

EIGHTY SEVENTH REPORT

**PUBLIC ACCOUNTS COMMITTEE
(1986-87)**

(EIGHTH LOK SABHA)

**NEW DELHI—AMBALA COAXIAL
EXPANSION SCHEME**



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16 October, 1986 •

16 April, 1987

**One cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library.

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INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this 87th Report on Paragraph 18 of the Report of C&AG 1984-85, Union Government (P&T) relating to New Delhi—Ambala Coaxial Expansion Scheme.

2. The Report of the Comptroller and Auditor General of India for the year 1984-85, Union Government (P&T), was laid on the Table of the House on 7 May, 1986.

3. The Department of Telecommunications sanctioned a project for expansion of the New Delhi-Ambala coaxial system from 4 MHz to 12 MHz and for provision of a spur route of 2.6 MHz system between Saharanpur and Dehra Dun later changed to Muzaffarnagar Dehra Dun in March 1978, at a cost of Rs. 7.82 crores. The scheme was expected to be commissioned by the second half of 1979-80 and to earn a revenue of Rs. 10.08 crores. While the 12 MHz system over the main route from New Delhi to Ambala was commissioned in January 1983, the 2.6 MHz system on the Muzaffarnagar-Dehra Dun route is yet to be commissioned. It will still take another two years.

4. The Committee have deprecated the long delay in commissioning the main route. There was also an abnormal delay in executing the spur route. The major reason advanced for delay in execution of this scheme is the mid-term change in the type of technology from Analogue to the Digital system.

5. The Committee have found that this change of technology was decided upon when equipment worth Rs. 36.70 lakhs had already been purchased and sunk for the originally proposed Analogue System. Besides, an amount of Rs. 69 lakhs has already been invested in installing the coaxial cable. The Committee have lamented that the project planning and implementation machinery of the Department has remained weak. The whole project has not been handled carefully from the stage of its preparation upto the stage of execution, including placing of orders for equipment etc. The Department did not take into account even the latest technological advancement while formulating it. The Digital System was

already established in many countries when the project estimate was sanctioned in 1978 itself. The explanation of the Department that the commercial systems were not yet fully proven is facile.

6. The Committee have also deprecated the delay in finalising the orders for procurement of the digital equipment due to which the eighth I.D.A. loan of the World Bank which is available on favourable terms could not be utilised for this purpose. The procurement is now being processed against free foreign exchange. The Committee have, therefore, emphasised, the need for caution and alertness in executing the projects involving foreign exchange in view of unsatisfactory foreign exchange reserve position of the country.

7. The Committee have also found that there has been cost over-run to the extent of 85% amounting to Rs. 665 lakhs due to delay in executing the projects. The project as per the 1978 estimates was to cost Rs. 7.82 crores. Now it is expected to cost Rs. 14.47 crores.

8. The Committee feel that this scheme may be only a pointer to the poor planning of the Departments of Telecommunications in executing the various other projects. The Committee have, therefore, recommended that an apex body may be created by that Department to evaluate and monitor the progress made by them in executing all their expansion projects so as to reassess and rearrange their priorities wherever necessary so that the mistakes of the past are not repeated.

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

10. The Committee would like to express their thanks to the Ministry of Communications (Department of Telecommunications) for the cooperation extended by them in giving information to the Committee.

11. The Committee also place on record their appreciation of the assistance rendered by the Office of the Comptroller and Auditor General of India in the examination of this Paragraph.

NEW DELHI ;
April 20, 1987
Chaitra 30, 1909 (Saka)

E. AYYAPU REDDY
Chairman,
Public Accounts Committee

REPORT

NEW DELHI-AMBALA COAXIAL EXPANSION SCHEME

Audit Paragraph

This Report is based on Paragraph 18 of the Report of the C & AG for the year 1984-85, Union Government (P&T), relating to "New Delhi—Ambala Coaxial Expansion Scheme" which is reproduced as Appendix I.

Objective and Scope of the Scheme

2 There was considerable demand for reliable telecommunication facilities for the integrated development of most of industrial and sugar growing belt of Western U.P. It was to meet these demands that the scheme for expansion of the existing coaxial link on the route New Delhi-Meerut-Muzaffarnagar-Yamunanagar-Ambala was proposed.

3. The Scheme was drawn up after taking into account the future growth of telephone connections and traffic and non-availability of adequate slots in the existing coaxial medium installed in 1965.

4. The following works were envisaged in this project estimate:

- (i) New Delhi-Hapur Section : Installation of 12 MHz system on spare coaxial tubes in existing 4/375 type coaxial cable working for New Delhi-Hapur-Bareilly-Lucknow.
- (ii) Hapur-Meerut-Muzaffarnagar Section: Installation of 12 MHz system on new 4/375 coaxial cable.
- (iii) Mazaffarnagar-Yamunanagar-Ambala Section: Installation of 12 MHz system on new 4/375 coaxial cable.
- (iv) Saharanpur-Dehradun Section: Installation of 2.6 MHz system on new 4/174 type coaxial cable.

5. The spur route at (iv) was subsequently reengineered as Muzaffarnagar-Roorkee-Dehradun. This was mainly to connect the important centres of Roorkee and Dehradun.

6. In this regard the Audit Para has stated that in March 1978 the Director General, Posts and Telegraphs (DGPT) sanctioned a project estimate for the expansion of New Delhi-Ambala Coaxial system from 4 MHz to 12 MHz and for provision of a spur route of 2.6 MHz system between Saharanpur and Dehra Dun (later changed to Muzaffarnagar-Dehra Dun) at a cost of Rs.7.82 crores.

Delay in execution of the Scheme

7. The Audit Para reveals that the scheme was expected to be commissioned by the second half of 1979-80 and to earn a revenue of Rs. 10.08 crores per annum.

The 12 MHz system over the main route from New Delhi to Ambala was commissioned in January 1983 while the 2.6 MHz system on the Muzaffarnagar-Dehra Dun spur route is yet to be commissioned (October 1985).

8. The delay in commissioning of the scheme was due to the following reasons :

- (a) Non-adherence of delivery schedule by the foreign suppliers in respect of 12 MHz equipment.
- (b) Piecemeal placement of orders for equipment on ITI and issue of various amendments to the purchase orders. The Department stated (October 1985) that orders were placed piecemeal on ITI as per the needs in the field.
- (c) Placement of piecemeal orders on Hindustan Cables Limited (HCL) for coaxial cable. The Department stated (October 1985) that orders for cables were placed on HCL as and when Power and Telecommunication Coordination Committee (PTCC) clearance was accorded and the order for cables placed in November 1978 was for small lengths required for maintenance purpose and the above factors did not contribute to any delay. However, the fact remains that the cable order of November 1978 did include order for supply of cable for 3 sections of the route (viz. Muzaffarnagar-Saharanpur, Saharanpur-Yamunanagar and Yamunanagar-Ambala).

(i) *Main Route : (New Delhi-Muzaffarnagar-Ambala)*

9. The Audit Para reveals that the delay in completing the project is attributed partly to non-adherence of delivery schedule by the foreign suppliers of the 12 MHz equipment. The Committee, therefore, enquired why the foreign suppliers failed to keep up the schedule. The Committee also desired to have chronology of events beginning with floatation of tenders. In a post evidence note furnished to the Committee, the Department of Telecommunications stated as follows :

— Order placed on M/s. Ericsson, Sweden as repeat order on earlier tender.	—March '78
—Supply commenced in (FOB)	—Nov. '78
— Scheduled completion of suppliers as per contract (FOB)	—June '79
—Last date of delivery (FOB) of equipments extended to	—Dec. '79
—Supplies completed (FOB)	—Feb. '80

10. Another factor pointed out in the Audit Para leading to delay in completing the project was the piecemeal placement of orders for equipment on ITI and issue of various amendments to the purchase orders. The Committee desired to know why a detailed break-up and precise schedule for supply of raw-materials and, accordingly, a more rational date of completion of the project could not be worked out in advance to obviate time over run and cost over-run. The Department of Telecommunications stated in a note that an estimate of supply schedule had been made in advance. The orders for the equipment were placed and supply schedule indicated. The dates of various orders, the target date for supply and actual date of supplies are given below :

Details of order	Scheduled date of supplies	Supplies actually completed	Remarks
1. 12 MHz Line Eqpt. P.O. No. 8-2/77-MMD dated 31-3-78 on M/s. L.M. Ericsson, Sweden	Nov. 78 to June 79 extended upto Dec. 79	February, 80	
2. MUX. P.O. No. MMCT/ 2086/77 dated 5-6-78 on M/s. ITI	31-12-78	November, 81	

11. The main route from New Delhi to Ambala was commissioned in January 1983. The Secretary, Ministry of Communication, stated during evidence :

"If you look at the main route, that is, Delhi-Ambala route, I would still say that it has been commissioned reasonably well. In 1978, when this project was sanctioned, they said that this could be commissioned by the second half of 1980. Personally I would say this was an over-optimistic target. It could not have been done and it has not been done.The time over-run is basically related to the availability of things.....We have been having a little bit of problem in regard to indigenous supplies..... partly that was the reason for late commissioning of the main route even after receipt of imported equipment. I am not fully satisfied with it. But it was done in time. Once it has been received in June 1981, I am not satisfied as to how it had taken one year i.e., upto July, 1982 for commissioning that. One of the main factors which became critical is the multiplex equipment. It had not been received, but only a part of the equipment was received.....Partly it is our mistake to club it (the main route and the spur route). We should have sanctioned separately.....It is basically over-optimism—'Yes—We can do it'."

(ii) *Spur route : (Muzaffarnagar-Roorkee-Dehra Dun)*

12. The Audit Para has further brought out that the spur route—2.6 MHz system on the Muzaffarnagar-Dehradun "is yet to be commissioned (October 1985)", although it was originally scheduled to be commissioned, along with the main route, by the second half of 1979-80. It has been further brought out that though the Department decided in 1981 to go in for Digital system instead of Analogue system on the spur route, orders for supply of Digital line equipments had not been placed till date (October 1985) and the coaxial cable laid (by March 1984) at a cost of Rs. 69 lakhs will remain idle till such time the Digital equipment is installed and the spur route is commissioned. The equipments for analogue system obtained from ITI and locally at a cost of Rs. 36.70 lakhs had to be diverted to other places.

13. The above points have been discussed in detail in the Audit Para as follows : As per the project estimate, purchase orders were placed in December 1977 on the Indian Telephone Industries (ITI) for supply of

Analogue line/MUX equipment for the spur route (Muzaffarnagar-Dehra Dun) which included (a) 30 underground repeater huts costing Rs. 0.30 lakh ; (b) 30 steel termination cabinets procured locally at a cost of Rs. 0.26 lakh and (c) Multiplexing equipment costing Rs. 36.44 lakhs ordered from the ITI.

14. Having constructed the repeater huts suited for Analogue system and after placing orders for MUX equipment for this system it was decided to convert Muzaffarnagar-Dehra Dun spur route from Analogue to Digital system and ITI was requested in December, 1981 to stop supply of MUX equipment for this route. ITI intimated in December 1982 that the MUX equipment for the above spur route had already been supplied prior to the receipt of Department's advice. The Department stated (October 1985) that some of the steel cabinets have been used in Delhi Telephones scheme and the remaining have been diverted to some other schemes and that the MUX equipments have been installed at some other stations.

15. Though the decision to convert the system into Digital one was taken in 1981, orders for the same are still being processed (October 1985). Consequently, the coaxial cable laid at a cost of Rs. 69 lakhs (March 1984) would remain idle till the Digital equipment is installed and the spur routes commissioned. The Department stated (December 1984) that the route was expected to be commissioned in 1985-86. But the order for Digital equipment has not been placed yet and the case was being processed in the Directorate (October 1985).

16. The Committee desired to know the detailed reasons for delay in commissioning of the spur route project. The Department of Telecommunications stated as follows :—

“Provision of 2.6 MHz analogue coaxial system in the spur route of Muzaffarnagar-Dehradun was made in the P/E keeping in line with the recommendations of COT in 1981 for greater emphasis for digital technology, the scheme was changed to digital coaxial system to match with proposed digital TAX at Dehradun.

“These equipments were not manufactured indigenously and were to be imported from abroad under 8th World Bank loan. But this could not be done on account of procedural differences with World Bank on Evaluation of Tender. The case is now being processed under Free Foreign Exchange and the evaluation of latest tender on digital coaxial system is being expedited.”

17. As brought out above that having decided to convert the Muzaffarnagar-Dehra Dun spur route from Analogue to Digital System, the Department requested the Indian Telephone Industries in December 1981 to stop supply of MUX equipment for this route for which the ITI replied, in December 1982, that all the MUX equipments had already been supplied prior to the Department's advice. The Committee, therefore, enquired whether the Department ascertained the actual position from the field units before advising ITI to stop supply.

18. In a written note furnished to the committee, the Department of Telecommunications have stated as follows :

“Yes, it was verified. The following items were supplied, diverted and used” :

- (1) 4 W access bay
- (2) SGTE bay
- (3) T.G.F. bay
- (4) GDF bay
- (5) 2 W access bay
- (6) S.G.C.S. bay
- (7) 960 FG bay
- (8) T.G.F. panels
- (9) ESG for GTE”.

19. As stated in the Audit Para, even though the decision to go in for Digital System was taken in 1981, the case for procurement of the Digital Equipment was still being processed in October 1985; with the result that the Coaxial cable laid at a cost of Rs. 69 lakhs (March, 1984) would remain idle till the Digital equipments are installed and the spur route is commissioned. The Committee enquired why the Department did not finalise the case for procurement of Digital equipment even after a lapse of 4 years. The Department of Telecommunications in their reply stated :

“The tender for procurement of digital systems was initiated and Department of Electronics was approached *vide* DOT letter No. 12/407/81—MMD dated 8.7.81 to give the import clearance for digital coaxial equipment. Subsequently the case was processed with the Department of Electronics through letters of even No. dated 28.11.81, 3.2.82, 19.3.82, 28.4.82, 19.7.82 and 16.8.82 giving clarifications and reminders. Joint meeting was also held on 11.1.82. As a result of this processing the clearance was given by the Department of Electronics on 14.10.82.

Meanwhile, the global tender was floated after obtaining the concurrence of the Ministry of Finance etc. The tender was formally opened and evaluated and the formal evaluation report of the Department of Telecommunications was not accepted by the World Bank on certain procedural differences.

Ultimately, the funds offered by 8th IDA Loan of the World Bank could not be utilised for this purpose."

20. In this connection, the Committee asked the Department of Electronics to furnish their comments on the matter. The Department of Electronics in their note furnished to the Committee, stated as follows :

- (1) "The Department of Telecom (DOT), *vide* letter dated 8.7.1981 requested the Department of Electronics (DOE) to give clearance for import of digital coaxial line and associated digital MUX equipment for the routes ; (i) Agra-Jabalpur-Nagpur, (ii) Nagpur-Sambalpur-Kharagpur, (iii) Ahmedabad-Rajkot, (iv) Jullundur-Chandigarh and (v) Bhandra-Tumsar-Gondia. DOE *vide* letter dated 31.8.1981, requested DOT to furnish some clarifications relating to cost data, specifications etc. of the equipments and also details of overall plan for 4500 kms. Routes as drawn up by P & T Department besides the five specific routes mentioned above. While furnishing the requisite details on these points *vide* letter dated 28.11.1981. DOT also intimated the routes finally selected which included the Dehradun-Roorkee-Muzaffarnagar spur-route among others under the New Delhi-Ambala Coaxial expansion scheme."
- (2) "Considering that there was no indigenous availability for the coaxial line and higher order multiplex (8 x 34 Mb/s) equipment etc., Deptt. of Electronics communicated import clearance to Deptt. of Telecom. on 30.12.81 for these items to meet their requirements during 1982-83. For the primary and 2/8 Mb/s multiplex equipment, DOE requested DOT to place the orders on M/s. Gujarat Communications and Electronics Ltd. and M/s. Indian Telephone Industries Ltd. as they were engaged in development and to some extent manufacture of these equipments. In view of the urgency exhibited by Deptt. of Telecom., for commissioning of this route and after

examination of the case, including holding a meeting on 11.1.82 by Deptt. of Electronics with Deptt. of Telecom., M/s. Indian Telephone Industries Ltd. and M/s. Gujarat Communications and Electronics Ltd. further import clearance was issued by DOE on 19.2.82 covering the remaining items viz. Primary and 2/8 Mb/s multiplex equipment. The references dated 3.2.1982, 19.3.82, 28.4.82, 19.7.82 and 16.8.82 received by DOE from DOT and the clearance given by DOE vide letter dated 14.10.1982 related to other routes which were to be commissioned later."

21. During the course of oral examination before the Committee, the Secretary, Department of Telecommunications, stated *inter alia* as follows ;

"...For spur cable for Dehradun, initially there was some delay in receipt of equipment and later on there was a decision that we would go in for Digital type of transmission in future; it was also a decision to ensure that we should fall in line with the ultimate network in the country, but there had been serious difficulties in importing this equipment, partially due to our own difficulties and partially difficulties with the World Bank; and the net result is that we have not got that equipment...I think we did delay in handling the tender that we had received; we did not act as swiftly as we should have. We also perhaps transgressed the World Bank's guidelines, with the result that we had a problem with the World Bank for accepting our recommendations and finally it had to be given up. That is our failure in regard to this spur route..."

On that the orders have not been placed yet. That is why we got difficulty about the change of technology. There was a high power committee known as Sarin Committee which went into it. They recommended that the World is changing over to Digital technology. So, this policy decision was taken that all our future exchanges should be Digital Exchanges. I say that this is perhaps one area where there has been difficulty and where we are at fault.

We have not ordered that equipment till now and to that extent, the cable that has been laid from Muzaffarnagar is lying idle. Rs. 69 lakhs is the cost of this cable which has been buried and is lying idle..."

The beginning was not so much problem. The mid-term course made it complicated."

22. The Committee desired to know the present position regarding procurement of Digital Equipment. The Department of Telecommunications stated in a note :—

"It is being processed against free foreign exchange."

23. The Committee desired to know the percentage of the work completed so far. The Department of Telecommunications have stated as follows :—

(i) Cable works	;	100%
(ii) Equipment work	;	65%

24. The Committee also enquired whether it was possible to indicate the date by which this spur route would be commissioned. The Department of Telecommunication have stated as follows :—

"During the year 1988-89."

Cost escalation of the project

25. The Audit Para has brought out that in 1978 the Department of Telecommunications sanctioned the project for expansion of the New Delhi-Ambala coaxial system from 4 MHz to 12 MHz and for provision of a spur route of 2.6 MHz system between Saharanpur and Dehra Dun (later changed to Muzaffarnagar-Dehra Dun) at a cost of Rs. 7.82 crores.

26. However, two detailed estimates for (a) installation of equipment and (b) laying of cables, were not sanctioned, even though the actual expenditure on the project upto the end of March 1985 amounted to Rs. 10.43 crores. Besides, though the actual expenditure had exceeded the estimated cost by more than 10 per cent, the project estimate had not been revised (October 1985). The Department stated (December 1984) that sanctions for the above two detailed estimates were being expedited and that the revised project estimate was under preparation. However, there has been no further progress so far (October 1985).

27. The Committee desired to know the actual expenditure incurred on the project and percentage of the works completed so far. In a written note furnished to the Committee, the Department of Telecommunications stated *inter alia* :

"The actual expenditure incurred on the project is Rs. 1186 lakhs upto 31.3.1986;

Cable Route Km.	—	100% completed.
Equipments (system Km.)	—	65% completed.

The scheme basically consisted of two parts :

(i) The main route of New Delhi-Hapur-Meerut-Muzaffarnagar-Saharanpur-Yamunanagar-Ambala.

(ii) Spur route of Muzaffarnagar-Roorkee-Dehradun.

The main route has been fully commissioned. The equipment for the spure route is still to be ordered."

28. The Committee desired to know the net increase in the cost of the project. The Department of Telecommunications stated as follows :—

"As per the revised P/E the cost of project estimate would be Rs. 14.47 crores representing an increase of Rs. 665 lakhs."

29. The Committee also wanted to know whether the Project Revised Estimates had been drawn up and got sanctioned. The Committee were informed that the revised estimate had been sanctioned (vide D.G.(T) letter No. 32-42/86-TPL(CX) dated 14.10.86).

30. During the course of evidence before the Committee, the Secretary, Department of Telecommunications, stated *inter alia* :

"....We have sanctioned the revised project estimates as well as the detailed estimates..... Recently only...Now the revised estimate is about Rs. 14.5 crores. The total route was 515 kilometres, and we have commissioned 335 Kilometres...This is about 65 percent.....I would say Rs. 10 crores for 65 percent..."

Loss of revenue

31. The project for expansion of the New Delhi Ambala coaxial system from 4 MHz to 12 MHz and for provision of a spur route of 2.6 MHz system between Saharanpur and Dehra Dun (later changed to Muzaffar-

nagar-Dehra Dun) was originally scheduled to be commissioned in 1979-80 and to earn a revenue of Rs. 10.08 crores per annum. As stated in the preceding paragraphs the project has been considerably delayed. The main route was commissioned only in January, 1983 and the spur route is yet to be commissioned.

32. The Audit para has pointed out that apart from potential loss of revenue of Rs. 8.61 crores due to delay in commissioning of the project (on the basis of traffic of 1983-84) STD traffic handled is very low compared to what was anticipated. The revenue actually accrued to traffic of 1983-84 was Rs. 3.13 crores against anticipated annual revenue of Rs. 16.52 crores on completion of the project (anticipated in 1979-80). The STD traffic in 1985-86 was much less than that anticipated for 1979-80.

33. The above position is described in greater detailed in the Audit Para as follows :

“The STD traffic handled in 1983-84 by the various routes after the commissioning of the system was very low, as shown in the Table below, when compared to the STD demands projected in the EFC Memo. The 12 MHz system had been installed only on one pair of coaxial tubes of the 4 core large coaxial cable laid between Hapur and Ambala since July 1981. Further, in the following routes, the traffic handled in 1983-84 was much less than what was projected in the EFC Memo :

Route	Traffic forecast in the EFC Memo (In Erlongs)	Actual traffic handled in 1983-84 (In Erlongs)
1. New Delhi-Meerut	219.5	16.42
2. New Delhi-Muzaffarnagar	93.8	7.76
3. New Delhi-Dehra Dun	154.9	12.73
4. New Delhi-Ambala	353.8	41.96
5. Yamunanagar-Ambala	110.7	4.28

34. As against the anticipated annual revenue of Rs. -16.52 crores contemplated in the EFC Memo on completion of the project (anticipated in 1979-80), the revenue actually accrued on the traffic handled in 1983-84 was Rs. 3.13 crores. Further, even based on actual traffic of 1983-84, there was potential loss of revenue of Rs. 8.61 crores due to delay of 2 3/4 years in the commissioning of the project (from end of 1979-80 to January, 1983).

35. The Department stated (October 1985) that one section of the route (New Delhi—Hapur) was put to commercial use from July 1981 and started earning revenue for the Department. (The circuits in the concerned section which were common to 2 schemes were reportedly planned and provided for in the other scheme which was executed simultaneously).

36. The Department further stated that "variations between forecasts and actuals are inherent on account of number of variables affecting the realisation of those projections like Switching capacity of the exchanges, performance of the equipment etc. The traffic during the year 1985-86 has built up substantially and is given below :

1. New Delhi—Meerut	39.30 Erlongs
2. New Delhi—Muzaffarnagar	22.20 Erlongs
3. Ambala—Yamunanagar	26.36 Erlongs
4. Ambala—New Delhi	176.19 Erlongs
5. New Delhi—Dehra Dun	30.79 Erlongs

However, this traffic in 1985-86 was also much less than the projections made in EFC Memo for traffic to be handled in 1980.

37. The Committee asked the Department of Telecommunications to furnish their comments on the observations in the Audit Para that "apart from potential loss of revenue of Rs. 8.61 crores due to delay in commissioning of the Project (on the basis of 1983-84 traffic) STD traffic handled is very low compared to what was anticipated. The revenue actually accrued to traffic of 1983-84 was Rs. 3.13 crores against annual revenue of Rs. 16.52 crores on completion of the project (anticipated in 1979-80)."

38. The Department of Telecommunication stated that :

"The revenue has been increasing every year. However, it has not reached upto the expected level due to non-commissioning of pending spur route and restricted general growth in the number of local telephone exchanges. The actual traffic has not increased as anticipated."

39. It was pointed out to the Department of Telecommunications that "the STD traffic handled by this coaxial system in 1983-84 was very much less than that projected/anticipated by the Department in the EFC Memo". As seen from the Table (18.1 of Audit Para) the actual traffic was less than 10% of the Projections in all the 5 routes. The Committee enquired the basis on which the Department forecast the traffic to be handled. The Department of Telecommunications stated in a note that the basis of traffic forecast is :—

- (i) Anticipated growth and automatism of local exchanges and TAXs concerned.
- (ii) Commissioning programme for TAXs and stations to be parented to each TAXs as planned.
- (iii) Availability of reliable media.
- (iv) Anticipated growth of manual trunk traffic based on community of interest. For the above analysis and forecast of traffic, a specialised cell is there in the Directorate.

Based upon the above data, the forecast is prepared by application of the following main parameters prescribed by Trunk planning group. These are ;

- (i) On trunk automatism plan 80% of the manual trunk traffic is taken for automatism and 20% for manual working as per average standard fixed by the Department.
- (ii) 15% growth per year is applied to the existing traffic.
- (iii) Average holding time of the STD call is taken as 60 seconds.
- (iv) Busy hour to day traffic ratio is taken as 1:8.
- (v) Spurts to the existing traffic are assumed.

—On Automatisation

—2.5 times

—On provision of reliable media

—2 times

However, the traffic forecast for the TAXs needs more precision for which continuous review is being done to improve forecasting.

40. Asked whether it is ensured by the Department that the inter-related schemes/developments which justify this transmission project are executed in time and if so, the reasons for the huge shortfall in traffic/revenue when compared to the projections made in P/E EFC Memo. The Department of Telecommunications stated that every effort is being made to commission the various inter related schemes but it materialises or gets delayed due to various constrains of availability of material and other reasons. In this case, as an example, the link of Muzaffar Nagar-Roorkee-Dehradun could not be completed in time due to non-availability of Digital equipment. With the result the traffic of whole of North West U.P. & Hill Area could not come on this proposed route. This is one of the reasons for the traffic not coming to the projected levels.

41. In reply to a question whether the Department at any time compared the actuals with anticipations made earlier and what efforts have been made to achieve the anticipations, the Department of Telecommunications stated :

“It is being monitored and additional circuits are being provided as and when required.”

42. During the course of evidence before the Committee, the Secretary, Department of Telecommunications, stated *inter alia* :

“...We have evolved a certain formula for forecasting traffic...We are trying to see if we can build up adequate data with regard to different areas to determine whether growth is related to a particular area, whether the traffic growth is different in different areas. We are trying to evolve this and see whether we can find out a more accurate forecasting method.

“Our estimate is that during 1985-86 we have earned a total of about Rs. 12 crores as a result of this scheme.....after about six years This is the actual that we touched last year. Our estimated earning was Rs. 9.5 crores in one year, and in addition we had about 50 groups, that is 50×12 600 channels working for manual traffic and for hiring to various large users” By and large there has been no major increase (in traffic rate) during this period”.

Non-recovery of liquidated damages etc. from foreign supplier.

43. The Audit Para has brought out that a purchase order for the supply of 12 MHz line equipment was placed in March 1978 on a firm at a cost of 20,23,405 Swedish Kronas equivalent to Rs. 36.78 lakhs approximately. Supply was to commence by November 1978 and was to be completed by June 1979 equipments being despatched by sea on prepaid freight by the firm. On the request of the firm, the delivery period was extended up to 31st December 1979 reserving the right to claim liquidated damages for delayed supply beyond the original contracted date of 30th June 1979. Though supplies were completed by air-lifting the last consignment in February 1980, the Department addressed the supplier for recovery of liquidated damages amounting to Rs. 1.84 lakhs in September 1984 only. The Department stated (October 1985) that the recovery of warehouse charges and extra custom duty was being pursued with the Manager of the Warehouse and the Customs Department and as regards recovery of liquidated damages, the supplier had been intimated about the total amount of liquidated damages.

44. The Committee desired to know the amount of liquidated damages sought to be recovered from the supplier and the present stage of the recovery process. In a written note, the Department of Telecommunications stated "the recovery of liquidated damages to be paid by the foreign supplier in respect of P.O. No. 8-2/77-MMD dated 31.3.1978 amounting of Rs. 1183077 which includes the 12 MHz line equipment for New Delhi-Ambala also is being processed. The supplier is being pressed to pay these charges."

45. The Committee find that in March 1978 the Department of Telecommunications sanctioned a project for expansion of the New Delhi-Ambala coaxial system from 4 MHz to 12 MHz and for provision of a spur route of 2.6 MHz system between Saharanpur and Dehra Dun (later changed to Muzaffarnagar-Dehra Dun) at a cost of Rs. 7.82 crores.

46. The scheme was expected to be commissioned by the second half of 1979-80 and to earn a revenue of Rs. 10.08 crores.

47. While the 12 MHz system over the main route from New Delhi to Ambala was commissioned in January 1983, the 2.6 MHz system on the Muzaffarnagar-Dehra Dun route is yet to be commissioned.

48. It is disquieting to note that although most of the equipment had been received by June 1981, the commissioning of the project was further delayed by more than one year. The project planning and implementation machinery remains weak. The whole project has not been handled carefully from the stage of preparation upto the stage of execution and placing of orders. Lamentably in this case the project failed on all counts and even now the detailed estimates for installation of equipment and laying of cables are not sanctioned.

The estimates for the main route from Delhi to Ambala for 12 MHz system and for 2.6 MHz system on the Muzaffarnagar-Dehra Dun route were clubbed together and as conceded by the Government this was a mistake. This clearly indicates that the entire planning was done in a casual manner without taking into account the various implications involved. The Committee deprecate this approach.

49. There was an abnormal delay in executing the spur route—2.6 MHz system on the Muzaffarnagar-Dehra Dun section. Although it was to be commissioned by the second half of 1979-80 along with the main route, the spur route is yet to be commissioned. It is likely to be ready after further delay of two years in 1988-89 only.

50. The major reason advanced for delay in the execution of the scheme is to the mid-term change in the type of technology from Analogue to the Digital system. When equipment like underground repeater huts, steel termination cabinets, multi-plexing equipment, etc., worth Rs. 36.70 lakhs, had already been purchased and sunk for the originally proposed Analogue system, it was decided to change the technology from Analogue system to Digital system. Besides, an amount of Rs. 69 lakhs has already been invested in installing coaxial cable.

51. The Committee have no doubt that the project was ill conceived and the Department did not take into account the latest technological advancement while formulating the above project which resulted in avoidable expenditure besides delaying the project considerably. In fact the Digital system was already established in many countries when the project estimate was sanctioned by the Department in March 1978. The explanation of the Department that the commercial systems were yet to be fully proven is facile.

52. The Committee, therefore, urge that the Department should carefully scrutinise their projects and while formulating feasibility reports every care should be taken to see that these are realistic and conform to latest

technology. If there is time gap between the investment decision and the execution of the project, a quick review of the project, to ensure that technological development in the meanwhile has not rendered it obsolete, should invariably be undertaken.

53. The Committee deprecate that due to delay in finalising the orders for procurement of the Digital equipment the Eighth I.D.A. loan of the World Bank could not be utilised for this purpose and is being processed against free foreign exchange. The Committee also note that there has been unusual delay of nearly one year for the issue of import clearance for digital coaxial equipment by the Department of Electronics and this was one of the reasons due to which the Department could not get loan of the World Bank for this purpose. The Committee deplore this casual approach and lack of coordination between two Ministries of the Government of India.

54. The World Bank loans are obtained with great difficulty after long persuasions and protracted negotiations with the sole objective of speeding up the progress of the developmental effort. There is abundant need for caution and alertness in projects involving foreign exchange in view of unsatisfactory foreign exchange reserve position in the country. The Committee feel that if the Ministry had closely monitored the implementation of the project and scrupulously followed the World Bank guidelines this desirable situation could have been avoided resulting in unloss of precious foreign exchange at favourable terms.

55. In 1978 the entire expansion project was estimated to cost Rs. 7.82 crores. However due to delay in executing the project it is expected to cost Rs. 14.47 crores, which means an increase of 85% as per the revised estimates sanctioned recently. Presently only 65% of the work has been completed. "The actual expenditure incurred on the project upto 31.3.1986 is Rs. 1186 lakhs... This represents an increase of Rs. 665 lakhs." The Committee have no doubt that the foremost reason for going haywire was nothing else but inadequate project formulation, inadequate monitoring and non-adherence of delivery schedules and piecemeal placement of orders. The scope, efficiency, effectiveness and impact of a project is, to a large extent, determined by project studies, benefit cost analysis and feasibility and fiscal studies which was not done properly in this case.

56. The Committee feel that this scheme may be only a pointer to the poor and tardy planning of the Department of Telecommunications in executing their various other projects also. Since the Department is involved in

massive expansion and restructuring plans further delays in project implementations have grave financial and economic implications. The procedure, practices and organisation involved in project construction and implementation, therefore, require critical analysis, monitoring and review. The Committee, therefore, recommend that an apex body may be created by the Department of Telecommunications to evaluate and monitor the progress made by them in executing all their expansion projects and to reassess and rearrange their priorities wherever necessary so that the mistakes of the past, as in the present, are not repeated.

57. The Committee note that in 1979-80 it was anticipated that on completion of the project the annual revenue in 1983-84 would be about Rs. 16.52 crores. However, the revenue which actually accrued was only Rs. 3.13 crores. The traffic for subsequent years also has not shown any appreciable improvement. The Department of Telecommunications have sought to explain this shortfall "due to none-commissioning of the pending spur route and restricted general growth in the number of local telephone exchanges. The actual traffic has not increased as anticipated". Even based on actual traffic of 1983-84, there was loss of revenue of Rs. 8.61 crores due to delay of $2\frac{3}{4}$ years in the commissioning of the project (from end of 1979-80 to January 1983).

58. Considering the wide amplitude of the variations highlighted above, the Committee feel that the method or formula for forecasting the traffic does not seem to be realistic. This needs to be rationalised. In this connection the Committee have noted the statement of the Secretary, Telecommunications that they "are trying to evolve this (formula) and see whether we can find out a more accurate forecasting method". The Committee expect that continuous efforts should be made to devise a more realistic formula for estimating the revenue potential.

NEW DELHI,

April 20, 1987

Chaitra 30, 1909(S)

E. AYYAPU REDDY,

Chairman,

Public Accounts Committee.

APPENDIX I

(See Para'1 of the Report)

Paragraph 18 of the Report of the Comptroller and Auditor General of India for 1984-85, Union Government (P&T)

Audit Paragraph

18. New Delhi-Ambala Coaxial Expansion Scheme

In March 1978 Director General, Posts and Telegraphs (DGPT) sanctioned a project estimate for the expansion of New Delhi-Ambala Coaxial system from 4 MHz to 12 MHz and for provision of a spur route of 2.6 MHz system between Saharanpur and Dehra Dun (later changed to Muzaffarnagar-Dehra Dun) at a cost of Rs. 7.82 crores. The scheme was expected to be commissioned by the second half of 1979-80 and to earn a revenue of Rs 10.08 crores per annum. The 12 MHz system over the main route from New Delhi to Ambala was commissioned in January 1983 while the 2.6 MHz system on the Muzaffarnagar-Dehra Dun spur route is yet to be commissioned (October 1985).

Two detailed estimates for installation of equipment and laying of cables were not sanctioned. The actual expenditure on the project upto the end of March 1985 amounted to Rs. 10.43 crores. Though the actual expenditure had exceeded the estimated cost by more than 10 per cent, the project estimate had not been revised (October 1985). The Department stated (December 1984) that sanctions for the above two detailed estimates were being expedited and that the revised project estimate was under preparation. However, there has been no further progress so far (October 1985).

The delay in commissioning of the scheme was due to the following reasons :

- (a) non-adherence of delivery schedule by the foreign suppliers in respect of 12 MHz equipment.

- (b) Piecemeal placement of orders for equipment on ITI and issue of various amendments to the purchase orders. The Department stated (October 1985) that orders were placed piecemeal on ITI as per the needs in the field.
- (c) Placement of piecemeal orders on Hindustan Cables Limited (HCL) for coaxial cable. The Department stated (October 1985) that orders for cables were placed on HCL as and when Power and Telecommunication Coordination Committee (PTCC) clearance was accorded and the order for cables placed in November 1978 was for small lengths required for maintenance purpose and the above factors did not contribute to any delay. However, the fact remains that the cable order of November 1978 did include order for supply of cable for 3 sections of the route (*viz.* Muzaffarnagar-Saharanpur, Saharanpur-Yamunanagar and Yamunanagar-Ambala).

The STD traffic handled in 1983-84 by the various routes after the commissioning of the system was very low (Table 18.1) when compared to the STD demands projected in the EFC Memo. The 12 MHz system had been installed only on one pair of coaxial tubes of the 4 core large coaxial cable laid between Hapur and Ambala since July 1981. Further, in the following routes, the traffic handled in 1983-84 was much less than what was projected in the EFC Memo.

TABLE 18.1

Route	Traffic forecast in the EFC Memo (In Erlongs)	Actual traffic handled in 1983-84 (In Erlongs)
1. New Delhi—Meerut	219.5	16.42
2. New Delhi—Muzaffarnagar	93.8	7.76
3. New Delhi—Dehra Dun	154.9	12.73
4. New Delhi—Ambala	353.8	41.96
5. Yamunanagar—Ambala	110.7	4.28

As against the anticipated annual revenue of Rs. 16.52 crores contemplated in the EFC Memo on completion of the project (anticipated in 1979-80), the revenue actually accrued on the traffic handled in 1983-84 was

Rs. 3.13 crores. Further, even based on actual traffic of 1983-84, there was potential loss of revenue of Rs. 8.61 crores due to delay of $2\frac{3}{4}$ years in the commissioning of the project (from end of 1979-80 to January 1983).

The Department stated (October 1985) that one section of the route (New Delhi—Hapur) was put to commercial use from July 1981 and started earning revenue for the Department. (The circuits in the concerned section which were common to 2 schemes were reportedly planned and provided for in the other scheme which was executed simultaneously).

The Department further stated that "variations between forecasts and actuals are inherent on account of number of variables affecting the realisation of those projections like Switching capacity of the exchanges, performance of the equipment etc. The traffic during the year 1985-86 has built up substantially and is given below (Table 18.2) :—

TABLE 18.2

1. New Delhi—Meerut	39.30 Erlongs
2. New Delhi—Muzaffarnagar	22.20 Erlongs
3. Ambala—Yamunanagar	26.36 Erlongs
4. Ambala—New Delhi	176.19 Erlongs
5. New Delhi—Dehra Dun	30.79 Erlongs

However, this traffic in 1985-86 was also much less than the projections made in EFC Memo for traffic to be handled in 1980.

The following further points were noticed during the review of the project :

- (i) *Blockage of funds and non-completion of spur route on account of change from Analogue system to Digital system and digital equipment not yet ordered*

As per the project estimate, purchase orders were placed in December 1977 on the Indian Telephone Industries (ITI) for supply of Analogue line/MUX equipment for the spur route (Muzaffarnagar-Dehra Dun) which included (a) 30 underground repeater huts costing Rs. 0.30 lakh (b) 30 steel termination cabinets procured locally at a cost of Rs. 0.26 lakh and (c) Multiplexing equipment costing Rs. 36.44 lakhs ordered from the ITI.

Having constructed the repeater huts suited for Analogue system and after placing orders for MUX equipment for this system it was decided to convert Muzaffarnagar-Dehra Dun spur route from Analogue to Digital system and ITI was requested in December 1981 to stop supply of MUX equipment for this route. ITI intimated in December 1982 that the MUX equipment for the above spur route had already been supplied prior to the receipt of Department's advice. The Department stated (October 1985) that some of the steel cabinets have been used in Delhi Telephones scheme and the remaining have been diverted to some other schemes and that the MUX equipments have been installed at some other stations.

Though the decision to convert the system into Digital one was taken in 1981, orders for the same are still being processed (October 1985). Consequently, the coaxial cable laid at a cost of Rs. 69 lakhs (March 1984) would remain idle till the Digital equipment is installed and the spur routes commissioned. The Department stated (December 1984) that the route was expected to be commissioned in 1985-86. But the order for Digital equipment has not been placed yet and the case was being processed in the Directorate (October 1985).

(ii) Non-recovery of liquidated damages etc. from foreign supplier

A purchase order for the supply of 12 MHz line equipment was placed in March 1978 on a firm at a cost of 20,23,405 Swedish Kroner equivalent to Rs. 36.78 lakhs approximately. supply was to commence by November 1978 and was to be completed by June 1979 equipments being despatched by sea on prepaid freight by the firm. On the request of the firm, the delivery period was extended upto 31st December 1979 reserving the right to claim liquidated damages for delayed supply beyond the original contracted date of 30th June 1979. Though supplies were completed by air-lifting the last consignment in February 1980, the Department addressed the supplier for recovery of liquidated damages amounting to Rs. 1.84 lakhs in September 1984 only. The Department stated, (October 1985) that the recovery of warehouse charges and extra custom duty was being pursued with the Manager of the Warehouse and the Customs Department and as regards recovery of liquidated damages, the supplier had been intimated about the total amount of liquidated damages.

(iii) Procurement of indigenous equipment not required

For supply of indigenous equipment, piecemeal orders and amendments to the order were placed on ITI during December 1977 to August

1979 and in March 1980 directions were given to ITI for effecting the supplies after checking with the various amendments.

Orders were placed on ITI in May 1978 for supply of 70 number of repeater casings required for the line repeaters to be supplied by the foreign firm. 27 repeater casings costing Rs. 1.11 lakhs were received by October 1983. In February 1984, the Department realised that the line repeaters supplied by the foreign firm did not require these repeater casings. The Department stated (October 1985) that the repeater casings have been diverted to some other schemes.

Summing up

The following main points emerge :

—Two detailed estimates for (a) installation of equipment and (b) laying of cables were not sanctioned.

—Though actual expenditure of Rs. 10.43 crores incurred upto March 1985 exceeded the estimated cost by more than 10 per cent, revised project estimate has not been prepared and sanctioned.

--Main route was commissioned only in January 1983 and the spur route was yet to be commissioned (October 1985). Though the Department decided in 1981 to go in for Digital system instead of Analogue system on the spur route, orders for supply of Digital line equipments had not been placed till date (October 1985) and the coaxial cable laid (by March 1984) at a cost of Rs. 69 lakhs will remain idle till such time the Digital equipment is installed and the spur route is commissioned. The equipments for analogue system obtained from ITI and locally at a cost of Rs. 36.70 lakhs had to be diverted to other places.

—Apart from potential loss of revenue of Rs. 8.61 crores due to delay in commissioning of the project (on the basis of traffic of 1983-84) STD traffic handled is very low compared to what was anticipated, the revenue actually accrued to traffic of 1983-84 was Rs. 3.13 crores against anticipated annual revenue of Rs. 16.52 crores on completion of the project (anticipated in 1979-80). the STD traffic in 1985-86 was much less than anticipated for 1979-80.

—Liquidated damages amounting to Rs. 1.84 lakhs remain to be recovered from a foreign firm for which the Department took up the matter in September 1984 only.

APPENDIX II

Statement of observations and recommendations

S.No.	Para No.	Ministry/Department	Observations and recommendations
1	2	3	4

1 45 to 48 Ministry of Communications (Department of Telecommunications)

The Committee find that in March 1978 the Department of Telecommunications sanctioned a project for expansion of the New Delhi-Ambala coaxial system from 4 MHz to 12 MHz and for provision of a spur route of 2.6 MHz system between Saharanpur and Dehra Dun (later changed to Muzaffarnagar-Dehra Dun) at a cost of Rs. 7.82 crores.

The scheme was expected to be commissioned by the second half of 1979-80 and to earn a revenue of Rs. 10.08 crores.

While the 12 MHz system over the main route from New Delhi to Ambala was commissioned in January 1983, the 2.6 MHz system on the Muzaffarnagar-Dehra Dun route is yet to be commissioned.

It is disquieting to note that although most of the equipment had been received by June 1981, the commissioning of the project was further delayed by more than one year. The project planning and implementation machinery remains weak. The whole project has not been handled carefully from the stage of preparation upto the stage of execution and placing of orders. Lamentably in this case the project failed on all counts and even now the detailed estimates for installation of equipment and laying of cables are not sanctioned.

The estimates for the main route from Delhi to Ambala for 12 MHz system and for 2.6 MHz system on the Muzaffarnagar-Dehra Dun route were clubbed together and as conceded by the Government this was a mistake. This clearly indicates that the entire planning was done in a casual manner without taking into account the various implications involved. The Committee deprecate this approach.

There was an abnormal delay in executing the spur route—2.6 MHz system on the Muzaffarnagar-Dehra Dun section. Although it was to be commissioned by the second half of 1979-80 along with the main route, the spur route is yet to be commissioned. It is likely to be ready after further delay of two years in 1988-89 only.

2 49 to 52 Ministry of Communi-
cation. (Deptt. of
Telecommunication)

The major reason advanced for delay in the execution of the scheme is the mid-term change in the type of technology from Analogue to the Digital

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system. When equipment like underground repeater huts, steel termination cabinets, multi-plexing equipment, etc., worth Rs. 36.70 lakhs had already been purchased and sunk for the originally proposed Analogue system, it was decided to change the technology from Analogue system to Digital system. Besides, an amount of Rs. 69 lakhs has already been invested in installing coaxial cable.

The Committee have no doubt that the project was ill conceived and the Department did not take into account the latest technological advancement while formulating the above project which resulted in avoidable expenditure besides delaying the project considerably. In fact the Digital system was already established in many countries when the project estimate was sanctioned by the Department in March 1978. The explanation of the Department that the commercial systems were yet to be fully proved, is facile.

The Committee, therefore, urge that the Department should carefully scrutinise their projects and while formulating feasibility reports every care should be taken to see that these are realistic and conform to latest technology. If there is time gap between the investment decision and the execution of the project, a quick review of the project, to ensure that technological development in the mean while has not rendered it obsolete, should invariably be undertaken.

3 53 to 54 - Ministry of Communications (Deptt. of Telecommunications)
Deptt. of Electronics

The Committee deprecate that due to delay in finalising the orders for procurement of the Digital equipment the Eighth I.D.A. loan of the World Bank could not be utilised for this purpose and is being processed against free foreign exchange. The Committee also note that there has been unusual delay of nearly one year for the issue of import clearance for digital coaxial equipment by the Department of Electronics and this was one of the reasons due to which the Department could not get loan of the World Bank for this purpose. The Committee deplore this casual approach and lack of coordination between two Ministries of the Government of India.

The World Bank loans are obtained with great difficulty after long negotiations and protracted negotiations with the sole objective of speeding up the progress of the developmental effort. There is abundant need for caution and alertness in projects involving foreign exchange in view of unsatisfactory foreign exchange reserve position in the country. The Committee feel that if the Ministry had closely monitored the implementation of the project and scrupulously followed the World Bank guidelines this desirable situation could have been avoided resulting in unless of precious foreign exchange at favourable terms.

4 55 Ministry of Communications (Deptt. of Telecommunications)

In 1978 the entire expansion project was estimated to cost Rs. 7.82 crores. However, due to delay in executing the project it is expected to cost Rs. 14.47 crores, which means an increase of 85%, as per the revised estimates sanctioned recently. Presently only 65% of the work has been

completed. "The actual expenditure incurred on the project upto 31.3.1986 is Rs. 1186 lakhs... This represents an increase of Rs. 665 lakhs." The Committee have no doubt that the foremost reason for going haywire was nothing else but inadequate project formulation, inadequate monitoring and non-adherence of delivery schedules and piecemeal placement of orders. The scope, efficiency, effectiveness and impact of a project is, to a large extent, determined by project studies, benefit cost analysis and feasibility and fiscal studies which was not done properly in this case.

The Committee feel that this scheme may be only a pointer to the poor and tardy planning of the Department of Telecommunications in executing their various other projects also. Since the Department is involved in massive expansion and restructuring plans further delays in project implementations have grave financial and economic implications. The procedure, practices and organisation involved in project construction and implementation, therefore, require critical analysis, monitoring and review. The Committee, therefore, recommend that an apex body may be created by the Department of Telecommunications to evaluate and monitor the progress made by them in executing all their expansion projects and to reassess and rearrange their priorities wherever necessary so that the mistakes of the past, as in the present, are not repeated.

The Committee note that in 1979-80 it was anticipated that completion of the project the annual revenue in 1983-84 would be about Rs. 16.52 crores. However, the revenue which actually accrued was only Rs. 3.13

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6 57 & 58 Ministry of Communications
(Deptt. of Telecommunications)

crores. The traffic for subsequent years also has not shown any appreciable improvement. The Department of Telecommunications have sought to explain this shortfall "due to non-commissioning of the pending spur route and restricted general growth in the number of local telephone exchanges. The actual traffic has not increased as anticipated". Even based on actual traffic of 1983-84, there was loss of revenue of Rs. 8.61 crores due to delay of 23/4 years in the commissioning of the project (from end of 1979-80 to January 1983).

Considering the wide amplitude of the variations highlighted above, the Committee feel that the method or formula for forecasting the traffic does not seem to realistic. This needs to be rationalised. In this connection the Committee have noted the statement of the Secretary, Telecommunications that they "are trying to evolve this (formula) and see whether we can find out a more accurate forecasting method." The Committee expect that continuous efforts should be made to devise a more realistic formula for estimating the revenue potential.