C. P. U. No. 477

COMMITTEE ON PUBLIC UNDERTAKINGS (1981-82)

(SEVENTH LOK SABHA)

FORTY-EIGHTH REPORT

ON

INDIA TOURISM DEVELOPMENT CORPORATION LIMITED

(Ministry of Tourism and Civil Aviation)

Presented to Lok Sabha on 30-4-1982
Laid on Rajya Sabha on 30-4-1982

LOK SABHA SECRETARIAT
NEW DELHI

April, 1982/*Vaisakha,* 1904 (*Saka*)

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CORRIGENDA TO 48TH REPORT OF COMMITTEE ON PUBLIC UNDERTAKINGS (7TH LOK SABHA)

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(iii)	S.No.22		**Shri Shrikant Verma	**Shri Ramanand Yadav
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11	27	4	Rs.34-40 lakhs	Rs.35-40 lakhs
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52	2	11	add 'at' before 'the time'	
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COMMITTEE ON PUBLIC UNDERTAKINGS

(1981-82)

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22. **Shri Shrikant Verma

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2. Shri T. R. Krishnamachari—*Chief Financial Committee Officer.*
3. Shri S. C. Gupta—*Senior Financial Committee Officer.*

*Ceased to be a Member consequent on his appointment as Deputy Minister on 15 January 1982.

**Ceased to be a Member consequent on his retirement from Rajya Sabha on 2 April, 1982.

STUDY GROUP I ON INDIA TOURISM DEVELOPMENT CORPORATION LTD., INDIAN AIRLINES, HINDUSTAN PHOTOFILMS MFG. CO. LTD. AND CERTAIN ASPECTS OF INDIAN RARE EARTHS LTD. AND OIL COMPANIES

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4. Shri R. Ramakrishnan

*5. Shri Ramanand Yadav

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*Ceased to be a Member consequent on his retirement from Rajya Sabha on [illegible].

INTRODUCTION

I, the chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Forty-eight Report on India Tourism Development Corporation Ltd.

2. The Committee also examined the Report of the Comptroller and Auditor General of India, Union Government (Commercial) 1981, Part VIII on India Tourism Development Corporation Ltd.

3. The Committee took evidence of the representatives of India Tourism Development Corporation Ltd. on 17, 18, 19 and 20 March, 1982 and of Ministry of Tourism and Civil Aviation on 26 and 27 March. 1982 and 1 April, 1982.

4. The Committee considered and adopted the Report at their sitting held on 28 April, 1982.

5. The Committee wish to express their thanks to the Ministry of Tourism and Civil Aviation and India Tourism Development Corporation Ltd. for placing before them the material and information which they desired in connection with the examination of the subject. They wish to thank in particular the representatives of the Ministry of Tourism and Civil Aviation and India Tourism Development Corporation Ltd. who gave evidence and placed their considered views before the Committee. Shri S. K. Misra, Chairman and Managing Director, India Tourism Development Corporation Ltd., a competent Chief Executive, deserves a special mention in this connection.

6. The Committee also place on record their appreciation of the assistance rendered to them by the Comptroller and Auditor General of India.

NEW DELHI;
April 29, 1982
Vaisakha 9, 1904 (*S*)

BANSI LAL,
Chairman,
Committee on Public Undertakings.

PART-I

BACKGROUND ANALYSIS

I. OBJECTIVES AND OBLIGATIONS

1. India Tourism Development Corporation Limited (I.T.D.C.) was set up in October, 1966 by the merger of Hotel Corporation of India Limited, and India Tourism Transport Undertaking Limited in India Tourism Corporation Limited which was renamed as India Tourism Development Corporation Limited. In March, 1970, Ashoka Hotels Limited and Janpath Hotels Limited were amalgamated with ITDC. As on 31st March, 1981 the Corporation had under its administrative control 21 hotels, 12 travellers' lodges, 3 Forest Lodges, 6 duty free shops, 14 restaurants, 17 transport units and 3 non-et-lumiere show. The Corporation was last examined by the Committee on Public Undertakings in 1973-74.

2. The Administrative Reforms Commission recommended that the Government should make a comprehensive and clear statement on the objectives and obligations of Public Sector Undertakings. This was accepted by the Government. According to Audit till now such a statement of ITDC's objectives|obligations has not been formulated by the Government.

3. The Committee enquired as to why the Government was not able to take decision and formulate a statement of objectives and obligations of ITDC so far. The Secretary, Ministry of Tourism and Civil Aviation stated in evidence that as the scope of activities and responsibilities of ITDC was already laid down in its Memorandum and Articles of Association, it was not considered necessary by the Ministry to further define the specific responsibilities. In reply to a question whether there was any discussion in the Ministry before this decision was taken, the witness stated that the matter was discussed with the Minister, perhaps for the first time, in November 1981 where a view emerged that it was not necessary to enunciate ITDC's objectives beyond what was contained in the Memorandum and Articles of Association.

4. On being pointed out by the Committee that in terms of the Administrative Reforms Commission's recommendation, the Ministries were expected to formulate in consultation with the public enterprises, a statement laying down the broad principles for determining the precise financial and economic obligations of the enterprises, the Secretary, Ministry of Tourism and Civil Aviation stated that the Department would take up this matter and if specific role of ITDC on the social, economic and other responsibilities ought to be defined, it would be done.

5. In a note furnished to the Estimates Committee (1975) the Government had stated that broadly the Central Government and ITDC would be concerned with foreign tourists and the responsibility for provision of facilities for domestic tourists rested with the State Governments and their tourism Undertakings. A Committee was appointed in July 1974 under the Chairmanship of Dr. Mozoomdar, Secretary (Expenditure), Ministry of Finance to examine the role, functions and the organisational structure of ITDC. In its Report submitted to Government in September, 1977 this Committee also recommended that ITDC should concentrate on the development of tourism infrastructure in the main centres of existing and potential interest for foreign tourists. To consider this Report an Empowered Committee was constituted by Government in November, 1977 under the Chairmanship of Secretary, Ministry of Tourism and Civil Aviation. This Committee in its Report (February, 1981) suggested that equal emphasis should be given for the development of domestic tourism. According to Audit, the Government have not taken a decision in the matter so far (October, 1981).

6. The ITDC stated in a note that the Department of Tourism should concern itself with coordinating the activities of the various agencies and generally perform a regulatory function while the ITDC should be strengthened as the main instrument of development and promotion of tourism in the country.

7. According to the Ministry, however, the Department of Tourism's role was in the following areas:

(a) Promotional

(b) Policy, planning and development

(c) regulatory

The activities of ITDC were primarily in the area of construction and management of tourist accommodation; provision of transport, entertainment and shopping facilities for tourists and production and sale of tourist publicity material etc. The developmental role of ITDC was stated to be confined to construction and operation of commercial facilities in order to develop areas where private capital was shy. The promotional role of ITDC was confined to publicity and promotion of its own facilities and services. The ITDC, in short, was the commercial arm of Tourism Department for development of tourist infrastructure and supplementing the efforts of the Department.

8. The Committee wanted to know whether the role of ITDC had so far been made known to it in such clear terms by the Ministry. The Chairman and Managing Director of the Corporation stated in evidence that

there was some confusion in the matter. ITDC had been taking up certain projects which were promotional in nature though totally uneconomic—like the travellers lodges and restaurants transferred from the Department of Tourism—either at the request of Government or on the assurance of the Minister in Parliament. The ITDC represented to the Planning Commission that since its profitability was being affected it could not take up such units if it was to function as a commercial organisation. On this the ITDC was categorically told by the Member-Secretary, Planning Commission. "You can take it from the Planning Commission that you have to operate only as a commercial organisation." The ITDC then sought clarification from the Secretary, Department of Tourism whether this should be taken as a policy direction. But, it had not so far been confirmed and 'the position remained as confused as ever.'

9. Asked to state his views on the ITDC being strengthened as the main instrument of development and promotion of tourism in the country, the CMD stated that the role of the Department of Tourism should be entirely regulartory and the ITDC should have two wings—commercial and promotional. The accounts of each wing should be maintained separately and the commercial wing should subsidise the promotional wing.

10. The Committee asked as to what was the promotional work being done by the Corporation. The CMD, ITDC informed that in many of the areas they were operating transport routes which were not commercially viable with a view to opening up those areas. The Corporation has also set up travellers' lodges in different places. It was also collaborating with the State Governments in respect of some of the promotional schemes.

11. On being enquired as to why the role of ITDC has not so far been clarified by the Ministry in clear terms, the Secretary of the Ministry pleaded:—

> "In the various letters....issued from time to time, the role of ITDC has been indicated but.... there has been no formal guideline issued as such."

Asked to state whether it would not be desirable to strengthen the ITDC as an apex body for the development of tourist infrastructure and promotion of tourism in the country, the witness stated that this question along with the question whether the Department of Tourism and the ITDC should function in a complementary manner could be further gone into, though they have already been studied to some extent.

II. PLANS AND PROJECTS

A. *Plan Allocation upto* 1980

1. The Committee were informed by ITDC that there was no specific allocation to ITDC prior to the Fourth Five Year Plan. The plan allocation to ITDC in the subsequent plans and its utilisation was as under:—

Period	Allocation (Rs. in crores)	Utilisation (Rs. in crores)
4th Plan	12·77	12·26
5th Plan (terminated in 1978)	12·79	11·57
1978-80	15·44	12·78
TOTAL	41·00	36·61

2. Thus as against the total outlay of Rs. 41 crores for the plan periods 1969-80, the actual expenditure was only Rs. 36.61 crores *i.e.* 89.3 per cent utilisation. According to Audit the projections made in Fourth and Fifth Five Year Plans of the Corporation for construction of additional hotel rooms and actual hotel rooms constructed were as follows:—

	Fourth Plan		Fifth Plan	
	Rooms	Beds	Rooms	Beds
(i) At the beginning of Plan				
(a) Existing	1122	1448	1703	2595
(b) Projection	694	1338	964	N.A.
(ii) Actual Constructions	581	1147	491	982
(iii) Total at the end of the Plan	1703	2595	2194	3741*
(iv) Shortfall	113	191	473	N.A.
(v) Shortfall percentage	16	14	18	N.A.

*164 beds added due to conversion of single rooms into double rooms.

3. The Committee enquired the reasons for shortfall in achievement *vis-a-vis* Plan both in financial and physical terms. The ITDC stated in a note that in the approved plan outlays of the Corporation, provision was made for a number of new/expansion schemes likely to be taken up during the year subject to satisfactory feasibility, allotment of land, Government approval and timely release of funds. Most of the shortfalls in utilisation of plan outlays had been on account of these schemes. Utilisation of funds for the continuing schemes had generally been achieved.

B. *Sixth Plan Allocation*

4. As regards Sixth Plan, it was stated that against the projected requirement of Rs. 85 crores by the ITDC, the Planning Commission approved an outlay of Rs. 50 crores. But the Ministry of Tourism and Civil Aviation in an arbitrary manner reduced it to Rs. 42 crores. Of this the total expenditure incurred by ITDC by March 1982 would be about Rs. 22 crores. The Corporation wanted the Sixth Plan outlay to be raised to atleast Rs. 66 crores.

5. When the Committee enquired about the capital requirement of the ITDC in connection with the Asian Games, the Chairman and Managing Director informed in evidence that Rs. 18 crores was required for the Hotel Samrat and Rs. 1.26 crores for purchase of Kitchen equipment. Asked to state whether this expenditure was anticipated at the time of fixing the outlay of Rs. 42 crores for the 6th Plan period, the witness stated that it was so though it was not included when ITDC drew up proposal for Rs. 85 crores since at that time, the Asian Games were not on the anvil at all.

6. Asked to state as to what was the basis for downward revision of the outlay for ITDC from Rs. 50 crores approved by the Planning Commission to Rs. 42 crores, the Secretary, Ministry of Tourism and Civil Aviation stated in evidence that the proposal of ITDC for Rs. 85 crores was a part of the Rs. 1650 crores outlay which had been sent to the Planning Commission for approval. The Planning Commission, after a series of discussions, finally agreed to Rs. 965 crores and said the Ministry had the freedom to make *inter-se* allocation on the basis of requirements of the various organisations. ITDC requested that they might be given Rs. 50 crores. The Planning Commission said that they had no objection to ITDC getting Rs. 50 crores provided the total outlay for the Ministry was kept at Rs. 965 crores. The decision to allocate Rs. 42 crores to ITDC was taken by the Ministry on the basis of *inter se* requirement of various

organisations which was later approved by the Planning Commission. The witness added:

> "Our Minister expressed a view that the amount given to this Ministry was far too inadequate and it should be enhanced. I understand from my Minister that this was put forward, and it was learnt from him that there would be a mid-term appraisal and that there would be an increase in the ceilings to be given to various departments which included ITDC also. We have kept this in mind and we have communicated the same to them. We are conscious of the fact that with the coming in of the Asian Games and with the various extensions that are taking place, we should really have more money for the ITDC. We are fully conscious of this fact."

7. The Committee were also informed by the Ministry that the proposal of ITDC for increase of plan allocation from Rs. 42 crores to Rs. 66 crores was discussed in the Planning Commission. However, as the Commission was of the view that it might not be possible to enhance the outlays for tourism sector, the Corporation was advised in discussions to supplement its resources by institutional finance and raising internal resources. When the Committee enquired about the possibilities of raising institutional finance to meet the gap between the minimum rquirement and the outlay approved by the Planning Commission, the Chairman and Managing Director of ITDC stated in evidence that as the Planning Commission did not initially agree to the institutional finance being treated as additional to the plan, ITDC did not take any institutional finance. But now that this condition has been waived and it has been made clear in February, 1982 that the institutional finance would be over and above Rs. 42 crores, the Corporation had approached the ITDC for about 8 crores to finance the said Project of Samrat hotel. In addition, ITDC was also approaching IDBI for obtaining funds of about 1 crore for the transport sector for coaches and Gulf countries for Petro-dollars.

8. The Empowered Committee was of the view that the procedure for obtaining loans from financial institutions should be simplified and loans made available to ITDC on softer terms and conditions.

9. As regards the generation of internal resources, the FA&CAO, ITDC informed the Committee that out of the total internal resources, about Rs. 60 lakhs was given every year towards plan funds. The amount was expected to be Rs. 1 crore during 1982-83 and Rs. 4.2 crores for the Sixth Plan. The Committee were also informed that prior to December, 1981 the difference between the total plan allocation for any year and the internal resources was only being given as a budgetary support. The Planning Commission has, however, now clarified that the generation of

internal resources above Rs. 1 crore would be in addition to the plan allocation.

10. The Committee were informed by the ITDC that a number of desirable schemes to open up tourism infrastructure in the country would not be accommodated within final allocation of funds. Thus while the Corporation envisaged hotels in the metropolitan cities of Bombay, Delhi, Calcutta, Madras, Bangalore and Hyderabad during the Sixth Plan, with the reduced outlay only Delhi hotel would be completed. In this connection the Chairman and Managing Director of ITDC stated in evidence that the Corporation could not catch hold of the chain tourist traffic since it had no hotel in Bombay which was one of the major ports of embarkation and all the major chains had big hotels there.

11. When the Committee desired to know the Government's view on supplying this serious missing link in the chain of ITDC facilities, the Secretary, Ministry of Tourism and Civil Aviation assured in evidence that priority would be given to this project in the mid-term appraisal and if the IFCI loan materialised, substantial funds would be provided.

C. *Joint Ventures*

12. The draft sixth five year plan of the Corporation envisaged *inter alia* that it should increase accommodation for upper, middle and low income foreign and Indian travellers and invest in tourism enterprises on a selective basis in partnership with State Governments. A new concept of joint venture with State Governments/State Tourism Development Corporations was evolved, envisaging setting up a separate company in each state with nearly equal equity participation by ITDC and the State Government/State Tourism Development Corporation. ITDC would provide consultancy services in Planning, designing and construction of hotels and also manage and market these hotels after their completion. A number of State Governments evinced keen interest in collaborating with ITDC.

13. The Corporation had already entered into collaboration agreements with the State Government of Assam for a hotel at Gauhati, Madhya Pradesh Tourism Development Corporation for a hotel at Bhopal, Orissa Tourism Development Corporation for a hotel at Puri, Bihar Tourism Development Corporation for a hotel at Ranchi and Andhra Pradesh Travel & Tourism Development Corporation for a hotelmat Hyderabad. Similar agreement has also been entered into in the case of Arunachal Pradesh for a hotel at Itangar. However, according to the Corporation with the reduced plan outlay of Rs. 42 crores, hotels at Bhopal and Gauhati only would be completed during the six plan period,

D. *Plan Projects*

1. *Unused Land*

14. According to Audit land costing Rs. 3.16 lakhs at Delhi, Rs. 0.15 lakhs at Gwalior; Rs. 13.07 lakhs at Agra and Rs. 9.52 lakhs at Kovalam was lying unused since 1968-69, 1972-73 and 1976-77 respectively. Besides, terms of purchase/lease were yet to be finalised in respect of land at Patna, Aurangabad and Mysore, Asked as to when the Corporation proposed to utilise the land at these places, the CMD stated in evidence that while a workshop was going to be started shorty at the land at Delhi, a low budget economy class hotel was planned to be set up at Agra in about 2 years. The Corporation was thinking of economy class hotel at Gwalior also. However, the land at Kovalam was for future use and there was no need for expansion there. In regard to the finalisation of lease, the Committee were informed that at Mysore it was almost finalised, at Patna it has been sent to the State Government while for Aurangabad formal approval of Railway Board was needed as the land was taken over from Railways.

2. *Hotel Ashoka, Bangalore*

15. In 1966 construction of a 100 room hotel at Bangalore was included in the package programme for development of tourism. The Staff and Finance Commitee of the Board of Directors of ITDC in February 1971 recommended addition of 100 rooms to Hotel Ashoka, Bangalore as it was opined that it would be uneconomical to operate a 100 room 5-Star Hotel in Bangalore. A project report was submitted in December, 1971, involving an investment of Rs. 65 lakhs which was later on revised to Rs. 80 lakhs to provide for certain facilities which could cater to an ultimate capacity of 250 rooms.

16. The Board of Directors approved the proposal on 30-12-1971. As desired by the Board a revised estimate in respect of the entire project including the expansion scheme was submitted to the Government in June 1973. In May 1974 the estimates were further revised incorporating the information required by the Ministry of Finance and resubmitted to the Government of India. At this stage the expansion was estimated to cost Rs. 100 lakhs. In this connection, the Planning Commission observed (July 1974) *inter-alia* as follows:—

> "The project cannot be justified as a very acceptable way of earning foreign exchange as it involves a high rupee cost of earning exchange. Capital employment ratio (investment per employee-Rs. 77,5000) is high. Further, this project caters mainly to the consumption benefits of the very rich income

groups in the country considering the above facts......normally this project should not have been taken up. However, since civil works have already been completed and most of the investment already made/committed it is not possible to withold sanction at this juncture."

17. The Ministry of Finance also observed (August 1974) that ITDC had ahead with the construction of new block of 100 rooms in anticipation of Government's approval and an expenditure of Rs. 35.60 lakhs had already been incurred on it.

18. According to Audit in 1975-76 while the actual occupancy of the hotel was 70 per cent against the projection of 60 per cent the hotel still suffered a loss of Rs. 9.57 lakhs against a profit of Rs. 8.24 lakhs envisaged in the revised estimates.

19. The Committee desired to know the basis of opinion that it would be uneconomical to operate a 100 room 5-Star Hotel in Bangalore. The Chairman & Managing Director, ITDC stated in evidence that a number of 5-Star hotels in other places like Bombay, Calcutta and Delhi operated beyond the level of 100 rooms. The decision to expand was based on the percentage of room occupancy of previous years which was 74 87 89 and 85 in the years 1971-72 to 1974-75 respectively. However, the witness conceded that there was no other detailed examination and it was more or less a subjective examination.

20. Asked to explain how the hotel suffered a loss of Rs. 9.57 lakhs in 1975-76 with 70 per cent occupancy when it was expected to earn profit of Rs. 12.75 lakhs with 60 per cent occupancy, the CMD stated that no study was made in this respect. 60 per cent was taken as the basis as generelly with this much occupancy most of the units made profits.

21. The witness agreed with the Committee that had the size of the hotel not been increased, it would have resulted in better profitability and stated:—

"......it could have been staggered....I feel that in the case of expansion we should go slow. After we have been able to attain a certain level and after we have been able to get an indication whether the private sector is also coming in, we should go ahead. If one goes ahead without considering those factors, one is taking the risk."

22. On being enquired by the Committee as to why the ITDC started work on the expansion project before obtaining clearance from the Planning Commission, the CMD stated that once a project was sanctioned by the Planning Commission in principle, the Corporation started the preliminary work keeping in view that the project would be sanctioned shortly. If they had waited for the sanction, it would have led to cost escalation and the momentum would have been lost. In this case the work was started in May, 1973 and approval was given in August 1974.

3. *Airport Hotel, Dum Dum*

23. The Indian Institute of Management, Ahmedabad, after carrying out a feasibility study recommended in November, 1969 the construction of a 4-star 100-room hotel at Dum Dum Airport, Calcutta with provision for expansion to 150 rooms after 4 years. In January 1975, while the civil work was in progress, scope of the project was increased by ITDC from 100 rooms to 150 rooms without prior approval of the Government on the grounds *inter alia* of higher projected rate of return and anticipation that 40 rooms would be let out to airlines. The Planning Commission and the Ministry of Finance while according approval made adverse comments in this case too. The Planning Commission observed (July, 1974):

> "The project cannot be justified as an acceptable way of earning foreign exchange as it involved a high rupee cost of earning foreign exchange. Capital employment ratio (investment per employee-Rs. 81,000) is also poor. Further, this project caters mainly to the consumption benefit of the very rich income group in the country. Considering the above facts, normally this project should not have been taken up. However, since civil works have already been completed and most of the investment already made/committed it is not possible to withhold sanction at this stage".

24. The Ministry of Finance commented (August, 1974) as follows:—

> "Since the project has already been taken up for execution in anticipation of Government's approval and civil construction is near completion the PIB is presented with a *fait accompli*".

25. The project was finally approved by Government in September, 1974 at the revised cost of Rs. 250 lakhs. According to Audit, there was delay in completion commissioning of the project and the actual expenditure also exceeded the approved revised cost. The hotel finally completed consists of 156 rooms. According to PIB Memorandum the

construction was to be completed by 30 September, 1974 and the hotel commissioned immediately thereafter. Against this the hotel with 104 rooms was commissioned during June 1975-June 1976 in phases. 52 rooms were not commissioned till March, 1981. In spite of the fact that the actual occupancy was higher than that projected in all the years except 1977-78, the hotel incurred much higher losses than anticipated. Even with an occupancy of 69 per cent in 1979-80 the hotel was not able to break-even. The anticipation that 40 rooms would be let out to airlines also did not materialise.

26. The Committee desired to know whether the expectation that 40 rooms would be let out to airlines was based on any undertaking given by airlines. The Chairman and Managing Director, ITDC stated in evidence that there was no undertaking given by the Airlines as such but the feasibility report prepared by the Indian Institute of Management, Ahmedabad took this factor into account. In reply to a question whether the estimate of 40 rooms was not an over estimate, the witness stated that this was based on the fact that other airlines would also avail of it but later they completely stopped visiting Calcutta. The CMD agreed that it could have been more prudent if ITDC had exercised a second check to verify the assessment of the Institute. Asked to state the present position in this regard, the Committee were informed by the witness that at present 7 cabin crew of Indian Airlines were staying over there and the captain and the rest of the Airlines staff stayed in the Grand hotel in the city. If the entire crew stayed in the Airport Hotel, 18 rooms would be occupied. In reply to a question as to why prior approval of Government for expansion was not obtained, the CMD conceded that prior Government approval should have been obtained.

27. Asked about the total cost of the hotel having 156 rooms, the Chief Engineer, ITDC informed that the total came to Rs. 330 lakhs including Rs. 9.84 lakhs paid on an arbitration case. Some more arbitration cases involving Rs. 34-40 lakhs where the Corporation has contested the award were in the Court.

28. The Committee enquired as to the reasons for delay in completion and commissioning of the 52 rooms. The Chief Engineer stated in evidence that one of the conditions for approval of the revised estimates was that furnishing of rooms could be taken up in stages as the occupancy gradually improved. On reaching the occupancy of 70 per cent it was decided to furnish the 52 rooms for which the structure had been completed. This work taken up towards the end of 1979-80 was completed in 1980-81.

4. *Aurangabad Hotel*

29. According to Audit, the Aurangabad Hotel consisting of 23 rooms was taken over by the ITDC from the railways in October, 1972 at an

estimated value of Rs. 16.83 lakhs. These rooms which were renovated at a cost of Rs. 3.07 lakhs were not under use since October 1976. It was proposed to lease them out to the State Government for which terms were stated to be under negotiation.

30. Considering the shortage of quality accommodation, the ITDC decided to put up a new block of 50 rooms (later increased to 66 rooms) at Aurangabad. After 1975-76, the actual occupancy was not even half of the projected occupancy and has been below 25 per cent. This was attributed by the management to glut of accommodation consequent on setting up of some hotels in the private sector leading to price-war among the hotels.

31. The Committee enquired the basis of the decision for expansion of the hotel. The CMD stated in evidence that it was based on the assumption that 15 to 20 per cent of the traffic from Bombay would be diverted to Aurangabad. In view of the lack of quality accommodation in Aurangabad, if the ITDC went ahead with the expansion, it would be a profitable venture. There had, however, been lack of sufficient growth in traffic to Aurangabad. The witness, however, conceded that the expansion was certainly not justified. As regards utilisation of block of 23 rooms taken over from Railways it was stated that in view of the low occupancy of the hotel after expansion the old block was closed to economise on the operational cost. The proposal to lease out the old block to the State Government did not materialise. The Corporation, therefore, proposed to convert the rooms in the old block into residential apartments for licensing on long-term basis. It was also proposed to construct a shopping arcade on the available land along the main road. A survey conducted to ascertain demand for apartments and shops was stated to have evoked good response and the construction work in this regard would be taken up shortly.

5. *Kovalam Beach Resort*

32. The Kovalam Beach Resort project, consisting of 100 room hotel and 40 cottages with attached restaurants, was approved by the Government on the basis of the MTC Memorandum in September, 1970 at an estimated cost of Rs. 135 lakhs (Rs. 115 lakhs for hotel and Rs. 20 lakhs for the cottages.) According to Audit, the scheduled date of commissioning for the cottage complex was September, 1971 and that for the hotel was March, 1972. The actual dates of commissioning, however, were December, 1972 and January, 1976 respectively. Thus there was a delay of 15 months in completion and commissioning of cottage complex and a delay of 46 months in the case of hotel.

33. The Chief Engineer of ITDC, however, stated in evidence that if the actual date of start (15-8-1971) was taken into account, the delay would be less. The work on cottages was completed in December, 1972. The hotel was commissioned in December, 1975 though it was inaugurated in January, 1976. The CMD, however, agreed in evidence that "the time taken to complete the hotel was far too long".

34. The Committee desired to know the reasons for delay in starting the construction work. They were informed that as this beach complex was the first of its type to be undertaken in India, designs had to be done and redone. There was no Indian architect who had experience in building beach resort. It was also stated in a note furnished after evidence that the delay was also due to increase in rock-cutting, change in design, non-availability of cement and steel, time taken in finalisation of interior designs, increase in scope and stoppage of work by various agencies.

35. The actual cost of construction worked out to Rs. 214.47 lakhs against the sanctioned estimates of Rs. 135 lakhs representing a cost escalation of about 59 per cent. According to Audit prior approval of Government was not obtained for the increased cost. A revised EFC memorandum was submitted only in November, 1978. Asked to state the reasons for the escalation, ITDC informed in a note that it was due to increase in cost of labour and materials, provision of additional facilities like 100 per cent air-conditioning and swimming pool and increase in scope of work.

36. On being enquired as to why did the ITDC not take prior approval of Government for escalation in cost, the Chief Engineer of the Corporation stated in evidence that after commissioning of cottages in December, 1972, the second phase of the hotel complex was delayed. Many contractors came in for escalation of cost. ITDC wanted to wait till the project was completed so that it could know the exact escalation and go for sanction once only. He, however, agreed that the Corporation could have obtained the sanction of Government on the basis of some data while making clear that this was subject to various factors.

III. ACCOMMODATION FACILITIES

A. *General*

1. The ITDC Ltd. had 21 hotels as on 31 March, 1981 in addition to 2 managed hotels. Of these no hotel except Ashoka, Akbar and Janpath hotels of Delhi has shown profit successively during the last 8 years i.e., 1973-74 to 1980-81. In 1980-81, 14 hotels incurred losses though the aggregate profit for all hotels was Rs. 161.26 lakhs.

2. Asked about steps taken for improving the cost efficiency of various units of ITDC, the Committee were informed in a note by the Corporation that a special study team had undertaken the analysis of the working results of some of the loss making hotel units. The measures suggested by the study team were being implemented through Cost Reduction Committee which had been formed at Hotel Pataliputra and Hotel Jaipur. The study reports for Kovalam Beach Resort and Airport Hotel, Calcutta were under consideration. The Committee desired to know as to when the study team was constituted and when it was likely to complete its task. The CMD stated in evidence that the study team constituted in January last year after the visit of the Committee to some of the hotels has so far submitted reports in respect of nine hotels, *viz.* Airport Hotel, Calcutta, Kovalam Beach Resort and Patliputra, Jaipur, Jammu, Aurangabad, Khajuraho, Qutab and Ranjit Hotels. The study team was expected to submit its reports in respect of rest of the loss making units in the next six months.

3. Asked to state broadly the findings of the study team, the witness stated that the findings in the case of Khajuraho, Jammu and Aurangabad hotels indicated that the projections of the occupancy in the feasibility studies were a little optimistic. Because of low occupancy it was not possible to absorb the fixed costs, interest, over-heads etc. Both in the case of Khajuraho and Jammu there was fall in foreign traffic. Thus the number of rooms available was far in excess of the number of persons needing quality accommodation. There was also competition with private hotels.

B. *Food Cost*

4. According to Audit ITDC has prescribed the percentage of food cost to food sales at 35 per cent in the case of Ashoka Hotel, New Delhi

and at 40 for other hotels. The following table shows the percentage of food cost of food percentage in some of the hotels for the period 1978—81:

Hotel	1978-79	1979-80	1980-81
	Percentage	Percentage	Percentage
Janpath	40·0	38·4	36·4
Akbar	37·6	37·9	36·5
L.V.P. Hotel	33·6	40·5	40·4
Aurangabad	39·0	39·2	N.A.
Ranjit	35·8	40·0	40·1
Qutab	34·4	37·6	39·6
Airport, Calcutta	34·4	42·0	36·5
IMP Hotel	43·5	43·7	39·6
Hassan Hotel	N.A.	N.A.	N.A.
Patliputra Hotel	45·2	41·9	57·6

5. The Committee desired to know whether the Corporation had analysed the reasons for the food costs being higher than the prescribed norms. The Chairman & Managing Director, ITDC stated in evidence:

> "....there are a few cases where the food costs have gone up. We are aware that still there is a certain element of pilferage or wastage that is taking place. We are trying to reduce the food costs."

6. Asked to state the steps taken by the Corporation to have a control on food costs, the witness stated that greater supervision on the part of the supervisory staff was being effected and norms were being laid down for issue of raw materials. Kitchen order Token system was already there to make counter-verification. Surprise inspections were also sought to be introduced.

7. In regard to steep increase in percentage of food cost to food sales in Patliputra hotel from 41.9 per cent in 1979-80 to 57.9 per cent in 1980-81, the CMD stated that severe action has been taken against certain staff and some people had been suspended. In January, 1982, the percentage had come down to 42.9 per cent.

8. When enquired about the position in this regard in the competitors hotels, the witness stated that in the Taj Group the position was probably slightly better while in Oberoi and other groups the position was the same as in ITDC or even worse.

C. *Employment*

9. The International norms for the room to staff ratio for hotels in the Asian Region is 1:1.87. This ratio was higher than the norm in 10 hotels of the ITDC. The room to staff ratio has 1:2.88 in Ashok Hotel, 1:3.32 in Janpath hotel, New Delhi and 1:3.25 in Kovalam hotel.

10. The Committee on Public Undertakings in their thirteenth Report (1967-68) felt that disproportionate ratio existed between staff and bed capacity in Indian hotels including Ashok hotel in New Delhi. The Committee hoped that efforts would be made to bring the bed staff ratio to 1:1 in due course. The Government in their reply (December, 1969) stated that steps were being taken to bring down the staff ratio in relation to bed. However, it would be seen from the following table that the bed staff ratio continues to be higher than 1:1 in many of the hotels:—

Hotel	1978-79	1979-80	1980-81
1. Ashoka Hotel, New Delhi	1:2·0	1:1·7	1:1·7
2. Ashok Hotel Bangalore	1:1·1	1:1·1	1:1·1
3. Airport Hotel, Calcutta	1:1·2	1:1·2	1:1·4
4. Kovalam Beach Resort Hotel	1:1·1	1:1·1	1:1·4
5. Janpath Hotel, New Delhi	1:2·0	1:2·0	1:2·0
6. Lodhi Hotel, New Delhi	1:1·3	1:1·3	1:1·5
7. Ranjit Hotel, New Delhi	1:1.4	1:1·4	1:1·5

11. According to Audit the Management stated (July 1981) that "the increase in bed staff ratio in respect of Ranjit and Lodhi Hotels is only marginal. In case of Ashoka and Janpath, these hotels started functioning in 1956 and 1964 respectively. At that time the hotel industry being at its infancy stage, there was no trained personnel available for manning various operations efficiently with the result more staff had to be recruited. These employees who had served for a long period could not be retrenched or transferred to other units as per agreement with them. A Com-

mittee had however, been appointed to review the staff pattern of all Delhi based hotels and to reduce the staff strength wherever possible."

12. The Committee desired to know when the review Committee was appointed and whether its report has since been submitted. The CMD, ITDC stated in evidence that for Ashok Hotel a Committee was appointed as far back as December, 1975 which submitted a report in September, 1976, in regard to the strength of supervisory and managerial staff. Another Committee was constituted in November, 1978 to review the staff strength of all categories of posts, to make necessary modifications and to determine fresh categories of posts. Their view was that the room staff ratio should be accepted as 1:2.5 except in case where additional facility had to be provided over and above the normal facilities provided by the hotels. In June, 1981, another task force was constituted to go into the matter. After it made some tentative recommendations, it was decided to set a study of all. ITDC units conducted by the Staff Inspection Unit of the Ministry of Finance. They have started work on the Akbar and thereafter other units would be covered.

13. Asked to state whether the ratio was brought down after the recommendation of the Committee on Public Undertakings, the Committee were informed by the CMD that the room staff ratio had first increased to 1:3.2 in Ashoka hotel but it has now come down to 1:2.7.

D. *Breakage of Crokery and Cutlery*

14. The Committee desired to know whether any norms have been fixed by the Corporation for breakage and loss of crockery and cutlery. ITDC in a note stated that the Management had laid down norms as early as in June, 1973, for the breakages and loss of crockery and cutlery at 0.5 per cent of the total sales of the hotel. These norms have again been reviewed and fresh norms fixed as under for the different sizes of the Hotel:

	Hotels having more than 200 rooms	Hotels having more than 100 but less than 200 rooms	Hotels having less than 100 rooms, TLs/Forest Lodges and Restaurants
Write off of crockery, cutlery, glassware & kitchen utensils etc.	2% of F&B sales	1·5% of F&B sales	1% of F&B sales
Write off of linen & blankets etc.	1·5% of room sale	1·0% of room sale	1·0% of room sale

15. As against this the percentage loss of crockery & cutlery written off to the food and breakage sales for the last four years was as under:—

Percentage of loss of crockery, cutlery write off to the food and beverage sales for the years.

	1978-79	1979-80	1980-81
1. Ashok, New Delhi	3·4	3·3	2·9
2. Akbar, New Delhi	4·1	3·3	3·1
3. Janpath, New Delhi	2·9	2·9	3·2
4. Ashok, Bangalore	5·3	3·6	3·9
5. Airport Ashok, Calcutta	4·9	2·7	0·8
6. Kovalam Beach Resort	3·6	2·8	1·8
7. Lodhi, New Delhi	1·7	2·3	2·3
8. Ranjit, New Delhi	2·9	2·1	1·6
9. Qutab, New Delhi	4·0	4·7	3·3
10. Lalitha Mahal Palace, Mysore	5·4	2·7	8·3
11. Pataliputra Ashok	3·9	3·8	2·2
12. Kovalam Grove	2·9	0·3	3·8
13. Hassan Ashok, Hassan	2·2	1·3	2·2
14. Jammu Ashok, Jammu	1·2	2·0	1·2
15. Aurangabad Ashok, Aurangabad	5·3	0·5	5·1
16. Varanasi Ashok	1·3	1·1	1·2
17. Khajuraho Ashok	1·0	0·9	1·0
18. Laxmi Vilas Palace Hotel, Udaipur	1·5	0·8	1·3
19. Temple Bay Ashok Beach Resort, Mahabalipuram	1·6	1·2	2·1

Note: Hotels at S. Nos. 1 to 3 have more than 200 rooms

Hotels at S.Nos. 4 to 8 have between 100 & 200 rooms

Hotels at S. Nos. 9 to 19 have less than 100 rooms

16. Asked to state the reasons for losses on account of breakages of crockery and cutlery being higher in the bigger units than in the smaller units, ITDC in a note stated that the breakages and loss of crockery and cutlery were primarily dependent on the areas and distance of movement and the extent room services provided to the customers. It also depended on the quality and the type of the crockery, cutlery, glassware and silver-

ware used in the respective hotels. In bigger hotels silverware cutlery utensils and high quality crockery and glassware were used against stainless steel cutlery and earthenware crockery used in smaller hotels; hence variations in the percentage of breakages and loss. The variation in the percentage of cost on breakages and loss on crockery and cutlery from year to year were due to the utensils and other major items of cooking vessels suddenly becoming unserviceable in a year after its useful life of a couple of years.

E. *Norms of Expenses*

17. In June, 1973 the Management of ITDC prescribed norms in percentages of expenses to total sales for judging the performance of hotel units. According to Audit, these norms have not been reviewed and revised so far. The expenses under various heads were, however, found to be high in many hotels. In July, 1981, the Management stated that the percentage fixed in 1973 could not be considered as the standards and that they proposed to lay down standards of expenditure for various hotels.

18. When the Committee pointed out the fact of actual expenses being higher than the norms, the CMD, ITDC stated in evidence:—

> "We are already taking remedial measures for this purpose...... and I assure you that we will strive our utmost to see that we keep to the norms or we keep approximately to the norms."

19. The Committee enquired whether standards of expenditure for various hotels have been laid down. The witness stated "We are working on that."

F. *Tariff Structure*

20. The Committee were informed in a note by ITDC that one of the reasons for the losses was that tariff of some ITDC hotels was much lower than the tariff of comparable hotels in the private sector.

21. In this connection the Ministry of Tourism & Civil Aviation however, stated in a note that the tariff for all public sector and private hotels on the approved list of the Ministry was approved on uniform basis of new Hotel Room Tariff Formula which was formulated by a special Study Group in 1978 on which the Federation of Hotel and Restaurant Association and the Travel Agents Association were represented. A representative of ITDC was also a member on the Study Group. Accordingly, the tariffs of all hotels were fixed on the basis of operating and over-head expenses under appropriate heads including interests and the actual depriciation as claimed for income-tax purposes, income-tax actually paid and returns on capital employed as per the data furnished by the hotel-

iers. Tariff for ITDC hotels was fixed according to the information supplied by them. No discrimination was exercised in respect of any approved hotel in fixation of tariff.

22. The Committee desired to know as to why the tariff of ITDC hotels was fixed lower when there was no discrimination in the matter between the public and private sector. The CMD, stated that ITDC received a letter from Government dated 6-5-1980 addressed to all hotels reiterating that in the interest of maintaining the price line, the tariffs of hotels should not be enhanced unless considerable expenses and investments have been made by way of major renovations and expansions made for facilities. In the case of ITDC, expenditure on renovation being very small Government did not agree to increase in the tariff.

23. The ITDC stated in a note that on the basis of experience gained it was felt that there was a need for change in the tariff fixing formula. The formula should be based on the quality of services. In reply to a question whether the ITDC at any time represented to the Government that the formula fixed in 1978 should be changed, the General Manager (Hotels), ITDC stated in evidence that it was not done in writing. However, in a meeting held with the Director General (Tourism), ITDC requested that basis of tariff should be facility and the quality of service. It was added that with effect from 1 October, 1981 the tariff in Ashoka Hotel was substantially raised but it was still lower than the private sector.

G. *Occupancy*

24. In the 5-star category, the occupancy of Ashoka and Akbar Hotels. New Delhi has shown a decline after 1977-78. In the former it declined from 89 in 1977-78 to 67 in 1980-81 while in the later it declined from 96 to 77 during the same period.

25. In the 3-star category the occupancy percentage of Kovalam Grove, Pataliputra Hotel, Patna, Khajuraho Hotel and Tample Beach Resort, Mahabalipuram was quite low. Occupancy had not gone beyond 44 per cent in the case of Jammu Hotel and 24 per cent in the case of Aurangabad Hotel since expansion. According to Audit the investment decisions in many cases did not take into account all the relevant factors or were based on unreliable or incomplete data. Further, some of these hotels did not appear to be able to hold their own in the face of competition from the private sector.

26. The Committee desired to know whether the reasons for the low occupancy in ITDC hotels had been analysed by the Corporation. The Chairman and Managing Director, ITDC stated in evidence that one of the reasons was that the travel agents gave second preference to ITDC.

In order to play safe they booked with ITDC also but cancelled the booking at the last minute. To counteract this, ITDC had set up its own travel agency which had started functioning from October, 1981 and during three months it fetched business worth Rs. 30 lakhs. In reply to a question he agreed that for the travel agency to be really effective ITDC, Indian Airlines and Air India should work together. Another factor responsible for the low occupancy was stated to be the prohibition policy resulting in private and even public sector business shying away from ITDC. The lower tariff in ITDC, hotels also created the impression of inferior quality.

H. *Share of Foreign Guests*

27. ITDC's share in total hotel accommodation in the country and its share in the stay of foreign guests during the years 1978—81 was as follows:—

Year	% shares of ITDC in total accommodation	% share of guest nights in ITDC hotels
1978-79	11·79	10·68
1979-80	13·64	10·37
1980-81 . .	12·07	10·30

28. When the Committee desired to know the reasons for the comparatively lower utilisation of ITDC's accommodation by the foreign guests, the CMD stated in evidence:—

> "One of the problems that we have is that we do not have any hotel in Bombay. Bombay is one of the major ports of embarkation and all the major chains have big hotels at Bombay. We cannot catch hold of the chain tourist traffic. It is the missing link which has to be taken care of. Secondly, we do not have our own travel agency abroad. We have just set-up our own travel agency. The Tourism offices abroad do not help us. So, we have been handicapped because of effective marketing organisation and the thrust is lacking."

29. The witness agreed with the Committee that in view of the fact that the absence of ITDC hotel at Bombay was a major handicap to the corporation, the construction of a hotel in Bombay should have been given priority. He, however, added that the project was included in the 6th Plan, but it would not be possible to construct a hotel in Bombay out of the present plan provision.

30. Subsequently the ITDC, in a note stated that a proposal for a joint venture with International Airports, Authority of India at Sahar terminal was being worked out and in order to get over the constraints of plan resources, it was proposed to go in for institutional finance both from within and outside the country.

31. The star-category-wise breakup of the tourist accommodation of ITDC units as in September, 1981 was as follows:—

Star Category	No. of Units	Capacity (Rooms)	percentage of total accommodation
5—Star .	7	1531	51·90
4—Star .	1	213	7·22
3—Star .	13	880	29·83
2—Star .	5	192	6·51
1—Star .	13	124	4·54
TOTAL .	39	2950	100·00

32. According to a survey of foreign guests conducted in 1976-77 by the Administrative staff college of India, Hyderabad, there was greater demand by foreign guests for 3-star, 2-star and cheaper accommodation.

33. Asked to state the corrective steps taken by the corporation after the survey report to provide more 3-star, 2-star and cheaper accommodation, the CMD stated in evidence that the Board has decided that all the properties to come up in future should mainly cater to 3-star or below category. The only major 5-star hotel contemplated was for Bombay. While previously 65 per cent of the total outlay was accounted for by 5-star and 4-star hotels, by the end of sixth Plan, this percentage would come down to 47 per cent.

I. *Managed hotels*

34. The India Tourism Development Corporation took over the management of two private sector hotels, *viz*. Hotel Mumtaz Ashok, Agra, *w.e.f.* February, 1979 and Hotel Karnavati Ashok, Ahmedabad *w.e.f.* August, 1979.

35. The ITDC stated in a note that the owners of Hotel Mumtaz Ashok, Agra were not willing to invest any amount on renovation or on replacement of linen, furnishing etc. which were badly needed. They also defaulted in clearing the dues agreed to in the contract. The owners of

Hotel Karnavati also did not cooperate with the corporation. They neither gave any statement of turnover, profit or liabilities nor were clearing the dues of ITDC in time.

36. In reply to a question regarding the terms of the contract, the CMD informed the Committee in evidence that one of the terms laid down that ITDC would provide certain services while they (the owners) were expected to maintain the hotels upto a certain standard. But the corporation's experience with these two private hotels had not been happy as they tried to minimise their obligations every where as a result of which reputation of ITDC suffered since the visitors staying there were under the impression that it was an ITDC hotel.

37. Asked to state the considerations for taking over private hotels, the witness stated that the factors considered were the extent to which it helped to promote ITDC's image, the feasibility of its running in profit and its capability to provide a missing link in the chain.

38. On being enquired whether, having regard to the need to project a certain image of the Ashok Chain of hotels and the ITDC's experience in this regard with the two managed hotels, it was desirable to continue the management of these private hotels, the CMD informed the Committee that the contract in respect of Hotel Karnavati has been terminated *w.e.f.* 28 February, 1982. The witness also expressed the view that in future, considering the image of the chain, ITDC would have to be very careful in selecting the party with whom it entered into a management contract.

J. *Regional Spread*

39. The regional spread of accommodation facilities of ITDC as in September, 1981 was as follows:—

Region	Hotel /Lodges	No. of Rooms
Southern	10	482
Eastern	7	340
Western	7	233
Northern	9	283
Delhi	6	1603

40. The Committee enquired about the possibilities of correcting the regional imbalance in the availability of ITDC's accommodation facilities in the near future. The Chairman & Managing Director stated in evidence that Ashoka, Lodhi, Ranjit and Janpath Hotels in Delhi were transferred to the corporation after its formation. These were historical legacies. After the completion of Samrat Hotel there would be no more addition in Delhi. The witness also informed that the region-wise 6th Plan projections for accommodation in terms of room were 782 for Southern, 793 for Eastern, 693 for Western and 741 for Northern regions.

41. On a suggestion by the Committee for setting up Hotels at Cochin and Quilon in view of commercial importance of these places, the ITDC in a note submitted after evidence stated that it would have a feasibility study done and depending upon demand analysis and subject to availability of resources, Hotels at these centres would be considered either directly or jointly with the State Government or private parties.

K. *Travellers' Lodges/Restaurants*

42. According to Audit, during the third five year plan, the Department of Tourism constructed tourist bungalows and restaurants at various places of tourist interest in the country at such remote tourist places where private enterprise was not willing or did not come forward to invest. The management of these small units remained with the erstwhile Hotel Corporation of India Limited from April 1966 and with ITDC for the period April 1967 to December 1968 on agency basis i.e. the net profit or loss on the operation of these units was to be passed on to Government. The ownership of these lodges and restaurants was transferred to ITDC with effect from January 1969 at a provisional price of Rs. 75 lakhs. At the timo of take over these units were incurring losses.

43. The Committee enquired that if the ITDC had to function on purely commercial lines why did it take up such unremunerative activities. The Chairman and Managing Director stated in evidence that there was a tacit understanding that the losses would be subsidised by the Government though there was no commitment in writing.

44. Subsequently, ITDC in a note furnished to the Committee stated that there was a provision of Rs. 15 lakh in the Fourth Plan of Department of Tourism for giving the subvention of ITDC for meeting the losses incurred in running these units. Accordingly, ITDC approached the Government in 1972 for the payment of subsidy. In January, 1973, the Government decided that in view of the circumstances in which the lodges were transferred to ITDC, subsidy might be paid on the basis of operational losses before providing for depreciation and overheads. The

payment of subsidy was to be till the end of the Fourth Plan period only. At the request of ITDC it was agreed at a meeting between DG (Tourism) and C&MD, ITDC in May, 1974 that operational losses would be reckoned including depreciation but excluding overheads and interest in computing the losses for calculating the subsidy. However, at this meeting the Ministry of Finance was not represented.

45. ITDC submitted a claim amounting to Rs. 23.12 lakhs excluding central overheads and overheads relating to P&P Division but including the direct expenditure allocable to Travellers Lodges. After the claim was examined by the Cost Accounts Branch of the Ministry of Finance, ITDC was informed in December, 1976 that no subsidy would be payable to ITDC.

46. Asked whether there was any commitment by Government in this regard before ITDC took over these units, the CMD stated that there was neither a commitment in writing nor a presidential directive. The Committee desired to know whether a formal directive of the government was not necessary in cases where ITDC had to take up activities not commercially justified and not in the nature of promotion of its own commercial facilities. The Secretary, Ministry of Tourism and Civial Aviation stated in evidence "I take note of this point."

L. *Marketing Abroad*

47. According to the Committee on restructuring of the ITDC, unlike the private sector hotels, ITDC was handicapped by lack of direct sales outlets abroad for aggressive marketing of its services and there was a good case for allowing ITDC to open sales offices in important markets. The Empowered Committee, however, decided that for the present ITDC need not open sales offices abroad and if necessary, local sales agents might be appointed in important markets abroad.

48. The Committee desired to know whether the ITDC at any time proposed to government opening of office abroad, the CMD stated in evidence that there was a specific proposal was sent to the Government. However, it was not approved by the Government.

49. The witness also informed the Committee that in April, 1976, ITDC sent proposal for posting its representatives in DOT offices abroad. The Department, however, expressed the view that the return would not be commensurate with the investment involved. The agency arrangement, that the ITDC had with certain foreign parties also broken down because of non-payment of dues. The ITDC then decided to appoint its agents abroad. The proposal sent in October, 1981 was stated to be pending with Government.

50. The Memorandum of Association of ITDC provides that it can establish agencies in India and elsewhere and regulate their working and discontinuance thereof. It also provides that the Corporation can enter into agreements with companies associations, societies, organiations or persons, foreign or Indian for securing any of the company's objects. The Committee enquired whether in view of these provisions of the Memorandum of Association, it was necessary for ITDC to obtain prior approval of the Department of Tourism to open foreign offices or to post its representatives or to appoint local sales agents abroad. The Secretary of the Ministry stated that whenever any collaboration with an agency in foreign country was involved, the proposal came to Ministry of Tourism and Civil Aviation for formal approval which transmitted it to Department of Economic Affairs for release of foreign exchange. In regard to appointing local sales agents abroad the approval of the Ministry was necessary.

51. On the question of opening of foreign offices by ITDC, he stated that no proposal had come up from ITDC in this matter. In reply to another question whether it was not desirable for the ITDC to open offices abroad at least where the Department of Tourism did not have any office for example, Africa, Mauritous etc. where from ethnic traffic could be promoted, the witness stated that a view would be taken on the whole matter after a formal dialogue with the ITDC.

52. When the Committee desired to know why the payments due to some foreign parties were not being cleared by Government, the Secretary, Ministry of Tourism and Civil Aviation assured that he would look into the matter.

M. *Travel Agency*

53. The Empowered Committee decided that the ITDC should take over travel wing of M/s. Balmer Lawrie & Co. Ltd. Asked to state the progress made in this regard, the Secretary, Ministry of Tourism & Civil Aviation stated in evidence that the matter was discussed with M/s. Balmer Lawrie and the concerned Ministry but they said they were not in a position to hand over. The ITDC was, therefore, asked to have its own travel agency.

54. The Committee desired to know whether ITDC had set up its own travel agency and if so whether it would operate also. The CMD informed in evidence that the travel agency had been started with effect from October, 1981 with its office in Delhi. Offices in Calcutta, Bangalore, Madras and Bombay were planned. Government was however, not in favour of ITDC opening offices abroad.

N. *Merger of HCI*

55. ITDC in a note expressed the view that the overlapping of activities and functions of ITDC and Hotel Corporation of India was not desirable from the point of view of promotion and development of tourism in the country. In the public sector, there should be one sectoral corporation for the hotel and tourism industry. ITDC, should therefore, have exclusive responsibility for promotion and development of tourism in the central sector and there should be no other parallel organisation. The Empowered Committee also suggested appointment of a Task Force under the Chairmanship of the Secretary, Ministry of Tourism & Civil Aviation to go into the question of merging the Hotel Corporation of India with the ITDC.

56. On being enquired whether it was desirable to allow competition in the hotel industry in the public sector, the Secretary, Ministry of Tourism & Civil Aviation opined in evidence that there was no competition as such. The HCI would set up hotels only at airports. Having their own hotels would reduce the expenditure of the Air India. In regard to future expansion of HCI, the witness stated that they were building one hotel in Delhi for the passengers of Air India in transit and had no intention of setting up any other hotel. The witness however assured the Committee that the matter would be gone into by the Study Group which has since been constituted.

O. *Use of facilities by Govt. & Public Sector*

57. According to the BPE guidelines issued in October, 1979, Public Sector Executives should normally stay in Guest Houses of Public Undertakings. In the case of non-availability of guest house accommodation, they should stay in public sector hotel accommodation. In any case non-public sector hotels should not be patronised in stations|cities where public sector hotel accommodation was available. In March, 1981, the BPE further issued guidelines that public enterprises should use public sector hotels for their business entertainment also. The BPE again issued guidelines in November, 1981 to public undertakings informing them that ITDC had also offered a rebate of 20 per cent to Public Sector Undertakings executives when travelling on duty or on leave and staying in hotels, travellers lodges etc. The incentives offered by the ITDC were as follows:—

(i) 20 per cent discount on room rent.

(ii) Additional discount of 15 per cent by selected hotels of ITDC which will be notified by their Marketing Division from time to time; applicable for summer season from April to September. For this booking would have to be done direct with the hotels and the bills would have to be settled within 15 days of the receipt by the undertakings.

(iii) ITDC would issue credit cards for a few senior officers of each undertaking as recommended by the Chief Executive concerned.

58. According to ITDC, despite these instructions and liberal concessions there have been instances where ITDC facilities were not utilised by public sector undertakings and there was need to reiterate these instructions for their strict enforcement. In this connection, the C&MD of ITDC stated in evidence that as in the case of Government servants there was a restriction to fly Air India only while going abroad to help the national Airlines similarly the public sector people should stay in a public sector hotel only whether it belonged to ITDC or to the Hotel Corporation of India.

IV. TRANSPORT & SHOPPING FACILITIES

A. *Transport*

1. The Transport Division of ITDC has 17 units as on31 January, 1982 consisting of 269 vehicles (Tourist cars 48, Luxury cars 38, Luxury Coaches 44 and Mini coaches 40) with a gross investment of Rs. 259.22 lakhs. The Division has been making losses throughout the 12 year period 1970—82 except in two years 1971-72 and 1973-74. The losses after setting the profit for two years during 1979—82 (as on 31-1-1982) were of the order of Rs. 105.16 lakhs. According to Audit the losses were mainly the result of low utilisation of fleet and high cost of repairs and maintenance of an over-aged fleet.

2. Asked to explain the reasons for the poor performance of the Transport Division, the Chairman & Managing Director stated in evidence that one of the reasons for this was that the fleet had become very old. Out of a total fleet of 288 vehicles as on 31 March, 1981, 247 vehicles (*i.e.* more than 82 per cent) were overaged. Of these 179 vehicles were more than 9 years old. The old fleet was being replaced and 61 vehicles have already been disposed of. ITDC hoped to get an imported fleet of 118 in addition to about 60 Ambassadors. The CMD expressed the hope that the Transport Division would earn profit during 1982-83. However, he agreed with the Committee that the replacement of fleet should have been done earlier.

3. The Committee were informed by the ITDC that it proposed to import 118 luxury cars at an estimated cost of Rs. 220 lakhs to replace the obsolete fleet as also to meet the transport requirements of Asiad 82. Asked to state the latest position in the mater, the ITDC informed in a note (Feb. 1982) that after clearance by the Ministry of Finance, the ITDC had sent a team of its officials abroad in October, 1981 to strike best bargain within the sanctioned amount. On the basis of the report of the team, the Corporation submitted a revised memorandum on 4 January, 1982 for the EFC for import of 90 Datsun (Blue-bird) and 28 Mercedes 200 D cars at an estimated cost of Rs. 261 lakhs. But later in view of the forthcoming meeting of the Heads of Government during CHOGM-1983 for which the Ministry of External Affairs desired that all Heads of States should be provided with the same kind of cars, it has been agreed to import 65 Mercedes 200 D cars within the sanctioned foreign exchange. For meeting the balance requirements, it was stated that efforts would be made to secure institutional finance.

4. In reply to a question as to what percentage of business the ITDC was able to obtain from the Ministry of External Affairs when foreign delegations came to India, the witness informed the Committee that ITDC could get only 10 per cent of the business since it was not able to meet the whole requirement. The Committee were also informed that though the ITDC may obtain most of the business for Asiad 82 and CHOGM-83 it would have to requisition private vehicles.

5. Asked to state as to why the losses during 1980-81 were as high as Rs. 15.65 lakhs, the CMD informed the Committee in evidence that it was due to the higher operating ratio. When the Committee desired to know why the tariff was not raised accordingly, the witness stated that tariff rate was determined by the State Governments. The ITDC in a written reply also informed the Committee that this tariff fixed by the State Transport Authorities was invariably for below the realistic tariff demanded by the transport units of ITDC resulting in losses. Particularly demand for tariff in respect of high priced sophisticated cars like Mercedes was disregarded by RTA/STA since all the cars in DLZ category irrespective of the level of technological sophistication were covered under one tariff. It was also stated that STAs/RTAs did not react prompity in revising the tariff with the increase in the cost of inputs.

6. On being enquired whether the Ministry of Tourism & Civil Aviation at any time took up the matter with the State Governments, the Ministry informed the Committee in a written reply that they had not made any references on this account to State Transport Authorities/Regional Transport Authorities because such references were made only when the Ministry's assistance was sought.

7. The Committee noticed that the transport units of ITDC had a mix of vehicles, such as Ambassador cars, luxury cars, big coaches and mini coaches. The utilisation of some of these vehicles was very poor in some units. For instance, the percentage utilisation of certain vehicles in some of the units during 1979-80 and 1980-81 was as follows:

Type of Vehicle	Name of Unit	Percentage Utilisation	
		1979-80	1980-81
Luxury Cars	Bhubaneshwar	3·5	15·9
	Calcutta	18·6	33·3
	Indore	32·5	20·4
	Madras	33·4	21·7
	Patna	27·6	2·4
Big Coaches	Bhubaneshwar	19·9	32·2
Mini Coaches	Aurangabad	45·3	24·6

8. The Committee desired to know whether it was not desirable to withdraw such vehicles where utilisation was very poor and deploy them in other places instead of operating all types of vehicles in each unit. The Chairman and Managing Director, ITDC stated in evidence:

> "....We have drawn up a new schedule....as to where the deployment should be and I entirely agree with you that there is much to explain for what has happened in the past....We will start redeployment of these cars from June as soon as the new fleet arrives."

9. The Committee were informed by ITDC that a Committee was set up by the Government in 1977 to examine the working of the Transport Division of the Corporation. The Committee submitted its report in the middle of 1978. It was, however, noticed that ITDC has not yet fully implemented the following recommendations made by that Committee:

(i) The uneconomic Transport Units should be closed down.

(ii) There should be an Officer of suitable scale of pay at the Headquarters and entrusted with the responsibility to survey the potential of package tours.

(iii) The Transport Division should enter into an understanding/agreement with the well established car rental organisations in the world so that the booking of the vehicles can be done by them.

(iv) ITDC should establish foreign offices on the lines of the offices of the Department of Tourism in selected important places.

(v) The system of Counter staff as sales outlet should be done away with. Marketing of the transport Division should be given to commission agents appointed for this purpose who should be responsible for the utilisation of the fleet.

10. The Committee desired to know as to why there was delay in implementing these recommendations. The CMD stated in evidence that certain uneconomic units like Indore and Jabalpore were not closed down as it was felt that they could be made profitable. Some other units were not closed down in view of the fact that they were opened in pursuance of assurance given in Parliament by the Minister. On the question of tie-up with well-established car rental organisations in the world for booking of the vehicles the witness stated that the scheme was not considerable feasible. In regard to marketing by commission agents the Committee were told that "We have an open mind towards it" though most of the business obtained by ITDC was through its own outlets and only 17 per cent busi-

ness was given by Travel Agents. The recommendation regarding appointment of a suitable officer for survey of the potential of package tours was stated to be under implementation.

B. *Duty Free Shops*

11. ITDC has set up duty free shops at each of the international airports at Tiruchirapally Airport and at Ashoka Hotel, New Delhi. The ITDC in a note informed the Committee that the International Airports Authority had a tendency to charge higher rent from ITDC for its Duty Free Shops, as compared to private shop-keepers.

12. Asked to elaborate on this point, the CMD, ITDC stated in evidence that IAAI were taking an increase of 10 per cent from private people while they were demanding 60 per cent of profit or 20 per cent of turnover from ITDC. The Committee pointed out that ITDC had been given the monopoly of duty free shops by Government and asked how it could be compared to private shops, the witness stated:

> "....there should be some reasonable basis.... we are selling still at the 1979 price level. The idea is to compete with the other duty free shops in the world. Our prices are the same as at Singapore which is considered among the cheapest duty free shops."

13. The Committee enquired whether ITDC had requested for allotment of space in the international arrival areas for duty free shops and if so, what has been the outcome of the examination of their request. The Ministry of Tourism & Civil Aviation stated that IAAI had allotted space to ITDC in the International Departure Area for duty free shops at the four international airports. The ITDC had also requested IAAI to allot space in international arrival areas also. As the arrival areas at international airports were planned several years ago when there was no proposal to set up any duty free shop in such areas, it was felt that at this stage no new shop might be opened in the arrival areas as it would lead to more congestion. However, IAAI had no objection in principle to open such shops in future in the new arrival areas. Accordingly, provision would be made for such shops in the new arrival areas.

V. WORKING RESULTS

A. *Profitability*

1. The working results of the Corporation for the last five years were as follows:—

(Rs. in lakhs)

	1976-77	1977-78	1978-79	1979-80	1980-81
Profit before tax	132·52	192·36	223·35	185·52	198·61
Per centage of profit before tax to Capital employed . . .	6·0	8·1	8·3	6·3	6·3

2. According to Audit although the Corporation has been earning profits, the rate of return on capital employed was far below the expected rate of return of 15 per cent. Further, out of 72 business centres only 20 made profits during 1980-81.

3. Asked to state the reasons for low per centage of profit before tax to capital employed, ITDC stated in a note furnished after evidence that the rate of return on capital employed in the Corporation was on the lower side as the Corporation, besides its commercial activities, was also required to undertake promotional ventures for providing tourist infrastructure in the country. The main activity of the Corporation was provision of accommodation for tourism and with its rapid expansion, the Corporation had been adding new hotels continuously to its existing chain. Generally, in the case of new hotels, there was a long gestation period and on new hotels for the first 5 years or so either there was a loss or a nominal profit. Similarly, in the case of promotional transport units it took 3-4 years before these units started earning profits. Such activities, therefore, generally depressed the overall rate of return of the Corporation.

4. Excluding the capital employed and losses of the promotional units the per centage of profit before tax to capital employed would be 10.0 per cent and 9.8 per cent during 1979-80 and 1980-81 respectively. Further if the capital employed and profitability of 5 Star and 4 Star properties only was considered the per centage of profit before tax to capital employed for these years worked out to 9.6 per cent and 10.4 per cent respectively.

5. Activity-wise profitability of the Corporation during the last five years was as follows:

Net Profit/Loss (Rs. in lakhs)

Activities	1976-77	1977-78	1978-79	1979-80	1980-81
Accommodation and Food .	112·02	142·91	178·15	142·64	161·57
Transport	—21·29	—12·19	— 4·66	— 6·11	—15·65
Production and Publicity Sales Marketing (Product Sales)	9·79	8·46	4·41	5·33	3·7
Duty Free Shops . . .	35·10	51·26	49·46	43·11	40·4
Sound & Light Shows (Red Fort)	1·69	2·81	2·77	3·64	2·4
Miscellaneous Earnings/ Adjustments	— 4·79	— 0·89	— 6·78	— 3·09	6·4
	132·52	192·36	223·35	185·52	198·61

Thus, accommodation and food together provided most of the profits followed by duty-free shops.

B. *Inventory*

6. The inventory position in the corporation in terms of month's consumption and per centage of stock to working capital during the last five years was:—

Year	Value of stock (Rs. in lakhs)	Consumption (Rs. in lakh)	Stock in terms of months consumption	Working capital	% of stock to working capital
1976-77 . . .	265·07	462·91	7	473·45	56
1977-78 .	328·74	555·05	7	493·46	67
1978-79 . . .	386·51	583·98	9	833·06	46
1979-80	402·13	560·25	9	918·54	44
1980-81	417·38	662·41	8	989·16	42

According to Audit, priced stores ledgers had not been introduced in the absence of which the pricing of issues was done on deductive method *viz.*, (opening balance plus purchases minus closing stock). The statutory

Auditors the Corporation had also commented upon the unsatisfactory system of physical verification in-as-much as the staff conducting physical count were the very same individual who had either maintained the registers or the stocks.

7. The Committee desired to know the steps taken by the Corporation to bring down the inventory holding and the reasons for not introducing the system of priced stores ledgers ITDC in a note stated in this connection that in order to control inventory it was necessary that an ABC analysis be made of all the stores procured and consumed during a year. For this purpose it was essential to maintain Priced Stored Ledgers. Except at Janpath Hotel and a few small hotel units, priced store ledgers were not being maintained at any other unit. ITDC had taken a policy decision to introduce 'Uniform System of Accounting' in all its hotel units gradually which necessitated maintenance of priced store ledgers. Initially, this system was being introduced in Akbar Hotel and the New Kanishka Hotel.

C. *Book Debts*

8. An amount of Rs. 505.75 lakhs was due from customers as on 31 March, 1981. But of this a sum of Rs. 138.32 lakhs related to debts outstanding for more than one year, the age-wise break-up of which is given below:—

(Rs. in lakhs)

	Govt. deptts.	Others	Total
1. Debts outstanding for more than one year, but less than two years	13·66	24·37	38·03
2. Debts outstanding for more than two years, but less than three years	13·08	17·74	30·82
3. Debts outstanding for three years and more .	34·15	35·32	69·47
	60·89	77·43	138·32

In view of the heavy outstanding the Committee on Public Undertakings in their Sixty First Report (1974-75) recommended that effective steps should be taken so as to ensure that the dues of the hotels of ITDC are realised from the Ministries, Government Departments, embassies and other clients within one month of their becoming due. In June 1977 the Corporation prescribed a credit policy and detailed procedures for implementation by its various divisions and units on the recommendations made by the Department of Personnel & Administrative Reforms (DPAR) which was appointed to make an indepth study of the billing and collection procedures and recommend an effective system for follow up and collection of arrears in the various divisions of the Corporation. It would however, be seen from the above table that the old debts are mounting up from year to year.

D. Annual General Meetings

9. According to Section 171(1) of the Companies Act 1956, a notice of not less than twenty-one days is required to be given in writing for holding an annual general meeting. According to Section 219(1) of the same Act, every company is required to send *inter-alia* the balance sheet including the profit and loss account and the auditors report to the shareholders at least 21 days before the meeting.

10. However, an examination of the 13th to 16th Annual Reports of ITDC for the years 1977-78 to 1980-81 revealed that the provisions of the Companies Act were not being strictly followed by the company. Thus only 3 days' and 8 days' notice was given for the annual general meetings for the years 1978-79 and 1979-80 respectively whereas 21 days notice was required under the Companies Act. Further during all the four years 1977-78 to 1980-81, neither the Directors' Report nor the comments of the Comptroller & Auditor General of India under Section 619(4) of the Companies Act were sent along with the notice. When the Committee enquired as to why the provisions of the Companies Act were not being followed by ITDC, the FA&CAO stated in evidence that the Directors' Report for the year 1977-78 was finalised after the issue of notice and was presented at the annual general meeting. The period of notice for the year 1978-79 was waived since the Chairman was going abroad. On being pointed out by the Committee that though waiver for the notice period was obtained in the years 1978-79 and 1979-80, the waiver for sending the Directors Report etc. was not obtained in any of the years 1977-78 to 1980-81, the Chairman and Managing Director assured the Committee:

> "I assure you that this thing will not be repeated. From this year onwards the Committee will have no cause for complaint on this ground and it will be strictly in accordance with the spirit of the Company Law."

VI. ORGANISATIONAL MATTERS

A. Structure of the Board

In view of the expanded and widely spread activities of the ITDC, the Restructuring Committee recommended (a) the upgradation of the post of Chairman-cum-Managing Director to the level of Schedule B Post (Rs. 3000—3500) and (b) the adoption of a proper divisional structure with some autonomous divisions headed by Functional Directors in the case of more important Divisions; the other Divisions being headed by Executives below Board level reporting to Chairman-cum-Managing Director for all important decisions. The Committee recommended two Functional Directors (Rs. 2500—3000), one for Hotels (including Hotels & Restaurants) and second for Finance and Accounts. The Empowered Committee in its meeting held on 6-2-1981 and after hearing the representative of the Bureau of Public Enterprises and considering the detailed note of the Chairman-cum Managing Director of ITDC in this regard accepted the need for Functional Directors and decided that it might be implemented in a phased manner. On 9-9-1981, the Government approved the decision of the Empowered Committee to have two Functional Directors one for Hotel Management (Including Motels and Restaurants) and the second for Finance Management. Government further desired the following action to be taken:

(i) Informing ITDC about the Government's decision.

(ii) Creation of two posts of Functional Directors.

(iii) Appointment of two Functional Directors.

2. Government's decision in respect of (i) above were intimated to ITDC on 29-9-1981 for appointment of two Functional Directors. As regards action on (ii) and (iii), the case was referred to BPE on 27-11-81 for their advice in respect of the creation/appointment of two Functional Directors in ITDC. The Bureau of Public Enterprises referred the matter to the Public Enterprises Selection Board after which the matter was to be put up to the Finance Minister for orders.

3. The question of restructuring of the Board of ITDC was considered by the Committee on Public Undertakings at their sitting held on 21st December, 1981. The Chairman felt that having regard to the fact that the Committee had taken up the ITDC for comprehensive examination which would also cover the structure of the Board of the Company, it seemed but

appropriate, that Government awaited the outcome of the Committee's examination before making any such changes at this stage. The Committee agreed with him that the Secretary, Ministry of Tourism & Civil Aviation and the Director General, Bureau of Public Enterprises should be advised accordingly. This was done on 29 December, 1981.

4. The Ministry of Tourism & Civil Aviation, *vide* their O.M. dated 18 March, 1982 stated:—

"This Ministry has carefully considered the observations of the Committee on Public Undertakings to await the outcome of the examination of ITDC before making any changes at this stage in regard to the induction of Functional Directors on the Board of ITDC. In this connection, it may be pointed out that the Government had constituted a Committee on Restructuring of ITDC in 1974 . . The Committee . went into details of the working of the ITDC and submitted several observations/recommendations in 1977 concerning re-organisation/restructuring of ITDC. The Committee had taken note of the responsibilities and complexities of managing a widespread and diverse network of the tourist services of ITDC and has suggested adoption of a proper divisional structure with some autonomous divisions headed by Functional Directors in the case of more important divisions, the other divisions being headed by executives below Board level reporting to Chairman & Managing Director for important decisions. The Committee recommended the appointment of two Functional Directors, one for Hotels (including Motel and Restaurants) and the other for Finance and Account.

"The Empowered Committee . . . had further considered the recommendation of the Committee on Restructuring of the ITDC. During discussions in the Committee, it was brought to the notice of the Committee that the Government of India through the Bureau of Public Enterprises have already accepted in principle the concept of Functional Directors in regard to major public sector undertakings. This Committee which went into restructuring of the ITDC, felt that keping the general policy of the country in mind, it would be appropriate to accept the need for Functional Directors in ITDC and decided in July, 1981 that it may be implemented in a phased manner.

The Government, which accepting the decisions of the Empowered Committee, approved, to begin with, the appointment of two Functional Directors in the ITDC, one for Hotels and Motels and the other for Finance and Accounts. This decision was communicated to ITDC in September, 1981.

"In the light of the position explained above and also taking into account the mani-fold increase in the activities of the ITDC since 1977, this Ministry is of the view that any further delay in the implementation of the decisions for appointment of two Functional Directors in the ITDC would not be in the best interest of this organisation.

"The institution of Functional Directors is now a well accepted concept and an organisation like ITDC will stand benefited by accepting this concept. It has, therefore, been decided to give effect to the decision of the Government with regard to the appointment of two Functional Directors in ITDC."

5. According to BPE guidelines issued in October, 1972, the typical structure of a Board for large multi-unit enterprises and large trading organisations could be a fulltime Chairman-cum-Managing Director assisted by at least two Functional Directors, one of whom would be in charge of Finance, and part-time Directors. The Committee enquired whether the ITDC could be regarded as a large multi-unit enterprises or a large trading organisation for the purpose of inducting two functional directors in terms of BPE guidelines. The CMD, stated in evidence that ITDC could be regarded as a multi-unit enterprise since it had various units. But it was certainly not a giant company as it ranked 48th in terms of profit after tax, 71st in terms of turnover and 68th in terms of capital employed among the 170 government companies in 1978-79.

6. The Committee desired to know whether there were other undertakings of the size of ITDC where there were no Functional Directors. The Corporation in a note furnished after evidence informed that ITDC came under Scheduled B wherein there were 66 other undertakings as on 1-1-1981. Of these 36 had Functional Directors while 30 did not have.

7. In reply to a question as to the basic distinction between ITDC and the 36 undertakings having Functional Directors, ITDC informed that of the 36 undertakings having Functional Directors, 27 were manufacturing while 18 were having more authorised capital than ITDC. The activities of other related to either trading or consultancy. The ITDC, on the other hand, was primarily service and promotion oriented company charged with the Primary objective of building an infrastructure for development of Tourism in the country.

8. The ITDC also stated that neither Air India nor the Indian Airlines which were in the same Ministry had any Functional Directors on their Board. A proposal was sent by Shri J.R.D. Tata, the then Chairman of Air India to the Ministry in January, 1978 proposing the induction of several Directors in the Air India Board as executive Director, but the Ministry did not agree to it.

9. The Mozoomdar Committee in its report had observed that "even at today's level of activity it is possible that there is too much concentration of decision making at the level of CMD." Asked to state his views on this observation, the CMD stated in evidence that there was not too much concentration at the Chief Executive's level. In all major decisions, all the heads of divisions were consulted. Meetings of divisional heads were held every month under the Chairmanship of CMD. Decisions were minuted and follow up action monitored. There was a delegation of functions. Each division functioned within its respective sphere of jurisdiction in matters of day to day functions and only those things were submitted to CMD which under the delegated authority had to be dealt with at that level.

10. The Committee pointed out that according to the letter received by them from the Ministry further delay in the implementation of the decision on the appointment of two functional directors in ITDC would not be in the best interests of the organisation and wanted to know whether from 1977 when the recommendation was first made to 1982 working of ITDC has suffered by the non-implementation of this recommendation. The CMD stated:—

> "No. There is no evidence that because of non-implementation of this decision, the work of the ITDC has suffered...I would say by implementing this decision, the performance of the corporation would suffer adversely and much more problems would be created."

11. The witness also informed the Committee that in May, 1981 he had requested the Government that the introduction of functional directors at the present stage would not be a right step and the present system of Divisional Heads being responsible to Chairman and Managing Director should continue.

12. In reply to a question as to what would be the share of charge left to the CMD after the appointment of functional directors, the witness stated: "Nothing really." Subsequently, in a note furnished to the Committee, the ITDC stated that there was a danger of the authority of the Chief Executive being considerably watered down as most of the

Divisions would look to the Functional Director (Hotels) as he would be responsible for 80 per cent of the activity of the corporation and the CMD could well be by-passed or ignored.

13. On being enquired whether the Articles of Association of ITDC stipulated the functional directors reporting to Chief Executive, the CMD stated in evidence that there was no reference in the articles of association either to functional directors or executive directors.

14. In reply to a question in regard to the period prescribed for submitting the report of the Empowered Committee. The Secretary stated that the Empowered Committee was to submit its report within three months *i.e.* by March, 1978. It however, submitted its final report on 6-2-81. The Committee enquired as to the reasons for delay in submitting the report by the Empowered Committee, when the very concept of such Committee was invented to get over the delays in implementation. The Secretary, Ministry of Tourism and Civil Aviation stated that the Empowered Committee submitted its report in instalments. The final repor was however submitted on 6 February, 1981. The views on recommendation Nos. 30, 31 and 32 relating to restructuring of ITDC were included in the last report submitted on 6-2-81. All the 33 recommendations of the Committee have been accepted by Government.

15. The Committee wanted to know whether any priority was indicated to the Empowered Committee about disposal of the Mozoomdar Committee's recommendations. The Secretary stated:

> "The Government considered that the recommendations should all be disposed of within a period of three months and no *inter-se* priority was fixed."

16. In reply to a question whether the taking away of hotels and finance from the purview of the Managing Director would not substantially curtail his powers of management, the witness stated:—

> "The intention is certainly not to take away the powers of the Managing Director."

On the attention of the witness being drawn to the words 'autonomous divisions' used by the Mozoomdar Committee, he said:—

> "The word 'autonomy' would mean a certain degree of consolidation of authority. Within the overall responsibility of the MD these Directors function in specific functional fields. The intention was not that they will not report to the MD. . .the word 'autonomous' should not have been used because it does not cannote what it does intend to convey."

17. On being enquired as to the purpose of inducting two functional Directors for the ITDC, the witness stated:—

> "Total delegation as was recommended by the Committee...As I understand, it is in order to enable us to have greater freedom of action."

18. In reply to a question as to why they wanted them as Members of the Board the witness stated "we may not make them Members of the Board."

19. The Committee enquired whether there was any particular urgency to implement this recommendation even after the Committee specifically requested to await the outcome of their examination of I.T.D.C. The Secretary of the Ministry stated:

> "The intention certainly is not say that the Committee will take is own time and, therefore, we should go ahead with it. There were a number of recommendations, and we wanted to implement them as soon as possible. I will convey the feelings of the Committee to the Minister. There is absolutely no question of wanting to go against the recommendations of the Committee, it is certainly not our view."

20. In a subsequent meeting of the Committee, the Secretary of the Ministry informed the Committee "I have placed the matter before the Minister. He has asked me to give clarification that the Functional Directors will function within the overall control of the CMD. He wanted me to submit to the Committee that he would be waiting for Committee's recommendation in the matter..................let the Committee's recommendation come in due course. In the meantime we are going through the various stages we need not delay the process, it will take sometime."

21. In reply to a question whether the appointments of Functional Directors was going to be done before the Committee's report, the witness stated:—

> "The question does not arise because there is a lot of process involved therein. So no appointment of an individual will take place, it cannot be done...There is no question of filling up the post. The selection will have to be made by the PESB and then the Appointments Committtee of the Cabinet will have to approve it."

Reinstatement of GM (Hotels)

22. From the relevant file of the Ministry, the Committee found that it was the intention of the Ministry to appoint the present incumbent of

General Manager (Hotels) as Functional Director, Hotels (including Hotels and Restaurants). In the course of evidence, the Secretary, Ministry of Tourism and Civil Aviation stated in evidence:—

> "....this is a theoretical possibility. He may not be considered at all...Even if government intends, there can be no question of its intentions because the Establishment Board will consider the cases...All that I can clearly say is that no view has been taken as to who will be the incumbent."

23. The Committee enquired whether it was a fact that the present GM (Hotels) had resigned from ITDC and taken up a job in a private hotel. The Secretary informed that he resigned on 5-9-1977 and the resignation was accepted by circulation by the Board on the same day. By a letter dated 7-9-1977 he withdrew his reesignation. His withdrawal was not accepted by ITDC. Subsequently he was employed in U.P. Hotels Ltd.

24. The Committee desired to have the relevant records of the case. From the records furnished to the Committee after evidence it was noticed that the present General Manager (Hotels) of the ITDC was appointed to this post on 19 November, 1976. From time to time ITDC had been receiving complaints anonymous and signed containing various allegations against this officer. The CBI was requested on 9 May, 1977 to investigate the allegations against the officer. The CBI registered a preliminary inquiry against him on 23 May, 1977. In the first week of July, 1977, the CBI intimated the Ministry of Tourism and Civil Aviation that the officer concerned was making attempts to influence officers and witnesses and tampering the relevant documents. Further the CBI pointed out that under these circumstances it might be difficult to conduct the inquiry in a fair and impartial manenr promtply. The matter was considered at ITDC Board Meeting held on 20 August, 1977 and it was decided that the best course would be to authorise the Chairman and Managing Director to suspend the officer subject to prior consultation with the Ministry of Law. Before implementing this decision it was considered desirable to transfer him out of Delhi. With a view to improving the operational management and profitability of Airport Hotel at Calcutta it was considered necessary to post a senior Hotelier to manage this hotel. Accordingly it was decided to transfer the General Manager (Hotels) as General Manager, Airport Hotel, Calcutta without affecting his pay and other benefits. He, however, did not proceed on that transfer. He was admited in the hospital at Delhi for treatment of chronic deuodonal ulcer. Since he did not carry out the transfer order the ITDC Board took a serious view of the matter and decided in its meeting on 3 September, 1977 to terminate his services after giving him three months pay in lieu of the notice period.

25. Before the termination order along with a cheque for three months pay could be issued to him the General Manager (Hotels) tendered his resignation with effect from 5 September, 1977. In his resignation letter he stated:

> "Due to certain reasons, I am not in a position to serve any longer in this Organisation.
>
> I hereby tender my resignation w.e.f. 5th September, 1977. This may be treated as three months notice in view of Corporation Circular No. P./V/Policy-77 dated 29-8-1977 served on me in Willingdon Hospital on 3-9-1977 in the afternoon. I may be relived of my charge and duties after the expiry of the notice period."

The resignation was accepted w.e.f. 5 September, 1977 waiving the notice period required to be given by an employee. The Vigilance Wing of the Home Ministry were also consulted informally and they had no objection to the acceptance of the resignation in the context of the CBI inquiry.

26. Subsequently by a letter of 7 September, 1977 the officer withdrew his resignation stating that he never offered to resign forthwith and that he had particularly given 90 days notice as contemplated in the Officer Circular.

27. Several legal opinions were taken both by the officer concerned and by ITDC on the question as to whether acceptance of his resignation w.e.f. 5 September, 1977 was final or whether in view of three months' notice period mentioned by him, he could withdraw it subsequently on 7 September, 1977. Shri S. V. Gupte the then Attorney General was of the opinion (8-10-77) that the acceptance of resignation and the waiving of 90 days notice period was not legally valid and the officer was within his rights to withdraw his resignation. Shri Niren De, former Attorney General of India opined that the acceptance of resignation by ITDC was perfectly correct and legal. In the meantime the CBI Report against the officer was received by the Corporation in June, 1978. According to it only one charge was substantiated against the officer. However, CBI did not recommend any action against him as he had already resigned from the service of ITDC.

28. The concerned officer sent a letter to ITDC on 4-6-79 enclosing therewith a copy of the opinion of Shri Hardayal Hardy, former Chief Justice of Delhi High Court. He opined that the notice of resignation would not be effective till the expiry period of three months from 5 September, 1977. The ITDC again took the legal opinion of Shri S. N.

Bhandari, advocate who in his opinion on 24-6-79 stated that the resignation of the officer had been validly accepted by the Corporation and it was not open to him to withdraw the same. He also observed that the bond and tie of service in the case of this officer had been snapped effectively and no grievance could thus be made on this account. In his representation dated 9-8-79 addressed to the Minister of Tourism and Civil Aviation the officer stated that he had resigned due to harassment but immediately withdrew the reesignation. He requested that the advice of the then Attorney General of India should be accepted and he should be reinstated. The Minister recorded on 17-12-1979:—

> "I feel that ITDC should have requested the Ministry of Tourism and Civil Aviation to obtain Law Ministry's opinion in the matter. To me this appears to be a case of victimisation. However, this case may be put up to my successor."

29. The Officer again represented on 22-1-80 to the Minister of Tourism and Civil Aviation for his reinstatement as G.M. (Hotels), ITDC. He made allegations about harassment caused to him and also about the unfounded charges framed against him. The matter was considered by the Ministry. The Secretary put up a detailed note on the subject dealing with the various issues and suggested that 'taking all aspects into consideration I would suggest that Shri.... be taken back.' The Minister approved the Secretary's proposal.

30. On being asked whether the ITDC was consulted in the matter the Secretary of the Ministry said "No." The Committee wanted to know why the Board of ITDC was not consulted before his reinstatement, the witness stated:

> "Since it was question of taking a person back on the ground that his resignation was not accepted, the Government took the view that there was no further necessity of placing it before the Board."

B. *Appointments below Board level*

31. In terms of Bureau of Public Enterprises resolution of 30 August, 1974, the responsibility for appointments below the Board level was delegated to the Boards of the Government Companies. However, it was necessary, to include the Secretary of the Public Enterprises Selection Board as a Member of the Selection Committee. Government decided in September, 1981 that selection for all such posts in future should be made by the Board of Directors themselves and it was no longer necessary to include the secretary of the PESB as a member of the Selection Committee.

32. The Committee were informed in a note by ITDC that the Ministry in their O.M. dated 9 January, 1981 intimated to it that no post carrying pay of Rs. 2,000 and above should be created or filled up without prior approval of the government in view of the fact that certain proposals for reorganisation/restructuring of ITDC as recommended by the committee on restructuring of ITDC were under consideration of the government specially in respect of below board level posts.

33. As regards the reasons for issuing these instructions, the Ministry in a note stated that the intention was that ITDC may not later be faced with a situation of fait-accompli reversing of which might be difficult, if not impossible, at a later stage if certain appointments were made by them.

34. In reply to a question the CMD, ITDC stated in this connection "I fail to understand how this has arisen because re-organisation of the divisions, divisional heads start on salary of Rs. 2250 and not Rs. 2000."

35. The Committee enquired whether the instructions should not have been issued by the Ministry in the form of a Presidential directive, the Secretary of the Ministry stated:—

> "I shall take note of that point. If they want to do so, it should be under article 96 of the Articles of Association."

Appointment of Chief Vigilance Officer

36. ITDC informed the Committee in a note that it had written to the Ministry for appointing an officer who was already working in the corporation and was of requisite DIG seniority to the post of Chief Vigilance Officer. But it was directed by the Ministry of Tourism & Civil Aviation on 5 May, 1981 to appoint Shri B. K. Chaudhary as Chief Vigilance Officer of ITDC though being a post below Board level it was within the competence of ITDC Board to make the appointment to this post in consultation with the Central Vigilance Commission.

37. Asked to state the procedure for such appointment, the CMD, stated in evidence that normally the procedure was that the corporation either made a request to Government or advertised the post. But in this case, the appointment was made by the Government without prior consultation with the Chief Executive of ITDC. Even the personal file of the Officer was not sent to the Chief Executive. Further, prior concurrence of the Central Vigilance Commissioner was not obtained which was required to be done.

38. ITDC also stated in a note furnished to the Committee that it had received a communication from the Central Vigilance Commission informing

that pending appointment of Chief Vigilance Officer in ITDC having the Commission's approval, all correspondence to the Commission might be addressed either over the signature of the Chairman and Managing Director or with his approval. The Commission have returned cases processed by the present incumbent.

39. When the Committee pointed out that appointments below Board level were to be made by the ITDC Board and not the Government, the Secretary stated:—

> "In respect of the deputationists where pay is more than Rs. 2,000, appointment is made by the Cabinet Committee."

40. Asked as to how the Selection of Chief Vigilance Officer was made the witness further stated that a panel of names was already received from the Department of Personnel for the post of Chief Vigilance Officer in International Airports Authority of India. Subsequently since the CVO was of the DIG level and since the names available for CVO in IAAI were also of DIG rank the same were considered because the panel was from the same parent organisation, namely, the cadre controlling authority. The witness stated that the Department of Personnel were also informed of this decision. Asked to state the reaction of the Departmnt of Personnel he replied "They did not reply."

41. On being enquired whether the ITDC initiated any action in the matter, the Secretary stated that the CMD wanted a departmental person to be promoted but that was not accepted since he was 4 years junior.

42. The Committee enquired as to why the procedure laid down by the Vigilance Commissioner for the appointment of Chief Vigilance Officer was not followed by the Ministry. The Secretary stated in evidence:

> "That was an omission in the sense that it should have been simultaneously referred to the CVC. But subsequently, it was referred to them."

C. *Disciplinary Jurisdiction*

43. The Committee were informed in a note by the ITDC that the Chief Vigilance Officer of the ITDC submitted a note to C&MD on 18-9-1980 with reference to various malpractices being committed by some officials in the Duty Free Shops. The then Controller of Duty Free Shops was placed under suspension from 19-9-1980 on a serious charge of corruption under orders of CMD. The file of the case was called for by the Ministry and the CMD received a communication dated 28 January, 1981 from the

Secretary of the Ministry stating *inter alia* "The suspension of this officer at this juncture is not justified and, therefore, steps may kindly be taken to reinstate him." Presently he was working as Controller (Travellers Lodges).

44. Asked to state the reasons for suspension of the Officer, the C&MD, ITDC stated in evidence:

> "...there was a CBI inquiry against him and because of other evidence reported to me by my vigilance staff...In my view he was indulging in undesirable activities and his continuance over there was detrimental to the interests of the Corporation."

45. Asked whether the officer approached the Government against his suspension, the CMD stated:—

> "I do not know, he must have approached to the Government."

46. The Committee enquired whether the Ministry could entertain directly the representations from officials proceeded against by public undertakings. The Secretary, Ministry of Tourism & Civil Aviation replied in the negative.

47. Asked to state why the ITDC was directed by the Ministry to reinstate the officer, the Ministry stated in a note that from the facts furnished by ITDC it transpired that there had been allegations against him and that the matter had been referred to CBI in August, 1979 who had registered a regular case against him. Thereupon, the matter was referred to the CBI asking for their views/comments in regard to his suspension. The CBI observed that the officer had been suspended by the Department long after CBI registered the case against him, without any move for such action by the CBI. In view of this, they had no comments to offer and it was for the Department to take decision on these matters.

48. Having given due consideration to the points raised in the representation, and keeping in view the fact that the suspension was ordered long time after the allegations were brought to the notice of CBI and the cases were started early in 1980, the Ministry informed the ITDC that the suspension of the officer at that juncture was not justified. Therefore, steps might be taken by ITDC to reinstate him. The ITDC was further advised that in case it was felt necessary, the officer on reinstatement, may be transferred to another post which would give no scope to him to indulge in any of the alleged practices or interfere with the conduct of the case.

D. *Foreign Tours by Subordinate Officers*

49. The India Tourism Development Corporation in a note stated that all-round efforts were required to tap the vast touristic potential of India. For aggressive marketing frequent sales promotion tours were essential. The ITDC was also providing consultancy services in various countries abroad which required officers to be deputed abroad urgently at short notice.

50. In terms of BPE guidelines of September, 1979, the Chief Executive of a Government Company was competent to approve the foreign tour programmes of the subordinate officers. However, a directive received from the Ministry of Tourism and Civil Aviation on 19 February, 1981 required ITDC and other public undertakings under the Administrative control of the Ministry to seek Government approval before sending the officers on foreign tour/delegation abroad. Such restrictions on the powers of the Chief Executive according to ITDC resulting in good deal of delay in approval for such tours.

51. In this connection, the Ministry stated that these instructions were issued keeping in view the Prime Minister's directives for enforcing strict standards of scrutiny with regard to deputations and delegations abroad and the need for utmost economy in expenditure and necessity of conserving foreign exchange.

52. The question of observing utmost economy and need for scrutiny was stated to have been further emphasised in a letter dated 24th July, 1981 from Secretary, Government of India, Ministry of Finance (Department of Expenditure) to all Secretaries to the Government of India. Further, Finance Secretary in his letter dated 2-12-1981 reiterated that strict scrutiny should be exercised in respect of foreign travel of officials of public sector undertakings, banks, insurance companies, financial institutions and autonomous organisations to achieve economy in foreign travel. Financial advisers of the Ministries were also required to be associated with the scrutiny of the proposals of foreign travel of top level executives. The BPE was also informed in August, 1981 about the instructions issued.

53. The Committee desired to know whether government approval was required for the foreign tours of subordinate officers of public undertakings under the control of other Ministries also. The Secretary, Ministry of Tourism and Civil Aviation stated in evidence: "I have no knowledge."

54. The Committee enquired as to what were the views of BPE in the matter when they were informed by the Ministry of the steps taken for scrutiny of foreign tours of officers of public undertakings. They were

informed that BPE in their letter dated 14-9-81 had stated in this connection as follows:

> "The instructions contained in the B.P.E.'s O.M. of 19-9-1979 issued in this context ensures a fair degree of autonomy and control over the tour programmes of the Chief Executives and other top Board level functionaries in the public enterprises. The *modus operandi* which was evolved is that the Board could review the tour programmes and the achievements made by other officers at below Board level at their periodical meetings.
>
> Against this background, it is Bureau's considered view that the extent instructions on the subject, referred to above, are adequate for the genrality of public enterprises and does not call for additional restrictions being placed in the matter of foreign tours by the executives of the public enterprises who are below the Board level. However, B.P.E. has taken note of the instructions issued by the Ministry of Tourism & Civil Aviation *vide* their O.M. dated 19-2-81. Since these instructions have been issued with a view to effecting utmost economy in the matter of foreign tours of officers in enterprises like Air India, Indian Airlines, International Airports Authority of India, India Tourism Development Corporation who undertake such tours more frequently than their counterparts in the public Enterprises, we have no objection to the Ministry of Tourism & Civil Aviation exercising stricter control in the matter."

55. In reply to a question, the Secretary of the Ministry stated that it was done as an interim measure to keep stricter control over the expenditure on foreign travel and it could certainly be reviwed by the Ministry.

E. *Assistance of BPE*

56. The constitution of the Bureau of Public Enterprises provides that "Public Undertakings and Ministries will also be free to remit to the Bureau any appropriate problems requiring study and examination." However, the Chairman and Managing Director, ITDC informed the Committee in evidnece that when the corporation brought the matter of appointment of Chief Vigilance Officer to the Bureau of Public Enterprises, the Secretary, Ministry of Tourism & Civil Aviation in his communication dated 26-6-1981 stated, *inter-alia*:

> "I would like to add that a reference to BPE should invariably be made only through the administrative Ministry. Please follow that procedure in future."

57. The Committee desired to know whether it was the intention of Secretary that no reference should be made by ITDC to BPE, the Ministry of Tourism & Civil Aviation while clarifying the position stated in a note furnished after evidence that a public sector undertaking was well within its sights to make reference to BPE to seek guidelines on general functioning of the Corporation. This was a well-accepted concept. The d.o. letter dated 26-6-1981 addressed to Chairman and Managing Director, ITDC was with particular reference to the appointment of certain official on which Government had taken a decision. The administrative Ministry, accordingly, advised Chairman and Managing Director, ITDC that on such administrative matters and correspondence relating thereto between the public sector undertaking and the administrative Ministry, reference to Bureau of Public Enterprises should be made through the Ministry.

F. *Relations with the Ministry*

. After going through the material placed before the Committee, both by the ITDC and the Ministry of Tourism and Civil Aviation, the Committee received an impression that the relationship between the Ministry and the undertaking was not quite cordial. Asked to comment on this CMD of ITDC stated in evidence:

> "That is correct. Unfortunately, the Ministry tends to regard ITDC and possibly other public sector corporations as departmental undertakings which view I do not accept. The public sector corporations must have certain autonomy. I do not want any concession so far as accountability is concerned, but within my sphere of jurisdiction, I must be permitted to function freely.. If the Ministry is going to interfere in day to day matters and administrative affairs...I do not think any public sector corporation can function...It is not a question of personalities, but here the basic issue is involved. We have five Government Directors on our Board. On various matters which are naturally within the purview of the management on the Board the Government Directors take the view that they should be referred to be Government. I if in the meeting they are overruled, promptly we get a directive from the Government not to implement that decision."

PART II

CONCLUSIONS/RECOMMENDATIONS OF THE COMMITTEE

1. The ITDC was set up in 1966. Its objectives and obligations have not as yet been clearly laid down by the administrative Ministry. Earlier, according to the Ministry, the emphasis was on catering to foreign tourists leaving it to the States to provide facilities for domestic tourists. Now the thinking seems to be that equal emphasis should be given for the development of domestic tourism. The Ministry has informed the Committee that the ITDC is the commercial arm of the Tourism Department for development of tourist infrastructure and supplementing the efforts of the Department and that the promotional role of the ITDC is confined to publicity and promotion of its own commercial facilities and services. According to the ITDC it has been the understanding so far that the developmental role in general and not merely confined to the promotion of its own facilities is inherent in its function. The ITDC has, however, been recently told by the Planning Commission in discussion that it has to operate as a commercial organisation but no confirmation has been received by it from the administrative Ministry so far and the position remains as confused as ever. The Committee are of the view that the ITDC should be strengthened as an apex body for the development of tourist infrastructure and promotion of tourism in the country and that the Department of Tourism should perform regulatory function. They desire that the objectives and obligations should be clearly spelt out in the light of this without delay.

2. Tourism has a vast potential for earning foreign exchange. It is a pity that the plan allocation for the ITDC has been meagre so far. There has also been a failure on the part of the ITDC to fully utilise the allocation upto 1980. However, the Committee notice a new dynamism in the organisation. In this context the Committee regret that despite its extra commitment (Rs. 18 crores) in connection with the Asian Games (1982) the Sixth Plan allocation made by the Ministry is only Rs. 42 crores. It has been clarified belatedly to the ITDC that in addition to this outlay it could raise term loans and internal resources. Though this could help to some extent the Committee recommend that the plan allocation should be raised from Rs. 42 crores to Rs. 66 crores at least the time of mid-term review of the Plan. The Committee stress this in view of the fact that a number of important schemes to open up tourist infrastructure in the country would not otherwise be accommodated during the Plan period.

3. In the past a number of Plan projects have not been conceived and implemented properly. This has been dealt with in the C&AG's Report. This related to expansion of Hotel Ashok, Bangalore and Aurangabad Hotel and construction of Airport Hotel, Calcutta and Kovalam Beach Resort. In regard to the Hotels at Bangalore and Calcutta the Planning Commission had to clear the projects though the projects were not found feasible as the management presented them with the fait accompli. According to the present CMD the expansion of the Bangalore hotel could have been staggered and the demand projections in respect of the Calcutta hotel could have been checked independently. According to him the expansion of the Aurangabad hotel was not justified and the time taken in completing the Kovalam Beach Resort was far too long. These typify the way the management functioned at that time. It is no wonder that all these hotels are losing. The Committee trust that learning a lesson from the past, the ITDC would take care to assess the demand properly, compute the costs and benefits reliably and avoid cost and time overrun in future.

4. The ITDC has 21 hotels of its own. Of these none except Ashok, Akbar and Janpath hotels of Delhi has shown profit successively during the last 8 years 1973—81. In 1980-81, 14 hotels incurred losses though there was aggregate profit of Rs. 161 lakhs for the hotels of the ITDC as a whole. The Committee are glad that promptly after a visit of their Study Group to one of the losing hotels the CMD had constituted in January 1981 a Study Team to go into loss making hotels. The measures suggested by the Study Team are being implemented through Cost Reduction Committees. The Study Team is expected to cover all the units within the next six months. The Committee expect that this exercise would result in significant improvement in the profitability of the hotels division of the ITDC.

5. There are certain areas where cost control seems to be clearly lacking. The food cost is in excess of the norm in a number of hotels. As the CMD stated there is pilferage and wastage. For instance when disciplinary action was taken against certain staff the percentage of food cost came down from 57.9 in 1980-81 to 42.9 in January 1982 at the Pataliputra hotel. The employment of staff is also on the high side especially in Ashok and Janpath hotels in New Delhi and the Kovalam hotel. A task force has been constituted in June 1981 to go into the matter and on the basis of its tentative recommendations it has been decided to have study of all units by the Staff Inspection Unit of the Ministry of Finance. The Committee also note that the ITDC is working on evolving norms for expenses. The Committee desire that these studies should be expedited and effective cost control introduced on the basis of reliable norms early.

6. One of the reasons for the losses of hotels is stated to be low tariff. After hearing the Ministry's representative the Committee received the impression that the basis for fixing the tariff is not sound. The Committee recommend that the tariff should be related not to cost but to the nature of the facility and the quality of service. In any case the tariff of the ITDC should be brought on par with the comparable hotels in the private sector. It should be noted that low tariff of a hotel would far from attracting foreign tourists make them shy away from it as often tariff is regarded as an index of quality.

7. The occupancy in a number of hotels is either low or is declining. The share of ITDC in foreign guest nights is not commensurate with the share of the ITDC in total hotel accommodation in the country. To arrest this trend the ITDC has set up its own travel agency in October 1981 and realising the serious missing link in its chain it is working out a joint venture with the IAAI to put up a hotel at Sahar terminal, Bombay raising institutional finance. The Committee commend these efforts of the ITDC and urge government to see that there is no financial constraint in this regard and such arrangements as are necessary abroad for the ITDC are allowed to be made early.

8. The Committee suggest that the travel agency of Balmer Lawrie and the Hotel Corporation (subsidiary of Air India) should be merged with the ITDC to avoid unnecessary competition within the public sector.

9. The Committee further recommend that it should be made obligatory for all the Government Departments, public undertakings and other autonomous bodies to avail of the facilities of the ITDC for stay, entertainment etc. to the extent these are available.

10. The ITDC took over the management of two private hotels at Agra and Ahmedabad in 1979. The owners of the Hotel Karnavati, Ahmedabad having not cooperated with the ITDC and cleared their dues, the contract has been terminated recently. The owners of the Mumtaz Ashok, Agra are also stated to be unwilling to invest on improvements to the hotel and not clearing their dues. On the basis of the impression of their Study Group which visited the Ahmedabad hotel, the Committee feel that it lowers the image of the ITDC to manage and run such hotels as part of its chain. The arrangement in regard to the Agra hotel should, therefore, be reviewed in this light and contract terminated if warranted.

11. Travellers lodges and restaurants of the ITDC are incurring losses. Although these promotional ventures were taken over from the Department of Tourism on the tacit understanding that the losses would be subsidised by government the ITDC's claims for Rs. 23.12 lakhs have been turned

down. The Committee also note that some transport services are operated on government assurance to Parliament. The Committee feel that having regard to the Ministry's view that the ITDC is a purely commercial enterprise any non-commercial activity should have been assigned to it only on a specific directive and that too on payment of suitable subsidy. If, however, it is conceded that it has a general promotional role inherent in it the Committee suggest that the working results on promotional activities should be assessed and brought out distinctly taking care to see that overall the ITDC maintains its profitability.

12. The Transport Division of the ITDC has been faring badly. The aggregate losses during 1970—82 were Rs. 105.16 lakhs. The reasons are: low utilisation and high cost of repairs and maintenance of a largely overaged fleet. The old vehicles are, however, now being replaced. This could have been done long back. The fleet of the ITDC consists of a mix of vehicles such as Ambassador cars, luxury cars and big and mini coaches. The utilisation of some of these vehicles is very poor in some units. As agreed to by the CMD the vehicles should be redeployed in a manner that the utilisation is optimal. It is not necessary to operate all types of vehicles in each unit. Further, the recommendations of the committee set up in 1977 to examine the working of the Transport Division in regard to marketing by commission agents and appointment of competent officer for survey of the potential of package tours should be processed for suitable action early.

13. The Committee desire that the Ministry should persuade the State authorities to suitably enhance the transport tariff, which seems at present low.

14. The duty free shops at the airports make significant contribution to the profits of the ITDC. However, there is a grievance that the IAAI charges exorbitant rent. This as well as the request of the ITDC for allotment of space for the shops in the international arrival areas of the airports deserve earnest attention. The Committee have no doubt that opening of duty free shops in the arrival areas will augment considerably foreign exchange earnings for the country.

15. The ITDC has been consistently making profits. The annual profit before tax ranged from Rs. 132.52 lakhs to Rs. 223.35 lakhs during 1976—81. Nevertheless there is good scope for improvements as indicated in this Report. The Committee do not fail to notice the various steps recently taken by the management to reduce the cost and enhance the earnings. They hope that the inventory and credit control also would receive adequate attention. Further as assured by the CMD, the finalisation of accounts and reports and placing them before the Annual General Meeting should be strictly in accordance with the spirit of the Companies Act in future.

16. A Committee (Mozoomdar Committee) was constituted in 1974 to go into the role, functions and organisational structure of the ITDC. The Mozoomdar Committee in its report submitted in 1977 inter-alia recommended two 'autonomous' divisions headed by functional directors, one for Hotels (including motels and restaurants) and the other for Finance and Accounts, the other divisions headed by executives below board level reporting to the CMD. An empowered Committee constituted in 1977 to consider the Mozoomdar Committee report, decided in February 1981 that this recommendation should be implemented in a phased manner. In September 1981, Government approved the decision of the Empowered Committee for necessary further action. When the Committee on Public Undertakings suggested (December 1981) that the matter might be kept pending until their examination of and report on the ITDC, they were informed that any further delay in the implementation of the decision would not be in the best interest of the organisation. On the contrary the Committee have received an unmistakable impression that hustling through the scheme would do harm to the organisation.

17. Incidentally the Committee noticed from the relevant file of the Ministry that it was its intention to appoint the exising FACAO and GM (Hotels) as Functional Directors in charge of Finance and Accounts and Hotels (including motels and restaurants) respectively. Though the Secretary assured the Committee, that the normal procedure of selection would be followed the Committee wish to draw attention to the past antecedents of the present GM (Hotels) which are not good.

18. The nature of the ITDC is such that at least in the present circumstances it is better to have a unitary structure with no divided responsibility. There are a large number of public undertakings where there are no functional directors. The apprehension that 'there is too much of concentration of decision making at the level of the CMD' in the ITDC is not justified. There is delegation of powers and if necessary, it could be reviewed. The 'Hotels' function acounts for about 80 per cent of the activity of the ITDC. The Committee strongly feel that the entrustment of the function to a director would dilute the role of the Chief Executive and make for blurred responsibility. However, a suitable Finance Director could be inducted. The Committee expect that action would be taken accordingly.

19. The Committee regret that the relations between the ITDC and the administrative Ministry are not as cordial as it should be. There has been erosion of the administrative autonomy of the ITDC. This has been in the areas of appointments below board level, disciplinary matters etc. The Committee desire that in future if the Ministry wants to intervene it should be really in public interest and it should be only through formal presidential directive under the Articles of Association of the company.

20. Although public undertakings are competent to make appointments below board level since August 1974, the Ministry had asked the ITDC in January 1981 not to create or fill up any such post without prior approval of government ostensibly because restructuring of the ITDC in respect of posts below board level was under consideration of government. The Committee are of the view that this was uncalled for and any restructuring below board level should be left to the undertaking subject to broad policy directions from government.

21. It is strange that an officer who was suspended on valid grounds by the CMD, approached the Ministry directly and got his suspension revoked. Such action could undermine the discipline in any organisation. The Committee trust that the Ministry will refrain from intervening in disciplinary matters within the jurisdiction of the undertakings under it.

22. Yet another instance of needless intervention of the Ministry is the issue of instructions in February 1981 making it obligatory for the undertakings to seek prior approval of the Ministry for foreign tours of officers below board level also. These instructions are not in consonance with the policy guidelines issued by the BPE. Such restrictions do not appear to have been placed on the undertakings under other Ministries. The Committee trust that subject to ensuring a satisfactory machinery for strict scrutiny of foreign tours proposals by the boards of public undertakings there should be no control exercised by the Ministry in respect of officers below board level.

23. The Committee appreciate the initiative of the present CMD of the ITDC. The Committee wish to stress that he should be allowed to function freely within the sphere of autonomy of the undertaking and held responsible for the results. Assured of the inherent freedom of action the Committee are sure, the organisation will flourish. The interest of the ITDC will undoubtedly suffer if it is treated as yet another department of the Ministry and the responsibility for the failure will then rest with the Ministry. The accountability of a public undertaking warrants a degree of autonomy—financial and administrative. There should be no departure from the guidelines issued by the BPE in this regard.

NEW DELHI;
April 29, 1982
Vaisakha 9, 1904 (S)

BANSI LAL,
Chairman,
Committee on Public Undertakings