

**PUBLIC ACCOUNTS COMMITTEE**  
**(1978-79)**

**(SIXTH LOK SABHA)**

**HUNDRED AND THIRTIETH REPORT**

**PRINTING OF AHMEDABAD TELEPHONE  
DIRECTORIES AND KIOSK ADVERTISEMENTS  
ON TELEGRAPH AND TELEPHONE POLES**

**MINISTRY OF COMMUNICATIONS  
(P&T BOARD)**

**[Paragraphs 27 and 28 of the Report of the Comptroller  
& Auditor General of India for the year 1976-77,  
Union Government (Posts and Telegraphs)]**

*Presented in Lok Sabha on 24th April, 1979*  
*Laid in Rajya Sabha on 24th April, 1979*



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<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
1.2	13	(176)Pages)	(176 pages)
1.4	4	ligible	legible
1.10	4	tender	tenderer
1.14	4	Contract	Context
1.36	11	Agreement of the specifications	Agreement. The specifications
1.56	5	increased	increased
1.71	2	existing	existed
1.89	24	tendered	tenderer
1.90	4	Rs. 40,064	Rs. 40,604
1.94	7	Diomond	Diamond
2.2	1	Kiosk	kiosks
2.2	19	"he licensee	"the licensee
2.15	7	licence	licensee
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2.29	7	fee or	fee on or
2.51	31	papers	prepare
2.67	13	earnt	learnt
2.72	5	acts licensees	acts of licensees
2.78	5	observances	observance
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	(col. 4)		
2.71	2	gratefully	gracefully
	(col. 4)		
2.72	17	Ministry	Ministry
	(col. 4)		

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Minutes of sittings of the Public Accounts Committee held on :

27-7-1978

31-7-1978

20-4-1979

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# REPORT

## CHAPTER I

### *Printing of Ahmedabad Telephone Directories*

#### *Audit Paragraph*

1.1. In September 1970, the Director General, Posts and Telegraphs (DGPT), issued instructions delegating powers to the Heads of Telecommunication Circles/Telephone Districts to appoint printers for telephone directories. The instructions stated, *inter alia*, that they should consult the Chief Controller of Printing and Stationery, wherever necessary.

1.2. In January, 1972, the District Manager, Ahmedabad Telephone District, invited tenders through advertisement in newspapers from approved and established printers for printing, binding and supplying four issues each of the Ahmedabad Telephone Directory, English edition commencing from July 1972 issue, and Gujarati edition commencing from June 1973 issue. In response to the advertisement, eleven tenders were received for the English edition of the directory; of these four were incomplete and were, therefore, not considered. Of the remaining seven tenders, the four lowest tenders were from printing presses\* 'A', 'B', 'C' and 'D' stationed at Jaipur, Ajmer, Calcutta and Ahmedabad respectively. Their rates were Rs. 18,915, Rs. 21,313, Rs. 23,959 and Rs. 37,502 respectively for a standard directory (176 pages). The Chief Controller of Printing and Stationery who was consulted on receipt of tenders, *inter alia*, advised the District Manager, Ahmedabad Telephone District, in March 1972 that:

- (i) the press 'A', the lowest tenderer, had already been entrusted with the printing of three more directories from other circles and that it might not perhaps be able to stick to the prescribed time-schedule;
- (ii) the above aspect might be kept in view and the question of entrusting the work to the next higher tender 'B' on the lowest rates offered by 'A' might be considered, with

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\*Firm 'A'—M/s. Diamond Printing Press, Jaipur.

Firm 'B'—M/s. National Press, Ajmer.

Firm 'C'—M/s. Lal Chand and Sons, Calcutta.

Firm 'D'—M/s. Sahitya Mudranalaya, Ahmedabad.

the prior approval of the administrative and financial authorities concerned.

1.3. In May 1972, the Internal Financial Adviser, Ahmedabad Telephone District, visited Jaipur to check the capacity and capability of the printing press 'A'. After inspection and after consulting the Postmaster General, Rajasthan Circle and the District Manager, Telephone, Jaipur, he advised that the press was competent to print the directory. According to the reports received from Postmasters General, Rajasthan, Uttar Pradesh and Madhya Pradesh Circles printing press 'A' had printed several issues of their directories in Hindi and the quality of work done by it had been satisfactory and the time-schedules prescribed adhered to by it. After considering all the aspects, the District Manager, Ahmedabad Telephone District, decided (June 1972) to entrust the work of printing of four issues of the English edition of the directory commencing from July 1972, the issue to 'A' while recording his decision in this regard in June 1972, the District Manager stated that he had ascertained from the representative of the press that they were expanding the press and that, therefore, "there will be no danger of printing work getting delayed". He added, "as the difference between rate of M/s. 'A' and that of M/s. 'B' is too large, we will take the risk of giving it to Jaipur in spite of the inconvenience of Printer at one place, the administration in another place and the Advertising Agent at yet another place". An agreement was, accordingly, entered into with 'A' in July 1972 for the work of printing of four issues of the English edition of the Directory commencing from July 1972 issue.

1.4. There was no specific stipulation in the agreement regarding the time-schedule for printing of the directories but it, *inter alia*, provided that, "The printer shall print, bind and generally deliver the work in clear, and legible type, form and style, in a good and workman-like manner (of all which the District Manager shall be the sole judge) with the limits of the time as the District Manager may deem reasonable and specify and in such quantity or quantities as may from time to time be ordered by the District Manager".

1.5. On 25th July 1972, 65 manuscript pages of the directory were sent by the District Manager to 'A' for preparing galley-proofs and returning them with in three days of the receipt of the manuscript pages. On the printed galley-proofs being not returned by the printer within three days, the District Manager terminated the contract by a letter dated 5th August 1972 (by giving one month's notice to 'A') on the ground that the time-schedule for return of galley-proofs had not been observed by the printer and delay was

apprehended in publishing the July 1972 issue of the directory. The printing Press 'A' represented to the District Manager in August 1972 itself against termination of the contract on the grounds that the manuscript pages sent by the Department were not complete and that it was not practicable for any printer to compose the matter piecemeal and then wait for further manuscript and waste labour and manpower. It also added that the work quite small and could be easily attended to by it without any difficulty, provided the whole manuscript was sent to it. It also promised to send the galley-proofs from the very day it received decision reinstating the contract. The District Manager informed 'A' on 11th September 1972 that it was not possible to reconsider the decision already taken.

1.6. The work was, thereafter, entrusted (September 1972) to the fourth lowest tender, 'D' after negotiations, ignoring the second lowest tender of 'B' on the ground that it had been black-listed by the Delhi Telephone District and the third lowest tender of 'C' on the ground that it was not experienced in printing directories. In this connection, the District Manager, *inter alia*, recorded in an undated note, "..... We have the advantage that the printer is here in Ahmedabad. The Advertising Agency has also been given to Ahmedabad firm and they had already collected the advertisement. By December 1972, we have to produce the directory and, therefore, competent firm should be chosen".

1.7. The manuscript copy of the directory was sent to 'D' on 15th November, 1972 and first issue was printed and released in February 1973. Of the directory 1,32,000 copies and of its Supplements 20,000 copies were got printed from the printing press 'D' for all the four issues commencing from the directory released in February 1973; 'D' was paid a sum of Rs. 2.52 lakhs. For the same number of copies, the total amount payable to 'A' would have been Rs. 1.50 lakhs. The department thus incurred an extra expenditure of Rs. 1.02 lakhs for the printing of the four issues of the Ahmedabad Telephone Directory.

1.8. The department stated (December 1977) ".....that the directory printing was likely to get heavily delayed through 'A' and the delay would not be acceptable, the rates of this press become irrelevant to the issue".

1.9. As for the Gujarati edition of the directory, seven tenders were received (January 1972) (including one from the aforesaid printing press 'D') The rates of first six tenders were Rs. 13,999, Rs. 22,925, Rs. 23,365, Rs. 23,581, Rs. 24,970 and Rs. 40,604 for a standard directory (280) pages). 'D' tender was the sixth lowest in this.



The Chief Controllor of Printing and Stationery, New Delhi, on being consulted in the matter, recommended award of the work to the lowest tender. However, the District Manager rejected (July 1972) the lowest tender on the ground that the tenderer had no previous experience and was not capable of undertaking the work. The second lowest tenderer had previous experience of printing telephone directory but its tender was rejected on the ground that it had taken seven months for printing the Circle Telephone Directory in 1966. Out of the remaining tenders, the District Manager accepted the tender of printing press 'D' which was the sixth lowest, after negotiating with it the rates to be charged by it. In selecting 'C' for the work, the District Manager, *inter alia*, observed in his note dated 10th July, 1972, ".....the capability and offer of the firms has been examined. None of the firms excepting printing press 'D' has got lino machine for composing. None excepting the printing press 'D' has got printing press with automatic feeding of paper. None excepting the printing press 'D' has previous experience of printing our telephone directory....." No specific reasons for rejecting the third, fourth and fifth lowest tenders were on record.

1.10. Of the Gujarati edition of the telephone directory 55,000 copies were got printed for the four issues at a cost of Rs. 1.78 lakhs. For the same number of copies, the total amount payable to the lowest tender would have been Rs. 1.05 lakhs. The department had thus incurred an extra expenditure of Rs. 0.73 lakh for the printing of the four issues of the Ahmedabad Telephone Directory.

1.11. The department stated (December, 1977) that in both the cases, the District Manager had shown "initiative and capacity to take decisions in the interest of service within his best judgement".

[Paragraph 27 of the Report of the Comptroller and Auditor General of India for the year 1976-77, Union Government (Posts & Telegraphs)]

#### *A—English Edition*

1.12. The Audit Para states that in September, 1970 the Director General, Posts and Telegraphs (DGPT), issued instructions delegating powers to the Heads of Telecommunication Circles/Telephone Districts to appoint printers for telephone directories. An amendment in these instructions was issued in June 1971. Relevant extracts from these instructions are reproduced below:

"Award of printing contract will be finalised by the Heads of Circles/Telephone Districts in consultation with their internal Financial Adviser. Prior consultation with Chief Controllor of Printing and Stationery regarding rates for

printing of telephone directories is obligatory under normal rules of Government business and hence in all cases prior consultation with Chief Controller of Printing and Stationery about the rates is necessary before the work is awarded.

\* \* \* \* \*

Open tenders should be invited by publishing in the leading papers for the appointment of printers for the printing of telephone directories. A list of printers in India who are capable of undertaking the work of printing of telephone directories may also be obtained from Chief Controller of Printing and Stationery, New Delhi and they may also be addressed for offering the tenders."

1.13. The Committee pointed out that whereas on the one hand the rules provided for obtaining list of printers in India who were capable of undertaking the work of printing of telephone directories from the Chief Controller of Printing and Stationery (CCPS) and addressing them for offering tenders on the other hand open tenders through advertisements in the newspapers were also invited. The Committee enquired whether it could be inferred therefrom that since tenderers from the open market were not on the approved list of the CCPS they were not capable of printing the telephone directory. The Secretary, Communications stated in evidence:

"The instructions of 1970 were reviewed, and revised instructions were issued on 19-6-1971. The two important points that were included in these instructions of 1971, which were followed in the case of this particular directory, were; one, open tenders will be invited; simultaneously a list of printers will also be obtained from the Chief Controller of Printing and Stationery; that is, for the first time, in the 1971 instructions the officers concerned were authorised to float open tender enquiry for the printing of telephone directories. The second point that was added was that, so far as there rates were concerned, consultation with the CCPS would be obligatory under the rules of business. Therefore, both in respect of rates as well as in getting the list of the approved firm, the CCPS would be consulted, and the tenders that have been received would also be referred to him

for such observations or comments as he may take to make.”

He further clarified:

“After the offers are received, all these are tabulated and the whole bunch of papers is sent to the CCPS for his comments.”

1.14. Asked what was the rationale behind this dual arrangement, the witness replied that the (amending) circular that was issued in 1971 was issued after consultation with the Chief Controller of Printing and Stationery. In the same contract, he added:

“As far as I can see, the rationale would be that in many cases, the people who were on the approved list of the CCPS either did not perform satisfactorily in the past or, in respect of certain language directories—whether it was in Hindi or in regional languages—there were not sufficient number of printers on the approved list of the CCPS”.

1.15. To another question whether one possible conclusion could be that the CCPS wanted to supplement his list from time to time through actual tenders, the witness deposed:

“It could be, but we do not know whether he has actually done it.”

1.16. In a written note furnished to the Committee subsequently, the Ministry of Communications have stated:

“The instructions of 1970 asking Heads of Circles to obtain lists of printers was amended on 19th June, 1971 wherein it was prescribed that open tenders should be invited. To maintain the competitive position, it was also prescribed that firms who are on the approved list of the CCPS be also addressed. Since this list was very large and difficulties were experienced in dealing with printing presses which are very far away, it was further prescribed in 1974 that limited tenders may be issued to printers located in close proximity of the P&T Divisions, Districts. The approved list of the printers is obtained by the P & T Directorate and circulated to Heads of Circles.”

1.17. The Committee enquired whether before floating tenders a specific enquiry was made from the Directorate of Printing and Stationery asking whether they were in a position to take up the work of printing of Ahmedabad Directories. The Ministry of Com-

munications in a note, have stated that no enquiry was made by Ahmedabad District from the Director of Printing asking whether the latter could print the Ahmedabad Directories. Such a reference was not necessary as per rules.

1.18. The Audit Para further states that in response to the advertisement, eleven tenders were received for the English edition of the directory; of these four were incomplete and were, therefore not considered. Of the remaining seven tenders, the four lowest tenders were from Firm 'A' (M/s. Diamond Printing Press, Jaipur); Firm 'B' (M/s. National Press, Ajmer); Firm 'C' (M/s. Lal Chand & Sons, Calcutta) and Firm 'D' (M/s. Sahitya Mudranalaya, Ahmedabad). Their rates were Rs. 13,915; Rs. 21,313; Rs. 23,959 and Rs. 37,502 respectively. A detailed comparative statement of rates quoted by these four tenders prepared by the District Manager, Ahmedabad for consultation with CCPS and furnished by the Ministry of Communications to the Committee is placed at Appendix I.

1.19. While forwarding the above mentioned 'statement of rates' to the Chief Controller of Printing and Stationery requesting him to communicate the reasonableness of rates of all tenders, the District Manager, Telephones, Ahmedabad had also mentioned in his letter that other relevant factors like the administration cost involved if a printer is at a place other than Ahmedabad, transportation etc. would be taken into account before awarding the printing contract.

1.20. On a reference being made to him as stated above, the CCPS advised the District Manager, Ahmedabad Telephone District in March 1972 that since M/s. Diamond Printing Press, Jaipur, the lowest tenderer had already been entrusted with the printing of three more directories from other circles, it might not perhaps, be possible for them to stick to the prescribed time schedule. This aspect might be kept in view and question of entrusting work to next higher tenderer viz., M/s. National Press, Ajmer, might be considered with the prior approval of the administrative and financial authorities concerned. Referring to the action taken on the advice of the CCPS, the Ministry of Communications in a note have stated:

"DMT considered the advice, his representative visited the press and satisfied himself of the ability of that press to do the work. Then the DMT took a calculated risk (which was quite within his discretion) and gave the print order to the press 'A'."

1.21. Asked to furnish a copy of the order dated 1 June, 1972 passed by the DMT, Ahmedabad, entrusting the work of Directory printing

to Diamond Printing Press, Jaipur; the Secretary; Communications read out the same during evidence as follows:

"I have seen the note of IFA. I have also spoken to Mr. Mittal of Diamond Printing Press, Jaipur. That he has got orders from so many circles and districts leads us to two conclusions (1) that he is a competent person and (2) there is also a danger of his being not able to oblige all circles if the dates of publication happen to coincide with one another. In my conversation with Mr. Mittal he tells me that he is expanding the press and there will be no danger of our work getting delayed.

I had mentioned the type face indicated on the sample page he has given is not acceptable. Against this he has mentioned that he has already got an import licence for type faces similar to the Bombay press and that he expects to receive it by June, 1972.

As the difference between the Diamond Printing Press, Jaipur and that of Sahitya Mudranalaya is a bit large, we will take the risk of giving it to Jaipur in spite of the inconvenience of the printer being at one place, the administration at another place and the advertising agent yet at another place (Ahmedabad).

Letter accepting this tender may be issued mentioning about the type face and strict adherence to the time schedule for various composing and printing processes.

1.22. The Audit para points out that there was no specific stipulation in the agreement regarding the time-schedule for printing of the directories but it, *inter alia*, provided that, "The printer shall print; bind and generally deliver the work in clear, and legible type, form and style, in a good and workman like manner (of all which the District Manager shall be the sole judge) within the limits of the time as the District Manager may deem reasonable and specify and in such quantity or quantities as may from time to time be ordered by the District Manager". The Committee desired to know why the time schedule for printing was not stipulated in the Agreement itself. In a note, the Ministry of Communications have stated:

"The time schedule was laid down as part of specification in the notice inviting tenders and on acceptance of the tender specification form part of the Agreement. The Agreement however provides discretion to the District Manager to fix the limit of time as deemed reasonable vide clause 5 of the Agreement."

1.23. An extract from the "Specification" on Time Schedule as furnished by the Ministry of Communications is reproduced below:

"The time schedule was specified in the "Specifications" which form part of Notice Inviting Tender and part of the Agreement executed with the printer. This was:

**Time Schedule**

- (a) Galley-proof sufficient to cover 24 pages to be returned daily commencing from the 5th day after receipt of the manuscript by the Press.
- (b) 2nd galley-proof in duplicate within 2 days from receipt of the corrected first galley proof.
- (c) Proof of type-set advertisements and classified advertisements to be supplied to Agents within 3 days of receipt of copy layout or matter from Advertising Agents.
- (d) First page proof within 2 days of receipt of the dummy from the Advertising Agents.
- (e) 2nd page proof within two days of receipt of the corrected 1st page proof.
- (f) Print order will be given when the second page proof is approved and returned to the Press.

1.24. An agreement was entered into with M/s Diamond Printing Press in July 1972 for the work of printing of four issues of the English edition of the Directory commencing from July 1972 issue. On 25 July 1972, 65 manuscript pages of the directory were sent by the District Manager to the printer for preparing galley-proofs and returning them within three days of the receipt of the manuscript pages. On the printed galley-proofs being not returned by the printer within three days, the District Manager terminated the contract by a letter dated August, 1972 (by giving one month's notice) on the ground that the time-schedule return of galley-proofs had not been observed by the printer and delay was apprehended in publishing the July 1972 issue of the directory.

1.25. Asked what was the basis for the District Manager to have prescribed 3 days for return of the galley-proof by the printer and whether the latter was consulted before fixing the period. The Ministry in a note have stated that the time limit of 3 days was fixed by DMT to assess the capability of the printer. The printer was not consulted for the fixation of this period.

1.26. Referring to the above mentioned note of the Ministry of Communications in the light of the comments made by Audit that after considering various aspects *viz* capacity, capability, quality of work already turned out, adhering to the time schedules prescribed and experience in printing several issues of directories in Hindi, the DMT, Ahmedabad decided to entrust the work of printing all the four issues of the English edition of the directory to the printer, the Committee enquired what new factors had necessitated further checking the capability of the printer when it had already been done to the satisfaction of all concerned. The Ministry of Communications, in a note, have stated:

“While the performance of firm ‘A’ had been satisfactory, it was known that it had taken considerable amount of work on hand and would have to make some effort in complying with the requirements for printing of Ahmedabad Telephone Directory, the GMT naturally wanted to keep a close watch on the situation to see that the printer actually made these efforts. This was the reason for specifying the time limits.”

1.27. The Committee drew attention of the Ministry of Communications to some other observations of Audit that while recording his decision to entrust the work to firm ‘A’, the District Manager had stated that he had ascertained from the representative of the firm that they were expanding the press and therefore, there would be no danger of the printing work getting delayed. However on the printed galley proof being not returned within 3 days the District Manager terminated the contract on the ground that the schedule had not been observed by the printer and delay was apprehended in publishing the July 1972 issue of the directory. The Committee desired these two statements of the District Manager, Ahmedabad to be reconciled. The Ministry, in a note, have stated:

“It would not be correct to say that there was no danger of the printing work getting delayed. In fact such a possibility was there and the GMT Ahmedabad at all stages was taking precautions against it. The remarks, regarding expansion of the press and there being no danger, are those of the Diamond Press authorities and not those of GMT Ahmedabad.”

1.28. The Committee have learnt from Audit that elaborating the background in which the District Manager took the decision to terminate the contract with M/s. Diamond Printing Press, Jaipur, the

P&T Board in their letter dated 28-12-1977 to Audit had stated as follows:—

“The printer neither sent the galley-proof nor sent any reply till 5-8-1972 inspite of telegraphic reminder on 2-8-72 and subsequent telephone contracts. Earlier also, after the acceptance of tender by the DMT, there were delays on the part of printer in furnishing security deposit. The acceptance of the tender was communicated on 14-6-72 with instructions to execute the agreement and pay security etc. immediately. It was only after several Trunk calls, five telegraphic reminders and threat of termination of the contract that the printer did the needful on 14-7-72 and the agreement could be executed only on 21-7-72. It is not correct that the contract was terminated for the printed galleys not being returned within 3 days. The galleys were not returned till 5-8-72 despite telegraphic reminders and telephonic contact. It was the lack of appreciation of urgency of the work and not merely a few days delay in returning the galleys that was the main conclusion leading to the termination of the contract. After the award of the work, the printers betrayed an indifference in attitude and inclination to delay things at every stage. The General Manager considering the totality of the situation came to the view that persisting with the printer would have put the entire Telephone Directory work into jeopardy with resultant complaints from subscribers.”

129. The Committee enquired when the order was conveyed to the printer and when the agreement was actually signed. The witness explained:

“On 14 June, 1972, it was communicated and it took that firm five weeks to reply to this i.e. on 20th July, 1972 the reply came. They signed the Agreement and sent it.”

Subsequently, the witness clarified:

“That particular agreement was signed by the District Manager on 20-7-1972, but the printers themselves had sent the letter with the signed agreement on 6-7-1972”.

He further stated:

“Even at that stage when they were sending regular telegrams from Ahmedabad to this party asking them to expedite this, they did not reply to it until this signed agreement



was sent on 7-7-1972. In fact in one of the telegrams which they sent on 30th June, 1972 they specifically said that the signed agreement had been despatched. But it is only on the 6th July that they wrote a letter saying we are herewith enclosing the signed agreement, which means the telegram was wrong.

All these factors had already created a doubt in the mind of the District Manager that these people were not serious to take up this work."

1.30. The Committee pointed out that if as stated by the P&T Department in their letter dated 28-12-1977 to Audit, indifference of M/s. Diamond Press even from the beginning was the reason for termination of the contract, why this was not done in the initial stages when the question of not entering into any contract with such a printer could well have been considered. The Secretary, Ministry of Communications had the following to state in this regard:

"According to the option available to him it was to go to the fourth lowest. All of them were not on the approved list. This firm was the lowest and he had also been favourably recommended, even though in the beginning he showed these signs, the District Manager thought that he would go ahead and see different stages. We wanted to test it. He had a doubt about it because the Chief Controller of Printing and Stationery himself raised that doubt that he had already a lot of work to do and he may not be able to do it."

The witness further stated:

"The District Manager said that inspite of these difficulties since he is the lowest tenderer and well-equipped to do this work he allowed this contract to be signed and wanted to test him further whether he was really genuine and gave these manuscript copies to be brought back in 3 days. When he failed to do it even in 5 days he came to this decision."

1.31. In a note furnished to the Committee subsequently the Ministry of Communications have stated:

"The question of the termination of the contract could only arise after the contract had been entered into and the performance of the printer observed..... The overall situation was taken into account in terminating the contract."

1.32. The Ministry of Communications have furnished copies of Administration's letter dated 25-7-1972 forwarding therewith a few manuscript pages for printing galley-proofs as a sample within 3 days of the receipt of the same by M/s. Diamond Press and letter dated 5-8-1972 terminating the contract with that firm. The extracts from the letters are reproduced below:

*"Letter dated 25-7-1972: A few manuscript pages are sent herewith. You are requested to send the printed galleys duly paginated as a sample. The printing must be done strictly according to the instructions regarding style, punctuation, heading, sub-headings, brackets, names, address etc. contained in the Annexure 'B' sent along with the letter inviting the tenders & the report of the Telephone Directory Standardisation Committee, (copy available with you) be followed:*

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Printed galleys may invariably be returned within three days from the receipt of this communication along with manuscript pages."

*Letter dated 5-8-1972.*

Under Clause 29 of Agreement (for printing of Ahmedabad Telephone Directory English Edition), notice is hereby given that the agreement stands terminated after one month from the date (5-8-1972) is issue of this office."

1.33. The printing Press 'A' according to the Audit Para, represented to the District Manager in August 1972 itself against termination of the contract on the grounds that the manuscript pages sent by the department were not complete and that it was not practicable for any printer to compose the matter piecemeal and then wait for further manuscript and waste labour and manpower. It also added that the work was quite small and could be easily attended to by it without any difficulty, provided the whole manuscript was sent to it. It also promised to send the galley-proofs from the very day it received decision reinstating the contract. The District Manager informed the Firm 'A' on 11 September 1972 that it was not possible to reconsider the decision already taken.

1.34. Referring to the above mentioned plea of the Printer that their manpower and blocks could be held up due to incomplete manuscript pages if composed piece meal, the Committee posed the question whether such a step on the part of the DMT Ahmedabad could be termed as arbitrary or could create difficult condition for

the normal working of a Press. The Secretary, Communications stated:

“Not so, because, on earlier occasions, the printers were able to produce galley-proof within 3 days. In the case of the first assignment, when the advertisements were sent, they could give within 2 days.”

135. As has already been brought out in the preceding paragraphs, the DMT Ahmedabad had decided to award the contract to Printer ‘A’ on the ground that he was the lowest tenderer and also that he had done good work for others. In view of this, the Committee enquired how was it that having taken a lenient stand in the initial stages, the DMT suddenly took a drastic step of terminating the contract when the work which was set for completion upto a specified time, was about to take off. The witness explained:

“The manuscript was sent on 25th. It reached him on 28th 3 days were to be counted from that day—that will go up to the 1st. Termination notice was not sent till 5th August, 1972.”

136. To a question whether such a stipulation was there in the Agreement and the Department was in a position to take a proper legal stand on this point, the witness stated:

“Main part of the agreement does not give it. The discretion is there with the District Manager, who decides about it. It is stated in the Schedule attached to the agreement:—

“Galley-proof will be given within five days of the receipt of the manuscript by the Printers.”

He added:

“I am reading from the specifications which are given as Annexure ‘B’ of the Agreement of the specifications are referred to as Annexure B in the agreement. So far as time schedule is concerned—item No. 15 says:

“Galley-proofs sufficient to cover 24 pages in columns should be returned daily commencing from the fifth day after receipt of the manuscript by the Press. Three copies of the galley should be supplied to the department. This quantity shall be increased with every issue.”

137. Referring to the ‘Specifications’ the Committee enquired whether these were part of the tender or were later on communicated to the Printer. The witness clarified that it was part of the

schedule that was attached to the Agreement. It was even part of the notice that was issued for the tender.

1.38. To another question whether the galley-proof was to be given in lots or for the whole manuscript, the witness replied that "It was five days of the receipt of manuscripts. It does not say anything else. . . . . It is always sent in batches sometimes with 20 pages, sometimes with 30 pages and sometimes with forty pages."

1.39. The Committee drew attention of the representative of the Ministry to the provision of 5 days for return of the galley proof after the receipt of the manuscript by the printer and enquired on what authority the District Manager changed that to three days. The witness deposed:

"I suppose, it is because the agreement gives them the power to regulate it."

1.40. On being asked whether the Agreement gave arbitrary powers to the DMT to act in a way he liked or there was some limit to which he could go and there were some norms to be followed by him in this regard, the witness clarified:—

"What I am trying to submit is that in order to see whether this party was really genuine and was capable of doing the work, he gave him three days to do this galley proof and since he did not supply that within three days, he was convinced that this firm was not interested in doing it."

He further stated in this connection:

"He made the representation subsequently that he wanted the entire manuscript to be given to him. But if that was so, he would have not entered into this agreement and signed it. If he was not in a position to give the manuscripts in pages as they were sent, he should have made the condition at the time of the agreement which he did not do."

1.41. According to Audit Para, the work was entrusted (September 1972) to the fourth lowest tenderer M/s. Sahitya Mudranalaya, Ahmedabad (Firm 'D') after negotiations, ignoring the second lowest tender of 'B' on the ground that it had been blacklisted by the Delhi Telephone District and the third lowest tender of 'C' on the ground that it was not experienced in printing directories. In this connection, the District Manager, *inter alia*, recorded in an undated note. ". . . . . We have the advantage that the printer is here in Ahmedabad. The Advertising Agency has also been given to Ahmedabad firm and they had already collected the advertisement.

By December, 1972, we have to produce the directory and, therefore, competent firm should be chosen."

1.42. In this context, the Committee referred to the advice given by the CCPS to the DMT, Ahmedabad in March 1972 that in case Printer 'A' was not accepted, the question of entrusting the work to the next higher tenderer 'B' (M/s. National Press, Ajmer) at the lowest rates offered by 'A' might be considered, and enquired what was wrong with the National Press. The Secretary, Communication had the following to state during evidence:

"As far as this press is concerned, there were reports that it had failed to do the work in Delhi. And therefore, even Bombay had written to Ahmedabad saying that this firm had been taken out of the list of approved printers. Actually, Audit had at one stage also mentioned in the report that it was a "black-listed firm". I have not been able to see any papers about the actual black-listing part. But I have seen the correspondence which states that this firm's work was unsatisfactory in Delhi, and Delhi had taken it out of the approved list. Accordingly, Bombay and Ahmedabad took a decision to ignore it altogether."

1.43. Asked what was the reason for this firm not being able to do the job; whether they were not well equipped for printing or had not been able to keep to the time schedule in the past, the witness stated that it was both in respect of time schedule and workmanship.

1.44. Since it was stated that a reference was made for the purpose by the DMT, Ahmedabad in April 1972 and a written reply was received by him dated 28-4-1972 from Bombay Telephones, the Committee desired to have a copy of this letter and the Telex sent by Delhi Telephones to Bombay on 1-8-1970. The Secretary, Communications read out these letters during evidence as under:

"Letter dated 28-4-1972:

"This has reference to your telephonic talk with the undersigned in connection with National Press, Ajmer.

This Press had submitted their tender for printing Bombay Telephone Directory in India. Since we had information that they were printing Hindi Directory for Delhi Telephones also, a reference was made to D.O. Delhi.

I am enclosing a copy of telex message received from D.O. Delhi Telephones concerning the above Press for your

information and guidance. The contract for Bombay Telephones was, therefore, not awarded to them even though their rates were lowest."

*"Telex Message from Directory Officer Delhi Telephones:*

"Refer your telex message No. DR|10|1-HF dated 31-7-1970 regarding Printing of Bombay Telephone Directory in Hindi M|s. National Press Ajmer printed November, 1968 issue of the Hindi Directory of Delhi Telephone District (20,000) copies. They took 7 months for printing and 3 months for supply of bound copies against prescribed schedule of 75 days their contract was terminated by giving one month's notice without assigning any reason. They are no longer approved printers of Hindi Directory."

1.45. The Committee desired to know when the Delhi Telephones had requested the CCPS to black-list the name of M/s National Press, Ajmer, whether they had made similar requests to CCPS in respect of any other press and if so, what were the details thereof. The Secretary, Communications, stated in evidence:

"As far as I can see, initially in the Audit report, there was a mention of black-listing of firms. Of course, I agree that the Ahmedabad directory is much smaller than those of Bombay and Delhi. Regarding black-listing, I do not know whether it was there at the approval stage or later; but one of the comments given in the Audit report was that the firm was one of the black-listed firms."

1.46. In a note furnished to the Committee subsequently, the Ministry of Communications have stated that "no formal black-listing has been done of any of the firms engaged in printing of directories".

1.47. To a question whether the fact of the firm 'B' having been black-listed by Delhi Telephones was brought to the notice of the CCPS when he was consulted in the matter after the receipt of tenders the Ministry replied that the CCPS was not consulted at that stage.

1.43. Asked further why the tender of firm 'B' was thought to be fit for consideration alongwith some other lowest tenders and not rejected straight away like four other incomplete tenders when it stood blacklisted with the Delhi Telephones and their name had also

been removed from the list of approved printers maintained by CCPS, the Ministry of Communications have, in a note stated:

“It is (already) submitted that no formal blacklisting of any of the firms had been done. Also the printer’s name still continues on the approved list of the CCPS. It would appear that his name was deleted only from the list of the Delhi Telephones. Under these circumstances, tenders were issued to him and his offer was considered. However, when the question of awarding the work to the firm came up, enquiries were made and the facts regarding his earlier performance obtained from Delhi Telephones.”

1.49. Firm ‘B’ (M/s National Press, Ajmer) according to the Audit Para, was not considered competent to undertake the job. However, the next higher tendered ‘C’ (M/s Lal Chand and Sons, Calcutta) whose quotation was much lower than that of Firm ‘D’ (M/s. Sahitya Mudranalaya, Ahmedabad) was also ignored on the ground that it was not experienced in printing directories. Asked to indicate the basis for having come to this conclusion, the Secretary, Communications stated in evidence:

“The three-column printing was being undertaken in Ahmedabad for the first time, and it was ascertained that this particular press was not capable of doing that three-column printing. It had not done it before. That was what was recorded by the District Manager.”

He added:

“Subsequently, I have ascertained from both West Bengal General Manager and the General Manager of Calcutta. Apart from the record in the old case, I have made a further reference, and this is the report I have received from the General Manager, West Bengal. Recently, while I was going into the case, I sent a telex message to him to get this report which reads:

‘Performance Directory Printing—Lal Chand & Company.

Experience of West Bengal Telephones has been with said printers not happy (repeat not happy). Directory printed in 1971-72. . . . . Printing of the Directory on Divisional basis very unhappy. Only two-column printing in the case of old directories, Roman charter, the experience since 1974 very dismal and unhappy.’

The Second Report is from the General Manager, Calcutta:

'Reference Telephonic conversation of date regarding performance of Lal Chand & Co. printers for Directory. Firm was printing two column directory prior to 1966. For 1966 & 1967, trial order for printing of 3 column directory of CA Telephones was placed on firm. Performance was not found satisfactory and as per order of Dte. No. 1-12/55-PHA/PHS dt. 3-5-67, fresh tenders were called after 1967.

2. Printed Bhuvaneshwar Directory 2/3 years back.
3. Gothic characters or Lino equipment was available. Mono equipment similar to Gothic also available.
4. Apparently had capacity for printing of medium size directory upto about late sixties.'

This is the message we have received from Calcutta.'

1.50. At the instance of the Committee, the Ministry of Communications have furnished a copy each of the Reports on the past performance of M/s. Lal Chand & Sons, in printing various directories from PMG, Calcutta, PMG Shillong and extract from para 5 of DMT, Ahmedabad Note (35|c) from file No. 27-12/77-PHB. The same are reproduced below:

**'Letter No. Eng/p-7/Ptg/Other Circle dated 9-6-72 from the office of PMG Calcutta to the DMT Ahmedabad**

Regarding quality of printing done by M/s Lal Chand & Sons, 76, Acharya Jagdish Bose Road, Calcutta-14, a copy of the W.B. Circle Telephone Directory 1970 issue is sent herewith for your information.

During the period of their incumbancy as our printers nothing adverse has been found against them."

**'Letter No. Eng/p-113(VIII) Pt. II/188 dated 24-5-72 from the office of PMG Shillong to the CAO Ahmedabad Telephones, Ahmedabad.**

1. Credentials of the Press

M/s. Lalchand & Sons, Govt. and General Printers, 76, Acharya Jagdish Bose Road, Calcutta-14, printed this Assam Circle Telephone Directory for 1955, 1966, 1968 and 1970 issues. At the time of submitting his tenders for those issues they have stated that they have been doing this job for the last 58 years.



- |  |  |
|--|--|
| 2. Quality of the work done by the Press   | Good   |
| 3. Whether they keep up the time schedule etc.   | Yes.   |
| 4. Whether tender was rejected any time etc.   | No.  |
| 5. Any other point that will be helpful for accepting/rejecting the tender of this firm. | They are helpful, nothing to comment against them. |

“Copy of para 5 of DMT’s note (35/c) from file No. 27-12-77-PHB.

Lalchand & Co. Calcutta (page 18/3/c) appear to be cheaper but they have never undertaken the work of this magnitude and work of this type. Cheapness may lead to the same type of episode as with the Diamond Printing Press. We have a letter from the West Bengal Circle (Pages 59/c) saying that they have not done this job. If we are not to repeat the same episode as with Diamond Printing Press, Jaipur we can safely reject their tender also.”

1.51. Asked whether it had ever been verified by the District Manager, Ahmedabad from the General Manager, West Bengal about the performance of M/s Lalchand & Sons in the last four or five years. the witness stated:

“He had consulted the General Manager on telephone and he had said that there was nothing adverse against his printing of telephone directory.”

1.52. When the Committee pointed out that it could thus be inferred that the Calcutta GMT gave a good certificate to M/s. Lal Chand & Sons, the witness deposed:

“This report was called for by me recently. Apart from these two reports, I have been looking into the comparative statements of all the parties including that of Lalchand, I found that he had not submitted quotations in respect of several items.”

1.53. Asked why then the tender of firm ‘C’ being incomplete was also not rejected alongwith other incomplete tenders and why a plain answer to this effect was not given when Audit had pointed out about this tender, the witness stated:—

“In my opinion, it should have been rejected straightaway. . . . .I am sorry, it was not pointed out. It needs a lot of deep study.”

1.54. In a written note furnished to the Committee in this regard, the Ministry of Communications have stated:

“The firm ‘C’ was not experienced in printing this type of Telephone Directory, however, the decision appears to

have been based on the fact that the time was running short and an outstation firm taking up a new item of work may have difficulties."

1.55. The witness further stated that they (Firm 'C') quoted for certain items and they did not quote for certain other items. The District Manager had recorded that he was not accepting the tender of this party, not because he had submitted a defective tender. He had not mentioned that. He had mentioned two or three other factors. He continued to explain:

"I do not know why he did (say that).

Some of the suspicions that appear to be entertained by you also entered my mind when I was looking into this matter in depth. Because of those reasons, I had to probe very deep into the whole case and see if the decision was taken with any motive under any pressure or anything of that kind. I am only making a submission for your consideration. I have made a deep probe into this. I went into the question of this particular printer, Lalchand, apart from other considerations of distance, whether this man's performance was really good. That is why I made a reference to the General Manager, Calcutta, to give a definite reply about the performance of this particular firm. Both of them have given an adverse comment on it. I have myself cross-examined the officers concerned in this respect and I am satisfied that whatever decision they took was no motivated, was not because of any pressure that was brought on them. I am thoroughly satisfied. I am prepared to have an inquiry if the Committee so desires."

1.56. In a written note furnished to the Committee subsequently, the Ministry of Communications have stated:

"It will be appreciated that once the contract with the firm 'A' had to be terminated the time pressure on the GMT Ahmedabad had increased. It was, therefore, necessary for him to give greater emphasis on getting the telephone directory completed in time. The tender of firm 'C' was complete as far as major items were concerned and could perhaps have been rejected. This will be seen from the comparative statements. However, if it was not rejected in making a comparison it would have been necessary to obtain certain further information and clarifications.

Also the G.M. feared that since the firm was far away and had been printing two-column directory all the time, for three column directory, required by Ahmedabad, there might be difficulties of the same nature as with Diamond Press. He had felt that with firm 'D', there would be an advantage since the firm was locally available. It was on these grounds that the tender was awarded to firm 'D'. In fact the Directorate in 1974 issued orders indicating that firms nearby should be invited to tender."

1.57. The Committee pointed out that if, as a matter of policy, the work of printing the telephone directories was to be given only to those who were experienced in printing the directories, this would create a class of printers who had a vested interest in perpetuating their hold to the continued elimination of the new entrepreneurs in field of printing telephone directories. The Committee, therefore, wanted to know what the Department proposed to do to allow new firms at least a chance of showing their capability in printing the directories. In a note, the Ministry have stated:

"It is not a matter of policy that work of printing telephone directories should be given only to those who are experienced in printing directories. Printers can enter the approved list of the CCPS provided they have suitable printing experience which need not necessarily be those of printing directories. It may also be mentioned that 'C' was not in the approved list of CCPS."

1.58. On the Committee expressing the view that it could thus be concluded that the tender of firm 'D' was accepted because the DMT Ahmedabad was satisfied with the firm, the witness had the following to state:

"In some of these districts the maintenance of the files is not in the same manner as in some of the Departments of the Government with the result that various decisions are taken which are borne out by the correspondence but they are not supported by noting on the note-sheets. I had occasion to look into a number of files which I had requisitioned from the districts and I found from a number of cases that letters had been issued but there was no supporting noting on the files."

1.59. Since it was stated that M/s. Lal Chand and Sons were not found competent because they could not do three-column printing for Calcutta and West Bengal, the Committee posed the question

whether the previous performance about three-column work of M/s Sahitya Mudranalaya, Ahmedabad, who were finally awarded the contract, was at any time checked. The Secretary, Communications, explained :

“There are two ways of checking up. One is by the type of equipment etc. that is available with them. In the case of Diamond Press for instance, one man was deputed to check up whether it was properly equipped to do that kind of work. That check-up was done in the case of Lal Chand of Calcutta and it was found that it was not fully equipped.

The second is: whether they have past experience of doing this particular work and whether they will be able to do it. There, the assessment was that they (Lal Chand of Calcutta) had no experience. Further, the main consideration was that it was a very long distance from Ahmedabad, therefore, it would involve people going with pages of manuscripts every time, getting it done and bringing them back and since it was the intention to bring out the directory as quickly as possible this would have entailed a lot of delay because it would have meant movement of people.”

He further stated :

“I cannot tell you about individual cases because I have not looked into them, but this question for sending the publication of directories to long distances outside was itself found to be a big constraint in the timely bringing out of the directories. Therefore, the Directorate themselves, the DGP&T issued a circular in 1974, in consultation with the Chief Controller of Printing and Stationery that as far as possible, they should try to go in for printers who are located either in that place or very close to that place, so that unnecessary expenditure on travel, delay in the publication etc. would be avoided. 1974 circular was issued after it has been noticed that this kind of difficulty was arising in many cases.”

1.60. The Ministry of Communications, in a note, have stated :

“Sahitya Mudranalaya had no past experience in three column 10 type printing in English. However, it was local firm. This was the first time that firm ‘D’ was printing a three column 10 type Telephone Directory. However,

M/s. Sahitya Mudranalaya had in the past pointed English as well as Gujarati directories for the Ahmedabad Telephones quite satisfactorily and on this basis the GMT felt that being a local firm, they would be able to print three column 10 type directory within the very short time that was given to them. In actual practice, this was found to be so."

1.61. The Jaipur Press was stated to have taken five weeks to sign the Agreement and this was one of the reasons for terminating contract with them. The Committee enquired how much time M/s. Sahitya Mudranalaya, almost next door, took to sign the Agreement. The Secretary, Communications, stated that intimation about the work was given to them on 17 August, 1972 and they signed and sent back the Agreement on 8 September, 1972, i.e. after about three weeks. Information furnished subsequently by the Ministry of Communications, in this regard, is given below :

"The Printer 'D' submitted a revised quotation on 17-8-1972 and the tender was accepted on 19-9-1972. The schedule indicating the correspondence in this matter is given below :

Sequence of events relating to appointment of Messrs. Sahitya Mudranalaya :

1. Date of notice issued to M/s. — 5-8-72  
Diamond Press.
2. Date of notice of termination of — one month from date of notice  
contract.
3. Date of receipt of revised Rates — 17-8-72  
of M/s. Sahitya Mudranalaya.
4. Intimation of acceptance of the — 19-9-72  
tender.
5. Furnishing of Bank Guarantee — 22-9-72  
and other documents for agree-  
ment.
6. Date of signing of agreement. — Signing date not indicated.  
Agreement effective 8-9-72".

1.62. Asked whether three week's time was not enough to think that this printer like M/s. Diamond Printing Press was also not serious about the job, the witness deposed :

"Apparently the District Manager thought it was alright."

1.63. The Committee were given to understand that this Press was asked to furnish a bank guarantee on 19-9-1972 where as the con-

tract was signed earlier to that and the Agreement made effective from 8-9-1972. On being enquired how the contract was finalised unless the bank guarantee was given, the Ministry of Communications have stated :

“It is felt that legally the contract would be valid only after the bank guarantee is furnished.”

1.64. The Audit para points out that the manuscript copy of the directory was sent to Printer ‘D’ on 15th November, 1972 and first issue was printed and released in February, 1973. In this connection the Committee were informed that the material for composing any supply of galley proof for July, 1972 issue of the directory was given to the local printer—M/s. Sahitya Mudranalaya in piecemeal. In another note, the Ministry of Communications, have stated :

“From a perusal of the file of the Telephone District, it is found that Sahitya Mudranalaya received first lot of advertising material from Advertisers on 9-10-1972 and returned the specimen pages for approval on 11-10-1972. A set of 20 pages of the directory as sample pages was again sent to the printers on 15-11-1972 for returning galley proof in three days. From the records in the file, the manuscript is seen to have been sent piecemeal.”

1.65. Asked in how many instalments the whole material for one issue of the directory (not the advertising material) was given and what was the number of manuscript pages in each instalment, the Ministry have stated :

“The material was given in piecemeal, but the exact number of instalments in which the whole material for one issue was given, is, however, not known. However from the records, we can say that the material was sent on at least three occasions. Further details are not available.”

1.66. Asked what was the period allowed to this printer and actually availed of by him for submission of galley-proof, the Ministry of Communications, in a note, have stated :

- “From the available records of two issues of June, 1974 and October, 1976 of the directories, it is found that the first flow of galley-proofs started on the fifth day after making over the manuscript. For June, 1974 issue, 331 galleys were received from 5.3.1974 to 5.5.1974 and for

October, 1976 issue, 445 galleys were received from 31.7.1976 to 6.9.1976..... The time allowed was 5 days. The printer was generally adhering to the time schedule.”

1.67. To a specific question as to when the galley proof for first lot of 20 pages of manuscript for July, 1972 issue of the English Directory stated to have been sent on 15.11.1972 was returned, the Secretary, Communications, stated :

“Those records are not with us. These details are not available in any register in Ahmedabad office or here but we have checked up. The first lot of manuscripts were sent on 15.11.1972 and the press was supposed to have completed the job and given the editions, according to the agreement after ninety days. Therefore, the three month period would end on 15.2.1973. Actually all the printed copies were available on 26th February, 1973.”

1.68. The Audit Para points out that of this directory 1,32,000 copies and of its supplements 20,000 copies were got printed from the printing press ‘D’ for all the four issues commencing from the directory released in February, 1973; ‘D’ was paid a sum of Rs. 2.52 lakhs. For the same number of copies, the total amount payable to ‘A’ would have been Rs. 1.50 lakhs. The Department thus incurred an extra expenditure of Rs. 1.02 lakhs for the printing of the four issues of the Ahmedabad Telephone directory. The P&T Department had intimated Audit (December 1977) “that the Directory printing was likely to get heavily delayed through ‘A’ and the delay would not be acceptable, the rates of this press become irrelevant to the issue.”

1.69. The Committee enquired whether the Agreement was concluded at price quoted by printer ‘D’ or the rates were negotiated with him. The Secretary, Communications stated during evidence that price was negotiated and was brought down. The quoted price was Rs. 37,502 and the negotiated rate was Rs. 30,225 for one edition.

1.70. Asked how then the total loss, as brought out in the Audit Para, come to Rs. 1.02 lakhs, the witness deposed :

“It is hypothetical in the sense that I have explained why it was not possible to carry on this work with Diamond Printing Press.”

1.71. The Commission desired to know why the avoidable extra expenditure could not be recovered from ‘A’ when that Press was not found to be serious and the District Manager was stated to be

within his right to impose the condition and cancel the contract and also when a specific risk clause existing in the Agreement. The witness stated:

“There was no provision in the agreement. The agreement did not provide for it. The agreement only provided for the termination of the contract without assigning any reasons and this now the contract was terminated.”

1.72. To another question whether legal opinion was taken by the District Manager, the witness stated :

“No legal opinion was taken by the District Manager.”

### B. Gujarati Edition

1.73. According to Audit Para for Gujarati edition of the directory, seven tenders were received (January 1972) including one from M/s. Sahitya Mudranalaya, Ahmedabad (Firm ‘D’). The names of first six tenderer alongwith the rates quoted by each are as follows :

1. M/. Nayan Printing Press .	13,999
2. M/s. Kalyan Vijay Press	22,925
3 M/s. Dharti Mudranalaya	23,365
4. M/s. Sangam Printers	23,581
5. M/s. Shri Printers	24,970
6. M/s. Sahitya Mudranalaya . . . . .	40,604

1.74. The District Manager rejected (July 1972) the lowest tender on the ground that the tenderer had no previous experience and was not capable of undertaking the work. The second lowest tenderer had previous experience of printing telephone directory but its tender was rejected on the ground that it had taken seven months for printing the circle telephone directory in 1966. Out of the remaining tenders, the District Manager accepted the tender of printing press ‘D’ (M/s. Sahitya Mudranalaya) which was the sixth lowest after negotiating with it the rates to be changed by it. In selecting this printer for the work, the DMT, *inter alia*, observed in his note dated 10th July, 1972 that the capability and offer of the firms has been examined. None of the firms excepting printing press ‘D’ has got lino machine for composing. None excepting the printing press ‘D’ has got a printing press with automatic feeding of paper. Non excepting the printing press ‘D’ has previous experience of printing our telephone directory....” No specific reasons for rejecting the third, fourth and fifth lowest tenders were on record.



1.75. On being enquired whether all these printers were included in the approved list of the CCPS, the Secretary, Communications replied in the negative one, stated:

“So far as the Gujarati Directory is concerned, none of them was included. But a reference was made to the CCPS. He was informed that open tenders were invited, these were the parties which had quoted and these were the rates which they had quoted. They gave the entire papers to the CCPS. The CCPS, after seeking further clarification, finally replied that the work might be awarded to the lowest tenderer.”

1.76. Asked what was wrong with M/s. Nayan Printing Press, the witness replied during evidence :

“Seven tenders were received of which three were incomplete and particularly M/s. Nayan Printing Press did not quote one of the main items—block-making. It gave no quotation at all. Now I will submit for your information and for the information of the Committee that I have gone into these items in which some of these firms had not quoted; and on that basis, I found this printing press to be suitable. On that basis, if the Nayan Printing Press was to do the entire work which was awarded and an average rate was taken of all the other quotations, another amount would have been added to its rate quoted, and the total cost would have been over Rs. 19,000. The total amount paid to Sahitya Mudranalaya was Rs. 42,417 according to the negotiated rate; if it was the original tendered rate they would have been paid Rs. 51,706 the negotiated rate was Rs. 34,122 as against the quoted rate Rs. 40,604; on this basis the total work that was done was worth Rs. 42,417 on the basis of the negotiated rate; had the original tendered rate been accepted, the payment would have been Rs. 51,706. Kalyan Vijay Press did not quote for binding, and if binding was added to that, it would have been another Rs. 2,000.”

1.77. Giving reasons for rejecting the second lower tender (of M/s. Kalyan Vijay Press) the witness deposed :

“Kalyan Vijay had, firstly, no facilities for binding, secondly they did not quote for blocks.”

In this regard he further stated :

“They said they will take four months as against the three months we had provided for. They did not have the facility for ten point printing. Ten point printing was necessary in order to accommodate three columns on a page, but they did not have this facility.”

1.78. Asked whether it had been pointed out to the Department at that time that this press did not have this facility. The witness stated :

“We ascertained it later on. At that time the District Manager recorded a note saying that they did not have the capacity to print three columns directory. At that time the District Manager recorded a note, which says:

‘Anybody can print anything but only a few printers can print according to a time schedule. If from the date of giving of the manuscript, the time is to be extended over months or years anybody can do a job. If it is to be done within the prescribed limit of time, it is to be considered (a) whether they have any past experience of directory printing and what has been their performance, (b) what type of machines they have for composing as well as printing, and (c) whether they have their binding arrangements.

In the likht of these considerations the capability and offer of the firms has been examined. None of the firms excepting Sahitya Mudranalaya has got a lino machine for composition. None excepting Sahitya Mudranalaya has got a printing press with automatic feeding of paper. None excepting Sahitya Mudranalaya has previous experience of printing our telephone directory. This time they have to do it in three columns...”

1.79. The Committee drew attention of the representative of the Ministry of Communications to an earlier statement made by him that M/s. Kalyan Vijay had no facility for binding and pointed out that according to the analysis of each press given by Audit, this printer had quoted for every item that M/s. Sahitya Mudranalaya has quoted for. They had specifically quoted for binding including covering, trimming etc. They had also quoted for binding with thick paper which the other press had not quoted. When the Committee expressed the view that on this basis, the quotation of

M/s. Kalyan Vijay appeared to be more exhaustive than that of M/s. Sahitya Mudranalaya, the witness stated :

“Kalyan Vijay had not quoted for block setting.....In addition from the statement that I have with me, they had no arrangement for binding.”

1.80. Asked to which statement the witness was referring to, he replied that it was a paper recently prepared by the General Manager, Ahmedabad Telephones on the basis of records available in the office.

1.81. To another question as to why these were not shown to Audit at that time if such records were available in the office, the witness explained.

“This was ascertained after sending people around in July 1978 and ascertaining what facilities were available.”

He added:—

“The quotations have been taken from the records available from the district office relating to that period. It was referring to certain other facilities that are or are not available.”

1.82. On being pointed out that many big presses did not bind themselves but got the binding job done at their own cost by outside agencies, the witness stated:—

“It must have been a question of things getting delayed and not getting it on time.”

1.83. Asked why it should be delayed, the witness stated:—

“It is not recorded. In respect of these printers a note was recorded. In the case of Kalyan Vijay a note has been recorded here. For Sahitya Mudranalaya, the District Manager himself recorded a note saying that all the facilities are available with that printer which are not available with others.”

1.84. The Committee enquired how much delay had occurred in printing circle Telephone Directory by M/s Kalyan Vijay Press in 1966 and what action was taken against that firm. In a note, the Ministry of Communications, have stated:—

“The October 1966 issue of Gujarati edition of Gujarat Circle Telephone Directory was delivered from 13th January,

1967 to 18th February, 1967 causing a delay of one week and penalty of 2 per cent was imposed.”

1.85. To a question whether it was verified that this press had improved its capacity in the meantime, the Ministry stated:

“There is nothing specific available in record to show that the capability of this printer in 1972 had improved as compared to 1966. However, his capability as compared to another tenders was taken into account before award.”

1.86. Since the contract for printing of Gujarati edition of the directory according to Audit Para, was ultimately awarded to the Sixth lowest tenderer (Firm ‘D’—M/s Sahitya Mudranalaya, Ahmedabad) to which printing of 4 issues of English edition of that directory had earlier been entrusted by the DMT, Ahmedabad, by-passing the third, fourth and fifth lowest tenders, the Committee desired to know the reasons for their rejection. The Ministry of Communications, in a note, have stated:—

“The following three factors were considered by the DMT in deciding the tenders.

- (a) Whether they have any past experience of directory printing and what has been their performance.
- (b) What type of machine they have for composing as well as printing; and
- (c) Whether they have their binding arrangements.

On the above considerations, the tenders were rejected. None of the tenderers were in the approved list as intimated by CCPS vide his letter No. 1/4/70-B(2), dated 28th December, 1970. However, in the same letter, the CCPS had advised that if the DMT is satisfied with the performance of M/s Sahitya Mudranalaya, he may also invite the printers to quote. The Firms had responded to the open tender notice advertise in local dailies.”

1.87. The Audit Para points out that of the Gujarati edition of the telephone directory 55,000 copies were got printed for the four issues at a cost of Rs. 1.78 lakhs. For the same number of copies, the total amount payable to the lowest tenderer would have been Rs. 1.05 lakhs. The department had thus incurred an extra expenditure of Rs. 0.73 lakh for the printing of the four issues of the Ahmedabad Telephone Directory.

1.88. The Department had intimated Audit in December 1977 that in both the cases (English and Gujarati directories) the District Manager had shown "initiative and capacity to take decisions in the interest of service within his best judgement".

1.89. The Committee note that in January 1972, the District Manager, Ahmedabad Telephone District invited open tenders for printing, binding and supplying 4 issues each of the Ahmedabad Telephone Directory, English edition, commencing from July 1972 issue and Gujarati edition commencing from June 1973 issue. In response to the advertisement, 11 tenders were received for the English edition of the Directory. Of these, 4 were incomplete and were, therefore, not considered. Of the remaining 7 tenders, the 4 lowest tenders were from M/s Diamond Printing Press, Jaipur (Firm 'A'); M/s. National Press, Ajmer (Firm 'B'), M/s. Lalchand and Sons, Calcutta (Firm 'C') and M/s. Sahitya Mudranalaya, Ahmedabad (Firm 'D'). The rates quoted by these firms were Rs. 18,915. Rs. 21,313, Rs. 23,959 and Rs. 37,502 respectively for standard directory (176 pages).. After fulfilling the requirements and other formalities an agreement was signed with firm 'A' (being the lowest tenderer) on 20 July 1972 for printing the English edition of the directory. However, the Chief Controller of Printing and Stationery who was consulted on receipt of tenders, inter alia, advised the District Manager, Ahmedabad Telephone District in March 1972 that (i) the press 'A', the lowest tenderer, had already been entrusted with the printing of three more directories from other circles and that it might not perhaps be able to stick to the prescribed time-schedule; and (ii) the above aspect might be kept in view and the question of entrusting the work to the next higher tendered 'B' on the lowest rates offered by 'A' might be considered. Despite the advice given by the Chief Controller of Printing and Stationery, the contract was given to firm 'A' but later on the same was terminated by a letter dated 5 August 1972 (by giving one month's notice) on the ground that the time-schedule for return of galley-proof within the prescribed period had not been observed by the printer and delay was apprehended in publishing the Directory. Subsequently, the work was entrusted (September 1972) to the fourth lowest tenderer, i.e., firm 'D', after negotiations, ignoring the second lowest tenderer, firm 'B' on the ground that it had been black-listed by the Delhi Telephone District and the third lowest tenderer, firm 'C', on the ground that it was not experienced in printing directories.

1.90. In the case of Gujarati edition of the Directory, 7 tenders were received in January 1972, including one from M/S Sahitya

Mudranalaya, Ahmedabad (firm 'D') who had also quoted for the English edition of the Directory. The rates of the first six tenderers were Rs. 13,999, Rs. 22,925, Rs. 23,365, Rs. 23,581, Rs. 24,970 and Rs. 40,064 for a standard directory (280 pages). The Chief Controller of Printing and Stationery, on being consulted in the matter, recommended award of the work to the lowest tenderer. However, the District Manager, Ahmedabad rejected (July 1972) their advice and accepted firm 'D's tender, which was the sixth lowest, after negotiating with it the rates to be charged by it. The rates of other firms were rejected on one ground or the other, namely, that they had not got (i) lino machine for composing, (ii) printing press with automatic feeding of paper; and (iii) previous experience of printing Ahmedabad Telephone Directory.

1.91. It is noteworthy that the contract with M/s. Diamond Printing Press, Jaipur for printing English Directory was signed despite the advice of Controller of Printing and Stationery to the contrary because the District Manager, Ahmedabad Telephone District was fully satisfied with the capacity, capability and past experience of the concern in the matter of quality of work and adherence to the time schedule. The District Manager, Ahmedabad Telephone District was aware that since the press was expanding, there was no danger of the printing work getting delayed. Another argument advanced by the District Manager, Telephones was that the difference between rate of firm 'A' and that of firm 'B' was too large. Because of this difference he was prepared to take the risk of giving it to a Jaipur firm in spite of the inconvenience that might be caused due to the Printer being at one place, the Administration in another place and the Advertising Agent yet at another place.

1.92. The reasons advanced for cancelling the order on Diamond Printing Press, Jaipur, on 5 August, 1972 soon after 15 days of the signing of the agreement (after giving one month's notice) were two-fold i.e., (1) the Press could not return galley proof in 3 days; and (ii) sudden anxiety to get the Directory printed by December 1972. So far as the first reason is concerned, it has come out from the evidence that originally it was supposed to be five days and that the Press had preferred the entire manuscript to be given in one lot instead of piecemeal. But the District Manager, Telephones used his discretion and insisted on 3 days and also did not agree to the entire manuscript being given in one lot. So far as the second reason is concerned, the Committee find that the Directory was not eventually printed by December 1972 and was delayed by two months. In fact, the date of delivery of the Directory agreed by firm 'D' (M/s.

Sahitya Mudranalaya, Ahmedabad) was 15 February, 1973 i.e., beyond December 1972 as originally envisaged.

1.93. The Committee are not convinced by the reply given to Audit late in December 1977 that the District Manager had shown initiative and capacity to take decision in the interest of service within his best judgment. The fact of the matter is that the Directory, which was according to an undated note recorded by the District Manager, Telephones, Ahmedabad in support of his decision to entrust the work to Press 'D' (Sahitya Mudranalaya) to be produced by December 1972, could be made available even by the Sahitya Mudranalaya, Ahmedabad only on 26 February, 1973. The Secretary, Communications, conceded during evidence that 'in the final bringing out of the print there was a little delay. According to the agreement (with Printer 'D'—Sahitya Mudranalaya) it should have been done in 90 days. Instead of 15th February, I think they (Sahitya Mudranalaya) gave the printed copies after 11 days from that date'. The Committee, however, find that no action was taken against the printer for this delay although, in an earlier case, M/s. Kalyan Vijay Press were imposed a penalty of 2 per cent for causing a delay of only one week in printing October—1966 issue of Gujarati edition of Gujarat Circle Telephone Directory.

1.94. The Committee are constrained to point out that a sudden shift in the earlier decision of the District Manager, Telephones, Ahmedabad for diverting the job to firm 'D' for printing the four issues of the English edition of the Ahmedabad Telephone Directory caused the Department an avoidable expenditure of Rs. 1.02 lakhs out of the total cost of Rs. 2.52 lakhs which otherwise could have been saved had the work been done by Diamond Printing Press, as originally contracted for.

1.95. The Committee feel that the case needs a thorough investigation by a Committee of Senior Officers, drawn from Ministry of Finance, Ministry of Communications and Ministry of Works and Housing with a view to have a fresh look into the circumstances leading to the termination of the contract with M/s. Diamond Printing Press on a minor, unconvincing and untenable ground of not returning the galley proof within 3 days of receipt of the manuscript by them and on that basis forming the conclusive but pre-mature view against the Printer that it had not adhered to the time schedule. It has to be remembered that M/s. Sahataya Mudranalaya to whom not only the English edition but also the Gujarati edition was entrusted were the fourth lowest in the former case and the sixth lowest tenderer in the latter case. The Committee of Senior Officers should also examine whether there was any ulterior intention for

pecuniary gain or otherwise, on the part of any concerned departmental official and in such event fix responsibility therefor.

1.96. This case has revealed that arbitrary powers have been delegated to the Heads of Telecommunication circles/Telephone Districts to regulate the contracts for printing of telephone directories and fix norms to be followed by them at each level/stage of their implementation. How these discretionary powers have been misused is borne out by the fact that as against the provision of 5 days for preparing the galley-proofs printer 'A' (Diamond Printing Press) was asked to return the first batch of a few pages within 3 days of the receipt of the manuscript by them. When asked during evidence to indicate the authority on which the District Manager, Telephones, Ahmedabad, changed the period from 5 to 3 days, the reply was that 'it is because the Agreement gives them the power to regulate it' and that 'the discretion is there with the District Manager, who decides about it'. Not only that, it was also mentioned in support of the action of District Manager that the time limit of 3 days was fixed by him to assess the capability of the printer 'A' (Diamond Printing Press). However, the Committee find that the printer was not even consulted for the fixation of this lesser period. The Committee would therefore like the Government to scrutinise the existing powers delegated to the Heads of Tele-communication Circles/Telephone Districts in this regard and issue necessary instructions so as to ensure that the powers delegated to the officers are exercised justly and not arbitrarily.

1.97. The Committee find that according to the existing system open tender enquiries are floated through advertisements in the newspapers for printing of telephone directories and simultaneously the printers in the approved list, as maintained by the Directorate of Printing, are also addressed for offering tenders. The Committee do not see any logic in this dual arrangement as it gives wide discretionary powers to the Heads of P&T Divisions/Districts to pick and choose any printer outside the approved list according to their whims and convenience and thus defeats the very purpose of maintaining an approved list. The system is also likely to give rise to complaints and allegations by the printers in the approved list, particularly when their quotations are comparatively lower, for having shown favouritism in selecting a particular printer outside the approved list. The Committee feel that the Directorate of Printing should review the list of approved printers periodically and in a more comprehensive manner than done hitherto so as to bring it up-to-date according to prescribed standards. The list so formulated should serve as a genuine and firm guide for future.



## CHAPTER II

### Kiosk Advertisements on telegraph and telephone poles

#### *Audit Paragraph*

2.1. According to departmental instructions, Heads of Circles/ Telephone Districts are authorised to issue Kiosk advertisement licences for the display of Kiosk (advertisement boards) on telegraph and telephone poles by calling for tenders on lump sum payment basis for a period of three years at a time. The action is required to be completed well in advance of the expiry of the existing licences.

2.2. The licence for the display of Kiosk on the telegraph and telephone poles in the area of Bombay Telephone District was due to expire on 31st May 1973. Open tenders were accordingly invited (April 1973) by the General Manager, Bombay Telephones, for appointment of a licensee for the next three years from 1st June 1973. The form in which the tender was to be submitted had two enclosures marked by the department as Annexure II and Annexure III; the former included the terms and conditions for appointment of the licensee and the latter the form of the agreement which the successful tenderer was required to execute after acceptance of its tender. Both Annexure II and Annexure III stipulated furnishing of security deposit by the licensee equal to the annual licence fee payable to Government. In regard, however, to the payment of licence fee proper, clause 14 of Annexure II (terms and conditions of the tender) provided that "a sum of rupees equal to the amount payable to the Government per annum for the kiosks put up on telephone poles may be paid before 31st May every year during the currency of the agreement". Clause 15 of Annexure III (agreement form), however, provided that "the licensee shall during the continuation of this licence pay regularly to the Government each year in advance a sum of Rs. . . . . . per annum for the kiosks put up by them." The term 'advance' had not, however, been used in clause 14 of Annexure II. The provision contained in the agreement form was in accordance with the departmental decision (August 1971) that in all cases of kiosks licences, amount of annual licence fee for each year should be recovered in advance.

2.3. Of the three tenders received, the tender of \*firm 'A' (which was also the licence for the earlier three years) for Rs. 91,900 per

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\*M/s Classic Advertising , Bangalore.

annum was the highest and accordingly the firm was addressed on 25th May 1973 to deposit the amount of security and to execute the agreement. The firm wrote back on 4th June, 1973 seeking permission to submit bank guarantee in lieu of cash deposit as security, as had been done in the case of the previous contract. On 9th June 1973, the firm submitted a duly signed agreement effective from 1st June 1973 with a request that one copy of the agreement might be returned to it duly executed by the department so as to enable it to furnish the bank guarantee for Rs. 91,900. In July 1973, the General Manager, Bombay Telephones, accepted the firm's request for a bank guarantee in lieu of cash security deposit and asked it to deposit in advance Rs. 91,900 representing one year's licence fee, as provided for in the agreement. The firm was also told that the agreement would be executed by the department on receipt of the bank guarantee and advance payment of licence fee.

2.4. Firm 'A' disputed (July 1973) the department's claim for advance payment of licence fee on the ground that the condition of the tender form stipulated payment of one year's licence fee by it before 31st May of every year during the currency of the agreement and that the licence fee pertaining to the year 1973-74 was to be paid by it only by 31st May, 1974. It, however, added that it was prepared to pay the amount on or before 31st March 1974 as had been the practice earlier.

2.5. The department wrote to the firm 'A' on 14th September, 1973 that the stipulation in the tender form that the licence fee would be paid before 31st May every year, was made in the belief that the tender would be finalised before that date (31st May 1973) and that, as per the terms of the agreement, the licence fee was to be paid each year in advance. The department also added that in case the bank guarantee for Rs. 91,900 was not furnished and the licence fee of Rs. 91,900 not paid within ten days of the receipt of that letter, the acceptance of the tender would be cancelled and the earnest money forfeited. The firm neither paid the licence fee in advance nor did it furnish the bank guarantee by way of security and the matter was also not pursued by the department after September 1973.

2.6. In May 1974, the Director General, Posts and Telegraphs wrote to all the Heads of Circles pointing out that it had come to his notice that the licensees appointed for Kiosks advertisements in some circles had collected advertisement charges from public or private institutions even after expiry of the contracts and that the Heads of Circles should keep a watch to guard against such undesirable acts. The above circular letter of the Director General, Posts

and Telegraphs, was later (February 1976) found lying unattended to in a folder in the office of the General Manager, Bombay Telephones.

2.7. In July 1975, on receipt of a communication from the State Government of Maharashtra that they wanted to have special arrangements for direct booking of Kiosks with the Posts and Telegraphs Department instead of through its sole-agent, the department enquired of the State Government in March 1976 the name of the sole-agent through which the State Government had been booking Kiosk advertisements. The State Government informed the department in May, 1976 that they had been booking Kiosk advertisements through the firm 'A' and that their contract with that firm was for three years from 1973 to 1976. It was only then that the department came to know that the firm 'A' had in fact been using the telegraph and telephone poles for putting Kiosks and collecting money from advertisers, without any licence and without paying the licence fee and furnishing the bank guarantee. There upon the department issued (May 1976) a demand note to the firm 'A' for Rs. 2.76 lakhs towards the licence fee for the period from 1st June 1973 to 31st May 1976. In May 1977, the DGPT brought to the notice of all Heads of Circles/Districts that Rs. 4.91 lakhs were due from 'A' in different circles/districts and impressed upon them to take expeditious action for recovery of dues pertaining to their respective circles/districts and to keep the aforesaid fact in view in deciding its future tenders. On this, the firm 'A' submitted a representation to the Director General, Posts and Telegraphs in July 1977 pointing out that the failure of the department to execute the agreement had resulted in financial loss to the firm. It added that the failure of the Bombay Telephones to execute the agreement had made its position uncertain and that it could not freely canvass for new booking of Kiosks or renew the existing contracts with its constituents. It claimed that it had been put to a considerable loss and therefore, wanted to negotiate a fair licence fee not exceeding Rs. 65,000 per annum.

2.8. The department stated (January 1978) that the performance of the firm 'A' in some past contracts had been "unsatisfactory and it still owes substantial dues to the department". It also added that "..... an administrative decision has already been taken to proceed with the legal action in the matter and the General Manager Telephones, Bombay has been directed to file a civil suit as well as a criminal case against the firm..... From the history of the case and the background knowledge of the firm in question, the only option open to the department is to seek legal redress. However, there is an administrative lapse in not taking a proper decision when

the firm had failed to comply with the.....conditions, because of which the agreement could not be executed. For this the General Manager had initiated action against the delinquent officials."

[Paragraph 28 of the Report of the Comptroller and Auditor General of India for the year 1976-77, Union Government (Posts and Telegraphs)]

*Time taken for processing the tenders*

2.9. Kiosks are rectangular advertisement boards fixed with metal bars on telephone and telegraph poles for display of advertisements. Heads of Circles/Telephone Districts are authorised to issue licences to advertising firms for the display of Kiosks on telegraph and telephone poles by calling for tenders on lump sum payment basis for a period of 3 years at a time.

2.10. The Audit para points out that the licence for the display of such Kiosks in the area of Bombay Telephone District was due to expire on 31 May, 1973. Open tenders were accordingly invited in April 1973 by the General Manager, Bombay Telephones, for appointment of a licensee for the next three years i.e. from 1 June, 1973.

2.11. The departmental instructions relating to issue of Kiosk licences envisaged that action for calling of tenders etc. was required to be completed well in advance of the expiry of the period of previous licence which in this case was due to expire on 31 May, 1973. The Committee enquired how it was that action to call for open tenders for the appointment of licensee for the next three years from 1 June 1973 was taken only in April 1973 and whether the time between the calling of the tenders and 31 May, 1973 was adequate for processing the tenders received and finalising the contract. The Ministry of Communications, in a note, have stated:

"Tenders were advertised from 17th to 19th April, 1973. Normally 6 weeks are considered sufficient for processing the tenders and finalisation unless some unforeseen circumstances arise otherwise."

2.12. The Committee enquired what action the Directorate proposed to take to avoid recurrence of such cases in future. The Secretary, Communications, stated in evidence:

"May I submit that the instructions of the Department are that at least one month's time should be given for the floating and receipt of tenders. In this particular case, although the tender notices were sent for publication to the DAVP on the 5th April, actually they did not go out

to the press till the 17th. Between 17th and 19th, they appeared in the press. I entirely agree that advertisements of this nature should be given a little longer time and we shall certainly consider to what extent we should increase this time."

2.13. To a question as to how much time was normally required for signing and finalising the Agreement, the witness replied:

"Normally it should not take more time. From the date it is announced in the press inviting tenders, it should be within one month. It will take another 15 days after the tender is received. This is not a very complicated affair. There is no question of any big specification and things of that kind. Therefore, it should be possible to finalise the tenders within fifteen days after they are received. The total period required will be 1½ months."

2.14. In a written note furnished to the Committee subsequently, the Ministry of Communications have stated:

"It is not proposed to make any special rules for handling such extraordinary situations. The Heads of Circles have adequate powers to handle the situation which may be caused by delay of a contract. If the contract is of such nature that no gap is permissible between the previous contract and the next contract, then an extension of the previous contract can be considered. However, in case of the kiosks advertisements, it would be permissible to have a small gap between the previous and the next tender although this would not be normally desirable as it would mean loss of revenue."

*Terms and Conditions for appointment of licencees*

2.15. According to the audit para the form in which the tender was to be submitted had two enclosures. Annexure II envisaging the terms and conditions for appointment of the licencee and Annexure III containing the form of the agreement which the successful tender was required to execute after acceptance of its tender. Both these Annexures stipulated furnishing of security deposit by the licencee equal to the annual licence fee payable to Government. However, in regard to the payment of licence fee proper, whereas clause 14 of Annexure II (terms and conditions of the tender) provided that "a sum of rupees equal to the amount payable to the Government per annum for the Kiosks put up on telephone poles may be paid before 31 May every year during the currency of the

agreement”, clause 15 of Annexure III (agreement form) provided that “the licensee shall during the continuation of this licence pay regularly to the Government each year in advance a sum of Rs..... per annum for the Kiosks put up by them.” The term ‘advance’ had not, however, been used in Clause 14 of Annexure II. The provision contained in the agreement form was in accordance with the Departmental decision (August, 1971) that in all cases of Kiosks licences, amount of annual licence fee for each year should be recovered in advance.

2.16. Some relevant extracts from Annexure II (terms and conditions of the tender) and Annexure III (Agreement Form) which are important for the purpose of this Report are reproduced below:

## ANNEXURE II

“Terms and Conditions for appointment for Licensee authorised for putting KIOSKS on Telephone/Telegraphs Poles.

### 1. General Conditions and interpretation

All the terms and conditions mentioned herein, in the tender notice and in the agreement issued with the tender notice are binding on this contract.

\* \* \* \* \*

### Earnest Money:

Each tenderer shall pay into the office of the General Manager, Bombay Telephones (Cash Counter, 1st Floor, Badheka Chambers, 31, Manohardas Street, Bombay-400001) Rupees Two Thousand only in cash as Earnest Money, through Demand Note issued by the Estimate Officer, Bombay Telephones, Parel Telephone Complex, Chamar Baug, P.O. Lane, Parel, Bombay-400012. If desired, the Earnest Money can be paid by a demand draft for Rs. 2,000 drawn on a scheduled Bank in Bombay in favour of the Reserve Bank of India A/C. Bombay Telephones. The tender is liable to be rejected if not accompanied by a receipt above referred to.

2.2. The Earnest Money of the tenderers will be returnable without interest after final acceptance of the tender and execution of the agreement with successful tenderer. If the tenderer withdraws his tender before its final acceptance or execution of the agreement, the Earnest Money shall be forfeited to the Government. If the successful tenderer fails to make the Security Deposit or either into prescribed agreement with the General Manager, his Earnest Money will likewise be forfeited to the Government.

### 3. Security Deposits:

- 3.1. The successful tenderer shall within ten days of intimation of acceptance of the tender, deposit in cash a sum of Rupees equal to the amount payable to the Government per annum agreed by the tenderer and will be kept as Security for due fulfilment of the contract. The money in cash will be payable to the Accounts Officer, (Disbursement), Bombay Telephones, Badheka Chambers, 31-Manohardas Street, Bombay-400001, by presenting the Demand Note issued by the Estimate Officer, Bombay Telephones, Parel Telephone Complex, Chamar Baug. P.O. Lane, Parel, Bombay-400012. The successful tenderer may give a bank guarantee for the amount of the Security Deposit. The wording and form of the Bank guarantee shall be as prescribed and approved by the General Manager, Bombay Telephones.
- 3.2. The Security Deposit will be returned without interest, after successful performance of the contract and after deducting dues, if any payable to the Government. In the event of any breach of any terms and conditions or delay or default the contract will be terminated and the Security Deposit forfeited to the Government by the General Manager.
12. The Tenderer whose tender is accepted will execute a document granting the licence in enclosed form (Annexure III) with the President of India within two weeks of the acceptance of his tender.
13. The tenderer whose tender is accepted shall keep proper accounts in respect of KIOSKS (Advertisement Boards) and shall allow the Government to check them if necessary.
14. A sum of Rupees equal to the amount payable to the Government per annum for the KIOSKS put up on Telephone Poles may be paid before 31st May every year during the currency of the Agreement."

#### Agreement Form

#### ANNEXURE III

#### License Form:

15. Provided further that notwithstanding anything herein before contained the Licence shall during the continuation

of this Licensee pay regularly to the Government each year in advance a sum of Rs. .... (Rupees..... per annum for Kiosks put up by him|them.

The Licensee shall on the signing of these presents furnish as Security to the Government either in Government Promissory Note to the extent of their market value or in Post Office National Saving Certificates as at issue price or cash security in Government currency notes or a deposit made in the Post Office Saving Bank transferred to the GMT Bombay Telephones of an amount equal to Rupees.....

The Government shall authorise all Divisional Engineers aforesaid to grant a certificate in duplicate testifying that an advertisers Kiosks have been put up as and when such Kiosks are in fact put up and shall deliver the same to the Licensee for the purpose of their record only but the Government will accept no responsibility and shall not incur any liability whatsoever in the granting of such certificates. The Licensee shall produce such certificates to the said Divisional Engineers and the Government if and when called upon to do so.

23. Before the expiration of this License the Licensee shall remove all Kiosks put up hereunder making good all damage done to poles aforesaid.....Any Kiosks not so removed shall become the property of the Government and the Licensee shall not be entitled to any compensation."

2.17. The Department had decided in August, 1971 that in all cases of Kiosks licences, amount of annual licence fee for each year should be recovered in advance and had also then modified the form of the agreement deed (Annexure III) accordingly. The Committee enquired why at that time the standard form containing the terms and conditions of the tender for appointment of the licensee (Annexure II) was not modified suitable to provide for the payment of amount of annual licence fee for each year in advance by a specified date. The Ministry of Communications in a note have clarified:—

"As per para 1.2 of general terms and conditions Annexure II, it is stipulated, "all the terms and conditions mentioned herein (i.e. annexure II) in the tender notice and in the agreement issued with the tender notice are binding on his contract". As such it was not felt necessary to modify Annexure II separately. However, in the light of the



experience, clause 14 of Annexure II is proposed to be modified.”

2.18. The Committee further desired to know how the contradiction between the provision in the terms and conditions of the tender and that in the ‘agreement deed’ (Annexure II and III respectively of the same tender for) escaped notice of the Department at the time of floating tenders. The Ministry of Communications have replied:—

“The previous licence with the party was valid upto 31-5-73. It was the intention to commence the new agreement from 1-6-1973 and to complete all the formalities by 31-5-1973 so that the agreement could be effective from 1st June, 1973. If this had been done there would have been no contradiction between the terms and conditions of the tender and the agreement deed. This could not be done because the firm did not cooperate.”

2.19. The Committee drew attention of the representative of the Ministry of Communications to Clause 15 of the Agreement Form (Annexure III) providing therein that ‘notwithstanding anything hereinbefore contained the licensee shall during the continuation of this licence pay regularly to the Government each year in advance a sum of Rs. .... per annum for Kiosks put up by him/them’ and pointed out that ordinarily one might feel that ‘advance’ meant money paid before the date the lease started but as per the accepted legal interpretation, the rent became due at the expiry of the period, monthly or annually, and as such in the present case if the contractor paid in time during every year even one day before the last date (31st May) that would also be in ‘advance’. The Committee, therefore, enquired what Government proposed to do to removed this lacuna. The Secretary, Communications, stated in evidence:

“So far as the future is concerned, we have already issued an earlier circular which says that this advance must be paid within six months of the signing of the agreement. The latest instructions are providing this six months time—within six months of the signing of the agreement for each year.”

2.20. The Committee pointed out that it was here where the difficulty arose because the firm had been given 6 months to pay for the whole year and if he did not pay after the expiry of this period i.e. in the middle of the year what safeguards were there to protect the interests of Government. The witness explained that there was a security deposit and the Department was insisting on that.

## 2.21. He clarified further:

"May I submit that in the later instructions that we have issued, to which I referred, we have said that the security deposit equivalent to the licence fee that has been fixed has to be given in the form of a bank guarantee. As soon as the agreement is entered into, an advance payment of licence fee for one full year within six months of the signing of the agreement is asked for. Suppose he does not pay this amount within these six months, then the bank guarantee is there which can be redeemed."

2.22. The contents of the above referred circular dated 1 December, 1975 addressed to all Heads of Circles/Telephone Districts by the Ministry of Communications (DG P&T) are reproduced below:

"In partial modification of the existing instructions on the subject it has been decided that the Security Deposit equal to one year's licence fee in advance can be accepted also in the form of a Bank Guarantee from a Scheduled Bank of India in form and substance acceptable to the Government and that the annual licence fee can be deposited by the licensee within a period of six months from the date of the commencement of the licence, each year.

In view of the above, clauses 15 and 16 of licence form (Annexure-D) prescribed *vide* this office letter No. 22-9/66-TI dated the 19th November, 1966, should read as under:—

"*Clause-15:* Provided further that notwithstanding anything hereinbefore contained, the licensee shall during the continuation of this licence pay regularly to the government each year within six months from the date of the commencement of this licence a sum of Rs. . . . . towards annual licence fee for kiosks put up by him/ them."

"*Clause-16:* The licensee shall, on the signing of these presents, furnish to the Government as Security, either Government Promissory Notes to the extent of their market value or Post Office National Saving Certificates at the issue price or cash security in Government currency notes or a deposit made in the Post Office Saving Bank transferred to the Postmaster General|Director P&T|General Manager Telephones/District Manager Telephones. . . . Circle/District, of an amount equal to

one year's licence fee. A Bank Guarantee from a scheduled Bank of India in form and substance acceptable to the Government for an amount equal to one year licence fee can also be accepted."

A new clause 16-A may also be added in licence form:

"Clause 16-A: Provided further that after the expiry/termination of the existing licence, Government shall under the Bank Guarantee have the right to withdraw from the Bank against Bank Guarantee amount the money due to it under any of the covenants or conditions of the agreement and the decision of the Government in this regard shall be final."

2.23. It would be seen from the circular that it had been made incumbent on the licensee to pay advance equal to the licence fee proper for each year within six months of the signing of the Agreement for Kiosk advertisements. To a question whether in case of default only six months fee would be chargeable from the contractor's security deposit and for the rest Government would be put to loss till a new contract was finalised which might take two months or even more, the Secretary, Communications clarified:

"We will do it for the whole year. If he defaults then the default is in respect of the whole year for which the security money will be deposited."

2.24. Asked to consider the feasibility of including in the terms and conditions of the Agreement with the Advertising Agents a clause to the effect that they should obtain payments from the parties through cheques in the name of the Department and then they be paid their commission out of that account, the Ministry of Communications, in a written note, have stated:

"The realisation of cheques in the name of the department will perhaps absolve the advertising agents of the full responsibility of collecting the earnings on account of the advertisements as in some cases the cheques may not get honoured in time and this may result in loss, unnecessary correspondence with the parties direct and legal issues involved therein without the advertising agents being held responsible in such cases, if such conditions or clauses are included in the terms and conditions of the agreement."

*Request for bank guarantee in lieu of Cash security Deposit*

2.25. The Audit Para further points out that of the three tenders received for the display of Kiosks on telegraph and telephone poles

in the area of Bombay Telephone District for the three years commencing from 1 June, 1973, the tender of firm 'A' (M/s. Classic Advertising, Bangalore who were also the licence for the earlier three years, 1970-73) for Rs. 91,900 per annum was the highest and accordingly, that firm was addressed on 25 May 1973 to deposit the amount of security and to execute the agreement.

2.26. On 4 June, 1973, the Firm sought permission to submit bank guarantee in lieu of cash deposit as security as had been done in the case of the previous contract and on 9 June, 1973, the firm submitted a duly signed Agreement effective from 1 June 1973, with a request that one copy of the agreement might be returned to it duly executed by the Department so as to enable it to furnish the bank guarantee for Rs. 91,900.00. However, it was in July 1973 that the General Manager, Bombay Telephones, accepted the firms request for bank guarantee in lieu of cash security deposit. The Committee desired to know why it took such a long time to consider the request of the firm and to send the reply after about one months' time on 5 July, 1973, especially when the agreement was to take effect from 1 June, 1973. The Ministry of Communications, in a note, have stated:

"The firm had requested for permission to submit Bank Guarantee in lieu of cash security deposit and immediately thereafter submitted agreement. It was examined in all respects and the firm was advised to furnish the bank guarantee in the form and manner prescribed. Sometime was taken in and issue of suitable reply."

2.27. Since according to the advertising firm their request for submission of bank guarantee was based on the past precedent what the committee asked what 'aspects' were to be considered by the Department, it took them a full month to complete the routine scrutiny, the Ministry of Communications, in a note, have stated:

"The tendering firm did not pay the security deposit but in a letter dated 7-6-73 had proposed to submit bank guarantee. With their letter dated 9-6-73, the firm returned the agreement form duly signed indicating that bank guarantee will follow only after signature and execution of the agreement by the Department. In Bombay Telephone District letter dated 5-7-73, the firm was instructed to submit bank guarantee and also pay a demand note for advance annual rental before signature and execution of agreement by the Department. There has been a delay in replying to the firms letter of 9-6-73."

2.28. Clarifying the position with regard to security deposit in respect of old contracts, the Ministry, have stated:

“The previous practice in the Bombay Telephones has been to accept bank guarantee in lieu of cash deposits as a security deposit.”

*Payment of Licence fee.*

2.29. Since the condition of the tender form (Annexure II) stipulated payment of one year's licence fee by the successful tenderer before 31 May of every year during the currency of the agreement, dispute had arisen, according to the Audit Para, between M/s. Classic Advertising and the Department on this issue, each side interpreting the stipulation in its own way the firm deciding to pay the licence fee or before the closing date of the year i.e. 31 May, 1974 as had been the practice earlier and the Department insisting on getting the licence fee in advance on the plea that 'the stipulation in the tender form that the licence fee would be paid before 31 May every year, was made in the belief that the tender would be finalised before that date (31 May 1973) and that, as per the terms of the agreement (Annexure III) the licence fee was to be paid each year in advance'. The Department had also informed the firm on 14 September 1973 that in case the bank guarantee was not furnished and the licence fee was not deposited in cash within ten days of the receipt of their letter, the acceptance of the tender would be cancelled and the earnest money forfeited. However the firm neither paid the licence fee in advance nor did it furnish the bank guarantee by way of security and the matter was also not pursued by the Department after September, 1973.

2.30 The Committee enquired whether any procedure had been prescribed by the Department for being followed by its officers and staff to keep a watch on the finalisation of contracts and due observance of the terms and conditions of the contract and if not, had this aspect been looked into and action taken accordingly. The Committee also desired to know how it was that this matter had not come to the notice of the Internal Check Organisation. The Ministry of Communications, in a note, have stated:

“P&T Directorate has delegated full powers to Heads of Circles/Districts for finalising contracts in respect of the subject under reference. It is for the Heads of Circles/district to keep a proper watch over the formalities and to take follow up action on finalisation of contracts and observance of terms and conditions. General instructions are however, available in the P&T Manual Vol. II.

**The matter did not come to the notice of the Internal Check Organisation. Regarding action on these points it is reiterated that the enquiry is in progress."**

2.31. Asked why the matter was not pursued by the Department with the firm when it had neither paid the licence fee nor furnished the bank guarantee, the Ministry have replied:

"The relevant files and papers were not traceable for more than a year and it is presumed that somebody had suppressed the file. This is the crucial lapse which is under investigation for fixing responsibility."

2.32. At the instance of the Committee, the Ministry of Communications have furnished a copy of the Circular Letter containing instructions issued on 25 July 1978, i.e. after the audit para had already come up for examination by the Committee, by the Member, P&T Board (Telecommunications) stressing the need for strict observance of terms and conditions of the contract on entering into agreements promptly with the Advertisers. The same is reproduced below:—

"Contracts between the P&T Department and Firms/Under-takings.

While reviewing a contract for the display of kiosk advertisements on departmental poles in a Telephone District, the Director General, P&T, had occasion to pass strictures on certain serious irregularities pertaining to delay in finalising the Contract, failure to observe contractual terms and conditions etc.

2. The review revealed that no action was taken by the Telephone District to renew the contract in time which resulted in serious delays in finalising the contract.
3. It was also observed that even after finalising the contract no follow-up action was taken on the relative contractual terms and conditions. Specifically, the Department failed to realise from the firm a substantial amount of the licence fee. These lapses were noticed by the Telephone District only several years later.
4. Another lapse of a serious nature was that the Telephone District failed to detect and take action on the firm for the continued use of departmental poles unauthorisedly even after termination of the Contract.

5. As you are aware, the P&T Department enters into contracts with firms for several purposes, such as printing of telephone Directories, display of kiosk advertisements on telephone and telegraph poles, advertisements in telephone directories, sale of telephone directories, cable laying contracts, purchase orders, etc.
6. In all these cases it should be ensured that contracts are finalised well in time and follow-up action on the terms and conditions as stipulated in the agreement, strictly observed.
7. It is brought to the notice of all Heads of Circles that serious notice will be taken if any lapses, as pointed out, are found later for which Heads of Circles will be held personally responsible."

2.33. Asked if any conclusive action was being taken to streamline the procedure of giving contracts for Kiosk advertisements, in future the Ministry of Communications have stated:—

"Due to the various disputes arising from time to time, the Ministry of Law has been consulted in the past about the department's right to display Kiosks on P&T poles. In brief, the Ministry of Law have held the view that Section 10 of ITR only conferred the right on the P&T Department to the planting of poles for establishing and maintenance of telegraph and telephone Communications and it did not permit the use of poles for putting up Kiosk advertisements or for any other purpose. In view of the clear opinion of the Ministry of Law and the objections raised by Municipal authorities for use of P&T poles for display of such advertisements without their permission or payment, and also in view of the maintenance difficulty due to display of Kiosks, this question of abolishing the system of display of Kiosk advertisements on P&T poles all-over the country is under consideration. The all India revenue from this source is low and as P&T resorts to have more cable networks, the number of poles will reduce in urban areas. Advertisements on electricity poles etc. will also cause reduction of revenue in future. On the basis of the decision of the P&T Board on this issue, the procedure of giving future contracts for Kiosk advertisements shall be streamlined."

*D.G.P.&T. Circular remaining unattended*

2.34. The Audit para points out that in May, 1974 the DGP&T wrote to the Heads of Circles to keep a watch to guard against un-

desirable acts of licensees in some circles who had been collecting advertisement charges from public or private institutions even after the expiry of their contracts. However, this circular letter of the DGP&T (reproduced below) was found (February 1976) lying unattended to in a folder in the office of the General Manager, Bombay Telephones.

“Circular letter dated 15-5-1974 issued by DGP&T to Heads of Circles:

“Some cases have come to the notice of this office wherein the licensees appointed for display of Kiosk advertisements on telegraph|telephone poles in certain circles|districts have collected advertising charges from public|private institutions even after expiry of their contracts.

It is necessary to keep a close watch and to guard against such undesirable acts. While finalising the future contracts, a note of various irregularities/alleged malpractices of the ex-licensees may be taken.”

2.35. Explaining the position as to how the matter had come to the notice of the DGP&T, the Ministry of Communications, have stated:—

“During December 1973, an M.P. sent a copy of the memorandum to the then Minister (C) that certain firms in Bangalore are alleged to have cheated some of the state Government bodies|banks|Pvt. Organisations and also the P&T Department in the matter of revenue realised for display of kiosks on P&T poles.

During Nov. '73 M/s. Vijaya Bank Ltd. of Bangalore also brought forth a complaint regarding realisation of advertisement charges from them by certain firms after the expiry of the contracts.”

2.36. In regard to comments of Audit that the Circular letter of May 1974 was found unattended to in the office of G.M.T. Bombay, the Committee desired to know whether any procedure existed in the Department to watch action on such circular letters received from higher authorities and if so, why the same could not be followed in this case. The Ministry have stated:—

“Normally all such circulars received from higher authorities are taken due care of, under O&M procedure. Whenever any important circular is issued from the P&T Directorate, it is received by the concerned Head Clerk who marks it to the Dealing Assistant in charge of the relevant



file and submit the case to the higher officer normally the Asstt. General Manager or Director (Telecom.) concerned through the Head Clerk. The Officer in his turn puts up the case to the Head of Telephone District/Telecom. Circle if he considers it necessary.

Whenever it is desired by the P&T Directorate for action to be taken by Area Managers/Divisional Engineers under the jurisdiction of the concerned Telephone District/Telecom. Circle, necessary instructions are issued by the Head of Telecom. Circle/Telephone District to take similar action and submit reports urgently to the P&T Directorate."

2.37. Asked whether the matter had been properly investigated and responsibility fixed for the lapse, the Ministry in another note have stated:—

".....in the instant case there has been delay which will be investigated and facts intimated in due course."

*Cases of Fraud by Ex-licensees.*

2.38. Asked why the instructions of May 1974 could not be issued earlier when such a serious matter had been brought to the notice of the DGP&T in November-December 1973 itself by publicmen and institutions, the Ministry have replied:—

"The said instructions were issued in consultation with the Ministry of Law whose opinion was sought during April 1974."

2.39. Explaining the action taken on the above mentioned cases of fraud on the part of some ex-licensees and their present position, the Ministry have stated:—

"Comments of Law Ministry were obtained on the cases involving M|s. Classic Advertising, Bangalore and M|s. Canara Sales agencies, Bangalore including the following two cases which were reported by the M.P. during December '73. The summary of these cases and the party's offer relating to each of them are as under:—

A. M|s. Canara Sales Agencies—a sister concern of M|s. Classic Advertising—owe the Department Rs. 1,36,000 since 1973 for the display of Kiosk Advertisements in Bangalore. They have offered to pay the amount in five equal instalments, apparently without interest.

The Senior Standing Counsel while admitting that claiming of interest would be in order, has advised G.M. not to be rigid about quantum of interest and negotiate the same.

B. Rs. 1,81,500/- are due to the Department from M|s. Classic Advertising since 1973 towards our share of Kiosk Advertising revenue in the Telecom. Circle Karnataka. The firm has come up with the proposal to pay the amount in five instalments if no interest is charged. The Sr. Standing Counsel has advised G.M. to make a counter proposal for either paying the whole amount in one instalment immediately or to pay it in 5 instalments with interest. The case is pending and is being pursued by the Circle."

2.40. Giving further details of the cases of unauthorised collection of advertisement charges by some licensees even after the expiry of the licences and the advice given by the Law Ministry on certain legal issues involved in these cases, the Ministry of Communication in a note have stated:—

"The case involving M|s. Classic Advertising Bangalore relating to Karnataka Circle was being pursued in file No. 19-9|73 PHB from where the instructions dated 27-5-74 were issued. This case along with other cases of Bangalore, Calcutta, Pune, Nagpur and Ahmedabad Districts, which mainly pertain to non-payment of arrears by M|s. Classic Advertising Bangalore were taken up as early as 5-10-76 in file No. 1-29|76-PHB when M|s. Classic Advertising Bangalore on their own behalf and on behalf of M|s. Canara Sales Agencies came forward for amicable settlement of the disputes. While examining such cases, the details of the outstanding dues against M|s. Classic Advertising Bangalore from various Circles/Districts were collected. After detailed examination in the Directorate in consultation with Finance it was decided that no further correspondence with the party on their proposal was necessary unless they made payments first. The party was replied to accordingly. On receipt of this reply they sent proposals to Karnataka Circle, Bangalore and Pune Districts for payment of outstanding dues without interest in certain instalments. As this involved withdrawal of cases going on in the courts, it was considered necessary to seek the advice of the Ministry of Law and P & T Finance also advised the same. After further

examination of these cases, file No. 1-29/76-PHB on the subject was referred to the Ministry of Law on 29-5-78 and with this file, file No. 19-9/73-PHB from where the general instructions dated 27-5-76 were issued and which contained the details as explained earlier was also linked. These files have since been received back and the Ministry of Law has opined that this matter be decided by the administrative Ministry in their own administrative discretion. Further action is being taken in consultation with P&T Finance."

#### *Complaint from Maharashtra Government*

2.41. Dealing with specific case of M|s. Classic Advertising *vis-a-vis* Bombay Telephone District, now under examination, the Audit para points out that in July 1975, on receipt of a communication from the State Government of Maharashtra that they wanted to have special arrangements for direct booking of kiosks with the Posts and Telegraphs Department instead of through its sole-agent, the P&T department enquired of the State Government in March 1976 the name of the sole-agent through which they had been booking kiosk advertisements earlier. The State Government informed the P & T department in May that they had been booking kiosk advertisements through the firm 'A' (i.e. M|s. Classic Advertising) and that their contract with that firm was for three years from 1973 to 1976. It was only then that the P & T Department came to know that M|s. Classic Advertising had in fact been using the telegraph and telephone poles or putting up kiosks and collecting money from advertisers, without any licence and without paying the licence fee and furnishing the bank guarantee.

2.42. In this connection, the Committee have been informed by Audit as under:—

"According to clause 22 of the agreement form, before expiration of the existing licence, the licensee should remove all kiosks and make good all damage done to the poles. It further provides that the kiosks not so removed shall become the property of the Government. Since the same firm (M|s. Classic Advertising Bangalore) was the licensee for the previous term of 3 years, it should have been asked to remove the kiosks in terms of such a provision in the previous agreement. If this had been done, the contingency of the continued use of displaying the kiosks would not have arisen."

2.43. The Committee wanted to know how was it that even when the fact of displaying of kiosks on its poles was brought to its notice by the State Government of Maharashtra in July 1975, the Department enquired from the State Government only in March 1976 (after 8 months), the name of the firm through which the State Government had been booking Kiosk advertisement on P & T poles. The Ministry of Communications, in a note have stated:—

“The General Manager Bombay Telephones has fixed responsibility for administrative lapse in not pursuing the case and he has already initiated disciplinary action against the delinquent officials.”

2.44. To a question as to when and against whom disciplinary action was initiated and what was the outcome thereof, the Ministry, in a subsequent note, have stated:—

“Disciplinary action had been initiated against the dealing assistant, Shri G. S. Isloor in April 1976. However, at that time, the charges could not be proved and the case was dropped. Subsequently, it was decided to conduct a full enquiry and take action against the erring officials some of whom have been placed under suspension. Disciplinary action would be initiated only after the results of the enquiry are available.

2.45. Asked why the unauthorised open use of poles by the firm could not come to the notice of the officers of the Bombay Telephone District and whether there was any built-in-system to ensure that the Departmental poles were not misused by unscrupulous persons. The Ministry of Communications have replied:—

“The case for appointment of the licensee for kiosk advertisements is processed in the office of the General Manager Bombay Telephones. There is no built-in-system to ensure that the departmental poles are not misused by unscrupulous persons. There is at present no means to distinguish between an authorised or an unauthorised kiosk Board. The General Manager will be instructed to make surprise checks to establish genuine kiosk advertisements from spurious ones from time to time. All the Heads of Circles/districts are being instructed to conduct periodical checks. Necessary instructions are being issued.”

2.46. On the Committee pointing out that the Department gave only one contract for displaying advertisements on telephone/tele-

graph poles in a Circle/District and on the expiry of that contract all hoardings in that Circle were illegal and should be removed immediately, the Member (Finance) P&T Board stated in evidence:—

“Sir, my impression is this. One contract had expired and another contract was being negotiated. In the field they would not be able to decipher whether the earlier contract was cancelled or not. They would continue the advertisements believing that the contract was being negotiated. Once it is cancelled their hoardings can always be removed.”

2.47. The Committee were informed during evidence that there was no built-in-system to ensure that the Departmental poles were not misused by unscrupulous persons nor there were any means to distinguish between authorised and unauthorised Kiosks hoards. Giving reasons for non-provision of these guarantees against misuse of the Departmental poles the Ministry of Communications have stated:—

“It is not necessary for the Department to check whether an advertisement is unauthorised or authorised after an agreement is signed. The licensee himself should be responsible for this aspect and action would be taken by the Department only on receipt of a report. However, if there is no agreement in force at a particular time, then all advertisements are to be treated as unauthorised. This of course could be checked quite easily by the inspecting staff but the information regarding the currency of an agreement is to be made available to them. It is on this point that instructions have been issued to the General Managers to conduct checks.”

2.48. The instructions dated 27.7.1978 issued by the DGP&T to all Heads of Telecommunications Circles|Telephone Districts in this regard are reproduced below:—

“This is in continuation of this office circular of even No. dated 15-5-74 wherein instructions were issued to keep a close watch and to guard against certain kiosk advertisers who collect advertising charges from public/private instructions and display the kiosk advertisements unauthorisedly over telephone/telegraph poles even after expiry of their contracts with the respective General Manager of the Telecom. Circle/Telephone Distt., without obtaining proper licence from the Department. .

In order to ensure a proper safeguard against such activities, it is essential that regular checks over the kiosk advertisements on display on P&T poles are carried out by the field units. Heads of Circles should also exercise surprise checks personally to ensure that these are being displayed by the bonafied licensee.

Prompt action be taken immediately seeking legal assistance if necessary whenever any such irregularity comes to their notice."

2.49. Asked what other safeguards Government proposed to take to ensure that all hoardings were removed by the contractor as soon as his contract expired or was otherwise cancelled/terminated, the Ministry have explained:—

"We are considering the feasibility of:

- (i) Asking the licensee to furnish an affidavit duly sworn before a 1st Class Magistrate to the effect that he has removed all the kiosk advertisements from all the telegraph/telephone poles for which the licence was issued to him;
- (ii) Release of bank guarantee or any other security held by the Department can be accepted only after furnishing this affidavit."

*Action against defaulting officers.*

2.50. As regards administrative lapses in not taking proper decisions and timely action at various stages in this case, the Ministry of Communications, in a note furnished to the Committee in advance of the evidence, has stated:—

"The administrative lapse arose because the final notice and the demand note issued to the firm specifying a time limit were not followed up and were eventually lost lost sight of. The officials primarily concerned with the the case were the dealing assistant, the Head Clerk, the estimate officer and the Asstt. General Manager (MM) Five articles of charges were framed against the dealing assistant in April 1976 of which four related to this case including the negligence in attending to the circular and letters. The enquiry officer found that the charges were not proven and orders on the enquiry were passed in

December, 1976. A further investigation by the Vigilance Officer has been ordered by the General Manager Telephones Bombay."

251. Giving background of this episode and the corrective action taken at the higher level to check recurrence of such instances in future, the Secretary, Ministry of Communications, stated in evidence:—

"After receiving this intimation, my senior colleagues in the P&T Board and myself, have gone deep into this whole question. We have also studied the records on the subject, and I would like to admit that the objections raised or the observations made are totally correct. I admit that there has been a series of administrative lapses in this case. We have thought of certain corrective action which I shall also refer to in due course, but for what has happened I have absolutely no justification to offer, and I am not going to argue from that angle of trying to justify all the omissions that have taken place in this case. Since we studied this case, we called for all the papers, went through all the files, examined all the persons, and came to the conclusion that the whole episode has been a series of very serious administrative lapses. In the first place, soon after we went through the paragraph and had our preliminary discussions, we sent a Dy. Director General to Bombay to stay there for two days, study the records and bring back a report to us particularly about the persons who in this case were deliberately responsible for these acts of omissions. This visit was on the 19th and 20th July 1978, and the officer brought back a note with him after studying the records. Thereafter, I had asked the present General Manager, Telecommunications, in Bombay, who is a very very senior member of the service to thoroughly go into this whole case and papers for us a comprehensive note about where the lapses had occurred and at what stages. This report was submitted by him to me on the 26th July, 1978. Soon after the commencement of our discussion, I had asked for immediate telex instructions to be issued throughout the country to all our units to ensure the stopping of any payment to these advertisers, the Classic Advertisers. That was done. That telex message was issued on 19.7.78. Thereafter I had asked for issue of strict instructions about the observance of

the terms and conditions of contracts on entering into contracts promptly, and these instructions were issued on the 25th July 1978 by the Member, Telecom. operations of the P&T Board. In this particular case, we have made it clear that, in future, it will be the personal responsibility of the General Manager, if any contract gets delayed or any aspects of its terms and conditions are not properly carried out. This circular was issued on the 25th July 1978. The General Manager (Telephones) Bombay, after he had gone through the case, has ordered a vigilance enquiry by his Vigilance Officer into the entire case. Thereafter, I have myself ordered the Chief Vigilance Officer of the P&T Directorate to undertake a full enquiry into this case and assist the Inquiry Officer at Bombay in going deeply into the case and ascertain why these irregularities have taken place. I might mention in this connection that, having looked into the case, while there is no question about serious administrative lapses that have taken place, we have a feeling at the moment that it is not merely a question of negligence or omission to do the work that was entrusted to some of the employees, but there is a suspicion that there may have been a deliberate attempt to deal with this case in a particular manner. There I have two or three instances to submit before the Committee.

Firstly, the file dealing with this case disappeared for one year at one stage, reappeared for a little while to deal with another case—also dealt with on that file—for a few days, disappeared again for one year. Then it was fished out at that stage and sent for legal advice about a suit to be filed. Thereafter, it was again disappeared. I am still to ascertain whether the disappearance took place in that office, or in between somewhere, which the Vigilance Enquiry reveal.”

The witness further stated:

“The next thing that happened was, simultaneously, a number of important letters, including a very important letter which came from the Maharashtra State Government, saying that they had been advertising on the telephone poles through one particular agent, that letter along with some other letters were suppressed. When the Assistant, who was dealing with this job till the beginning of 1976, handed over charge to another person, that person dis-



covered those letters and he put up those letters. After that action was initiated, including action to get legal advice.”

He continued to explain:

“At one stage departmental proceedings had been taken up against the particular dealing assistant who had sat over these papers. Unfortunately, as a result of the re-proceedings, he was exonerated in 1976, by the Enquiry Officer, who was an Accounts Officer. He decided as disciplinary authority to exonerate him. We have reviewed that case. The General Manager has reviewed that case and we have decided to start fresh action against him as soon as the vigilance enquiry is over. In the meantime I have ordered the suspension of three persons, including the dealing assistant until such time as we frame charges against them.”

2.52. The Ministry of Communications have furnished a copy of the Departmental proceedings taken up in this case for negligence in attending to the circulars and letters against the dealing Assistant in the office of the General Manager, Bombay, Telephones in September, 1976 and the orders passed thereon in December, 1976. The order of the disciplinary authority are reproduced below:

“Shri G. S. Isloor, UDC, St. No. 8269—while working under AGM(MM) was reported to have committed serious irregularities in respect of the work allotted to him. The official was in between transferred to AOTR(W) and on the basis of material supplied by the AGM(MM)—disciplinary proceedings were initiated by the undersigned and memo No. AOTR/NW/PF/8269 dated 22|23rd April 1976 was issued to the official under rule 14 of the CCS (CCA) rules—1965.

The articles of charge contained in Annexure I to the above said memo can be summarised as follows:—

#### **Article—I**

The official did not put up the file Eng-18-2 concerning the tender for Kiosks Advertisements properly to the higher authorities from 9-10-78 onwards and this resulted in loss of revenue for the years 1973-74 to 1975-76.

**Article—II**

He did not put up the reminders received from other 2 tenderers for refund of Earnest Money—with the result one of the tenders—M/s. Moolangudi Chit Funds, Private Limited filed a suit in the City Civil Court in Madras.

**Article—III**

The official did not put up to the higher authorities the summons dated 4-9-75 in suit No. 5588 of 1975 and a Regd. letter dated 28-11-74 received from Advocate in connection with the said suit. The suit could not, therefore, be defended by the department and the court passed a decree for Rs. 2480/- with cost against the department.

**Article—IV**

He kept a number of papers concerning file Eng./18-2 for Kiosks Advertisements pending undisposed for the period October '73 to September, 1975.

**Article—V**

The official though received letters dated 1-11-73 and 6-3-75 with cheques of Rs. 1350/- each from M/s. Saviles Pvt. Ltd. for the rentals for hoardings at Matunga Telephone Exchange for the period 1-8-73 to 31-8-75, did not take action to credit the cheques to Government account and the same were kept by the official unattended.

Since the official denied the charges, as per his letter dated 1-5-76 further enquiries were held in the case as provided by the rules and the Enquiry Report dated 30-9-76 prepared in the case—a copy of which is attached to this memo.

After going through the enquiry report and after examining the relevant records and the statement of witness etc. I, the undersigned, has come to the conclusion that the charges in articles 1 to 5 have not been proved against Shri G. S. Isloor with the documentary and oral evidence furnished in support of the charges and as such all the 5 charges against the official contained in the memo of even No. dated 22/23 April, 1976 are herewith dropped."

2.53. The Committee desired to know the findings of the Vigilance enquiry conducted by the General Manager (Telephones) Bombay through his Vigilance Officer with the assistance of the Chief Vigilance Officer, P&T, Directorate into the various irregularities committed in this case and the action taken by Government thereon. The Ministry of Communications have replied that "the enquiry is still under progress."

2.54. Giving reasons for delay in completing the investigation into the entire circumstances relating to the 'administrative lapse' mentioned in the Audit para, the Ministry of Communications, in another note, have stated:—

"Preliminary investigations were conducted by Vigilance Officer regarding the assets of the delinquent official and some statements were recorded. Subsequently DDG(VIG) desired that the case may be investigated by a Senior Officer. Accordingly Dy. G. M. (Planning) Bombay Telephones had been asked to conduct the investigation. Statements of the AGMs(M), Estimate Officer, H. C. and Dealing Assistant who were working during the relevant period were recorded.

The investigation has not yet been completed. A part report may be ready within a month. Since it is a complicated case, it may have to be referred to the CBI and the exact date of completion of the investigation cannot be foreseen at this stage."

*Action for realization of dues from the firm*

2.55. The Audit Para further points out that after it had come to notice in May 1976 that the advertising firm 'A' had all along been using the telephone/telegraph poles for putting up kiosks, the Department issued immediately thereafter a demand note to the firm for Rs. 2.76 lakhs towards the licence fee for the period from 1 June, 1973 to 31 May, 1976. Thereafter in May 1977, the DGP&T brought to the notice of Heads of Circles the various sums amounting to Rs. 4.91 lakhs due from this firm in different circles/districts. Asked as to when the matter was actually reported by the General Manager Bombay Telephones to the DGP&T and why it took the letter one year to issue the instructions in this regard in May 1977, the Ministry of Communications have explained:—

"The instructions issued in May, 1977 were based on other reference relating to recoveries/dues from the firm M/s. Classic and Canara Sales, Bangalore.

The matter in this case was brought to the notice of the Director General by Bombay Telephones in Nov., 1976 (and not in May 1976) stating that he was initiating legal action after having obtained legal advice locally."

2.56. Asked what action Government took to realise these amounts from the firm, the Ministry have stated:

"Bombay Telephone District filed a suit against the firm. The case was initiated for legal action on 22-7-76, on the advice of the Government advocate to file a Civil Suit in the Bombay High Court, the suit was filed on 13-3-78. The case is likely to come up for hearing in the first week of July 1978 after reopening of the Court."

2.57. The Committee pointed out that the case against M/s. Classic Advertising, Bangalore was stated to have been initiated for legal action on 22-7-1976. After consulting the Local legal adviser in August, 1976 the Government Advocate was asked in September, 1976 to file a suit in the Bombay High Court, who returned the file on 24 August, 1977 with the remarks that the suit could not be filed as the amount involved was more than Rs. 25,000/-. Asked to intimate the reasons for delay of one year on the part of Government Advocate in giving his advice on such an important and urgent matter, the witness stated:

"I have said that apart from negligence, I have a feeling or suspicion that there is something else also. Vigilance enquiries are going on into this aspect of delay and whether the file was kept back and if so, why and by whom. This is going on now."

2.58. In a written note furnished to the Committee in this regard, the Ministry of Communications have stated:—

"On 22-7-76, the case was taken up with the Ministry of Law by GMT Bombay and according to the advice of local branch of the Ministry of Law, the filing of a civil suit was decided upon on 2-9-76. There was further delay on this case as the file referred to the Government pleader was reported to have been misplaced in his office and finally traced and retrieved in August, 1977. Thereafter necessary formalities were completed with the Ministry.

of Law (local branch) who arranged for filing of the case in the High Court on 13-3-1978.”

2.59. The Committee desired to know what action was taken on the advice given to the General Manager (telephones) Bombay, by the Joint Secretary incharge of the Headquarters office there regarding possible action to be taken against M/s. Classic Advertising under the Telegraph Act or launching of criminal proceedings against them for cheating or breach of contract. The Committee enquired whether the Law Ministry had been consulted in the matter and if so, what was the advice given by them. The Ministry of Communications have furnished a copy each of (A) letter sent by the GMT, Bombay to the Joint Secretary and Chief Legal Adviser, Ministry of Law, Bombay and (B) the reply given by the latter in this regard. The same are reproduced below:—

(A) “A civil suit (L. C. Suit No. 933 of 1978) has been filed in the Bombay High Court on 13th March, 1978 against defendant Mr. K. S. Shetty carrying on business in the name and style of Classic Advertising as a sole proprietor in Bangalore. The plaint was drawn up by Shri R. L. Mukherjee, Government (Central) Solicitor.

The first opinion on this case from your Ministry was furnished in U. O. No. 2604/76-Adv. (Bom) dated 10-8-76. Further action was, however, delayed as the file was misplaced in the office of Shri Sakhardande, Government Advocate. The case was taken up again for legal action by my office under Shri V. S. R. Murty, Asstt., General Manager (MM-II) D. O. of even number dated 3rd December '77 (copy enclosed). In this reference, your office was requested to consider:

- (i) Whether action can be concurrently be taken to file a criminal suit on the party for cheating the government of its lawful dues?
- (ii) Whether sections 25 and 25(A) of Indian Telegraph Act, 1885, have been infringed by the party in the unauthorised display of kiosk advertisements on the telephone/telegraph poles of Bombay Telephone District during the period 1973—1976.

Although the civil suit has been filed, we have not received a written opinion on the above two questions. I would be grateful if you would give your opinion urgently.”

(B) "A suit has already been filed on the basis that there existed a contractor in the alternative on the basis of quantum merit. The matter is surely of a civil nature and it will not be possible to establish the case of cheating. In fact the agreement had been signed by the contractor but the Union of India did not sign the contract on the ground that the condition regarding security deposit had not been fulfilled.

So far as the Sections of the Indian Telegraph Act, 1885 referred to are concerned, it will not be possible to make out a case for prosecution. Section 25 deals with international damage or tampering with telegraphs. No case can be made out under Section 25 because it will not be possible to establish that there is any infringement contemplated in the said section. So far as Section 25-A is concerned which deals with injury to or interference with a telegraph line or posts, again the difficulty is that there is no material to establish any wilful or negligent damage to any telegraph line or post. Under these circumstances, I do not see any prospects of launching a successful prosecution against the proprietor of Classic Advertising."

2.60. The Ministry of Communications have intimated the present position of the Civil Suit filed in the Bombay as under:—

"The Civil Suit filed on 13-3-1978 in Bombay High Court against M/s. Classic Advertising, Bangalore has been numbered as LC-933 of 1978 after meeting the Court official's objections. It is understood from the Central Government's Advocate on phone that necessary summons have been served on the defendant. The defendant, however, has not so far entered appearance in the Suit or filed his written statement."

2.61. Referring to the statement made by the Secretary, Communications during evidence that the total amount recoverable from M/s. Classic Advertising, Bangalore, covering several places was Rs. 7.65 lakhs including the dues from this firm plus another firm which belonged to the Proprietor of that firm, the Committee desired to know the names and other particulars (share holders, telephone number, type of business done by them) (i) of all the advertising agencies/firms registered or functioning from the same address as that of M/s. Classic Advertising, Bangalore and (ii) any

other firm in the name of wife and/or relatives of any of the partners of this advertising agency elsewhere in the country. The information furnished by the Ministry of Communications is given below:—

“From the available information, the following firms are functioning from the same address *i.e.* 24, Rishmond Road, Bangalore where from M/s. Classic Advertising Bangalore is functioning. Complete information required in (i) and (ii) is not readily available.

- (a) M/s Classic Advertising Tele. No. 56626—28 (35—9 PBX)
- (b) M/s. Canara Sales Agencies Bangalore—
- (c) M/s. Barar Constructions Pvt. Ltd. Tele. No. 56627
- (d) M/s. Sudhir Associates. Tele. No. 577301 & 56628”

Available information for Barar Construction Pvt. Ltd. is given in Appendix II.

The Committee were informed during evidence that M/s. Sudhir Associates, a firm registered at the same address as that of firm ‘A’ (M/s. Classic Advertising) had given an affidavit that they had nothing to do with them.

2.62. The position of all the dues outstanding against M/s. Classic Advertising, Bangalore and M/s. Canara Sales Agencies Bangalore,

furnished by the Ministry of Communications on 13 October, 1978, is given below:

S.No.	Name of Circles/Districts	Amount outstanding previously	Legal Action/Present position
1	2	3	4
1	Payable to Pune District as per arbitration award dt. 7-11-75 in connection with Pune Directory November, 1974 issue.	Rs. 1,00,070/- (plus interest @ 12).	Arbitrator gave his award in December, 1975. Since no payment was forthcoming, the award was filed in the High Court of Bombay by the arbitrator on 2-12-75. Case came up for hearing on 26-3-76 in Bombay High Court. The Judge held that the Bombay High Court has no jurisdiction over the case. The firm has filed a case in the Bangalore High Court. The case is being pursued by the G.M. Telecom., Bangalore.
2	Payable to Pune District as per arbitration award dated 2-1-75 in connection with September, 1972 issue of Pune Directory.	Rs. 6,000/- (Plus interest @ 12%)	Arbitrator gave his award. Since no payment was forthcoming the award as filed in the court of Civil Judge Pune. The Court has ordered on 24-2-78 to draw the decree in terms of the award. (Pune District intimated both these positions vide their letter dated 30-6-78).
3	Payable to Gujarat Circle towards arrears of Govt. share of revenue due to advertisements in Gujarati directory 1973 issue.	Rs. 3330/-	As per Gujarat Circle's letter dated 6-6-78, they have sought for the legal opinion of the Govt. pleader.
4	Payable to Karnataka Circle for licence fee for display of Kiosks for the period 1-7-72 to 30-6-73.	Rs 1,81,500/-	The firm moved the High Court on 26-6-73 and obtained stay orders restraining the Department from enforcing claims. High Court of Karnataka decided other case on 1-12-75 dismissing the petition and directing the party to seek arbitration as per agreement. The firm filed an appeal



in the High Court against this decision. The case is still pending and being persuaded by the Circle.

5 *Calcutta District*

Amount for an advertisement on front page of 1974 issue which was not shown Rs. 23,100/- in the account by the party.

The party was not prepared to make the payment and requested for arbitration and an arbitrator has been appointed. Arbitration proceedings are under progress as per G.M. Telecom. W.B. Circle's letter dated 16-5-78.

6 *Nagpur Telephone Distt.*

The actual amount for Dec., 76 issue is to be paid by Feb., 77. However, the Rs. 64,000/- (paid) minimum guarantee is for.

D.M.T. Nagpur vide his letter dated 22-6-78 intimates that there are no outstanding dues against the party.

7 *Ahmedabad District*

The actual amount for Oct., 76 issue (issued on 27th Dec.) is yet to be calculated. Minimum amount guaranteed by the party is.

Ahmedabad District vide their letter dated 14-6-73 intimates that there are no outstanding dues against the party.

8 *Coimbatore District*

Full amount paid by the party but as pointed out by Audit the following Rs. 21,414/- amount is found due.

As per the District's letter dated 8-6-78 the firm is not accepting the contention of this office. The receipts given by the clients are not available with the firm. As soon as the receipts are made available, the case will be sorted out.

For 1974 issue Rs. 10,373/-  
For 1975 issue Rs. 11,041/-  
*Jaipur Telephone District*

9

A cheque for Rs. 63,648.10 has been received against minimum guarantee of Rs. 17,352/- Rs. 81,000. These have been sent for encashment by CAO, Jaipur. (Rs. 1900/- balance)

Jaipur District's letter dated 6-6-78 intimates that only Rs. 1800/- is still outstanding.

against this firm and the District comes pending, with the firm to recover the same.

As per DEP Ahmedabad letter dated 10-10-77 the amount has been paid in full by the firm.

Balance still to be paid Rs. 3,36,714/-.

Bombay District filed a suit in Bombay High Court against this firm on 13-3-78. Court officers raised some objections on the plaint and the objections\*\*\*\*\* on the plaint and the objections are being assessed by the Central Govt. Solicitor summons are still to be served on the defendant by the Bombay High Court.

10 *General Manager, Phones, Ahmedabad*

Against 1975 issue . . . . . Rs. 725/- (paid)

Summary of the amount to Rs. 4,90,491

Outstanding amount : Rs. 4,90,491/-

Paid : Rs. 1,53,777/-

11 *Bombay Telephone District :*

M/s. Classic Advertising unauthorisedly displayed Kiosks Advertisement in Bombay City during 1973 to 1976 without any valid licence. The District sent a demand note for Rs. 2,75,000 for 3 years as the annual licence fee offered by the party was not included in the statement of dues circulated vide our letter No. 1-29/76-PH3 dated 4-5-77 because this is case of unauthorised and fraudulent display of Kiosks while all the other cases are based on valid contracts.

Rs. 2,75,000/-

Summary of the total dues outstanding against M/s. Classic Advertising, Bangalore.

Total outstanding

Rs. 7,66,191/-

Paid

Rs. 15,3,777/-

Balance still to be paid.

Rs. 6,12,414/-.

Dues outstanding against M/s. Canara Sales Agency Rs. 1,36,400/-.

12 *Payable to Bangalore Telephone District*

for licence fee for display of kiosks for the period from 1-10-72 to 30-9-73.

The party failed to pay the licence fee and there is a stay order from the High Court of Karnataka pending decision for enforcement of Bank Guarantee.

Total outstanding dues against M/s. Classic Advertising and M/s. Canara Sales Agency

Outstanding

Rs. 9,02,191

Paid

Rs. 1,53,777/-

Balance still to be paid

Rs. 7,48,414/-.

2.63. The Committee drew attention of the Secretary, Communications, to an earlier statement made by him that he had directed that no further payments should be made to M/s. Classic Advertising and accordingly telex instructions had also been issued to that effect to all Heads of Circles/Telephone Districts on 19-7-1978 and desired to know whether Government was contemplating to have no further contract with this firm. The witness stated:—

“We will have to go into this question. We will go into this question as to what action should be taken to prevent them.”

2.64. Asked who was the present Contractor for Kiosk advertisements on telegraph and telephone poles in the Bombay Telephone District and what action the Department had taken to see that no further contract was given to M/s. Classic Advertising, Bangalore by any State or Central Department/Organisation, the Ministry of Communications, in a note, have stated:—

“The present contractor for kiosk advertisements on telephone/telegraph poles in Bombay Telephone Distt. are M/s. Orienta Advertising Service, Bombay. They were appointed in August, 1977 for a period of 3 years. In the confidential instructions issued in letter No. 1-29/76-PHB dated 4-5-77, attention was drawn to the Clause relating to furnishing “an affidavit duly sworn before a 1st Class Magistrate to the effect that the tenderer does not have any sum/sums of money outstanding against him which are presently due and payable to the DGP&T, New Delhi or any organisation of/or under the said DGP&T”. It was laid down in this circular that while scrutinising the tender, if and when received from M/s. Classic Advertising and/or M/s. Canara Sales Agencies, for appointment as advertising agents for telephone directories or as licensees for kiosk advertisements, the large amounts due to the department from these concerns as well as their performance should be kept in view while deciding such tenders. Evidently this will be sufficient to safeguard the interests of the Department while entering into further contract with the firm. Action to blacklist this firm is also under consideration.”

2.65. From the facts in the Audit Paragraph and the information made available during evidence, the Committee note with great concern that due to utter carelessness and dereliction of duty displayed by its management, the Bombay Telephone District had to

lose substantial amount by way of licence fee due from M/s. Classic Advertising, Bangalore, who despite the termination of their contract with the Bombay Telephone District, continued to display kiosks on the telegraph and telephone poles in the area of Bombay Telephone District for 3 years from June, 1973 to May, 1976 and collected advertisement charges from public and private institutions.

2.66. The facts of the case are that M/s. Classic Advertising, Bangalore, whose previous 3-years contract expired on 31 May, 1973, quoted in their fresh tender the highest rate of Rs. 91,900 per annum as licence fee for displaying kiosks for the next 3 years beginning from 1 June, 1973. The contract, however, could not be finalised till 14 September, 1973 as the firm did not come to an agreement in the matter of payment in advance of the licence fee i.e. before 31 May each year as was necessary under the rules. Though on 14 September, 1973, the Department wrote to the firm that in case the bank guarantee for Rs. 91,900 was not furnished and the licence fee of the same amount not paid within 10 days of the receipt of their letter, the acceptance of the tender would be cancelled and the earnest money forfeited, the firm neither paid the licence fee in advance nor did it furnish the bank guarantee by way of security. The matter was also not pursued by the P&T Department till it came to know through the State Government of Maharashtra in May, 1976 that the same firm was continuing to display kiosks on the telegraph and telephone poles and was collecting advertisement charges from the concerned parties. Even at this stage, the Department did not proceed with the case properly. Only when the matter came up for examination by this Committee the Department suddenly woke up and plunged into action to investigate the matter thoroughly. The Secretary, Ministry of Communications, has conceded during evidence that there has been a series of administrative lapses. The Ministry have also stated that "since it is a complicated case it may have to be referred to the CBI". Some instances of grave and revealing irregularities and unexplainable lapses which have come to light during the course of examination by the Committee are enumerated in the following paragraphs.

2.67. To begin with, the first serious lapse took place when action to call for tenders for the appointment of licensee for the next three years 1973—76 which, according to the Departmental instructions was required to be completed well in advance of the expiry of the period of previous licence (in this case 31 May, 1973) was actually initiated on 17 April, 1973. Thus only 42 days were left with the General Manager, Telephones, Bombay to receive, process and fina-

lise the new contract to begin from 1 June of that year. The Committee find that instructions of the Department were that at least one month's time should be given for the floating and receipt of tenders. That sufficient time had not been given in the instant case is confirmed by the admission made by the Secretary, Communications himself during evidence when he stated: "I entirely agree that advertisements of this nature should give a little longer time and we shall certainly consider to what extent we should increase this time". The Department has claimed that the total period required for finalising all the formalities for such contracts is 6 weeks only and it was not intended to make special rules for handling extraordinary situations as witnessed in the instant case. The Committee would like to point out that if a lesson is to be learnt from the mistake in this case, the existing rules and procedures for grant of kiosk advertisements and similar other contracts by the Department and its various agencies should be modified in such a way that no room is left for any ambiguity, slackness or delay of the type that had occurred in this case.

2.68. The second still more serious lapse which enabled the advertiser to display advertisements or kiosks without having first deposited the licence fee was the failure to detect and set right the contradiction in the enclosures attached to the tender form—Annexure II envisaging the terms and conditions for appointment of the licensee and Annexure III containing the form of the agreement. It is astonishing to find that when the Department had decided in August, 1971 that in all cases of kiosk licences, amount of annual fee for each year should be recovered in advance and the Department had also modified the form of the agreement deed (Annexure III) accordingly, the standard form containing the terms and conditions of tender for appointment of the licensee (Annexure II) was not modified suitably to provide for the payment of amount of annual licence fee for each year in advance by a specified date. This patent contradiction between the provisions in the terms and conditions of tender and that in the agreement deed escaped notice even at the time of floating tenders. The Committee desire that responsibility should be fixed for the lapse and action taken against the erring persons. The Committee would also urge that in the light of the experience gained from this case, Clause 14 of Annexure II should be suitably modified to bring it in conformity with the provisions contained in Annexure III.

2.69. In regard to the payment of licence fee the Committee note that the DGP&T issued a circular on 1 December, 1973 providing for the regular payment of this amount each year during the cur-

rency of the licence, the first payment being made within six months from the date of its commencement. In case of default by the licensee any time during this period, the default would be treated for the whole year and the bank guarantee would be redeemed to cover the licence fee for the full year. The Committee desire that these instructions should be followed scrupulously.

2.70. Another lapse related to payment of the security deposit and licence fee. The Committee have regretfully to observe that while in the case of previous contract with the same firm, bank guarantee in lieu of cash deposit had been accepted by the General Manager, Bombay Telephones, in the present case his office took one month to send a reply (on 5-7-1973) to the firm's request to permit them to submit a bank guarantee in lieu of cash deposit as security. The explanation of the Ministry in justification of this delay is that "It was examined in all respects and the firm was advised to furnish the bank guarantee in the form and manner prescribed. Some time was taken in scrutiny and issue of suitable reply". The Committee consider this reply vague, evasive and unacceptable particularly in the light of the past practice followed by the same firm and the set procedure obtaining in the Bombay Circle in this regard. The Committee are of the view that this was the root cause for the events that followed culminating in huge loss to the Exchequer in the form of licence fee for the display of kiosks for all the three years (1973—76) and taking away this money unauthorisedly by the firm without paying anything to the Government.

2.71. The worst part of this episode relates to the fact that instead of admitting gracefully the contradiction in Annexures II and III of the tender form in respect of payment of one year's licence fee by the successful tenderer before 31 May of every year during the currency of the agreement or in advance thereof and coming to an agreement with the firm over the dispute on this issue, the General Manager, Telephones, Bombay, warned the firm on 14 September, 1973 (three and half months after the agreement was to come in force on 1 June, 1973) that in case the bank guarantee was not furnished and the licence fee was not paid in cash within ten days of the receipt of that letter, the acceptance of the tender would be cancelled and the earnest money forfeited. Even after September, 1973 when the firm had neither paid the licence fee nor had it furnished the bank guarantee, the General Manager, Telephones, Bombay, took no action. The Committee take a serious view of the negligence and inaction displayed by the Department in not pursuing the matter. What surprises the Committee

most is the revelation made by the P & T Directorate in this regard that the relevant files and papers were not traceable for more than a year and it was presumed that somebody had suppressed the file. The Department has admitted that 'this is a crucial lapse which is under investigation for fixing responsibility'.

2.72. Added to the above lapse, which make the Committee suspect this to be a case of deliberate mischief, is another serious irregularity which the Committee must highlight. A circular letter issued by the DGP&T in May 1974 to all Heads of Circles to keep a watch to guard against undesirable acts licensees in some circles who had been collecting advertisement charges from public or private institutions even after the expiry of their contracts was found (February 1976) lying unattended to in a folder in the office of the General Manager, Bombay Telephones. This indicates the casual and callous manner in which the important circulars and communications are treated in the lower formations without any check by higher and supervisory officers. It is also noteworthy that even in the issue of the above instructions by the DGP&T there was a delay of more than 7 months, particularly when such a serious matter had been brought to the notice of the Department by public men and private institutions in November-December 1973 itself. The Committee are not prepared to accept the explanation of the Department that the Ministry of Law had to be consulted before issuing the instructions and this caused the delay.

2.73. The above are not the only instances of state of affairs prevailing in the office of the Bombay Telephone District at that time. It is most distressing to find that even when the fact of unauthorised display of the kiosks on P&T poles was brought to the notice of the General Manager, Telephones, Bombay, by the State Government of Maharashtra in July 1975, it took the Department 8 months to enquire from the State Government the names of the firm through which they had been booking their kiosk advertisements. It seems nobody took it seriously to pursue the matter immediately in the Department.

2.74. The role of the supervisory and higher officers is also deplorable as the Heads of Circles/Districts who had been delegated full powers for finalising contracts for the display of kiosks had miserably failed to keep a proper watch over the formalities and to take follow up action on finalisation of contracts and observance of terms and conditions in time.

2.75. The Committee are also surprised to note that there is no built-in system to ensure that the Departmental poles were not used by unscrupulous persons nor were there any means to distinguish between authorised and the unauthorised kiosk advertisement

boards during the currency or after the expiry of the contract. It is deplorable that the field inspecting staff who were supposed to keep a watch on the display of kiosks, did not play their due role in this respect. The Committee feel that there should be a close functional coordination between the inspecting officers and the District authorities through periodical say quarterly reports giving particulars of the agency and the type of advertisements on display on the poles. The Committee, therefore, need hardly suggest a thorough overhauling of the whole procedure with a view to streamlining the functioning of the Bombay Telephone District to serve as a model for other Circles/Districts.

2.76. The Secretary, Communications, in his evidence before the Committee, has at the very outset accepted the responsibility without mincing words. To quote briefly, he stated: "I would like to admit that the objections raised or the observations made are totally correct. I admit that there has been a series of administrative lapses in this case. I have thought of certain corrective action . . . but for what has happened I have absolutely no justification to offer and I am not going to justify all the omissions that have taken place in this case". The Committee hope that all the enquiries at present under progress for various acts of omission and Commission will be completed expeditiously and stringent action taken against the erring officials to serve as deterrent for future. The Committee would be interested to know the conclusive action taken in the matter within the next 6 months.

2.77. The Committee are surprised to note that out of total outstandings of Rs. 9,02,191.00 against M/s. Classic Advertising and their sister organisation M/s. Canara Sales Agencies as on 30 October, 1978, only Rs. 1,53,777.00 were paid by these firms and the balance of Rs. 7,48,414.00 is still outstanding against them. The Committee would like the Department to make concerted efforts to recover the outstandings, where due, without further loss of time and take appropriate action against the defaulting parties.

2.78. The Committee find that as a corrective measure the P & T Board have issued comprehensive instructions to all Heads of Circles| Districts through Circulars dated 25 and 27 July, 1978 (i.e. after the Audit Para had come up for examination by the Committee) stressing the need for strict observances of terms and conditions of the contract on entering into agreements of this nature promptly with the Advertisers. They hope that a constant watch would be kept by the Ministry of Communications to ensure that these instructions are followed at the lower formations in letter and spirit. The Committee



would also like to be informed of the decision arrived at and the action to streamline the procedure of giving future contracts for kiosk advertisements as a result of the opinion expressed by the Law Ministry about the Department's right to display kiosks on telephone and telegraph poles.

NEW DELHI;

April 20, 1979

Chaitra 3J, 1901 (Saka).

P. V. NARASIMHA RAO,

*Chairman,*

*Public Accounts Committee.*

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**APPENDICES**

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**APPENDIX I**

(Vide Para 1.18)

*Comparative statements of rates quoted by lowest four tenderers in respect of English Directory prepared by the District Manager Ahmedabad for consultation with C.C.P.S.*

Description of Job	Diamond Printing Press National Press, Ajmer 'B'		National Press, Ajmer 'C'		Lalchand & Sons, Calcutta Sahit's Mudranalaya, Ahmedabad-'D'		Amount Rs.		
	Jaipur-'A'	Rate Rs.	Amount Rs.	Rate Rs.	Amount Rs.	Rate Rs.			
1. Composing . . . . .	6pt. 156 pgs	28	4368	40	6340	40	6240	60	9360
	8pt. 20 pgs.	23	460	25	500	20	400	51	1020
2. Printing . . . . .	23,000 Copies of 186 Pages each.	1.48 per 1000 per page.	5991	1.50 per 1000	6072	2.00	8096	3.00 per page per 1000.	12144
3. Binding . . . . .	23,000 copies of 176 Pages each.	1.28 per page per 1000	5181	Do.	6072	1.00	4048	3.60 per page per 1000	14513
4. Delivery . . . . .	Do.	0.72 per page per 1000.	2915	0.60 per page per 1000	2429	225.00	5175	0.10 per page per 1000	405
<b>TOTAL 1 to 4 . . . . .</b>			<b>18,915</b>		<b>21,313</b>		<b>23,959</b>		<b>37,502</b>

## APPENDIX II

(Vide Para 2.61)

*Statement showing particulars of Advertising agencies/firms functioning from 24, Richmond Road, Bangalore.*

(1) "Copy of the Letter No. DO No. AGM|Con|77-78|64 from Shri A. S. Nagarajan, Asstt. General Manager (A), Office of the General Manager Telephones, Bangalore-560009 to Shri P. S. Chari, Vigilance Officer, GM Telephones, Madras-1, dated 10-3-78.

Further to my earlier DO letter of even number dated 27-2-78 I furnish herein data as available in our records:

1. M/s. Classic Advertising, 24, Richmond Road, Bangalore-25, having Shri K. B. Shetty as Proprietor.

Telephone Nos. are: 56626—28 (3+9 PBX).

2. M/s. Barar Constructions Pvt. Ltd. 24, Richmond Road, Bangalore-25.

This company has been floated with a share capital of Rs. 10,00,00 in 10,000 equity shares of Rs. 100/- each. The Managing Director is one Smt. Shanta Sheela B. Shetty.

3. M/s. Sudhir Associates, 24, Richmond Road, Bangalore-25.

Shri K. Sudhir Hegde is the Sole Proprietor as per his own affidavit available on record with us.

Telephone No. 577301 is having an extra entry on page 152 of the current Directory (July 1977 issue) against M/s. Sudhir Associates, an extra entry, at p. 28 in favour of classic advertising.

Note: Although 56628 is one of the junction lines of 3+9 PBX provided to M/s. Classic Advertising this number is indicated in the letter head of M/s. Sudhir Associates in their correspondence with us thereby establishing that they are interested parties."

(2) "Copy of the Lr. No. Estt|2515|78 dated 8th May 1978 from Shri S. N. Guha, Registrar of Companies, Karnataka, Bangalore to Shri V. S. Venkateswaran, Ass't. Engineer (Works), General Manager, Madras Telephone, 5, Greams Road, (ii Floor) Madras-600006.

With reference to the above subject, I have to state that M/s. Barar Construction Pvt. Ltd. is registered in this office on 4-3-1974 under the companies act 1956. As per records mentioned in this office the following are the Directors of the above company.

S.No.	Name	Address	Date of appointment
1	Smt. Shanta Sheela Shetty, Managing Director.	'Ashirwad' 9/1, Brunton Road, Bangalore-25.	4-3-1974
2	Smt. Kumud N. Bhatkuly, Joint Managing Director.	Adarsh, 94, Walkeshwar Road, Bombay.	4-3-1974
3	Shri K. Madhukar Shetty, Director	'Ashirwad' 9/1, Brunton Road, Bangalore-25.	11-11-1974
4	Shri Ganesh Bhatkuly, Director	Adarsh, 94, Walkeshwar Road, Bombay.	3-9-1975

You are further requested to verify the above particulars by deputing your local representative to this office.

If you require any other particulars, please depute local representative to this office for collecting the required information."

### APPENDIX III

#### *Statement showing the Conclusions and Recommendations*

Sl. No.	Para No. of Report	Ministry/Department concerned	Conclusion or Recommendation
(1)	(2)	(3)	(4)
1	1.89	Ministry of Communications (P & T Board)/Works and Housing (Directorate of Printing)	<p>The Committee note that in January 1972 the District Manager, Ahmedabad Telephone District invited open tenders for printing, binding and supplying 4 issues each of the Ahmedabad Telephone Directory, English edition, commencing from July 1972 issue and Gujarati edition commencing from June 1973 issue. In response to the advertisement, 11 tenders were received for the English edition of the Directory. Of these, 4 were incomplete and were, therefore, not considered. Of the remaining 7 tenders, the 4 lowest tenders were from M/s. Diamond Printing Press, Jaipur (Firm 'A'); M/s. National Press, Ajmer (Firm 'B'), M/s. Lalchand &amp; Sons, Calcutta (Firm 'C') and M/s. Sahitya Mudranalaya, Ahmedabad (Firm 'D'). The rates quoted by these firms were Rs. 18,915, Rs. 21,313, Rs. 23,959</p>

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and Rs. 37,502 respectively for standard directory (176 pages). After fulfilling the requirements and other formalities an agreement was signed with firm 'A' (being the lowest tenderer) on 20 July 1972 for printing the English edition of the Directory. However, the Chief Controller of Printing and Stationery who was consulted on receipt of tenders, *inter alia*, advised the District Manager, Ahmedabad Telephone District in March 1972 that (i) the press 'A', the lowest tenderer, had already been entrusted with the printing of three more directories from other circles and that it might not perhaps be able to stick to the prescribed time-schedule; and (ii) the above aspect might be kept in view and the question of entrusting the work to the next higher tenderer 'B' on the lowest rates offered by 'A' might be considered. Despite the advice given by the Chief Controller of Printing and Stationery, the contract was given to firm 'A' but later on the same was terminated by a letter dated 5 August 1972 (by giving one month's notice) on the ground that the time-schedule for return of galley-proof within the prescribed period had not been observed by the printer and delay was apprehended in publishing the Directory. Subsequently, the work was entrusted (September 1972) to the fourth lowest tenderer, i.e. firm 'D', after negotiations, ignoring the second lowest tenderer, firm 'B' on the ground that it had been black-listed by the Delhi Telephone District and the third lowest tenderer, firm 'C', on the ground that it was not experienced in printing directories.

In the case of Gujarati edition of the Directory, 7 tenders were received in January, 1972, including one from M/s. Sahitya Mudralaya, Ahmedabad (Firm 'D') who had also quoted for the English edition of the Directory. The rates of the first six tenderers were Rs. 13,999, Rs. 22,925, Rs. 23,365, Rs. 23,581, Rs. 24,970 and Rs. 40,604 for a standard Directory (280 pages). The Chief Controller of Printing and Stationery, on being consulted in the matter, recommended award of the work to the lowest tenderer. However, the District Manager, Ahmedabad rejected (July 1972) their advice and accepted firm 'D's' tender, which was the sixth lowest, after negotiating with it the rates to be charged by it. The rates of other firms were rejected on one ground or the other, namely, that they had not got (i) lino machine for composing, (ii) printing press with automatic feeding of paper; and (iii) previous experience of printing Ahmedabad Telephone Directory.

It is noteworthy that the contract with M/s. Diamond Printing Press, Jaipur for printing English Directory was signed despite the advice of Controller of Printing and Stationery to the contrary because the District Manager, Ahmedabad Telephone District was fully satisfied with the capacity, capability and past experience of the concern in the matter of quality of work and adherence to the time schedule. The District Manager, Ahmedabad Telephone District was aware that since the press was expanding, there was no danger of the printing work getting delayed. Another argument advanced by the District Manager, Telephones was that the difference between rate of firm 'A' and that of firm 'B' was too large. Because of this



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difference he was prepared to take the risk of giving it to a Jaipur firm in spite of the inconvenience that might be caused due to the Printer being at one place, the Administration in another place and the Advertising Agent yet at another place.

4 1.92 Ministry of Communications  
(P & T Board)/Works and  
Housing (Directorate of  
Printing)

The reasons advanced for cancelling the order on Diamond Printing Press, Jaipur, on 5 August 1972 soon after 15 days of the signing of the agreement (after giving one month's notice) were two-fold i.e. (i) the Press could not return galley proof in 3 days; and (ii) sudden anxiety to get the Directory printed by December 1972. So far, as the first reason is concerned, it has come out from the evidence that originally it was supposed to be five days and that the Press had preferred the entire manuscript to be given in one lot instead of piecemeal. But the District Manager, Telephones used his discretion and insisted on 3 days and also did not agree to the entire manuscript being given in one lot. So far as the second reason is concerned, the Committee find that the Directory was not eventually printed by December 1972 and was delayed by two months. In fact, the date of delivery of the Directory agreed by firm 'D' (M/s. Sahitya Mudranalaya, Ahmedabad) was 15 February, 1973 i.e. beyond December 1972 as originally envisaged.

The Committee are not convinced by the reply given to Audit late in December 1977 that the District Manager had shown initia-

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tive and capacity to take decision in the interest of service within his best judgment. The fact of the matter is that the Directory, which was according to an undated note recorded by the District Manager, Telephones, Ahmedabad, in support of his decision to entrust the work to Press 'D' (Sahitya Mudranalaya) to be produced by December 1972 could be made available even by the Sahitya Mudranalaya, Ahmedabad, only on 26 February, 1973. The Secretary, Communications, conceded during evidence that 'in the final bringing out of the print there was a little delay. According to the agreement (with Printer 'D')—Sahitya Mudranalaya) it should have been done in 90 days. Instead of 15th February, I think they (Sahitya Mudranalaya) gave the printed copies after 11 days from that date'. The Committee, however, find that no action was taken against the printer for this delay although, in an earlier case, M/s. Kalyan Vijay Press were imposed a penalty of 2 per cent causing a delay of only one week in printing October—1966 issue of Gujarati edition of Gujarat Circle Telephone Directory.

6. 1.94

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The Committee are constrained to point out that a sudden shift in the earlier decision of the District Manager, Telephones, Ahmedabad, for diverting the job to firm 'D' for printing the four issues of the English edition of the Ahmedabad Telephone Directory caused the Department an avoidable expenditure of Rs. 1.02 lakhs out of the total cost of Rs. 2.52 lakhs which otherwise could have been saved had the work been done by Diamond Printing Press, as originally contracted for.

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The Committee feel that the case needs a thorough investigation by a Committee of Senior Officers, drawn from Ministry of Finance, Ministry of Communications and Ministry of Works and Housing with a view to have a fresh look into the circumstances leading to the termination of the contract with M/s. Diamond Printing Press on a minor, unconvincing and untenable ground of not returning the galley proof within 3 days of receipt of the manuscript by them and on that basis forming the conclusive but premature view against the Printer that it had not adhered to the time schedule. It has to be remembered that M/s. Sahitya Mudranalaya to whom not only the English edition but also the Gujarati edition was entrusted were the fourth lowest in the former case and the sixth lowest tenderer in the latter case. The Committee of Senior Officers should also examine whether there was any ulterior intention for pecuniary gain or otherwise, on the part of any concerned departmental official and in such event fix responsibility therefore.

This case has revealed that arbitrary powers have been delegated to the Heads of Telecommunication Circles/Telephone Districts to regulate the contracts for printing of telephone directories and fix norms to be followed by them at each level/stage of their implementation. How these discretionary powers have been misused is borne out by the fact that as against the provision of 5 days for preparing the galley-proofs Printer 'A' (Diamond Printing

7.1.95 Ministry of Communications (P & T Barod)/ Finance (Department of Economic Affairs/Works & Housing (Directorate of Printing)

8.1.96 Ministry of Communications (P & T Board)

Press) was asked to return the first batch of a few pages within 3 days of the receipt of the manuscript by them. When asked during evidence to indicate the authority on which the District Manager, Telephones, Ahmedabad, changed the period from 5 to 3 days; the reply was that 'it is because the Agreement gives them the power to regulate it' and that 'the discretion is there with the District Manager, who decides about it'. Not only that, it was also mentioned in support of the action of District Manager that the time limit of 3 days was fixed by him to assess the capability of the Printer 'A' (Diamond Printing Press). However, the Committee find that the printer was not even consulted for the fixation of this lesser period. The Committee would, therefore, like the Government to scrutinise the existing powers delegated to the Heads of Tele-communication Circles/Telephone Districts in this regard and issue necessary instructions so as to ensure that the powers delegated to the officers are exercised justly and not arbitrarily.

The Committee find that according to the existing system open tender enquiries are floated through advertisements in the newspapers for printing of telephone directories and simultaneously the printers in the approved list, as maintained by the Directorate of Printing, are also addressed for offering tenders. The Committee do not see any logic in this dual arrangements as it gives wide discretionary powers to the Heads of P&T Divisions/Districts to pick and choose any printer outside the approved list according to their whims and convenience and thus defeats the very purpose of main-

9. 1.77 Ministries of Communications(P & T Board)/ Works & Housing (Directorate of Printing)

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taining an approved list. The system is also likely to give rise to complaints and allegations by the printers in the approved list, particularly when their quotations are comparatively lower, for having shown favouritism in selecting a particular printer outside the approved list. The Committee feel that the Directorate of Printing should review the list of approved printers periodically and in a more comprehensive manner than done hitherto so as to bring it up-to-date according to prescribed standards. The list so formulated should serve as a genuine and firm guide for future.

10. 2.65 (Ministry of Communications (P & T Board)

From the facts in the Audit Paragraph and the information made available during evidence, the Committee note with great concern that due to utter carelessness and dereliction of duty displayed by its management, the Bombay Telephone District had to lose substantial amount by way of licence fee due from M/s. Classic Advertising, Bangalore, who despite the termination of their contract with the Bombay Telephone District, continued to display kiosks on the telegraph and telephone poles in the area of Bombay Telephone District for 3 years from June 1973 to May 1976 and collected advertisement charges from public and private institutions.

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The facts of the case are that M/s. Classic Advertising, Bangalore, whose previous 3-year contract expired on 31 May, 1973, quoted in their fresh tender the highest rate of Rs. 91,900 per annum as

licence fee for displaying kiosks for the next 3 years beginning from 1 June, 1973. The contract, however, could not be finalised till 14 September, 1973 as the firm did not come to an agreement in the matter of payment in advance of the licence fee i.e. before 31 May each year as was necessary under the rules. Though on 14 September, 1973, the Department wrote to the firm that in case the bank guarantee for Rs. 91,900 was not furnished and the licence fee of the same amount not paid within 10 days of the receipt of their letter the acceptance of the tender would be cancelled and the earnest money forfeited, the firm neither paid the licence fee in advance nor did it furnish the bank guarantee by way of security. The matter was also not pursued by the P&T Department till it came to know through the State Government of Maharashtra in May 1976 that the same firm was continuing to display kiosks on the telegraph and telephone poles and was collecting advertisement charges from the concerned parties. Even at this stage, the Department did not proceed with the case properly. Only when the matter came up for examination by this Committee the Department suddenly woke up and plunged into action to investigate the matter thoroughly. The Secretary, Ministry of Communications, has conceded during evidence that there has been a series of administrative lapses. The Ministry have also stated that "since it is a complicated case it may have to be referred to the CBI". Some instances of grave and revealing irregularities and unexplainable lapses which have come to light during the course of examination by the Committee are enumerated in the following paragraphs.

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12. 2.67 Ministry of Communications  
(P. & T. Board)

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To begin with, the first serious lapse took place when action to call for tenders for the appointment of licensee for the next three years 1973-76, which, according to the Departmental instructions was required to be completed well in advance of the expiry of the period of previous licence (in this case 31 May, 1973) was actually initiated on 17 April, 1973. Thus only 42 days were left with the General Manager, Telephones, Bombay to receive, process and finalise the new contract to begin from 1 June of that year. The Committee find ahat instructions of the Department were that at least one month's time should be given for the floating and receipt of tenders. That sufficient time had not been given in the instant case is confirmed by the admission made by the Secretary, Communications himself during evidence when he stated: "I entirely agree that advertisements of this nature should give a little longer time and we shall certainly consider to what extent we should increase this time". The Department has claimed that the total period required for finalising all the formalities for such contracts is 6 weeks only and it was not intended to make special rules for handling extraordinary situations as witnessed in the instant case. The Committee would like to point out that if a lesson is to be learnt from the mistake in this case, the existing rules and procedures for grant of kiosk advertisements and similar other contracts by the Department and its various agencies should be modified in such a way that no room is left for any ambiguity, slackness or delay of the type that had occurred in this case.

The second still more serious lapse which enabled the advertiser to display advertisements or kiosks without having first deposited the licence fee was the failure to detect and set right the contradiction in the enclosures attached to the tender form--Annexure II envisaging the terms and conditions for appointment of the licensee and Annexure III containing the form of the agreement. It is astonishing to find that when the Department had decided in August, 1971 that in all cases of kiosk licences, amount of annual fee for each year should be recovered in advance and the Department had also modified the form of the agreement deed (Annexure III) accordingly, the standard form containing the terms and conditions of tender for appointment of the licensee (Annexure II) was not modified suitably to provide for the payment of amount of annual licence fee for each year in advance by a specified date. This patent contradiction between the provisions in the terms and conditions of tender and that in the agreement deed escaped notice even at the time of floating tenders. The Committee desire that responsibility should be fixed for the lapse and action taken against the erring persons. The Committee would also urge that in the light of the experience gained from this case, Clause 14 of Annexure II should be suitably modified to bring it in conformity with the provisions contained in Annexure II.

In regard to the payment of licence fee the Committee note that the DGP&T issued a circular on 1 December, 1973 providing for the regular payment of this amount each year during the currency of the



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licence, the first payment being made within six months from the date of its commencement. In case of default by the licensee any time during this period, the default would be treated for the whole year and the bank guarantee would be redeemed to cover the licence fee for the full year. The Committee desire that these instructions should be followed scrupulously.

15 2-70 Ministry of Communications  
(P.&T.Board)

Another lapse related to payment of the security deposit and licence fee. The Committee have regretfully to observe that while in the case of previous contract with the same firm, bank guarantee in lieu of cash deposit had been accepted by the General Manager, Bombay Telephones, in the present case his office took one month to send a reply (on 5-7-1973) to the firm's request to permit them to submit a bank guarantee in lieu of cash deposit as security. The explanation of the Ministry in justification of this delay is that 'it was examined in all respects and the firm was advised to furnish the bank guarantee in the form and manner prescribed. Some time was taken in scrutiny and issue of suitable reply'. The Committee consider this reply vague, evasive and unacceptable particularly in the light of the past practice followed by the same firm and the set procedure obtaining in the Bombay Circle in this regard. The Committee are of the view that this was the root cause for the events that followed culminating in huge loss to the Exchequer in the form

of licence fee for the display of kiosks for all the three years (1973-76) and taking away this money unauthorisedly by the firm without paying anything to the Government.

The worst part of this episode relates to the fact that instead of admitting gratefully the contradiction in Annexures II and III of the tender form in respect of payment of one year's licence fee by the successful tenderer before 31 May of every year during the currency of the agreement or in advance thereof and coming to an agreement with the firm over the dispute on this issue, the General Manager, Telephones, Bombay, warned the firm on 14 September, 1973 (three and half months after the agreement was to come in force on 1 June, 1973) that in case the bank guarantee was not furnished and the licence fee was not paid in cash within ten days of the receipt of that letter, the acceptance of the tender would be cancelled and the earnest money forfeited. Even after September 1973 when the firm had neither paid the licence fee nor had it furnished the bank guarantee, the General Manager, Telephones, Bombay, took no action. The Committee take a serious view of the negligence and inaction displayed by the Department in not pursuing the matter. What surprises the Committee most is the revelation made by the P&T Directorate in this regard that the relevant files and papers were not traceable for more than a year and it was presumed that somebody had suppressed the file. The Department has admitted that 'this is a crucial lapse which is under investigation for fixing responsibility'.

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17. 2.72 Ministry of Communications  
(P.&T. Board)

Added to the above lapse which make the Committee suspect this to be a case of deliberate mischief is another serious irregularity which the Committee must highlight. A circular letter issued by the DGP&T in May 1974 to all Heads of Circles to keep a watch to guard against undesirable acts of licensees in some circles who had been collecting advertisement charges from public or private institutions even after the expiry of their contracts was found (February, 1976) lying unattended to in a folder in the office of the General Manager, Bombay Telephones. This indicates the causal and callous manner in which the important circulars and communications are treated in the lower formations without any check by higher and supervisory officers. It is also noteworthy that even in the issue of the above instructions by the DGP&T there was a delay of more than 7 months, particularly when such a serious matter had been brought to the notice of the Department by public men and private institutions in November-December 1973 itself. The Committee are not prepared to accept the explanation of the Department that the Ministry of Law had to be consulted before issuing the instructions and this caused the delay.

The above are not the only instances of the state of affairs prevailing in the office of the Bombay Telephone District at that time. It is most distressing to find that even when the fact of unauthorised display of the kiosks on P&T poles was brought to the notice of the General Manager, Telephones, Bombay, by the State Government of

18 2.73

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Maharashtra in July 1975, it took the Department 8 months to enquire from the State Government the name of the firm through which they had been booking their kiosk advertisements. It seems nobody took it seriously to pursue the matter immediately in the Department.

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19. 2.74

The role of the supervisory and higher officers is also deplorable as the Heads of Circles/Districts who had been delegated full powers for finalising contracts for the display of kiosks had miserably failed to keep a proper watch over the formalities and to take follow up action on finalisation of contracts and observance of terms and conditions in time.

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The Committee are also surprised to note that there is no built-in system to ensure that the Departmental poles were not used by unscrupulous persons nor were there any means to distinguish between authorised and the unauthorised kiosk advertisement boards during the currency or after the expiry of the contract. It is deplorable that the field inspecting staff who were supposed to keep a watch on the display of kiosks, did not play their due role in this respect. The Committee feel that there should be a close functional coordination between the inspecting officers and the District authorities through periodical say quarterly reports giving particulars of the agency and the type of advertisements on display on the poles. The Committee, therefore, need hardly suggest a thorough overhauling of the whole procedure with a view to streamlining the function-

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ing of the Bombay Telephone District to serve as a model for other Circles/Districts.

21. 2.76 Ministry of Communications  
(P.&T. board)

The Secretary, Communications, in his evidence before the Committee, has at the very outset accepted the responsibility without mincing words. To quote briefly, he stated: "I would like to admit that the objections raised or the observations made are totally correct. I admit that there has been a series of administrative lapses in this case. I have thought of certain corrective action. . . . but for what has happened I have absolutely no justification to offer and I am not going to justify all the omissions that have taken place in this case". The Committee hope that all the enquiries at present under progress for various acts of omission and commission will be completed expeditiously and stringent action taken against the erring officials to serve as deterrent for future. The Committee would be interested to know the conclusive action taken in the matter within the next 6 months.

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The Committee are surprised to note that out of total outstanding of Rs. 9,02,191.00 against M/s. Classic Advertising and their sister organisation M/s. Canara Sales Agencies as on 30 October, 1978, only Rs. 1,53,777.00 were paid by these firms and the balance of Rs. 7,48,414.00 is still outstanding against them. The Committee would like the Department to make concerted efforts to recover the

outstandings, where due, without further loss of time and take appropriate action against the defaulting parties.

The Committee find that as a corrective measure the P&T Board have issued comprehensive instructions to all Heads of Circles/Districts through Circulars dated 25 and 27 July, 1978 (i.e. after the Audit Para had come up for examination by the Committee) stressing the need for strict observance of terms and conditions of the contract on entering into agreements of this nature promptly with the Advertisers. They hope that a constant watch would be kept by the Ministry of Communications to ensure that these instructions are followed at the lower formations in letter and spirit. The Committee would also like to be informed of the decision arrived at and the action taken to streamline the procedure of giving future contracts for kiosk advertisements as a result of the opinion expressed by the Law Ministry about the Department's right to display kiosks on telephone and telegraph poles.