

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1978-79)**

LAI D ON THE TABLE OF
THE RAJYA SABHA.
24-4-79
by Shri. H. B. Matia
Signature

FORTY-THIRD ~~REPORT~~ REPORT

24/4/79

**Action Taken by Government on the recom-
mendations contained in the Eleventh Report of
Committee on Public Undertakings (Sixth Lok Sabha)**

on

**EXTRAVAGANT EXPENDITURE ON GUEST
HOUSES INCURRED BY PUBLIC
UNDERTAKINGS**

*Presented in Lok Sabha on
Laid in Rajya Sabha on*



**LOK SABHA SECRETARIAT
NEW DELHI**

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COMMITTEE ON PUBLIC UNDERTAKINGS
LIST OF MEMBERS

(1978-79)

CHAIRMAN

Shri Jyotirmoy Bosu

MEMBERS

2. Shri O. V. Alagesan
3. Shri Maganti Ankineedu
4. Shrimati Chandravati
5. Shri Tridib Chaudhuri
6. Shri Hitendra Desai
7. Shri Anant Ram Jaiswal
8. Shri L. L. Kapoor
9. Shri K. Lakkappa
10. Shri Dharamsinhbhai Patel
11. Shri Raghavji
12. Shri Padmacharan Samantasinhar
13. Shri Bhanu Kumar Shastri
14. Dr. Subramaniam Swamy
15. Shri Madhav Prasad Tripathi
16. Shri S. W. Dhabe
17. Shri K. N. Dhulap
18. Shri H. B. Mahida
19. Shri Murasoli Maran
20. Shri Era Sezhiyan
21. Shri Viren J. Shah
22. Shri Sultan Singh*

SECRETARIAT

1. Shri H. G. Paranjpe—*Joint Secretary*
2. Shri T. R. Krishnamachari—*Chief Financial Committee Officer*
3. Shri T. N. Khanna—*Senior Financial Committee Officer*

*Elected w.e.f. 26-12-1978 vice Shri Deorao Patil died.

SUB COMMITTEE ON ACTION TAKEN

1. Shri Jyotirmoy Bosu—*Chairman*
2. Shri O. V. Alagesan—*Convener*
3. Shri Tridib Chaudhuri
4. Shri Hitendra Desai
5. Shri L. L. Kapoor
6. Shri K. Lakkappa
7. Shri Bhanu Kumar Shastri
8. Dr. Subramaniam Swamy
9. Shri K. N. Dhulap
10. Shri Era Sezhiyan
11. Shri Viren J. Shah

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Forty third Report on Action Taken by Government on the recommendations contained in the Eleventh Report of the Committee on Public Undertakings (Sixth Lok Sabha) on Extravagant Expenditure on Guest Houses incurred by Public Undertakings.

2. The Eleventh Report of the Committee on Public Undertakings was presented to Lok Sabha on the 28th April, 1978. The replies of Government to all recommendations contained in the Report were received on 4th January, 1979. The replies of Government were considered by the Sub-Committee on Action Taken of the Committee on Public Undertakings and this Report adopted by them at their sitting held on the 26th March, 1979. The Report was finally adopted by the Committee on Public Undertakings on the 30th March, 1979.

3. An analysis of the Action Taken by Government on the recommendations contained in the Report of the Committee is given in Chapter I.

4. It is strange that the Government are trying to maintain the *status quo* in regard to the guest houses of Public Enterprises which provide very lavish and luxurious comforts to top echelons thereby perpetrating a demoralising effect. Maintenance of guest houses at a heavy cost to the exchequer is indefensible. The guest houses should not be treated as part of township thereby providing subsidised facilities to the occupants. Unless economies could be effected in running and maintenance of the guest houses to break even at least collectively these should be closed.

5. In big cities combined public undertakings' hostels should be set up wherein personnel irrespective of their rank could stay on duty. Government should ensure that strict rules governing the conduct of residents and visitors are formulated and enforced severely dealing with cases of violation.

NEW DELHI;

March 30, 1979

Chaitra 9, 1901 (S)


Chairman,
Committee on Public Undertakings.

CHAPTER I

REPORT

This Report of the Committee deals with the Action Taken by Government on the recommendations contained in the Eleventh Report of the Committee on Public Undertakings (1977-78) on "Extravagant Expenditure on Guest Houses incurred by Public Undertakings", which was presented to Lok Sabha on the 28th April, 1978.

2. Action Taken notes have been received from Government in respect of all the sixteen recommendations contained in the said Report.

These have been categorised as follows:—

- (i) *Recommendations/observations that have been accepted by the Government.*

Serial Nos. 9, 10, 12, 13, 14, 15 and 16

- (ii) *Recommendations/observations which the Committee do not desire to pursue in view of Government's reply.*

Serial Nos. 1, 2 and 3

- (iii) *Recommendations/observations in respect of which replies of Government have not been accepted by the Committee.*

Serial Nos. 4, 5, 6, 7, 8 and 11.

3. The Committee will not deal with the action taken by Government on some of their recommendations.

A. Delay in receipt of information

Recommendation at S. No. 1 (Paragraphs 32 and 33)

4. The Committee on Public Undertakings considered that non supply of information on certain points asked for by the Committee even after a period of three months amounted to deliberate withholding of information which was very vital for accountability of undertakings to Parliament. This in the opinion of the Committee amounted to a contempt of the Committee and was reprehensible.

5. In their reply, the Government have stated as follows:—

“Material from 72 enterprises, which could not be furnished by the 20th March, 1978, has since been collected and transmitted to the Lok Sabha Secretariat. Reasons for not submitting the information by these 72 enterprises within the time indicated by the Lok Sabha Sectt. have also been obtained from the Heads of the respective enterprises and furnished to the Committee's Secretariat *vide* BPE's letter No. 2(106)/77-BPE(GM-I) dated the 23rd April, 1978. All the Public Enterprises tried to furnish the relevant information within the time allotted to them and there was no intention to withhold anything from the Committee. As the information called for from the Public Enterprises was for three years and on a number of points, and had to be collected by the Public Sector Enterprises from their respective units/offices located throughout the length and breadth of the country, it took some time for the Public Enterprises to submit the information complete in all respects.”

6. The Committee wish to draw attention to their comment in paragraph 6 of their Seventeenth Report which is reproduced below:—

“The Committee cannot but take a serious view of the reprehensible delay on the part of the 72 undertakings. The explanations tendered display a sense of complacency which is not conducive to proper accountability to Parliament, and ought therefore to be curbed. Assuming there were genuine difficulties in furnishing the entire information called for, they should have at least tried to cover a good part of it in time and on their own come up with the explanation well before the stipulated date. It should not have been left to the Committee to seek and obtain an explanation. The matter should be brought to the notice of Cabinet Minister concerned”.

7. As the Committee could not go into the details of expenditure on guest houses by these 72 Undertakings as well as by the Life Insurance Corporation owing to their belated submission they desire that the Bureau of Public Enterprises should critically examine them in the light of their observations in the 11th Report as well as in this Report and ensure that suitable action is taken wherever warranted.

B. Maintenance of Guest Houses at very heavy Cost

Recommendation (Serial Nos. 4 to 8 Paragraphs 36 to 47)

8. The Committee noted with concern that the number of Guest Houses maintained by the Public Undertakings had been increasing and the expenditure incurred on them was very high. They pointed out that even those Public Undertakings, which were incurring losses, were also incurring heavy expenditure on Guest Houses. They referred particularly to extravagant expenditure on furnishings of guest houses by Bharat Aluminium Company Ltd., Bharat Heavy Electricals Ltd., National Fertilizers Ltd. and Western Coalfields and were anxious to know the special nature of furnishing provided in the Guest Houses for visiting personnel. They also suggested that the interest on the money spent on the construction of the Guest Houses should also be calculated at the bank rate for accounting purpose.

9. The Government in their reply stated as follows:—

The public enterprises maintain Guest Houses whether at their factory/project sites or in towns on the basis of their specific needs, comparative economic on having such Guest Houses in relation to booking of accommodation in hotels and scale and standards used in Government Guest Houses, circuit houses, inspection banglows, etc. The rationale, obviously, is to spare their officers, hardships involved while on tours to factory sites situated far away from towns and to provide comforts without subjecting them to steep hotel rates. In certain cases Guest Houses are maintained, as part of collaboration agreement, for foreign technicians on standards acceptable to them.

The public enterprises, in general have reported that the expenditure on furnishing and airconditioning of the Guest Houses is not excessive.

In the case of National Fertilizers Ltd. the figure of Rs. 90,000—mentioned in para 41 of the Report represents the cost of repairs and renovation on an old building purchased along the factory site at Panipat. It has also been clarified that the National Fertilizers Ltd. has only one guest house at Panipat and not two.

It has been stated in para 42 of the Report that there are three Guest Houses of Western Coalfields at Chirimeri.

There are only two Guest Houses in that area one of which was constructed by the erstwhile owners in 1960. No capital expenditure has been incurred on this Guest House after the nationalisation of the coal industry. The other Guest House was constructed by the erstwhile NCC in around 1962.

As regards the Committee's recommendations in para 44 that "the interest on the money spent on the construction of the Guest Houses should also be calculated at the bank rate for accounting purposes". It is submitted that, based on the recommendation of the National Commission on Labour, "in order that the assessment of the profitability of a public undertaking is not distorted, may recommend that investment on township should not be a charge on the Undertaking but should come from a separate fund", Government decided in November, 1970 that the entire expenditure on Public sector township including Guest Houses may be made by way of equity which does not attract any interest.

Regarding the Committee's observation in para 47 it is difficult to link the maintenance of Guest Houses with the profitability of a public enterprise. Alternative to maintaining of Guest Houses is to foot the hotel bills. At 50 per cent average occupancy the average cost of boarding per day including food comes to Rs. 34 in a Guest House maintained by Coal India Ltd., at Delhi. This is, obviously, substantially cheaper than the comparable cost in any 3 Star Hotel in Delhi. The assumption, therefore, that the loss of losing enterprises has increased on account of the maintenance of Guest Houses may not be correct.

The observations of the Committee have been brought to the notice of the concerned administrative Ministries and the public enterprises.

10. The Committee are distressed to see that the Government for no justifiable reasons are trying to maintain a status quo by taking shelter under the pretext of providing basic comforts to officers of Public Undertakings while on tour and thus making available in reality lavish and luxurious living which is seen in most of the Guest Houses run by the Public Sector Undertakings in our poverty stricken country having lowest per capita income in the world. It has tremendously demoralising effect on subordinate employees as well as in the public mind in general. It is painful to note that the Government under the guise of providing basic comforts is trying to

find a way out to continue the existing arrangement of providing very lavish luxurious and unbecoming life style to the top echelons of the public undertakings. On the other hand Guest Houses for subordinate Class III and IV employees for providing them with minimum living arrangements not to speak of a comfortable one, who are also required to move about either individually or with their superiors seem to be a rarity. The Committee are positive in their mind that the Government are defending on obviously much criticised indefensible proposition, namely, maintenance of Guest Houses at a heavy cost to the exchequer. The Committee condemns this attitude.

11. In the first place the Committee desired to have the details of special type of furnishing of Guest Houses and the cost thereof which are not forthcoming. Evidently the undertakings are deliberately hiding this information for it is common knowledge that the scale of soft and hard furnishings and fittings and lavish arrangement of airconditioning adopted by them far surpasses those provided by the State and Central P.W.Ds for most of their rest-houses| circuit houses. The Committee therefore expected that the Government should do away with this forthwith without putting forward lame excuses, but unfortunately the response has been otherwise i.e., mere acquiescence in the existing position. The Committee are not surprised as the high authorities are themselves invariably the beneficiaries. Under no circumstances the wide gap between the high and the low in the life style in a Public Undertaking Guest House is to be continued.

12. The Committee do not at all accept that the guest houses should be treated as part of township and that subsidised facilities should be provided to the occupants who undoubtedly receive suitable allowances on tour. The charges levied for boarding and lodging should on no account be below cost which ought to include an element of interest on capital. It is desirable to have proforma income and expenditure accounts of each guest house. Where guest houses cannot at all be abolished under no circumstances accounts of the guest houses should be mixed up with the office expenses and production unit expenses.

13. The Committee note that it has been stated by Government that "the expenditure on furnishing and airconditioning of the Guest Houses is not excessive", The Committee feel that this statement does not seem to be true.

14. The Government have further stated that "it is difficult to link the maintenance of Guest Houses with the Profitability of a

public enterprise". This shows utter lack of involvement. The Committee feel that the expenditure on the maintenance of Guest Houses which is not remunerative should not be taken into account for calculating bonus and remuneration of the workers. The entire recommendation of the Committee should be taken serious note of by Government and should be brought to the notice of the Ministers concerned.

C. Pooling arrangement for Guest Houses accommodation

Recommendation (S. Nos. A & 10, Paragraph 48 and 49)

15. Recalling an earlier recommendation of the Estimates Committee (1963-64) contained in their 50th Report on "Public Undertakings—Accommodation Rented in the Principal Cities and Guest Houses, Staff Cars maintained by them," reiterated by them in their 21st Report (1967-68) that it would be more economical if a common guest house was set up in metropolitan cities for the use of officers of all the Public Undertakings, the Committee took exception that this recommendation was not being implemented and on the contrary individual undertakings have increased the number of guest houses maintained by them.

16. In their reply, the Government stated as follows:—

"Pursuant to the recommendations made in the 50th Report of the Estimates Committee (Fourth Lok Sabha) and 21st Report of the Committee on Public Undertakings (Fourth Lok Sabha) instructions were issued on 14th December, 1971 laying down a specific scheme for pooling of guest house accommodation in Delhi, Bombay, Madras and Calcutta. Some minor amendments were also later on issued on 16th June, 1973. It is true that even after 1973 number of Guest Houses owned by certain enterprises in Delhi, Bombay, Calcutta, and Madras has gone up. But at the same time, enterprises like Hindustan Shipyard Ltd. etc. have also closed their guest houses in Delhi and resorted to pooling arrangements with other sister enterprises. Irrespective of the ownership, these guest houses have been rendering services to the visiting officers of all Enterprises, Central Government Officers, State Government Officers etc., thus extending the benefits of pooling arrangements.

As regards the Committee's suggestion regarding agreement with modest hotels not above 3-star hotels like Ranjit Lodhi Hotel after inviting tenders for meeting the lodging

requirements of the touring personnel, after taking into consideration all relevant factors such as tariff of these hotels, occupancy ratios, the practices prevalent in hotels regarding 'check-in' and 'check-out' times etc., the Government have come to the view that this arrangement is not likely to be economical as compared with the Guest house economics. Besides, it is also not likely to be practical considering the pressure on hotel accommodation of all kinds in the metropolitan cities from the tourists and other users of hotel facilities.

The Government share the concern of the Committee that adequate arrangements should also be made for lodging touring class-III and IV personnel. It is in the case of very few companies, however, that class-III and IV employees are required to go on official duty to major cities. Number and frequency of such visits is also very limited. In most cases, it has been reported, arrangements exist for their accommodation in Guest Houses as in the case of Neyveli Lignite Corporation Ltd.

Where such arrangements do not exist the undertakings are making necessary arrangements as in the case of Cement Corporation of India. However, these observations/recommendations of the Committee has been brought to the notice of the concerned Administrative Ministries/Public Enterprises."

17. The Committee take a serious view of the total lack of machinery to watch the Compliance with the instructions issued in 1971 in pursuance of their recommendation to have pooling arrangement for guest house accommodation in major cities. Far from pooling the available accommodation the number of guest houses covered individually by certain enterprises in Delhi, Bombay, Calcutta, and Madras is reported to have gone up since then. This gives an impression to the Committee that the Administrative Ministries are hand in glove with the Public Undertakings who are blatantly violating the instructions in this case. The Committee would have appreciated if the Government had ascertained the circumstances under which the enterprises concerned had violated the instructions and taken action to remedy the situation under intimation to them. This should be done at least now. Enquiries should be instituted immediately in order to fix responsibility for taking action against such individual officers who were behind this under advice to the Committee.

18. The Committee has no reasons to change its earlier decision that to start with in big cities combined public undertakings' hostels should be created wherein personnel irrespective of their grade from different undertakings could come and stay while on duty. The Committee thoroughly disapprove the glaring discrimination in the matter of life style between different categories of employees in hostels and guest houses. The present life style in guest houses demoralise the subordinate.

19. The Government should ensure that strict rules governing the conduct of residents and visitors are formulated and enforced and instances of violation severely dealt with.

D. Indiscriminate hiring of Guest House accommodation by BHEL
Recommendation (S. No. 11, Paragraph 50)

20. The Committee expressed surprise at the number of Guest Houses maintained by the Bharat Heavy Electricals Ltd. in New Delhi which kept on increasing and opined that with the amount paid as rent during the last three years this undertaking could have as well built a modest Guest House of its own.

21. In their reply the Government has stated as follows:—

“Bharat Heavy Electricals Ltd. have explained that six guest houses owned by them are located at manufacturing plants which are situated on green fields sites quite distant from the main cities, the distance ranging between 10 to 30 kms. Some of these guest houses were initially built for accommodating Czeck specialists|engineers who were collaborators. It was only after their departure that the accommodation was converted to guest house accommodation for visiting officers|officials of the plants. Furnishings provided in these guest houses are not extravagant and are in line with furnishings done in similar places belonging to Government. None of these guest houses is provided with central air-conditioning, but some of the rooms in the guest houses have been provided with air-conditioners in view of the climatic conditions of the place for comforts of the foreign consultants visiting the plants on business and staying in these guest houses. The expenditure on the maintenance of these guest houses is reviewed periodically and steps taken to effect all possible economy.

As regards reference to 9 transit flats in Delhi, in 1976-77 BHEL had reported that at present they are having only 7 transit flats in Delhi. One of these has been established for the convenience of the erection and commissioning work at Badarpur Thermal Power Station. This is essential because they have to find accommodation for the erection staff whose stay at the site is for a limited period and who are usually in the lower scales of pay.

Proximity to the power station is another consideration. It would be impracticable and considerably more expensive to arrange hotel accommodation for such staff in the Delhi city. This transit flat is in the Friends Colony on the way to Badarpur. Locating this staff close to this power station has the additional advantage of eliminating heavy transportation charges for carrying the staff to the work-site.

Thus the total number of transit flats maintained in Delhi for visiting personnel is really only six. BHEL has, further reported that it has a large number of officers and sites spread all over the country with a staff strength of nearly 60,000. There is a constant interaction among its manufacturing units, Project Engineering Division, the Marketing and Sales Division the Power Projects and Service Division and the Corporate office. Frequent and regular meetings are held for the purpose of ensuring co-ordination and monitoring. Besides, the Ministries of Energy and Industry, the Central Electricity Authority because of their keen interest in the commissioning of power programmes, both existing as well as future, also convene frequent meetings which necessitate visits by the officers of the Enterprises and staff to Delhi. BHEL has also a Joint Committee wherein the management and representatives of all workers meet, review, discuss and decide major points of common interest. This apex level participation forum meets generally once a month for two days. About 40-50 workers come to Delhi every month for about 3 days or so and most of them stay in these transit flats. With the limited DA they get, it might not be possible for these employees to stay in one of the better hotels. Then, officers of the BHEL have also to pass through Delhi while going to other places like Hardwar and require accommodation in Delhi for short periods. The average cost of maintaining these transit flats is only around Rs. 725 per day on the basis

of actual occupancy. Therefore, the existing arrangements cannot be termed as costly when compared to hiring of rooms in hotels on a regular basis. BHEL is, therefore, of the view that the maintenance of its transit flats in Delhi is quite justified.

22. The much controversial BHEL is one of the Undertakings which definitely increased the number of guest houses maintained by it in Delhi over the years without resorting to pooling arrangement with others as recommended by the Committee as far back as in 1968. Such an arrangement with guest house accommodation commonly owned by the Public enterprises would have been quite economical rather than indiscriminate hiring of accommodation by individual undertakings.

23. The Committee note that BHEL has got 7 transit flats in Delhi which in the opinion of the Committee is definitely a large number for the purpose for which they are meant.

24. The Committee further note that BHEL is having a transit flat in Friends Colony, Delhi for erection staff working in Badarpur Thermal Power Station. The Committee are not at all convinced with this arrangement. The flat in question is located in a very posh colony of New Delhi. The Committee feel that arrangements for the stay of the erection staff should be made at Badarpur itself.

E. Necessity to make the Guest Houses economically viable

Recommendation (S. No. 14, Paragraph 54)

25. Stressing that the undertakings must effect utmost economy in the expenditure incurred on the accommodation arrangement for touring officers, the Committee suggested *inter alia* that all the guest houses which did not have more than 80 per cent occupancy ratio must be closed immediately.

26. The Government in their reply informed the Committee as follows:—

As regards closing of all guest houses, which do not have more than 80 per cent occupancy ratio, it is submitted that it would not be practicable to apply this criterion to the guest houses located in the project areas. Taking into consideration factors such as the remoteness of the project areas from the nearby townships, the frequency of visits of the visitors to guest houses, who have to necessarily visit the plant sites in the discharge of their official duties, the economy, in transportation, and the

lack of any other alternatives at the plant site, the only criterion should be the genuineness of the requirement. Even in the case of metropolitan cities, the occupancy ratio is only one of the factors to be taken into account. Other factors such as the availability of alternative accommodation and the comparative economics of the maintenance of guest houses with other alternatives have to be taken into consideration.

As regards the recommendation that as a trial Public Undertakings should enter into agreement with modest hotels (not more than 3 star) by inviting tenders for meeting the requirement of touring officers, is concerned, this has been brought to the notice of the Public Undertakings. However, it might not be economical as compared to the guest house economics, because of the rising tariffs in 3 star hotels. Again it might not be practicable considering the pressure of hotel accommodation of all kinds in Delhi and Bombay from tourists and other users of hotel facilities. Having regard to the various considerations, Government have instituted a study of the total problems so as to further examine the issue relating to closure of guest houses with less than 80 per cent occupancy ratio.

BHEL have explained that at present they have only seven transit flats in Delhi of which one is exclusively reserved for the erection staff of the Badarpur Power Station. They have also collected the tariffs at Lodhi and Ranjit Hotels to examine the comparative economics of long-term arrangements with these hotels *vis-a-vis* having their own accommodation. The rates currently charged by these hotels are Rs. 65 for single room and Rs. 105 for a double room (both non-AC). These rates are likely to be revised upwards. During the discussion, the BHEL have reported, they were informed that the hotels would not be willing to reserve accommodation for them unless they are paid for such reserved accommodation on a minimum guarantee basis, even if it is not occupied. The Hotels were, however, willing to give BHEL 15 per cent discount on a long-term basis. On the basis of the current tariff this works out Rs. 45 per bed for a double room and Rs. 55 for a single room even ignoring that these rates are likely to go up. The total number of beds available in the six transit flats (one transit flat is being reserved for the exclusive use by the erection staff of Badarpur Thermal Power Station) is 82 and the expenditure incurred thereon

is Rs. 4.67 lakhs per annum. On the basis of the actual occupancy of beds the expenditure per bed comes to about Rs. 25|- only. The occupancy has varied from 30 beds in the lean period to 73 beds in the peak period. If accommodation were to be reserved in hotels for the entire year on the basis of the lean period, the total amount involved would be approximately Rs. 5 lakh at the current rates. Thus even reservation of accommodation for the minimum strength on the basis of the lean period will cost BHEL almost the same amount as maintenance of the transit flats. The overall expenditure involved in discontinuing the present arrangement and switching over to hotels might be very much more. The hotels follow the system of "check-in, check-out" time. Under this practice a person who checks in just before the "check-in" time or "check-out" just after the "check-out" time is required to pay for an extra day. The officers of the BHEL who come from outside stations will have to go to the hotel according to the timings of the train, aircrafts etc. Staying in the hotels might some time, therefore, result in their having to pay for an extra day because of the above arrangements. When all these factors are taken into account, it is obvious that considerable extra-expenditure might result if they have to switch over to the system of hiring rooms in hotels and dehire their own flats.

27. The Committee note that Government find it difficult to close down the Guest Houses of Public Enterprises having less than 80 per cent occupancy ratio as recommended by them. They would therefore suggest that economies should be effected in running and maintaining such guest houses to the extent that they are able to break even at least collectively. Otherwise the Guest Houses should be closed.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Sl. No. 9, Paragraph 48)

As early as 1963-64, the Estimates Committee (Fourth Lok Sabha) in their 50th Report on Public Undertakings-Accommodation Rented in the Principal Cities and Guest Houses, Staff Cars maintained by them-recommended that considering the Guest House requirements of all public undertakings and the expenditure incurred thereon on rent, it would be more economical if a common guest house was set up in each of the cities of Delhi, Calcutta, Bombay and Madras for the use of officers of all the Public Undertakings.

This recommendation was reiterated in the 21st Report (Fourth Lok Sabha) of Committee on Public Undertaking (1967-68) on the Action Taken by the Government on the above Report of Estimates Committee. The Committee took serious exception that this recommendation has not been implemented by the Government and the Public Sector undertakings are taking a number of private buildings on rent for housing guest houses in major cities. This is serious contempt of the Committee.

Recommendation (Sl. No. 10, Paragraph 49)

The Committee suggest that as a trial the undertakings should enter into agreement with modest hotels, not above 3-star hotels Ranjit/Lodi type hotel inviting tenders for meeting the lodging requirements of the touring personnel. In this connection the system adopted by airlines may be suitably followed. The Committee are anxious that adequate arrangements should also be made for lodging of touring Class III and Class IV personnel who although undertake major tasks in the industry are generally neglected or not cared for.

Reply of Government

Pursuant to the recommendations made in the 50th Report of the Estimates Committee (Fourth Lok Sabha) and 21st Report of the Committee on Public Undertakings (Fourth Lok Sabha) instructions were issued on 14th Dec., 1971 laying down a specific scheme for

pooling of guest house accommodation in Delhi, Bombay, Madras and Calcutta. Some minor amendments were also later on issued on 16th June, 1973. It is true that even after 1973 number of Guest Houses owned by certain enterprises in Delhi, Bombay, Calcutta and Madras has gone up. But at the same time, enterprises like Hindustan Shipyard Ltd. etc. have also closed their guest houses in Delhi and resorted to pooling arrangements with other sister enterprises. Irrespective of the ownership, these guest houses have been rendering services to the visiting officer of all Enterprises, Central Government officers, State Government officers, etc., thus extending the benefits of pooling arrangements

As regards the Committee's suggestion regarding agreement with modest hotels not above 3-star hotels like Ranjit/Lodhi Hotel after inviting tenders for meeting the lodging requirement of the touring personnel, after taking into consideration all relevant factors such as tariff of these hotels, occupancy ratios, the practices prevalent in hotels regarding 'check-in' and 'check-out' times etc., the Government have come to the view that this arrangement is not likely to be economical as compared with the Guest house economics. Besides, it is also not likely to be practical considering the pressure on hotel accommodation of all kinds in the metropolitan cities from the tourists and other users of hotel facilities.

The Government share the concern of the Committee that adequate arrangements should also be made for lodging touring class-III and IV personnel. It is in the case of very few companies, however, that class-III and IV employees are required to go on official duty to major cities. Number and frequency of such visits is also very limited. In most cases, it has been reported, arrangements exist for their accommodation in Guest Houses as in the case of Neveyli Lignite Corporation Ltd. Madras. Where such arrangements do not exist the undertakings are making necessary arrangements as in the case of Cement Corporation of India. However, these observations/recommendations of the Committee has been brought to the notice of the concerned Administrative Ministries/Public Enterprises.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 2(59)/78-PBE(GM-I), dated the 4th January, 1979].

Recommendation (Sl. No. 12. Paragraph No. 51)

The Committee note that a number of public undertakings have given advance rent running into thousands of rupees. The Metallurgical Engineering Consultants (I) Ltd. gave as much as Rs. 25,000 as advance rent for their guest houses in Calcutta. In five other

instances, the undertakings gave advance rent ranging from Rs. 11,000 to Rs. 18,000. The Committee feel that giving of such large sums of money as advance rent, is totally unwarranted. The Jessop Company Ltd. has given Rs. 6,000 towards security to the house owner. The Committee could not understand the necessity for a Public Sector Undertaking to pay towards security to the house owner. The Committee deprecate the practice of paying advance rent/ security to house owners by Public Undertakings.

Reply of Government

The observations of the Committee in the matter have been brought to the notice of the administrative Ministries as also the Public Enterprises.

In general, the Public Enterprises have reported that the payment of advance rent is discouraged. It is not the case of the enterprises going out of the way to offer advance rent/security where they can get accommodation without having to pay advance/security. In cases where two options are available, one of giving advance and the other of not giving it, an economic evaluation taking into account the prevalent bank rate of over-draft can be and is made before any final decision is taken. Advance/security for hiring of accommodation is not peculiar to guest house accommodation only nor is it restricted to private landlords.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 2(59)/78-BPE(GM-I), dated the 4th January, 1979.]

Recommendation (Sl. No. 13, Paragraphs 52 & 53)

The Committee are unhappy to note that Public Sector Undertakings namely, Bharat Aluminium Company Ltd., Hindustan Machine Tools Ltd., Mining and Allied Machinery Corporation Ltd., Uranium Corporation of India Ltd., and Western Coalfields Ltd., are maintaining Officers Clubs. Two undertakings, namely, Hindustan Aeronautics Ltd. and Mining and Allied Machinery Corporation Ltd. maintain Swimming Pools. The annual maintenance cost of these Officers Clubs/Swimming Pools was Rs. 48,456 in 1974-75, Rs. 96,316 in 1975-76 (i.e. two fold increase) and Rs. 89,465 in 1976-77. The Committee are surprised to note that undertakings which have been incurring huge cumulative losses or losses during any of the years 1974-75 to 1976-77, namely, Bharat Aluminium Company Ltd., Mining and Allied Machinery Corporation Ltd., Western Coal Fields Ltd., and Uranium Corporation of India Ltd. are incurring huge expenditure on the construction and maintenance of Officers Clubs/Swimming Pools. The Bharat Aluminium Company Ltd. has also spent

Rs. 35,000 for furnishing the Officers Club. The performance of the executives of this undertaking is reflected in the Balance Sheet which shows a cumulative loss of Rs. 1858 lakhs.

The Committee are not happy over the opening of Officers Clubs and Swimming Pools by Public Sector Undertakings resulting in unavoidable heavy expenditure which could otherwise have been utilised for developmental purposes. The Committee strongly feel that the undertakings running into losses can ill-afford to have the luxury of maintaining officers clubs and swimming pools. The Committee condemn the whole thing. Public money should not be wasted by public undertakings on the recreation of privileged class of officers.

Reply of Government

The Committee's observation have been brought to the notice of all the administrative Ministries and the Public Enterprises.

The guest houses have generally been sanctioned as part of the projects in accordance with the norms on the subject. As the plants are located at places considerably far away from the nearby townships, in some cases, officers clubs and swimming pools were also sanctioned as part of the projects, in term of the foreign collaboration agreement and for the convenience of foreign consultants. However, Government have taken note of the Committee's recommendation to ensure that project proposals conform to the norms and guidelines prescribed by the BPE, in future.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 2(59)/78-BPE(GM-I), dated the 4th January, 1979.]

Recommendation (Sl. No. 14, Paragraph 54)

The Committee require:—

- (1) All the Public Sector Undertakings must effect utmost economy in the expenditure incurred on the accommodation arrangement for touring officers. This must be particularly so in case of undertakings incurring losses and not giving sufficient returns.
- (2) All the Guest Houses which do not have more than 80 per cent occupancy ratio must be closed immediately under advice to the Committee.
- (3) As a trial Public Undertakings should enter into agreement with modest hotels (not more than 3 star) by inviting tenders for meeting the requirement of touring officers.

- (4) The Bharat Heavy Electricals Ltd. which is having 9 rented buildings in New Delhi for meeting the Guest House requirements must immediately enter into agreement with a three star hotel (Ranjit and Lodhi Hotels) to meet the requirements of their touring personnel and give up the rented buildings.
- (5) The practice of paying advance rent and security to the owners of the buildings must be discontinued.
- (6) In big towns where there are hotels the touring personnel should be lodged in modest hotels (not more than 3 star hotels) after entering into agreements with these hotels. The Committee feels that there is no need to maintain guest houses either owned or rented and this systems should be dispensed with as early as possible.

Reply of Government

The Government accept recommendation No. 14(1). This has already been brought to the notice of the administrative Ministries and the Public Enterprises vide BPE No. 2(59)/78-BPE(GM-I) (Re- 14, 15 & 16) dated 19th June, 1978.

As regards closing of all guest houses, which do not have more than 80 per cent occupancy ratio, it is submitted that it would not be practicable to apply this criterion to the guest houses located in the project areas. Taking into consideration factors such as the remoteness of the project areas from the nearby townships, the frequency of visits of the visitors of guest houses, who have to necessarily to visit the plant sites in the discharge of their official duties, the economy in transportation, and the lack of any other alternatives at the plant site, the only criterion should be the genuineness of the requirement. Even in the case of metropolitan cities, the occupancy ratio is only one of the factors to be taken into account. Other factors such as the availability of alternative accommodation and the comparative economics of the maintenance of guest houses with other alternatives have to be taken into consideration.

As regards the recommendation that as a trial Public Undertakings should enter into agreement with modest hotels (not more than 3 star) by inviting tenders for meeting the requirement of touring officers is concerned, this has been brought to the notice of the Public Undertakings. However, it might not be economical as compared to the guest house economics, because of the rising tariffs in 3 star hotels. Again it might not be practicable considering the pressure of hotel accommodation of all kinds in Delhi and Bombay from

tourists and other users of hotel facilities. Having regard to the various considerations, Government have instituted a study of the total problems so as to further examine the issue relating to closure of guest houses with less than 80 per cent occupancy ratio.

BHEL have explained that at present they have only seven transit flats in Delhi of which one is exclusively reserved for the erection staff of the Badarpur Power Station. They have also collected the tariffs at Lodhi and Ranjit Hotels to examine the comparative economics of long-term arrangements with these hotels vis-a-vis having their own accommodation. The rates currently charged by these hotels are Rs. 65 for single room and Rs. 105 for a double room (both non-AC). These rates are likely to be revised upwards. During the discussions, the BHEL have reported, they were informed that the hotels would not be willing to reserve accommodation for them unless they are paid for such reserved accommodation on a minimum guarantee basis, even if it is not occupied. The Hotels were, however, willing to give BHEL a 15 per cent discount on a long-term basis. On the basis of the current tariff this works out Rs. 45 per bed for a double room and Rs. 55 for a single room even ignoring that these rates are likely to go up. The total number of beds available in the six transit flats (one transit flat is being reserved for the exclusive use by the erection staff of Badarpur Thermal Power Station) is 82 and the expenditure incurred thereon is Rs. 4.67 lakhs per annum. On the basis of the actual occupancy of beds the expenditure per bed comes to about Rs. 25/- only. The occupancy has varied from 30 beds in the lean period to 73 beds in the peak period. If accommodation were to be reserved in hotels for the entire year on the basis of the lean period, the total amount involved would be approximately Rs. 5 lakhs at the current rates. Thus even reservation of accommodation for the minimum strength on the basis of the lean period will cost BHEL almost the same amount as maintenance of the transit flats. The overall expenditure involved in discontinuing the present arrangement and switching over to hotels might be very much more. The hotels follow the system of "check-in, check-out" time. Under this practice a person who checks in just before the "check-in" time or "check-out" just after the "check out" time is required to pay for an extra day. The officers of the BHEL who come from outside stations will have to go to the hotel according to the timings of the train, air-crafts etc. Staying in the hotels might some time therefore, result in their having to pay for an extra day because of the above arrangements. When all these factors are taken into account it is obvious that considerable extra-expenditure might result if they have to switch over to the system of hiring rooms in hotels and desire their own flats.

As regards the practice of paying advance rent and security to the owners of the building, this has been explained in reply to Recommendation No. 12.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 2(59)/78-BPE(GM-I), dated the 4th January, 1979.]

Recommendations Sl. No. 15 & 16 (Paragraphs 55 & 56)

The Committee desire that action taken by the Public Undertakings on these recommendations should be intimated within a period of three months. On the expiry of this period the Committee would like to hear the Chiefs of the Undertakings about the progress made in the implementation. The Chiefs of the Undertakings should themselves approach the Committee for fixing date and time.

The action taken in pursuance of these recommendations must be reflected in the Annual Reports at the Undertakings and Ministries.

Reply of Government

This recommendation have been brought to the notice of the Administrative Ministries and the Public Enterprises. Progress in the matter of acceptance and implementation of the recommendations of the Committee will be intimated as per established procedure.

As regards reflecting the action taken in pursuance of the recommendation in the Annual Report of the Ministries, the administrative Ministries and the Public Enterprises will be requested to do so.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 2(59)/78-BPE(GM-I), dated the 4th January, 1979.]

CHAPTER III

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

Recommendation Sl. No. 1 (Paragraphs 32 to 33)

The Committee regret to note that out of 172 public undertakings which were asked on 23rd December, 1977, to furnish information to the Public Undertakings Committee on various aspects of the working of Public undertakings by 22nd January 1978, only 100 undertakings furnished information upto 20th March, 1978. As many as 72 public sector undertakings have not furnished information even after about three months of the calling of the information. The Committee see no valid reasons why the requisite information could not be collected by these public undertakings so long. In their First Report on Extravagant and Infructuous Expenditure on Entertainment by Public Undertakings presented to Lok Sabha on 3rd April, 1978, the Committee have made the following observations in this regard:—

“The Committee considered that deliberate non-supply of information even after a period of three months amounts to withholding of information which is very vital for accountability of undertakings to Parliament. This may amount to a contempt of the Committee. This, in the opinion of the Committee, is reprehensible.”

In this instance also, the Committee are positive that the intention is to withhold the information sought which in the opinion of this Committee constitutes a clear contempt of the Committee. The Committee are also certain that the information has been withheld because these Public Undertakings have a lot to hide.

Reply of Government

Material from 72 enterprises, which could not furnish it by the 20th March, 1978, has since been collected and transmitted to the Lok Sabha Sectt. Reasons for not submitting the information by

these 72 enterprises within the time indicated by the Lok Sabha Sectt. have also been obtained from the Heads of the respective enterprises and furnished to the Committee's Sectt. *vide* BPE's letter No. 2(106)/77-BPE(GM-I) dated 23rd April, 1978. All the Public Enterprises tried to furnish the relevant information within the time allotted to them and there was no intention to withhold anything from the Committee. As the information called for from the Public Enterprises was for three years and on a number of points it had to be collected by the Public Sector Enterprises from their respective units/offices located throughout the length and breadth of the country, it took some time for the Public Enterprises to submit the information complete in all respects.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 2(59)/78-BPE(GM-I), dated the 4th January, 1979.]

Recommendation (Sl. No. 2, Paragraph 34)

The Committee are surprised to note that Life Insurance Corporation, which is a major Public Undertaking, had originally withheld the required information in its entirety from the Committee. It was only after an express telegram was sent on 22nd April, 1978 to the Chairman of the Corporation that they informed on 25th April, 1978, that 52 guest houses are maintained by the Corporation at Divisional Headquarters. The Corporation has not indicated other detail regarding the capital invested, the expenditure incurred on furnishing, Air-conditioning and the break-up of annual maintenance expenditure. The Committee see no valid reason why the requisite information could not be collected and furnished to the Committee even after four months after the information was called for. The Committee feel that the intention is to withhold the information required with a view to hiding the facts from the Committee. This in the opinion of the Committee is reprehensible.

The Committee would like to examine the working of the Corporation in depth.

Reply of Government

The Life Insurance Corporation of India, in its reply dated 25-4-78 had explained that "most of our Guest Houses are located in a part of our own buildings. Guest Houses even in rented buildings occupy only a portion of the building for the offices". It was, therefore, not possible for them to give the details regarding the capital investment in Guest Houses. As regards other details such as expenditure incurred on furnishing, airconditioning and the break up of annual

maintenance expenditure, which were desired by the Committee, they were furnished to the Committee *vide* PBE's O.M. No. 2(106)/77-BPE(GM-I) dated 3-5-78 and 19-6-78. The details in respect of the Visakhapatnam Guest House, which were subsequently furnished by the LIC, are enclosed in Appendix I.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 2(59)/78-BPE(GM-I), dated the 4th January, 1979]

Recommendation (S. No. 3, Paragraph 35)

The Committee regret to observe that in a number of cases, the public undertakings have either not given the required information or given the facts in haphazard manner. In some cases, the information has been given either in a consolidated form or without any detailed break-up about particular items. Similarly, instead of ascertaining the relationship of the owner of the guest house buildings with the Minister/Politicians/Officials 8 undertakings have either stated as 'Not Known' or 'Not indicated' while furnishing information. Details of such cases have been given in the body of the report. It is suspected that the intention is to withhold the information and to hide as much as possible from the Committee. The Committee consider that withholding of such information raises serious doubts and creates suspicions.

Reply of Government

The above observations of the Committee have been brought to the notice of the concerned administrative Ministries and the public enterprises. Some of the public enterprises have clarified that there was no intention on their part to withhold any information available with them from the Committee. In this matter, they have to essentially depend on the information given to them by the owners of the guest houses who may withhold such information.

The enterprises have reported that information to the extent available with them has been supplied.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 2(59)/78-BPE(GM-I), dated the 4th January, 1979]

CHAPTER IV

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

Recommendations Sl. No. 4 to 8 (Paragraphs 36 to 41)

The Committee note with concern that the number of Guest Houses maintained by Public Undertakings has been increasing. The number of guest houses maintained by 50 undertakings excluding Life Insurance Corporation was 92 in 1974-75, 106 in 1975-76 and 133 in 1976-77. Out of this the number of guest houses owned was 59 in 1974-75, 64 in 1975-76 and 76 in 1976-77.

The Committee are astonished to note that out of the 50 public undertakings which maintain guest houses, 7 undertakings have among themselves 66 guest houses which constituted 50 per cent of the total number of 133 Guest Houses maintained by all the 50 undertakings in 1976-77.

The Capital invested by the public undertakings on guest houses was Rs. 191.68 lakhs, out of which the land cost was 4.21 lakhs, construction cost Rs. 156.93 lakhs, the furnishing cost Rs. 18.37 lakhs and Airconditioning Rs. 12.62 lakhs.

The Committee are perturbed to note that Bharat Aluminium Company Ltd., an undertaking which has got a cumulative loss of Rs. 1858 lakhs, have spent as much as Rs. 5.67 lakhs on the construction of 4 guest houses. They spent Rs. 1.73 lakhs on the furnishing and Rs. 1.22 lakhs for airconditioning of these guest houses.

The Bharat Heavy Electricals Ltd., which is having 6 guest houses (including one under construction) spent Rs. 52.47 lakhs on the construction of these guest houses. This undertaking spent Rs. 6.20 lakhs for furnishing the guest houses. Three guest houses of this undertaking have been provided with airconditioning facility for which they spent Rs. 7.43 lakhs.

The National Fertilizers Ltd., spent Rs. 90,000 for the construction of two guest houses at Panipat, and its furnishing cost which is almost equal to the cost of construction.

The construction cost of the three guest houses of Western Coal Fields at Chirimiri was Rs. 50,000 each, but their furnishing cost was as much as Rs. 40,000, each.

These are eye opening details of wasteful, extravagant and reckless expenditure. Such reckless expenditure should be stopped forthwith. The Committee are anxious to know what special type of furnishing have been provided to make the visiting personnel comfortable and the amount spent on each item. The Committee strongly deplore the lavish spending spree on guest houses particularly on furnishing.

The Committee are also concerned to note the increase in the cost of maintenance of the owned guest houses. During 1974-75 the Public Sector Undertakings have spent Rs. 18.43 lakhs on the maintenance of the guest houses owned by them. In 1975-76, they spent Rs. 23.51 lakhs. In 1976-77 they spent Rs. 30.43 lakhs on maintenance of guest houses. The Committee are surprised to find that seven undertakings, namely, Bharat Aluminium Company Ltd., Bharat Heavy Electricals Ltd., Cement Corporation of India Ltd., Hindustan Aeronautics Ltd., Kudremukh Iron Ore Company Ltd., Mining and Allied Machinery Corporation Ltd., and Western Coal Fields Ltd., have together spent Rs. 13.13 lakhs in 1974-75, Rs. 16.82 lakhs in 1975-76 and Rs. 18.07 lakhs in 1976-77, which in other words, mean that the expenditure of these 7 undertakings constitute more than 50 per cent of the total expenditure incurred by the 38 undertakings, which own guest house building. The Committee suggested that the interest on the money spent on the construction of the Guest House should also be calculated at the bank rate for accounting purposes.

The Committee are also deeply concerned to note that considerable amount is being spent on Guest Houses taken on Rent. The total amount spent on rented Guest Houses which was Rs. 7.59 lakhs in 1974-75 short up to Rs. 20.48 lakhs, thereby signifying a three-fold increase in a period of two years. The rent paid by all undertakings in 1976-77 was Rs. 8.47 lakhs as compared to Rs. 3.62 lakhs in 1974-75. Similarly, water and electricity charges paid in 1974-75 was Rs. 72,095 while it was Rs. 2.00 lakhs in 1976-77.

The Comforts, luxury and lavishness indulged in by the top personnel of the public undertakings have become the talk of the town. The Guest Houses have got a world of their own and bears no relation to the working condition of an ordinary employee.

In this context the Committee would like to point out that in their first Report on Extravagant and Infructuous Expenditure on Entertainment by Public Undertakings the Committee have observed as follows serve "that Public Sector would never succeed if it is left in the hands of disinterested, unscrupulous, inconsiderate mercenaries. Unless there is a true sense of involvement and determination to produce the desired results the condition of Public Sector is bound to be what it is today in many cases. It is unfortunate that because of certain unscrupulous Managers of Public Undertakings, huge losses occur to the Public Sector Undertakings which are ultimately borne by the general public who have to contribute their mite by way of payment of taxes direct and indirect."

What is more shocking is the fact that 17 undertakings which have been incurring huge cumulative losses or losses during any of the years 1974-75 to 1976-77 have also spent considerable amounts on Guest Houses. For example, Bharat Aluminium Company Limited with a cumulative loss of Rs. 1,858 lakhs at the end of 1976-77 spent Rs. 5.92 lakhs on the maintenance of Guest Houses during 1974-75 to 1976-77. Mining and Allied Machinery Corpn. Ltd., with a cumulative loss of Rs. 3516 lakhs at the end of 1976-77 spent Rs. 4.18 lakhs on this account during the period 1974-75 to 1976-77. Jessop & Company with a cumulative loss of Rs. 1247 lakhs as on 31st March, 1977, spent Rs. 2.37 lakhs during 1974-75 to 1976-77. Bharat Heavy Plate & Vessels Ltd. with a cumulative loss of Rs. 704 lakhs spent Rs. 2.78 lakhs on this account during the year 1974-75 to 1976-77. It is indeed very disconcerting to note that neither the Ministry nor the undertakings were mindful of the fact that this high life style and unconscionable expenditure were being incurred at the cost of the poor tax payers.

Reply of Government

The public enterprises maintain Guest Houses whether at their factory/project sites or in towns on the basis of their specific needs, comparative economics of having such Guest Houses in relation to booking of accommodation in hotels and scale and standards used in Government Guest Houses, circuit houses, inspection banglows, etc. The rationale, obviously, is to spare their officers, hardships involved, while on tours to factory sites situated far away from towns and to provide basic comforts without subjecting them to steep hotel rates. In certain cases Guest Houses are maintained, as part of collaboration agreement for foreign technicians on standards acceptable to them.

The public enterprises, in general have reported that the expenditure on furnishing and airconditioning of the Guest Houses is not excessive.

In the case of National Fertilizers Ltd., the figure of Rs. 90,000—mentioned in para 41 of the Report, represents the cost of repairs and renovation on an old building purchased along the factory site at Panipat. It has also been clarified that the National Fertilizers Ltd. has only one guest house at Panipat and not two.

It has been stated in para 42 of the Report that there are three Guest Houses of Western Coalfields at Chirimiri. There are only two Guest Houses in that area—one of which was constructed by the erstwhile owners in 1960. No Capital expenditure has been incurred on this Guest House after the nationalisation of the coal industry. The other Guest House was constructed by the erstwhile NCDE in around 1962.

As regards the Committee's recommendation in para 44 that "the interest on the money spent on the construction of the Guest Houses should also be calculated at the bank rate for accounting purposes", it is submitted that, based on the recommendation of the National Commission on Labour, "in order that the assessment of the profitability of a public undertaking is not distorted, may recommend that investment on township should not be a charge on the Undertaking but should come from a separate fund", Government decided in November, 1970 that the entire expenditure on public sector township including Guest Houses may be made by way of equity which does not attract any interest.

Regarding the Committee's observation in para 47, it is difficult to link the maintenance of Guest Houses with the profitability of a public enterprise. Alternative to maintaining of Guest Houses is to foot the hotel bills. At 50 per cent average occupancy the average cost of boarding per day including food comes to Rs. 34 in a Guest House maintained by Coal India Ltd., at Delhi. This is, obviously, substantially cheaper than the comparable cost in any 3-Star Hotel in Delhi. The assumption, therefore, that the loss of losing enterprises has increased on account of the maintenance of Guest Houses may not be correct.

The observations of the Committee have been brought to the notice of the concerned administrative Ministries and the public enterprises.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 2(58)/78-BPE(BM-I), dated the 4th January, 1978].

Recommendation (Sl. No. 11, Paragraph 50)

The Committee are surprised to note that Bharat Heavy Electricals Ltd. had as many as 5 buildings in 1974-75, 7 buildings in 1975-76 and 9 buildings in 1976-77 in New Delhi for the purposes of their Guest House. The rent paid by this undertaking was Rs. 0.62 lakhs in 1974-75, Rs. 1.15 lakhs in 1975-76 and Rs. 1.59 lakhs in 1976-77. It may strike any one that with the amount paid as rent during the last 3 years this undertaking could have as well built a modest guest house of its own.

Reply of Government

Bharat Heavy Electricals Ltd. have explained that six guest houses owned by them are located at manufacturing plants which are situated on green fields sites quite distant from the main cities, the distance ranging between 10 to 30 kms. Some of these guest houses were initially built for accommodating Czeck specialists/engineers who were collaborators. It was only after their departure that the accommodation was converted to guest house accommodation for visiting officers/officials of the plants. Furnishings provided in these guest houses are not extravagant and are in line with furnishings done in similar places belonging to Government. None of these guest houses is provided with central air-conditioning, but some of the rooms in the guest houses have been provided with air-conditioners in view of the climatic conditions of the place for comforts of the foreign consultants visiting the plants on business and staying in these guest houses. The expenditure on the maintenance of these guest houses is reviewed periodically and steps taken to effect all possible economy.

As regards reference to 9 transit flats in Delhi, in 1976-77 BHEL had reported that at present they are having only 7 transit flats in Delhi. One of these has been established for the convenience of the erection and commissioning work at Badarpur Thermal Power Station. This is essential because they have to find accommodation for the erection staff whose stay at the site is for a limited period and who are usually in the lower scales of pay. Proximity to the power station is another consideration. It would be impracticable and considerably more expensive to arrange hotel accommodation for such staff in the Delhi city. This transit flat is in the Friends Colony on the way to Badarpur. Locating this staff close to this power station has the additional advantage of eliminating heavy transportation charges for carrying the staff to the work-site.

Thus the total number of transit flats maintained in Delhi for visiting personnel is really only six. BHEL has, further reported that it has a large number of offices and sites spread all over the country with a staff strength of nearly 60,000. There is a constant

interaction among its manufacturing units, Project Engineering Division, the Marketing and Sales Division, the Power Projects and Service Division and the Corporate office. Frequent and regular meetings are held for the purpose of ensuring co-ordination and monitoring. Besides, the Ministries of Energy and Industry, the Central Electricity Authority because of their keen interest in the commissioning of power programmes, both existing as well as future, also convene frequent meetings which necessitate visits by the officers of the Enterprises and staff to Delhi. BHEL has also a Joint Committee wherein the management and representatives of all workers meet, review, discuss and decide major points of common interest. This apex level participating forum meets generally once a month for two days. About 40-50 workers come to Delhi every month for about 3 days or so and most of them stay in these transit flats. With the limited DA they get, it might not be possible for these employees to stay in one of the better hostels. Then, officers of the BHEL have also to pass through Delhi while going to other places like Hardwar and require accommodation in Delhi for short periods. The average cost of maintaining these transit flats is only around Rs. 25 per day on the basis of actual occupancy. Therefore, the existing arrangements cannot be termed as costly when compared to hiring of rooms in hotels on a regular basis. BHEL is, therefore, of the view that the maintenance of its transit flats in Delhi is quite justified.

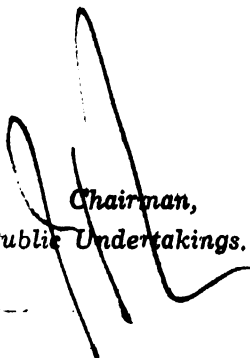
[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 2
(59)/78-BPE(GM-I), dated the 4th January, 1979].

CHAPTER V

**RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF
GOVERNMENT ARE AWAITED**

—NIL—

NEW DELHI;
March 30, 1979
Chaitra 9, 1901 (S).


Chairman,
Committee on Public Undertakings.

APPENDIX

(Vide reply to recommendation at S.No. 2)

Life Insurance Corporation of India Guest House at Visakhapatnam

Capital Expenditure

	1974-75	1975 -76	1976-77
	Rs.	Rs.	Rs.
(1) Civil Works	—	—	—
(2) Hard and soft furnishings	—	—	—
(3) Air-conditioning/Central Heating	—	10,956.60	—

Revenue Expenditure

(1) Civil Works		3,507.76	—
(2) Hard & Soft furnishings	—	—	—
(3) Air-conditioning	—	—	—
(4) Electricity	—	1005.70	897.60
(5) Wages for personnel employed for up-keep of guest house.			(No separate personnel is posted to look after the guest-house)

The Divisional Office at Visakhapatnam was opened in October, 1974, and as such the particulars for the year 1974-75 are not available separately. These are included in the figures of Magulipatnam Division.