Committee note that the MEA entrusted the task of project management to a Public Sector Undertaking (PSU) viz. Telecommunications Consultants India Ltd (TCIL) for consultancy, procurement, engineering and installation solely based on the advice tendered by the Ministry of Communications despite the fact that TCIL did not have any prior experience either in consultancy or installation of HFRC in question. It is learnt that similar systems have been in operation in Cabinet Secretariat and the Ministry of Defence where TCIL was not involved as a consultant. For reasons not known, other PSUs having expertise in the field including those associated with the Cabinet Secretariat and Ministry of Defence were not considered by the MEA for arriving at a prudent and just selection. The Committee are anguished to note that MEA failed miserably to do proper and sound spade work before rushing to appoint TCIL as its consultant for the Project. The Committee deplore lack of caution and foresight on the part of the MEA.

[Sl. No. 02, Appendix No. II, Para 38 of 6th Report of PAC
(12th Lok Sabha)]

Action Taken

Once an inter-departmental committee consisting of representatives from the Police Wireless (Ministry of Home Affairs), Videsh Sanchar Nigam Ltd. (then known as the Overseas Communications Services), the Cabinet Secretariat, Wireless Planning & Coordination Wing (Ministry of Communications) and the Ministry of External Affairs had jointly suggested the creation of a High Frequency Radio Communication (HFRC) network to provide stand-by communications arrangements in the event of emergencies in the host countries and had established its parameters, the then Minister of External Affairs wrote to his counterpart in the nodal Ministry in Government of India concerned with the subject, namely the Ministry of Communications, seeking advice on how to proceed further in the matter. The then Minister of Communications in his D.O. letter No. X-12023/1/87-OC dated 20-02-1987 stated that after giving due thought to the question, he was suggesting the name of the public sector undertaking, M/s Telecommunications Consultants India Limited (TCIL) as the most suitable agency for MEA's purposes, which had been set up to render consultancy services of this nature in India and abroad. It was also clearly conveyed that TCIL was already operating in a number of countries with which links were to be established and that it would be in a position to undertake the installation and commissioning of the network, besides undertaking the designing, evaluation and award of contract for supply of equipment. TCIL had already established itself as a well-known telecommunication

consultancy agency since its inception in 1978 and had commenced operations on a global basis, undertaking the execution of many turnkey projects. It is in view of this categorical advice of the nodal Ministry concerned that the MEA approved TCIL as consultant of this project.

So far as the Ministry is aware, a system similar to or exactly of the same configuration as that of the HFRC system to MEA is not in operation, either in the Cabinet Secretariat or Ministry of Defence. The systems available in other departments are not fully automated and capable of multi-mode voice/data/fax transmissions unlike MEA's High Frequency Radio Communication (HFRC) system. Being an expert agency in the wireless telecommunications field, TCIL had conceptualised the system in accordance with the requirements laid down by the Inter-Departmental Committee MEA had established at that time. It is for the foregoing reasons that responsibility for installation of the HFRC system was entrusted to TCIL.

Sd/-

Joint Secretary (CNV)

[Ministry of External Affairs, CNV Division, RC Unit O.M. No: Q/RC/894/1/99
dated 14th February 2000]

Recommendation/Observation

Based on global tenders floated by TCIL during September 1989 for supply of equipment and services for setting up of HFRC, eight bids were received, three from indigenous manufacturers and five from foreign companies. A Tender Evaluation Committee (TEC), with representatives from MEA, DOE and TCIL was constituted to evaluate the shortlisted bids by MEA, on the recommendations of TCIL. The Committee have been informed that six companies including three Indian firms were rejected on technical grounds. In April, 1990, the TEC shortlisted two firms, viz. M/s Mackay Co. and M/s Harris Corp., both from USA. In February 1991, M/s Mackay Co. of USA was selected finally for award of contract on the basis of favourable price considerations compared to the price quoted by M/s Harris Corp., USA. Viewed in the light of the quality of equipment supplied by Mackay Co. and subsequent complications experienced by the Ministry in the overall implementation of the project, the Committee are constrained to observe that apparently selection of this particular company solely on the consideration of favourable price without adequate prior screening of their capacity to install the system was far from conducive to the attainment of the envisaged objects.

[Sl. No. 03, Appendix No. II, Para 39 of 6th Report of PAC
(12th Lok Sabha)]

Action Taken

In replies to earlier questionnaires sent by Public Accounts Committee, the Ministry of External Affairs had already conveyed that the offers received from both M/s Mackay Communications Inc., USA and M/s Harris Corp., were found acceptable on technical considerations. Though the offer of M/s Mackay Co., was considered advantageous, the Tender Evaluation Committee (TEC)

recommended on in-situ verification of the salient features of the system such as automatic link establishment, high speed transmission etc. offered by both the parties before arriving at a final decision. Such a demonstration was arranged by the two companies in USA during November 1990 and was verified by representatives from TCIL. Based on the report of the demonstration, both the offers were found to be technically suitable. The TEC thereafter recommended conducting negotiations with both the firms to get the best price offers to enable the final selection of the contractor for supply of the equipment.

As the equipment offered by both the firms, M/s Harris Corp., of USA and M/s Mackay Co. of USA were of acceptable standards, the price consideration became the decisive factor in the final selection of equipment. It was only prudent on the part of MEA not to go in for the equipment offered by M/s Harris Corp. of USA at double the cost as there was no valid reason for such a course of action. During January 1991, discussions were held with both the firms. M/s Harris Corp. expressed its inability to effect any price reduction to match the price of M/s Mackay Co. nor were they willing to extend the validity of their offers beyond 31 Jan. 1991. In the discussions with M/s Mackay Co., they agreed to offer a discount and also agreed to extend the validity period. Based on the outcome of these negotiations, the TEC recommended acceptance of the offer of M/s Mackay Co. of USA. Apart from this, M/s Mackay Co. had also agreed to reconfigure their equipment since the Ministry of External Affairs had desired to use indigenously available equipment like message terminals, fax modems, line modems and related accessories for integration with the imported equipment, which had resulted in a further reduction of cost.

It is, therefore, submitted that all financial norms and properties had been kept in view before selection of the equipment and the less expensive of the two offers was accepted since the quality of equipment offered was not in doubt.

Sd/-

Joint Secretary (CNV)

[Ministry of External Affairs, CNV Division, RC Unit O.M. No: Q/RC/894/1/99
dated 14 February 2000]

Recommendation/Observation

As regards pre-despatch inspection and evaluation of the quality of equipment, the Committee have been informed that TCIL had witnessed demonstration on the working and salient features of the equipment in USA and they found the equipment of Mackay Co., technically suitable for the proposed network. However the poor material state of most of the equipment, particularly the software is suggestive of insufficient pre-despatch inspection and the contention of the MEA that faults in the equipment had developed later during regular operation is far from tenable. The apprehension of the Committee about the quality of the equipment is further accentuated as TCIL also at a later stage expressed reservations about the quality of equipment supplied by Mackay Co. This is yet another area where the role and competence of TCIL is open to question which in

turn, only justifies the reservation of the Committee about the appointment of TCIL as consultant by MEA.

[Sl. No. 08, Appendix No. II, Para 44 of 6th Report of PAC
(12th Lok Sabha)]

Action Taken

Initially, the factory inspection tests conducted with the software provided by M/s. Mackay Co. had produced good results. Later, when the system had been re-integrated at Delhi, and put into continuous operation for some time, some software bugs had been noticed. This appeared to affect the automatic operation of the system M/s Mackay Co. had, therefore, been asked to look into this and resolve the software bugs. As already stated elsewhere, about half of the bugs were removed. After further repairs to the hardware, communication links were successfully established, even if at less than optimal levels.

As for the equipment installed in missions abroad, the software provided by M/s Mackay Co. had been replaced by New MS-Windows based software as per the terms of the contract. No software problems have been encountered in the mission equipment where problems were related to hardware. Appearance of software bugs at headquarters and hardware problems at headquarters and missions at a later stage of the project can be treated as normal breakdowns which may happen with any piece of equipment. In the case of the Ministry's HFRC project, such problems got compounded due to the absence of technical personnel, who could have repaired some of the minor faults of the equipment on the spot and prevented larger faults from developing. Thus, the absence of a technical cadre, which by itself is very costly to maintain, largely contributed to the malfunctioning of the system.

Sd/-

Joint Secretary (CNV)

[Ministry of External Affairs, CNV Division, RC Unit O.M. No. : Q/RC/894/1/99
dated 14 February 2000]

Recommendation/Observation

The Committee are concerned to note that the project cost which was estimated at Rs. 10.50 crores in August 1988 was revised to Rs. 17 crores in September 1991 and again to Rs. 31.60 crores in December 1992. The increase in cost of the project in 1991 by Rs. 6.50 crores has been attributed to change in the rate of exchange between US dollar and rupee and the element of custom duty involved. A perusal of the cost variation analysis furnished by the MEA indicated that while estimating the original cost of the project in 1988, TCIL failed to take into account various elements like duty components, provision for annual recurring cost etc. which led to under estimation of cost. Further, cost escalation of Rs. 14.60 crores in the revised estimates in 1992 was mostly attributed to devaluation of Indian rupee *vis-a-vis* US dollar resulting in a variation of Rs. 10.93 crores alone. The Committee note that as of November 1998, an expenditure of over Rs. 29 crores had already been incurred in addition to over Rs. 2 crores likely to be spent till the commissioning of the project fully. Considering the fact that even after spending

an amount of over Rs. 29 crores, the operational status of the system is largely unsatisfactory and majority of the problems arising out of equipment and software are yet to be resolved, the Committee recommend that MEA should take urgent necessary steps to activate the HFRC system expeditiously and contain further escalation in the project cost.

[Sl. No : 12, Appendix No: II, Para : 48 of 6th Report of PAC
(12th Lok Sabha)]

Action Taken

As recommended by the Public Accounts Committee, the Ministry is mindful of the obligation to avoid further escalation in the project cost. MEA, therefore, does not propose to go ahead with the installation of the remaining stations. In terms of the recommendations of the expert group meeting held on January 05, 2000 to decide about the future course of action on the High Frequency Radio Communication System, it has been decided to scrap the existing system as of now and replace it by a more cost-effective and efficient means of communication.

Sd/-

Joint Secretary (CNV)

[Ministry of External Affairs, CNV Division, RC Unit O.M. No : Q/RC/894/1/99
dated 14 February 2000]

CHAPTER V

**RECOMMENDATIONS AND OBSERVATIONS IN RESPECT OF WHICH
GOVERNMENT HAVE FURNISHED INTERIM REPLIES.**

-NIL-

NEW DELHI;
6 May, 2003

16 Vaisakha, 1925 (Saka)

SARDAR BUTA SINGH,
Chairman,
Public Accounts Committee.

PART-II

MINUTES OF THE FIRST SITTING OF PUBLIC ACCOUNTS COMMITTEE (2003-2004) HELD ON 06.05.2003

The Committee sat from 1500 hrs. to 1630 hrs. in Chairman's Chamber, Room No. 51, Parliament House, New Delhi.

Sardar Buta Singh--*Chairman*

Lok Sabha

2. Shri Haribhai Chaudhary
3. Shri Priya Ranjan Dasmunsi
4. Shri M.O.H. Farook
5. Dr. Madan Prasad Jaiswal
6. Shri Raghunath Jha
7. Dr. K. Malaisamy
8. Dr. M.V.V.S. Murthi
9. Shri Rupchand Pal
10. Shri Mohan Rawale
11. Shri Raghuraj Singh Shakya
12. Shri Brij Bhushan Sharan Singh
13. Shri Kirit Somaiya
14. Shri Chinmayanand Swami

Rajya Sabha

15. Shri Santosh Bagrodia
16. Shri Prasanta Chatterjee
17. Shri K. Rahman Khan
18. Shri Bachani Lekhraj

SECRETARIAT

1. Shri P.D.T. Achary — *Additional Secretary*
2. Shri S.K. Sharma — *Joint Secretary*
3. Shri Devender Singh — *Deputy Secretary*
4. Shri R.C. Kakkar — *Under Secretary*
5. Shri B.S. Dahiya — *Under Secretary*

2. At the outset, the Chairman welcomed the Members to the first sitting of the Committee constituted for the year 2003-2004. For the benefit of new Members, he apprised them that the C&AG of India examines the yearly accounts of the Union Government and submits his reports to the President who causes them to be laid before each House of Parliament. These Accounts and the reports of the C&AG thereon, stand referred to the Committee and mainly form the basis of its examination.

- 3. **** **** **** ****
- 4. **** **** **** ****
- 5. **** **** **** ****
- 6. **** **** **** ****
- 7. **** **** **** ****
- 8. **** **** **** ****

9. The Committee then took up for consideration the following draft Reports and adopted the same without any amendment:

(i) Action taken on the 6th Report of PAC (12th Lok Sabha) relating to Infructuous expenditure of Rs. 29 crore on Communication Network.

(ii) **** **** **** ****

10. The Committee also authorised the Chairman to finalise these draft Reports in the light of the changes arising out of factual verification, if any, by Audit and present the same to Parliament.

11. **** **** **** ****

The Committee then adjourned.

APPENDIX
RECOMMENDATIONS/OBSERVATIONS

S.No.	Para No.	Ministry/ Deptt. concerned	Recommendations/Observations
2	3	3	4
		External Affairs	<p>In their earlier report, the Committee had indicted the MEA for their inept handling of the Project on HFRC network which not only defeated the objective of establishing voice and data communication with our Missions abroad but also rendered the expenditure of over Rs. 29 crore questionable. The Committee were quite apprehensive of the communication network being made fully operational for intended exploitation and visualised its possible obsolescence on account of enormous intermittent delay. Refraining from sharing the optimism of the MEA about the viability of the project, the Committee had recommended that it would be prudent to close the project to salvage whatever was possible and save further cost in its maintenance and operation. Pursuant to the recommendation of the Committee, the MEA constituted a high-level expert group to consider the future of the HFRC Project. Considering the high cost of maintaining HFRC equipment and availability of more reasonably priced alternatives, the expert group recommended scrapping the existing HFRC system and utilising the equipment to the best advantage of the Government. The expert group also suggested replacement of the HFRC system with satellite telephone systems based on advanced technology, for the emergency use of the designated missions. The MEA have since closed the HFRC project. It is seen from the action taken notes that some of the Government agencies/departments who were approached by MEA evinced no interest in utilising the equipment due to their old vintage and non-availability of spare-parts. The Committee note that the MEA have written to some of the State Governments with the offer to provide to them the</p>

equipment at a "no-cost" and on "as is where is" basis. The MEA have further admitted that in view of the technological obsolescence of the equipment, other departments and agencies of the Government of India and State Governments may not be interested in procuring the equipment even on a "no-cost" basis. According to the MEA, interest in obtaining the equipment in our Missions abroad is even more unlikely since Ministry of Finance has turned down their request to waive the customs duties in case of importation of equipment for possible use by the interested parties. The Committee have been informed that in case no interest is shown by the State Governments, the MEA intend to approach the Ministry of Finance to write-off the equipment and thereafter dispose it of to the best advantage of the Government. From the foregoing, it is amply clear that notwithstanding the efforts made by MEA, there is little scope for salvaging the HFRC equipment and thus rendering the expenditure of over Rs. 29 crore infructuous as apprehended by the Committee. At this stage, the Committee hardly need to comment on the avoidable waste of public money in the unsuccessful pursuit of MEA to establish High Frequency Radio communication system.

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

Sl. No.	Name of Agent	Sl. No.	Name of Agent
ANDHRA PRADESH		20.	The International Book Service, Deccan Gymkhana, Pune-4.
1.	M/s. Vijay Book Agency, 11-1-477, Mylargadda, Secundrabad-500361.	21.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-400001.
2.	M/s. Booklinks Cooperation, 3-4-423/5 & 6, Narayanguda, Hyderabad-500029.	22.	M/s. Usha Book Depot, "Law Book Sellers and Publishers" Agents Govt. Publications, 585, Chira Bazar, Khar House, Bombay-400002.
3.	M/s. Ashok Book Centre, Benz Circle, Vasavya Nagar, Vijayawada-520006. (A.P.)	23.	M & J Services, Publishers Representative Accounts & Law Book Seller, Mohan Kunj, Ground Floor 68, Jyotiba Fule Road, Nalgaum-Dadar, Bombay-400014.
4.	M/s. Labour Law Publications, 873, Kothi Bus Stand, Hyderabad-500001.	24.	The Marathwada Book Distributors, Parmimal Khadkeshwar, Aurangabad-431001.
5.	M/s. Law Publico Pvt. Ltd., opp. Telegraph Office, 5-1-873, Kothi, Hyderabad-500195.	25.	Messers Pragati Jer Mahal, 432, Kalbadevi Road, Bombay-400002.
6.	Shri V.A.N. Raju, Newspaper Agent, H.No. 1-2-58, Rahamath Nagar, Kazipet-506003. (A.P.)	26.	Messers Jaina Book Agency (India), 649-A, Girgaum Road, Dhobi Talao, Bombay-400002.
7.	M/s. Vivekananda Law Publishers, Shop No. 8, opp. Secundrabad Courts, Secundrabad-500010, Hyderabad.	27.	M/s. Thosar Granihagar Shabu Lasmi, 201, Samrath Nagar, Aurangabad-431009.
BIHAR		MANIPUR	
8.	Departmental Publications Sales Centre, Vikash Bhawan, New Secretariat, Patna (Bihar).	28.	Messers P.C. Jain & Co., Thangal Bazar, Imphal-795001.
9.	M/s. Progressive Book Centre, Zila School, Pani Tanki Chowk, Ramma, Muzaffarpur-842002 (Bihar).	MEGHALAYA	
GUJARAT		29.	Messers Paul's Agency & Distributors, R.K. Mission Road, Laitumkharh, Shillong-793003.
10.	M/s. Vijay Magazines Agency, Station Road, Anand-388001 (Gujarat).	PONDICHERY	
11.	The New Order Book Company, Ellis Bridge, Ahmedabad-380006 (T. No. 79065).	30.	Editor of Debates, Legislative Assembly Department, Pondicherry-605001.
HARYANA		PUNJAB	
12.	Messers Indian Documentation Service, Patel Nagar, Post Box No. 13, Gurgaon-122001 (Haryana).	31.	Messers Lyall Book Depot, Chaura Bazar, Ludhiana-141008.
13.	Messers Prabhu Book Service, Sadar Bazar, Gurgaon-122001.	RAJASTHAN	
14.	Messers Maharishi Dayanand University Book Shop, Rohtak-124001 (Haryana).	32.	Messers Pitaliya Pustak Bhandar, Jaipur-302001.
JAMMU		TAMIL NADU	
15.	Messers Haldia Publishers (India), 128-A, Gandhi Nagar, Jammu-180004.	33.	Messers C. Sitaraman & Co., 37, Royappettah High Road, Madras-600014.
KARNATAKA		34.	Shri I. Gopalkrishnan, Principal, Salem Sowdeswari College, Salem-636010.
16.	M/s. People's Book Houses, J.M. Palace Road, Mysore-570024.	35.	M/s. M.M. Subscription Agencies, 123, Third Street, Tatabad, Coimbatore-641012.
17.	Messers Geetha Book House, K.R. Circle, Mysore-570001.	UTTAR PRADESH	
18.	The Editor, Youth Gazette No. 154, Jyoti Niwas, 4th Cross, 4th Main 2nd Phase, Marjinath Nagar-560010 Karnataka.	36.	Law Publishers, Sardar Patel Marg, P.B. No. 70, Allahabad, (U.P.).
MAHARASHTRA		37.	Messers International Publicity Service, GPO Box No. 1114, Varanasi-211001 (U.P.).
19.	M/s. Sunderdas Gian Chand, 601, Girgaum Road, Near Princes Street, Bombay-400002.	38.	The Law Book Company (P) Ltd., Sardar Patel Marg, P.B. No. 1004, Allahabad-211001 (U.P.).

Sl. No.	Name of Agent
39.	Messers S. Kumar & Associates, Marketing & Sales Division, Information Group, 32, Sarojini Devi Lane, Guru Govind Singh Marg, GPO Box No. 251, Lucknow-226 001.
40.	Messers Ram Advani Bookseller, Hazrat Ganj, GPO Box No. 154, Lucknow-226 001. WEST BENGAL
41.	M/s. Manimala Buys & Sells, 123, Bow Bazar Street, Kolkata-700 001.
42.	Messers Bankura News Paper Agency, Machantola, P.O. & Distt. Bankura-722 101.
43.	Messers Book Corporation, 4, R.N. Mukerjee Road, Kolkata-700 001.
44.	Messers Bolpur Pustakalaya, Rabindra Sarani (Shantiniketan) P.O. Bolpur (W.B.) DELHI
45.	M/s. Jain Book Agency, C-9, Connaught Place, New Delhi-110 001 (T. Nos. 23321663 & 23320806)
46.	M/s. J.M. Jaina & Brothers, P. Box 1020, Mori Gate, Delhi-110 006
47.	M/s. Oxford Book & Stationery Co., Scindia House, Connaught Place, New Delhi-110 001 (T. Nos. 23315308 & 23315896)
48.	M/s. Bookwell, 2/72 Sant Nirankari Colony, Kingsway Camp, Delhi-110 009 (T. Nos. 27112309 & 23268786)
49.	M/s. Rajendra Book Agency, IV-DR-59, Lajpat Nagar Old, Double Storey, New Delhi-110 024 (T. Nos. 26412362 & 26412131).
50.	M/s. Ashok Book Agency, BH-82, Poorvi Shalimar Bagh, Delhi-110 033.
51.	M/s. Venus Enterprises, B-2/85, Phase-II, Ashok Vihar, Delhi.
52.	M/s. Central News Agency Pvt. Ltd., 23/90, Connaught Circus, New Delhi-110 001 (T. Nos. 23364448, 23364478).
53.	M/s. Amrit Book Co., N-21, Connaught Circus, New Delhi-110 001 (T. No. 23310398).
54.	M/s. Books India Corporation, Publishers, Importers & Exporters, L-27, Shastri Nagar, Delhi-110 002. (T. Nos. 269631 & 714465).
55.	M/s. Sangam Book Depot, 4378/4B, Murari Lal Street, Ansari Road, Darya Ganj, New Delhi-110 002.

Sl. No.	Name of Agent
56.	M/s. Grover Book & Stationery Co., 58/109, Sahyog Building, Nehru Place, New Delhi-110 019 (T. Nos. 26419877, 26419651, 26440902).
57.	M/s. Biblia Impex Pvt. Ltd., 2/18, Ansari Road, New Delhi-110 002.
58.	Messers Universal Book Traders, 80 Gokhale Market, Opp. New Courts, Delhi-110 054.
59.	Messers Eastern Book Co. (Sales), Kashmere Gate, Delhi-110 006.
60.	Messers International Publicity Service, GPO Box No. 1114.
61.	Messers Jain Book Agency (South End) 1, Aurobindo Place, Hauz Khas, New Delhi-110 016.
62.	Messers Seth & Co., Room No. 31-D, Block-B, Delhi High Court, Sher Shah Road, New Delhi-110 003.
63.	Messers Dhaowantra Medical & Law House, 592, Lajpat Rai Market, Delhi-110 006.
64.	Messers Oxford Subscription Agency, A-13, Green Park Extension, Delhi-110 016.
65.	Messers K.L. Seth B-55, Shakarpur, Delhi-110 092.
66.	Messers Jaina Book Depot, Chowk Chhapparwala, Bank Street, Kozol Bagh, New Delhi-110 005.
67.	Messers Kamal & Co., 27, DDA Shopping Centre, Arjun Nagar, Safdarjung Enclave, New Delhi-110 029.
68.	Messers Standard Book Co., 125, Municipal Market, Connaught Place, P.B. No. 708, New Delhi-110 001 (T. Nos. 23712828, 23313899).
69.	Messers Jayale (W) Agency, I-196, Naraina Vihar, New Delhi-110 028.
70.	Messers Sat Narain & Sons, 40-A, Municipal Market, Babar Road, Behind Modern School, Barakhamba Road, New Delhi-110 001.
71.	Messers R.K. Books, 40/21-A, Gautam Nagar, New Delhi-110 049.
72.	M/s. D.K. Agencies (P) Ltd., A/15-17, Mohan Garden, Najafgarh Road, New Delhi-110 059.
73.	M/s. Ishwar Chandra Co., Baldev Bhawan, 9986, Ram Behari Road, Sarai Rohella, Delhi-110 005.
74.	M/s. Vijay Book Service C/D/123/C Pitampura, New Delhi-110 034.