सत्यमेव जयते

REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 1996
NO. 6 OF 1997

UNION GOVERNMENT (POST AND TELECOMMUNICATIONS)

CONTENTS

SECTION II - DEPARTMENT OF TELECOMMUNICATIONS

CHAPTER 5

CHAPTER 6

CHAPTER 7

CHAPTER 8

CHAPTER 9

Appendices

PREFATORY REMARKS

This Report for the year ended 31 March 1996 has been prepared for submission to the President under Article 151(1) of the Constitution. It relates mainly to matters arising from test-audit of the financial transactions of Ministry of Communications.

The Report includes nine Paragraphs and two Reviews (i) Satellite money order scheme, and (ii) Introduction of multipurpose counter machines in post offices pertaining to Department of Post and 55 Paragraphs and four Reviews (i) Procurement of 2 GHz Digital Microwave system, (ii) High Speed Very Small Aperture Terminals Data Network, (iii) Lease finance of switching equipment and (iv) Rural telecommunication network and tribal sub-plan, pertaining to Department of Telecommunications. The Draft Paragraphs and Draft Reviews were forwarded to Ministry of Communications, Department of Post and Department of Telecommunications for furnishing their reply within six weeks. However, replies to five Draft Paragraphs and two Draft Reviews from Department of Post and 39 Draft Paragraphs and four Draft Reviews from Department of Telecommunications have not been received as of December 1996.

The cases mentioned in the Report are among those which came to notice in the course of audit conducted during the year 1995-96 and early part of 1996-97. It also includes cases noticed during earlier years but could not be included in the previous Reports.

OVERVIEW

This Audit Report for the year April 1995 to March 1996 is presented in two sections:

Section I	Chapters 1 to 4	Department of Post
Section II	Chapters 5 to 9	Department of Telecommunications

It contains 70 paragraphs including six reviews. Some of the major findings in the Report are summarised below.

Section I - Department of Post

Financial Results

Department of Post incurred a net loss of Rs 428.18 crore on various postal services in 1995-96. Over the period of five years, while the revenue receipts of the department increased by only Rs 202 crore from Rs 948 crore in 1991-92 to Rs 1150 crore in 1995-96, the revenue expenditure increased by Rs 648 crore from Rs 1162 crore to Rs 1810 crore. This resulted in more than three fold increase in the revenue deficit . Out of 18 postal services, 15 accounted for an operating loss of over Rs 491 crore while only three services namely; Speed Post, Insured Letters and Printed Letters were out of red, contributing among them a profit of about Rs 63 crore. Department claimed Rs 375 crore including interest of Rs 75 crore on account of cumulative arrears due from Ministry of Finance towards charges for agency functions which was yet to be settled.

(Paragraph 1)

Expenditure control

The Department of Post has been consistently exceeding the budget provision under Revenue (Voted) section for the past four years. During 1995-96 also the Department incurred excess expenditure of Rs 73.53 crore over the approved provision in this section. This will require regularisation by Parliament under Article 115(1)(b) of the Constitution.

(Paragraph 2)

Satellite money order scheme

Department of Post failed to achieve the twin objectives of turn-around in the money order services to make it a profit earning service besides faster transmission of money order through introduction of satellite money order. In the first phase, it introduced satellite money order system at 68 stations against the target of 75. At a traffic of 25 lakh money orders per month through satellite communication, the department expected to earn a net profit of Rs 5.58 crore *per annum* after meeting the operational cost. Against the target of 150 lakh money orders in six months, only 3.20 lakh money orders were actually sent through the satellite system. The low volume of satellite money orders further added to the existing loss on money order services. The Department purchased old generation slow speed very small aperture terminals (VSATs) while VSATs with much higher speed were already available. Besides, it incurred an excess expenditure of about Rs 1.36 crore on purchase of computers, printers and UPS.

(Paragraph 3.1)

Introduction of multi purpose counter machines in post offices

With a view to modernising working in the post offices, Department of Post planned to introduce 10000 computer based multi purpose counter machines (MPCMs) during 1992-97 to provide single window all purpose service to the customers. The progress of introduction of MPCMs was tardy. In four years until March 1996, the department has been able to commission only 2100 machines out of 2450 purchased at Rs 13.46 crore. The department not only placed orders for older generation computers, while later generation computers were already on the scene, it failed to short close the supply orders even when the suppliers defaulted in supply and commissioning of the equipment. The department continued to accept outdated PC-XTs until May 1995, when Pentium processors were available. In many cases the MPCMs were used as single purpose machines rather than as multi purpose counter machines. Instead of providing MPCMs to achieve their saturated introduction and make the post offices fully mechanised, the limited number of MPCMs were thinly spread over large number of post offices across the country, leading to operation of both manual and mechanised postal counters in the same post office. The arrangement for maintenance support in many circles was deficient, leaving too many machines idle for long periods. Introduction of the machines was expected to yield savings by redeployment of staff. The department was not aware of the extent of achievement of this objective.

(Paragraph 3.2)

Wasteful expenditure and serious irregularities in the construction of postal building

The civil engineering wing of the Postal department undertakes construction works only on approval of the competent authorities. The civil wing, Patna however *suo moto* increased the scope of the work of construction of the office building for PMG (North) Bihar, Muzaffarpur from two storeyed to four storeyed and used superior specifications in disregard of Postal Directorate's instructions. This un-authorised action of the civil wing led to an irregular expenditure of Rs 84.91 lakh over the sanctioned estimate of Rs 17.44 lakh. The additional two floors in the building are unutilised since these are not required by the users.

(Paragraph 4.1)

Idle investment on the foundation of building

Department's delay in handing over the site and structural drawings of the Postal Store Depot building at Patna to the contractor and its subsequent belated decision to change the scope of work without provision of funds, resulted in stoppage of work by the contractor and consequent idle investment of Rs 35.90 lakh on un-utilised foundation work for about seven years. This also led to a possible liability of Rs 33.86 lakh towards contractor's compensation claims under arbitration and an avoidable payment of rent of Rs 52.96 lakh for the accommodation in respect of offices which were to be shifted to the new building.

(Paragraph 4.2)

Overpayment of conveyance charges to Indian Airlines for air mails

The Department of Post paid conveyance charges for air mail to Indian Airlines on the basis of actual distance covered by the scheduled flight routes rather than on the basis of chargeable IATA distances between the two points. The excess payment during seven months from April to October 1996 alone was over Rs 63 lakh.

(Paragraph 4.3)

Embezzlement of Rs 23.54 lakh

Senior Post Master, Head Post Office Allahabad unauthorisedly held cash upto 16 times the maximum permissible limit, even while the double lock cash chest was defective. Senior Superintendent of Post Office Allahabad also failed to enforce the limit on retention of cash in the Head Post Office Allahabad. This led to embezzlement of cash of Rs 23.54 lakh.

(Paragraph 4.4)

Irregular payment of bank charges

The Public Sector Banks are to remit Government cash without levying bank charges. Eight postmasters in Madhya Pradesh and Gujarat circles irregularly paid bank charges of Rs 22 lakh on remittance of Government cash.

(Paragraph 4.5)

Avoidable payment of penal charges due to non-maintenance of power factor

CPMG Tamil Nadu circle Chennai continued to pay penal charges aggregating to Rs 19.80 lakh for his failure to maintain the prescribed power factor during March 1993 to June 1996 but failed to install shunt capacitors costing only about Rs 1.80 lakh.

(Paragraph 4.6)

Section II - Department of Telecommunications

Performance

The growth in telecom revenue receipts was significant, which increased from Rs 4758 crore in 1992-93 to Rs 9761 crore in 1995-96. The telephone traffic also registered significant growth during the last four years. However, the telex traffic has continuously declined during this period. The capacity utilisation of telephone exchanges stood at 85.30 *per cent* during 1992-93, which came down to 81.89 *per cent* at the end of 1995-96. This compares unfavourably with the norm of optimum capacity utilisation of 92 *per cent* prescribed by DoT. 14.79 lakh lines remained unused at the end of 1995-96. Out of this, 2.89 lakh unutilised connections were in seven Circles, in each of which, the existing waiting list (total 1.63 lakh) was less than the spare capacity not utilised. Non-utilisation of the optimum capacity deprived the department of potential revenue of approximately Rs 947 crore *per annum*. Total number of applicants wait-listed for telephone connections came down from 28.45 lakh at the end of 1992-93 to 22.77 lakh at the end of 1995-96.

The physical performance of works upto the end of March 1996 showed significant slippage in achievement of targets with regard to switching capacity, direct exchange lines, microwave system, village telephones etc.

Net balance under Suspense head increased by Rs 138.80 crore to Rs 2066.24 crore at the close of 1995-96 compared to Rs 1927.44 crore at the end of March 1995.

(Paragraph 5)

Expenditure control

There was an overall saving of Rs 968.62 crore against the final provision of Rs 18776.38 crore for Telecommunication services.

In 17 cases, re-appropriations aggregating Rs 132.63 crore were injudicious as the original provision under the sub heads to which funds were transferred were adequate. In eight sub heads from which funds aggregating Rs 283.85 crore were transferred, re-appropriations were injudicious, as actual expenditure under these sub-heads exceeded even the original provision.

In nine sub heads under major head "3225-Telecommunication services" and "5225-Capital outlay on Telecommunication services", the re-appropriation made after the last batch of supplementary demands exceeded the twin limits of Rs one crore and 25 *per cent* of the sanctioned provision. DoT neither reported the re-appropriations to the Parliament through the last batch of supplementary demands for grants nor obtained approval of Secretary (Expenditure).

(Paragraph 6)

Deficiencies in billing and recovery at the instance of Audit

Large number of cases where advice notes were not received in Telephone Revenue Accounts branch, bills were issued at lower rates, rent was fixed incorrectly, licence fee for value added services were not levied, liquidated damages were not recovered for delay in commissioning of services etc. came to notice in test check by Audit. The aggregate value of short/non recovery was Rs 68.68 crore. Out of this, DoT recovered Rs 21.61 crore after being pointed out by Audit.

While introducing value added services like radio paging, closed user group data communication network, E-mail etc., the agreements provided for stringent terms and conditions for commissioning the services. However, in several cases the department took either a lenient view of the breaches of conditions or failed to take consequential penal action. A few major cases covered in this Report are given below:

(Paragraphs 7.1 to 7.14)

Non realisation of licence fee, space segment charges, etc. for a data network

DoT issued licences to 13 companies for closed user group domestic 64 kbps data network. Seven of them have not commissioned the services even after a lapse of two to seven months beyond the outer most time provided to them for commissioning the services. DoT failed to recover licence fee as per the agreement, space segment charges including space reservation charges, penal interest on defaulted payments and liquidated damages aggregating to Rs 25.74 crore. Out of this DoT recovered Rs 10.04 crore after being pointed out by Audit.

(Paragraph 7.3)

Non-realisation of licence fee etc. for paging services

The licensees failed to commission Radio Paging services in any of the 19 Circles within the prescribed time. DoT did not realise liquidated damages, licence fee and interest on overdue payments of licence fee of Rs 12.41 crore. Out of this, licence fee of Rs 2.17 crore was recovered after being pointed out by Audit. Besides, failure of DoT to realise the liquidated damages in time provided an unintended benefit of Rs 36.70 lakh to the licensees.

(Paragraph 7.4)

Non-recovery of liquidated damages from Radio Paging companies

Blanket remission by DoT of liquidated damages for delay in commissioning of Radio paging services in the cities resulted in undue favour of Rs 8.24 crore to them towards liquidated damages and interest thereon.

(Paragraph 7.5)

Non-realisation of Rs 2.84 crore towards licence fee, liquidated damages and interest

DoT did not realise licence fee of Rs 2.34 crore overdue as of September 1996 from the licensees of E-mail service. In addition, Rs 50 lakh was also realisable on account of liquidated damages and interest on defaulted payments.

(Paragraph 7.6)

Non realisation of licence fee - National Stock Exchange

DoT provided licence to the National Stock Exchange for a closed user group very small aperture terminal based network without fixing the rate of licence fee. The licence fee was fixed about two years after the grant of licence upon being pointed out by Audit. The DoT did not levy licence fee applicable for commercial use of the network by the NSE in violation of the terms of contract to utilise it only for closed user group on no-profit basis, which at the existing rate worked out to Rs 3.19 crore. Rs 86 lakh was outstanding for recovery towards licence fee even at the concessional rate applicable for closed user group utilisation of the network.

(Paragraph 7.8)

Short billing in respect of `Hong Kong Bank-net'

Upon being pointed by Audit about incorrect application of rate of licence fee for closed user group Hong Kong Bank-network, DoT realised the differential amount of licence fee of Rs 1.19 crore. However, delay in realisation of the licence fee had an interest impact of Rs 57 lakh.

(Paragraph 7.9)

Procurement of 2 GHz Digital Microwave system

Ignoring their inability to provide the infrastructure needed to utilise the microwave system used for providing STD connectivity to sub-divisional/taluka headquarters, DoT went on purchasing large number of the systems and placed supply orders for 5000 units at over Rs 547 crore during 1993-95. While the trend indicated very poor utilisation of the equipment supplied against the first supply order for 3194 units at Rs 368.83 crore during December 1993-March 1994 due to problems of land acquisition and site preparation, DoT unnecessarily placed supply order for another

1806 units at Rs 178.70 crore in September 1995. Of these, supply order for 956 went to Himachal Telematics Limited, on whom supply order for 1050 units was placed in 1993-94. 2618 sets valued at over Rs 282 crore out of 4014 units supplied, were not utilised as of October 1996. Thus, DoT has not been able to utilise even 44 *per cent* of the 3194 sets of the 1st batch for which orders were placed in 1993-94.

The decision to place the supply order in 1995 was influenced more by the appeal of one of the firms to the MOS(C) that if orders are not placed, the factory may face closure rather than on the basis of actual requirement. The decision making in DoT for purchase of this system suffered from several other flaws. DoT adopted inconsistent criterion in selection of the firms for placement of orders and extended the delivery schedule without levy of liquidated damages of Rs 13.04 crore. While the Customs duty on import of components was progressively coming down and the delivery schedule was long, yet the DoT did not provide for passing the benefit of subsequent reduction in Customs duty to the department. This resulted in a benefit of at least Rs 4.78 crore to the suppliers.

(Paragraph 8.1)

High Speed Very Small Aperture Terminal Data Network

DoT failed to set up its satellite based high speed data network even after more than four years since it was approved at an estimated cost of Rs 24.38 crore in 1992-93, while six private licensees commissioned their similar system within 6 to 14 months of getting the licence in 1995. The net result is that as of December 1996, while the private operators are operating 1925 terminals, DoT is struggling to commission its network with 200 terminals for which, it has been able to retain only 28 subscribers. In the process, DoT lost an opportunity of becoming market leader in this segment value added service. The DoT delayed the implementation of the project at each stage- tender processing, issue of purchase order and supply & commissioning.

Decision of DoT to place supply order for equipment on a foreign firm having substantial stakes in Hughes Escorts Communication Limited, which was also granted licence for setting up their network, was not prudent. While the foreign firm delayed supply of equipment to DoT, their Indian collaborator set up the network with 513 terminals within six months of licence agreement and has become the market leader in this value added service. Most of the registered subscribers of DoT's network withdrew due to inordinate delay in commissioning of their system. As a result of tardy execution of the project, DoT was forced to abandon phase II of the project, which was to consist of 300 VSATs. Flawed payment clause in the agreement allowed full payment to the supplier in December 1995 itself, even while the network could not be commissioned as of December 1996 due to supply of defective equipment. The supplier was given undue benefit of Rs 82 lakh for supply of spares, which should have been supplied within the cost of the equipment.

With only 28 out of 200 terminals being subscribed at the testing stage as of December 1996, the project has become economically non-viable even before its commissioning and is not likely to meet even its annual recurring expenditure of Rs 7.85 crore.

(Paragraph 8.2)

Lease finance of switching equipment

DoT purchased and leased switching equipment (telephone exchange) with capacity of 8.9 lakh lines in 1993-94 based on tender invited for purchase of only two lakh lines in January 1992. The procurement and leasing of equipment 4.5 times the tendered quantity deprived the department of volume discount.

The lease rent of the switching equipment was fixed on the basis of tendered cost per line. While fixing the per line cost, the department failed to take into account the reduction in Customs duty, which resulted in an extra liability of excess lease payment of Rs 30.75 crore over a period of eight years, apart from avoidable payment of Rs 18 lakh towards lease management fee. Delay in supply of equipment coupled with deficient project management led to loss of potential revenue of Rs 19.73 crore in nine out of 17 exchanges test checked. The department made inadmissible payment of lease rent of Rs 7.18 crore in advance even before completion of supplies in violation of terms and conditions of the agreement. DoT delayed commissioning of the leased switching equipment. The expenditure of Rs 5.36 crore on lease rent of the switching equipment for the period during which the department did not commission the switching equipment was, therefore, infructuous. Failure to utilise the leased switching equipment to the optimum level within the prescribed period resulted in loss of potential revenue of Rs 11.94 crore.

(Paragraph 8.3)

Rural telecommunication network and tribal sub-plan

DoT's plan to provide telephone facility to all 6.04 lakh villages by the end of 8th Plan is not likely to materialise. Only 36 *per cent* villages have been covered during four years of the plan period until March 1996 and 3.87 lakh villages out of total 6.04 lakh are yet to be provided with telephone facility. The department was not geared to utilise the budget provision for rural and tribal telecom network. It could utilise only 19 to 63 *per cent* and 51 to 74 *per cent* of their revised budget provisions in rural and tribal sectors during 1991-92 to 1995-96 with overall utilisation of only 55 *per cent*. DoT purchased 600 Multi Access Radio Relay (MARR) system for rural telecommunication network from a Visakhapatnam firm at Rs 25.33 crore without ensuring their quality. These were subsequently found inherently defective on installation, resulting in set-back to rural telecom network.

Performance of rural public telephones was below the norms fixed by the department due to defective MARR system. Equipped capacity of 7.14 lakh lines in rural areas have not been utilised, while 7.74 lakh persons are waiting for telephone connections. Despite Estimate Committee's recommendation in April 1988, revenue realised from the expenditure incurred on rural public telephones were not compiled by the circles. An advance of Rs 13.49 crore remained unrecovered from a firm for the last five years besides interest of Rs 9.93 crore up to June 1996. Cases of premature replacement of MARR system valued at Rs 4.70 crore and equipment valued at Rs 10.52 crore lying idle were noticed in test checks by Audit.

(Paragraph 8.4)

Procurement of solar photo voltaic panels

DoT extended undue benefit of Rs 24.03 crore to the suppliers in purchase of 88000 solar photo voltaic panels, which are used in rural telecom network during 1991-95 on different counts. It placed commercial orders on ineligible firms after entertaining post bid interventions from them. DoT did not enforce the provision of the purchase order to safeguard the interest of the Government which led to extending favours to the firms. It did not shortclose the tender after expiry of the delivery schedule, even when it was aware of steep reduction of prices of SPV panels in December 1994. Besides, DoT adopted discriminatory treatment towards some firms, both in placement of supply orders as well as in prescribing the delivery period and favoured the private firms at the cost of proven PSUs. Repeat orders were placed at a time when prices were falling and that too, without protecting the Government's interest.

(Paragraph 9.1)

Unproductive investment on Electronic Telex Exchanges

DoT undertook augmentation and replacement of existing telex exchanges with Electronic Telex Exchanges without realising the fast changing technological environment of alternative faster means of communication. The telex exchanges remained grossly under-utilised, whose utilisation ranged between 12 and 55 *per cent* of the installed capacity. Electronic telex exchange equipment and accessories valued at Rs 9.43 crore remained unutilised in different Circles.

(Paragraph 9.3)

Delay in completion of Defence communication project

DoT's failure to complete a `top priority' satellite communication project has not only rendered the entire expenditure of Rs 4.21 crore infructuous but has deprived the Defence forces of its operational communication requirements for over six years. Besides, DoT lost potential revenue and maintenance charges of Rs 3.03 crore during April 1990 to December 1996.

(Paragraph 9.4)

Non-recovery of advance and consequential undue benefit to the suppliers

DoT failed to realise Rs 6.12 crore and Rs 1.22 crore from Electronics Corporation of Tamil Nadu and Punjab Communication Limited respectively on account of outstanding advance, interest on outstanding advance and liquidated damages for their failure to supply the equipment in accordance with the delivery schedule. The advance was outstanding for six and four years respectively.

(Paragraph 9.5)

Undue favour to the supplier and loss on procurement of fly away terminals

DoT purchased five HUB earth stations without their requirement. It did not opt for shortclosure of the supply order due to default in supply although it was aware of steep reduction in prices of the satellite communication equipment, nor did it make any attempt to negotiate with the firm for reduction of price and supply of upgraded version of the equipment. Besides, DoT placed supply orders for five suitcase type terminals for use in remote areas during visit of VIPs without ascertaining that the terminals supplied against the earlier supply order could meet their requirement. This rendered the expenditure of Rs 4.23 crore on five earth stations and five fly away terminals questionable. The project meant as a crisis management plan to provide emergency telecom facilities was delayed by nearly five years.

(Paragraph 9.6)

Undue benefit to contractors - loss of Rs 4.31 crore

DoT failed to take cognizance of the provision of add on order in the purchase orders issued in June 1992 for supply of three channel open wire carrier system. It also did not accept one time offer of a supplier who was prepared to supply the equipment at the earlier lower prices. DoT adopted unacceptable pricing, in as much as it provided higher rate to two other firms, while, Indian Telephone Industries, which is its own PSU, had offered lower rate and it had capacity to meet the requirement of DoT fully. The improper action of DoT cost the exchequer an extra Rs 4.31 crore which included inequitable reimbursement of royalty charges of Rs 1.70 crore to two firms.

(Paragraph 9.7)

Excessive procurement of CNA systems

DoT procured 509 changed number announcing systems at a cost of Rs 13.35 crore without assessing their requirement. Simultaneously, the Circles also purchased 81 systems of this centralised purchase item in violation of DoT's instructions. At the instance of the then Minister of State for Communications, DoT placed order for 89 *per cent* of the quantity on one firm, in violation of its own procurement policy. This firm had quoted the fourth lowest in response to the tender, while three lowest quoting firms were given supply orders for balance 11 *per cent* only. On receipt of the intimation of purchase order, many Circles requested DoT for cancellation of orders as they did not require such equipment. Calcutta and Chennai telephones reported that the performance of the system supplied by this firm (Natelco) was not satisfactory and, therefore, suggested cancellation of the purchase order. 117 out of 402 systems valuing Rs 4.17 crore are lying unutilised in the stores of various circles as of September 1996.

(Paragraph 9.8)

Wasteful expenditure on import of high power amplifiers

Department's injudicious action in placing a purchase order on a foreign firm Varian International, despite unsatisfactory performance of equipment received with similar technology earlier and deficient terms of contract resulted in a wasteful expenditure of Rs 4.03 crore on procurement of 16 sets of high power amplifiers, which were lying idle due to defects. DoT did not provide level playing field to the Indian manufacturers by favouring foreign suppliers in tender conditions. DoT made 100 *per cent* payment to the foreign firm without inspecting the equipment before despatch, which were ultimately found to be not conforming to DoT's specifications.

(Paragraph 9.9)

Import of defective cables

DoT's decision to call back the quality inspectors from Korea despite offer of the Korean firm to bear the cost of their stay and import of jelly filled cable without inspection before their shipment, resulted in a questionable expenditure of Rs 19.56 crore on procurement of 752 km of cable which failed in water penetration test and was proposed to be utilised as dry core cable. The department took inexplicably long period of about seven years to lodge compensation claim. While claiming the compensation, the DoT limited the amount of claim to Rs 1.77 crore, being the cost of jelly filled in the cable and Rs 1.46 crore as interest thereon, while it had spent Rs 19.56 crore on its procurement and Customs duty.

(Paragraph 9.11)

Undue benefit to a private firm in procurement of MARR equipment

The omission by DoT to include the specification of multi access radio relay system provided an opportunity to ARM, Hyderabad to supply 300 systems of inferior version at Rs 10.63 crore while during the same period another firm supplied the advanced version at the same unit price. In the second lot of supply orders also, this firms was allowed to supply 450 units of inferior version at marginally lower price, which was subsequently raised to that of the improved version. This not only resulted in procurement of 750 inferior versions of MARR from this firm, while all others had supplied the improved version, but also in undue favour of Rs 2.78 crore to the firm calculated on the basis of the difference in the prices settled earlier for the two versions.

(Paragraph 9.12)

Loss of revenue in printing of telephone directory

GMT, Hyderabad failed to enforce performance of contract from the publisher of telephone directories. As a result, an unintended benefit of Rs 2.59 crore was provided to the contractor with corresponding loss of revenue to the department. In addition, the subscribers were denied updated issues of telephone directory, since only two of the five issues of directory were actually published by the contractor during the contract period of five years. The department did not enforce submission of the certified account of revenue collected towards advertisement by the contractor in terms of the agreement.

(Paragraph 9.13)

Irregularities in external plant work of E-10-B exchange - Jaipur

Failure of CGMT Rajasthan Circle to reduce the procurement of cables, telephone instruments etc., subsequent to change in scope of utilisation of the E-10-B exchange at Jaipur led to extra expenditure of Rs 4.75 crore. Department issued 58799 conductor km cable valued at Rs 3.95 crore directly to contractor against the requirement of 14400 conductor km only. The contractor abandoned the work in December 1993 and did not return balance cables worth Rs 2.46 crore. Department did not lodge FIR even after three years against the contractor who is absconding.

(Paragraph 9.14)

Injudicious procurement of auto pulling machines - Rs 2.45 crore

DoT imported 28 sets of motor driven auto pulling machines costing Rs 2.74 crore for pulling of optical fibre cable at the unit cost of Rs 9.79 lakh. 25 of these machines were lying idle as the DoT not using them since cable pulling by these machines was laborious, expensive and time consuming as compared to manual pulling. The expenditure of Rs 2.45 crore was, thus, rendered infructuous due to failure of DoT to assess the possibility of their use before procurement.

(Paragraph 9.15)

Favourable treatment to supplier with unnecessary purchase

DoT placed supply order on ARM Hyderabad for 211 Pulse Code Modulation equipment, which are used in junctions for new telephone lines, at a cost of Rs 2.94 crore in disregard of recommendations of Technical Evaluation Committee. What is worse, 137 units supplied for Visakhapatnam were not required in view of a different technology in use there. 109 out of the 211 systems purchased valuing Rs 1.58 crore have remained unutilised for about two years.

(Paragraph 9.19)

Excess payment of Rs 1.44 crore

DoT failed to take note of MODVAT credit available to suppliers in procurement of sockets and fixed the basic unit price at Rs 251 instead of Rs 236 contrary to the opinion of its Financial Advice wing. CGMT Stores, Calcutta also failed to restrict the claim of Excise duty on sockets to the actual amount net of MODVAT credit availed of by the suppliers. These omissions/commissions resulted in loss of Rs 1.44 crore in procurement of sockets.

(Paragraph 9.20)

Irregular expenditure of Rs 1.33 crore

Inadmissible retrospective application of higher rate in procurement of HDPE pipes by CGMT Projects Calcutta for optical fibre projects in Orissa Circle resulted in irregular expenditure of Rs 1.21 crore on procurement of 696 km of pipes and wasteful expenditure of Rs 12.44 lakh on diversion of pipes procured in excess of requirement to other units. Besides, pipes worth Rs 64.18 lakh remained un-accounted for as of September 1996.

(Paragraph 9.21)

Wasteful expenditure in procurement of analogue system

CGMT, Projects Chennai procured analogue coaxial transmission system for Salem-Krishnagiri section at Rs 1.61 crore. Within 18 months, he placed indent for digital coaxial system. While equipment valued at Rs 86.30 lakh out of the analogue system could be diverted for other use, there is no chance of utilisation of the remaining equipment valued at Rs 74.59 lakh.

(Paragraph 9.24)

Idle PCM system due to non-compatibility

22 MUX equipment procured for Coimbatore Telecom District in July-September 1990 at a cost of Rs 51.96 lakh were found incompatible with the existing E-10-B exchange. The equipment are lying unused for the last six years.

(Paragraph 9.30)

Excess expenditure on import of Travelling Wave Tubes

DoT failed to procure travelling wave tubes for use in microwave systems directly from the manufacturing company within the validity period of their offer at lower rate. This resulted in excess expenditure of Rs 44.91 lakh on the purchase of 180 units from a trading company at higher rate.

(Paragraph 9.31)

High cost of printing in Government Press

DoT incurred total expenditure of Rs 39.83 lakh for printing of `Works Annexures' to their Detailed Demands for Grants for 1994-95 and 1995-96. This cost was approximately ten times higher than that offered by private press. This calls into question the efficiency in the Government Press and costing of the works undertaken by them.

(Paragraph 9.32)

Non-enforcement of the terms and conditions of contract

CGMT Stores, Calcutta made inadmissible payment of Rs 17.91 lakh towards price variation for supplies made beyond the scheduled date of delivery in violation of the terms and conditions of purchase order. In addition, he failed to recover liquidated damages of Rs 12.28 lakh.

He also made excess payment of Rs 65.92 lakh towards escalation due to increase in prices of raw material on supplies made after the scheduled date, in violation of the terms of agreement. He also failed to recover liquidated damages of Rs 15.09 lakh.

(Paragraphs 9.34 and 9.39)

Misuse of delegated powers

CGMT, Patna hired vehicles during June 1992 and October 1994 at abnormally high rates in disregard of DoT's instructions despite possessing 12 departmental vehicles, rendering the entire expenditure of Rs 24.30 lakh on hiring of vehicles questionable. The CGMT Patna utilised 14 to 23 vehicles during this period against authorisation of two vehicles only.

(Paragraph 9.36)

SECTION - I

DEPARTMENT OF POST

CHAPTER 1

ORGANISATIONAL SET-UP AND FINANCIAL MANAGEMENT

1.1 Functions

The Department of Post (DoP) under Ministry of Communications is primarily responsible for transmission of mail and money.

The department also discharges certain agency functions for the Government of India namely postal savings banks, other small savings schemes including Mahila Samridhi Yojana, postal life insurance (PLI), collection of Customs duty on postal articles from abroad, disbursement of pension to military and railway pensioners and family pension to the families of employees of coal mines and industries covered by the Employees Provident Fund Scheme.

India is a member of the Universal Postal Union and of the Asian Pacific Postal Union. DoP runs four Foreign Post Offices (FPO) at Calcutta, Chennai, Mumbai and New Delhi to handle international mail and also five sub-FPOs at Ahmedabad, Bangalore, Cochin, Jaipur and Srinagar for the convenience of users.

1.2 Organisation

DoP is a part of the Ministry of Communications. The management of the department vests in the Postal Services Board. The Board headed by a Chairman has three Members holding the portfolios of Operations, Development and Personnel respectively. The Chairman is also the Secretary to the Government of India in DoP. The Board directs and supervises the management of the Postal Services in the country with the assistance of eighteen Deputy Directors General in the Directorate General of Post.

To sustain new business thrust, PLI organisation was re-structured into a separate Directorate with functional autonomy.

This Directorate is directly under the control of the Secretary, Department of Post.

A separate Business Development Directorate for focussed management of value added services was set up in the Department.

As on 31 March 1996 there were 152781 Post Offices in the country. Of this, 136074 were in rural areas and 16707 were in urban areas. The categories of post offices are Head Post Offices (835), Departmental Sub-Post Offices (24929), Extra Departmental-sub or branch Post Offices (127017). In addition, there are 573 Sorting Offices, 438 Record Offices, 46 Postal Stores Depots, 19 Circle Stamps Depots, six Postal Training Centres, a Postal Staff College and 63 Dispensaries.

The department has 19 Postal Circles assisted by 40 Regional Directorates controlling 437 Postal Divisions and 69 Railway Mail Service Divisions. Speed post service is available to 71 cities within the country. In addition it is also available for 76 countries abroad. The department also has a civil wing responsible for planning, designing and execution of departmental buildings/projects. The civil wing is a multi disciplinary organisation comprising Architectural, Civil and Electrical engineering disciplines.

1.3 Manpower

(i) The staff strength of the department during 1992 to 1996 was as under:

Table 1.3(i) Number of employees

(Figures in lakhs)

As on 31 March	Departmental employees	Extra Departmental employees	Total
1992	2.91	3.05	5.96
1993	2.90	3.06	5.96
1994	2.90	3.07	5.97
1995	2.88	3.09	5.97
1996	2.88	3.10	5.98

(ii) The revenue expenditure on pay and allowances, conveyance of mails and printing of stamps, post cards and stationery during the last five years were as under:

Table 1.3 (ii) Revenue expenditure

(Rs in crore)

Category	1991-92	1992-93	1993-94	1994-95	1995-96
(a) Pay and allowances, contingencies, interim relief, etc.	1106.22	1246.83	1439.41	1657.55	1904.85
(b) Pensionary charges	182.28	203.64	227.43	253.40	311.73
(c) Stamps, post cards etc.	38.81	45.77	45.69	61.97	70.58
(d) Stationery and printing etc.	25.74	18.50	22.51	17.58	27.24
(e) Conveyance of mails (Payments to Railways and air mail carrier)	105.37	78.95	68.66	67.45	78.18

1.4 New initiative and reforms in mail operations

In 1995-96, the department introduced following reforms in mail services to provide quicker, more reliable and responsive services capable of meeting the present and future needs of customers:

(a) Greeting and invitation card mail was treated as first class mail and given air transmission wherever advantageous.

(b) Periodical channel was introduced in some cities to ensure speedy delivery of such time-sensitive items.

(c) A computerised mail monitoring mechanism (Mail Net) was introduced for simultaneous exchange of management information and taking immediate remedial measure.

(d) Exclusive arrangement was introduced for handling bulk mail in the metros/industrial cities. The bulk mailers were persuaded to tender pre-sorted mail on some incentive. Their mail was dealt by separate Post offices and Bagging unit opened in metro cities like Ahmedabad, Bangalore, Calcutta, Chennai, Delhi, Hyderabad and Mumbai to ease out pressure from normal mail.

(e) A new scheme of providing mopeds to postman was introduced on experimental basis in metro cities like Delhi and Mumbai for beefing up delivery system in the newly developed localities.

1.5 Postal traffic

According to information supplied by the department, the volume of traffic handled by it during 1994-95 and 1995-96 was estimated as under:

Table 1.5 Postal traffic

(in lakhs)

Item	1994-95	1995-96
Post cards	5976	5923
Registered letter	2962	2895
Letter cards (Inland)	8494	7853
Money order	1090	1015
News paper(single)	1629	1709
News paper (bundle)	308	306
Parcel	677	645
Indian Postal Order	434	271
Printed card	1137	1531
Value payable letter and parcel	85	85
Other periodicals	333	469
Acknowledgment	697	625
Book packet etc.	1015	1388
Telegraphic money order	24	22
Printed books	845	583
Speed post	78	103
Insured letter and parcel	73	83
Printed letter	14125	14463

Table 1.5 indicates that except speed post, printed card, printed letters, value payable letters and parcels, news paper (single), insured letters and parcels, book packets etc. and other periodicals, there was general decrease in other traffic.

1.6 Earnings from postal services and their costs

According to department's estimate the average per unit cost and per unit revenue realised from the different postal services during the year 1995-96 are as under:

Table 1.6 Per unit gain/loss in operation of postal services

Services	per unit cost (in paise)	per unit revenue (in paise)	unit loss (-) gain(+) (in paise)	Traffic (in lakh)	Total loss/gain	
					loss	gain
					(Rs in crore)	
Post card	183.06	15.00	- 168.06	5923	99.54	-
Registered letter	1191.45	600.00	- 591.45	2895	171.22	-
Letter card(Inland)	188.50	75.00	- 113.50	7853	89.13	-
Money order	1678.40	1655.87	- 22.43	1015	2.28	-
Newspaper(single)	239.27	29.60	- 209.67	1708	35.83	-
Newspaper(bundle)	393.15	54.39	- 338.76	306	10.37	-
Parcel	2078.53	2008.78	- 69.75	645	4.50	-
Indian Postal Order	925.69	106.32	- 819.37	271	22.20	-
Printed card	174.00	60.00	- 114.00	1531	17.45	-
Value payable letter and parcel	933.09	322.68	- 610.41	85	5.19	-
Other periodicals	397.17	165.99	- 231.18	469	10.84	-
Acknowledgment	167.68	100.00	- 67.68	625	4.23	-
Book packets etc.	278.35	235.50	- 42.85	1388	5.95	-
Telegraphic MO	1991.91	1865.90	- 126.01	22	0.28	-
Printed books	397.18	189.21	- 207.97	583	12.12	-
Speed post	1740.02	5728.05	+ 3988.03	103	-	41.08
Insured letter	1692.09	2007.88	+ 315.79	83	-	2.62
Printed letter	221.93	235.25	+ 13.32	14463	-	19.26
Total					**491.14**	**62.96**

The department's net loss at Rs 428.18 crore on overall postal services in 1995-96 was up by Rs 25.25 crore compared to the net loss incurred during 1994-95. Out of 18 services mentioned above, 15 services were rendered on loss basis.

Costing is being done by the department internally. It will be worthwhile for the department to enlist professional cost accountants to look into the costing of various services. Thereafter the department may like to identify cost and profit centres for common postal services in Circles/Divisions to enable the department to have a comparative picture of cost of operations in various Circles/Divisions.

Comparative position of the net loss incurred by the department on various postal services during the years 1991-92 to 1995-96 was as under:

(Rs in crore)

Year	Net loss incurred
1991-92	267.14
1992-93	398.42
1993-94	334.01
1994-95	402.93
1995-96	428.18

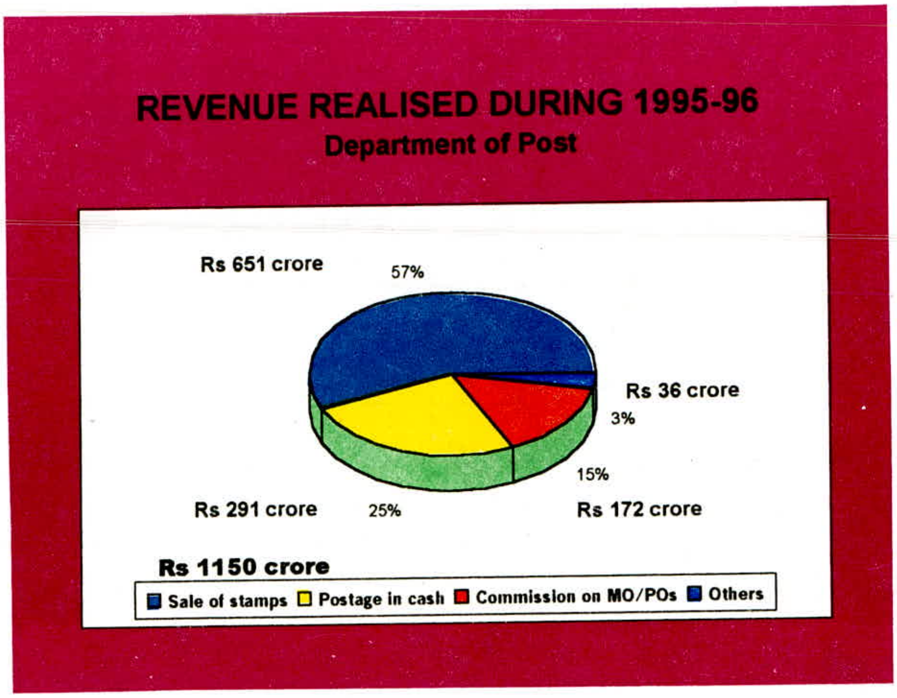
1.7 Revenue realisation

Revenue realisation during the five years ending 1995-96 is given below:

Table 1.7 Sources of revenue

(Rs in crore)

Items	Gross Revenue				
	1991-92	1992-93	1993-94	1994-95	1995-96
Sale of ordinary and service stamps (affixed on cards, letters, parcels, book post ordinary, registered and insured categories including speed post)	570	610	630	645	651
Postage realised in cash (newspaper, franking machines at subscriber's premises, pre-postage etc.)	201	268	288	309	291
Commission on account of money orders and postal orders	126	136	145	162	172
Net receipts from other Postal Administrations	25	34	04	08	06
Other receipts (central recruitment fees, passport form fee etc.)	26	26	38	46	30
Total gross revenue	**948**	**1074**	**1105**	**1170**	**1150**



The revenue position as tabulated indicates that there has been hardly any increase in the past four years, infact there has been a decline of revenue of Rs 20 crore over the preceding financial year.

The decrease in revenue receipts by Rs 20 crore during 1995-96 as compared to the previous year was mainly due to less receipt from other Postal Administrations and less receipt of fees and sale of passport form fee etc.

1.8 Financial outlays and physical performance

1.8.1 Financial outlays for the Eighth Five Year Plan (1992-97) and the Annual Plan Outlays for 1992-93 to 1995-96 were as under:

Table 1.8.1 Financial outlays and actuals

(Rs in lakh)

Particulars	Outlay for Eight Five Year Plan 1992-97	Annual Plan Outlay 1992-93	Actual 1992-93	Annual plan outlay 1993-94	Actual 1993-94	Annual Plan Outlay 1994-95	Actual 1994-95	Annual Plan Outlay 1995-96	Actual 1995-96
Expansion of Postal Network	2365	200	166	450	293	633	683	480	509
Upgradation of Technology including National Savings (POSB)	13503	2376	1539	1594	720	3778	3447	4269	3934
Post Office Buildings and Staff Quarters	12135	3208	3898	3800	5001	4010	4458	3059	2957
Training	500	142	128	105	136	80	200	202	157
Mail Motor Service Vehicles	1480	340	298	350	319	175	144	--	--
Marketing	650	195	53	147	45	100	24	160	132
Railway Mail Service Vehicles	250	50	00	50	00	08	08	50	--
Speed Post Service	550	10	23	25	18	123	120	60	77
Material Management	490	79	00	140	77	122	69	57	22
Postal Life Insurance	577	00	08	56	19	171	113	163	77
Total	32500	6600	6113	6717	6628	9200	9266	8500	7865

From the above table it would be observed that during the four years of the Eighth Five Year Plan the actual expenditure on civil works i.e. post office buildings and staff quarters has exceeded the annual plan outlays. The total expenditure of Rs 16314 lakh on these items during four years has already exceeded the total Plan outlay of Rs 12135 lakh.

1.8.2 Physical targets for Eighth Five Year Plan 1992-97, annual targets and actuals for 1992-93 to 1995-96 are shown in Appendix-I.

An analysis of annual financial outlays and physical targets vis-a-vis achievement of some important activities are brought out as under:

(i) Under "expansion of postal network" the actual expenditure during 1995-96 was Rs 509 lakh against the annual plan outlay of Rs 480 lakh. However, only 57 post offices were opened against target of 230, four extra departmental branch offices were opened against 80, 53 divisional sub offices were opened against 150, opening of Panchayat Dak Seva Kendra were 497 against 500, while achievement in upgradation of operational equipment was considerably higher at 123 *per cent*.

(ii) On construction of postal buildings, although the actual expenditure of Rs 2957 lakh was incurred against the annual plan outlay of Rs 3059 lakh during 1995-96, construction of postal buildings and staff quarters was completed in 39 (27 *per cent*) and 152 (28 *per cent*) cases only as against the target of 143 and 535 respectively.

(iii) No Postal Stamp Depot was computerised against the target of 15 during the year.

1.9 Financing of expenditure/source of funds

In the Revenue section the provision for budgetary support net of recoveries and receipts was Rs 424.62 crore. Against this, DoP incurred a net expenditure of Rs 659.41 crore. The actual receipt was only Rs 1150.42 crore against the estimated receipt of Rs 1315 crore. Net budgetary support for Capital expenditure after taking into account the recoveries was Rs 54.11 crore.

As on 31 March 1996 the cumulative capital outlay on postal services stood at Rs 707.43 crore.

1.10 Operating results

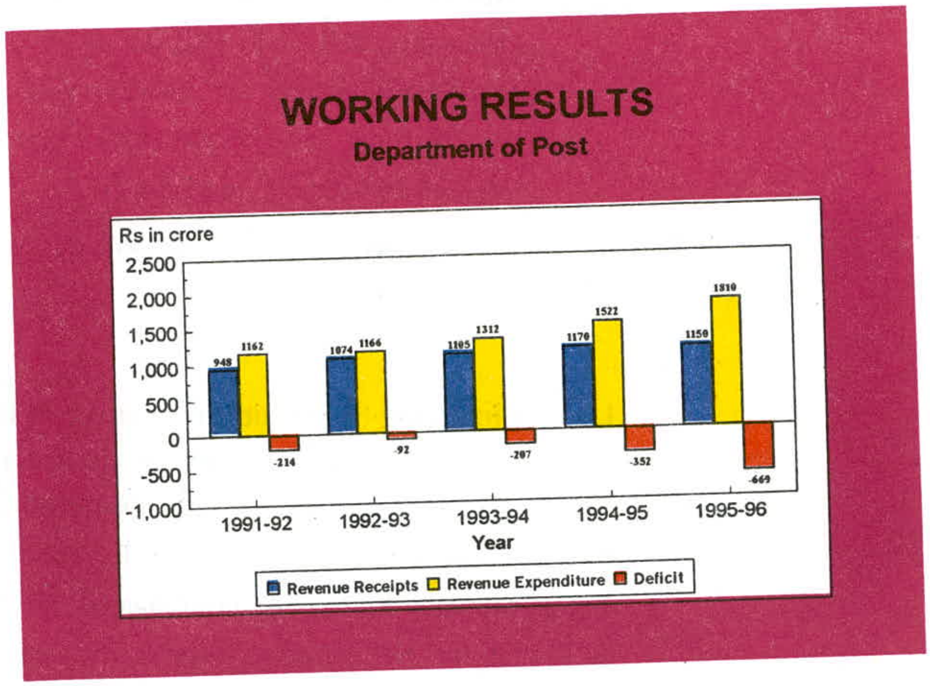
The growth of revenue expenditure vis-a-vis receipts and the operating ratio (percentage of revenue expenditure to revenue receipts) for the last five years are given below:

Table 1.10 Working results of the postal department

(Rs in crore)

Year	Revenue receipts	Revenue* expenditure	Revenue deficit	Operating ratio (Percentage of expenditure to receipts)
1991-92	948	1162	214	122.6
1992-93	1074	1166	92	108.6
1993-94	1105	1312	207	118.7
1994-95	1170	1522	352	130.1
1995-96	1150	1810	660	157.4

* Net of recoveries



The table indicates a continuous trend in increase of the operating ratio since 1992-93 year after year. In the wake of overall policy of Government to reduce subsidies, department may like to give a look at their tariff as also economy measures to reduce the cost of operation.

1.11 Outstanding non refundable contribution (NRC) amount

Post offices opened on loss and where there was no prospect of its paying its way in the near future, the state government or the party desiring its retention is called upon to pay the entire amount of loss as NRC. Scrutiny by Audit in 12 Circles revealed that NRC amount of Rs 2.12 crore was outstanding for different periods as detailed in Appendix II, out of which NRC amount outstanding in two Circles alone viz. Himachal Pradesh and North East was Rs 1.64 crore. No action was taken to get the amount recovered. Though the Circles were required to submit annual return indicating the number of NRC cases under operation during the preceding year, amount due etc. these returns were neither being submitted by the Circles nor the Directorate had taken any action. Further, the department contemplated a thorough review of NRC cases keeping in view the norms in vogue for opening of post offices, but no action was taken thereafter.

1.12 Agency functions

The department renders agency functions detailed in Para 1.1 of this chapter.

The moneys received and paid out are accounted for under the Public Account. The balances under each of them reflected in the Finance Account (under the Public Account heads) are given below:

Table 1.12 Deposits under savings bank/postal life insurance scheme

(Rs in crore)

Head of Account		Amounts outstanding as on 31 March				
		1996	1995	1994	1993	1992
8001 - Savings Deposits						
-101	Post Office savings bank deposits	19844 (519)*	18925 (522)	16606 (469)	15000 (416)	13851 (466)
-103	Fixed and time deposits	3482 (14)	3519 (14)	2980 (14)	2716 (13)	2860 (15)
-104	Cumulative time deposits	133 (73)	87(Dr) (76)	2 (76)	108 (77)	202 (77)
-105	Post office recurring deposits	6683 (939)	5320 (668)	4307 (509)	3631 (439)	3094 (414)
8006 - Public Provident Funds**						
-101	Public Provident Funds Postal part	1403 (6)	1027 (6)	698 (5)	466 (3)	301 (4)
8002 - Savings Certificates						
-101	Post Office Certificates	61949	54076	43430	38708	35783

8011 - Insurance and Pension Funds						
-101	Postal Insurance Life Annuity Fund.	1818	1524	1289	1079	902

* The number of accounts in lakhs are given in brackets

** Public Provident Funds are handled by other agencies like banks also.

The department gets remuneration for the services at rates fixed from time to time by the Ministry of Finance based on the number of transactions. The department claimed Rs 375 crore including interest of Rs 75 crore on account of cumulative arrears due from Ministry of Finance towards charges for agency functions as on 31 March 1996 which was yet to be settled.

1.13 Adverse balances in Finance Accounts

The adverse balances are negative balances appearing under those heads of accounts where there cannot normally be a negative balance. For example, in any loan or advance, a negative balance will indicate more repayment than the original amount advanced. Such situations arise largely due to accounting errors or accounting situations arising out of rationalisation of the classification of accounts or administrative re-organisation breaking up one accounting unit into many.

Following adverse balances appear in the Finance Accounts for 1995-96:

Table 1.13 Adverse balances in debt, advance and deposit heads

(Rs in lakh)

Sl. No.	Head of Account	Amount outstanding as on 31 March				
		1996	1995	1994	1993	1992
1.	7610-800 Other advances	80.82 (Cr)	79.54 (Cr)	76.41 (Cr)	74.31 (Cr)	72.62 (Cr)
2.	8001-104 Cumulative time deposits	13380.30 (Dr)	8740.80 (Dr)	-	-	-
3.	8002-102 State saving certificates	3.95 (Dr)	15.19 (Dr)	13.90 (Dr)	8.70 (Dr)	-
4.	8002-104 Defence saving certificates	2990.28 (Dr)	3163.26 (Dr)	3150.77 (Dr)	2688.44 (Dr)	2737.32 (Dr)
5.	8002-106 National development bonds	134.11 (Dr)	103.54 (Dr)	92.55 (Dr)	48.30 (Dr)	-

6.	8443-111 Other departmental deposits	7.86 (Dr)	10.74 (Dr)	2.23 (Dr)	10.26 (Dr)	3.20 (Dr)

The department stated in December 1996 that instructions were issued to the Circle Postal Accounts Offices to liquidate the adverse balances at the earliest. However, despite this, the adverse balances in respect of three items at serial numbers 1, 2 and 5 in the above table are not only persisting but their number as well as amounts have increased during 1995-96 as compared to 1994-95.

1.14 Suspense balances in Finance Accounts

The amounts initially booked under suspense are ultimately to be cleared either by payment or recovery in cash or by book adjustment. Finance Accounts for the year ended 31 March 1996 showed a net debit balance of Rs 48.94 crore under Major Head 8658-Suspense Account. The net balance of Rs 48.94 crore does not give the correct picture as the amount under debit suspense was Rs 3736.57 crore and that under credit suspense Rs 3687.80 crore besides opening balance Rs 97.71 crore under debit suspense. The position of suspense balances is far from satisfactory and needs constant review to ensure that no item remains unadjusted longer than is reasonably necessary.

1.15 Advances from Public Account

Postal advances from the Public Account given by the department are very heavy as indicated in the table below:

(Rs in crore)

Head of Account	Amount outstanding as on 31 March				
	1996	1995	1994	1993	1992
8553-101 Postal Advances	733.46	659.63	611.74	524.10	471.61

During 1995-96, the disbursement of postal advances amounted to Rs 679.48 crore and receipts amounted to Rs 605.65 crore. The net advances outstanding for recovery as on 31 March 1996 stood at Rs 733.46 crore. The outstanding advances under this head are increasing year after year and remain outside the Consolidated Fund of India. Despite comments made in this regard in the Reports of the Comptroller and Auditor General of India for the years ended 31 March 1991 to 1995, Union Government (Posts and Telecommunications), heavy outstanding balances under the head 8553-101 Postal Advances are awaiting adjustment.

1.16 Post office insurance fund

The closing balance as per review of accounts of post office insurance fund including extra premium fund at the close of year 1995-96 was shown as Rs 1951.28 crore whereas the corresponding book figure was Rs 1877.81 crore. The difference of Rs 73.47 crore needed immediate reconciliation.

The outstanding claims showed an upward trend in value from Rs 92.94 crore in 1994-95 to Rs 106.25 crore in 1995-96. No age-wise break-up for the pending cases was maintained by the department.

1.17 Follow up of Audit Report

Lok Sabha Secretariat issued instructions in April 1982 to all Ministries requesting them to furnish notes indicating remedial/corrective action taken by them to Ministry of Finance (Department of Expenditure) on various paragraphs, contained in the Audit Reports, as soon as they were laid on the Table of the House, duly vetted by Audit.

The Public Accounts Committee reviewed the position of submission of Action Taken Notes (ATN) during 1995-96 and observed inordinate delays and persisting failure on the part of large number of Ministries in reporting ATNs on paragraphs. The Committee, in their one hundred fifth Report of 1995-96 (10th Lok

Sabha) viewed it seriously and directed all Ministries to furnish ATNs in the prescribed format within three months from the date of communication of selection of subjects.

In pursuance of the recommendation of the Committee, Ministry of Finance (Department of Expenditure) issued instructions in September 1995 and March 1996 to all the Ministries to tone up their existing system and evolve effective machinery for timely submission of ATNs to the Committee.

Review of ATNs outstanding for more than three months on paragraphs included in the Report of the Comptroller and Auditor General of India, Union Government, Posts and Telecommunications disclosed that Ministry of Communications, DoP did not submit ATNs on three paragraphs as per details given below as of December 1996 despite the instructions of the Committee.

Audit Report No. and Year	**Para No.**	**Subject**	**Remarks**
7 of 1996	4.1	Irregular issue of National Savings Certificates	Final ATN awaited
	4.2	Infructuous payment of rent	-do-
	4.3	Avoidable expenditure on construction of a Post office building.	-do-

CHAPTER 2

APPROPRIATION ACCOUNTS

2.1 Budget Grants and Expenditure

A summary of Appropriation Accounts (Postal services) of sums expended in the year ended 31 March 1996, compared with sums authorised in the schedule appended to the Appropriation Acts, 1995 passed under Articles 114 and 115 of the Constitution of India, is given below:

Table 2.1 Appropriations and Expenditure

(Rs in crore)

	Original grant	Supplementary grant	Total appropriation	Actual expenditure	Excess(+) Saving(-)
Revenue					
Voted	2236.12	162.49	2398.61	2472.14	(+)73.53
Charged	0.01	--	0.01	--	(-).01
Capital					
Voted	73.87	0.50	74.37	65.08	(-)9.29
Total	2310.00	162.99	2472.99	2537.22	(+)64.23

Excess of Rs 73.53 crore requires reguliarsation

The excess of Rs 73.53 crore in the revenue voted portion constituted 45.25 *per cent* of supplementary grant of Rs 162.49 crore and 3.07 *per cent* of the total provision of Rs 2398.61 crore.

In para 1.66 of their Report on "Excess over Voted Grants and Charged Appropriations (1992-93) and Action Taken on 60th Report of Public Accounts Committee (10th Lok Sabha)", the Committee had adversely commented on unrealistic assessment of requirement of funds by the department. The Committee further hoped that DoP will take sufficient care in future while projecting their requirements of funds so as to curtail excess expenditure. However, the excess over grant is persisting.

2.2 Insufficient supplementary grant

During last four years despite obtaining supplementary grant there was uncovered/excess expenditure every year. The supplementary grant obtained vis-a-vis the uncovered/excess expenditure incurred during last four years was as under:

Table 2.2 Insufficient supplementary grant

(Rs in crore)

Year ending March	Supplementary grant obtained	Uncovered/excess expenditure
1993	69.00	6.36
1994	161.73	6.64
1995	140.00	35.66
1996	162.99	64.23

Increasing trend of uncovered/excess expenditure despite obtaining supplementary grant

The table shows there is a continuous trend of increase in the uncovered/excess expenditure over the supplementary grant obtained over the last four years.

The department explaining the reasons for excess stated that they had requested the Ministry of Finance for a supplementary grant of Rs 293 crore to meet the additionality on account of salary (Rs 195 crore), Pensionary charges (Rs 55 crore) and others (Rs 43 crore). As against this, the Ministry of Finance allocated Rs 162.49 crore only which was not adequate to meet the additionality even under salaries.

2.3 Excess supplementary grant

In Capital section (Voted), the grant/appropriation was augmented by supplementary grant of Rs 0.50 crore, yet finally there was a saving of Rs 9.29 crore. As such there was no necessity of seeking supplementary grants under the Capital section.

2.4 Excess over grant/appropriation

The department consistently exceeded the budget provision during the last four years under Revenue (voted) section. During 1992-93, 1993-94 and 1994-95 it exceeded the approved provision by Rs 21.46 crore, Rs 16.80 crore and Rs 33.59 crore respectively. During 1995-96 there was an excess of Rs 73.53 crore in the Revenue (voted) section as under:

Table 2.4 Excess over Grant

(Rs in crore)

Grant No. 13	Total grant or appropriation	Actual expenditure	Excess	Contributing reasons as stated by the Government
Revenue-voted	2398.61	2472.14	73.53	Payment of interim relief, hike in dearness allowance, increase in expenditure due to inflation, payment of previous years' bills for supply of postal stationery articles to Government press and payment of more arrear claims of railways than anticipated, less initial allocation due to budgetary constraints.

The excess requires regularisation under Article 115(1)(b) of the Constitution.

2.5 Recoveries in reduction of expenditure

The demands for grants are for the gross amount of expenditure i.e. inclusive of recoveries arising from use of stores etc. procured in the past or expenditure transferred to other departments/ Ministries. While appropriation audit is done by comparing the gross expenditure with the gross amount of grant, the excess and shortfall in recoveries indicate inaccurate estimation of recoveries and defective budgeting.

In the grant actual recoveries were Rs 673.29 crore against estimated recoveries of Rs 627.00 crore.

CHAPTER 3

PERFORMANCE REVIEWS

3.1 Satellite money order scheme

3.1.1 Introduction

The satellite money order scheme was approved by Public Investment Board (PIB) in May 1992 at an estimated capital cost of Rs 74 crore in two phases viz. Rs 12 crore for Phase -I and Rs 62 crore for Phase-II. 25 *per cent* of the total 12 crore individual money orders booked in the country were proposed to be sent through 75 satellite communication stations to be installed in 75 selected cities in the country in the first phase. 200 other stations were to be set up in phase-II to handle the remaining traffic of money orders.

The main justification advanced for the scheme was benefit to the poorer sections of the society living in cities to remit money to their kins by sending them quickly using satellite communications, without any extra charge. It was also expected that the project would turn the money order into a profit making service by reduction of the clerical work in the booking as well as in the delivery post offices. At annual profit of Rs 5.51 crore, the investment of Rs 12 crore in the first phase was expected to be paid back in two and half years only. The existing loss on the money order traffic was Rs 4.33 crore *per annum*, which was expected to turn around to a profit of Rs 1.18 crore.

3.1.2 Scope of Audit

A review of planning, execution and performance of the scheme was conducted by audit during August to October 1996.

3.1.3 Organisational set-up

Deputy Director General, Postal Projects in the Directorate of Post is in overall charge of this project/scheme. Postmasters General in the field are responsible for operation of the scheme.

3.1.4 Highlights

— **The department procured slower VSATs capable of data transmission at 1.2 to 9.6 kbps, while faster 64 kbps machines were already available at more or less the same price.**

— **The department incurred excess expenditure of Rs 1.36 crore on procurement of computers, dot matrix printers and uninterrupted power supply (UPS) by allowing higher rates, irregular payment of Excise duty and handling charges.**

— **Delay in commissioning of VSAT terminals resulted in loss of Rs 3.64 crore worked out on pro-rata basis. Yet, DoP failed to levy meagre compensation of Rs 45.29 lakh for the aggregated delay of 594 VSAT months in their commissioning.**

— **DoP sent only about 3.20 lakh money orders through satellite communication in six months against the anticipated traffic of 150 lakh. The expected profit by introduction of satellite money order to turn the money order into profit earning service was yet to be realised.**

3.1.5 Selection of technology

DoP purchased slower speed VSATs, while faster one were available at more or less the same price

When DoP placed supply order for six Very Small Aperture Terminals (VSAT) on India Equatorial Satcom Limited (IESL) by nomination in October 1993, who had supplied these terminals for another project of Department of Telecommunications (DoT) namely, Remote Area Business Message Network, and placed order for supply of another 69 VSATs in January 1995; it failed to take into consideration that by this time, improved technology VSATs with capacity for much faster data transmission had already come on the scene. During the same period, DoT was already procuring 64 Kbps VSAT data network system at around the same prices while DoP placed orders for 1.2 to 9.6 Kbps equipment. This is indicative of lack of farsightedness and co-ordination in DoP resulting in investment in older technology equipment which placed severe limitations on the operation in as much as not more than 1500 money orders can be transmitted per VSAT terminal during official hours as against almost 10000 money orders, if the department had gone in for procurement of the faster VSAT. Apart from the slow speed, this is likely to be a constraining factor in money orders to and from bigger cities where the density of traffic is expected to be much more than what the VSAT procured by DoP can handle. Besides, DoP also committed the irregularity of procurement of equipment exceeding Rs 60 lakh on a single tender basis without approval of Ministry of Finance.

3.1.6 Excess expenditure and undue benefit to the supplier

Scrutiny of the purchase orders on IESL for 69 VSATs alongwith computers and dot matrix printers disclosed extravagant procurement resulting in benefit to IESL as under:

Excess expenditure of Rs 24.37 lakh on payment of Excise duty

(i) DoP placed orders in January 1995 for peripherals i.e. 150 computers (PC-486) at all inclusive price of Rs 96876 each, 75 dot matrix printers at Rs 8414 each, 450 modems at Rs 4973 each and 75 UPS at Rs 47792 each on IESL. This firm did not manufacture/assemble any of these equipment but supplied them after procuring from other manufacturers. Therefore, payment of Excise duty over the quoted base price of these equipment was not rational. DoP did not verify whether this firm was registered as a manufacturer of these equipment for the purposes of Excise duty nor did it verify whether the firm has actually paid Excise duty before admitting their claim. This resulted in clear excess expenditure of Rs 24.37 lakh on irregular payment of Excise duty.

Avoidable expenditure of Rs 15.54 lakh as handling charges for the peripherals

(ii) Instead of procuring the peripherals directly from the manufacturers, DoP opted an extravagant route for their procurement and paid handling charges at 8 *per cent* to IESL besides Excise duty indicated in the preceding paragraph. Strangely, DoP chose to obtain the peripherals through this firm while it was already procuring computers, printers etc. directly from the manufacturers for other purposes. DoP had, therefore no justification to pay handling charges of Rs 15.54 lakh in procurement of peripherals.

Excess expenditure of Rs 96.49 lakh on procuring computers, dot matrix printers and UPS at higher rates

(iii) Comparison of price of computers, dot matrix printers and UPS of almost identical specifications procured directly by DoP and those at which it placed orders on IESL under this scheme disclosed that the rate at which supply orders were placed on IESL was about 2.4 times for computers, 1.24 times for printers and 1.27 times for UPS. The computers were purchased at Rs 96876 against Rs 38500 at which DoP purchased them directly, dot matrix printers at Rs 8414 against Rs 6800 and UPS at Rs 47792 against Rs 37500 for similar specifications. This resulted in excess expenditure of Rs 96.49 lakh.

DoP did not levy liquidated damages of Rs. 45.29 lakh

(iv) As per the procurement order of January 1995, the firm was to supply, install and commission 20 VSATs within two months, i.e. by March 1995. Remaining 49 terminals were to be commissioned during 1995-96 within two months of intimation of the sites. Scrutiny of terms of supply order disclosed that DoP favoured the firm by providing for levy of liquidated damage for delay in commissioning beyond the last day of the financial year i.e. 31 March 1996 rather than from two months after the date of intimation of the sites. This tampering with the spirit of the terms of supply order provided an opportunity to the supplier to evade payment of liquidated damages even after delaying the supply and commissioning. DoP foreclose the option to levy liquidated damages of Rs 40.64 lakh on account of this clause in the supply order. In addition, it did not levy liquidated damages of Rs 4.65 lakh for delay beyond 31 March 1996 even in accordance with the flawed supply orders.

3.1.7 Delay in commissioning

The aggregate delay of 594 VSATs months in commissioning of the terminals led to loss of Rs 3.64 crore

The project cleared by PIB, apart from facilitating speedier Money Order Services; also envisaged a better commercial return of the order of Rs 5.51 crore and therefore, the department needed to guard against any slippage either due to department's slackness or failure of the supplier by providing stringent penal provisions for default. Yet, DoP not only kept the effective date of levy of liquidated damages as the last day of the year rather than from two months after the supply order as brought out in preceding paragraph but rate of liquidated damages was too meagre at one *per cent* of the cost of the equipment for each month of delay to compensate for the loss that the Government suffered because of delays in commissioning the system. While each VSAT terminal on commissioning of all 75 terminals of phase-I was expected to generate a surplus of Rs 61222 per month, the liquidated damages at the low rates prescribed in the purchase order could compensate only upto Rs 7474. DoP failed to levy and recover even this small compensation as brought out in the preceding paragraph. The aggregate loss due to delay of 594 VSAT months in the commissioning of the terminals on pro-rata basis worked out to Rs 3.64 crore. Seven out of 75 terminals are yet to be commissioned.

3.1.8 Performance of the service

Money order traffic was a mere two *per cent* of the traffic anticipated

As against the expected 3 crore money orders to be transmitted through satellite money order stations *per annum* without any gestation in pick up, the actual traffic over a period of six months during May to October 1996 was only 3.20 lakh money orders which is just above two *per cent* of traffic expected to have been generated.

Since the volume of traffic handled was a mere two *per cent* of the project even while most of the terminals of phase-I have already been commissioned, the expected savings for turn around of the money order service to make it profit earning has not been realised, while all costs have already been incurred. The depreciation and interest charges alone on the investment is around Rs 2.40 crore and other recurring cost is Rs 6.25 crore.

Poor performance of corporate money order scheme

DoP introduced a scheme of corporate money order (CMO) service to transfer the cash of an institution immediately after launching of the satellite money order scheme project. However, even after two and half years of launching of the scheme, traffic data for six months from May and October 1996 revealed that only 35 CMOs in all were transmitted by VSAT stations during the period of six months May to October 1996 indicating that the department has failed to sell the ideas to the corporate bodies.

Large number of payees got their money orders after a delay of over three to ten days

Another objective for this project was to speed up the money orders using satellite communications. Test check of 500 money orders transmitted from various places for delivery in New Delhi selected at random disclosed that although in all cases, the money orders were transmitted through satellite communications within a day or two, actual local delivery to the payees were made after three days in 41 *per cent* of the cases, out of which 60 *per cent* of the money orders were remitted after 10 days.

Thus, neither the prime objective of the scheme to transmit the money orders speedily through satellite nor the expectation to earn profit on money order service has been achieved.

The matter was referred to the Ministry in December 1996; their reply was awaited as of December 1996.

3.2 Introduction of multi purpose counter machines in post offices

3.2.1 Introduction

DoP decided in December 1988 to introduce use of computer machines on postal counters to act as multipurpose counter machines (MPCM) so as to provide single window service to the customers for registered post, money order bookings, speed post, postal life insurance, collection of telephone bills etc. The machines are personal computer based with attachment of digital weighing scale and printer. These have provision for automatic computation of tariff. With introduction of these machines, the waiting time is drastically reduced. DoP targeted to install 10000 MPCMs in post offices during the 8th Plan period.

DoP placed orders for 2450 machines during 8th Five Year Plan out of which about 2100 machines have been commissioned as of October 1996.

3.2.2 Scope of Audit

The records pertaining to procurement of equipment, installation, commissioning and operation of MPCM were examined in DoP as well as in the 12 Circles during May to June 1996.

3.2.3 Organisational set-up

The scheme was executed by DoP at the, apex level. Chief Post Masters General of respective Circles and Senior Superintendent of Post Offices were responsible for implementation and operation.

3.2.4 Highlights

— **DoP did not short close the first purchase order of 1992 and accepted the PC-XTs till 1995. By this time PC-486 and even Pentium processors were already in the market at around the same or marginally higher price.**

— **DoP failed to keep pace with the fast changing technology of the computers and procured computers of older generations which are likely to be rendered obsolete soon.**

— **DoP paid interest free advance of Rs 1.10 crore to three firms in 1992 for supply of PC-XT, without any penal clause. The suppliers exploited the lapse and delayed the commissioning of the system by 36 months. The lapse resulted in non levy of penal interest of Rs 66.73 lakh on the suppliers.**

— **The objective of saving in operation cost due to redeployment of postal assistants rendered surplus as a result of introduction of MPCMs were not achieved in nine out of 12 Circles.**

3.2.5 Procurement of multi purpose counter machines

3.2.5.1 Delay in procurement

The department procured 2450 multi purpose counter machines from eight firms during the period 1992-1996 at total cost of Rs 13.46 crore

Year	**Types of MPCMs**	**Unit cost MPCM**		**Number**	**Total Cost**
		5 kg	25 kg		(Rs in crore)
1991-92 and 1992-93	PC-XT	44000	45000	750	3.35
1993-94 and 1994-95	PC-AT-286	48222	49000	1000	4.86
1995-96	PC-AT-486 PC-AT-486DX	38500 69360	38500 69360	700	5.25
Total				**2450**	**13.46**

Approval of the competent authority not obtained

Although, 8th Five Year Plan of DoP had envisaged installation of 10000 MPCMs at a cost of Rs 55 crore and DoP framed a proposal for procurement of 4250 computers during the 8th Plan at an estimated cost of Rs 28.06 crore, it did not obtain the approval of the Expenditure Finance Committee (EFC) for the integrated project of procurement and installation of the MPCMs. Instead, it split the project and approved the procurement separately for each batch the first two being approved by DoP without preparing a Memorandum even for the Standing Finance Committee.

Undue delay in supply of PC based MPCMs resulted into obsolescence of the technology and loss to the Government

DoP placed the supply orders on Electronics Trade and Technology Development Corporation Limited (ET&T) and Electronic Systems Punjab Limited (ESPL) for the first batch in March 1992 for 1000 PC-XT based MPCMs for supply within four months. Most of the equipment, however, were supplied during the period 1993-94 and 1994-95. By that time, more advanced PC-AT systems had already come on the scene. DoP itself had taken a decision in September 1993 to procure PC-AT systems. Yet, it did not short close the previous tender, which was already in default and accepted the obsolete PC-XTs till May 1995, against the orders placed in March 1992. By this time, the PC-486 and even Pentium processor series were already in the market at around the same or marginally higher price.

3.2.5.2 Non-realisation of liquidated damages from five firms

DoP failed to levy liquidated damages for delay in supply

Though, none of the suppliers supplied a single equipment within the delivery schedule prescribed by the department against the procurement order for first batch of MPCMs in 1992 and there was a delay of eight to 50 months in supplying, installation and commissioning of the equipment, the department did not deduct the liquidated damages from either of the firms. The reason advanced for non-deduction of the liquidated damages was that the delay in supply, installation and commissioning of the system was not fully attributable to the seller and that Circle offices of DoP were partly responsible for delay in commissioning of the systems due to non-preparation of the sites in time, frequent shifting of machines etc. Examination of records disclosed that the initial delay of four months in supply of the equipment was primarily due to supplier's resistance to furnish bank guarantee in time. Thus, they were liable to pay liquidated damages in terms of the procurement order.

Similarly, in the case of procurement of second batch of MPCMs in November 1993, the three firms on whom the orders were placed did not supply any equipment within the delivery schedule. The delay in supply was upto six months, but no deduction on account of liquidated damages were made by the department.

The department did not establish procedures to apportion the accountability for delay due to default in supplies and those attributable to the departmental officers to enable it to levy liquidated damages on the firm as well as take corrective action to eliminate the lethargy in the department. This, on one hand, released the suppliers from the liability for liquidated damages, on the other, provided the opportunity to them to supply old technology machines much later than the originally scheduled delivery period.

3.2.5.3 Poor management of procurement in the second batch

In the second batch of procurement of 1000 MPCMs also, DoP placed the orders for PC-AT-286 based counter machines in November 1993 and March 1994 on three firms namely, PCL, NELCO and INDCHEM with scheduled delivery date of 31 March 1994. While placing the purchase orders for PC-AT-286 based machines, DoP ignored the fact that by that time even the next generation 386 series were also about to be phased out and 486 series was available in the market. These firms supplied the PC-AT-286 based equipment during 1994-95, by which time, more versatile and faster PC systems like PC-486 and pentium series were already available in the market.

DoP did not keep pace with the fast changing technology in the computer system

Thus, DoP failed to keep the fast changing technology in the computers in view while placing orders for computer based counter machines. Not only more advanced machines were already available even while orders were being placed, DoP failed to realise that in the fast changing technology the interest of the department could be protected by providing short delivery period and enforcing it strictly so that the department is not unnecessarily saddled with old technology machines. The department accepted the old generation machines, even when the delivery schedules were already over in March 1994 and DoP had option to terminate the contract. In this case also, on one hand, DoP decided to procure 486 series machines during 1995-96, on the other it continued to accept the PC-AT-286 until May 1995, 14 months after the scheduled delivery date.

This shortsighted management of procurement of computer based counter machines left the department with old generation slower computer systems at relatively much higher price and also gave an opportunity to the suppliers to dump the old generation machines with DoP, which had already become obsolete much before these were supplied to the department.

3.2.5.4 Advance payment

Undue benefit to the firms on advance payment

DoP paid an interest free advance of Rs 1.10 crore to both firms on whom orders were placed for the first batch in March 1992. However, it did not include any penal clause in the contract at the time of grant of advance. The firms delayed the supply of MPCMs by upto 36 months. Had DoP put a condition of penal interest on advance in case of default in supplies, as is a common practice, Rs 66.73 lakh could be levied as penal interest on the suppliers.

3.2.6 Performance of multi purpose counter machines

3.2.6.1 Delay in commissioning

Non-preparation of sites etc. and lack of prompt action by Circles

Inability of DoP to prepare sites etc. led to delays in installation and commissioning of the MPCMs even after supply of equipment by the vendors. Test check in six Circles revealed the following position:

Name of the Circle	Delay in installation and commissioning (in days)
Uttar Pradesh	90 to 360
Madhya Pradesh	90 to 360
Bihar	540 to 840
Karnataka	90 to 360
Punjab	90 to 270
Andhra Pradesh	30 to 279

Thus lackadaisical management of the project further compounded the delay in supplies by the suppliers.

3.2.6.2 Single window - all purpose objective not achieved

Single window all purpose use of computers were not achieved in many cases

One of the main objectives of the scheme was to integrate the counter services in such a way that all postal services are rendered through a single window to enable the customers complete all their tasks on a single counter. Test check in nine Circles, however, disclosed that in five Circles, large number of computer machines were used as single purpose machines only. In Maharastra Circle, as many as 31 counter machines out of 172 test checked were being used as single purpose machines, while in Delhi Circle, 35 out of 142 working counter machines were used as single purpose machines only. This dilutes the very purpose for which these machines were purchased. Similar instances were also noticed in Orissa, Rajasthan and Uttar Pradesh Circles.

Machines were thinly scattered over large number of post offices

DoP decided in 1994 to select post offices for introduction of MPCMs with a view to achieving saturated introduction to turn them fully mechanised post offices. Test check in eight Circles revealed that in large number of post offices, having more than six manually operated counters, MPCMs were introduced on one or two counters only. This was in violation of the guidelines of the Directorate. A few instances are given below:

Name of the Circle	No. of the post offices having one or two machines only
Andhra Pradesh	27
Bihar	9
Delhi	44
Karnataka	35
Maharastra	48
Madhya Pradesh	11
Orissa	7
Uttar Pradesh	19

Thus, the small number of only 2450 machines procured against the target of 10000 during the 8th Five Year Plan was thinly spread over large number of post offices across the country rather than consolidating their use in a particular area/segment in a concentrated manner. This leaves the main objective of the scheme largely unfulfilled.

As per DoP instructions of March 1991, Post offices having less than three mechanised counters were not to be provided with MPCM as standby units. In deviation from these instructions, 83 MPCMs were provided as standby units in Post offices/Head post offices where there were less than three mechanised counters. Test check also disclosed that as many as 39 MPCMs were being used for purposes other than those contemplated in the scheme.

3.2.6.3 Anticipated savings not realised

Anticipated savings in manpower due to deployment of MPCMs were not achieved

The department introduced MPCMs considering certain advantages. Amongst others, it was envisaged that by using them, the uneven pressure from the customers would get converted into an uniform one, idle counter time would get reduced, the numbers of stamp vendors would come down and as the counters would produce their own postage, the cost of manufacturing, storing and accounting of postage stamps would also get reduced. The need for date stamping to obliterate the postage was also to be eliminated.

EFC proposal of the department also pointed out that the machine was capable of giving twice the output as compared to the manual process. Installation of one machine was expected to result in surplus of one postal assistant who would be available for re-deployment against the vacancies. This was one of the important aspects of the scheme since this was to result in savings in operational cost.

Test check in 12 Circles revealed that in three Circles namely Karnataka, Punjab and Himachal Pradesh, while there were manpower reduction to the extent of 43 *per cent*, 17 *per cent* and 26 *per cent* of the expected numbers respectively, in seven others namely; West Bengal, Orissa, Bihar, Kerala, Uttar Pradesh, Madhya Pradesh and Rajasthan there was no saving on account of reduction in manpower consequent upon introduction of the MPCM in the Post Offices. In two Circles, namely, Andhra Pradesh and Tamil Nadu, the information was not available.

At the apex level, DoP was requested by Audit to furnish the figures of savings in human resources by redeployment of staff as a result of introduction of 2450 MPCMs which should have resulted in reduction of almost an equal number of counter clerks. DoP did not furnish the information.

3.2.7 Other issues

3.2.7.1 Licensing of weighing scales

Licences of weighing scales not obtained

As per contract agreement with the suppliers, weighing scale component of the MPCM is required to be serviced and repaired under a valid licence from Weights and Measures Authorities of State Government concerned and the weighing scale components should bear the stamps of Weights and Measures Department.

Test check in Andhra Pradesh, Orissa, Punjab, Rajasthan, Uttar Pradesh and West Bengal Circles revealed that no such licence was either obtained by the vendors or by the department and the weighing scales did not bear any stamps of Weights and Measures Department of the concerned State Government.

3.2.7.2 Maintenance of the equipment

An efficient and responsive after sales service is of utmost importance for proper functioning of the computer systems. DoP had provided standard warranty maintenance including preventive maintenance clause in the purchase order and had also entered into agreement with the suppliers for annual maintenance contract (AMC) for nine years after completion of one year of warranty at 10 *per cent* the cost of the equipment.

Test check by Audit in 11 Circles, revealed that obligation for the warranty clause/AMC was not insisted upon by the department in many cases. One of the major lacunae in the AMC was that it did not provide time limit within which the machines were required to be repaired. This resulted in the machines lying in defective condition for long periods depriving their use for the intended purpose. 50 machines were lying unused/defective since their installation. In others, the machines were not repaired upto 1104 days by the suppliers during the warranty period or by others with whom AMC was entered into.

The matter was referred to the Ministry in December 1996; their reply was awaited as of January 1997.

CHAPTER 4
OTHER TOPICS

4.1 Wasteful expenditure and serious irregularities in the construction of postal building

Civil engineering wing of DoP, Patna unauthorisedly constructed two floors in the building of PMG (North) Bihar, Muzaffarpur with superior specifications and incurred irregular expenditure of Rs 84.91 lakh.

Chief Postmaster General (CPMG) Bihar Circle, Patna accorded administrative approval and expenditure sanction in March 1990 for the construction of a two storeyed building with the plinth area of 641 Sq m at Muzaffarpur at an estimated cost of Rs 17.44 lakh for accommodating the Regional Director Postal Services (RDPS), North, Muzaffarpur.

Scrutiny between December 1995 and August 1996 revealed following irregularities:

Unauthorised enlargement of scope of work by Civil Wing

(i) In violation of Postal Directorate's instructions of October 1986 and June 1992, the civil engineering wing unauthorisedly enlarged the scope of the work from a two storeyed building approved by CPMG, Patna to four storeyed building on the grounds of accommodating the PMG (North), Muzaffarpur on the upgradation of RDPS, North, Muzaffarpur, for which CPMG never gave his approval.

Undue advantage to contractor

(ii) Civil wing invited the tenders on the basis of original sanctioned estimate for a two storey building and awarded the work in February 1991 for only two storyed building. Their subsequent change in scope of work, denied the department the benefit of competitive rate for the composite work, ultimately landing in a situation where payments for additional items/work were decided as "extra items" giving the contractor undue advantage.

Irregular expenditure of Rs 89.42 lakh

(iii) Civil wing awarded the work in February 1991 without getting the revised estimate sanctioned for the changed scope of work despite repeated objections by the CPMG who alone had the powers to approve the project. The Civil engineering wing submitted the revised estimates for the first and the second phases for Rs 49.86 lakh and Rs 49.98 lakh respectively as late as in May 1993 when the work was completed in August 1992 itself at the actual cost of Rs 1.07 crore. The post-facto revised estimates had not been sanctioned by the Postal Directorate as of December 1996.

Wasteful expenditure on providing superior specifications unauthorisedly

(iv) Civil wing on their own incurred a wasteful expenditure of Rs 15.91 lakh on providing superior specifications like marble/vinyl flooring, granite facia etc. without the approval of CPMG and also in violation of Postal Directorate's instructions issued in October 1986 and June 1992 prohibiting luxurious/superior specifications.

Wasteful expenditure on construction of excess accommodation

(v) According to PMG (North), Muzaffarpur two floors were sufficient for his office. The action of the Civil wing in unauthorisedly constructing four storeyed building with floor area of 1168 sq m which was far more than the requirement of PMG (North) was irregular. It resulted in an unnecessary irregular expenditure of Rs 69 lakh. The upper two floors consisting of floor area of 641 sq m remains partially unutilised since the construction of the building.

Avoidable payment of rent due to delay in handing over the building after completion

(vi) The Civil wing also delayed the handing over of the building due to some dispute with the contractor regarding payment of their pending bills, though it was completed in August 1992. Subsequently, at the intervention of Postal Directorate, the building could be handed over to CPMG in January 1994 i.e. after a delay of 17 months. Office of PMG (North), Muzaffarpur shifted to this building in March 1994. The delay in handing over resulted in avoidable payment of Rs 1.89 lakh as rent for his office from September 1992 to March 1994.

While accepting the above facts the CPMG stated in August 1996 that he never decided to enlarge the scope of the work from two storeyed to four storeyed building and for providing superior specifications. He held the Civil wing responsible for unauthorised expenditure. He added that the case was under vigilance enquiry of the Postal Directorate.

The matter was referred to the Ministry in November 1996; their reply was awaited as of December 1996.

4.2 Idle investment on the foundation of a building

Defective planning and inept handling of the project for construction of Postal Stamp Depot building at Patna frustrated the objective for about seven years after an expenditure of Rs 35.90 lakh and pending contractor's claim for Rs 33.86 lakh. Meanwhile the department has already spent Rs 52.96 lakh as rent of its office buildings.

The Post Master General {now Chief Post Master General (CPMG)}, Bihar Circle sanctioned in January 1985 an estimate for Rs 21.92 lakh for the dismantlement of the existing structures at General Post Office compound at Patna and construction of a four storeyed building in two phases. The work was awarded for the first phase (ground floor and first floor) in April 1986 at a cost of Rs 21.76 lakh to be completed by October 1987.

Delay in handing over of site and change in scope of work

Scrutiny in August 1996 revealed that though the first phase work was to be completed by October 1987, the Civil wing made the site available to the contractor as late as in June 1987 and old structures were dismantled in September 1987. Subsequently, the CPMG, in order to accommodate some more offices in this building, enlarged the scope of work from four storeyed to seven storeyed structure in December 1987 including the basement floor without provision of funds in the budget. This necessitated changes in the nature of the foundation from isolated footing to raft foundation.

Delay in handing over of structural drawings

The Civil wing, however, took more than one year to intimate the contractor in January 1989 of the structural changes in the foundation. The contractor completed the foundation work in June 1990 at a cost of Rs 35.90 lakh. The Civil wing again delayed the handing over of structural drawings for the basement floor and slab and first floor to the contractor and made available the same only in November 1990 and September 1992 respectively.

Suspension of work by the contractor and consequent cancellation of the contract

In the meantime, the contractor suspended the work in December 1991 due to hindrances attributed to the department at various stages and demanded payment at current market rates to compensate the increase in the cost of material and labour. The Civil wing neither fixed new rates despite persistent demands by the contractor nor called for fresh tenders for the revised scope of work.

The contractor claimed Rs 33.86 lakh in May 1994 from the department towards compensation, refund of security deposit, etc. and requested them for appointment of an arbitrator to settle the dispute and refused to re-start the work. The department cancelled the contract in September 1994.

The Civil wing invited fresh tenders for the balance work in March 1995. It, however, cancelled the same in the absence of provision for funds and as such the fate of the building was uncertain as of October 1996. The department referred the contractor's claim of Rs 33.86 lakh for arbitration in May 1995, which was yet to be decided as of October 1996.

Idle investment on building besides avoidable expenditure of Rs 52.96 lakh on rent of leased accommodation

Thus, department's inefficient handling of the project, deficient planning, co-ordination, supervision and indecisiveness has not only led to idle investment of Rs 35.90 lakh on the foundation work and a possible liability of Rs 33.86 lakh towards contractor's compensation claim pending arbitration, but the very objective for which the construction was approved remained frustrated. Besides, the department took no action either to get the revised estimates, prepared in April 1996, sanctioned or to award the work afresh after cancellation of the previous contract in September 1994. Meanwhile, the department has spent Rs 52.96 lakh from January 1989 to October 1996 on rent for the leased accommodations for offices which were to be shifted to the new building.

The matter was referred to the Ministry in October 1996; their reply was awaited as of December 1996.

4.3 Overpayment of conveyance charges to Indian Airlines for air mails

Department's failure to verify the correctness of the conveyance bills resulted in an overpayment of Rs 63.22 lakh to Indian Airlines.

Excess payment of conveyance charges by circuitous route as against direct route

The charges for air cargo which includes conveyance of postal air mail are levied on the basis of fixed distance between two points irrespective of actual distance covered via different flight routes.

Scrutiny of bills paid by Director Airmail Accounting in the Postal Directorate during April to October 1996 disclosed that he failed to restrict the claims of Indian Airlines (IA) for conveyance charges of air mail to the shortest distance and instead admitted the claims on the basis of distance between the originating and destination stations through intermediate points on the routes. The over-payment to the IA during the seven months alone aggregated to Rs 63.22 lakh.

The Ministry while confirming the facts stated, in January 1997, that in respect of international airlines as well as domestic private airlines, payment of conveyance charges was restricted to the shortest distances but in the case of IA, the payment was being made on per tonne kilometre (TKM) basis as demanded by them. The agreement between DoP and IA does not stipulate payment as per the shortest route.

The contention of the department is not acceptable as the payment to IA on TKM basis should have been restricted to the distances by shortest route. But, as the Appendix III indicates, DoP is paying the IA for air mails on the basis of distance in excess of shortest IATA distances. The agreement to that extent needs a fresh look.

The department may verify all payments made to IA and other domestic airlines for air mail during the last five years and recover/adjust the amount paid to them.

4.4 Embezzlement of Rs 23.54 lakh

Failure of Senior Postmaster HPO, Allahabad to maintain the cash balances within the prescribed limit, subsequent failure to get the double lock safe repaired and keep the cash in double lock resulted in embezzlement of Rs 23.54 lakh.

Embezzlement of Rs 23.54 lakh took place in head post office (HPO), Allahabad on 29-30 September 1995 on account of following acts of omission and commission by the Senior Postmaster, HPO, Allahabad and Senior Superintendent of Post Offices (SSPOs), Allahabad.

Senior Postmaster retained heavy cash inspite of mechanical defect in cash chest

(i) Senior Postmaster HPO, Allahabad allowed heavy cash to be kept in a single lock safe on 29-30 September 1995 whose key was retained by the Treasurer.

(ii) He unauthorisedly retained cash in excess of maximum limit of Rs 4.00 lakh during the period 15-30 September 1995. The cash balance during 15-30 September 1995 ranged between Rs 34.12 lakh to Rs 63.18 lakh which exceeded the authorised ceiling by 8.5 to 15.8 times.

Senior Postmaster unnecessarily withdrew heavy cash

(iii) He withdrew Rs 40 lakh from bank on 28 September 1995 without assessing actual requirements while the cash balance at the close of 27 September 1995 was Rs 34.12 lakh which itself was Rs 30.12 lakh in excess of the authorised maximum limit.

(iv) Even after the double locking chest developed defects on 29 September 1995, he failed to deposit the excess cash held by the post office in the bank.

Senior Postmaster did not submit weekly returns of cash balances to SSPOs

(v) The Senior Postmaster HPO, Allahabad did not submit weekly statements of balances to the SSPOs, Allahabad, in accordance with the departmental instructions. SSPOs, Allahabad also did not monitor submission of the weekly statement nor took any administrative action to enforce their submission.

Senior Postmaster ignored the advice of audit to retain the cash balance only within the authorised limit

(vi) The SSPOs, Allahabad and the Senior Postmaster HPO, Allahabad did not heed to the advice of Audit in 1989 and again in 1994 during local inspections of the HPO, wherein the violation of the departmental instructions in retaining cash, very much in excess of the authorised limits was brought to their notice. The irregularity persisted for more than eight years since 1989. In spite of the embezzlement, the Senior Postmaster, HPO Allahabad continues to hold heavy cash balances. Test check of the cash balances during August and September 1996 disclosed that the HPO retained excess cash balance upto Rs 66 lakh on 36 days.

SSPOs did not keep watch on receipt of weekly cash balance returns

(vii) SSPOs, Allahabad did not exercise administrative vigilance to order retention of cash within authorised limit during his half yearly inspection of HPO, Allahabad.

The Ministry stated, in October 1996, that the absconding cashier was placed under suspension and a criminal suit was filed against him in the Civil Court at Allahabad. Further, action against the other delinquent officers/officials was also initiated. Final outcome was awaited as of December 1996.

4.5 Irregular payment of bank charges

Department's failure to adhere to the codal provisions resulted in avoidable payment of bank charges amounting to Rs 22.02 lakh for obtaining bank drafts from nationalised banks.

Normally the Head Post Office (HPO) remits cash to its Sub-post offices in account with it through locked and sealed leather cash bag which is enclosed in the account bag. Similar procedure is also being followed by the Sub-post offices under the same HPO. The Central Government Account (Receipts and Payments) Rules 1983 provide for remittance of cash through bank free of charge. The Reserve Bank of India also directed the nationalised banks in March 1992 to issue the bank drafts to the Postal Department free of cost.

Scrutiny in March and July 1996 revealed that in violation of above provisions, three HPOs in Madhya Pradesh Circle and five HPOs in Gujarat Circle made payment of bank charges in obtaining demand drafts during April 1989 to July 1996 for remittances of Post Office fund to and from Sub-post offices and HPOs from nationalised banks. This resulted in irregular and avoidable expenditure of Rs 22.02 lakh.

The matter was referred to the Ministry in September 1996; their reply was awaited as of December 1996.

4.6 Avoidable payment of penal charges due to non-maintenance of power factor

CPMG, Tamil Nadu failed to maintain power factor by installing shunt capacitors resulting in avoidable payment of penal charges of Rs 19.80 lakh on account of low power factor.

As per the general conditions and tariff for electric power supplied by the Tamil Nadu Electricity Board (TNEB), consumers of high tension power have to maintain their electric load in such a way that the power factor does not fall below the limit of 0.85 till February 1994 and 0.90 thereafter. In case, the power factor falls below the prescribed limit, the consumers have to pay penal charges at rates ranging between one to two *per cent* of the monthly bill for each one *per cent* fall in the power factor. The consumers are required to install shunt capacitors of approved standard for maintaining the power factor.

Test check by Audit in December 1995 and May 1996 revealed that CPMG, Tamil Nadu Circle, Chennai paid Rs 19.80 lakh to TNEB between March 1993 and June 1996 as penal charges for failure to maintain the prescribed power factor due to non installation of capacitors. The penal charges paid by the CPMG were many times the cost of about Rs 1.80 lakh for installation of shunt capacitors.

The CPMG stated, in August 1996, that the electricity bills including compensation charges were being apportioned between Postal and Telecom wings on the basis of area of occupation by each wing. He further stated that the decision to install shunt capacitors could not be taken earlier due to absence of clear-cut policy of the Ministry of Communications for effective bifurcation of the Posts and Telecommunications Department in all respects but the steps had already been taken to install a new power station on postal side. This contention of CPMG indicates the lack of accountability and seriousness which led to avoidable payment of penal charges of Rs 19.80 lakh.

The Ministry endorsed the reply of CPMG in January 1997 without offering further comments.

4.7 Loss of revenue

Post offices in Orissa Circle permitted concessional tariff to publishers of 17 periodicals during 1982-95 which did not fulfil the basic conditions for concessional tariff, resulting in loss of revenue of Rs 11.30 lakh.

Periodicals/Magazines which are published at intervals of not more than 31 days and the publisher furnishes a bonafide list of subscribers can be registered with DoP for concessional tariff.

Test check of 10 Divisions/Head post offices by Audit in Orissa Circle between September 1995 and February 1996 disclosed that the Postal Department did not exercise checks to establish that the periodicals/newspapers claiming concessional tariff were fulfilling the conditions for eligibility of such facility. 14 Post offices permitted concessional tariff to 17 periodicals during 1982-95 which did not fulfill the basic condition for concessional tariff which resulted in loss of revenue of Rs 11.30 lakh during 1982-95. Of this, the loss of revenue in respect of one newspaper "The Rourkela News" alone amounted to Rs 9.80 lakh. The newspaper was registered as having periodicity of less than 31 days whereas it was being published quarterly and therefore, was not eligible for concessional tariff.

In response to audit observation relating to 10 cases, CPMG, Bhubaneshwar stated in May 1996 that the periodicals were registered as being published on a monthly basis. However, scrutiny by Audit disclosed that these were being published once in two or three months, which rendered them ineligible for concessional tariff.

Presently the Post Offices have no means to verify the eligibility of periodicals for concessional tariff on a regular basis which leads to avoidable loss of revenue. There is need to strengthen the existing system for regular verification of eligibility of the periodicals for concessional tariff.

While accepting the facts, the Ministry stated in January 1997 that detailed enquiry was being carried out by the Circle for fixing responsibility on individual officials/officers.

4.8 Injudicious purchase of cartridge paper

Excessive procurement of cartridge paper by CPMG, Rajasthan Postal Circle resulted in unutilised stock valued at Rs 10.53 lakh for the last five years, which would meet their 30 years' requirement at the existing rate.

Rajasthan Postal Circle, Jaipur procured 2522 reams of cartridge paper valuing Rs 14.45 lakh in 1990 from a firm Raval Papers Private Limited, Rae Bareilly at Director General Supplies and Disposal's rate contract.

Procurement of paper without justification

Scrutiny of the documents in December 1995/March 1996 revealed that the quantity of paper ordered was beyond justification/ assessment. The average annual consumption of paper during 1985-88 was only 58 reams. Indents placed by the Postal Stock Depots (PSD) Ajmer and Jodhpur for the year 1988-89 did not mention any requirement of cartridge paper. However, on being asked by the Circle Office to recalculate their requirements, the PSDs Ajmer and Jodhpur revised the indents and the Circle office placed consolidated indent of all PSDs in Rajasthan Circle on DGSD through Directorate.

Non utilisation of paper valued at Rs 10.53 lakh

Of the 2522 reams of paper procured, a meagre quantity of 407 reams of paper only was utilised and 295 reams diverted to other places during the last five years leaving 1820 reams of paper valued at Rs 10.53 lakh unused in PSDs as of March 1996.

While accepting the underutilisation of the paper, CPMG stated, in June 1996, that the cartridge paper was included in the indent for getting the money order forms printed to meet the demand of Khadims of Dargah at Ajmer. Meanwhile, the Khadims of Ajmer were also permitted to get these forms printed at their own cost. Further, the local printing of forms was also centralised at Postal printing press, Bhubaneshwar. These factors led to underutilisation.

The facts stated above bring out bulk purchase of paper without proper assessment which resulted in paper valued at Rs 10.53 lakh remaining unutilised for over five years. At the average consumption of 58 reams per year, the paper available in stock would be sufficient to meet the requirement for the next over 30 years. However, the prospects of its utilisation was bleak as there was regular supply of forms and file covers through Central Store Depot (CSD), Aligarh.

The matter was referred to the Ministry in July 1996; their reply was awaited as of December 1996.

4.9 Irregular payment of taxes to Municipal Corporation

PMG, Muzaffarpur paid House tax of Rs 5.61 lakh to the Municipal Corporation despite exemption provided under the Constitution. He also paid Water tax of Rs 4.35 lakh without drawing water from the Municipal Corporation.

According to Article 285 of the Constitution of India, the property of Government of India is exempt from all taxes imposed by any authority within a State except water, drainage, scavenging and lighting charges as payment of compensation payable in quasi contract. It was also decided in May 1954 that the Central Government department should not pay for such specific services as they themselves arrange.

Test check by Audit in December 1995 revealed that the PMG, North, Muzaffarpur under Bihar Circle made irregular payment of Rs 5.61 lakh to the Municipal Corporation, Muzaffarpur between March 1992 and September 1995 towards House tax for the period 1980-81 to 1994-95 in respect of Postal staff quarters and new HPO building at Muzaffarpur.

Further, the PMG, North, Muzaffarpur also paid Water tax of Rs 4.35 lakh to the Municipal Corporation, Muzaffarpur during the same period for the period 1986-87 to 1994-95, though the department had its own arrangement for supply of water and water was not drawn from the Municipal source.

While accepting the above facts the PMG, North, Muzaffarpur stated, in December 1995, that recovery/adjustment of the total amount of Rs 9.96 lakh was being taken up with the Corporation. The outcome was, however, awaited as of April 1996.

The matter was referred to the Ministry in June 1996; their reply was awaited as of December 1996.

SECTION - II

DEPARTMENT OF TELECOMMUNICATIONS

CHAPTER 5

ORGANISATIONAL SET-UP AND FINANCIAL MANAGEMENT

5.1 Functions of the Department

The main functions of Department of Telecommunications (DoT) are planning, engineering, installation, operation, management and maintenance of voice and non-voice telecommunication services all over India and with other countries. The department is also responsible for frequency allocation and management in the field of radio communications in close co-ordination with the International bodies. It enforces wireless regulatory measures and monitors wireless transmissions of all users in the country.

5.2 Organisation

The department, forms a part of the Ministry of Communications. The management of the department vests in the Telecommunication Commission which has four full-time Members and a Chairman, all of whom have the rank of Secretary to the Government of India. There are four part time ex-officio Members who are all Secretaries to Government of India. The following public sector undertakings also function under the overall administrative control of the department:

(i) Hindustan Teleprinters Limited (HTL), for the manufacture of teleprinters and ancillary equipment and data modems.

(ii) Indian Telephone Industries Limited (ITI), which manufactures telecommunication equipment such as telephone instruments, transmission equipment, exchange equipment etc.

(iii) Mahanagar Telephone Nigam Limited (MTNL), which manages and operates the telephone and telex services in metropolitan cities of Delhi and Mumbai.

(iv) Telecommunications Consultants India Limited (TCIL), which provides technical and management consultancy services in the field of Telecommunications in India and abroad.

(v) Videsh Sanchar Nigam Limited (VSNL), which is entrusted with the responsibility of operating, maintaining and developing India's International Telecommunication Services.

The Centre for Development of Telematics (C-DoT) functions under the control of the Ministry of Communications as a registered society.

The department had a network of 21152 telephone exchanges, 417 telex exchanges and 312 trunk automatic exchanges as on 31 March 1996. Under transmission system, it had an aggregate of 1.69 lakh route km of coaxial cables, microwave, UHF/VHF, optical fibre system. Besides, it has six factories located at Mumbai, Calcutta, Jabalpur, Richhai, Bhilai and Kharagpur to manufacture various types of equipment.

5.2.1 Telecom Regulatory Authority of India

An ordinance to provide for establishment of a Telecom Regulatory Authority of India (TRAI) to regulate Telecommunications services and for matters connected therewith or incidental thereto was promulgated by the President of India in January 1997. TRAI on establishment by Central Government shall have a Chairperson and not less than two but nor exceeding four members to be appointed by the Central Government. Its main objectives among others are as under:

— Standard setting

— Price regulation

- Ensuring technical compatibility and effective inter-relationship between different service providers
- Revenue sharing arrangements between different service providers and compliance of terms and conditions of licence
- Fixation of access charges
- Protection of consumer interests and settlement of disputes between service providers.

5.2.2 Entry of Private Sector

The National Telecom Policy, 1994 allowed the entry of private sector in the basic services sector. As per the provision, companies wishing to enter in the field of basic telecom services would apply for grant of licence from DoT. Only companies registered in India would be permitted to participate in basic voice telephone services. Cellular and Pager services are also operated by private sector companies.

5.2.3 National Telecom Policy 1994

Amongst the major objectives of the Telecom Policy 1994 are:

- Availability of telephone on demand by 1997
- Coverage of all villages by 1997
- Provision of PCO for every 500 persons in Urban Areas by 1997
- Provision of all value added services to raise telecom services in India to International Standards, preferably by 1996.

5.3 Manpower

The total number of staff employed, including the staff in MTNL and industrial workers in Telecom Factories during 1993-96 was as under:

Table 5.3 Manpower

As on 31 March	Group A and B	Group C and D	Industrial workers	Total
1993	19579	359610	5744	384933
1994	24841	364246	5977	395064
1995	25933	387125	5637	418695
1996	28295	387768	4995	421058

Compared to 1993, there was an increase of 45 *per cent* in Group A and B and 8 *per cent* in Group C and D staff while there was 13 *per cent* reduction in industrial staff. The overall manpower increased by 9.38 *per cent* between 1993 and 1996.

5.4 Operating ratio

The operating ratio i.e. the ratio of net working expenses to the revenue earned improved from 49.5 *per cent* in 1994-95 to 43.9 *per cent* in 1995-96.

5.5 Growth in telephone traffic and capacity

The growth in both domestic and international traffic during the last four years is indicated below:

Table 5.5 Growth in telephone traffic

	1992-93	1993-94	1994-95	1995-96
No. of telephone metered call units(in crore)*	4415.1	4672.4	5860.0	7840.60
No. of Direct Exchange Lines telephones (in thousands)	6797.0	8025.6	9795.0	11978.00
No. of metered calls per Direct Exchange Lines	6495.7	5822.3	5982.6	6546.00
No. of effective trunk calls (in crores)**	20.6	16.2	9.6	7.64
Telephone paid minutes in international trunk calls (in crores)***	61.4	74.3	74.3	****

* Includes subscriber dialled trunk calls inland and international
** Excludes subscriber dialled trunk calls
*** Covers all trunk calls to telephone administrations in all other nations
**** Not available

A review of the above figures shows that there is an overall increase in the traffic during the last four years. Number of metered calls per Direct Exchange Lines which had declined in 1993-94 and 1994-95 compared to 1992-93 has improved to be a little above the level of 1992-93.

5.6 Fall in telex traffic

There was substantial fall in telex traffic during the year 1995-96 as indicated below:

Table 5.6 Fall in telex traffic

	1992-93	1993-94	1994-95	1995-96
No. of telex metered call units (in crores)	38.86	33.74	28.75	18.69
No. of telex calls per working line	7921	7154	6554	#

Not available

There has been a downward trend in the telex traffic during the last four years. The telex traffic which stood at 38.86 crore metered call units during the year 1992-93 was down to 18.69 crore metered call units during the year 1995-96. As brought out in para 9.3 "Unproductive investment on the Electronic Telex Exchanges" the capacity of telex exchanges remained grossly under utilised in 13 out of 15 locations test checked. Despite a declining trend in telex traffic, the exchange capacity was augmented in respect of many exchanges. Predictably, the working connections were less than even the original capacity of the exchanges.

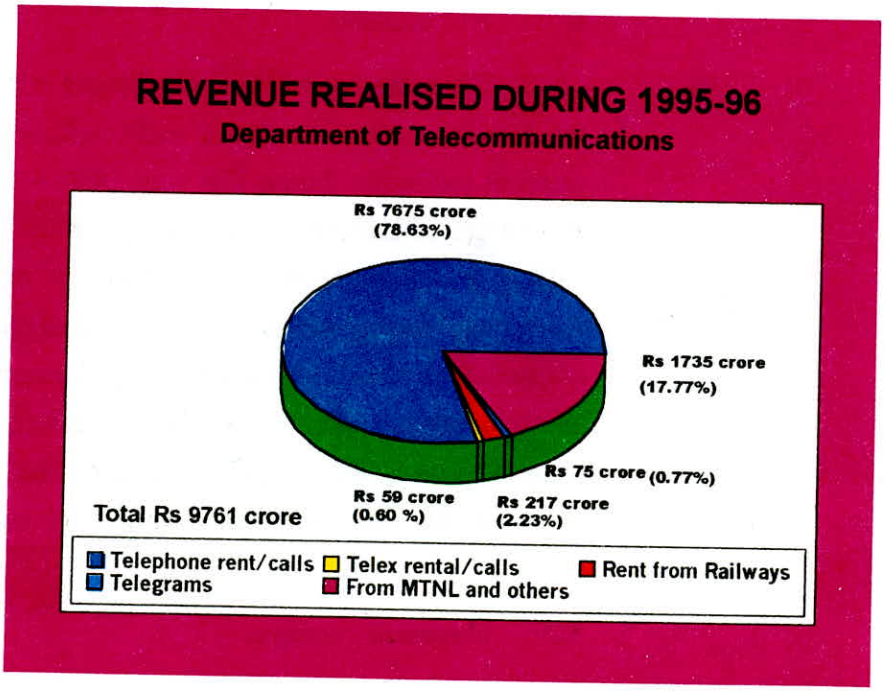
5.7 Revenue receipts

Telecommunication tariff was revised upwards in June 1992 and April 1993. The receipts of the department during the year 1995-96 vis-a-vis receipts during the preceding three years are given below:

Table 5.7 Trends in revenue receipts

(Rs in crore)

Major Head	1992-93	1993-94	1994-95	1995-96
Telephone rentals and call charges	3762	4964	6215	7675
Telex rental and call charges	94	85	71	59
Telegram receipts	67	72	71	75
Rent of wires and instruments leased to Railways, Canals and others etc.	85	270	222	217
Receipts from other telephone/telegraph administrations	1	635	Nil	2697
Receipts from Mahanagar Telephone Nigam Limited (MTNL)	478	585	720	1024
Other receipts including application/registration fee for new services	317	365	669	671
Less payments to other telephone/ telegraph administrations	(-) 46	(-)881	(-)169	(-)2657
TOTAL	**4758**	**6095**	**7799**	**9761**



5.8 Capacity utilisation and waiting list

The capacity of telephone exchanges in the country including the four metropolitan cities, of which two are covered directly by the department and two by MTNL, their utilisation by DoT and waiting list as at the end of last four years is given below:

Table 5.8(i) Utilisation of telephone capacity

(No. of lines in lakhs)

Year	Equipped capacity of DoT	Working connec-tions of DoT	Percentage utilisation of equipped capacity by DoT	Percentage utilisation of equipped capacity in Metros			
				Calcutta	Chennai	Delhi	Mumbai
1992-93	79.68	67.97	85.30	89.24	90.01	86.37	93.06
1993-94	97.95	80.25	81.93	85.37	87.96	85.52	89.64
1994-95	120.25	97.95	81.46	85.48	90.39	83.90	86.92
1995-96	146.27	119.78	81.89	88.29	85.81	81.29	86.49

Table 5.8 (ii) Waiting list

(No. of lines in lakhs)

Year	Calcutta	Chennai	Delhi	Mumbai	Other stations	Total
1992-93	0.62	1.09	3.40	2.11	21.23	28.45
1993-94	0.49	0.90	2.51	0.93	20.14	24.97
1994-95	0.52	0.86	1.30	0.50	18.35	21.53
1995-96	0.48	0.83	0.09	0.11	21.26	22.77

It would be seen from the above that utilisation of the capacity of telephone exchanges had dropped from 85.30 *per cent* in 1992-93 to 81.89 *per cent* at the end of 1995-96 against the optimum utilisation level of 92 *per cent* prescribed by DoT. Accordingly, capacity of 14.79 lakh lines, worked out on the basis of optimum utilisation level, was not used at the end of 1995-96. Out of this, the utilisable capacity of 2.89 lakh connections existed in seven Circles, in each of which the waiting list (total 1.63 lakhs) was less than the spare capacity not utilised by the department. However, in Metropolitan cities the position of waiting list has shown improvement, the most noticeable being in Delhi. Despite availability of waiting list in Chennai and Delhi there is decline in the percentage of utilisation of equipped capacity as compared to previous years.

On the other hand, 22.77 lakh applicants were waitlisted for new telephone connections. Optimum capacity utilisation would have reduced the overall waiting list in the country. Less than the optimal capacity utilisation also meant that department was deprived of revenue of Rs 947 crore approximately *per annum*, worked out on the basis of total revenue realised and total number of connections during 1995-96.

5.9 Physical performance and financial outlays

5.9.1 Physical performance

The targets for expansion of telecommunication facilities during 8th Five Year Plan vis-a-vis the achievements during first four years of the plan period are given below:

Table 5.9.1 Development plans

Item	Target for 8th Five Years Plan 1992-97	1992-93		1993-94		1994-95		1995-96	
		Targets	Achiev-ements	Targets	Achiev-ements	Targets	Achiev-ements	Targets	Achiev-ements
Switching capacity (lakh lines)	70.3	11.44	11.86	15.44	18.27	19	22.28	32.81	26.02
Direct exchange lines (lakh lines)	55.8	8.5	9.87	11.00	12.29	14	17.70	29.26	21.83
Coaxial cables (route km)	3000	1000	1112	800	848	600	1239	400	442
Microwave system (route km)	20000	3200	2578	3500	3383	4500	4967	5500	2917
UHF system (route km)	150000	3000	5710	6000	4822	20000	5639	10000	10124
Optical fibre system (route km)	20000	3500	3586	4200	6442	6000	6931	10000	13315
Village Telephone	309000	36500	30072	46800	33001	72000	50000	105000	31496
Telex exchanges	-	-	-	-	-	-	5	-	4
Telex lines (Lines)	31200								
Local	-	3534	3274	3118	2132	2125	1215	1390	810
Transit	-	2288	1708	1714	648	1850	384	900	2650
Trunk auto-exchange (TAX) Capacity (Lines)	272000	49500	42000	37500	40600	120600	137600	370000	197200

The department did well in executing the switching systems and coaxial cable transmission projects but progress of achievements of UHF and microwave was less than the targets during 1995-96. As against the target of the 8th plan 150000 route km and 20000 km for UHF system and microwave system only, 26295 and 13845 route km respectively have been completed in four years. Development plan of the department suffered a setback due to late/non receipt of apparatus and plants in respect of microwave Radio Relay System, UHF and VHF relay systems. Apparently, adequate steps for keeping to the supply schedules is called for.

New Telecom Policy provides that all villages in India would be covered by telephone services by 1997.

The physical performance of DoT upto the end of 31 March 1996, however, showed significant slippages in achieving the targets. As against the target of providing telephone facilities to all 6.04 lakh villages by the end of 8th plan, only 36 *per cent* villages have been covered until March 1996 and DoT's plan to provide telephone facilities to all villages by the end of 8th plan is likely to fall far behind the target.

5.9.2 Allotment and expenditure

The allotment and expenditure on capital account are as under:

5.9.2 Plan outlays and actual expenditure

(Rs in crore)

Items	Outlay of 8th Five Year Plan 1992-97	Annual plan outlays for 1992-93	Actual expend-iture 1992-93	Annual plan outlays for 1993-94	Actual expend-iture 1993-94	Annual plan outlays for 1994-95	Actual expen-diture for 1994-95	Annual outlays for 1995-96	Actual expen-diture for 1995-96
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
Local telephone system (Switching capacity and Direct exchange lines)	14837	2902	3004	3287	3376	3491	4205	4957	5360
Long distance switching (Tax capacity lines)	435	148	59	205	62	158	94	205	79
Long distance transmission (Coaxial cable microwave system optical fibre and UHF systems in route-km)	4357	548	678	1150	1090	1827	1311	2408	1485

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
Telex and telegraphs	760	80	61	142	85	95	59	150	55
INSAT and INTELSAT (Satellite Earth Stations)	95	35	10	43	13	90	27	150	92
Other land and buildings	480	80	57	190	82	94	83	175	100
Ancillary systems	451	127	32	198	33	60	36	80	60
Total	**23615**	**4412**	**3901**	**5879**	**4743**	**5815**	**5815**	**8125**	**7231**

Though large provisions were made in annual plan capital outlay against each scheme given in the table, yet there is overall savings in the expenditure in all except local telephone systems. The department could not utilise Rs 894 crore of the sanctioned provision during 1995-96.

Funding pattern:

(Rs in crore)

	Planned		Actual Expenditure
	Budget Estimate (1995-96)	Revised Estimate (1995-96)	
(i) Internal Resources	6895	8285	6960
(ii) Extra Budgetary resources			349
(iii) Budgetary support	--	--	--
	6895	**8285**	**7309**

In addition, the department also resorted to lease financing for equipment and procurement of cables on deferred payment basis during the year.

5.10 Financial results

Working results of the department during the years 1992-93 to 1995-96 are given below:

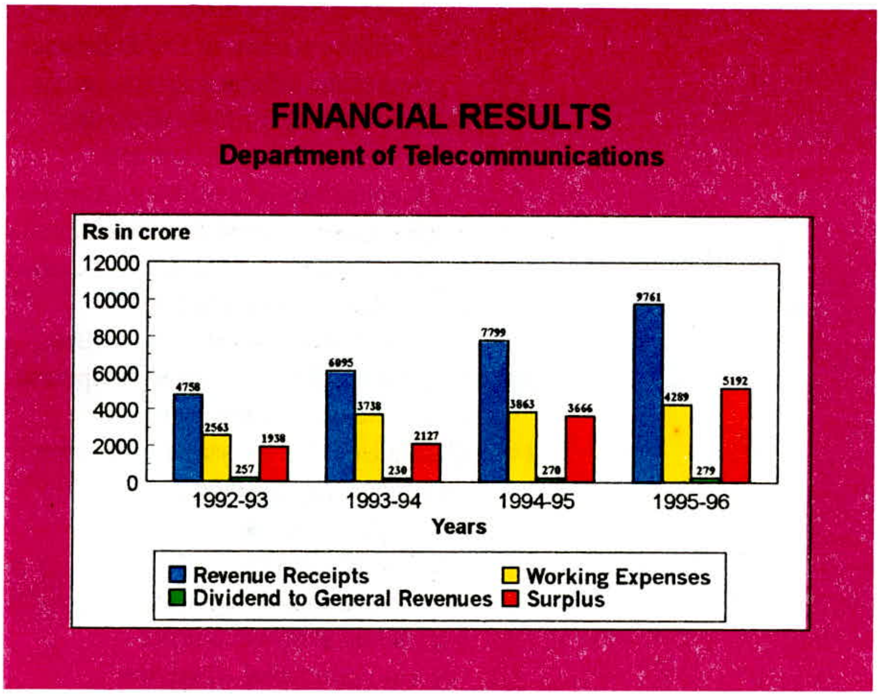
Table 5.10 Financial performance

(Rs in crore)

	1992-93	1993-94	1994-95	1995-96		
				Budget estimates	Revised budget estimates	Actuals
Revenue receipts	4758	6095	7799	8876	9605	9761
Net working expenses	2563	3738	3863	4744	4654	4289 *
Dividend to General Revenues (Interest)	257	230	270	265	279	279
Gross working expenses	2820	3968	4133	5009	4933	4569 @
Surplus	1938	2127	3666	3867	4672	5192

* excludes recoveries of Rs 635.50 crore

@ due to rounding off



The surplus of revenue over working expenses during 1995-96 increased to Rs 5192 crore from Rs 3666 crore in 1994-95 showing improvement.

5.11 Financing

The capital and revenue expenditure of Rs 7316.16 crore and Rs 10491.58 crore in 1995-96 in Grant no.14 on Telecommunication Services referred to in Chapter 6 of this Report were financed as follows:

Capital Major Head 5225 -
Capital Outlay on Telecommunication Services

	(Rs in crore)
(i) Amount transferred from revenue account towards depreciation	1223.29
(ii) Appropriation from surplus to Capital Reserve Fund and drawing the same amount from the fund	5695.08
(iii) (a) Return of loan by MTNL directly taken as minus capital expenditure	21.70
(b) Capital receipts of OYT deposits and other schemes appropriated	1.07
(c) Capital receipt from deposits on leased telecom services	(-)0.03
(d) Capital receipts of telex deposits	(-)0.92
(e) By using interest bearing deposits received from MTNL for Telecom projects by transferring it as minus capital expenditure	349.00
(iv) Capital receipts of Tatkal Telephone scheme deposits appropriated	0.20
(v) Capitalised stores issued from past years' purchases under:	
(a) General stores	(-)10.74
(b) Factory stores	8.39
(c) Civil engineering stores	6.12
(d) Stores sold/written off	0.13
(e) Manufacturing suspense	22.87
(vi) Net budgetary support from the Capital head	--
Total Capital expenditure	**7316.16**

Revenue Major Head 3225 - Telecommunication Services

(i)	Recoveries on account of sale of stores and overhead charges etc.	635.50
(ii)	Expenditure on Telecommunication Services met from budget	4289.37
(iii)	Revenue Major Head 3230-101 Dividend to General Revenues, met from budget	279.19
(iv)	Revenue Major Head 3231-101- from budget by appropriation of P&T Surplus to Capital Reserve Fund	5146.56
(v)	Revenue Major Head 3231-102- from budget by appropriation of P&T Surplus to Revenue Reserve Fund	45.42
(vi)	Revenue Major Head 3275-Other Communication Services - grants-in-aid to C-DoT and ITI met from budget	86.80
(vii)	Revenue Major Head 2852 - B1(1) expenditure met from National Renewal Fund	7.00
(viii)	Revenue Major Head 3451 - A1 Secretariat, met from Budget	1.74
	Total Revenue Expenditure	**10491.58**

The repayment of loan of Rs 21.70 crore by MTNL made during the year was accounted as deduction under capital expenditure (Major Head 5225) instead of crediting the amount to the loan head of account (7225-190). As a result, the outstanding balance of loans has been overstated and the capital expenditure has been correspondingly understated.

An amount of Rs 349 crore was received from MTNL as interest bearing deposit for financing telecommunication projects during 1995-96. While this was credited under deposit head, simultaneously an equivalent amount was shown as disbursement under the head by transferring the same as deduction under capital expenditure (Major Head 5225). As a result, the capital expenditure has been understated and the liability to repay deposits has not been exhibited in the Finance Accounts.

To a similar deficiency pointed out in Para 5.10 of the Report No.7 of 1995, the Ministry stated in the Action Taken Note

(ATN) that Rs 21.70 crore was annual instalment of loan being a part of value of assets transferred to MTNL which was converted to loan on its formation during 1986 and thus taken as reduction of capital expenditure. The amount of bonds received from MTNL is initially taken to Major Head 8342 - Deposits under Public Accounts and later transferred as recoveries in reductions of capital outlay on Telecom services. Action was being taken to examine whether the existing procedure needs any revision and the matter has been referred to the Controller General of Accounts.

5.12 Suspense balance

In the Finance Accounts large amount of expenditure continue to be booked under Head of Accounts falling outside the Consolidated Fund of India viz., under the "suspense" and "remittance" heads as under:-

(Rs in lakh)

Head of Account	Amount
8658 Suspense Accounts	
103-Posts and Telegraphs	4864.40 (Debit)
106-Telecom Accounts Office Suspense	201758.06 (Debit)
128-Posts and Telecommunications Investments - Cost of Government promissory notes and investment certificates held in imprest	1.31 (Debit)
Total	**206623.77 (Debit)**

The amounts remained unadjusted for long period without transfer to final head. With effect from 1992 the Sub-heads under major head "8658 - Suspense" were to be transferred to respective major heads. It was further decided by DoT to account for the drawings from bank and remittance to bank under the major head 8670-cheques and bills with effect from April 1992.

An analysis of outstanding balances under major head "8658-Suspense" revealed that a debit balance of Rs 2066.24 crore under "8658-Suspense" account was shown in the Finance Account, Union Government for the year 1995-96. This represented an increase of Rs 138.80 crore in the net balance of suspense account as compared to 1994-95. A test check by Audit in five Circles also revealed that:

— No records were maintained at Circle level to scrutinise the suspense/adverse balances pertaining to pre-departmentalisation of accounts period.

— No mechanism has been evolved for speedy clearance of outstanding amounts under major head "8658-Suspense". No broadsheets were maintained at Secondary Switching Areas (SSAs) level.

5.13 Follow up on Audit Reports

Lok Sabha Secretariat issued instructions in April 1982 to all Ministries requesting them to furnish notes indicating remedial/corrective action taken by them to the Ministry of Finance (Department of Expenditure) on various paragraphs contained in the Audit Reports as soon as they were laid on the Table of the House, duly vetted by Audit.

The Public Accounts Committee reviewed the position of submission of Action Taken Notes (ATNs) during 1995-96 and observed inordinate delays and persisting failure on the part of large number of Ministries in reporting ATNs on audit paragraphs. The Committee, in their 105th Report of 1995-96 (10th Lok Sabha) viewed it seriously and directed all Ministries to furnish ATNs in the prescribed format in respect of all outstanding audit paragraphs included in the Report of Comptroller and Auditor General of India upto the year ended 31 March 1995 within three months from the date of presentation of their Report irrespective of their selection by the Committee for detailed examination. The Committee further recommended that ATNs in future should be submitted within three months from the date of communication of selection of subjects.

In pursuance of the recommendations of the Committee, Ministry of Finance (Department of Expenditure) issued instructions in September 1995 and March 1996 to all the Ministries to tone up their existing system and evolve effective machinery with a view to timely submission of ATNs to the Committee.

Review of ATNs outstanding for more than three months on paragraphs included in the Report of the Comptroller and Auditor General of India, Union Government, Posts and Telecommunications disclosed that Ministry of Communications, Department of Telecommunications did not submit ATNs on 20 paragraphs as per details in Appendix IV as of December 1996, for the Audit Report upto No.7 of 1995, despite the instructions of the Committee. The Report wise break-up is shown below:

Audit Report No. and year	ATNs not received at all	Final ATNs awaited	Total paragraphs on which ATNs were awaited
7 of 1991	--	2	2
7 of 1992	--	3	3
7 of 1993	1	1	2
7 of 1994	1	3	4
7 of 1995	5	4	9

Further, though the selection of the paragraphs from Report No. 7 of 1996 for detailed examination by the Committee was communicated on 01 October 1996 and ATNs were to be furnished by December 1996, the Ministry has not furnished ATNs in respect of 38 paragraphs as per details in Appendix V despite the instructions of the Committee. The break-up is as shown below:

Audit Report No. and year	ATNs not received at all	Final ATNs awaited	Total paragraphs on which ATN were awaited
7 of 1996	33	5	38

CHAPTER 6

APPROPRIATION ACCOUNTS

6.1 Budget Grants and Expenditure

A summary of Appropriation Accounts (Telecommunications Services) of sums expended in the year ended 31 March 1996, compared with the sums authorised in the schedule appended to the Appropriation Acts, 1995 passed under Articles 114 and 115 of the Constitution of India is given below:

Table 6.1 Appropriations and Expenditure

(Rs in crore)

	Original grant	Supplementary grant	Total appropriation	Actual expenditure	Excess(+) Saving(-)
Revenue					
Voted	9506.15	924.94	10431.09	10491.58	(+)60.49
Charged	0.30	-	0.30	0.02	(-)0.28
Capital					
Voted	6954.99	1389.99	8344.98	7316.16	(-)1028.82
Charged	0.01	-	0.01	-	(-)0.01
TOTAL	**16461.45**	**2314.93**	**18776.38**	**17807.76**	**(-)968.62**

The overall savings of Rs 968.62 crore were 41.84 *per cent* of the supplementary grant of Rs 2314.93 crore. Out of supplementary grant of Rs 1389.99 crore under Capital section, only Rs 361.17 crore was utilised. Thus, major portion of supplementary grant was unnecessary.

6.2 Appropriation Audit

6.2.1 Excess in Grant

Table 6.2.1 Excess in grant

(Rs in crore)

Grant No.14	Savings	Contributing reasons as stated by the Department
Revenue-voted	60.49	Excess payment of salary, overtime allowance, repayment of short term loan and Appropriation of the telecom surplus to Capital Reserve Fund.

According to provisions of financial rules, no expenditure should be incurred which might have the effect of exceeding the total grant or appropriation authorised by Parliament by law for a financial year even after obtaining supplementary grant or an advance from Contingency Fund. However, in the Revenue voted section of Grant no.14 - Telecommunication services there was an excess of Rs 60.49 crore over the authorised sums. This requires regularisation under Article 115(1)(b) of the Constitution.

6.2.2 Savings in grants/appropriations

Savings in the grant or appropriation indicate that the expenditure could not be incurred as estimated and planned. It is suggestive of deficient budgeting or shortfall in performance.

The Public Accounts Committee, in para 1.24 of their 60th Report (10th Lok Sabha) presented in February 1994 commented on the large amount of savings as compared to the sanctioned provision. The Committee desired that the Ministry should take the issue seriously with appropriate measures to overcome the unfortunate situation of large savings and also desired that detailed note in respect of savings from a grant or appropriation during each year involving Rs 100 crore and above be furnished to the Committee along with explanatory notes for excess expenditure incurred.

In the Capital voted section there was a saving of Rs 1028.82 crore on account of the reasons stated below:

Table 6.2.2 Savings in grant

(Rs in crore)

Grant no.14	Savings	Contributing reasons as stated by the Department
Capital voted	1028.82	Less receipt of apparatus and plants, less demand of telex connections and wires, non completion of land deed, building works, less procurement of stores from private firms.

The reasons given above would indicate that the assessment of requirement of funds was not made realistically. Huge savings of Rs 123.09 crore against C-DoT, Telecommunication Engineering Centre, Telecom Computer System, Quality Assurance, Buildings and Staff Quarters in the capital sections indicates that computer programming, TEC R and D work and building works could not keep to the schedule. This would require an explanatory note to the Public Accounts Committee.

6.2.3 Surrender of funds

In the Revenue voted section, while on one hand there was excess expenditure of Rs 60.49 crore, on the other, DoT surrendered Rs 78.05 crore on the last day of the financial year. It indicates that DoT was not aware of final requirement of funds even at the close of the financial year. In Capital voted section, DoT surrendered Rs 916.52 crore only against the savings of Rs 1028.82 crore. DoT did not surrender Rs 112.30 crore.

6.2.4 Injudicious re-appropriation

(i) In 17 cases, re-appropriation aggregating Rs 132.63 crore as shown in Appendix VI was injudicious as original provisions under the sub-heads to which funds were transferred by re-appropriation were more than adequate and consequently, final savings under the sub-head were greater than the amount re-appropriated to these sub-heads; and

(ii) In eight sub-heads, from which funds aggregating Rs 283.85 crore, as shown in Appendix VII, were transferred, re-appropriation was injudicious as the actual expenditure exceeded the original provision before such re-appropriation.

6.2.5 Unauthorised re-appropriation

On the recommendations of the Public Accounts Committee, Government has prescribed that any order for re-appropriation which has the effect of increasing the budget provision under a sub-head by more than 25 *per cent* of the budget provision or rupees one crore, whichever is more shall be reported to the Parliament alongwith the last batch of supplementary demands for the financial year and if such re-appropriation is made after the last batch of the supplementary demands, prior approval of the Secretary (Expenditure) in the Ministry of Finance should be obtained by the Financial Advisor of the Department concerned.

Test check of accounts for the year 1995-96 revealed that in nine cases under Major Head "3225-Telecommunication services" and "5225-Capital outlay on Telecommunication services" as detailed below, the re-appropriation made after the last batch of the supplementary demands, exceeded the twin limits of rupees one crore and 25 *per cent* of the sanctioned provision but the department did not obtain prior approval of Secretary (Expenditure). Not a single case was reported to the Parliament during the last batch of supplementary.

Table 6.2.5 Unauthorised re-appropriation

Sl. No.	Sub-head 3225 - Telecommunication services		Amount (Rs in crore)	Percentage of re-appropriation to budget provision
1.	B-1(1)	Direction and Administration	O- 12.66 R- 6.55	51.74
2.	B-2(1)	Operational Training	0- 3.27 R- 2.09	63.91
3.	B-7(1)	Amenities to staff	O- 18.15 R- 4.67	25.73
4.	B-8(4)	Gratuities	O- 23.66 R- 10.05	42.48
5225 - Capital Outlay on Telecommunication services				
5.	BB-4(2)	Other trunk calls systems	O- 43.20 R- 18.00	41.66
6.	BB-4(7)	Voice Frequency Telegraphy	O- 7.56 R- 2.00	26.46
7.	BB-5(2)	Training centres	O- 16.82 R- 5.00	29.73
8.	BB-5(3)	Technical and Development Circle	O- 0.54 R- 1.00	185.19
9.	BB-5(5)	Telecommunication factories	O- 1.05 R- 5.00	476.19

6.2.6 Recoveries in reduction of expenditure

The demands for grant are for the gross amount of expenditure i.e. inclusive of recoveries arising from use of stores etc., procured in the past or expenditure transferred to other Department or Ministry. While Appropriation Audit is done by comparing the gross expenditure with the gross amount of grant, the excess and shortfall in recoveries indicate inaccurate estimation of recoveries and defective budgeting.

The actual recoveries were more than the estimated recoveries under both Revenue and Capital sections. In the Revenue section, against estimated recoveries of Rs 629.00 crore, actual recoveries were Rs 680.92 crore while in the Capital section, against estimated recoveries of Rs 6955.00 crore, the actual recoveries were Rs 7316.16 crore.

CHAPTER 7

REVENUE

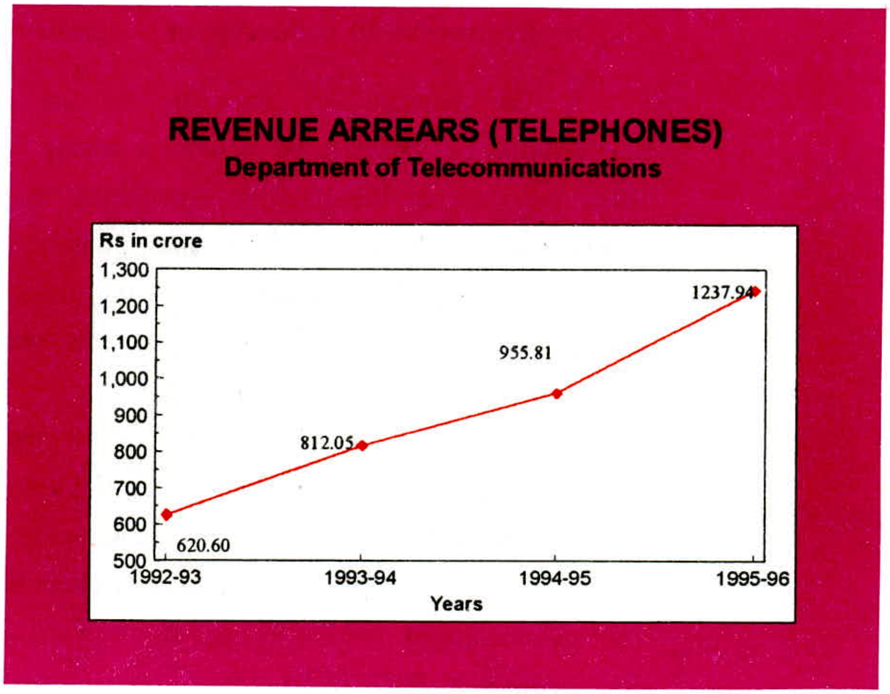
7.1 Revenue arrears

7.1.1 The position of arrears, demand raised, and amount collected for telephone services for the four years ending March 1996 is given below:

Table 7.1.1 Revenue arrears (telephones)

(Rs in crore)

Year	Arrears as on 1 April	Demand raised during the year	Total demand (2+3)	Amount collected during the year	Arrears at the close of the year (4-5)	*Per cent* of total demand raised during the year (6 ÷ 3x100)
1.	2.	3.	4.	5.	6.	7.
1992-93	439.82	3896.98	4336.80	3716.20	620.60	15.93
1993-94	620.60	5216.37	5836.97	5024.92	812.05	15.57
1994-95	812.05	6400.29	7212.34	6256.53	955.81	14.93
1995-96	955.81	8084.74	9040.55	7802.61	1237.94	15.31



The arrears of telephone revenue have been increasing over the years. At the end of March 1996, the arrears increased to Rs 1237.94 crore as compared to Rs 620.60 crore at the end of March 1993. It calls for effective monitoring system to ensure prompt recovery.

7.1.2 An Age-wise analysis of the amount outstanding on 1 July 1996 was as under:

Table 7.1.2 Outstanding telephone revenue

(Rs in crore)

Year	Amount
Upto 1986-87	16.18
1987-88 to 1994-95	480.99
1995-96	363.56
1996-97 (upto June 1996)	484.65
Total	**1345.38**

The table indicates that over Rs 16 crore are outstanding for more than nine years and Rs 480.99 crore are outstanding for more than one year.

7.1.3 Category-wise break up and the total telephone dues as at the end of June 1995 and June 1996 were as under:

Table 7.1.3 Category of subscribers having dues

(Rs in crore)

Category of subscribers	Amount at the end of	
	June 1995	June 1996
Central Government	31.54	36.59
State Governments	136.32	15. 60
Defence Organisation	21.96	27.31
Private Parties	867.58	1123.88
Total	**1057.40**	**1345.38**

The department in the remedial/corrective action taken notes in respect of paras 7.1.1, 7.1.2 and 6.1.1, 6.1.2 of the Report of the Comptroller and Auditor General of India for the years ended 31 March 1991 and 1992, Union Government (Posts and Telecommunications) stated that collection efficiency of telephone revenue is monitored at the Directorate level by fixing performance targets for the units twice a year.

7.1.4 According to departmental instructions, the department is required to furnish to Audit by 31 August every year the particulars of the revenue outstanding for recovery as at the end of June every year. However, the requisite information was not received even by 30 November 1996 from seven out of 21 Circles/Telephone Districts.

7.1.5 Write off

Dues amounting to Rs 34.05 lakh were written off, during 1995-96, in seven Circles/Districts. Reasons for their write off were as given below:

Reasons	*Per cent*
Whereabouts of subscribers not known	72.5
Solvency of the subscribers not established	7.4
Closure of subscribers firms or concerns	4.7
Death of subscribers	3.4
Departmental files not available and other reasons	12.0
Total	**100.0**

7.1.6 Cases under litigation

In seven Circles, recovery of Rs 18.12 crore was under litigation as on 1 July 1996. The progressive position was as follows:

Table 7.1.6 Cases under litigation

(Rs in crore)

	Numbers	Amount involved
Cases under litigation as on 1 July 1995	9319	11.25
Cases in which litigations commenced during July 1995 to June 1996	6568	15.35
Cases decided during July 1995 to June 1996	5217	8.48
Cases remaining undecided during July 1995 to June 1996	**1351**	**6.87**
Cases under litigation as on 1 July 1996	10670	18.12

Out of Rs 8.48 crore disputed in 5217 cases in which decisions were given during the year, only Rs 1.37 crore in 2561 cases was decided in favour of the department.

7.1.7 Arrears of rent of telegraph, teleprinter and telephone circuits and telex/intelex charges

Arrears of revenue on renting of telegraph, teleprinter and telephone circuits and telex/intelex connections to the various categories of subscribers are indicated below:

Table 7.1.7 Revenue in arrears (telegraph, telex/intelex etc.)

(Rs in crore)

Year	Arrears as on 1 April	Demand raised during the year	Total demand (2+3)	Amount collected during the year	Closing balance as on 31 March (4-5)	Arrears at the close of the year for bills issued upto end of December - of relevant financial year
1	2	3	4	5	6	7
Circuits (Telephones and Telegraph)						
1992-93	42.49	88.11	130.60	78.36	52.24	41.66
1993-94	52.24	127.97	180.21	101.40	78.81	67.64
1994-95	78.81	131.86	210.67	119.52	91.15	81.06
1995-96	91.15	132.04	223.19	126.46	96.73	84.37
Telex/Intelex charges						
1992-93	14.35	95.01	109.36	92.74	16.62	5.63
1993-94	16.62	91.76	108.38	91.70	16.68	7.30
1994-95	16.68	76.80	93.48	76.41	17.07	8.13
1995-96	17.07	60.06	77.13	58.14	18.99	10.25

The revenue arrears overdue for collection in respect of circuits have gone up from Rs 41.66 crore in 1992-93 to Rs 84.37 crore in 1995-96 and represent 7.7 months' average billing and those of telex/intelex charges from Rs 5.63 crore to Rs 10.25 crore during the same period despite decrease in the demand raised.

The department in their remedial/corrective action taken notes in respect of paras 6.1.8 to 6.1.11 and 7.1.8 to 7.1.10 of the Report of the Comptroller and Auditor General of India for the years ended 31 March 1992 and 1993, Union Government (Posts and

Telecommunications) respectively had stated that vigorous efforts were being made by the department to realise the outstanding dues promptly. The department further stated that the arrears of rent of telegraph, telephone and teleprinter circuits were reviewed periodically at various levels. Despite this assurance, the arrears have been increasing.

7.1.8 Year-wise break up of the outstanding dues as on 1 April 1996 for bills issued upto December 1995 is given below:

Table 7.1.8 Outstanding dues (circuits/telex/intelex)

(Rs in crore)

		Rent for communication circuits	Telex/intelex charges	Total
Upto	1985-86	2.68	0.52	3.20
	1986-87 to 1993-94	41.69	4.95	46.64
	1994-95	22.44	2.15	24.59
	1995-96 (upto December 1995)	17.56	2.63	20.19
	Total	**84.37**	**10.25**	**94.62**

7.1.9 Arrears of revenue to the tune of over Rs 1440 crore impinges seriously on the financial health of a commercial department like DoT. The department needs to take special steps to recover the outstanding dues.

The matter was referred to the Ministry in January 1997; their reply was awaited.

7.1.10 Recovery of revenue/liquidated damages at the instance of Audit

Test check by Audit revealed non-billing or short billing/non recovery of liquidated damages in 68 major cases involving Rs 68.68 crore due to non-receipt of advice notes in Telephone Revenue Accounts branch, issue of bills at old rates, incorrect fixation of rent and non recovery of liquidated damages from companies etc. as discussed in succeeding paragraph numbers 7.2 to 7.14. On being pointed out by Audit, the department confirmed recovery of Rs 18.34 crore as of December 1996.

7.2 Non-billing or short billing of customers

7.2.1 Non-receipt of advice notes

As per departmental rules, advice notes in respect of telecommunication facilities provided, are to be sent by the operating branch of the Telephone District to the Telephone Revenue Accounts (TRA) branch within a week of the provision of the facility to enable the TRA branch to post them in Subscribers Record Cards (SRCs) and issue bills to the subscribers. TRA branch is to obtain a list of non-directory items from the operating branch in April each year and check it with SRCs to ensure that the rent in respect of all the telecommunication facilities had been recovered.

Cases of delayed billing/non-billing due to non-receipt of advice notes for telecommunication facilities by TRA branch of the department noticed during test-check are being commented upon in the Report of the Comptroller and Auditor General of India every year. However, despite department's assurance that no telephone facility was being released without issuing the advice notes and completing the formalities, the deficiency persists due to deficient internal control system. Test check by Audit revealed short billing/non-billing of Rs 1.77 crore in six Telecommunication Circles involving 16 cases as shown in Appendix VIII.

On being pointed out by Audit, the department recovered Rs 1.11 crore. Recovery particulars of the balance amount were awaited as of December 1996.

The matter was referred to the Ministry between May and August 1996. Their reply to all cases except at serial numbers 6, 15 and 16 were awaited as of December 1996. Ministry has accepted the facts and figures in other cases, but they have not suggested any remedial measures.

7.2.2 Bills issued at old rates

Tariff for certain telecommunication services including rental charges for speech circuits, was revised with effect from June 1988 and November 1992. Cases of short recovery of rental due to non-application of revised tariff by the TRA branch of the Department were commented upon in the Reports of the Comptroller and Auditor General of India, Union Government (Posts and Telecommunications) for the years 1987-88 to 1994-95. In response to audit observation, the department issued instructions in September 1991 to avoid recurrence of such cases. The deficiency, however, persists.

The amount of short recovery of revenue on this account as revealed in test check, has gone up from 17.68 lakh in 1987-88 to Rs 88.21 lakh in 1995-96 in seven Telecommunication Circles in 11 cases as shown in Appendix IX. On being pointed out by Audit, Rs 76.34 lakh have been recovered. Recovery particulars of the balance amount were awaited as of December 1996.

The Ministry in their reply of September and October 1996 accepted the facts in all cases except at serial number 10.

7.2.3 Short/Non realisation of revenue from Railways

(a) Railways are required to obtain prior authorisation from DoT for laying Railway Electrification cables. In the absence of such authorisation, the charges towards protective works carried out are to be regulated as per normal departmental rules i.e., total cash expenditure and stores including departmental charges for establishment, freight and indirect charges on stores.

Department recovered an amount of Rs 10.69 lakh from Railways at the instance of Audit

Scrutiny of the records of TDM, Bilaspur under Madhya Pradesh Telecom Circle revealed that the department did not recover Rs 10.69 lakh towards the charges for protective works from Railways in respect of works carried out by them without authorisation of DoT. On being pointed out by Audit, the amount was recovered in December 1995.

(b) Departmental rules further provide that estimates for the works carried out on behalf of Railways on contribution basis should be revised where the actual cost exceeds the estimated cost by more than 20 *per cent.*

North Eastern Railway, Bareilly placed a firm demand in September 1987 for shifting of Bareilly-Bhojpur C-8 alignment and laying of underground cable in the section *ibid.* The work was completed in October 1988 and an expenditure of Rs 6.73 lakh was incurred as against initial estimate of Rs 1.93 lakh which was paid by the Railways in May 1988.

Non-revision of estimate led to short recovery of Rs 5.35 lakh from Railways

Scrutiny in July and September 1992 revealed that the department failed to revise the estimate even though the actual expenditure exceeded estimated cost by more than 20 *per cent.* This resulted in short recovery of shifting charges of Rs 5.35 lakh.

On being pointed out by Audit the department issued revised bill for Rs 5.35 lakh after adjusting the amount already paid in September 1992. The recovery was awaited as of December 1996.

7.2.4 Short billing of rent on private data network

Short billing of Rs 163.07 lakh from private data network

As per departmental rules, rent for a data circuit provided for private data network is to be levied at double the normal rent of the data circuit. In two cases shown in Appendix X, the department did not collect the rent as per the rules. This resulted in short recovery of rent Rs 163.07 lakh for the period November 1988 to March 1995.

On being pointed out by Audit, Ministry while accepting the facts in October 1996, stated that full amount in respect of first case was recovered and Rs 64 lakh was recovered in respect of the second case from the Indian Airlines, the balance is to be recovered in two instalments. Recovery particulars of these two instalments were awaited as of December 1996.

7.2.5 Continuation of telephone connections despite non-payment of dues

Cases of non-realisation of telephone bills have been included in the Reports of the Comptroller and Auditor General of India for the years ended 31 March 1991 to 1995.

Further scrutiny of records in January 1996 disclosed that GMT, Faridabad, failed to realise telephone bills aggregating to Rs 1.18 crore in 429 cases during November 1990 to October 1995. On being pointed out by Audit, Rs 8.14 lakh were recovered in October 1996. The total number and amount of unrealised bills in individual case ranged between one and 20 and Rs 0.03 lakh and Rs 17.49 lakh.

In spite of large number of bills outstanding against individual subscribers, GMT, Faridabad failed to disconnect the telephone connections in accordance with the rules stipulating that failure to pay the bills within 15 days attracts disconnection, which allowed the outstanding bills to mount.

Of the 429 cases, the GMT, Faridabad closed 236 cases involving total amount of Rs 51.31 lakh in October 1995.

Ministry stated in their reply, in June 1996, that all telephone connections were since disconnected.

7.2.6 Other reasons

Failure to implement departmental rules led to short/non recovery of revenue of Rs 3.75 crore.

Test check in audit revealed short/non realisation of rent amounting to Rs 3.75 crore in 24 cases in fourteen Telecommunications Circles as shown in Appendix XI. The short/ non-realisation were mainly due to omissions like incorrect fixation of rent, failure to post completed advice notes, issue of bills and advice notes, non-revision of rent after expiry of guarantee period, non revision of rent based on actual cost or equipped capacity of exchanges, non-recovery of installation charges, non recovery of compensation for damages to departmental property etc. On being pointed out by Audit, department recovered Rs 2.36 crore. The balance was yet to be recovered.

Though similar irregularities were pointed out in earlier Reports of the Comptroller and Auditor General of India, the irregularity is not only persisting, the magnitude of the same has increased from Rs 27.58 lakh in 1992-93 to Rs 3.75 crore in 1995-96.

The matter was referred to the Ministry during April-July 1996. Their reply was awaited in 12 out of 24 cases included in the Appendix XI. In the cases at serial numbers 1, 2, 3, 6, 8 to 11, 13, 17, 18 and 24 of the Appendix, the Ministry accepted the facts.

7.3 Non realisation of licence fee, space segment charges, etc. for a data network

DoT failed to realise licence fee and space segment charges, penal interest on default in payment thereon, liquidated damages etc. aggregating to Rs 25.74 crore from licensees.

Following the opening of value added services in Telecommunication system to the private sector DoT issued licences to 13 companies for a period of three years for Closed User Group (CUG) domestic 64 kilo bytes per second (Kbps) data network via INSAT satellite system connecting various sites scattered through the country, using VSATs.

Scrutiny of document relating to CUG data network disclosed the following:

Seven of the 13 licensees failed to commission the services

(i) DoT entered into agreement with the licensees during August 1994 to October 1995, under which this value added service should have been commissioned by all 13 companies within 12 months of the agreements effective date, i.e. the date by which the leasing agreement comes into effect. The system has, however, not been commissioned by seven companies as of December 1996. The time elapsed after the effective dates have crossed the outermost time limit of 12 months by two to seven months.

DoT failed to levy liquidated damages of Rs 180 lakh

(ii) The date of delivery of the service was deemed as the essence of the licence. The agreement provided for liquidated damages at Rs 2.50 lakh for each week's delay or part thereof in commissioning the service, subject to maximum of Rs 20 lakh, and for delay beyond eight weeks, the licence was to be terminated. DoT failed to levy liquidated damages of Rs 180 lakh for total delay of 261 weeks by 10 licensees as of December 1996. Besides, it has not terminated the agreement for delay of over eight weeks in commissioning the service in respect of eight companies. Since the agreement provided for liquidated damages of a maximum of eight weeks only, failure of DoT to terminate the agreement has left the period of delay beyond eight weeks questionable.

DoT failed to recover license fee of Rs 1105 lakh from licensees

(iii) A licence fee of Rs 50000 *per annum* per VSAT subject to a minimum of Rs one crore was payable per year for the first two years and Rs 1.5 crore in the third year. The minimum amount of licence fee was to be revised thereafter. The year, for the purpose of charging the licence fee for the first three years, was to be reckoned as twelve months beginning with the date of commissioning of the service or twelve months from the date of signing of the licence agreement, whichever was earlier. 10 *per cent* licence fee was payable before signing of the agreement and 15 *per cent* was payable ten days prior to commissioning/operation of the services for the first quarter. For the next 11 quarters, licence fee was to be paid in advance 10 days prior to the quarter to which it relates, DoT did not recover licence fee aggregating Rs 1105 lakh as of December 1996 from licensees though the time limit of commissioning within 12 months from the date of signing of the agreement or effective date for levy of licence fee had elapsed in all cases.

DoT did not recover space segment charges of Rs 854 lakh inclusive of reservation charges

(iv) Space segment charges recoverable in advance as per the terms of the agreements were either not recovered or recovered partially from seven out of thirteen companies resulting in short realisation of Rs 809 lakh and reservation charges of Rs 45 lakh upto December 1996.

Non recovery of interest of Rs 415 lakh

(v) Interest at the highest commercial lending rate of State Bank of India was realisable for default in payment of licence fee and space segment charges. DoT failed to realise interest of Rs 415 lakh as of December 1996 from all thirteen licensees for default in payment of licence fees (Rs 1105 lakh) and space segment/ reservation charges (Rs 854 lakh).

DoT failed to recover licence fee against the bank guarantee

(vi) In terms of the agreement in cases of default in payment of licence fee for a maximum period of three months, DoT was to recover the amount against the bank guarantee. Besides it retained the option to discontinue the services for such default. DoT, however did not recover the amount of licence fee against the bank guarantee from the licensees who defaulted in payment of licence fee by more than three months.

Unintended benefit of Rs 20 lakh to licensees

(vii) Non-recovery of liquidated damages in time rendered an unintended benefit of Rs 20 lakh towards interest on overdue amount to the defaulting licensees.

The department in their reply of 2 January 1997 stated that Rs 327.56 lakh was received as Space segment charges (i.e. after the audit para was issued in August 1996) while bills for Rs 437.20 lakhs were issued in December 1996.

Regarding licence fee to be paid, the department stated that the licence fee payment schedule should commence on the completion of 12 months from the date of signing of the licence agreement or from the date of commencement of service, whichever was earlier. The contention of the department is not acceptable as para 1.0 of schedule 'B' of the licence agreement clearly states that "the year for the purpose of charging the licence fee for the first three years, shall be reckoned as twelve months beginning with the date of commissioning of the service or twelve months from date of signing of the agreement whichever is earlier". In fact, the first licensee who commissioned the network in February 1995 and is a major service provider having a network share of 56 *per cent* of total VSAT in the country had also made the first payment of licence fee of Rs 65 lakh in February 1995 as per para 1.0 of the schedule 'B'.

Thus contention of the department is not correct and it has not been able to recover the licence fee in conformity with the provisions of the licence agreement.

The reply also indicates that licence fee of Rs 5.86 crore has since been paid by 10 companies while Rs 90 lakh has been realised by the department from encashment of the bank guarantee of one company.

Summing up:

DoT failed to realise licence fee of Rs 1105 lakh, space segment charges of Rs 854 lakh inclusive of reservation charges, and penal interest of Rs 415 lakh on account of default of licensees to pay the licence fee and space segment charges. It also failed to recover liquidated damages of Rs 180 lakh for default in commissioning the services which has an interest liability of Rs 20 lakh.

7.4 Non-realisation of licence fee etc. for paging services

DoT failed to realise licence fee, penal interest on licence fee, liquidated damages and interest thereon aggregating to Rs 12.78 crore from radio paging service licensees, of which Rs 2.17 crore was recovered on being pointed out by Audit.

Following the introduction of radio paging services in 27 Circles, DoT decided to introduce radio paging services in 19 telephone Circles of the country, sixteen of the 19 Circles were allotted two slots each while three others were allotted three slots each; bringing the total number of slots throughout the country to 41. Licence for 34 slots in 19 Circles were allotted to 11 radio paging firms. Seven slots in six Circles were yet to be allotted as of September 1996.

Scrutiny of document relating to radio paging services disclosed the following:

Radio paging services were not commissioned in any circle

(i) DoT entered into agreements with the contractors during June-August 1995 under which the radio paging services should have been commissioned in all Circles within 12 months of the agreements or effective date indicated therein, but the system has not been commissioned in any Circle as of December 1996, even though the time elapsed after the agreements/effective dates indicated in the agreement have crossed the outermost time limit of 12 months in 31 slots by over four to six months.

DoT failed to levy liquidated damages of Rs 4.96 crore

(ii) The agreement provided for liquidated damages at Rs one lakh for each weeks delay in commissioning the service, subject to a maximum of Rs 20 lakh, beyond which the licence was to be terminated. DoT has failed to levy liquidated damages of Rs 496 lakh for total delay of 639 weeks in 29 slots for 10 licensees. Besides, it has not terminated the agreement for delay of over 20 weeks in commissioning the service for 13 slots in seven Circles. Since the agreement provided for liquidated damages of a maximum of 20 weeks only, failure of DoT to terminate the agreement has left the period of delay beyond 20 weeks questionable.

DoT failed to recover licence fee of Rs 698.80 lakh, out of which Rs 209 lakh was recovered at the instance of Audit

(iii) 15 *per cent* licence fee was payable 10 days prior to commissioning/operation of the services or completion of 12 months from the date of signing of licence of agreement whichever is earlier and licence fee for the balance period of the first year was to be paid in advance 10 days prior to the date of commissioning. DoT did not recover licence fee aggregating to Rs 698.80 lakh from 10 licensees for 29 slots though the time limit of commissioning within 12 months from the date of agreement or effective date for levy of licence fee had elapsed in all cases. Out of the total amount overdue, DoT recovered Rs 209.00 lakh after being pointed out by Audit. One licensee, Punwire Paging Service Limited accounted for Rs 370.66 lakh and another, namely, Microwave Communications Limited accounted for Rs 67.65 lakh.

Non recovery of interest of Rs 46.03 lakh

(iv) Rs 46.03 lakh towards interest at the rate of 20 *per cent* was realisable from nine licensees for default in payment of licence fee as of March 1996. Out of this, DoT realised only Rs 8.27 lakh from one licensee on being pointed out by Audit.

DoT failed to recover licence fee out of the bank guarantee

(v) In terms of the agreement in cases of default in payment of licence fee for a maximum period of three months, DoT was to recover the amount against the bank guarantee. Besides, it retained the option to discontinue the services for such default. DoT, however, did not recover the amount of licence fee against the bank guarantee from the licensees who defaulted in payment of licence fee by more than three months.

Unintended benefit of Rs 36.70 lakh to licensees

(vi) Non-recovery of liquidated damages in time rendered an unintended benefit of Rs 36.70 lakh towards interest on overdue amount to the defaulting licensees.

Summing up:

DoT failed to realise licence fee of Rs 6.99 crore and penal interest of Rs 46.03 lakh on account of default of licensees to pay the licence fee out of which Rs 2.17 crore was recovered upon being pointed out by Audit. It also failed to recover liquidated damages of Rs 496 lakh for default in commissioning the services which has an interest liability of Rs 36.70 lakh . Above all, failure of DoT to take action to terminate the agreement on account of failure of the licensees to commission the services as well as default in payment of licence fee has left the intending subscribers without this value added facility.

The matter was referred to the Ministry in October 1996; their reply was awaited as of December 1996.

7.5 Non recovery of liquidated damages from Radio Paging companies

DoT failed to realise the liquidated damages of Rs 7.07 crore and loss of interest of Rs 1.17 crore thereon due to undue favour to radio paging companies

DoT invited tenders in June 1992 from registered Indian companies for providing Radio Paging service in various cities of the country and issued letters of intent to 17 companies, 16 of them signed the licence agreements between June 1994 and April 1996.

Licensees had not applied for SACFA clearance within the stipulated time of four weeks

Licence agreement entered with the Radio Paging companies stipulated that the licensees were required to install and run applicable systems within 12 months of the effective date. In case, the licensee failed to bring the service or any part thereof into commission within the period prescribed for the commissioning, DoT was entitled to recover Rs one lakh for each week of delay or part thereof subject to a maximum of Rs 15 lakh for each service area. In case of delays of over 20 weeks, the licence was to be terminated. However, the delay on account of clearance by Standing Advisory Committee on Frequency Allocations (SACFA) was not to be accounted for calculation of liquidated damages, if the SACFA application had been filed by the licensee within four weeks of the date of signing licence agreement.

Out of 16 licensees only four provided the radio paging service

Test check of the records of DoT in September-October 1996 revealed that out of 16 licensees, only four provided the Radio Paging service in 27 cities for which they had received the licences within a year.

Extension was granted by MOS(C) without levy of liquidated damages

Other four companies viz. Easy-call Communications India Private Limited, ABC Communications India Private Limited, Tele System India Private Limited and Matrix Paging India Private Limited which could not commission their systems within a year of signing the licence agreement sought extension from DoT. Telecom Commission granted an extension of eight weeks subject to payment of liquidated damages on 24 July 1995. Subsequently the firms directly appealed to the Minister of State (Communications)

{(MOS(C)} who issued directions on 30 July 1995 to allow them the extension in delivery period without liquidated damages. Strangely, all the four firms appealed to the MOS(C) on 28 and 29 July 1995 and the MOS(C) gave his orders on the basis of facts brought out by the applicants themselves within two days.

Analysis of the reasons advanced by the parties for grant of extension without liquidated damages revealed that these were not valid. Though these companies sought extension on the grounds of delay in clearance by SACFA and FIPB approval, they took nearly five to 15 months for submitting their applications for SACFA clearance as against the prescribed period of four weeks while in some of the cities no application had been submitted so far as of October 1996.

Extension was granted to Beltron Telecommunication Limited, Patna without liquidated damages for all the six cities although the delay in frequency allotment was for only in one city

In the case of Beltron Telecommunication Limited, Patna, the extension in delivery period without liquidated damages was granted due to departmental negligence. The said company, could not commence the service in six cities viz. Amritsar, Ludhiana, Nagpur, Patna, Surat and Varanasi within one year as per the agreement and applied for extension on the ground that Wireless Planning Cell (WPC) wing of DoT changed the frequency after 16 months of allocation (allocation was made in July 1994) because it was found to be identical to those of a different operator operating in the same city viz. Varanasi. Resultantly, the company had to order for necessary changes in the new systems due to allotment of a different frequency. Due to negligence of the WPC wing, this company was granted extension without liquidated damages for all six cities, although WPC's delay was responsible for only one city.

Four other companies were granted extension without levy of liquidated damages

Similarly, four other remaining companies, DSS Mobile, Western Pager, Page Point and Microwave, which did not commence their radio paging service, had also to be given extension without levy of liquidated damages on the basis of earlier precedence.

The cumulative effect of the above mentioned facts was loss of Rs 7.07 crore on account of non levy of liquidated damages and Rs 1.17 crore on account of penal interest thereon.

The matter was referred to the Ministry in November 1996; their reply was awaited as of December 1996.

7.6 Non realisation of Rs 2.84 crore towards licence fee, liquidated damages and interest

DoT failed to realise Rs 2.84 crore towards licence fee, liquidated damages and interest on defaulted payment from licensees of E-mail service.

DoT decided to franchise value added services to the Indian registered companies on a non-exclusive basis. Electronic Mail Services (EMS) is one of the value added service for which 14 registered companies were given licences during the period January 1994 to January 1996.

Licence agreements entered into for a period of five years with the licensees *inter-alia*, envisaged the following:

— licensees were required to pay annual licence fee of Rs 25 lakh for the first two years, Rs 35 lakh for the next two years and Rs 50 lakh for the fifth year;

— the licence fee was required to be paid in advance every year in four quarterly instalments;

— the licensees were to commission the services within the stipulated period of one year of signing the agreement atleast in five service areas, failing which licensees were to pay liquidated damages of Rs 5000 per week subject to maximum of Rs one lakh for each service area. The licence was to be terminated for delay in commissioning the services exceeding 20 weeks.

— In case of default of payment or belated payment of licence fee, interest was to be levied at the highest commercial rates of State Bank of India for each week of the delay or part thereof.

Only eight of the 15 companies commissioned their service within the stipulated period

Scrutiny of records of DoT in August-September 1996 revealed that out of 15 companies who were granted licences, only eight commissioned their service within one year of signing the agreement, four commissioned the service after one year while one had not commissioned the service till December 1996. The remaining two companies had not yet completed the stipulated period of one year as of December 1996.

Licence fee of Rs 2.34 crore remains unrealised

Licence fee of Rs 6.60 crore was recoverable from 12 firms upto September 1996, only Rs 4.26 crore was recovered leaving the balance of Rs 2.34 crore unrealised as of September 1996. Further, four companies who commissioned their service after completion of one year from the date of signing of the licence agreement and three others who were yet to commission the services were liable to pay liquidated damages of Rs 17.50 lakh. However, the department did not recover the liquidated damages from any of them. Besides, penal interest of Rs 0.33 crore on over due licence fee and liquidated damages was also recoverable from them.

The matter was referred to the Ministry in October 1996; their reply was awaited as of December 1996.

7.7 Short realisation of rentals due to non-fixation of final rent

Departmental failure to finalise the rental resulted in short realisation of Rs 3.69 crore.

Final rent and guarantee for all telecommunication services are to be quoted to the customers before commissioning of the services. In cases where this cannot be done due to certain unavoidable circumstances, the final amount of rental should be quoted within a year of commissioning of the service.

The Director General, Doordarshan placed a firm demand in November 1982 for provision of a TV bearer channel between Kanpur and Varanasi with TV end links at Varanasi and Allahabad. The project estimate for the work was sanctioned at an estimated cost of Rs 1.18 crore in January 1985. Based on the estimated cost, the tentative rental for the facility was fixed at Rs 76.63 lakh *per annum*. The facility was, however, commissioned in February 1993 at a cost of Rs 1.83 crore.

Short realisation of rental on TV bearer channel amounting to Rs 3.69 crore

Scrutiny in April 1996 revealed that although the final rent based on total expenditure incurred worked out to Rs 89.72 lakh *per annum*, the department failed to finalise the rent and continued to recover the provisional rent. This resulted in short realisation of Rs 3.69 crore for the period February 1993 to March 1997. On being pointed out by Audit, the department issued revised bill in April 1996 and Rs 2.18 crore had been realised. Recovery of balance amount of Rs 1.51 crore was awaited as of August 1996. Ministry has accepted the facts in August 1996.

7.8 Non-realisation of licence fee - National Stock Exchange

Department failed to recover the licence fees, interest and space segment charges amounting to Rs 3.26 crore.

DoT opened the value added services sector to Private Registered Companies in April-May 1992. A CUG domestic satellite data network is one of such value added services. DoT granted 13 licences to various companies for running such satellite network during August 1994 to October 1995. Under the licence agreement, a licensee is required to pay a definite sum calculated on the basis of the prescribed rate to DoT in consideration of getting a non-exclusive licence to establish, maintain and operate satellite based domestic data network. The licensee is authorised to charge tariff from the beneficiaries within a prescribed ceiling.

Terminals were to be used by stock brokers and money market agents only

DoT granted a licence in October 1994 to National Stock Exchange of India Limited for installation, maintenance and operation of a private non-profit closed user group satellite based data network (NSENET) for a period of three years. The licence did not provide for any access to Public Switched Telephone Network (PSTN)/Telex etc. and the terminals would exchange data among CUG of NSENET only. The terminals were to be used by stock brokers and money market agents. The authority to provide the VSAT terminals vests with NSE.

Scrutiny of record in DoT by Audit during July-August 1996 revealed the following irregularities:

Licence not issued by designated authority

(i) The approval in principle was granted to NSE in January 1994 by Senior Deputy Director General (CS) while this power rests with Director General (Telecom) designated as Telegraph Authority as per the provision of Indian Telegraph Act 1885. This power is not delegated to any other authority and therefore, assumption of this power by Senior Deputy Director General was irregular and violation of the provisions of the Indian Telegraph Act. The proposal was also not examined by the expert committee which normally examined such proposals nor did he obtain approval of integrated Finance before issuing the licence.

Licence issued without fixing licence fee

(ii) Senior Deputy Director General (CS) issued the licence without fixing the licence fee. Strangely, the question of the amount and manner of payment of licence fee was left uncertain in as much as it was stipulated in the licence agreement that NSE would pay a licence fee with retrospective effect, as and when fixed by Telegraph authorities.

(iii) DoT took about two years to fix the licence fee in August 1996 at Rs 16000 *per annum* per terminal subject to a minimum of Rs 16 lakh. Based on the number of terminals provided by NSE, the delayed fixing of the licence fee resulted in accumulation of arrears of Rs 134 lakh for the period November 1994 and July 1996 out of which Rs 86 lakh was still outstanding as of November 1996 with interest impact of Rs 7.11 lakh.

DoT did not fix and recover licence fee for more than two years

(iv) Strangely, DoT did not fix and recover the licence fee for more than two years until the documents relating to this project were requisitioned by audit in June 1996. On scrutiny of the documents, subsequently made available in August 1996, it was revealed the process of fixing of licence fee was initiated only in June 1996 and the documents were made available immediately after fixing the licence fee in August 1996.

(v) The licence agreement did not provide for sale of Telecommunication services and as such, NSE was not authorised to generate profit from the network. The department did not prescribe any guidelines for licensee in respect of tariff and left it open ended etc. thus giving the latter blanket powers to raise resources. Nor did DoT prescribe any methodology to ensure that NSE was not making any profit from the Network although more than 1000 VSATs are already in operation in the network. The case for working out a methodology to arrive at a mutually agreed way to ensure non-profit operation of the network was pending in the Legal department since March 1995.

Failure to invoke provisions for violation of terms and conditions led to non levy of Rs 3.19 crore

(vi) MTNL, Mumbai in violation of the licence agreement terms entertained the request of NSE for PSTN connectivity for 30 lines and wanted DoT to issue the amendments for PSTN connectivity accordingly. DoT, however, advised MTNL in May 1996 not to entertain any further request for PSTN connectivity without their approval and desired that NSE should approach it for necessary clearance. PSTN connectivity provided the users of NSENET with unlimited field for data exchange through the public switched Telecom network. MTNL violated the terms and conditions of the licence agreement by providing the connectivity to NSE. However, despite this, DoT did not invoke provision of the licence agreement to encash the bank guarantee of Rs one crore for violation of the terms and conditions of the licence nor did it levy commercial rate of licence fee, which is Rs 50000 per terminal in place of Rs 16000 for non-profit network with a minimum of Rs one crore in place of Rs 16 lakh only for the former. The omission led to a non-levy of Rs 3.19 crore on NSE inclusive of short recovery of licence fee of Rs 86 lakh.

Delayed allotment of transponder to NSE led to a potential revenue loss of Rs 1.82 crore

(vii) NSE requested for additional quarter of a transponder for meeting its additional requirement of VSATs for its stock brokers/ money market agents etc. in May 1995, but the department did not accede to their request inspite of having adequate transponder capacity. This was, however, acceded to in November 1996. The delayed decision for allotment of transponder to NSE caused a loss of potential revenue of Rs 1.82 crore, as DoT could have realised this amount for space segment charges of transponder for the period May 1995 to May 1997. Besides, additional revenue at the rate of Rs 16000 per VSAT *per annum* was also foregone.

The matter was referred to the Ministry in December 1996; their reply was awaited.

7.9 Short billing in respect of `Hong Kong Bank-net'

DoT recovered Rs 1.19 crore short realised for Hong Kong Bank-net due to incorrect application of tariff. Delay in realisation resulted in loss of interest of Rs 0.57 crore.

Based on the approval of DoT in August 1993 for installation and operation of a private telecommunication network known as `HONG KONG BANK-NET' for data communication on leased lines by Hong Kong And Shanghai Banking Corporation, Mumbai, eight intercity circuits were commissioned between October 1993 and March 1994. This network was termed as CUG. The rate of rentals to be charged for such network was double the rate applicable to the single party network.

Chief General Manager Telecom (CGMT), Maharashtra Circle, Mumbai was nominated as Controlling and Billing Authority.

Incorrect levy of rental led to short realisation of rent of Rs 1.19 crore and loss of interest of Rs 0.57 crore thereon

Test check of documents in August 1995 disclosed that out of eight circuits provided, six circuits were billed at the rate applicable to single party network instead at double the rate resulting in short realisation of rent of Rs 1.19 crore along with loss of interest of Rs 0.57 crore thereon. Remaining two circuits were billed correctly at CUG rates.

On being pointed out by Audit in September 1995, a supplementary bill for Rs 1.19 crore was issued in October 1995 by CGMT, Mumbai and the amount was realised in January 1996. Ministry accepted the facts in September 1996.

7.10 Non-realisation of revenue due to delay in framing rules

Delay in framing of rules and guidelines for disconnection in case of non payment of VSATs resulted in accumulation of arrears of Rs 95.48 lakh.

DoT established a satellite based network named Remote Area Business Message Network (RABMN) in July 1991 to meet primarily the growing demand for non-voice services of subscribers located in the remote areas of the country. The network uses space segment capacity of the INSAT space craft and consists of master (HUB) satellite earth station and large number of micro earth stations named as VSAT located at the premises of the subscribers.

Accumulation of arrears amounting to Rs 95.48 lakh due to failure to finalise guidelines

Scrutiny of records of the Director, RABMN, in June 1995, revealed that though the department issued bills for the VSATs provided for the subscribers, a number of them failed to pay the dues within the due dates and continued to enjoy the facility without payment of dues. Although the network was established as late as in 1991, the Director, RABMN was helpless in the matter as DoT finalised the guidelines only in August 1996 for default in payment of the bills issued.

Thus, delay in framing rules and guidelines resulted in accumulation of arrears of Rs 95.48 lakh for the period from March 1993 to March 1996 in 123 cases besides loss of interest on the revenue in arrears.

The Ministry stated, in September 1996, that Rs 86.20 lakh had been recovered and out of balance of Rs 9.28 lakh, Rs 8.06 lakh remained unadjusted against Central Government and public sector undertaking and Rs 1.22 lakh were outstanding against private parties.

7.11 Non recovery of departmental charges due to withdrawal of firm demand

Non adherence of rules for cancellation of firm demand led to short recovery of Rs 27.34 lakh from Doordarshan.

Departmental rules provide that charges for cancellation of firm demand after the issue of stores should be claimed within three months from the date of cancellation.

On a firm demand being placed by Doordarshan in August 1987 the GM, Telecom Projects, Chennai sanctioned a project estimate of Rs 1.32 crore on rent and guarantee basis in October 1988 with its completion by 1990-91. Meanwhile, Doordarshan withdrew their demand in October 1991.

It was noticed that department did not observe the departmental rules resulting in non-recovery of Rs 27.34 lakh towards cancellation charges. The stores worth Rs 2.41 crore procured for the project were lying unused for the last five years.

On being pointed out by Audit, bills for the entire amount of Rs 27.34 lakh were issued in April 1995. Recovery particulars were awaited.

The matter was referred to the Ministry in July 1996; their reply was awaited as of December 1996.

7.12 Non recovery of service tax on telephone circuits/NE lines/PBXs and PABXs Rs 22.97 lakh

Non recovery of service tax on services provided in four Telecom Districts amounted to Rs 22.97 lakh.

Government of India, introduced service tax with effect from 1 July 1994 on the services provided to subscribers by the Telegraph authority in relation to a telephone connection at the rate of 5 *per cent* of the gross amount of the bill.

Test check by Audit in September 1995 to February 1996 of four Telecom Districts, disclosed that service tax in respect of speech circuits/non exchange lines/PBXs/PABXs was not recovered resulting in non recovery of Rs 22.97 lakh. On being pointed out by Audit, the CGMT, Madhya Pradesh Circle, Bhopal took up the matter with DoT in March 1996. DoT clarified, in April 1996, that these services would come within the purview of telephone connection as service tax is recoverable on these facilities. Bills for Rs 4.70 lakh were issued by three Telecom Districts. The amount had not been paid by the parties so far. Bills for remaining Rs 18.28 lakh were yet to be issued.

The matter was referred to the Ministry in October 1996; their reply was awaited as of December 1996.

7.13 Loss due to customer's dissatisfaction

Departmental failure to provide fault free service to Army resulted in short recovery of revenue Rs 17.78 lakh.

Telecom District Engineer (TDE), Jammu under Jammu and Kashmir Telecommunications Circle provided underground cable of different types to Army at five locations in Jammu region on rent and guarantee basis in December 1990 and February 1992. Army authorities started making deductions from the year 1994-95 while making payment of the bills on the plea of faults in cable pairs. This resulted in loss of revenue of Rs 17.78 lakh for the period from June 1994 to June 1996 for the cables provided.

The department stated that no complaints were received from Army authorities regarding faulty cable pairs either at the time of handing over or thereafter.

The Ministry accepted the facts in January 1997 and stated that out of Rs 17.78 lakh pointed out by Audit, an amount of Rs 4 lakh was recovered from the Army authorities.

7.14 Delay in issue of Telephone Bills

Delay in issue of telephone bills led to delay in realisation of revenue and subsequent loss of interest of Rs 38.72 lakh.

Scrutiny of documents in Coonoor Telecommunication District in Tamil Nadu Circle disclosed that issue of telephone bills were delayed for 10 to 128 days during the period June 1994 to March 1996. As a result on an average revenue of Rs 50 lakh per billing cycle was collected after a delay of about two months. With a view to clearing the arrear, the work was entrusted to the staff on overtime basis during the period from June 1994 to December 1995.

TDE, Coonoor stated in May 1995 that the delay was mainly due to absenteeism of staff members working in telephone revenue branch and frequent defect in the Bradma machine used for preparing the bills. The reply of TDE, Coonoor lacks conviction as against the sanctioned strength of 17 staff, there were almost full strength on their rolls during the period of June 1994 to May 1995.

Thus despite enough staff and payment of overtime allowance the issue of telephone bills were delayed by about two months on an average in each billing cycle, causing delay in realisation of Rs 12.15 crore at an average of about Rs 50 lakh per month during the period June 1994 to March 1996 resulting in delay in realisation of revenue and loss of interest of Rs 38.72 lakh besides, unintended benefit to the subscribers.

The Ministry accepted the facts in November 1996.

CHAPTER 8

PERFORMANCE REVIEWS

8.1 Procurement of 2 GHz Digital Microwave system

8.1.1 Introduction

Digital microwave system is used in the Telecommunication network to provide subscriber trunk dialling (STD) facility. DoT introduced use of digital microwave system of different frequencies in its rural network in 1994-95. This review addresses the shortcomings noticed by Audit in procurement of two Giga Hertz (2 GHz) digital microwave systems for providing STD connectivity to sub-divisional/taluka headquarters and their utilisation like faulty project planning, unnecessary hasty procurement, discrimination in selection of firms for placing the orders and non-utilisation of large number of them as under:

8.1.2 Scope of Audit

The planning, procurement and utilisation of 2 GHz system was reviewed by Audit during June-August 1996 at Telecom Directorate.

8.1.3 Organisational set-up

A Deputy Director General in DoT is incharge of transmission projects. The projects were executed by CGMs Telecom Projects, Calcutta, Chennai, Mumbai, New Delhi and territorial Circles.

8.1.4 Highlights

— **Undue favour was shown to three firms by DoT by placing unnecessary supply order for 1500 microwave**

terminals at a cost of Rs 147.66 crore, although more than 1500 terminals were lying unused in Circles. Department adopted inconsistent criterion for placing orders

— **Hasty and unplanned procurement of these systems without necessary infrastructure like land, building and towers led to 2618 terminals costing Rs 282.48 crore lying unused as of October 1996.**

— **DoT failed to safeguard its interest by not providing a condition that the benefits arising out of lowering of Customs duty during the long delivery schedule would be passed on to them.**

— **Extension of delivery schedule without levy of liquidated damages provided a benefit of Rs 13.04 crore to the suppliers.**

8.1.5 Tender and Procurement

8.1.5.1 Mismatch between procurement plan and capacity installation

DoT procured 5000 digital microwave terminals during 1993-96 at a total cost of Rs 547.53 crore as shown below:

Year	Number of terminals procured			Unit rate (Rs in lakh)			Total cost (Rs in crore)
	30 channel (1+0)	120 channel (1+0)	120 channel (1+1)	30 channel (1+0)	120 channel (1+0)	120 channel (1+1)	
1993-94	1846	898	450	10.27	12.45	14.99	368.83
1995-96	1156	650	-	9.15	11.22	-	178.70
Total	**3002**	**1548**	**450**				**547.53**

Hasty decision for procurement without adequate planning

DoT invited tenders in January 1992 for 3500 terminals. It, however, took about two years to place purchase orders for 3194 terminals on 13 firms on validation basis at a cost of Rs 292.07 crore during December 1993 to March 1994. The microwave systems were required to be installed at sub divisional/taluka headquarters which warranted that DoT takes advance action for procurement of towers, land acquisition and civil construction. DoT did not even consider the need for consultation with Circles regarding availability of land as acquisition of land, a time consuming and cumbersome process, proved to be the most critical factor later for successful completion of the project. DoT also did not take the capacity of the civil construction wing for construction of buildings and erection of towers into account before placing orders for the systems. Besides, pre-construction activity involved route surveys and finalisation of routes, manpower deployment for the job and their training. As a result, it faced a serious limitation in utilising the equipment procured in haste without adequate planning leading to large number of these remaining unutilised, as would be evident from succeeding paragraphs.

8.1.5.2 Unnecessary supply order on inconsistent criterion

DoT's stand for grant of extension was not consistant

One of the firms, namely Himachal Telematics Limited (HTL), on whom supply order for 1050 terminals was placed in December 1993, while others which included Public Sector Companies ITI, BEL and OPTEL got supply orders for 32 to 450 terminals only, appealed to MOS(C) in May 1995 requesting him to place supply orders for at least 1000 units on them on the plea that in the absence of supply orders, their factory was facing closure. Examination of documents disclosed that while considering the request for extension of the delivery period of supply order in December 1994, DoT felt that if the equipment supply was hastened at that stage, they might lie idle in the store in view of inadequate infrastructure in the field. Again in February 1995, while recommending extension of delivery period against previous supply orders upto 30 June 1995, Deputy Director General (TX) categorically stated in his note that extension of time would not affect the target in view of sufficient equipment in the stock.

On receipt of the appeal from HTL in May 1995, the same officer changed his opinion within four months in June 1995 to emphasise the need for further procurement of the equipment and recommended procurement of another 1500 terminals on the ground that these were required urgently. Scrutiny of documents disclosed that until the receipt of the representation of the firm, DoT had neither assessed the requirement for this equipment during 1995-96 nor it had issued fresh tenders for further procurement. Examination of status of supply of the equipment and their commissioning disclosed that against the supply order for 3194 terminals during December 1993- March 1994, the suppliers had supplied only 2218 terminals as of June 1995 i.e., the extended date of delivery. Even out of this, DoT was able to install only 1396 terminals as of October 1996. Even HTL, who were to supply 1050 terminals against the earlier supply order within the original delivery schedule of December 1994, subsequently extended to June 1995, had supplied only 400 terminals until December 1994 and 866 terminals until June 1995.

DoT placed supply orders for stated urgency which did not exist, thereby procuring 1500 terminals not required

DoT approved placing of supply order for another 1500 terminals in June 1995 of which 956 was placed on HTL. While approving placing of supply orders for these 1500 terminals on three firms at Rs 147.66 crore (HTL-956 terminals, Shyam Telecom-410 terminals and Fujitsu Optel Limited-134 terminals), the position of supply against past orders, status of their utilisation, capacity of the department to utilise them and past experience were not taken into account. While the MOS(C) ordered placing of supply orders on these three firms due to urgency in June 1995, DoT took three months to issue supply orders on them in September 1995, which suggests that the professed urgency did not exist. The quotation for price was called for in July 1995 from only these three firms after issue of advance purchase order on them on 29 June 1995.

8.1.5.3 Inconsistent policy

It was further noticed that supply orders for 3194 terminals were placed on 13 firms in September 1993- March 1994 after completion of validation formalities, which means that DoT had

DoT's inconsistent policy resulted in exclusion of some firms from consideration zone which led to undue favour to some other firms

certified their quality meeting DoT's specifications after detailed examination of equipment. DoT, however, changed its policy to restrict the supply orders for 1500 terminals only on three type-approved firms in June 1995, though all other 10 firms had successfully passed the validation by DoT and many of them, which included Tata Telecom, BEL, Seimens and Indchem, had already completed the supplies. Interestingly, all three type-approved firms had got their type approval during April-June 1995 only. DoT did not maintain consistency in its stand and changed it in September 1995 while approving supply orders for 306 terminals valued at Rs 31.12 crore on 12 firms on whom the original supply orders were first placed during December 1993-March 1994. While approving orders for 306 terminals in September 1995, DoT did not specifically take the criterion of type approval in view. Thus, exclusion of the firms from the consideration zone for placing of orders in September 1995 whose equipment had been validated by DoT itself and who had completed their supply to the satisfaction of the department within the delivery schedule approved by them show that the main object was to favour HTL. The bid document contained a clause under which DoT had option to place add on orders upto 25 *per cent* of the quantity on them at the same price. DoT's preferred urgency could have been met better, had the supply order been placed on all firms who had passed their validation.

8.1.5.4 Unutilised terminals valued at Rs 282.48 crore

Injudicious procurement resulted in non utilisation of 2618 terminals valuing Rs 282.48 crore

Overall status of supply and utilisation of the equipment as of October 1996 disclosed that, against the supply order for a total of 5000 terminals included in the preceding paragraphs, 4014 terminals have been supplied. Out of this, DoT has been able to commission only 1396 terminals. The value of 2618 unutilised terminals at the average procurement rate was Rs 282.48 crore. This makes it evident that DoT did not have rational ground for bulk procurement, first in 1993-94 for 3194 terminals and again in 1995-96 for additional supply orders for another 1806 terminals. The decision of DoT to place supply orders in 1995-96, of which a single firm got 58 *per cent* and another got 25 *per cent*, even in the face of poor rate of commissioning already known to them by that time is questionable. It did nothing but added to the unutilised stock, besides rendering assistance to one of the suppliers.

8.1.6 Public interest not safeguarded

DoT's failure to safeguard its interest for benefit due to reduction in Customs duty during the long delivery schedule resulted in loss of Rs 4.78 crore

DoT provided a very long delivery schedule for supply of the terminals upto over a year. Since the equipment were manufactured with imported CKD/SKD parts, Customs duty was one of the important element of the cost. However, DoT did not safeguard its interest by providing for reduction in price, in case there was a drop in the Customs duty during the long delivery schedule provided to the suppliers, in spite of trend of fall in Customs duty. The Customs duty in January 1992, when the tenders were invited, was ranging between 110 and 50 *per cent ad valorem*, which was reduced to 40 *per cent* in 1994-95. Since all supplies against the supply orders of December 1993 to March 1994 were made during or after 1994-95, DoT lost Rs 4.78 crore on supply of 836 terminals upto December 1994, i.e., the original delivery schedule, and in the bargain provided unintended benefit of an equivalent amount to the suppliers. Further during September-October 1994, when the department had itself got the offer from some of the suppliers quoting lower rates for the equipment in response to the limited quotation from them for supply of 306 terminals, it did not reduce the prices for supplies to be made during extended delivery schedule.

8.1.7 Favour to suppliers

DoT's blanket extension of delivery schedule resulted in remission of liquidated damages of Rs 13.04 crore

The supply order placed during December 1993 to March 1994 contained a clause for liquidated damage at one half of one *per cent* (0.5 *per cent*) of the value of the late supply, subject to maximum of five *per cent*. The suppliers did not supply 2358 terminals upto the scheduled delivery date of 31 December 1994. Yet, DoT extended the delivery schedule to 30 June 1995, at the level of MOS(C), on a representation submitted directly to him by Telecom Equipment Manufacturer Association, on the plea that the delay in supply would not affect the target. While some of the delay was attributable to DoT on account of delay in supply of the frequency data, blanket extension by six months without liquidated damages resulted in a remission of Rs 13.04 crore. Besides, open ended supply order in the second lot, where supply was linked to furnishing of frequency details did not afford an opportunity to DoT to levy liquidated damages until frequency details were made available by them.

8.1.8 Unjustified repeat orders

The rationale of placing the supply order in 1995-96 for 1806 terminals on the basis of tenders of 1992 on the ground of urgency was not justifiable. DoT failed to obtain competitive rates, which would have gone down due to expertise developed by many firms in the intervening period and fall in Customs duty ranging between 110 and 50 *per cent* in 1992 to 25 *per cent* in 1995-96.

The matter was referred to the Ministry in October 1996; their reply was awaited as of December 1996.

8.2 High Speed Very Small Aperture Terminals Data Network (HVNET)

8.2.1 Introduction

DoT envisaged in July 1991 to provide a Satellite based High Speed (64 kbps) Very Small Aperture Terminal (VSAT) network owing to tremendous demand for such facility from various closed users groups (CUG). The network consists of a centrally located Hub-station at the existing satellite Earth Station at Yeur (Mumbai) and a number of VSATs to be located at users premises. The satellite based network was to use the space segment capacity of INSAT spacecraft or a leased transponder from any other international organisation as available.

The main objectives of HVNET was to provide services amongst the remote customers and also between remote customers and their urban counterparts for interactive computing, electronic mail, limited voice facility, access to I-Net and access to international data network through VSNL Gateway Packet Switching System (GPSS) at Mumbai.

Looking to the tremendous demand for the system, DoT mooted another proposal in June 1994 for 300 VSATs to be operated on a separate Hub-station at Bangalore. However, this was given up subsequently due to the reasons explained in para 8.2.5.2 below. The project to be commissioned by August 1994 was yet to be commissioned in December 1996 at total cost of Rs 19.16 crore even after a delay of more than two years.

8.2.2 Scope of Audit

The planning, execution and commissioning of the project was reviewed by Audit during April-May 1996 at Telecom Directorate and office of the Director (Satellite) Mumbai.

8.2.3 Organisational set-up

A Deputy Director General in DoT is incharge of satellite based projects. The project was executed by Director, Satellite, office of the CGM, Telecom Projects, Western Region, Mumbai with the assistance of Divisional Engineer Telecommunications (DET) attached to CGM Data Network, Noida, Uttar Pradesh.

8.2.4 Highlights

— **DoT took more than five years to install the network which is yet to be commissioned, while other private licensees commissioned their network within six to fourteen months of the grant of licences.**

— **While DoT allowed a firm Hughes Escorts Communications Limited to delay the commissioning of**

DoT's network, during the same period the firm commissioned their own system within six months of getting the licence. The fall out of delay was that most of the registered subscribers of DoT network withdrew. By the time DoT's network proving-in commenced in November 1996, this firm had made 513 terminals operational.

— **DoT failed to protect its interest by first including ambiguous provisions in the contract which were fully exploited by the supplier and secondly by allowing the supplier to encash 100 *per cent* payment from letter of credit without fulfilling its commitment under the contract.**

— **Due to inordinate delay in commissioning of its network and consequent withdrawal of registration by the subscribers, it abandoned phase II of the project with 300 terminals. With only 28 out of 200 terminals being subscribed as of December 1996, the project has become unviable and is not likely to meet its annual recurring expenditure of Rs 7.85 crore.**

8.2.5 Procurement of equipment

Delay in placement of purchase order

DoT sanctioned the project estimates for the network with 200 VSATs in August 1992 and September 1993 at an estimated cost of Rs 24.38 crore. The foreign exchange component funded by Asian Development Bank (ADB) was US$ 5.5 million.

Department took 18 months to finalise the global tender floated in December 1992. Advance purchase order placed on Hughes Network System, USA in September 1994 was converted into purchase order in December 1994. The equipment were supplied during September-December 1995 and the network was not yet commissioned as of December 1996.

8.2.5.1 Abnormal delay in commissioning

DoT took 50 months in instaling as compared to six to fourteen months taken by private licensees to commission the network

DoT took nearly 50 months in procurement and installation of the network after its approval against six to fourteen months taken by the private licensees to commission similar network as shown below:

DoT's network (as of December 1996)

Sl. No.	Name	Approval of the EFC	Date of Service commissioning	Time taken to commission	No. of VSATs on 31 December 1996
1	DoT	July 1992	Not yet commissioned (Proving in started in November 1996)	Not yet commissioned after 53 months	28

Private network

Sl. No	Name	Licence Agreement	Date of Service commissioning	Time taken to commission	No. of VSATs as on 31 October 1996
1	Hughes Escorts Communications Limited	August 1994	February 1995	6 months	513
2	Comsat MAX Private Limited	August 1994	August 1995	12 months	101
3	RPG Satellite Communications Limited	September 1994	September 1995	12 months	32
4	Wipro BT Limited	September 1994	November 1995	14 months	50
5	National Stock Exchange of India	October 1994	November 1994	1 month	1020 (as on December 1996
6	HCL Commet System and Services Limited	December 1994	July 1995	7 months	209
					1925

8.2.5.2 Fall-out of the delay

DoT failed to protect its interest

The inordinate delay in commissioning of the network virtually choked DoT's project as most of its registered subscribers withdrew their registration rendering the project economically unviable even before it took off. As of 31 December 1996, DoT's network had only 28 registered users. Further, DoT failed to protect its interest in the supply of the system by Hughes Network System,

The foreign supplier delayed supply while its partner commissioned the network during the intervening time

which had its own interest in an identical project in the private sector, for which licence was granted to Hughes Escorts Communication Limited in August 1994, in which the foreign supplier had a major stake. As the subsequent events, detailed in the following paragraphs would reveal, DoT allowed the foreign firm to delay the supplies while during the same period, they supplied and commissioned the private system of its collaborator which, individually is having over 55 *per cent* of VSAT terminals outside NSE network.

Another fall-out of the delay was that DoT had to abandon phase II of the project with another 300 terminals envisaged in the light of overwhelming demand for HVNET at the time of registration in May 1994 because of falling demand after commissioning of private network.

In view of this, the projected financial benefit of generating annual revenue of Rs 4.85 crore and net profit of Rs 2.89 crore on operation of 200 terminals of the first phase remained unrealisable.

8.2.5.3 Unjustifiable reasons for the delay

An analysis of the time taken by various activities of the project indicates delay as follows (as of December 1996):

DoT's mismanagement resulted in a lost opportunity to become market leader

Stages	Time taken	Delay	Reasons/ Remarks
Tender processing	24 months	6 months	Post-bid clarification on the advice of ADB
Issue of purchase orders	6 months	3 months	Delay by DoT
Supply of equipment	12 months	6 months	Resolution of method of inspection etc.
Commissioning of Network	--	14 months	Non-cooperation of suppliers
Total		**29 months**	

Had this delay been avoided, the network could have been commissioned in October 1994 and the department would have retained its clientele and become the market leader in this technology.

8.2.5.3.1 Pre-award delay

Post-bid intervention at the instance of ADB was uncalled for

DoT issued global tender after obtaining the concurrence of ADB to the tender document . However, when DoT sent TEC report to ADB for concurrence, they advised that the bids offered by two non-responsive firms should not be rejected without they being given an opportunity to clarify and adjust their bids to conform to the acceptable technical specifications. Since the tender documents were issued after clearance by ADB, there was no need for post-bid clarification and particularly when the amount of loan assistance by ADB was not material in the context of local budget of DoT. This time consuming procedure of post-tender opportunity to the bidders caused a delay of six months in finalisation of the tender.

Even after the tender was finalised, DoT took six months to issue the purchase order. During the intervening period it issued licences to six multinational companies (MNCs) for setting up and operating CUG VSAT network in the country. This lackadaisical attitude on the part of DoT in setting up its own network left it in a situation where it was unable to offer competition to the private network.

8.2.5.3.2 Post-award delay and non recovery of liquidated damages

Ambiguous terms in the contract led to delay in supply

The post award delay in supply and commissioning was a direct consequence of ambiguous provisions in the contract which allowed the supplier to delay the supplies without any liability. The specification of the out door unit of the system left it open to interpretation whether the supplier was to supply an integrated sealed system or a system consisting of discrete sub-systems. In view of this, while the supplier offered an integrated system, DoT insisted on inspection of its discrete sub-systems. DoT took six months to resolve this issue and ultimately accepted the integrated system.

Since the success of the project depended on early completion of supply and commissioning, DoT ought to have put stringent and enforceable conditions for timely performance of the obligation of the supplier. The payment controls did not provide for safeguard of DoT's interest in case of part supplies or supplies of defective equipment which were vital for commissioning the system. The supplier encashed full payment against letter of credit on production of proof of despatch in December 1995, while they did not supply WAX computer for the network and supplied PABX exchanges and voice port card of different specifications. These were vital for commissioning of the system and their subsequent supply/replacement delayed the commissioning by 12 months. DoT was not able to recover any compensation for the delay in absence of appropriate provision in the supply order/agreement, though every month of delay deprived it of potential revenue of Rs 40.41 lakh.

The foreign supplier was also liable for installation of HUB station and carry out HUB acceptance test besides providing training to DoT engineers. As brought out above, they encashed the letter of credit in December 1995 without installation and HUB acceptance test, which was finally completed in November 1996.

DoT lost 2400 VSAT months worth Rs 485 lakh but did not levy liquidated damages of Rs 74.93 lakh

Liquidated damages equivalent to two *per cent* of the delivered price of the delayed goods or unperformed services was to be levied for each month of delay upto a maximum of five *per cent*. Where, however, such delayed goods or unperformed services are essential for completion of installation for full commercial use of the equipment, the liquidated damages were to be calculated on the total contract price. While DoT lost 2400 VSAT months worth Rs 485 lakh due to delayed installation by the supplier, it did not even levy compensation of Rs 74.93 lakh as liquidated damages.

8.2.6. Project rendered unviable

Future of DoT's network appears to be bleak

With a mere 28 registered customers out of the 200 terminals as of December 1996, DoT can get a maximum monthly revenue of Rs 5.65 lakh. If the interest on total capital for 200 terminal systems and depreciation is taken into account, the total annual recurring expenditure works out to Rs 784.97 lakh against the maximum revenue of Rs 67.80 lakh at the present level of subscription. Chances of DoT getting more subscribers does not appear promising in the background of DoT being able to attract only 28 subscribers against the combined number of 1925 terminals subscribing to the private networks as of November 1996.

8.2.7 Excess payment of Rs 81.82 lakh to Hughes Network System, USA.

Undue benefit to the supplier

According to clause of purchase order all remaining spares over a period of three years starting from the date of final acceptance of the equipment, were to be supplied by the supplier free of cost. It was, however, observed by audit that cost of the spares valued at Rs 81.82 lakh (258842 US$) was incorporated in the purchase order vide amendment of February 1996 giving undue benefit to the firm of Rs 81.82 lakh.

Summing up

Department failed to capitalise on the excellent opportunity to become market leader in this segment of value added service due to defective planning and poor contract management. The department is losing over rupees seven crore *per annum* due to its inability to attract customers for 172 of the 200 VSAT terminals.

8.3 Lease finance of switching equipment

8.3.1 Introduction

Switching equipment in Telecommunications refer to the equipment used in telephone exchanges for establishing connections between telephones. This review addresses the shortcomings by DoT in managing the lease finance for leasing the switching equipment and their commissioning/utilisation .

8.3.2 Scope of Audit

A review of tendering, leasing, installation, utilisation and performance of leased equipment during 1992 to 1995 by DoT was conducted during April-June 1996 in 11 Circles and DoT headquarters.

8.3.3 Organisational set-up

The invitation of tenders, fixation of rates, allotment of equipment to Circles and placing of supply orders for equipment were done centrally by DoT while CGMs implemented the same under the overall supervision of DoT.

8.3.4 Highlights

— **DoT procured and also leased switching equipment with capacity of 8.9 lakh lines in 1993-94 based on the tenders invited for only two lakh lines in January 1992. Procurement of 4.5 times the tendered quantity deprived DoT of volume discount.**

— **DoT failed to take into consideration the reduction in the Customs duty in 1994-95 entailing liability of excess lease payment of Rs 30.75 crore over a period of eight years, besides an avoidable payment of Rs 18 lakh towards management fee.**

- **Delay in supply of switching equipment by the lessors coupled with deficient project management led to DoT losing potential revenue of Rs 19.73 crore in nine of seventeen exchanges test checked.**

- **DoT made inadmissible payment of lease rent of Rs 7.18 crore in advance even before completion of supplies in violation of terms and conditions and incurred infructuous expenditure of Rs 5.36 crore on lease rent for the period during which it failed to commission the switching equipment.**

- **DoT did not utilise the switching capacity to the optimum level within the prescribed period resulting in loss of potential revenue of Rs 11.94 crore.**

- **DoT did not obtain the reduction offered by one firm to MTNL under the same agreement valued at Rs 45.28 lakh.**

- **Sales tax and Octroi amounting to Rs 56.55 lakh was paid irregularly by General Managers Ludhiana and Amritsar Telephones.**

8.3.5 Tendering

Irregularities in tendering

DoT invited tenders for procurement of switching equipment aggregating to two lakh lines in January 1992. Subsequently, DoT decided in August 1992 to shift from outright purchase to leasing of the equipment, wherein the lessors were to supply the switching equipment, for which DoT was to pay lease rent to the lessors. DoT issued counter offer to three firms, namely; Siemens India Limited, Ericsson Telecom India Limited and Fujitsu India Telecom Limited, in October 1992, who were earlier approved for procurement of switching equipment.

DoT entered into lease agreements with the three firms for supply of switching equipment with total capacity of 3.5 lakh lines at the rate of Rs 4673 per line. The lease rent was to be paid over a period of eight years at monthly/quarterly rate fixed in accordance with individual lease agreements with the firms. The total cost of 3.5 lakh switching equipment aggregated to Rs 163.56 crore. For every Rs one thousand of the cost, DoT was to pay to the lessor at the rate of Rs 17.80 per month in case of Fujitsu and Siemens and Rs 150 for the first quarter and Rs 46.25 for the subsequent 31 quarters of the lease period in the case of Ericsson.

Scrutiny of tendering and lease financing disclosed the following:

8.3.5.1 Volume discount

Bulk order on the basis of tender for lower quantity deprives DoT of volume discount

While DoT fixed the rate for procurement, which was also adopted for determining the cost per line for leasing also on the basis of tender issued in January 1992 for only two lakh line, DoT went on to procure switching equipment with a capacity of 4.4 lakh lines on outright purchase basis and another 4.5 lakh lines on lease basis during 1994 and 1995; bringing total procurement to 8.9 lakh lines. Since the rates quoted in response to tenders depend on total volume of procurement, DoT erred in not being able to assess the total volume of procurement including lease finance for calling of tenders. Even if the size of purchase increased only after tenders were invited for mere two lakh lines in January 1992, prudent procurement practices warranted fresh tendering for the increased volume of purchase or negotiations with the tenderers to bring down the rate in the context of 4.5 times increase in the volume of procurement.

8.3.5.2 Unjustifiable haste

Fresh tenders not invited for procurement of lease equipment

DoT did not go in for fresh tendering in August 1992, when it was decided to obtain the switching equipment on lease, on the plea of urgency of requirement. However, after issue of counter offer to three firms in October 1992, DoT took more than 16 months to enter into lease agreement with the firms. The plea of urgency for not going in for fresh tendering, therefore, is not tenable.

8.3.5.3 Supply order on nomination basis

DoT placed supply order on a firm which did not figure among the shortlisted firms

While selecting the firms for limited enquiry for leasing of switching equipment, DoT confined its choice to only three firms namely; Siemens India Limited, Ericsson Telecom India Limited and Fujitsu India Telecom Limited and issued Letters of Intent only on them; when proposal was put up for approval of then MOS(C) for leasing of 3.5 lakh lines of switching equipment to the shortlisted three firms, it was *suo-moto* decided by him to increase the quantity of switching equipment to 4.5 lakh lines and place orders for one lakh line on Modi Alcatel who did not figure among the shortlisted firms.

Out of 4.5 lakh lines capacity of switching equipment leased by DoT, equipment with line capacity of two lakhs was leased on behalf of MTNL.

8.3.5.4 Reduction of Customs duty

Igonoring reduction in Customs duty cost Rs 30.75 crore

The switching equipment supplied on lease were imported and therefore the cost included the element of Customs duty at the rate applicable on the date of entering into agreements. DoT did not safeguard its interest for reduction in price commensurate with any reduction in Customs duty actually paid by the leasing firms. As a result, CGMsT entered into agreements with one or more of firms approved by DoT at the fixed cost of Rs 4673 per line during end February-April 1994. The Customs duty on import of switching equipment was reduced from 80-85 *per cent* to 50-65 *per cent* in the finance bill 1994-95. DoT itself fixed the cost per line for procurement of switching equipment during 1994-95 at Rs 4273 after obtaining reduction due to lowering of Customs duty. However, the lease agreements drawn mostly after the budget did not provide for reduction in cost per line on the basis of reduced customs duty. This omission of DoT cost them Rs 18 crore on 4.5 lakh lines resulting in liability of excess lease payment of Rs 30.75 crore over a period of eight years. Further, DoT also made avoidable payment of Rs 18 lakh to the lessors at one *per cent* of the total excess cost towards management fee.

8.3.6 Performance

8.3.6.1 Delay in supply of equipment

DoT did not levy liquidated damages for delayed supply

The firms were to supply the equipment within three months of lease agreement. Scrutiny of actual supply of equipment disclosed delays between two and twenty eight weeks, eventually delaying commissioning of the exchanges. As per the lease agreement liquidated damages at one half of one *per cent* of the value of delayed supply for each week of delay or part thereof where the delayed supply had not materially affected the commissioning of the exchange and of the total value of the equipment where the delay materially hampered commissioning of the exchange, subject to a maximum of five *per cent* was leviable on the lessors. DoT did not work out the amount of liquidated damages for delay in supplies after establishing whether the delayed supplies materially affected commissioning of the exchange. The amount of liquidated damages for three exchanges alone i.e. Comibatore, where the delay in supply affected the commissioning and Bangalore and Indore where, according to the department these did not affect the commissioning, aggregated to Rs 26.30 lakh. The amount is likely to be sizeable for all switching equipment supplied later than the schedule date throughout the country.

Inadequate safeguard in the agreement

The terms of the agreement provided for a maximum amount of liquidated damage of 5 *per cent* of the value of delayed supply at one half of one *per cent* per week. This provision could compensate only upto a maximum delay of ten weeks while DoT did not have any means to compensate it for delays beyond ten weeks. Appropriate safeguard against delays was all the more necessary since delay in commissioning of switching equipment meant a loss of revenue of Rs 75 lakh per month for each switching equipment of a capacity of 10000 lines.

8.3.6.2 Delay in commissioning by DoT after receipt of switching equipment

Delay in commissioning of the leased equipment led to loss of potential revenue of Rs 19.73 crore

With a view to install and commission the equipment immediately on their receipt, DoT issued instructions to the Circle officers to keep the infrastructure ready for installation. An examination in audit disclosed that at nine of the seventeen exchanges, CGMsT did not keep the infrastructure ready resulting in delay in commissioning of the exchanges by two to ten months. In eight locations viz. Ahmedabad, Amritsar, Jaipur, Ludhiana, Nagpur, Pune, Surat and Vijaywada the local telecom administration failed to ensure external plant works. At Ernakulam the delay was attributed to change in location plan of the exchange. Any delay in commissioning of the exchanges due to the local telecom offices not taking advance action should have been viewed seriously, since, besides loss of potential revenue, it also entailed avoidable payment of lease rent for idle switching equipment from the day of the delivery by the lessors.

The delay in commissioning due to delay in supplies of switching equipment by the lessors and subsequently due to deficient project management by DoT resulted in the department losing a potential revenue of Rs 19.73 crore.

8.3.6.3 Inadmissible and infructuous payment of lease rent

DoT made payment of lease rent of Rs 7.18 crore before receipt of equipment

Lease rent was payable to the lessors from the date on which delivery of complete equipment was made by them. Test check disclosed that DoT made payment of lease rent of Rs 7.18 crore even before complete set of equipment were received by them in nine cases. The irregular payment of lease rent is therefore, recoverable from the lessors. Even if DoT is able to recover the inadmissible payments or adjust against future rents, the inadmissible payment has already resulted in interest benefit to the lessors of the order of Rs 1.24 crore.

Besides, during this period, the commissioning was held up due to the reasons attributable to DoT, the department paid infructuous lease rent of Rs 5.36 crore.

8.3.6.4 Reduction in effective lease period

Reduction in effective period of lease

The lease agreement envisaged utilisation of switching equipment supplied by the lessors, initially for a period of eight years at the agreed lease rent. In both cases where departments failure to take preparatory action and the lessors supplying incomplete equipment in which the lease rent was payable or irregularly paid, the effective period of lease stands reduced by the period during which DoT either could not utilise the equipment because of their own fault or started paying lease rent without receiving full complement of equipment.

8.3.6.5 Dual rate to MTNL and DoT

Ericisson India Limited supplied switching equipment to MTNL in response to the tender by DoT as well as price fixation by them at a lower rate of Rs 4620 per line, while it supplied switching equipment aggregating to 50000 lines to DoT at a higher rate of Rs 4673 per line during the same period. This resulted in DoT accepting the overall cost of lease procurement from this firm at Rs 26.50 lakh higher than that it was supplied to MTNL. In terms of liability of lease rental over eight years, excess payment works out to Rs 45.28 lakh.

8.3.6.6 Underutilisation of capacity

Non utilisation of leased equipment to optimum level caused a loss of potential revenue of Rs 11.94 crore

Since the switching equipment were taken on lease with substantial lease rent liability, it was incumbent upon DoT to first ensure that adequate demand existed and second that the installed capacity was utilised at the earliest opportunity with a view to generating the expected revenue. As per the stipulation by DoT the new exchanges should attain 92 *per cent* capacity utilisation within six months. Examination of status of utilisation of leased switching equipment disclosed that department could utilise only 20 to 63 *per cent* of the capacity on the date of commissioning, which reached upto 28 to 87 *per cent* in 11 exchanges test checked in Audit. The optimum utilisation of 92 *per cent* was achieved after delay of seven to sixteen months reckoned from six months after commissioning. The aggregated loss of potential revenue due to delay in attaining the optimal level was Rs 11.94 crore.

8.3.6.7 Software validations

Deficient software at Bangalore, Ernakulam and Coimbatore resulted in loss of revenue

The software for the exchange was to provide for metering of the local and long distance calls at the pulse rate of five and three minutes respectively. Instead, the system supplied at Bangalore, Ernakulam and Coimbatore registered the pulse any time during the duration of five to ten minutes for local calls and three to six minutes for long distance calls rather than exactly at the end of five and three minutes respectively. While the deficiency in Bangalore telephone exchange was rectified in October 1995, it was yet to be rectified in Ernakulam and Comibatore secondary switching areas as of June 1996. Approximate loss of revenue in Bangalore before rectification of the system was Rs 79 lakh while the loss at Ernakulam and Coimbatore was not assessed.

8.3.6.8 System deficiencies

The exchange equipment supplied by Seimens India Limited for Nagpur was deficient in as much as it gives congestion tone instead of busy tone. The deficiency was yet to be rectified as of June 1996.

8.3.7 Other points of interest

8.3.7.1 Payment of Octroi and Sales tax

Irregular payment of Rs 56.55 lakh towards Sales tax and octroi

General Managers, Ludhiana and Amritsar Telephones paid Sales tax of Rs 50.33 lakh on lease rent for switching equipment, though Sales tax is not attracted on lease amounts. Besides, supplies to the offices of the Union Government are exempt from payment of Octroi duty. Notwithstanding this General Manager, Ludhiana reimbursed Octroi of Rs 6.22 lakh to the lessor.

8.3.7.2 Purchase of spares

In terms of lease agreement the lessors were to supply spares for the first three years. Test check disclosed that Meerut Telecom procured spares valued at Rs 1.57 lakh rather than notifying them to the lessor due to their ignorance about the liability of the lessor in relation to the provision of spares.

The matter was referred to the Ministry in October 1996; their reply was awaited as of December 1996

8.4 Rural telecommunication network and tribal sub plan

8.4.1 Introduction

The successive Five Year Plans have recognised that rural communication is an important input for the development of rural economy as it contributes towards dispersal of industries to rural and backward areas and brings rural communication closer to the national mainstream. The extension of telecommunication network to the rural areas is an essential ingredient in the various rural development programmes. While 28.80 lakh direct exchange telephone lines existed in the urban areas at the end of March 1986 for 19.20 crore urban population, it stood at 66.76 lakh lines for the urban population of 23.20 crore at the end of March 1996. For the rural sector, the increase has been better and the figures stood at

2.87 lakh telephone lines for 56.90 crore population in 1986 which increased to 19.07 lakh lines for 61.30 crore of rural population at the end of March 1996.

8.4.2 Scope of Audit

A review of the implementation of the programme on rural communication with special emphasis on rural public telephones was conducted by Audit in April-June 1996 covering the period 1990 to 1996. While the review included a macro analysis of the implementation of the programme in 20 Telecom Circles, test checks were conducted in seven Telecom Circles.

8.4.3 Organisational set-up

The programme for improvement of the rural communication is being implemented by the Chief General Managers/General Managers of the Telecommunication Circles under the overall supervision of DoT. The fixation of targets, allotment of equipment to Circles and placing of supply orders for equipment is done centrally by the department.

The monitoring of the programme is done by the heads of the Circles and Telecommunication Commission.

8.4.4 Highlights

— **DoT's plan to provide telephone facility to all 6.04 lakh villages by the end of 8th plan is likely to fall far behind the target. Only 36 *per cent* villages have been covered until March 1996. Over 3.87 lakh villages remain to be covered in the remaining period of only one year of the 8th Plan.**

— **DoT has been consistently missing the target set under successive policy guidelines to provide telephones, first to a hexagonal area to make telephone available within 5**

km of each village, then to each panchayat village and finally to each village.

- **DoT was not geared to utilise the provision for rural and tribal telecom network during 1991-92 to 1995-96. It could utilise only 19 to 63 *per cent* and 51 to 74 *per cent* of revised budget provisions in rural and tribal sectors respectively. DoT could utilise only Rs 2374.14 crore out of the overall revised budget provision of Rs 4339.77 crore over the five years which constituted only 55 *per cent* of the provision.**

- **DoT procured 600 MARR systems from a Vishakapatnam firm without ensuring their quality and utilised them in the rural telecom network. All of them were subsequently found inherently defective. This resulted in procurement of sub-standard equipment valued at Rs 25.23 crore. DoT spent Rs 5.68 crore on replacement of 260 systems, while the utilisation of others is uncertain. This resulted in setback to rural telecom network.**

- **Injudicious purchase order for procurement of 500 MARR systems on the same firm even in the face of adverse field reports and subsequent short closure resulted in an advance of Rs 13.49 crore unrecovered for the last five years besides interest of Rs 9.93 crore upto June 1996**

- **Performance of rural public telephone was below the norms fixed by the department. Against the norm of 50 faults/month for 100 village public telephones the fault rate for MARR system ranged between 270 to 570 while that for the open wire system, it ranged between 45 to 135.**

- **Capacity of 7.14 lakh lines in rural areas have not been utilised, while 7.74 lakh persons are waiting for telephone connection.**

- **Despite Estimate Committee's recommendation in April 1988, revenue realised from and expenditure incurred on village public telephones was not compiled by the Circles separately.**
- **Non-application of concessional tariff in Tamil Nadu Circle resulted in over-charging the rural public by Rs 5.96 lakh and excess payment of commission of Rs 0.91 lakh to the agent.**
- **Premature replacement of MARR systems of ITI make in Orissa and Rajasthan Circles rendered the expenditure of Rs 4.70 crore infructuous.**
- **Equipment valuing Rs 10.52 crore were lying idle in three Circles due to fault and lack of demand from the telecom districts.**
- **Cost of erection of towers for MARR base stations and remote units varied widely within the same Circle and towers constructed at an expenditure of Rs 1.78 crore were not utilised in Gujarat, Orissa and Rajasthan Circles.**

8.4.5 Policy regarding rural telecommunication network

Government of India decided in 1982 to provide one telephone in a notional hexagonal cell of 5 km covering an area of 65 sq km with a view to providing a telephone within the reach of about 5 km on foot. In October 1991, it was decided as a first step, to provide telephone facility to all the 2.41 lakh panchayat villages in the country progressively by March 1995.

The National Telecom Policy 1994, however, aimed at providing telephone to every village by the end of the 8th Five Year Plan.

The other objectives set for the 8th Plan in respect of rural telecommunication network included the following:

(i) Provision of telephone connection practically on demand in tribal and rural areas;

(ii) automatisation of all rural exchanges;

(iii) replacement of life expired worn out mechanical exchanges by electronic exchanges; and

(iv) priority for providing telecom facility to sensitive border areas, tribal and hilly areas and industrial growth centres.

8.4.6 Technology for rural telecommunication network

The various policies of the Government for providing telephones to hexagon, gram panchayats and eventually to all villages envisaged that the telephones would be provided through (i) shared radio system Multi Access Radio Relay (MARR); or (ii) single channel VHF system; or (iii) by open wire. Radio systems that provide telephone connections in gram panchayats and villages, are 2/15, 4/30, 4/36 and 8/60 MARR systems.

8.4.7 Targets and achievements

39813 inhabited hexagons have been provided with LDPTs until 31 March 1994 as against the target of 49096 hexagons.

Targets in providing telephone facility to villages/gram panchayat villages not achieved

Subsequently, after the policy was shifted to providing telephone facility to gram panchayat villages during 1991-92 the yearwise targets and achievements were as under:

Year	Original Target	Revised Target	Achievement	Percentage of achievement	
(1)	(2)	(3)	(4)	(5)	
				w.r.t.(2)	w.r.t.(3)
1991-92	20000	20000	21752	109	109
1992-93	48500	36500	30072	62	82
1993-94	54750	46800	33001	60	71
1994-95	72000	50000	26600	37	53
Total	**195250**	**153300**	**111425**	**57**	**73**

The achievements with reference to the targets declined progressively over the years. Even in terms of absolute number , the acceleration in providing telecom facility to the panchayat villages was not achieved. 36 *per cent* shortfall in achievement of overall targets during the four years left 86797 targeted gram panchayat villages without telephone facility as against 2.41 lakh gram panchayat villages.

Circlewise position of villages/gram panchayat villages in rural and tribal sectors covered with telephone facility upto the end of March 1996 is indicated in Appendices XII and XIII.

It would be revealed from the annexures that for the entire country 2.17 lakh villages out of the total 6.04 lakh villages, constituting 36 *per cent* of the total, have been provided with telephones, which includes 1.54 lakh gram panchayat villages out of total 2.41 lakh villages constituting, 64 *per cent* of the total number of gram panchayat villages by the end of March 1996. However, the Circle-wise progress of provision of telephones to rural and tribal areas disclosed very poor performance in quite a few Telecom Circles with reference to the national average. The following table provides the status at a glance of the percentage of villages/gram panchayat villages covered under rural and tribal telephone network:

Achievement (*per cent*)	**Sector**	**States in which gram panchayat villages were provided telephone services**	**States in which villages were provided telephone services**
0 to 25	Rural	--	Bihar, HP, J and K, UP (East), West Bengal, NE (other than Assam)
	Tribal	UP	A.P, Assam, Bihar, H.P, Maharastra, NE, Orissa, Rajasthan and West Bengal
25 to 50	Rural	UP (East), UP (West), J and K, Andaman Nicobar	Andaman Nicobar, Assam, Karnataka, MP, Orissa, Rajasthan
	Tribal	AP, HP, MP,	Gujarat, MP, Tamil Nadu
50 to 75	Rural	North East (other than Assam), MP, Bihar, Punjab	AP, Gujarat, Maharastra, Punjab, Tamil Nadu
	Tribal	Bihar, NE	Nil
Above 75	Rural	AP, Assam, Gujarat, Haryana, HP, Karnataka, Kerala, Maharastra, Orissa, Rajasthan, Tamil Nadu, West Bengal.	Haryana, Kerala
	Tribal	Assam, Gujarat, Karnataka, Kerala, Maharastra, Orissa, Rajasthan, Tamil Nadu, West Bengal.	Karnataka, Kerala

Some of the Circles whose achievements are particularly poor in providing telephone facilities to the villages under rural network included Bihar (15.2 *per cent*), Himachal Pradesh (22.64 *per cent*), East Uttar Pradesh (23.44 *per cent*), West Uttar Pradesh (26.83 *per cent*), West Bengal (21.19 *per cent*), Orissa (27.13 *per cent*), Rajasthan (32.39 *per cent*), while some others like Kerala (100 *per cent*) and Haryana (94.91 *per cent*) have performed very well.

Similarly, in tribal sector, the performance of almost all the Circles except Karnataka and Kerala is poor, achievement being between 8.31 and 44.98 *per cent*.

8.4.8 Financial outlays and actuals

DoT utilised only about 50 *per cent* of funds for rural telecom network

The financial outlays and actuals for the Annual Plan period of 1990-92 and the first four years of 8th Five Year Plan (1992-97) on rural and tribal telecom network were as under:

Rural Network **(Rupees in crore)**

Year	Annual plan outlay	Revised plan outlay	Actuals	Percentage of utilisation with reference to revised plan outlay
1990-91*	-	-	-	-
1991-92	316.03	335.40	64.26	19.16
1992-93	516.61	477.71	205.21	42.96
1993-94	339.71	521.03	280.23	53.78
1994-95	447.88	665.54	324.48	48.75
1995-96	781.24	812.55	515.16	63.40
TOTAL	**2401.47**	**2812.23**	**1389.34**	**49.40**

* It is merged with other figures

Tribal Network **(Rupees in crore)**

Year	Annual plan outlay	Revised plan outlay	Actuals	Percentage of utilisation with reference to revised plan outlay
1990-91	87.11	149.38	95.84	64.16
1991-92	117.76	166.91	86.62	51.90
1992-93	181.55	220.67	160.54	72.75
1993-94	164.58	246.73	182.44	73.94
1994-95	263.25	337.45	173.60	51.45
1995-96	352.63	406.40	285.76	70.66
TOTAL	**1166.88**	**1527.54**	**984.80**	**64.47**

As can be seen there are significant slippages in utilisation of outlays during all the five years. Percentage of utilisation of final allocation during 1991-96 ranged between 19 and 63 in the rural sector while in tribal sector, it ranged between 51 and 74. This indicated that DoT was never geared to utilise the provision for implementation of rural telecommunication programme.

Component-wise allocation of financial outlays and actuals for the Annual Plan 1991-92 and first four years of 8th Five Year Plan (1992-97) in respect of rural and tribal telecom network is mentioned in Appendix XIV. It can be seen that during the five years under review the utilisation under Telegraph office was 14 *per cent*, under Telex 11 *per cent*, local telephone 71 *per cent*, long distance switching system 25 *per cent* and long distance transmission system 27 *per cent*.

8.4.9 Procurement of equipment

8.4.9.1 MARR system

Infructuous expenditure of Rs 4.98 crore on replacement of defective MARR systems

The Department follows a centralised procedure for procurement of equipment for providing public telephones in gram panchayats and villages keeping in view the stock available with the respective Circles, supplies in pipeline, allotment made to Circles vis-a-vis the targets fixed every year. The following position emerged on analysis of procurement of equipment for implementation of rural telecommunication programme.

DoT placed a trial supply order for 80 units of 2/15 MARR system on Marine and Communications Electronics (India) Limited (MACE), Visakhapatnam in 1988 at a cost of Rs 3.19 crore. All the systems were found to be having inherent technical defects on installation. Replacement of radio systems procured from other sources, cost the department around Rs 1.79 crore, worked out at the latest cost of this system. The expenditure to the extent of replacement cost of the radio system was rendered infructuous due to acceptance of defective systems from MACE. Besides, DoT could not provide satisfactory telecom facility to the areas where these were installed for about five years.

8.4.9.2 Procurement of defective MARK II version

Procurement of 340 defective systems valued at Rs 14.41 crore

Without waiting for the performance results of 80 MARK I version of MARR procured in 1988, DoT placed supply orders for 520 MARR MARK II systems in May and November 1990 at Rs 22.04 crore, of which 478 were installed. All MARK II systems, however, were found defective. DoT spent Rs 3.89 crore on upgrading/replacement of defective components of 180 systems. Balance 340 systems are still lying in defective condition. Thus, besides avoidable expenditure to the extent of replacement of defective component, DoT's decision to place bulk order without obtaining the performance results of the earlier system has rendered expenditure of Rs 14.41 crore on 340 defective systems questionable. More importantly procurement of defective systems has resulted in a setback to rural telecom network.

8.4.9.3 Injudicious orders and payment of advance

Non recovery of advance of Rs 13.49 crore besides interest of Rs 9.93 crore

As already mentioned in Para 1 of Audit Report of Comptroller and Auditor General of India (Union Government) Posts and Telecommunications for the year ended 31 March 1995, DoT placed a purchase order in October 1991 on MACE for 500 numbers of 2/15 MARR systems valued at Rs 38.52 crore despite being aware that the systems supplied by this firm against previous orders were found technically defective. DoT also paid an advance of Rs 13.49 crore to the company in November 1991 at a concessional rate of interest of 10 *per cent* at the request of the supplier. As could be expected, the supplier did not adhere to the delivery schedule. DoT short-closed the purchase order in December 1992. Despite having been pointed out in the Audit Report, DoT has not recovered the advance of Rs 13.49 crore lying with this firm for the last five years and the interest of Rs 9.93 crore thereon at commercial rates as of June 1996.

8.4.10 Performance of public telephones

Performance of rural public telephones was below the norms

The efficacy of telecom system depends on fault free service to the users within the acceptable norms. Rural public telephone network consists of two systems i.e., MARR system and through open wire. DoT did not have any effective system to monitor the performance of the rural public telephone network until May 1994. Reports of performance obtained thereafter indicated that while the performance of both the systems (MARR and open wire system) were below the norm fixed by the department, the performance of MARR system operated public telephones was worse by upto four times as compared to that of open wire system. Against the norm of 50 faults per month for 100 village public telephones, the fault rate for MARR system ranged between 270 to 570 while that for open wire system ranged between 45 to 135. The higher fault rate for MARR system was attributable to large number of defective systems procured from MACE as brought out in the preceding paragraphs. Test check in two Circles, namely; Orissa and Tamil Nadu disclosed that repair centres were neither set up nor any maintenance contract has been entered into with the supplier. Training programmes for the operating staff have also not been conducted.

8.4.11 Automatisation of rural exchanges

The main objectives of the 8th Five Year Plan are (i) automatisation of all rural exchanges and (ii) provision of telephone connections practically on demand from rural exchanges.

DoT failed to utilise 7.14 lakh lines to minimise the wait list of 7.74 lakh subscribers

It was observed that though the objective of automatisation of rural exchanges was almost achieved by all the Circles by 31 March 1996, the other objective of providing telephone facility on demand from rural exchanges was not achieved. Circlewise equipped capacity, working connections and waiting list in rural exchanges as on 31 March 1996 were as under :

Sl. no.	Name of the Circle	Equipped capacity	Working connections	Waiting list	Percentage of working connection to equipped capacity
1.	Andhra Pradesh	205438	141831	42846	69.04
2.	Assam	26264	19047	2802	72.52
3.	Bihar	84654	53855	8829	63.62
4.	Gujarat	256402	212284	71619	82.79
5.	Haryana	68892	44299	18992	64.30
6.	Himachal Pradesh	81625	55794	18243	68.35
7.	Jammu & Kashmir	12666	6959	27919	54.94
8.	Karnataka	215207	158529	56788	73.66
9.	Kerala	325167	274406	273716	84.39
10.	Madhya Pradesh	269626	161345	4830	59.84
11.	Maharashtra	340307	239312	55171	70.32
12.	North East	37778	24105	565	63.81
13.	Orissa	56825	36161	1770	63.64
14.	Punjab	85518	67626	54353	79.08
15.	Rajasthan	135516	102641	20627	75.74
16.	Tamil Nadu	193786	155481	83987	80.23
17.	Uttar Pradesh (East)	91174	65730	6380	72.09
18.	Uttar Pradesh (West)	72290	46458	8079	64.27
19.	West Bengal	59604	39203	16042	65.77
	Total	**2618739**	**1905066**	**773558**	**72.75**

Thus, for the country as whole, while the equipped capacity of 7.14 lakh lines remains unutilised 7.74 lakh persons in rural areas are waiting for telephone connection. With optimum utilisation of the equipped capacity, the entire waiting list can be provided with telephone connections in almost all Circles except Gujarat, J and K, Kerala, Maharastra, Punjab and Tamil Nadu, where the waiting list can be substantially covered with optimum utilisation of the capacity.

It would be evident from above that despite availability of equipped capacity in rural exchanges, telephone connections to wait listed subscribers were not released resulting not only in loss of revenue but also depriving the rural people of the telephone facility on demand as envisaged in the 8th Plan.

The Circles attributed the following reasons for non-release of connections to the wait-listed subscribers:

(i) Non-availability of line stores and material for providing connections;

(ii) Most of the rural connections being long distance connections require huge amount of line stores and material;.

(iii) Acute shortage of line stores especially Galvanised Iron wire (both bare and insulated); and

(iv) Non-availability of cable pairs in the areas where connections are to be provided.

The reasons advanced by the Circles are not tenable as the department had sufficient funds under various components of the rural telecom network in the annual plans which were not utilised fully. Had the department properly planned and utilised the annual outlays rather than surrendering them, the shortage in line stores and material and cable required for providing telephone connections from rural exchanges could have been largely met.

8.4.12. Accounting procedure and revenue performance of village public telephones

Despite Estimate Committee's recommendations, revenue and expenditure of village public telephones not accounted for separately

The Estimates Committee had recommended in April 1988 that proper accounting relating to the schemes under execution in a plan period should be done and steps should be taken to review the actual revenue performance of all rural telephones. However, it was observed that the expenditure incurred on village public telephones was not separately accounted for and that no data for amount billed for rural telephones, actual amount realised and balance amount due for collection was compiled by the Circles. The figures of expenditure and revenue relating to village public telephones were being mixed with the respective accounting heads relating to general area. Consequently, the physical progress could not be related to financial outlay from year to year and the extent to which the rural services were subsidised could not be ascertained in audit.

The department issued instructions to all Circles in June 1996 for compilation of the amount billed, amount realised and amount outstanding in respect of village public telephones, long distance public telephones, gram panchayat public telephones and subscribers located in rural areas in the sub-ledger from June 1996 onwards.

8.4.13 Revenue collections

Non application of concessional tariff resulted in overcharging the rural public

Departmental instructions provide that charges for calls from the village public telephones shall be made at 50 *per cent* concessional rate of specified tariff and the agents shall get 20 *per cent* of amount realised towards commission.

In Tamil Nadu Circle, the concessional tariff of 50 *per cent* was extended in none of the nine secondary switching areas reviewed. In 754 village public telephones test checked, a sum of Rs 11.92 lakh was billed instead of Rs 5.96 lakh due to non-application of concessional tariff during 1993-94 to 1995-96. Thus the rural public were charged excess to the extent of Rs 5.96 lakh. However the agents were allowed commission at the rate of 20 *per cent* of the full amount billed instead of allowing commission on the concessional tariff. The department had thus paid excess commission of Rs 0.91 lakh.

Non realisation of outstanding revenue of Rs 36.65 lakh

In Orissa Circle, while no bills were issued in two telecom districts upto October 1995 and May 1996, the total amount of revenue collected in seven telecom districts during April 1995 to October 1995 was only Rs 1.06 lakh as against an amount of Rs 19.32 lakh billed. The main reason for non issue of bills was stated to be non-availability of full particulars of agents of public telephones to whom the bills were to be issued. Further due to non-issue of completed advice notes for opening public telephones in many cases, subscriber record card was not opened in Telephone Revenue Accounting (TRA) units and the issue and receipt of bills could not be watched properly by TRA units.

In Madhya Pradesh Circle, the outstanding revenue of public telephones had increased from Rs 2.51 lakh in 1991-92 to Rs 16.70 lakh at the end of 1994-95. The reason for increase in outstanding revenue was attributed to non payment of bills by the agents of public telephones.

In Tamil Nadu Circle, telephone bills of Rs 1.69 lakh raised against 170 village public telephones located in branch post offices in nine telecom districts were not realised.

8.4.14 Other topics of interest

8.4.14.1 Replacement of MAX-III exchanges by electronic exchanges -- non-affording of credit

Over capitalisation of assets

During the period from 1989-90 to 1994-95, 282 small automatic exchanges/MAX-III exchanges were replaced by electronic exchanges in four Telecom Circles, namely; Gujarat, Karnataka, Madhya Pradesh and Punjab. Departmental rules provide that capital expenditure would receive credit on account of recovered stores from works relating to replacement, reconstruction, dismantlement or abandonment. DoT did not constitute scrapping committee for disposal of these recovered exchange equipment despite DoT's instructions of June 1987. These equipment were either lying in sub-divisional stores or Circle store depots or in the respective exchanges. However, credit for abandoned exchanges estimated at Rs 186.92 lakh was not afforded to the concerned estimates resulting in over-capitalisation of assets to that extent and consequent payment of dividend to general revenues.

8.4.14.2 Infructuous expenditure due to premature replacement of MARR system

In Orissa Circle, 21 numbers of 4/30 MARR system and two 2/15 MARR system of ITI make commissioned upto 31 March 1996 did not work satisfactorily as faults occurred soon after installation as well as repair. In 4/30 MARR system, four channels never worked and the mean time between failure of the system was very high for putting these systems in the network.

Premature replacement of ITI MARR systems in two Circles rendered the expenditure of Rs 4.70 crore infructuous

Out of 14 numbers of 4/30 systems with 249 remote station units (RSUs) commissioned in five telecom districts of Orissa Circle, 112 RSUs and three base station units in three districts were faulty. Upto May 1996, six 4/30 and two 2/15 systems of ITI make were replaced by different makes rendering the expenditure of Rs 2.09 crore infructuous. The remaining defective equipment also need replacement.

In Rajasthan Circle, two 4/30 MARR systems of ITI make and an equal number of 2/15 systems of Rajasthan Telecommunication Limited (RTL) were replaced prematurely due to their non-functioning while three 4/30 MARR systems of ITI make and two 2/15 systems of RTL make were lying in defective condition for more than two years. The total investment of Rs 2.61 crore on procurement of these systems has become infructuous and wasteful.

8.4.14.3 Idling of equipment

Equipment valuing Rs 10.52 crore were lying idle in three Circles

Test check disclosed that many equipment were lying idle due to faults, non-receipt of matching accessories, saturation of frequencies in VHF channel and lack of demand from telecom districts.

The position obtained in test check in few Circles is indicated as under:

Circle	Equipment	Numbers	Value (Rs in crore)
Rajasthan	Single channel VHF System	142	0.65
	MARR System	6	2.92
	Radio communication test set	29	1.14
Gujarat	Single channel VHF system	86	0.39
	MARR system	13	5.19
Punjab	Single channel VHF system	50	0.23

8.4.14.4 Erection of towers

Towers of 40 metre height are required at MARR base station for hoisting omni antennae while 15 metre towers are erected at remote subscriber units for hoisting Yagi antennae.

Test check disclosed that the cost of erection of both the towers varied widely within the same Circle and large number of towers constructed at huge expenditure were not utilised as under;

Erection of towers

Circle	Type of tower	Executing agency	Cost per tower
Orissa	40 metre	Civil and project authorities	Between Rs 1.19 lakh and Rs 2.08 lakh
Rajasthan	15 metre	Contractor	Between Rs 1,789 and Rs 3,402

Many towers remained unutilised

Towers unutilised

Circle	Type of tower	Towers remaining unutilised	Period of unutilisation	Total Cost (Rs in lakh)
Gujarat	15 metre	340	1 to 2 years	12.30
Orissa	40 metre	15	1 to 4 years	32.82
Rajasthan	40 metre	63	above 3 years	133.00

8.4.14.5 Excess payment of Excise duty

Excess payment of Excise duty of Rs 22.41 lakh

Rural automatic exchanges (RAXs) and Integrated line and trunk (ILT) exchanges upto 512 port procured by DoT for rural telecommunication network are exempt from Excise duty in excess of 15 *per cent ad valorem* under Government of India Notification of March 1990 subject to furnishing a certificate by an officer not below the rank of General Manager in the department that the goods are required for rural telecom network and would not be used for any other purpose.

15 C-DoT 512 port/ILT 512 port exchanges were procured in Madhya Pradesh Circle for providing group dialling facility for small and medium size exchanges and to connect gram panchayat and village telephones to these exchanges. Due to non-furnishing of prescribed certificate for availing concessional Excise duty, the department paid normal Excise duty at the rate of 20 *per cent* as against 15 *per cent* of concessional Excise duty resulting in extra payment of Rs 22.41 lakh.

CHAPTER 9

OTHER TOPICS

9.1 Procurement of solar photo voltaic panels

Various acts of omission and commission in procurement of solar photo voltaic panels for rural telephone exchanges by DoT cost the Government an extra expenditure of Rs 24.03 crore to the benefit of supplier firms. In the process, DoT favoured a few firms with excessive educational orders, commercial orders on non-type approved firm and gave large chunk of orders to private firms on unjustified grounds.

DoT placed supply orders for 88000 solar photo voltaic (SPV) panels at a cost of Rs 210.41 crore, which are required in long distance public telephones system installed in panchayat villages, during 1991-95 as under:

Year	Total No. of SPV panels	Unit Price (Rs)	Total value (Rs in crore)
1991-93	21000 @	24400.00	74.76
	9000 *	22936.00	
1993-94	30000 @	22489.80	72.97
	1200 *	22489.80	
1994-95	26800 @	22489.80	62.68

@ commercial order
* educational orders

Scrutiny of documents in June-July 1996 relating to procurement of SPV panels disclosed the following:

9.1.1 Procurement during 1991-93

Unusually high number of educational orders were placed

(i) DoT placed educational orders for 9000 panels on four firms during January-March 1992 which did not have type approval. Three of the four firms on which educational orders for 7000 units were placed were in the private sector.

Educational orders are placed with a view to testing the capability and quality of the equipment manufactured and therefore, these are always for small numbers. In disregard of this practice, DoT placed educational orders for large number of SPV panels constituting 30 *per cent* of total orders for 30000 units on firms which did not possess type approval.

Incorrect fixation of unit rate of panels resulted in loss of Rs 2.66 crore

(ii) DoT had fixed the unit rate for SPV panels for commercial and educational orders at Rs 24400 and Rs 22936 respectively in November 1991 taking into account the element of Customs duty at 45 *per cent* on import of solar modules and silicon wafers instead of the then prevailing rate of 45 and 30 *per cent* respectively. This resulted in inflation in unit rate fixed by Rs 904 for commercial orders and Rs 850 for educational orders. Consequently, the department sustained loss of Rs 2.66 crore in procurement of 30000 SPV panels on this count alone.

Failure to reduce the price consequent on reduction of Customs duty led to excess payment of Rs 1.39 crore

(iii) Meanwhile, the Customs duty on import of both SPV modules and wafers was reduced by 15 *per cent ad-valorem* from 45 to 30 and 30 to 15 *per cent* respectively from March 1992. DoT, however, placed educational supply orders for 7000 systems on three firms in March 1992 and commercial orders for 5000 units in January 1993 on Central Electronics Limited (CEL) at the same rates fixed in November 1991, prior to reduction of Customs duty. Failure of DoT to reduce the prices commensurate with the reduction in the Customs duty resulted in undue benefit of Rs 1.39 crore to the firms and loss of an equivalent amount to the Government on procurement of 12000 SPV panels.

Non-deduction of decrease in Customs duty on supplies made after scheduled date of delivery led to excess payment of Rs 1.57 crore

(iv) Not only the department failed to reduce the unit rates on the basis of reduction of Customs duty for orders placed after March 1992, it failed to deduct the amount of reduction in Customs duty on supplies made against the supply order for 18000 SPV panels on three Public Sector Undertakings (PSUs) placed before March 1992 in terms of purchase order which clearly provided that benefit of any reduction in statutory duty would accrue to the department. DoT, however, failed to deduct Rs 1.57 crore from the bills of the suppliers for supply of 7642 panels made after scheduled date of delivery on account of reduction in Customs duty.

9.1.2 Procurement during 1993-94

Delay in processing and finalising the tender

(v) DoT invited tenders for procurement of 60000 systems in April 1993. However, it placed commercial orders for only 30000 systems during October-November 1993 at Rs 22489.80 per system on seven firms besides educational orders at the same rates for 1200 systems on other six firms. DoT reduced the total SPV units to be procured from 60000 to 31200 on the plea of reduced requirement. The reason for delay of six months in processing and finalising the rates and placing of orders after receipt of tenders was not clear.

Adoption of rate of non-type approved firm and incorrect computation of acceptable rates led to excess expenditure of Rs 3.05 crore

(vi) The international prices of the solar cells used in the SPV panels had come down since finalisation of rates for the previous purchases in November 1991. Instead of conducting a proper rate analysis to arrive at the reasonable price for counter-offer/negotiation with the firms, DoT approved the rate of Rs 22489.80 quoted by Advanced Radio Masts (ARM) Hyderabad as the lowest on the logic that their rate was closest to the rate obtained during the previous tender finalised in November 1991 reduced by the fall in the international prices of solar cells. Since, however, ARM did not possess type approval on the date of opening of tenders, the rate quoted by this firm was not relevant. Even while justifying acceptance of the rate quoted by ARM on the basis of being closest to the previous rate of Rs 24400 less Rs 2170 on account of fall in the international prices of solar cells, the element of Customs duty of Rs 977 on the amount of fall in the international prices of solar cells was ignored. This made the rate of Rs 22489.80 quoted by ARM close to the assumed reasonable rate of Rs 22230 but in effect was more than the realistic rate of Rs 21253 taking into account the Customs duty element. This act of omission in procurement of 31200 SPV panels resulted in excess expenditure of Rs 3.05 crore.

Undue benefit to private firms ARM and RES

(vii) Among the type approved firm, the rate quoted by Renewable Energy Systems Private Limited, Hyderabad (RES) was the lowest at Rs 24800 per unit. As would be revealed in the following paragraph, by adopting the rate quoted by ARM as the lowest, on one hand, DoT favoured ARM with substantial portion of supply order, on the other, gave supply order of substantial quantity to RES, Hyderabad on the plea that this firm should get more orders since they had quoted the lowest rate in the type approved category.

Commercial order on ARM without type approval

(viii) Though ARM did not qualify for commercial orders, since it did not possess type approval on the date of opening of the bid i.e. April 1993, DoT placed commercial order for 500 units on this firm in November 1993 on the plea that the type approval was granted to this firm in August 1993. The fate of grant of type approval to other six technically acceptable firms was not known.

Preference to PSUs in placing supply order denied in favour of RES

(ix) As per the policy of DoT, with a view to encouraging the firms for competitive bidding, 30 to 50 *per cent* of the supply order is placed on the firm whose lowest rates are accepted. While on one hand, the lowest rate quoted by ARM was fixed for supply by all firms, another firm, RES, whose rates were the lowest among the type approved firms, was given benefit of substantial order for 7500 units constituting 25 *per cent* of the total orders, with the approval of MOS(C) on the incorrect interpretation that this firm deserved more orders since it had quoted the lowest rate among the type approved firms. Others, which included proven PSU units viz. Bharat Heavy Electricals Limited (BHEL) and CEL were given supply order of only 4500 and 7000 units respectively. Preference to PSUs in placing supply order was denied in favour of RES, Hyderabad on an unacceptable plea that these were not PSUs of DoT. This arrangement of accepting the rate of ARM, a non-type approved firm and then placing orders for a big chunk on RES on the plea that theirs was the lowest rate among type approved firms gave benefit of higher volume of supply order to both the firms.

9.1.3 Repeat orders

Undue favour in placing repeat purchase orders on ARM and RES

(x) Within six months of the supply orders placed on seven firms for 30000 units in October-November 1993, DoT placed repeat orders on five of them for a total of 17800 SPV units in May-June 1994. DoT favoured ARM, Hyderabad with the orders of MOS(C) by placing commercial orders for 9000 units in May 1994 which was far more than the orders of meagre 3200 units each placed on BHEL and CEL, which had sizeable capacity. This is notwithstanding the standard clause in the original supply order on ARM in November 1993 that repeat order not extending 100 *per cent* shall be placed on the firm. DoT placed repeat supply orders for a quantity 18 times the original supply order on this firm. Even RES, Hyderabad was favoured again by placing orders for 5000 units, when this firm had failed to supply 3620 units within the stipulated delivery period against earlier supply order of October 1993 for 7500 units.

RES and ARM allowed more time for supply

(xi) While other firms on whom the supply orders were placed in May 1994 were given only two months time for supply, RES, Hyderabad and ARM, Hyderabad were given delivery schedule of six months from the date of supply orders. ARM failed to supply 7200 units even within the elongated delivery period.

Undue favour of Rs 4.38 crore to ARM on supplies made after the delivery schedule

(xii) In between, ARM quoted the lowest rate of Rs 16885 per system in response to NIT issued by DoT in September 1994. Inspite of non-fulfillment of the supply by ARM within the delivery schedule, wherein DoT had option to foreclose the supply order, DoT chose to procure the remaining units against the earlier supply order of May 1994 from the firm at the earlier higher price of Rs 22489.80 rather than foreclosing the supply order on the ground of non-adherence to delivery schedule. This resulted in an undue favour of Rs 4.38 crore to ARM on supply of 7200 units supplied after the scheduled date of delivery. The option of DoT to charge liquidated damages of Rs 0.34 crore for delay in supply rather than foreclosing the supply order which could have saved Rs 4.04 crore to the department was not prudent.

Excess expenditure of Rs 10.98 crore on repeat order

(xiii) Strangely, DoT did not include the standard term of repeat supply orders in vogue in the department that any reduction in the rate received in response to the tender for that year would be applicable to the repeat supply orders also. Interestingly, DoT included this condition in supply orders for SPV panels placed on ITI, Bangalore, in October 1994, in which subsequent reduced rates fixed by the department were made applicable with a financial gain of Rs 2.17 crore. This act of omission/commission resulted in an excess expenditure of Rs 10.98 crore on the repeat orders for 19600 SPV panels on six firms as under:

Name of the firm	Number of SPV panels	Excess expenditure (Rs in crore)
ARM	1800	1.01
RES	5000	2.81
TATA	3200	1.79
CEL	3200	1.79
BHEL	3200	1.79
REIL	3200	1.79
Total	**19600**	**10.98**

Summing up:

DoT favoured private firms by placing educational orders for large number of SPV panels constituting 30 *per cent* of the total orders. It inflated the unit rate by reckoning incorrect rate of Customs duty for commercial and educational orders in November 1991, resulting in a loss of Rs 2.66 crore. DoT did not reduce the price of SPV panels consequent upon reduction of Customs duty for supplies made after 1 March 1992 and also not affected the reduction in Custom duty in respect of supplies made after the scheduled date of delivery resulting in excess payment of Rs 2.96 crore. Besides, incorrect computation of rates of SPV panels due to fall in international prices of solar cells during 1993-94 led to excess expenditure of Rs 3.05 crore. Commercial orders were placed on ARM though it did not qualify for the same due to not having type approval of their product at the time of bidding. ARM was also given undue benefit of Rs 4.38 crore on supplies made after the scheduled date of delivery. Besides, non-inclusion of the standard term applicable to repeat supply orders led to excess expenditure of Rs 10.98 crore on supply orders on six firms including ARM. In nutshell, the acts of omissions/commissions resulted in undue benefit of Rs 24.03 crore to the firms and loss of an equivalent amount to DoT. Besides, the entire procurement of SPV panels highlights lack of transparency in the purchase procedure in DoT.

The matter was referred to the Ministry in September 1996; their reply was awaited as of December 1996.

9.2 Short realisation of cost of deposit works

DoT provided TV uplinking facility to Director General Doordarshan. Its failure to observe the prescribed procedure for preferring claims for the expenditure in time led to non realisation of dues of Rs 16.06 crore including interest of Rs 5.26 crore and maintenance charges of Rs 2.55 crore. DoT recovered Rs 0.46 crore of maintenance charges on being pointed out by Audit.

DoT executes deposit/contributory works relating to telecommunication facilities for other Government departments. DoT executed four deposit works and provided TV uplinking facilities to Director General (DG), Doordarshan, New Delhi at four stations namely Bhubaneswar in June 1991, Hyderabad in April 1992, Mumbai in February 1993 and at Bangalore in May 1993.

DG, Doordarshan deposited Rs 11.34 crore in advance between March 1986 and April 1989 for these works against the sanctioned estimates of Rs 13.01 crore. The works were completed during June 1991 to May 1993 at a total cost of Rs 19.47 crore. The increase over the sanctioned estimates was mainly due to increase in cost of equipment, devaluation of Indian currency etc. However, the department submitted final bills in September 1993 and March 1994 claiming Rs 8.13 crore, being the difference between actual cost of execution of the works and the amount deposited in advance by DG Doordarshan. No payment was received as of June 1996. Further, DoT claimed the annual maintenance charges from time to time at the rate of 10 *per cent* of the estimated cost aggregating to Rs 1.35 crore. Meanwhile, the facilities provided at all the stations have been stopped with effect from August 1994 and from December 1995 at Bangalore.

Examination of documents in the office of the CGM, Northern Telecom Region (NTR), New Delhi in February 1996 revealed that the General Manager (GM), Satellite Project and CGM, NTR, New Delhi failed to take timely action in accordance with the departmental procedure which led to non-realisation of Rs 15.60 crore as under:

DoT failed to raise the bills for Rs 8.13 crore on DG, Doordarshan and also did not claim interest of Rs 5.26 crore on unrealised captial cost

(i) Department failed to raise the bills for Rs 8.13 crore being the difference between actual cost of execution of the works and amount deposited by DG, Doordarshan in advance for all the four projects at the end of each financial year as per the rules. The omission was compounded when department failed to submit the final bill for payment, immediately after commissioning of the projects. DoT took 7 to 27 months after commissioning of the projects in preferring the bills of Rs 8.13 crore to DG, Doordarshan. Besides, DoT did not claim interest of Rs 5.26 crore due upto March 1996 on the unrealised capital cost, though the department itself raises loans from the market at rates 17 - 18 *per cent*.

DoT failed to prepare revised estimates

(ii) The actual expenditure exceeded by about 50 *per cent* of the sanctioned estimates but the department failed to prepare the revised estimates in time and obtain the approval of the competent authority till August 1993.

DoT short recovered Rs 2.55 crore as maintenance charges

(iii) The department's failure to recover the maintenance charges based on revised cost led to short recovery of Rs 2.55 crore. On being pointed out by Audit, DoT issued bills of the short recovered amount upto the date of closure, of which Rs 0.46 crore were recovered till June 1996.

(iv) The department also failed to recover Rs 0.12 crore on account of other charges relating to shifting, balances of installation of firm demand etc.

As the TV uplinking facility at all the four stations have since been stopped, the chances of recovery of outstanding dues appear rather remote.

Ministry accepted the facts in December 1996, but recovery particulars were awaited.

9.3 Unproductive investment on Electronic Telex Exchanges

Despite technological changes DoT enhanced capacity of many telex exchanges and installed electronic telex exchanges. The capacity remained grossly under utilised. Telex equipment valued at Rs 9.43 crore remained unutilised.

DoT approved in 1987 to convert all existing SXS telex exchanges to electronic telex exchanges over a period of seven years. It also decided to set up all new telex exchanges only of the electronic type.

Test check of installation/commissioning and utilisation of electronic telex exchanges in six Telecom Circles disclosed the following:

(i) Delay in installation

DoT delayed installation and commissioning of the electronic telex exchanges equipment supplied by Electronic Corporation of India Limited by nine to 35 months at Kanpur, Lucknow, Dehradun, Noida, Varanasi, Sahadara, Allahabad, Chandigarh and Nasik mainly due to delay in awarding the installation work.

(ii) Unutilised equipment

Telex exchange equipment and teleprinter machines valuing Rs 9.43 crore were lying unused

Electronic telex exchange equipment and un-interrupted power supply equipment valued at Rs 5.50 crore were not utilised for one and a half to five years since their procurement during March 1991 to January 1995. These were procured for Bhubaneshwar, Chandigarh, Lucknow and Muradabad stations. Similarly, 1324 electronic teleprinter machines valued at Rs eight crore, 277 electro mechanical machines valued at Rs 49 lakh and four 40 lines ITEX exchange equipment valued at Rs 38.41 lakh were lying unutilised in Circle Store Depot, Lucknow since February 1994. Another 258 electro mechanical machines valued at Rs 55.47 lakh were lying unused in Bhubaneshwar since August 1990.

(iii) Under utilisation of capacity

Utilisation of electronic telex exchange ranged between 12 to 55 *per cent* in 15 stations test checked

Examination disclosed that the electronic telex exchanges were grossly under utilised in all 15 locations test checked, of which, the capacity was augmented by 20 to 233 *per cent* in 13 cases. In all cases where the exchange capacity was augmented, the number of working connections were less than even the original capacity of the exchange, suggesting that the augmentation was not based on proper assessment of the changing environment of alternative faster means of communications viz. Fax, E-Mail and Satellite based VSAT. While the utilisation was mere 12 *per cent* of the equipped capacity of 300 terminals in Ghaziabad the highest capacity utilisation was at 55 *per cent* of equipped capacity of 200 lines at Nasik. The capacity utilisation at Agra, Allahabad, Bareilly, Bhubaneshwar, Chandigarh, Dehradun, Faridabad, Gurgaon, Kanpur, Lucknow, Noida, Shimla and Varanasi was between 24 and 50 *per cent* only as shown in Appendix XV.

(iv) Billing and collection of revenue

Test check disclosed that in UP Circle Rs 1.95 crore was over due for collection. Yet, the department has not disconnected the facility in accordance with the rules. EDX billing system was not installed at Lucknow station. As a result, the telex bills for the period January 1993 to September 1994 were prepared through private agencies at an expenditure of Rs 28.66 lakh. Failure to provide EDX billing system costing only Rs 7.81 lakh in time resulted in department having to spend over Rs 28 lakh on preparation of bills from outside agencies, which was avoidable.

(v) Non-recovery of telex machines

In two circles, teleprinters machines costing Rs 22.92 lakh were not recovered from the subscribers after disconnection

Test check disclosed that 82 teleprinter machines valued at Rs 21.28 lakh in UP Circle and three machines valued at Rs 1.64 lakh in Maharastra Circle were not recovered from the subscribers after withdrawal of the connection.

The matter was referred to the Ministry in December 1996; the reply was awaited as of January 1997.

9.4 Delay in completion of Defence communication project

DoT's failure to complete a top priority satellite communication project resulted in a wasteful expenditure of Rs 4.21 crore besides non-recovery of unadjusted capital outlay of Rs 0.81 crore, lease rent and maintenance charges of Rs 3.03 crore.

Delay in commissioning of the priority project

Scrutiny of documents in the Office of GM, Satellite communication project, New Delhi and Director (West), Satellite communication project, Thane, Mumbai in February 1996 disclosed that while the project was scheduled for commissioning in April 1990, DoT completed the Delhi link in October 1994 but the

Defence department has not cleared it after final acceptance testing as of November 1996. Similarly the Mumbai portion of the project, though completed in July 1990, did not function properly due to fault in modems and ultimately became inoperative since January 1992.

The communication network project included road/air transportable terminals for Army, Air Force and Navy with rearward links at Delhi, Mumbai and Shillong.

Against an estimated cost of Rs 4.32 crore DoT has already spent Rs 4.21 crore against the initial deposit of Rs 3.13 crore and a subsequent payment of Rs 0.27 crore by the Ministry of Defence.

Non recovery of amount of unadjusted capital outlay

Thus, failure of DoT to complete a `top priority' satellite communication project has not only rendered the expenditure of Rs 4.21 crore unfruitful but has deprived the Defence forces of its operational communication requirements for over six years. Besides, DoT is not in a position to demand the additional expenditure of Rs 0.81 crore over and above the amount deposited by Ministry of Defence until completion and commissioning of the project excluding interest on the unadjusted capital outlay.

Loss due to non recovery of maintenance charges

DoT charges lease rent and maintenance charges for systems leased to other departments. Due to non commissioning of the project, it has lost potential revenue of Rs 0.31 crore towards lease rent at 6.5 *per cent per annum* of the cost of Mumbai end link while the lease rent in respect of New Delhi link was being recovered. Besides, it was also deprived of Rs 2.72 crore towards maintenance charges for the period from April 1990 to December 1996 at 10 *per cent* of total costs of both the links though it was maintaining both the links.

The Ministry stated, in October 1996, that the system at New Delhi was not put into use because the Defence department delayed the supply of power plant. The above contention is not tenable since even after making available the power plant by the Defence department in January 1993, DoT failed to commission the links finally.

9.5 Non-recovery of advance and consequential undue benefit to the suppliers

Absence of monitoring by DoT resulted in non-recovery of advance of Rs 3.04 crore, interest of Rs 3.77 crore and liquidated damages of Rs 0.53 crore from ELCOT and PCL on account of their failure to supply the equipment.

DoT placed a purchase order on Electronics Corporation of Tamil Nadu Limited (ELCOT), Chennai in October 1990 for procurement of 2500 single channel very high frequency (VHF) systems at Rs 11.94 crore to be supplied by July 1991. It placed another purchase order on Punjab Communication Limited (PCL), Mohali in January 1992 for supply within 12 to 18 months of seven giga hertz 34 megabits per second microwave system at Rs 1.72 crore. DoT obtained bank guarantee of Rs 59.70 lakh and Rs 8.62 lakh from ELCOT and PCL respectively for execution of these purchase orders.

As per terms of the purchase orders DoT paid advances of Rs 3.75 crore and Rs 0.60 crore against indemnity bonds of like amount to ELCOT and PCL in November 1990 and March 1992 respectively with the condition that interest at commercial rate would be charged on the unadjusted amount from the date of expiry of scheduled delivery dates. Further, DoT had the option to encash the performance bank guarantee as an alternative for adjustment of the unadjusted amount of advance.

Supplier's failure to adhere delivery schedule

Scrutiny by Audit in September 1996 revealed that in both the cases the suppliers failed to adhere to the delivery schedule. DoT extended the delivery date upto October 1992 in the first case but restricted the supply to 700 systems and finally cancelled the order in August 1992 for remaining 1800 systems. ELCOT supplied 699 sets only.

In the second case DoT gave an extension of 28 months upto November 1995, but PCL failed to make the supply.

DoT did not adjust the outstanding advance to the extent of full amount of the bill from ELCOT against their claim of Rs 2.43 crore and recovered only an amount of Rs 1.31 crore.

DoT failed to recover the balance of Rs 2.44 crore by enforcing the indemnity bond. Interest of Rs 3.24 crore is also recoverable from the firm as of December 1996. Similarly, in the second case also DoT failed to recover the principal amount of advance of Rs 0.60 crore and interest of Rs 0.53 crore as of December 1996.

Besides, the extension of delivery schedule was given on the condition that liquidated damages would be levied. DoT, however, did not levy liquidated damages of Rs 0.44 crore and Rs 0.09 crore respectively.

In all DoT failed to recover a total of Rs 7.34 crore for four to six years.

The matter was referred to the Ministry in July and November 1996; their reply was awaited as of December 1996.

9.6 Undue favour to the supplier and loss on procurement of fly away terminals

Unnecessary/superfluous purchase of five HUB earth stations and five suitcase type fly away terminals rendered the expenditure of Rs 4.23 crore questionable. Besides, DoT did not obtain benefit of reduction in price of Rs 1.49 crore on supplies against earlier order.

As part of a crisis management plan DoT approved a project for procurement of fly away terminals and setting up of HUB earth stations at five locations in the country in September 1988 at an estimated cost of Rs 10.17 crore. The objective of the project was to provide emergency telecom facilities in case of civil disturbances and disasters like earth quake, floods, cyclones, etc. Though the project estimate was sanctioned in September 1988 and the scheme was to be commissioned by March 1989, DoT could place a supply order on Bharat Electronics Limited (BEL) for 20 fly away communications terminals and five HUB earth stations in October 1989 only at Rs 8.74 crore exclusive of Excise Duty and Sales Tax. BEL was to supply them by November 1990. The terminals were to be packaged in cases conforming to accompanied checkable luggage as per regulation of commercial air lines and also capable of transportation in jeeps, camel/horse back or even by porters so that the terminals could be set up within a couple of hours by two or three men.

Inordinate delay in supply of terminals

BEL failed to supply any of the fly away terminals and HUB stations upto November 1992. While examining their request for extension of the delivery period, DoT realised that they already had five HUB stations at Calcutta, Chennai, Delhi, Mumbai and Shillong and that the fly away terminals could be used in tandem with the existing HUB stations. However, since BEL was stated to have placed orders for HUB stations, DoT decided in April 1992 to ask them to knock down the HUB stations to convert them into fly away terminals, which could be supplied to DoT against future orders.

Decision of cancellation of order for HUB stations not communicated to suppliers which resulted in unnecessary purchase for Rs 2.68 crore

Strangely, DoT did not communicate this decision about cancellation of order for HUB stations to BEL. Subsequently, DoT decided to use the five HUB stations valued at Rs 2.68 crore as a second chain of HUB stations at the Indian Telephone Industries earth stations. This decision was more a *fait-accompli* solution to the omission by DoT in not realising that the existing HUB stations are sufficient to meet their requirement before placing orders for five more and failing to cancel the supply orders subsequently after realising it. BEL supplied only three fly away terminals and one HUB station by March 1993 thereby delaying the commissioning of the initial scheme further. Even while examining the request of BEL for second extension upto September 1994, the redundancy of the HUB stations was not taken into account to cancel the supply order.

Superfluous purchase of five fly away terminals valued at Rs 1.55 crore

Besides, DoT placed advance purchase order for another five sets of suitcase type fly away terminals on BEL in January 1994 at Rs 1.55 crore for use during the time of visit of VVIPs to remote areas where terrestrial communication is not feasible. These suitcase type terminals have provision of one speech circuit as compared to two in the fly away terminals for which orders were placed earlier and the high powered amplifier of the former was of 5 W capacity in place of 10 W for the later. The decision to purchase these five suitcase type terminals was taken without taking into account as to whether the 20 fly away terminals already ordered could meet the requirement of providing communications at the time of visit of VIPs to remote areas. The fly away terminals already ordered being easily portable and having specification slightly higher than the suitcase type terminal, could meet the requirement of providing communication support during VVIPs visit to remote areas.

DoT did not obtain benefit of reduction in import price and lowering of rates of Customs duty

The gap between the time when rates of fly away terminals and HUB stations were fixed by DoT through limited tender in 1988-89 and the actual supply during 1993 and 1994, was about four to five years. During this period the prices of satellite communications equipment, by DoT's own admission, had come down steeply. Besides, BEL had imported three fly away terminals and one HUB station in fully finished form and manufactured/ assembled other equipment after importing in SKD/CKD form from Scientific Atlanta, an US firm. Even while being aware of fall in international price and reduced liability of BEL towards Customs duty, first on account of reduction in import price and secondly because of lowering of rates of Customs duty, DoT failed to obtain reduction of price fixed in 1989 after a detailed analysis of the cost elements, particularly when it had the option to terminate the supply order or re-negotiate the price due to default of BEL to supply the equipment in time. The amount of unintended benefit accruing to BEL due to this was not ascertainable in audit.

DoT placed an advance purchase order (APO) for the suitcase type fly away terminals in January 1994 on the basis of lowest rate in the limited tender invited in May 1993 which was 25 *per cent* lower than that of the rate at which the orders were placed in 1989 though their specifications were only marginally lower that the terminals ordered earlier. 17 fly away terminals against supply order of 1989 were supplied after placing the APO in 1994. Inspite of this, DoT did not ask for reduction of rate in the previous tender even while BEL had defaulted in supply.

Besides, during this intervening period, fast technological improvements had taken place in the field of Satellite communication the advantage of which was not taken by DoT either financially in terms of reduced prices or technologically improved version.

Thus, the shortcomings in the entire planning, decision making, review and follow up in this project resulted in the following:

(i) DoT purchased five HUB earth stations unnecessarily at a cost of Rs 2.68 crore, rendering the expenditure questionable.

(ii) The decision to procure five suitcase type fly away terminals at a cost of Rs 1.55 crore was taken without much justification since 20 fly away terminals already ordered earlier, could have served the purpose.

(iii) DoT failed to obtain benefit of reduction in international prices of satellite communications equipment and Customs duty inspite of delayed delivery by the supplier.

(iv) DoT did not attempt to negotiate reduced prices for 17 fly away terminals supplied after fixing a lower rate for subsequent procurement.

(v) Finally, the delay in delivery of equipment caused a set back to the early commissioning of this vital project meant for use in crisis management.

The matter was referred to the Ministry in October 1996; their reply was awaited as of December 1996.

9.7 Undue benefit to contractors - loss of Rs 4.31 crore

Improper decision of the department to ignore the offer of one of the firms for supply of equipment at old rate and not placing repeat orders to the extent provided in the first supply order of 1992 resulted in extra expenditure of Rs 4.31 crore, of which Rs 1.70 crore was on account of higher rate to two firms on the plea of reimbursing the royalty.

DoT procured 5696 terminals of three channel open wire carrier system for providing subscriber trunk dialling (STD) facility at Taluka/Sub divisional Headquarters during June 1992 to October 1993 from three firms as under :

Period	Name of firm	No. of units	Unit price* (excluding spares and installation cost)	Total cost** (Rs in crore)
June 1992	ITI	1300	93338	14.51
	Meltron	300	93338	3.35
	Anco	100	93338	1.12
October 1993	ITI	650	101425	16.38
	Meltron	1350	106784	8.30
	Anco	1996	106784	25.49

Scrutiny of the procurement of the system disclosed the following:

DoT ignored the offer of a firm for supply of equipment at lower rate

(i) One of the firms, Anco, on whom orders for procurement of 100 systems were placed in June 1992 offered in August-September 1992, i.e., around the time when DoT issued tender enquiry in September 1992 for procurement of 4500 terminals, to supply 1000 terminals on the same terms and

* Exclusive of Excise duty and CST

** Inclusive of Excise duty and CST

conditions as of June 1992. The Department ignored its offer and subsequently placed orders on the same firm in October 1993 on the basis of tender of September 1992 for 1996 terminals at higher price of Rs 106784 per terminal. This resulted in unnecessary excess payment of Rs 160.81 lakh due to higher unit rate inclusive of Excise duty and Central Sales tax (CST) paid for 1000 terminals.

Failure to take cognisance of advantageous clause in the purchase order

(ii) Under terms and conditions of the purchase order issued in June 1992, DoT had reserved its right to order additional equipment upto 100 *per cent* of the total ordered quantity at the same unit price within a year from the date of issue of the purchase order. However, DoT decided not to avail of the option to place add on order for 1700 terminals at the same price as applicable to the orders of June 1992. DoT placed orders on the same three firms for 3996 terminals at higher price out of which it could have procured 1700 terminals at the earlier lower price. This injudicious decision of DoT resulted in an excess expenditure of Rs 190.06 lakh.

Adoption of dual pricing led to extra expenditure of Rs 169.59 lakh

(iii) This product was developed by ITI, which had an annual capacity for 3200 terminals. Yet, DoT decided to place orders in October 1993 on two other firms i.e., Anco and Meltron for 1996 and 650 terminals respectively at a price higher than that fixed for ITI by Rs 5359 per terminal on the plea of reimbursement of royalty payable by them to ITI. Since the procurement was against an open tender, the decision of DoT to follow dual pricing for the same equipment was not justified and was contrary to the general policy of the department to have an uniform price for all suppliers irrespective of quantity ordered. The compulsion of the department to place supply orders for 2646 terminals on two firms at rate higher than the rate of ITI even when ITI had capacity to supply the equipment is not clear. The decision of the department cost the exchequer an extra expenditure of Rs 169.59 lakh on account of reimbursement of royalty charges and Excise duty and Sales tax on the excess amount. Out of this, Rs 89.73 lakh is already included in the excess expenditure pointed out in the preceding paragraphs (i) and (ii).

Thus, improper decision of the department to ignore the offer of one of the firms for supply of equipment at old rate and not placing repeat orders to the extent provided in the first supply order of 1992 resulted in extra expenditure of Rs 430.74 lakh, of which Rs 169.59 lakh could have been avoided, had DoT not paid higher rate to two firms on the plea of reimbursing the royalty.

9.8 Excessive procurement of CNA systems

DoT placed orders in all for 509 CNA systems valuing Rs 13.35 crore during 1991-94 without establishing their requirement and placed 89 *per cent* of total requirement on a single firm who approached them. 117 systems valuing Rs 4.17 crore were lying unutilised in various Circles.

In a telephone system, the number of subscriber gets shifted from one exchange to another due to area transfer or bulk release of connections. The changed number announcing (CNA) system is a micro-processor based equipment with programmable digitalised voices which could be fed into electro-mechanical exchanges for making announcement regarding change of telephone numbers of the subscribers.

DoT procured 509 CNA systems during the period 1991-1994 at the total cost of Rs 13.35 crore as follows:

(Rs in lakh)

Period	No. of CNA systems		Unit cost		Cost		Total Cost
	256 lines	512 lines	256 lines	512 lines	256 lines	512 lines	
1991-92	5	5	3.82 *	6.91 *	19.10	34.55	53.65
1992-93	129	44	2.35**	3.89**	303.15	171.16	474.31
1993-94	270	56	2.22**	3.70**	599.40	207.20	806.60
Total	**404**	**105**			**921.65**	**412.91**	**1334.56**

* inclusive of excise duty, sales tax etc.

** exclusive of excise duty, sales tax etc.

Scrutiny of records by audit during March-August 1996 revealed the following irregularities:

(i) DoT placed the order on a firm National Telecom Limited (Natelco) for supply of five CNA system of 256 lines and five of 512 lines at a total cost of Rs 53.65 lakh for field trials at Ahmedabad, Bangalore, Calcutta and Chennai in November 1991.

DoT procured 22 systems valuing Rs 57.84 lakh even before conducting field trials

(ii) Even before the results of field trials were received, DoT floated a tender in January 1992 for procurement of 190 CNA systems. Out of 13 offers received, only one was from a type-approved firm. However, based on the recommendation of TEC, DoT placed orders on three firms for supply of 22 CNA systems with total capacity of 6656 lines who had quoted the three lowest rates at a total cost of Rs 57.84 lakh in May/June 1993.

Natelco refused to accept LoI in protest against small quantity placed on them

(iii) Natelco, whose rate was the fourth lowest and which was the lone type approved firm, did not get the order because it did not accept the letter of intent (LoI) in protest against the very small number of four CNA systems placed on them.

Natelco, subsequently, approached DoT for placement of orders

(iv) Within six months, however, Natelco approached DoT in October 1993 requesting it to place supply orders for the entire requirement of the department at the price fixed in May 1992. This firm claimed that they had already supplied CNA systems totalling more than 55000 lines to 43 various units in DoT network.

DoT placed supply orders for 151 systems on Natelco at the instance of MOS(C)

(v) The department placed supply order for 151 systems constituting 90 *per cent* of the balance 168 CNAs put to tender in January 1992 (110 systems of 256 lines, 41 system of 512 lines) on Natelco in January 1994 although, one of the other firms had already obtained type approval. The supply order was placed on Natelco firm ignoring adverse field reports from Calcutta and Chennai Telephones. The decision to place supply order on a single firm, Natelco, was taken at the level of then MOS(C).

DoT placed supply order for 292 more systems on Natelco on the plea of urgency which did not exist

(vi) In the same note dated 17 December 1993 MOS(C) further directed that another supply order for 292 more CNA systems should be placed on Natelco in January 1994 with total capacity of 86528 lines on the plea that these systems were urgently required to meet the targets for the year 1993-94. Scrutiny of documents disclosed that while on one hand DoT expressed urgency in January 1994 for these systems and MOS(C) approved placing of orders for 292 systems, it took four months to place the supply orders for them in May 1994. The plea that if fresh tenders are issued, it would delay the procurement is also not tenable, first because the urgency did not exist and secondly because CNA being an electronic product, DoT could expect lower rates in December 1993 than those received in January 1992.

Thus, in all, DoT placed orders for 453 CNA systems on Natelco while only 56 systems were procured from other three firms, who had quoted the three lowest rates on the basis of 1992 tender. This was against the general policy of DoT to place bulk order of upto 30 to 50 *per cent* on the technically acceptable firm quoting the lowest rate to encourage competitive bidding. Supply orders for the balance quantity are distributed among technically acceptable firms in inverse proportion to the rates quoted by them who were prepared to supply at the rate fixed by DoT. In this case, DoT opted to ignore their standard practice and placed 89 *per cent* of the total procurement of CNA valued at Rs 11.87 crore supply order on the one firm whose quoted rate was the fourth lowest, while the remaining 11 *per cent* was distributed among three firms who had quoted the three lowest rates.

Many circles requested DoT for cancellation of orders as they did not require the system

(vii) The professed assessment of requirement of CNA systems left a number of questions unanswered as on receipt of purchase orders issued by the department, many Circles requested DoT for cancellation of orders as they did not require such equipment. Calcutta and Chennai Telephones reported that the performance of systems supplied by Natelco was not satisfactory and, therefore, suggested cancellation of the purchase order.

117 systems valuing Rs 4.17 crore lying unutilised in different circles

(viii) 117 out of 402 systems valuing Rs 4.17 crore supplied by Natelco are lying unutilised in the stores in different Circles even as of September 1996. This makes it amply clear that orders were placed on Natelco by DoT in haste, without establishing the quantity required for use in the circuit.

Circles procured the systems directly in disregard of delegation of powers

(ix) Strangely, it is from the letter of Natelco that DoT learnt procurement of CNA system directly by the field units. This equipment is a central purchase item for which field units had not been delegated any powers, yet many Circles purchased CNA systems on their own in disregard of delegation of powers. 81 such systems (40 numbers of 256 lines and 41 numbers of 512 lines) were procured irregularly by the field officers without authority between October 1991 and November 1993 directly from Natelco at a cost of Rs 4.32 crore. DoT did not take any action to fix responsibility for violation of delegated powers by field officers.

Thus, the bulk purchase made by DoT without taking the actual requirement of the equipment from Circles and inspite of reservations about quality of the equipment by Calcutta and Chennai Telephones was not based on objective assessment of their requirement. Orders for most of CNA systems valued at Rs 11.87 crore were placed on a single firm, which was the fourth lowest, at the instance of the then MOS(C) on the basis of special representation made by the firm to him. 117 systems valuing Rs 4.17 crore are yet to be put to any use.

The matter was referred to the Ministry in October 1996; their reply was awaited as on December 1996.

9.9 Wasteful expenditure on import of high power amplifiers

DoT's flawed tender document gave undue benefit to foreign suppliers; non-inclusion of inspection of equipment clause, initially in purchase order and then in letter of credit resulted into supply of defective high power amplifiers, which did not conform to DoT's technical specifications. Rs 4.03 crore spent on 16 HPAs did not fructify as they could not be commissioned even after a year of receipt.

DoT placed purchase order in April 1995 on Varian International Switzerland for supply of sixteen 100 watts high power amplifiers (HPA) for use in islands and remote areas at a total CIF cost of Rs 2.25 crore. The equipment were supplied during August-September 1995.

Audit scrutiny of the purchase case revealed that:

Foreign supplier took undue advantage of flawed tender conditions

— The tender document did not provide level playing field to indigenous suppliers in as much as the Customs duty on the imported equipment was to be ignored in respect of imported equipment while for indigenous supplies, the cost was to be taken on ex-works basis. Thus, the foreign supplier was given an advantage over indigenous manufacturers. Further, DoT even did not accept the recommendations of the Technical Evaluation Committee which had recommended for correction of the lapse committed by the department for comparing the bids from foreign suppliers on CIF basis only and awarded the tender in favour of Varian International, overlooking the fact that equipment based on Varian technology supplied to the department earlier had poor performance record.

Inspection clause not included in letter of credit

— The bidding document provided for inspection of equipment either in India or in the factory of the suppliers for confirmation of the specifications. Strangely, DoT did not incorporate this clause in the original purchase order but subsequently made the provision for the same through an amendment in June 1995. Yet the department did not include this condition in the letter of credit opened in July 1995. Ultimately DoT failed to carry out the inspection at the supplier's factory premises and it proved a costly omission as indicated below:

Equipment could not be commissioned due to deficiencies

— DoT could not commission the entire equipment received between August-September 1995 as of December 1996 due to several deficiencies noted by its quality assurance wing on its arrival in India because of non-testing of these equipment at supplier's factory premises. Since the full payment had already been made by DoT on proof of despatch, it did not have any effective means to ensure replacement of the defective equipment, free of cost, at sites as stipulated in the contract.

— The department took the decision in September 1996 to get these equipment retrofitted by the suppliers at consignee's premises which is expected to meet DoT specifications by and large but not fully as per department's own admission. The supplier is, however, yet to carry out the job as of December 1996.

All equipment valued at Rs 4.03 crore lying idle

Thus, all 16 equipment procured at the cost of Rs 4.03 crore continued to lie idle since September 1995. The department have little scope to compel the suppliers for early rectification.

The matter was referred to the Ministry in November 1996; their reply was awaited as of December 1996.

9.10 Avoidable expenditure in execution of work at abnormally high rates

Execution of external plant works through TCIL on turnkey basis at abnormally high rates resulted in avoidable expenditure of Rs 3.79 crore apart from delay in completion of the works.

DoT issued guidelines in July 1985 for getting the cable laying work done through outside agencies/contractors on turnkey basis. In August 1986, DoT decided to entrust the external plant works to Telecommunications Consultants India Limited (TCIL) on payment of overhead charges at 18.5 *per cent* as revised from time to time, on actual project cost incurred for the execution of work.

Scrutiny of records in respect of external plant and cable duct work executed through TCIL in Chandigarh, Faridabad, Guwahati and Indore disclosed the following irregularities:

(i) Award of work at higher rates

Execution of work through TCIL at abnormally high rates resulted in excess expenditure of Rs 3.59 crore

The work of laying of cable involved excavation of earth in trenches, laying of cables and supply and laying of bricks. It was observed that no schedule of rates was prepared/followed by the units and the rates as per the schedule of rate of TCIL were allowed. Proper scrutiny of tender documents, rates etc. were not carried out before awarding the work to sub-contractors. In Chandigarh Telephones, the rates of TCIL were three times higher for excavation of earth and supply of bricks and slightly lower for laying of cables compared to the rates of a contractor who was executing the same work on the basis of rates approved in response to tender invited in May 1994. The overall net impact of very high rate for two items and marginal lower rate for one was an excess expenditure of Rs 2.23 crore in Chandigarh Telephones alone.

Immediately after award of work to TCIL in May 1994, GMT, Chandigarh invited tenders in August 1994 for laying of cables. Even these rates were much lower than the rates of TCIL as indicated below:

(Rate in rupees)

Item of work	Lowest rate received in response to tender invitation in		Rates of TCIL including overhead charges	Difference in rates of TCIL with reference to rate of	
	May 1994	August 1994		May 1994	August 1994
Excavation of earth in trenches Upto 1.00 m	3.50	3.69	16.39	12.89	12.70
1.50 m	6.00	9.90	24.59	18.59	14.69
Laying of cables	6.25	4.61	5.65	(-)0.60	1.04

Similarly, the rates paid to TCIL for execution of external plant network at Faridabad, Guwahati and Indore were also higher by 18 to 700 *per cent* as compared to the rate approved by the department for works carried out departmentally.

Thus, the decision to award cable laying/pulling work to TCIL on turnkey basis resulted in getting the work executed at abnormally high rates entailing an excess expenditure of Rs 3.59 crore in test checked cases in four divisions i.e. Chandigarh, Faridabad, Indore and Guwahati alone. Most of the contractors to whom the works were awarded were from Delhi. Thus, one of the main objectives for entrusting the work to TCIL to develop expertise among the local contractors was not achieved.

(ii) Irregular payment of overhead charges

TDE paid Rs 8.88 lakh as overhead charges to TCIL on bought out items, which were not used in works by them

TCIL purchased 1.03 lakh metre PVC pipes of various sizes valuing Rs 56.90 lakh in September 1990 for duct work between Guwahati and Noonmati. The duct work was, however, not taken up by TCIL on the plea that none of the sub-contractors were ready to take up the work. Subsequently, the work was executed departmentally. Yet, the Telecom District Engineer (TDE), Guwahati paid overhead charges of Rs 8.88 lakh to TCIL which remained unrecovered despite being pointed out by Audit in April 1996.

(iii) Irregular payment of overhead charges

DoT had been granting extension for arrangement made with TCIL in August 1986 for execution of external plant works on year to year basis. However, extension of the arrangement with TCIL from July 1990 was granted only for duct works at reduced rate of overhead charges at 12.5 *per cent* on actual cash expenditure by TCIL on labour etc. and eight *per cent* on actual cost of stores supplied upto June 1991. No further extension was granted thereafter.

Indore Telephones, however, continued to award work on payment of overhead charges to TCIL even after June 1990 in respect of cable laying work and beyond June 1991 in respect of cable duct work. This resulted in irregular payment of overhead charges of Rs 10.91 lakh to TCIL.

(iv) Delay in execution of works

Delay in completion of the external plant works

In all the three cases test checked, TCIL did not complete the work as per the time schedule. The delays ranged between two to 44 months as under:

Name	Due date of completion	Actual date of completion	Delay in months
Chandigarh	January 1995	March 1995/ April 1996	2 to 15
Indore	November1989/ June 1992	June 1991/ October 1993	2 to 44

Thus, while DoT incurred excess expenditure of Rs 3.79 crore on turnkey works by TCIL, one of the main objectives of developing local expertise was also not achieved, since in most cases outside contractors were given the work.

The matter was referred to the Ministry in August 1996; their reply was awaited as of December 1996.

9.11 Import of defective cables

Department's failure to test the jelly filled cable before despatch resulted in import of 752 kms of cable which failed in water penetration test carried out on their receipt. The jelly filled cable valued at Rs 19.56 crore can be used only as dry core cable

Failure to test 752 kms cables at suppliers factory despite supplier's offer to bear the cost of inspection

DoT lodged a compensation claim with Ssangyog Corporation, Seoul Korea in March 1996 for US$ 1692045 equivalent to Rs 3.23 crore for supply of 752 km jelly filled water resistant telephone cables valued at Rs 19.56 crore in April-May 1989 financed by IBRD loan, which were found defective on inspection carried out at destination point in India. The suppliers, however, rejected the claim in April 1996 on the plea that the cables failed in water penetration tests due to wrong method of sampling, improper storage and mishandling at the destination point in India.

Scrutiny of records by Audit between August 1992 and October 1996 revealed the following:

Failure of jelly filled cable in water penetration test in India

(i) Inspection team of DoT's Quality Assurance wing tested only 843 km cable out of the total supply order for 1595 km in the supplier's factory in Korea during November 1988 - January 1989 before shipment to India, all of which was received in good condition. DoT, however, decided in February 1989 that the balance 752 km cables would be shipped without pre-despatch tests and the inspection team was recalled to India for unspecified administrative reasons even when the suppliers were ready to bear the cost of their extended stay. This decision had far reaching implications, since 90 *per cent* of the price was realisable against Letter of Credit on proof of despatch. By this decision DoT provided a free hand to the suppliers in regard to quality of cables without any safeguards to protect its interest.

(ii) When the balance 752 km of untested cables worth Rs 9.46 crore (CIF cost) were received in India in April-May 1989, the entire lot of cables failed in Water Penetration Test conducted by Quality Assurance Wing of DoT in July 1989. DoT obtained a performance Bank guarantee of US$ 1614478 equivalent to Rs 2.08 crore which was yet to be encashed as of January 1997. Further, DoT also failed to conduct the tests within 30 days of the submission of bills on receipt of goods at site and paid the balance 10 *per cent* of the amount to the supplier in August 1989.

Delay in lodging of compensation claim

(iii) DoT decided in November 1990 to use the defective cables as dry core cables. This decision, however, could not have been a comfortable one for them since the use of dry core cables meant foregoing the benefits of fault free services during the rainy season. Yet, it inexplicably took a long time of over five years in lodging the compensation claim with the Korean firm in March 1996 for an amount of Rs 1.77 crore for the cost of 337 tonnes of jelly and Rs 1.46 crore as interest on that amount upto December 1995 after being pointed out by Audit in August 1992. The foreign firm rejected the claim in April 1996 on the plea that defects were attributed to the consignee. DoT, however, did not pursue the case, thereafter.

Unrealistic method of calculation of amount of claim

(iv) DoT adopted unacceptable method for working out the loss. Instead of claiming compensation for the differential value of the cost of the imported jelly filled cables i.e. Rs 9.46 crore and the salvage value of the rejected consignment i.e. cost of dry core cable available domestically, it worked out the loss by limiting it to the cost of the weight of the jelly which should have been filled in the cable. This method of calculation of the compensation does not stand to logic. Besides, payment of Customs duty of Rs 10.10 crore paid on this import would not have been involved in the indigenous procurement of dry core cable. DoT in all spent Rs 19.56 crore on CIF cost and Customs duty on import of the defective cable which can be used as per department's own confession as dry core cable. Negligence and deficient handling of the procurement by DoT resulted in questionable expenditure of Rs 19.56 crore borrowed from IBRD at 13 *per cent* interest.

(v) Out of 752 km rejected cables 105 km cables costing Rs 2.78 crore including Customs duty was imported by DoT on behalf of the Mahanagar Telephone Nigam Limited (MTNL).

(vi) This heavy loss can be attributed to negligent procurement management in DoT.

The Ministry stated, in October 1996, that the suppliers rejected the compensation claims for Rs 3.23 crore and further course of action was under examination of Telecom Commission. It added that the performance security of Rs 2.08 crore has, however, not yet been released by the department.

9.12 Undue benefit to a firm in procurement of MARR equipment

Flaws in procurement process of Multi Access Radio Relay (MARR) System for rural telecom network cost the Government an extra expenditure of Rs 2.78 crore and a corresponding benefit to supplier firm.

DoT placed two orders for the supply of MARR systems in December 1992 and September 1993. As per specifications of the Telecommunication Engineering Centre the Synthesised Version (SV) of the system was preferable to the Crystal Control Version (CCV).

The purchase particulars are detailed below:

Month of purchase	Supplier	Quantity and type	Unit Price (Rs in lakh)	Total value (Rs in lakh)
December 1992	ARM	300 (CCV)	3.545	1063.50
-do-	Shyam	200 (SV)	3.545	709.00
September 1993	ARM	300 * (CCV) 600 (SV)	2.985 3.356	895.50 2013.60
-do-	Shyam	900 (SV)	3.356	3020.40
-do-	Natelco	450 (SV)	3.356	1510.20
-do-	Punwire	250 (SV)	3.356	839.00

Scrutiny of MARR System purchase documents indicated the following:

Procurement in December 1992:

Non-inclusion of specification in the purchase order led to an avoidable extra expenditure of Rs 1.11 crore

Purchase orders were issued without any reference to the version of the system required. Consequently, while ARM supplied CCV, Shyam supplied SV at a uniform price of Rs 3.545 lakh per system. DoT erred in not specifying the technical specifications and picking up the inferior CCV version rather than the upgraded SV

* This was altered to 450 units at a higher rate of Rs 3.356 lakh per unit with a consequential increased expenditure of Rs 167.00 lakh.

In doing so, it also provided undue benefit of Rs 1.11 crore to ARM, worked out on the basis of price differential introduced between the two versions in September 1993.

Procurement in September 1993 :

Decision to alter both the rate and quantity of lower version of MARR equipment resulted in undue benefit to firm of Rs 1.67 crore

DoT decided in July-August 1993 to procure 2500 more systems against the previous tender. However, this time it adopted a differential price structure for the two versions. For CCV, a reduced price of Rs 2.98 lakh was fixed on the basis of rate fixed by DGSD. For SV model a price of Rs 3.356 lakh was fixed. Orders were issued in September 1993 on four companies as detailed in the table above. DoT, however took the unusual step of not only placing supply orders for 300 inferior CCV version on ARM, while all other orders were for improved version, but it favoured the firm by increasing the number of CCV version from original 300 to 450 and at the same time increased the price of this version from Rs 2.985 lakh to Rs 3.356 lakh for all 450 units. In the bargain, DoT not only ended up buying 450 inferior units at a cost of Rs 15.10 crore, its unjustifiable decision to increase the price rendered an undue benefit of Rs 1.67 crore to the firm

As a result of the foregoing, DoT procured inferior version of the equipment at the same price gave an unintended benefit of Rs 2.78 crore to the firm by way of higher price for it.

The matter was referred to the Ministry in October 1996; their reply was awaited as of December 1996.

9.13 Loss of revenue in printing of telephone directory

GMT, Hyderabad provided un-intended benefit to the contractor on account of non-supply of printed telephone directory for two out of five annual issues entailing a loss of revenue of Rs 2.59 crore and denial of updated telephone directory and supplementary directory to the subscribers.

Telephone directories are published by private publishers at their cost, who retain the revenue from advertisements included in them. The publishers, apart from making the requisite number of printed copies of the directory available to Telecommunications Department free of cost, are also liable to pay royalty to the department.

GMT, Hyderabad Telecommunications District invited tenders in November 1988 for printing and supply of five consecutive annual issues of telephone directory commencing from the 1989 issue. As per the time schedule prescribed in the Notice Inviting Tender (NIT), the department was to make available to the publisher, the master copy of the main directory of the previous issue and input material corrected upto the end of August to enable him to supply the printed copies of the directory by 31 October each year during 1989 to 1993. The last date of receipt of tender was 6 January 1989.

GMT, Hyderabad took more than six months for finalisation of the contract and entered into an agreement with United Database (India) Private Limited, New Delhi in July 1989 for printing of five consecutive issues of the directory as under:

Year	No. of copies of directory (number in lakh)	Amount of royalty payable by the contractor (Rs in lakh)
1989	1.40	18
1990	1.70	36
1991	2.00	54
1992	2.30	72
1993	2.60	153
TOTAL	**10.00**	**333**

In the agreement, the last date of delivery of 1989 issue of the main directory was changed from 31 October 1989, indicated in the NIT, to middle of March 1990 which was again refixed to middle of May 1990 due to delay in handing over of input material.

GMT did not fix time schedule of supply of printed telephone directories.

Since the due date of delivery of the first issue i.e. 1989 issue was shifted by five months, it was incumbent upon GMT, Hyderabad to prescribe a time schedule for the next four issues in a manner that five consecutive issues of the telephone directory are printed and delivered by the contractor. The matter relating to printing and supply of the next four issues of the directory was left open-ended in so far as the due dates were concerned.

The contractor did not adhere to the scheduled date in the agreement for 1989 issue for supply of telephone directory and supplied it about three and half months later in July 1990. GMT termed this as 1990 issue but charged royalty of Rs 18 lakh only at the rate applicable for 1989 issue. The directory for 1991 was not printed at all. The contractor supplied the next issue of printed copies of directory in June 1992 as against schedule date of delivery of April 1992, which was termed as 1992 issue. Royalty of Rs 36 lakh applicable for 1990 issue was charged from the contractor instead of Rs 72 lakh applicable in terms of the agreement for 1992 issue. Due to poor performance of the printer, the contract was terminated. The 1993 issue was, however, printed through another contractor and the total royalty for the same was only Rs 20 lakh, which was in sharp contrast with the initially contracted amount of royalty of Rs 153 lakh for this issue.

Loss of revenue and unintended benefit to the contractor, besides denial of updated directories to the subscribers.

As per NIT and agreement, the contractor was to supply a total of 10 lakh copies plus/minus five *per cent* of main directory free of cost during the five years 1989 to 1993. He was also liable to pay total royalty of Rs 333 lakh during this period at progressively increasing rate. Inability of GMT, Hyderabad to ensure performance obligations by the contractor in printing of telephone directory resulted in supply of 5.53 lakh copies of only three issues including those got printed by another contractor, against the agreement for supply of 10 lakh copies of five consecutive issues, resulting in unintended financial gain to the contractor, besides, non-supply of updated telephone directory to the telephone subscribers during two out of five years. Besides, GMT charged royalty for these two issues at lower rate applicable to the first two issues rather than the rate applicable to the particular year of issue. As a consequence the department lost a total revenue of Rs 259 lakh while the contractor ended up paying only Rs 54 lakh against the total liability of Rs 333 lakh for five annual issues.

The Ministry stated, in January 1997, that since the directory was printed in 1990 and 1992, there was no option except to name this as 1990 and 1992 issues. The royalty was charged according to the first and second issue of the directory as per provision in the agreement and hence termination of the contract did not entail the loss. The Ministry added that since the firm failed to deposit the bank guarantee, the contract had to be cancelled. This highlights the lacunae in the terms of the contract, since DoT has to obtain the bank guarantee every year rather than securing its interest for all five years in a five year contract.

The contention of the Ministry is not acceptable because as per agreement the royalty was recoverable for the year of issue of directory . The Ministry sustained net loss of Rs 54 lakh of royalty in the two issues alone and by not bringing out the remaining directories it sustained loss of Rs 259 lakh after taking into account the royalty of Rs 20 lakh received for 1993 issue from another contractor. While claiming that there was no loss in the process, the Ministry glossed over the fact that while in the first year of the contract the royalty payable is at its lowest, it is at its highest in the terminal year of the contract.

Additional benefit to the contractor by not obtaining supplementary issue of directory and Numerical Index

In addition to the main directory, the contractor was to supply free of cost numerical index and billing information and supplementary issues of the directory by 15 November of each year and 30 April of the following year respectively. However, the contractor supplied numerical index and billing information for 1990 and 1992 issues while they supplied only 70000 copies of one supplementary directory for 1992 issue. By not obtaining all five consecutive issues during 1989 to 1993, GMT provided unintended benefit to the contractor in as much as they did not have to supply numerical index and billing information and supplementary issues for three/four years.

The Ministry stated that as a penalty for not bringing out of supplementary directory for 1990, white pages revenue due to the printer for the year 1990 and for not bringing out 1993 and subsequent issues, the earnest money deposit and white pages revenue due to the printer for 1992 directory were frozen.

Non-levy of penalty for delay and failure to obtain the figures of net amount of revenue collected by the contractor

As per the agreement, an amount equivalent to one *per cent* of the net amount collected by the contractor by way of advertisements was to be levied as penalty for every week's delay or part thereof. The contractor delayed the supply of 1990 issue and 1992 issue by eight weeks each. GMT did not levy penalty for delay in supply of 1990 and 1992 issues of the directory. Since, the contractor did not furnish the actual amount collected towards advertisement duly certified by the Chartered Accountant, the amount of penalty foregone by GMT could not be ascertained. In addition, as GMT, Hyderabad did not fix the last dates for supply of three out of five issues, he sealed the option of levying penalty for delay during three years.

The Ministry stated that the penalty could not be levied as the certified copy was not submitted by the tenderer. Legal opinion in the matter was being taken by Hyderabad Telephones for taking further action in the matter.

Thus, failure of GMT, Hyderabad to conclude the contract as per the terms and conditions of NIT and to enforce performance of the contract with the publisher denied the subscribers of the updated issue of main directory and supplementary directory for two out of five years, besides resulting in a loss of revenue of Rs 259 lakh. In the process, the contractor was provided unintended benefit of not having to pay the royalty of Rs 259 lakh, besides the cost that he would have incurred on printing of 6.9 lakh copies of three issues each of the directory and numerical index and billing information. Since the department was not aware of the basis on which the contractor collected advertisement revenue for a Government publication, its failure in not printing the directory is fraught with risk of breach of trust of the advertisers.

The Ministry needs to address the issue in a comprehensive manner with a view to plugging the loopholes in the system to avoid loss of royalty besides avoiding inconvenience to the subscribers.

9.14 Irregularities in external plant work of E-10-B exchange - Jaipur

In the project for new digital electronic exchange for Jaipur, there were a number of omissions, key among them being failure to modify detailed estimate consequent upon comprehensive change in scope of the project and consequent procurement huge extra quantity of cable, issue of 58799 ckm cables to the contractor directly and non recovery of 32421 ckm cables valued at Rs 245.72 lakh after the contractor abandoned the work, for which no effective follow up action was taken by the Circle even after three years of the event.

DoT approved a project in November 1987 for a new digital electronic exchange in Jaipur with a capacity to provide 10000 new connections. CGMT, Jaipur, however decided to utilise the new exchange for replacement of 8800 lines of the existing

MAX-I exchange. The remaining 1200 lines were to be used for providing new telephone connections.

Scrutiny of documents in the office of CGMT, Rajasthan Circle, Jaipur in August-September 1996 disclosed that CGMT did not modify the detailed estimates of the project downwards consequent upon change in its scope and went ahead with the procurement of the entire quantity of cables, lines and wires etc., as was estimated for the electronic telephone exchange to be used only for providing new telephone connections.

Cable worth Rs 3.95 crore issued directly to the contractor

Scrutiny of stock and utilisation of cables revealed that the executing officer issued 58799 cable conductor km (CKM) cables valuing at Rs 3.95 crore directly to the contractor, while 14400 ckm of cable was needed in view of the change in scope of the work to utilise the new digital electronic telephone exchange in replacement of the existing exchange.

Contractor abandoned the work and material worth Rs 2.45 crore not recovered from contractor

Only 11035 ckm cable of Rs 62.81 lakh was utilised in the work while 15343 ckm was utilised for other works but irregularly booked to this work. The department did not keep any cable account. The contractor abandoned the work in October 1993 and did not return the balance cable. CGMT did not take any measures to recover the remaining 32421 ckm cables valued at Rs 245.72 lakh retained by the contractor for three years as of December 1996. The local officer of DoT have not even lodged an FIR with the police against the contractor who is absconding with material valued at over Rs 2.45 crore at 1992-93 prices.

The entire episode of not reducing the quantity of cables consequent upon the decision to utilise the new exchange in replacement of the old exchange, issue of cables more than four times the quantity required directly to the contractor, failure of local DoT officer to lodge police complaint and follow it up calls for an independent investigation.

Besides, delaying the laying of the cable, leading to delay in utilisation of the equipped capacity of the exchange although 20465 to 22534 registered subscribers were waiting for telephone connections, the quality of external plant work executed left much to be desired. Despite procuring cable that were four times the requirements, the department had to procure 228 pair gain equipment at a cost of Rs 125.06 lakh to give new telephone connections. The unsatisfactory quality of external plant is also indicated by the fact that utilisation of the equipped capacity was slow and increased from 27.8 *per cent* to 81.2 *per cent* only during August 1992 to November 1993. Poor loading of the exchange resulted in potential loss of revenue of Rs 414.63 lakh.

Further, CGMT, Jaipur also failed to utilise 14190 sq ft of accommodation rendered surplus in May 1994 due to dismantling of the old exchange, while, at the same time many departmental offices in Jaipur are located in hired accommodation aggregating 31473 sq ft. The monthly rent of the hired accommodation is over Rs one lakh. Failure of CGMT to utilise the surplus accommodation has resulted in avoidable expenditure of Rs 14.69 lakh of *pro rata* rent between June 1994 and October 1996.

The matter was referred to the Ministry in October 1996; their reply was awaited as of December 1996.

9.15 Injudicious procurement of auto pulling machines - Rs 2.45 crore

DoT procured 25 motor driven auto pulling machines valued at Rs 2.45 crore due to failure to examine their suitability in India environment prior to purchase.

DoT procured 28 auto pulling machines for pulling optical fibre cable

DoT placed purchase order for import of optical fibre cables (OFC) alongwith certain equipment in August 1988 on NEC Corporation Japan which included 28 sets of motor driven auto pulling machines at a cost of Rs 2.74 crore. These equipment were received during April to August 1989 as per details below:

CGM(TP) New Delhi	17
CGM(TP) Mumbai	06
CGM(TP) Chennai	02

While as per the purchase order two machines were to be received by CGM (TP), Calcutta, he replied in September 1996 that no machines were received by them. No information is available on the 28th machine.

Machines remained idle

Test check conducted by audit in three OFC transmission system routes - New Delhi-Jaipur-Mumbai, New Delhi-Kanpur-Varanasi-Allahabad route and Trivandrum-Palghat route revealed that auto pulling machines received by them were not utilised by the executing agencies and the pulling of the cables was done manually.

Machines are not suitable to Indian environment

Giving reasons for their non-utilisation, the GM (now CGM) TP, New Delhi reported in May 1990 that these machines were not useful in Indian environment. While these machines were procured with a view to ensuring cable pulling with the latest technology, as practiced in Japan and other advanced European countries, the ground realities and environmental conditions of this country rendered it difficult to utilise them to their optimum capacity as was conceived initially. He added that experience also revealed that "comparatively use of these machines vis-a-vis cable pulling by manual process with the help of manpower already available with the department in abundance was costlier".

Similarly, Director Telecom Project, Ernakulam stated that the topographical and nature of soil in Kerala were not conducive for use of these machines in the field. Also, the specification of the work adopted for the project did not permit convenient operations of the machines. The units under CGM Telecom Project, Mumbai also stated in June 1995 that these machines were lying idle and cable pulling by these machines was laborious, expensive and time consuming as compared to manual pulling.

From the above, it is clear that machines were procured in bulk without examining their usefulness in the Indian conditions and availability of abundant manpower in the department for such works.

Expenditure of Rs 2.45 crore on these machines rendered infructuous

The injudicious procurement of motor driven auto pulling machines without adjudging their suitability in the prevailing conditions rendered the expenditure of Rs 244.75 lakh infructuous on 25 machines; while for the remaining three machines information on their location/performance was not available.

The matter was referred to the Ministry in October 1996; and their reply was awaited as of December 1996.

9.16 Avoidable expenditure on import of equipment

Department's failure to place purchase order for import of equipment for Regional Repair Centres within the validity period of quotation resulted in avoidable expenditure of Rs 2.05 crore besides import of reconditioned testers of reduced life.

DoT had two repair centres till 1989, one at Mumbai and the other at Delhi with equipped capacity to repair 8000 Printed Circuit Boards (PCBs) annually to cater to the needs of 8 lakh lines of E-10-B exchanges only. With the large scale introduction of E-10-B Switching Systems in the network, and consequential increase in repair jobs, DoT decided in 1989 to establish two additional regional repair centres at Calcutta and Chennai.

DoT failed to place purchase order within the validity of quotations

Quotations for purchase of equipment were called from Alcatel, France in July 1990 for these repair centres since these were their proprietary items. As per firm's quotation of July 1990, the total free on air cost of equipment, components and documentations for both the centres was FF 11937040.40, equivalent to Rs 4.42 crore, but no purchase orders were placed within the validity period of October 1990 which was got extended upto June 1992.

In October 1991, DoT approached the Ministry of Finance, Department of Economic Affairs to finance the purchase through loan assistance from Government of France. Government's rejection to the proposal was conveyed to DoT in December 1991. In

February 1992, DoT decided to procure the equipment out of free foreign exchange for Chennai centre only.

By the time decision for import is taken, Alcatel discontinues production

Alcatel requested DoT in January 1992 to place supply order before expiry of the validity period in June 1992 as the production of testers was to be discontinued shortly. DoT took no action on their request and the validity of their offer expired. Alcatel offered reconditioned testers in September 1992.

DoT finally issued two purchase orders for Calcutta and Chennai Centres in February 1993 and June 1994, for the reconditioned testers, components and documentation worth FF 5410517.54 and FF 981130.82 equivalent to Rs 3.04 crore and Rs 0.58 crore respectively.

Purchase was finally made at higher cost

Audit scrutiny in June 1996 brought out that the slow pace of decision making by DoT caused it dearly. Though DoT knew fully well in November 1991 that the purchases of these equipment were to be funded through free foreign exchange and in January 1992 that the production of testers by the manufacturers was being discontinued, it failed to place orders within the extended validity period of June 1992. The main cause of delay was the prolonged examination to assess the reasonableness of the rates quoted by the firm for these proprietary items. It was also seen that the rates quoted in July 1990 were for the upgraded version and not for the original version procured in 1982. Hence a comparison of rates was not possible.

The delayed decision and placement of orders in phases resulted in an extra avoidable expenditure of Rs 2.05 crore inclusive of Customs duty of Rs 1.11 crore and exchange rate variations of Rs 0.94 crore. This also led to abnormal delay in establishment of the two repair centres which were required urgently. Above all, the department had to compromise on the quality by going in for testers reconditioned after their use for two years.

The Ministry stated in December 1996 that due to various administrative reasons the procurement of equipment was delayed, which substantiates the facts mentioned above.

9.17 Irregularities in purchase of splicing machines

DoT paid Rs 89.68 lakh for indigenous effort in supply of splicing machines where no indigenous effort was needed. Besides, it failed to recover Rs 1.13 crore towards outstanding advance, interest and liquidated damages.

DoT placed two purchase orders in September 1990 on Hindustan Cables Limited. (HCL) and Optel Telecommunications Limited (OPTEL) for supply of 50 splicing machines for commissioning and maintaining the optical fibre links during 1990-91 and 1991-92 at a unit cost of Rs 11 lakh to be supplied by March 1991. The prices were subsequently adjusted due to devaluation of rupee and increase in Customs duty.

DoT extended the delivery schedule of both HCL and OPTEL upto March 1994 and June 1992 respectively with levy of liquidated damages. Both the suppliers completed the supplies at a total price of Rs 17.15 crore between November 1990 and March 1994.

Scrutiny of the documents relating to purchase of splicing machines by Audit during May-June 1996 revealed as under:

Non -invitation of tenders

— DoT did not call for open tenders to attract competitive bidding.

DoT paid Rs 89.68 lakh for indigenous effort on imported machines

— While fixing the unit cost of Rs 11 lakh per machine, DoT included a component of Rs 1.52 lakh per machine towards "indigenous effort" to be made by the suppliers to manufacture the machines. HCL and OPTEL, however, imported 50 and nine machines respectively and supplied them to the department. Though there was no indigenous effort in case of these 59 completely imported machines, yet, DoT made payment of incentive on account of indigenous effort amounting to Rs 89.68 lakh.

DoT failed to recover advance and interest thereon of Rs 86.39 lakh

— As per the terms and conditions of purchase order, advance payment made to the suppliers was to be refunded alongwith commercial rate of interest from the date of receipt of advance in case of non-adherence to the delivery schedule. However, an amount of Rs 7.70 lakh as principal and Rs 78.69 lakh towards interest on the total advance was yet to be recovered from the suppliers as of December 1996.

DoT failed to recover liquidated damages of Rs 27.08 lakh

— Despite the condition for recovery of the liquidated damages from the suppliers while granting extension of delivery schedules, DoT failed to recover liquidated damages of Rs 27.08 lakh from both of the suppliers.

The matter was reported to the Ministry in August 1996; their reply was awaited as of December 1996.

9.18 Negligence leading to avoidable payment of Customs duty

Department failed to furnish the prescribed certificates to the Customs authorities at the time of clearance of consignments for availing exemption/concession in Customs duty whereby resulted in avoidable payment of Customs duty amounting to Rs 1.74 crore.

Rejection of Department's request for filing an appeal with the CEGAT for refund of excess Custom duty paid

In February 1996, the Inter-departmental Committee on disputes rejected the proposal of DoT for pursuing the matter of refund of Customs duty of Rs 1.74 crore paid on import of an Electronic Digital Telephone Exchange in January 1985 for Telecom Research Centre (TRC), New Delhi with the Customs Excise and Gold (Control) Appellate Tribunal (CEGAT) on the ground that in this case question of law was not involved.

Rejection of refund claims by the Customs authorities

Earlier the Collector of Customs (Appeals) had rejected the claim of DoT for refund of Customs duty in February 1991. DoT had preferred the claim under the provisions of notification number 70/81 of Customs Act, under which import of equipment not manufactured in India (NMI) for research and development works were exempt from payment of Customs duty. In dismissing the appeal, he had observed that the conditions of the notification no. 70/81 were not observed by the appellant at the time of importation, assessment and clearance of the goods and the post observance of the conditions of the notification was totally irrelevant for availing the benefit of the notification. Subsequently, DoT filed an appeal in May 1991 before the CEGAT against the decision of Collector of Customs (Appeals). However, CEGAT while adjourning the department's appeal sine die in December 1994 directed the department to resolve the dispute either between the two Ministries or obtain clearance from High Powered Committee for continuing the litigation before CEGAT. This necessitated a reference to Inter-departmental Committee on disputes in November 1995.

Failure to comply with the provisions of Customs notifications

Examination of records in audit revealed that DoT paid Customs duty of Rs 1.74 crore on account of its failure to comply with the provisions viz. non production of prescribed certificates namely (i) A NMI certificate issued by the Director General of Technical Development at the time of clearance of the goods or within such period as the Assistant Collector of Customs allowed and (ii) a Duty Exemption Certificate issued by the Administrative Ministry to the Assistant Collector of Customs to the effect that the goods imported are essential for research purposes.

The department closed the case in April 1996 after the decision of Inter-departmental Committee on disputes without fixing the responsibility for negligence in following the required conditions laid in notification number 70/81 of Customs Act.

The Ministry, in December 1996, accepted the facts.

9.19 Favourable treatment to supplier with unnecessary purchase

Placement of purchase order on ARM Hyderabad in disregard of tender conditions and without requirement, resulted in unnecessary expenditure of Rs 1.58 crore.

DoT invited tenders in May 1993 for supply of 5000 TTL and VLSI versions of 30 channel Pulse Code Modulation (PCM) equipment to meet the requirement for 1993-94 and 1994-95. PCM equipment is used as junctions for new telephone lines. As per conditions of the tender, commercial orders were to be placed only on those firms which were having type approval for the system on the date of opening of the bids. DoT placed orders for 3118 PCM equipment in October 1993 and June-July 1994.

Audit scrutiny of the purchase in July 1996 revealed following irregularities:

— DoT overruled the recommendations of the Technical Evaluation Committee in respect of ARM, Hyderabad not to place supply order on it since it did not possess type approval and placed purchase order on them for supply of 211 TTL version at Rs 2.94 crore at the instance of MOS(C) for use at Visakhapatnam and Vijaywada in Andhra Pradesh Circle.

— By placing purchase orders on ARM, DoT violated not only their own general policy of not placing the purchase order on the firm not having type approval on the tender opening date, but in the process also violated the specific tender condition of this particular NIT, stipulating type-approval as essential requirement for placing commercial order.

— This constituted an undue favour to the firm as DoT had not acceded to the request of other two firms to relax the condition of type-approval at the time of opening of the bids. As a result thereof, they did not even submit their bids.

— Of the 211 systems for which supply order was placed on ARM, 137 were earmarked for Vishkapatnam where DoT had already sanctioned a project estimate in March 1994 for installation of 1000 line EWSD, Siemens new technology exchange with provision for optical fibre cable. Since DoT was aware that PCM system was not required in March 1994 itself for Visakhapatnam project, the supply order for PCM equipment in July 1994 was uncalled for.

All 137 PCM equipment supplied by ARM to Visakhapatnam in January 1995 worth Rs 2.27 crore (inclusive of all other charges) were rendered surplus. Out of this, equipment worth Rs 1.66 crore were subsequently diverted to other units. Remaining 37 equipment valued at Rs 0.61 crore was unutilised as of January 1997.

— Out of the equipment worth Rs 1.66 crore diverted to other places, 42 equipment worth Rs 0.69 crore was also lying unutilised as of January 1997.

— Out of the 74 equipment supplied to Vijaywada worth Rs 0.70 crore (inclusive of all other charges) 30 equipment worth Rs 0.28 crore was lying unutilised as of January 1997.

Thus in all out of 211 systems 109 systems valued at Rs 1.58 crore remained unutilised for about two years.

9.20 Excess payment of Rs 1.44 crore

Failure of DoT to take note of MODVAT credit available to the suppliers of sockets and subsequent failure of CGMT, Stores, Calcutta to limit the claims of suppliers towards Excise duty to the actual amount net of MODVAT credit entailed a loss of Rs 1.44 crore in procurement of sockets.

DoT failed to reduce the basic price by MODVAT credit available on raw material

DoT approved procurement of 10 lakh sockets of a particular type in October 1994 at the basic price of Rs 251 per unit, besides Excise duty and Central Sales tax on the basis of the lowest offer received in response to tender floated by DoT in January 1994. While processing the proposal for approval in September 1994, Director Financial Advice (FA) Wing of DoT advised reduction in the lowest basic price offered by the bidder, by Rs 15 due to MODVAT credit available to the manufacturer and suggested a unit rate of Rs 236 for acceptance. Deputy Director General (DDG), Material Management, instead of accepting the advice of Finance argued in favour of the bidders that the basic unit rate of Rs 251 need not be reduced. The argument of Material

Management branch was flawed since DDG unilaterally concluded that MODVAT credit was not available on sockets.

Within three months DoT reversed its decision and reduced the basic price to the extent MODVAT credit on a subsequent proposal

Subsequently, on a request from the Chief General Manager, Telecommunications Stores, Calcutta, DoT again examined the proposal for procurement of 2.00 lakh sockets in December 1994 on the basis of offers received in response to the tender of January 1994. This time again the Director FA reiterated her stand about the need for reduction in the basic price by the amount of MODVAT credit on raw material used in production of sockets. Within three months of his earlier stand, the same DDG, Material Management accepted the financial advice and fixed the basic unit rate of sockets at Rs 236. While clearing the proposal for procurement of 2.00 lakh sockets in December 1994 at lower basic rate, DoT asked CGMT, Stores, Calcutta to reason with the suppliers to refund the excess payment made on procurement of 7.83 lakh sockets against their clearance for procurement of 10.00 lakh sockets in September 1994. While the suppliers agreed to supply the outstanding quantity of sockets against the earlier supply order and future supply at the reduced basic unit rate of Rs 236, they refused to entertain any request for refund for sockets already supplied against the earlier order for 10.00 lakh sockets at the higher basic unit rate of Rs 251.

Suppliers refused to refund excess payment of supplies already made entailing a loss of Rs 1.44 crore

Thus, mis-interpretation of the MODVAT credit available to the suppliers by DoT entailed a loss of Rs 1.22 crore due to excess basic unit price allowed to the suppliers and Rs 0.22 crore on account of price variation on excess basic price paid to them.

CGMT Stores Calcutta failed to limit the claim towards Excise duty to the amount net of MODVAT credit

The approval for purchase of the sockets stipulated that Excise duty on the basic price would be payable as per the actual payment subject to maximum of 10 *per cent*. It was incumbent upon CGMT, Stores, Calcutta to verify the actual payment of Excise duty by the suppliers, which is net of MODVAT credit claimed by them rather than making payment towards Excise duty at a flat rate of 10 *per cent* of the basic price. Had CGMT, Stores, Calcutta verified the net Excise duty paid by the suppliers after obtaining information about MODVAT credit claimed by them, the loss of Rs 1.44 crore could have been avoided, notwithstanding the serious error of interpretation by DoT in fixing the unit basic rate. This is suggestive of shortcoming in the internal control in checking of the bills of suppliers in the office of CGMT, Stores, Calcutta.

The matter was referred to the Ministry in July 1996; their reply was awaited as of December 1996.

9.21 Irregular expenditure of Rs 1.33 crore

Excessive procurement of HDPE pipes by CGMT Projects Calcutta and irregular retrospective application of higher rate resulted in wasteful/extra expenditure of over Rs 1.33 crore. Besides, HDPE pipes valued at Rs 64 lakh are not accounted for.

CGMT, Projects, Calcutta and his Director Telecom, Projects, Sambalpur procured 3991 km high density polyethylene (HDPE) pipes from 21 local firms during October 1989 to April 1993 for use in 49 optical fibre cable (OFC) projects in Orissa Circle which were sanctioned during January 1990 to August 1994. The estimates for the work, however, provided for only 2963 km HDPE pipes. As of March 1996, only 2843 km pipes had been utilised and only 253 km pipes were required to complete all the remaining sanctioned projects.

Scrutiny of the records of CGMT, Projects, Calcutta and other executing officers of the projects revealed the following irregularities:

Excess procurement of 895 km pipes of the value of Rs 7.73 crore

(i) CGMT erred in assessment of the requirement of HDPE pipes and procured 895 km pipes valued at Rs 7.73 crore in excess of the requirement included in the estimates. The excess procurement constituted 30 *per cent* of the total requirement included in the estimates. This necessitated diversion of 869 km pipes not required in Orissa Circle to other places entailing wasteful expenditure of Rs 12.44 lakh towards their transportation. No reasons for such huge excess purchase were furnished by the department.

Pipes valued at Rs 64.18 lakh not accounted for

(ii) 94 km HDPE pipes valued at Rs 64.18 lakh were missing. CGMT has not taken action to investigate the loss or reconcile the difference.

Irregular retrospective application of rate resulting in excess expenditure of Rs 1.21 crore

(iii) DGSD rate contract for 1990-91 was valid upto 10 September 1991. CGMT, Projects failed to place supply orders at DGSD approved rates during the validity period of the rate contract for projects which were sanctioned before the expiry of rate contract. He procured 696 km pipes valued at Rs 5.60 crore during 7 February to 21 May 1992, when there was no DGSD rate contract. In doing so, he violated the prescribed procedure of inviting tenders by placing supply orders on the firms selected by him; further, he transgressed the authority under which CGMsT are authorised to make local purchase of non-stock items only upto Rs two lakh from non-public sector undertakings on each occasion. He compounded the irregularities by offering to pay these firms, without concurrence of internal finance, at the rates to be finalised by DGSD, subsequently.

The subsequent rates finalised by DGSD on 22 May 1992 effective from the same date were 27.5 *per cent* higher than the previous rate contract ending 10 September 1991. This decision of allowing the higher rate to the suppliers retrospectively, apart from violation of delegation of financial powers of CGMsT, resulted in excess expenditure of Rs 1.21 crore.

CGMT, Projects, Calcutta stated, in September 1995, that the emergent procurement of pipes by allowing DGSD rates retrospectively was made to complete the projects in time. The reply is not acceptable since he failed to review the emergent nature of purchase before the expiry of DGSD rate contract in September 1991 by which time he had already sanctioned 14 projects requiring 942 km of pipes, whereas, he placed orders for 299 km pipes only before expiry of DGSD rate contract. Besides, seven projects requiring 480 km pipes were sanctioned only during 12 September to 7 October 1991 i.e. within one month of expiry of DGSD rate contract. Therefore, he could have anticipated the requirement and placed orders at DGSD rate contract before the expiry of the rate contract's period.

The action of CGMT, Projects in excess procurement of HDPE pipes and retrospective application of higher rate led to irregular expenditure of Rs 133.18 lakh. Besides, shortage of pipes valued at Rs 64.18 lakh has not been accounted for as of September 1996.

The matter was referred to the Ministry in August 1996; their reply was awaited as of December 1996.

9.22 Overpayment of transportation charges

Department's failure to restrict the freight claims of private suppliers to the concessional railway freight resulted in an excess payment of Rs 1.04 crore for the supplies of stores received between October 1994 and March 1996.

As per standard terms and conditions of purchase orders placed by CGMT, Stores, Calcutta between February 1992 and January 1996, the department gave the suppliers the option to despatch the stores either by goods train or by road to various consignees but their claims for the freight were to be restricted to the corresponding road or concessional railway freight whichever was lower as per Railway Tariff Rules applicable for telegraph and telephone material meant for the construction and maintenance of Government telephone lines. Ministry of Railways extended the benefit of concessional tariff, hitherto admissible to the Telecom Officers only to the private suppliers also from 1 October 1994.

Test check by Audit in September-October 1996 revealed that the Controllers of Telecom Stores Calcutta, Chennai, Jabalpur, Mumbai and New Delhi failed to restrict the freight claims of the private suppliers to the concessional Railway Tariff for the supply of stores made by them either by Road or goods train between October 1994 and March 1996. This resulted in an avoidable payment of Rs 1.04 crore.

The matter was referred to the Ministry in July 1996; their reply was awaited as of December 1996.

9.23 Infructuous expenditure on installation of ultra high frequency link

Failure of CGMT, Jaipur to conduct survey to provide adequate height of towers at Mount Abu and Arna rendered the expenditure of Rs 98.30 lakh on the project for UHF link between Mount Abu and Abu Road questionable due to failure of the system because of insufficient tower height.

Deficiencies in route survey resulted in a wasteful expenditure

Chief General Manager Telecommunications (CGMT), Jaipur completed 700 mega hertz 8 mega bits digital UHF link between Mount Abu and Abu Road in replacement of existing overhead wire system in October 1992 at an expenditure of Rs 98.30 lakh. This scheme provided for 2 hops with a repeater at Arna to generate 120 subscribers trunk dialing (STD) channels and was expected to generate additional revenue of Rs 31.05 lakh *per annum*. However, the system failed to perform satisfactorily because of insufficient height of towers at Arna and Mount Abu due to deficiencies in survey of the route before taking up the execution of this project. To overcome this, the department had to lay underground cable between Arna and Mount Abu at a cost of Rs 43.28 lakh. Thus the entire expenditure of Rs 98.30 lakh on UHF towers was rendered infructuous as it could not be put to alternate use as of September 1996.

The matter was referred to the Ministry in July 1996; their reply was awaited as of December 1996.

9.24 Wasteful expenditure in procurement of analogue system

While on one hand DoT was moving towards digital coaxial transmission system, CGMT Chennai procured analogue coaxial system leading to wastage of at least Rs 75 lakh.

CGMT, Projects, Chennai sanctioned a project for installation of 12 mega hertz (MHz) analogue coaxial transmission system between Salem and Krishnagiri at a cost of Rs 3.43 crore in June 1989. DoT placed purchase order for supply of analogue line and multiplexing equipment with spares on Indian Telephone Industries (ITI), Bangalore, in September 1989. The equipment were scheduled for delivery between September 1990 and March 1991.

Procurement of technically obsolete analogue equipment of Rs 1.61 crore

Within 18 months of sanction, when part supply valued at Rs 4.29 lakh was received, the CGM, Projects, Chennai decided to install 140 mega bits digitals coaxial transmission system in place of analogue coaxial system and requested DoT in November 1990 to cancel the purchase order placed for analogue equipment. However, DoT, instead of acting on this request, extended on 26 March 1992 the delivery period for the supply of analogue equipment upto 31 March 1992. By March 1992, ITI supplied analogue equipment worth Rs 1.61 crore. Meanwhile, CGM, Projects had sanctioned the project for installation of 140 mega bits digital coaxial system in February 1991 at an estimated cost of Rs 6.67 crore.

Equipment worth Rs 74.59 lakh remained idle

Scrutiny of documents by Audit in August 1995 revealed that out of Rs 1.61 crore worth of analogue equipment received by CGMT, Projects, Chennai, equipment costing Rs 86.30 lakh were diverted to maintenance and other schemes between June 1993 and May 1994. The balance equipment valued at Rs 74.59 lakh were still lying idle as of December 1995.

CGMT, Projects, Chennai stated, in September 1995, that as all the transmission and switching systems were moving towards digitalisation, it would be very difficult to utilise the analogue equipment on hand.

Thus, deficient planning by CGMT, Projects, Chennai resulted in avoidable procurement of analogue equipment out of which equipment valued at Rs 74.59 lakh was not likely to be utilised.

The matter was referred to the Ministry in June 1996; their reply was awaited as of December 1996.

9.25 Non-utilisation of waveguide due to incorrect specifications

Failure of department to indicate correct specification led to procurement of waveguides valued at Rs 61.47 lakh which could not be utilised.

Waveguides are used in microwave systems to carry the signals from the antenna down to equipment room. DoT procured 210 metre waveguide at a cost of Rs 14.37 lakh for Shimoga-Bhadravati microwave project in May 1991 and 700 metre valued at Rs 47.10 lakh for Sambalpur-Bolangir microwave project in July-August 1992.

Scrutiny of documents in Audit in July 1995 and June 1996 disclosed that DoT has not been able to utilise the entire lot of waveguides for the about five years due to procurement of waveguides of inappropriate specifications, for which DoT has no use. The waveguides procured are too large for hoisting and clamping. DoT not only indicated incorrect specifications in the purchase orders, it failed to take note of the advice of the Telecom Engineering Centre in April 1992, which pointed out the error in the specifications.

This, negligence in indicating the specifications correctly has rendered the entire expenditure on procurement of waveguides valued at Rs 61.47 lakh questionable.

The matter was referred to the Ministry in May 1996; their reply was awaited as of December 1996.

9.26 Avoidable expenditure

Procurement of seven fork lift trucks without assessment of their requirement led to avoidable expenditure of Rs 61 lakh.

Mention was made in para 9.8 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1995, No. 7 of 1996 Union Government (Posts and Telecommunications) regarding avoidable expenditure of Rs 63.55 lakh in procurement of seven fork lift trucks.

Seven fork lift trucks valued at Rs 61 lakh were procured without requirement

Further scrutiny by Audit of utilisation of fork lift trucks in eleven more store depots at Ahmedabad, Bhopal, Bangalore, Calcutta Telephones, Chennai Telephones, Cochin, Chennai, Lucknow, Mumbai, New Delhi and Patna revealed that while it was utilised only sparingly at Ahmedabad, the utilisation at Calcutta Telephones, Chennai, Lucknow, Bhopal, Ernakulam and New Delhi ranged between 122 and 407 hours during the last six years due to lack of work load, non-availability of open space required, uneven ground condition etc. The drivers/operators for these trucks were not sanctioned/posted in any of the depots test checked by Audit except in Cochin.

Centralised ordering without proper assessment of the requirement

The main reason for non-utilisation/low-utilisation of the trucks was that CGMT, Stores, Calcutta placed orders for their supply centrally without proper assessment of requirement or ascertaining it from the concerned Circles.

Thus, in addition to injudicious expenditure of Rs 63.55 lakh on procurement of seven fork lift trucks pointed out in the previous Report, procurement of the other at least seven fork lift trucks at Rs 61 lakh was also without justification.

Entire deal of fork lift trucks call for investigation

The entire deal thus calls for investigation to ascertain how without any specific demand from the Circles for such equipment and without establishing their need, the fork lift trucks were purchased by DoT.

The matter was referred to the Ministry in July 1996; their reply was awaited as of December 1996.

9.27 Non-disposal of obsolete cables

DoT did not grant permission for disposal of obsolete cables valued at Rs 59.37 lakh for over 10 years.

District Stores Depot, Chennai Telephone had a stock of 9846 metres of non-moving lead sheath cables in March 1996. These cables valued at Rs 59.37 lakh were lying unused since its procurement in 1985-86.

The cables became obsolete with the change in technology from electromechanical to electronic exchanges and preference for other type of cables like jelly filled cable and paper core cable.

Non- disposal of cables worth Rs 59.37 lakh for over 10 years.

Despite non-utilisation of the lead sheath cables brought to the notice by the Controller of Telecom Stores (CTS), Chennai in April 1987, no action was taken by Chennai Telephone till August 1989 when it approached DoT to divert the cables to other Circles. DoT was reminded for the same in September 1991, and requested alternatively to give permission to dispose them off by public auction. DoT's permission for disposal of the cables or any diversion has not been received as of December 1996.

The matter was referred to the Ministry in June 1996; their reply was awaited as of December 1996.

9.28 Non realisation of insurance claim

Failure of DoT to follow up a claim of Rs 59 lakh with an insurance company for the last seven years resulted in realisation becoming doubtful.

DoT lodged a claim of Rs 59 lakh with Oriental Insurance Company in December 1986 on account of transit damage to equipment imported from France in November 1985. Further, CGMT, Pune also furnished full details of the claim in August 1987 and May 1988 in compliance to request of the Insurance Company.

CGMT, Pune, however, failed to pursue the matter with the Insurance Company thereafter. The Insurance Company closed the case as `No claim' in March 1992 on the ground that the department did not submit the relevant documents/information.

While the department has contested the contention of the Insurance Company that documents/details were not furnished to them, the fact remains that deficient follow-up action by the department has not only delayed the realisation of the claim by about seven years, its recovery itself has become doubtful.

The matter was referred to the Ministry in September 1996; their reply was awaited as of December 1996.

9.29 Recovery at the instance of Audit

In three cases the department made excess payment of Rs 53.01 lakh in violation of terms and conditions of the purchase order, out of which Rs 44.70 lakh was recovered at the instance of Audit.

Case I

Scrutiny of documents in the office of CGMT, Stores, Calcutta disclosed that DoT fixed rates for procurement of jelly filled PCM cables for 1994-95 on 5 October 1994 on the basis of tenders issued in February 1994. These rates were lower than the rate at which CGMT, Stores, Calcutta had placed the supply orders in September 1991. In terms of the condition for extension of delivery schedule for earlier supply order of September 1991, CGMT, Stores was to make payment for supplies made after 22 April 1994 at the lower rate fixed for 1994. However, in contravention of this stipulation, CGMT, Stores made payment for supplies made after 22 April 1994 at the higher rate of 1991, which resulted in excess payment of Rs 7.87 lakh including escalation and Central Sales tax.

In addition, he made excess payment of Rs 15.73 lakh on account of the following:

(i) The Excise duty was payable at the rate of 21 *per cent ad valorem*. However, CGMT, Stores paid Excise duty at 25 *per cent* on the higher basic rate of 1991. This resulted in excess payment of Rs 11.86 lakh towards Excise duty.

(ii) Instead of recovering liquidated damages on the basis of the total value of outstanding supply, CGMT, Stores excluded the elements of Excise duty and Central Sales tax while working out the amount of liquidated damages. This resulted in short recovery of Rs 3.87 lakh towards liquidated damages.

Recovery of excess payment of Rs 23.60 lakh at the instance of Audit

Thus, payment at higher rate for cable supplied during the extended period of delivery after 22 April 1994, excess payment of Excise duty and Central Sales Tax and short recovery of liquidated damages resulted in total excess payment of Rs 23.60 lakh to the firm. The matter was pointed out by Audit in July 1996.

This is a case of lack of internal control in the office of CGMT, Stores, Calcutta and failure of staff/officers responsible for approving the payment.

The Ministry stated, in December 1996, that the amount was recovered from the pending bill of the supplier.

Case II

DoT placed, in November 1993, an order on ECIL, Hyderabad, for supply of Electronic Data Exchange concentrator equipment with spares. The delivery of all equipment ordered was to be completed within one year from the date of issue of purchase order i.e. by November 1994. Terms and conditions of the purchase order stipulates that DoT was entitled to recover liquidated damages at 0.5 *per cent* of the value of the undelivered equipment for each week of delay or part thereof subject to a maximum of 5 *per cent* of the value of the equipment ordered.

Scrutiny by Audit disclosed that liquidated damages of Rs 21.10 lakh leviable in terms of the purchase order for supplies beyond the stipulated period were not recovered.

Recovery of liquidated damages of Rs 21.10 lakh at the instance of Audit

On being pointed out by Audit in September 1995, the amount was recovered fully in December 1995/January 1996 from the supplier.

The Ministry stated in November 1996 that the liquidated damages could not be recovered due to oversight. However, the concerned officials were stated to have been cautioned to be more careful in future.

Case III

CGMT Projects, Eastern Zone, Calcutta placed three different purchase orders on a firm in February, March 1991 and April 1992 for procurement of multiplexing equipment worth Rs 155.95 lakh on the basis of rates at which purchase order was placed by DoT in May 1989 for majority of items valued at Rs 137.98 lakh. For the remaining items, he adopted the procurements rates of other departments.

Non availing of rebate offered by suppliers resulted in excess payment

It was noticed by Audit in July 1995 that DoT purchase order of May 1989 referred to above, on the basis of which orders were placed by him, contained a provision for 5 *per cent* rebate on these rates. However, the rebate was not availed of by CGMT, Projects. This resulted in an extra expenditure of Rs 8.31 lakh inclusive of Excise duty and Sales tax.

This omission is further compounded by the facts that:

Transgressing of financial powers in making purchases

(i) purchases made by CGMT, Projects, Calcutta were beyond his financial powers as the purchase of the said equipment was not decentralised by DoT, and

(ii) concurrence of the Internal Financial Advisor was not obtained by him while approving the said purchases.

On being pointed out by Audit the department initiated action for recovery from the supplier in February 1996. The recovery particulars were awaited as of December 1996.

The matter was referred to the Ministry in June 1996; their reply was awaited as of December 1996.

9.30 Idle PCM system due to non-compatibility

22 MUX equipment procured at Rs 51.96 lakh for Coimbatore were found incompatible with E-10-B telephone exchange. These are lying unused for five years

DoT placed a purchase order in July 1989 on BEL, Kotdwara for 105 pulse code modulation (PCM) systems, out of which 88 systems with 22 multiplexing equipment (MUX) were meant for Coimbatore Telecom District. PCM systems enable augmentation of junction circuits to and from the peripheral exchanges while MUX equipment helps to transmit a number of different signals in a single telecommunication link.

22 MUX equipment were not compatible with E-10-B exchange

Coimbatore Telecom District received PCM systems with 22 MUX equipment between July and September 1990. However, it was noticed that MUX equipment designed for 3 bit signaling supplied by BEL were not compatible for working with E-10-B exchange designed for 2 bit signaling at Coimbatore. On the suggestion of the firm, the General Manager, Coimbatore Telephone District upgraded the software of E-10-B exchange from

2 bit to 3 bit signaling in November 1993. Despite this, PCM MUX equipment was not found compatible. The shortcoming could not be rectified by the firm to the satisfaction of the department as of September 1996.

Meanwhile in 1991-92 itself, Coimbatore Telecom District commissioned PCM systems by using MUX equipment of other makes diverted from other Circles/districts.

DoT paid Rs 29.95 lakh to BEL between February 1991 and October 1993 being the cost of 15 MUX equipment. BEL has not preferred bills for the balance seven MUX equipment as of September 1996. On being pointed out in Audit, the department withheld Rs 23.78 lakh in April 1994 from payments due to BEL against other bills.

Thus, 22 MUX equipment costing Rs 51.96 lakh against which DoT has paid Rs 29.95 lakh so far are lying idle for over five years due to their incompatibility with E-10-B exchange.

The matter was referred to the Ministry in June 1996; their reply was awaited as of December 1996.

9.31 Excess expenditure on import of Travelling Wave Tubes

DoT's failure to place purchase order for import of Travelling Wave Tubes directly on the manufacturer within the validity period of their offer and their procurement from a trading company resulted in an excess expenditure of Rs 44.91 lakh.

DoT placed orders at unit rate of Rs 0.42 lakh on a trading firm while the manufacturing firm quoted only Rs 0.35 lakh

Travelling wave tubes (TWTs) are used in microwave systems working in 4 and 6 GHz bands. DoT placed an advance order on Mik Company, Budapest-Hungary on 13 March 1991 for 380 TWTs for SFR 1314990 equivalent to Rs 1.82 crore against their requirement for 1991-93 under the impression that these were their proprietary items. Immediately after the placement of the above letter of intent, DoT was approached by Tungsram, another Budapest based company on 19 March 1991, claiming that TWTs were their proprietary item and that the former company was only a commercial company. This was confirmed by Embassy of Hungary in India in May 1991. The manufacturing Company, Tungsram quoted negotiated rate of US $1700 per piece (Rs 0.35 lakh) against the price of SFR 3022.20 per piece (Rs 0.42 lakh) at which the orders had been placed on Mik Company. Tungsram also offered performance guarantee of 20000 hours against 10000 hours offered by the Mik Company.

DoT delayed response to manufacturer's offer of lower price who later withdrew the offer

Despite the lower rates and other advantages offered by the manufacturing company, DoT failed to take a final decision to procure the tubes directly from the manufacturing company for over eight months. Meanwhile, Tungsram withdrew their offer in December 1991. Thereafter, DoT issued regular purchase order for 180 TWTs worth SFR 543996 equivalent to Rs 99.22 lakh in March 1992 on the trading company.

Deficient system in DoT in obtaining information about the manufacturer

The case highlights deficient system in DoT in gathering correct information about the manufacturer of the product, which resulted in their ignorance of the correct manufacturer and their failure to take prompt action to undo the damage and place orders direct on the manufacturing company at the lower rate within the validity period of their offer. This resulted in an excess expenditure of Rs 44.91 lakh.

The Ministry stated, in July 1996, that the main reason for non-placement of order directly on the manufacturer was that their offer was silent about after sales service. The reply is not tenable as the manufacturer had not indicated inability in their original offer to provide after sales service nor the department had enquired from them about the same. Besides, the manufacturer had offered performance guarantee for double the period of that offered by Mik Company. Above all, the purchase order placed in March 1992 on Mik Company did not contain any specific provision for after sales service.

9.32 High cost of printing in Government Press

DoT printed 'Works Annexures' to their Detailed Demand for Grants for 1994-95 and 1995-96 from Government press paying printing charges of Rs 39.83 lakh which was nearly ten times the charge by private printers.

As per the extant instructions of the Government of India, major printing and binding work of the Government departments is to be executed, normally, through the Directorate of Printing, who raises necessary debits against the budget head of account of the department concerned for the printing work done by him.

The cost of printing through Government press was ten times higher than those offered by private printers

DoT invited in November 1993 tenders for printing of the 'Works Annexures' to their Detailed Demands for Grants for 1994-95. The lowest acceptable offer for private printing of the 'works annexures' was Rs 1.93 lakh. Subsequently, while the quotations were being evaluated by DoT the Directorate of Printing, agreed to take up the work. The job was accordingly, entrusted to the Government Press, Ring Road, New Delhi. The Government Press preferred a claim for Rs 20.68 lakh for the printing job which would have cost only Rs 1.93 lakh through private printer. Scrutiny of bill of the Government press disclosed that the press had charged Rs 19.62 lakh, constituting about 95 *per cent* of the total amount of the bill of Rs 20.68 lakh, towards pre-printing charges.

DoT entrusted the work of printing of the 'Works Annexures' for the Detailed Demands for Grants for 1995-96 also to the Government press at a cost of Rs 19.15 lakh. Out of this, Rs 16.99 lakh, constituting about 89 *per cent* of the total cost, were towards pre-printing charges.

Exorbitant overhead charges which were at 509 *per cent* for composing; 1045 *per cent* for mono key-board and 438 *per cent* for mono casting of pre-printing process cost, were cited as the principal reasons by the Government Press for the high cost of printing.

Need for examination of efficiency of the Government press

Since, the Government's policy of printing of documents in the Government press entails liability on the various departments towards printing cost upto 10 times the cost of printing through private press, there is an urgent need for examination of the efficiency of the press and the system of their costing so that the printing cost of Government documents in the Government press are comparable to those in the private sector and the Government departments are not made to bear the burden of prohibitive cost of running the Government press.

The Ministry stated in December 1996 that the printing bill submitted by Government of India Press, Mayapuri for Rs 20.68 lakh for printing of Demands for grants for 1994-95 had not been passed and paid to them and the same was still under process. The matter would be taken up with the Directorate of Printing in respect of higher charges claimed by the press before it was accepted and passed for payment. However, the bill for Rs 19.15 lakh in respect of 1995-96 Budget documents have been paid.

The reply of the Ministry of Urban Development to whom also the matter was referred in September 1996 was awaited as of December 1996.

9.33 Irregular procurement of expansion type bolts

Procurement of ETBs by CGM, Telecom Projects, Calcutta and DET, Microwave Projects, Berhampur in disregard of limit on their financial powers and without proper assessment of need led to unfruitful expenditure of Rs 38.64 lakh.

CGMT, Projects, Eastern Zone, Calcutta and Divisional Engineer Telecom (DET), Microwave Project, Berhampur purchased 103700 expansion type bolts (ETB) at a cost of Rs 40.04

lakh (CGM, Calcutta Rs 28.70 lakh and DET, Berhampur Rs 11.34 lakh) between March 1992 and March 1993 at the rate finalised by Telecom Project, West Zone, Mumbai in 1991.

Scrutiny of documents relating to procurement and utilisation of the ETBs revealed the following:

Detailed estimates of works did not include ETBs

(i) Both the officers did not assess the requirement of the ETBs before placing procurement orders. The requirement of the ETBs were also not included in any detailed estimates of works approved in their jurisdiction.

Departmental officers exceeded their financial powers

(ii) CGMT, Projects and DET placed procurement orders in disregard of the limit on their financial powers under which they could purchase non-stock items from non-public undertaking sources for an amount not exceeding Rs 2 lakh and Rs 25000 respectively on each occasion.

Procurement without proper assessment of need led to ETBs valuing Rs 38.64 lakh lying unused

(iii) Only 3685 (1825 in Bhubaneshwar and 1860 in Berhampur) out of 103700 ETBs were utilised during the last four years until April 1996. Remaining 100015 (71675 in Bhubaneshwar and 28340 in Berhampur) ETBs valued at Rs 38.64 lakh, constituting 96 *per cent* of the total procurement are lying unutilised for last about four years. This clearly indicates that ETBs were procured without proper assessment of demand.

Thus, CGMT, Projects and DET Microwave Projects not only exceeded their financial powers in procurement of ETBs but they procured these without adequate justification leading to unfruitful expenditure of Rs 38.64 lakh.

The matter was referred to the Ministry in June 1996; their reply was awaited as of December 1996.

9.34 Non-enforcement of the terms and conditions of contract

CGMT Stores, Calcutta made excess payment of Rs 17.91 lakh to three private firms in violation of terms and conditions of the purchase order. Besides, he failed to recover liquidated damages of Rs 12.28 lakh.

CGMT, Stores, Calcutta placed three purchase orders between January 1992 and January 1993 for supply of Poly Vinyl Chloride (PVC) drop-wires and Cast Iron sockets of various sizes on three local firms. The scheduled dates of delivery were extended several times with levy of liquidated damages. As per price variation clause of the purchase orders, any increase in the price of raw material beyond the scheduled date of delivery was to be on supplier's account.

CGMT allowed price variation of Rs 17.91 lakh irregularly

Scrutiny of records of CGMT, Stores, Calcutta, in Audit, in February 1995 disclosed that the material were supplied during the extended delivery periods, but the payments were made to the suppliers taking into account increase in prices of raw material during the above period, in violation of the provisions of the purchase orders. This resulted in excess payment of Rs 17.91 lakh.

CGMTS did not recover liquidated damages of Rs 12.28 lakh

Besides, CGMT, Stores failed to recover liquidated damages of Rs 12.28 lakh in terms of the supply orders for supplies made after the scheduled delivery date.

The matter was referred to the Ministry in July 1996; their reply was awaited as of December 1996.

9.35 Loss due to non-pursuance of claims for refund of Customs duty

Lackadaisical attitude of department in preferring an appeal against the decision of Assistant Collector, Customs in time for a refund claim and non-pursuing another similar claim deprived it of an opportunity to claim refund of Rs 27.42 lakh.

According to Customs Notification issued in March 1988, imported microwave equipment are exempt from basic Customs duty in excess of 55 *per cent ad valorem* and whole of the additional duty leviable thereon. However, DoT imported and got cleared in February 1989 such equipment by making payment of Customs duty at 145 *per cent* of the value of equipment and additional duty at different rates. This resulted in excess payment of Customs duty of Rs 20.61 lakh.

The department lodged a claim in May 1989 for refund of excess Customs duty paid. The Assistant Collector, Customs, rejected the claim in January 1990 on the plea that the documents containing details of parts and functions of the main equipment called for in July 1989 to consider the claim were not supplied. No action was taken thereafter as the original rejection order was untraceable till January 1996.

The claim became time barred due to delay in preferring an appeal

On being enquired by Audit in January 1996 of the reasons for non supply of documents, the DET, Microwave Project, Chennai approached the Commissioner Appeals, Customs to permit the department to go in for appeal against the decision of Assistant Collector, Customs. No reasons were furnished for non-supply of documents. However, since the appeal was not preferred by the department within the prescribed limit of three months, the claim became time barred.

In yet another similar case of refund claim for Rs 6.81 lakh made in June 1990 for imported equipment cleared in December

1989, DET, Microwave Project, did not pursue the matter as the original claim papers were not available.

Departmental negligence main cause of not getting refund of Rs 27.42 lakh

The failure of the Department to prefer an appeal against the decision of Assistant Collector, Customs in time indicates negligent attitude of the department. Besides in these two cases alone, the department was deprived of the opportunity of claiming and getting refund of Rs 27.42 lakh.

The Ministry stated, in January 1997, that the Commissioner of Appeal granted permission and heard the case in July 1996; the judgement thereof was still awaited.

9.36 Misuse of delegated powers

CGMT, Patna hired vehicles in violation of the orders of DoT and at higher rates, though held departmental vehicles in excess of norms, rendering the entire expenditure of Rs 24.30 lakh as questionable.

DoT authorised CGMsT in October 1986 to hire vehicles for departmental use on experimental basis subject to the condition, among others, that these are hired only against regular sanctioned number of vehicles and the optimal use of the existing departmental vehicles is ensured by fixing a minimum 2000 km run per month for each of them.

CGMT Patna held departmental vehicles far in excess of norms, yet he hired vehicles in violation of DoT's instructions

As per the norms prescribed by DoT in October 1989, the Circle office in Patna was authorised only two vehicles. Against this, it held as many as 12-13 vehicles throughout 1992-95. CGMT, Bihar Circle, Patna, however, hired between two to 10 vehicles daily every month during June 1992 to October 1994 without establishing their requirement or ensuring that the existing departmental vehicles were being utilised for a minimum of 2000 km per month. Thus, not only that CGMT, Patna held departmental vehicles far in excess of the norms prescribed by DoT, he further engaged large number of hired vehicles on regular basis in violation of the orders of DoT. During this period CGMT hired between 14 and 23 vehicles every day against the authorisation of only two vehicles.

Scrutiny of documents relating to hiring of vehicles by CGMT, Patna disclosed that he hired vehicles from four firms between June 1992 and October 1993 at a rate of Rs 300 per day for Petrol fuelled Ambassador cars and Rs 425 for diesel fuelled Jeeps for 10 hours of duty per day. The fuel was provided in the hired vehicles by CGMT, Patna.

CGMT hired vehicles without confirming the rates from State Government. or other agencies and also at higher rates than the rates at which another officer of the department hired

Before hiring the vehicles from the firms, CGMT did not confirm rates for hiring of transport from either the Director of Transport of the State Government or other major agencies like Indian Tourism Development Corporation, who hire vehicles on regular basis. Even after the CGMT learnt in October 1993 that GM, Patna Telecommunications District had hired Petrol and Diesel driven transport during the same period at only Rs 215 per day excluding the cost of fuel, he continued the hiring arrangement at about one and a half to two times the rate paid by another officer of his own department at the same station until October 1994.

Thus, CGMT, Patna initially hired vehicles in October 1992 from the firms needlessly for a period of two years.

CGMT, Patna hired the vehicles from the same firm at lower rates in 1994-95 compared to the rates of 1992-93

Strangely, CGMT hired vehicles from another firm during 1994-95 at the lower rate of Rs 215 per day. Besides, one of the four firms with whom agreement at higher rate of hiring was entered into in October 1992, offered and supplied vehicles at lower rate of Rs 215 per day immediately after expiry of contract period in October 1994. Thus, CGMT, Patna not only hired vehicles inspite of possessing departmental vehicles many times more than the authorised strength but paid abnormally high rates for hiring vehicles and continued to do so even after learning about the lower rate prevailing in his own department. Thus, the hiring of vehicles by CGMT, Patna in violation of the orders of DoT at *prima-facie* higher rate renders the propriety of the entire expenditure of Rs 24.30 lakh incurred during June 1992 and October 1994 besides expenditure on fuel of the hired vehicles as questionable and calls for an investigation.

The Ministry stated, in January 1997, that the agreement was not cancelled in October 1993 due to possible legal complications and added that instructions have been issued that the rates approved by any SSA should be ratified by the concerned CGM in consultation with their IFA. The Ministry, however, ignored the more important point of CGMT having flouted its own orders and not only held on 12 to 13 vehicles in place of authorisation of only two, but went on to hire further two to 10 vehicles at patently higher rates.

9.37 Excess expenditure in procurement of cement

Executive Engineer, Telecom Civil Division, Bhubaneshwar and Sambalpur procured 5648 tonnes of cement from other sources at prices higher than DGSD rate contract which resulted in excess expenditure of Rs 24.02 lakh.

Consequent upon the issue of instructions by the Cabinet Secretariat in January 1991, DoT directed all civil Circles and divisions in March 1991 that indents for purchase of cement at prices not exceeding DGSD rate contracts should be placed either on DGSD or directly on a factory at DGSD rate contract price. In cases, where the cement was required to be purchased directly in the open market and at prices higher than those of the rate contract prices of the DGSD, these were to be made only in consultation with DGSD and after satisfying DGSD that there were compelling reasons and sufficient justification to do so.

Excess expenditure of Rs 24.02 lakh in procurement of cement through private parties

Executive Engineer, Telecom Civil Division, Bhubneshwar and Sambalpur procured 5648 tonnes of cement between June 1991 and September 1992 from other sources at prices higher than DGSD rate contract prices without consultation with DGSD. This resulted in excess expenditure of Rs 24.02 lakh, being the difference in the rate at which the cement was procured and DGSD rate contract for the quantity purchased.

Executive Engineer, Telecom Civil Division, Bhubneshwar stated, in April 1994, that the instructions of January 1991 were not available with him. The reply of Executive Engineer, Bhubneshwar is not tenable as these instructions were actually received by him in April 1991.

The matter was referred to the Ministry in June 1996; their reply was awaited as of December 1996.

9.38 Questionable expenditure on electronic key boards

Department failed to provide infrastructure viz., circuits and right type of key boards resulting in not only an infructuous expenditure of Rs 18.58 lakh but also extra expenditure of Rs 4.62 lakh on proposed conversion of 82 of them to Read Only Memory based Message Terminal Machines.

CGMT, West Bengal Circle procured 106 Micro processor based electronic key boards (EKBs) in March 1991 at a cost of Rs 24.02 lakh under `mission better communication modernisation programme' for telegraph network for improving telegraph services and saving in the operational expenditure. These EKBs were to replace the existing morse-key and sounder system.

Non utilisation of key boards valued at Rs 18.58 lakh

The department has, however, been able to utilise only 24 EKBs during the last five years. 82 EKBs valued at Rs 18.58 lakh remained unutilised as of March 1996.

Scrutiny of documents in the offices of Chief Superintendent, Central Telegraph Office (CTO), Calcutta and District Telegraph Offices (DTO) revealed that 44 EKBs issued to Siliguri, Coochbehar and Barrackpore DTOs could not be put to use for want of circuits and workable morse besides system problem and interruption of lines etc. which could not be resolved by the department.

Avoidable expenditure of Rs 4.62 lakh

Chief Superintendent, CTO, Calcutta stated, in April 1996, that there was a proposal to convert these EKBs into Read Only Memory based message terminal machines (MTM) which were being used widely in the national network and 50 EKBs were under conversion as of August 1996. However, this would result in an avoidable extra expenditure of Rs 4.62 lakh in the conversion of 82 EKBs when compared to price of ROM based MTM.

The matter was referred to the Ministry in June 1996; their reply was awaited as of December 1996.

9.39 Overpayment on account of inadmissible price variation

CGMT, Stores, Calcutta made excess payment of Rs 65.92 lakh to suppliers and failed to recover liquidated damages of Rs 15.09 lakh

CGMT, Stores, Calcutta placed purchase orders in December 1989 on firms `A' and `B' for supply of tubes of different specifications valued at Rs 2.13 crore with scheduled delivery date of 10 March 1991. As per terms and conditions, any increase in prices of principal raw material i.e. Steel and Zinc for the stores supplied beyond the scheduled delivery period would go to suppliers' account but the benefit of any downward revision would go to the purchaser. In May 1991, while extending the delivery date to December 1991, CGMT, Stores made it clear to the suppliers that the prices of principal raw material prevalent on 10 February 1991 or thirty days prior to the date of offer of stores for inspection, whichever is less, was to be considered for determining price variation. The delivery dates were further extended from time to time upto March/June 1992, on the condition that no statutory increase or fresh imposition of taxes and duties on the stores, effective after 10 March 1991 was payable for supplies made beyond March and June 1992 in respect of firm A and firm B respectively.

Payments made at enhanced rates

Audit of purchase vouchers revealed that the suppliers were paid for enhanced prices of raw material beyond 10 February 1991 and increased rates of taxes and duties from March/June 1992, for supplies made beyond scheduled period of delivery. This resulted in overpayment of Rs 50.83 lakh to both the firms.

In addition to the overpayment mentioned above, non-levy of liquidated damages resulted in undue favour to both the firms, and a further loss of Rs 15.09 lakh to the department.

Liquidated damages not recovered

CGMT Stores, Calcutta, stated in May 1994, that refixation of scheduled date of delivery on several occasions became necessary due to non-supply of raw material by the Steel Authority of India Limited (SAIL) to the manufacturers and on account of refixation of scheduled date of deliveries, the increases in statutory duties were also paid accordingly.

The reply does not hold good in view of the following facts:

(i) While the supplier received 139 tonnes of raw material from SAIL between June 1990 and November 1990, he failed to supply even a single item to the department upto March 1991. The delayed supplies, therefore, were due to the suppliers' failure.

(ii) Time taken by the firm A to offer finished goods to Quality Assurance authority for inspection after taking delivery of raw material ranged from 99 to 503 days, which contributed to delay.

(iii) As per terms and conditions stipulated in the purchase order, while granting extension beyond 10 March 1991, base price prevalent as on 10 February 1991 was to be considered for price variation. No price variation was payable for any increase in base price beyond 10 February 1991.

The matter was referred to the Ministry in August 1996; their reply was awaited as of December 1996.

9.40 Wasteful expenditure

Premature and hasty procurement of cables through TCIL by TDM, Allahabad for a work, which was not taken up on account of risk of theft of cables, resulted in wasteful expenditure of Rs 17.02 lakh.

TDM Allahabad purchased cables valued at Rs 79.84 lakh in haste necessitating its transfer

Under an agreement entered into with TCIL in June 1990 for external plant Network at Allahabad on turn-key basis Telecom District Manager (TDM) Allahabad authorised TCIL in September 1990 to procure 10.473 km of 200/20 lbs pair unarmoured underground cable for laying in Jhusi (2.7 km) and Phaphamou (2.5 km) bridges much before award of the work to them in October 1990. TCIL procured 10.473 km cable worth Rs 79.84 lakh in January 1991 and supplied them to TDM, Allahabad in May 1991. As per the information furnished by TDM, Allahabad subsequently he cancelled the work in October 1991 on the grounds that the cable over the bridges was prone to theft. TDM, Allahabad paid the cost of cable worth Rs 79.84 lakh in March 1992 and withheld their claim of service charges of Rs 14.77 lakh. However, TDM had to pay service charges of Rs 14.77 lakh at 18.5 *per cent* of the value of the cable in October 1995 in terms of award by the arbitrator.

TDM Allahabad paid service charges of Rs 14.77 lakh for unused cables

TDM, Allahabad diverted the entire quantity of cable supplied by TCIL to GMT, Ghaziabad and TDMs Agra and Dehradun between June 1992 and December 1993 by incurring an expenditure of Rs 2.25 lakh on its transportation and insurance charges. 1.109 km of the cable diverted from Allahabad was still lying unused with GMT, Ghaziabad (0.468 km) and TDM, Dehradun (0.641 km) as of August 1996.

Avoidable payment of freight of Rs 2.25 lakh on diverted cables

The premature and hasty decision of TDM, Allahabad to authorise the procurement of cable by TCIL entailed an infructuous expenditure of Rs 17.02 lakh on service charges to TCIL and transportation charges on the transfer of cable from Allahabad to other places for a work which was abandoned even before the approval of the estimates by TDM, Allahabad. TDM Allahabad failed to exercise adequate caution before authorising TCIL to procure cables for a work which was subsequently considered to be theft prone within 10 months of supply of the cables.

Liberal terms in the agreement for payment of service charges to TCIL interest

Besides, the terms of the agreement with TCIL was liberal in the sense that these allowed 18.5 *per cent* service charges to TCIL even on the cables procured from the trade and did not provide for safeguarding the interest of the department in case of cancellation of the work. This case calls for investigation.

The case was referred to the Ministry in May 1996; their reply was awaited as of December 1996.

9.41 Excess payment of electricity charges

Department failed to verify the correctness of bills for electrical energy consumed at Telephone Exchange, Mathura during December 1993 to June 1995 when the electric meter was faulty resulting in excess payment of Rs 10.07 lakh.

As per the terms and conditions of power supply by the Uttar Pradesh State Electricity Board (UPSEB), Lucknow, if at any time a meter becomes defective or ceases to register the consumption and no theft or malpractice is suspected, the electrical energy consumed during the period when the meter remained defective is to be determined on the basis of average consumption of the preceding three consecutive months.

Scrutiny of the records by Audit in March 1996 revealed that the electricity meter installed at telephone exchange Mathura ceased to register the consumption during December 1993 to June 1995. UPSEB replaced it with a new meter in July 1995. However, UPSEB, instead of preferring the bill on the basis of average consumption during the preceding three months before the meter became defective, charged the department at the rate applicable in case of theft or malpractice. TDM, Mathura made payment of electricity charges without verifying correctness. This resulted in excess payment of Rs 10.07 lakh.

On being pointed out by Audit in March 1996, the department took up the case with UPSEB in July 1996 for adjustment of excess paid amount.

The Ministry stated in December 1996, that the matter has been taken up with UPSEB for refunding the excess payment and added that, if necessary, legal action would be taken to recover the excess amount paid to them.

(VIJAY KUMAR)
Director General of Audit
Posts and Telecommunications

Delhi
The

1 2 MAR 1997

Countersigned

V. K. Shunglu

(V.K. SHUNGLU)
Comptroller and Auditor General of India

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Appendix I

(Referred to in paragraph 1.8.2 at page 8)

Physical targets and achievements for 1992-93 to 1995-96

Sl. No.	Particulars	Revised targets for Eighth Plan 1992-97	Physical targets 1992-93	Actuals/ achievement 1992-93	Physical targets 1993-94	Actuals/ achievement 1993-94	Physical targets 1994-95	Actuals/ achievement 1994-95	Physical targets 1995-96	Actuals/ achievement 1995-96
1	2	3	4	5	6	7	8	9	10	11
1.	Expansion of Postal Network Opening of Post Offices	2090	700	751	771	782	230	35	230	57
	(i) EDBOs	1440	600	635	671	667	80	4	80	4
	(ii) DSOs	650	100	116	100	115	150	31	150	53
	(iii) Supply of letter boxes	-	-	-	-	-	56000	42250	26000	26000
	(iv) Opening of Panchayat Dak Sewa Kendra	2500	-	-	-	-	500	-	500	497
	(v) Upgradation of operational equipment	350 offices	-	-	-	-	100 offices	230	200	246
2.	Mechanisation and Modernisation									
	(i) Multipurpose counter machine	5000	1000	Nil	1000	250	1000	1500	1000	550
	(ii) Modernisation of Post offices	1053	-	-	-	-	53	115	350	361
	(iii) MIS	Dak Bhawan and 19 circle head quarters	-	-	-	-	-	-	13	--
	(iv) Computerisation of Head Post Offices	Major Head Offices	3 metro cities (Mumbai, Calcutta Chennai)	3	Major HPOs	0	0	0	60	114
	(v) Mechanisation of cash supply in rural areas	100 vans								
	(vi) Track and trace	22	-	-	2	2	2	2	20	6
	(vii) Money transfer and electronic mail	75	Formulation of scheme for 75 towns	Formulated	75 locations	-	26 locations	26	49	35
	(viii) Installation of LAN for SB work								100	84

1	2	3	4	5	6	7	8	9	10	11
	(ix) Franking machines	-	-	-	30	-	40	-	20	40
	(x) Stamp cancelling machines	-	-	-	-	-	185	-	85	85
	(xi) Stamp and seals	25000	1000	100	8000	6000	20000	14000	5000	6000
	(xii) Mechanised/sorting equipment	Metro cities(Mumbai/Chennai)	2 (Mumbai)	1	1	-	one at Chennai	1	--	--
3.	Construction of Postal Buildings and staff quarters									
	(i) Postal buildings	-	130	141	NA	105	188	121	143	39
	(ii) Staff quarters	-	250	236	NA	297	456	346	535	152
4.	Manpower Development (Training Project)									
	(i) In-service training to departmental officials	32500	6500	8624	6500	5569	7100	5675	6000	5571
	(ii) Refresher training to EDBPMs	All EDBPMs	23800	Nil	23800	50000	50000	-	135754	135754
		All supervisors	-	-	-	-	-	-	3458	3458
	(iii) Refresher training for savings bank personnel	22500	0	0	4900	4108	4900	4277	4000	3426
	(iv) Training in computers	-	-	-	-	-	-	-	--	--
	(v) Management development training programme for officers	-	-	-	-	-	-	-	60	48
	(vi) Training for trainers	-	-	-	-	-	-	-	150	40
5.	Mail Motor Service (Transport service)									
	(i) MMS Vehicles	560	112	123	112	124	37	37	5	--
6.	Marketing									
	(i) Market survey on speed post	-	-	-	1	1	1	-	1	1
	(ii) Survey of services offered by department	-	-	-	-	1	1	-	--	--
	(iii) Film on speed post	-	-	-	1	1	1	-	1	1
	(iv) Film on corporate image building	-	-	-	1	1	1	-	1	1
7.	Speed Post Service									
	(i) Establishment of business centres	-	5	-	5	5	48	48	15	15
	(ii) Renovate speed post centres	-	-	-	-	-	-	-	--	--
	(iii) Manpower recruitment	-	-	-	-	-	-	-	--	--

1	2	3	4	5	6	7	8	9	10	11
8.	Railway Mail Service Vehicles									
	(i) Construction Vans	20	-	-	-	-	-	-	20	--
	(ii) Re-modelling	398	20	-	20	15	5	5	30	--
9.	Material Management									
	(i) In-house printing machines	12	4	4	4	3	4	-	--	4 spilover
	(ii) Paper cutting machines	12	4	1	4	5	4	-	--	4 spilover
	(iii) Computerised PSDs	46 PSDs and Directorate	-	-	-	11 PSDs and Directorate	20	20	15	--
10.	Postal Life Insurance									
	(i) Computerisation	3 circles	5 circles	5 circles	3 circles	1	5	5	--	--
	(ii) Upgradation	-	2 circles	2 circles	3 circles	2	2	2	3	1
	(iii) Training on computerisation	-	-	-	-	-	-	-	--	--

Appendix II

(Referred to in paragraph 1.11 at page 11)

Statement showing the NRC amount outstanding

Sl. No.	Name of the circle	Period upto	Amount (Rs)
1	Andhra Pradesh	March 1995	715355
2	Gujarat	March 1996	1914713
3	Himachal Pradesh	March 1995	11343832
4	Karnataka	March 1996	26226
5	Kerala	March 1996	90969
6	Maharashtra	March 1996	833305
7	North East	March 1995	5080178
8	Orissa	March 1991	455610
9	Punjab	March 1992	416681
10	Rajasthan	March 1996	14072
11	Tamil Nadu	March 1996	320906
12	West Bengal	March 1996	35359
			21247206

Appendix III
(Referred to in paragraph 4.3 at page 38)
Statement showing the shortest route for air mail

Sl. No	From	To	Shortest IATA distance	Distance charged by the department	Excess
				(Distance in km)	
1.	Delhi	Indore	751	808	57
2.	Mumbai	Udaipur	669	888	257
3.	Delhi	Rajpur	1138	1474	336
4.	Delhi	Udaipur	554	754	200
5.	Silchar	Imphal	95	1100	1095
6.	Silchar	Calcutta	560	742	182
7.	Chennai	Calcutta	1416	1515	99
8.	Cochin	Calcutta	1983	2782	792
9.	Calcatta	Imphal	630	837	207
10.	Delhi	Bhubneshwar	1015	1337	322
11.	Imphal	Gauhati	287	1205	918
12.	Delhi	Nagpur	854	1892	1038
13.	Nagpur	Calcutta	1215	2416	1201
14.	Delhi	Srinagar	725	777	52
15.	Delhi	Varanasi	823	2008	1185
16.	Delhi	Patna	867	1373	506
17.	Bangalore	Hyderabad	515	798	283
18.	Bangalore	Calcutta	1612	1739	127
19.	Hyderabad	Calcutta	1357	1741	304
20.	Cochin	Hyderabad	886	1788	842
21.	Cochin	Delhi	2122	2258	136
22.	Cochin	Calcutta	1983	3581	1598
23.	Mumbai	Cochin	1091	1623	532
24.	Cochin	Dabolin	662	1821	859
25.	Delhi	Calcutta	1322	1892	570
26.	Mumbai	Jaipur	928	1178	250
27.	Delhi	Gauhati	1565	1872	307
28.	Agartala	Gauhati	248	893	645
29.	Delhi	Chennai	1770	2238	468
30.	Bangalore	Calcutta	1612	2565	953
31.	Bangalore	Cochin	371	637	316
32.	Mumbai	Cochin	1091	1245	154
33.	Delhi	Ahmedabad	763	964	201
34.	Delhi	Bhuj	854	1744	890
35.	Nagpur	Bhubneshwar	715	2916	2201
36.	Mumbai	Rajkot	419	735	316
37.	Delhi	Leh	681	1042	361
38.	Jaipur	Udaipur	309	509	200
39.	Mumbai	Chennai	591	1071	480
40.	Cochin	Calcutta	1983	3139	1156
41.	Cochin	Dabolin	662	1878	1216
42.	Delhi	Varanasi	823	3175	2352
43.	Delhi	Bhubneshwar	1015	2785	1770
44.	Gauhati	Imphal	287	1246	959
45.	Calcutta	Port Blair	1303	2845	1542
46.	Bangalore	Calcutta	1612	2565	953
47.	Nagpur	Bhubneswar	715	2916	2201
48.	Cochin	Hyderabad	886	1485	599
49.	Delhi	Bhubneswar	1015	1822	807
50.	Delhi	Srinagar	725	874	149
51.	Delhi	Jammu	607	698	91
52.	Delhi	Siliguri	1234	1282	48
53.	Delhi	Udaipur	554	726	172
54.	Patna	Kathmandu	1765	2271	606
55.	Delhi	Trivandrum	2259	2438	179
56.	Calcutta	Trivandrum	2195	2960	765

Appendix IV

(Referred to in paragraph 5.13 at page 60)

PART A

Position of Outstanding ATNs in respect of Expenditure Paras of DoT for the Audit Report upto No. 7 of 1995

Audit Report Number and Year	Paragraph No.	Subject
No.7 of 1992	9	Inventory management audit observations
No. 7 of 1994	9.1	Purchase of defective jelly filled cables
	9.2	Avoidable expenditure on procurement of GI drop wire
No. 7 of 1995	8.1	Modern foundry plant at Kharagpur
	8.2	Replacement of multi auto exchange at Gangtok
	8.3	Cuttack-Sambalpur digital microwave scheme
	9.1	Avoidable payment of commitment charges on foreign loan
	9.4	Non-accounting of stores
	9.21	Avoidable expenditure in purchase of land
	9.25	Non-recovery of compensation for damage to departmental property

PART B

Position of Outstanding ATNs in respect of Revenue Paras of DoT for the Audit Report upto No. 7 of 1995

Audit Report Number and Year	Paragraph No.	Subject
No. 7 of 1991	14 (1 to 5)	Short billing due to omission to issue bills at revised rates
	24(2)	Short/Non recovery of rental charges due to various omissions
No. 7 of 1992	7.2 a(i)3 (b)(v)(7)	Non-billing or short billing of customers
	7.3(i)(ii)	Other losses of revenue
No. 7 of 1993	6.2 (ii) A-II 6 to 11,14	Non-billing or short billing of customers
No. 7 of 1994	5 5.1,5.2, 5.5,5.9	Organisational set up and financial management
	7.2 (ii) II-4,8 (iii)III-1,2,3,4 (v) V-3	Non-billing or short billing of customers
No. 7 of 1995	7.2(ii)9 (v)vi-1	Non-billing or short billing of Customers
	7.3(1)	Other losses of revenue

Appendix V

(Referred to in paragraph 5.13 at page 60)

PART A

Position of Outstanding ATNs in respect of Expenditure Paras of DoT for the Audit Report No. 7 of 1996

Audit Report Number and Year	Paragraph No.	Subject
No. 7 of 1996	8.1	Planning and procurement of cables by Madhya Pradesh Telecom Circle
	8.2	Computerisation in Department of Telecommunications
	8.3	Working of retail telecommunication stores depot, Bhubaneswar
	9.1	Non recovery of advance
	9.2	Idling of cross-bar equipment
	9.5	Wasteful expenditure and idle investment on purchase of cast iron pipes
	9.6	Unauthorised purchase of telephone instruments
	9.7	Avoidable expenditure on hiring accommodation
	9.8	Avoidable expenditure
	9.9	Unnecessary procurement of equipment
	9.10	Unnecessary purchase of High Density Poly Ethylene pipes-blocking of funds
	9.11	Wasteful expenditure due to failure of cost check unit
	9.12	Irregular payment of Octroi
	9.13	Payment of cess
	9.14	Wasteful expenditure in installation of a higher capacity electronic telex concentrator
	9.15	Excess payment of Central Excise duty and State Sales tax
	9.16	Wasteful expenditure in laying underground cables at Puri
	9.17	Avoidable expenditure on procurement of reinforced cement concrete pipes

Audit Report Number and Year	Paragraph No.	Subject
	9.18	Extra expenditure on purchase of reinforced cement concrete spun pipes
	9.19	Avoidable expenditure on laying of cable
	9.20	Infructuous expenditure in laying of cable
	9.21	Avoidable payment of handling charges
	9.22	Avoidable loss of revenue
	9.23	Non-recovery of damage charges
	9.24	Idle investment
	9.25	Idle investment on procurement of steel
	9.26	Unauthorised expenditure
	9.27	Excess payment to suppliers
	9.28	Infructuous expenditure in laying of cable at Sirsa
	9.29	Wasteful expenditure
	9.30	Avoidable payment of penal charges on electricity due to non-maintaining power factor

PART B

Position of Outstanding ATNs in respect of Revenue Paras of DoT for the Audit Report No. 7 of 1996

Audit Report Number and Year	Paragraph No.	Subject
No. 7 of 1996	5	Organisational set-up and financial management
	5.1, 5.2, 5.3, 5.4, 5.5, 5.6, 5.7, 5.8, 5.9, 5.10, 5.11, 5.12, 5.13, 5.14	
	6	Appropriation Accounts
	6.1	
	6.2	
	6.2.1	
	6.2.2	
	6.2.3	
	6.2.4	
	6.2.5	
	7.2	Non-billing or short billing of customers
	(i) VI-5, 6, 7, 8, 9, 10, 11, 12	
	(ii) VII-5,7	
	(iii) --	
	(iv) VIII 3, 6, 9, 10, 13, 15, 16	
	7.3	Incorrect fixation of rent-short realisation of revenue Rs 13.42 crore
	7.4	Other losses of revenue
	(i) a,b,c	
	(ii) a	
	(iii) --	
	(iv) --	
	(v) IX-2	
	(vi) X-3	
	(vii)--	
	(ix) --	
	(x)--	

Appendix VI

(Referred to in paragraph 6.2.4(i) at page 63)

Significant cases of re-appropriation which were injudicious on account of their non-utilisation

Grant no.14 - Department of Telecommunications

(Rs in crore)

Major Head	Head of account	Amount of re-appropriation to the sub-head	Amount of final saving under the sub-head after re-appropriation
Revenue			
3225 - Telecommunication services	B-1(2)(1) Circle offices	0.33	2.78
	B-1(2)(6) Amount transferred from major head 3201-Postal Services	0.05	0.29
	B-2(2) Telephone Exchanges	5.53	13.16
	B-2(4)(1) Telegraphs	1.66	6.94
	B-5(1) Training (Engineering)	0.12	2.53
	B-5(2)(1) Buildings	5.28	8.91
	B-5(2)(2) Telecommunication lines	19.12	28.67
	B-5(5)(2) Establishment for Telegraphs	0.38	2.99
	B-6(2)(2) Divisional offices (Telegraphs)	0.14	0.62
	B-6(2)(3) Distt. & Divisional offices (Telephones)	0.26	0.28
	B-7(1)(3) Dispensaries	0.03	0.08
	B-7(1)(4) Other Amenities	0.35	0.36
	B-8(2) Commuted value of pension	0.72	3.83
Capital			
5225 - Capital outlay on Telecommunications services	BB-3(2) Subscribers Trunk dialing and other trunk dialing system	2.00	2.67
	BB-4(4) Ultra High Frequency and Very High Frequency Relay systems	75.00	218.80
	BB-5(3) Technical and development circle	1.00	1.21
	BB-7(1) Store suspense account	20.66	116.72
	Total	132.63	410.84

Appendix VII

(Referred to in paragraph 6.2.4 (ii) at page 64)

Significant cases of re-appropriation which were injudicious as the actual expenditure was excess over the final provision

Grant No.14 - Department of Telecommunications

(Rs in crore)

Major Head	Head of account	Amount of re-appropriation from the sub-head	Excess expenditure over the balance provision after re-appropriation
Revenue			
3225 - Telecommunication services	B-5(4)(9) Telecom factories	(-)0.18	0.22
	B-6(2)(1) Directorate and circle offices	(-)0.50	1.81
	B-10(1)(3)Depreciated value of assets	(-)0.26	0.30
	B-10(1)(5)Deduct value of stores recovered and returned to stocks	(-)0.05	0.41
	B-10(2) Social security and welfare programmes	(-)0.17	0.29
	B-10(3)8 Interest on deferred payment	(-)0.17*	12.81
Capital			
5225 - Capital outlay on Telecommunication services	BB-2(1) Telephone Exchanges Automatic	(-)281.36	670.90
	BB-2(2) Telephone Exchanges Manual	(-)1.16	14.18
	Total	283.85	700.92

* An amount of Rs 0.17 crore was withdrawn against the head while there was no initial provision and interestingly an amount of Rs 12.81 crore was spent thereagainst.

Appendix VIII

(Referred to in paragraph 7.2.1 at page 71)

Non-billing or short billing of customers -- non-receipt of advice notes

Sl. No.	Particulars of lines/ cables/circuits	Period of short/non recovery	Total Amount of short/non recovery	Particulars of bills issued/recovery made after issue of Audit Memo		Remarks
				Amount recovered/ month of recovery	Amount to be recovered	
1	2	3	4	5	6	7
			(Rupees in lakh)			
Andhra Pradesh Telecommunications Circle						
1.	Provision of point to point three TP circuits to Deccan Chronicle and Meteorological office between various stations	December 1989 to June 1996	6.44	6.44 February-October 1996	-	-
2.	Provision of a speech circuit between Rajamundry and Vizag to ONGC	November 1992 to June 1996	4.57	4.57 April 1996	-	-
3.	Provision of 38/40 lbs dedicated underground cable to Naval Authorities	May 1992 to June 1996	32.83	-	32.83	Bill issued in May 1996
Gujarat Telecommunications Circle						
4.	Provision of EPABX to 41 subscribers	August 1989 to August 1996	3.32	3.07 by April 1996	0.25	
5.	Provision of three speech circuits to Reliance Petrochemicals limited	December 1992 to January 1996	15.88	15.88 February and March 1995	-	-
6.	Provision of 50/20 lbs underground cable to IAF	December 1993 to June 1996	10.49	10.49 March 1995 and March 1996	-	
Jammu and Kashmir Telecommunications Circle						
7.	Provision of 200 line PABX board with 163 internal extensions to Government Medical College, Jammu	March 1993 to June 1995	3.53	3.53 November 1995	-	-

1	2	3	4	5	6	7
	Karnataka Telecommunications Circle					
8.	Provision of 50 pair 6½ lbs underground cable to Ministry of Home Affairs	January 1992 to June 1995	4.59	4.59 March 1992 to June 1995	-	-
	Madhya Pradesh Telecommunications Circle					
9.	Provision of speech circuits to Railway Electrification, Bhopal between Bhopal and Katni	July 1992 to March 1995	4.37	4.37 March and December 1995	-	-
10.	Speech circuit provided to CSO Central Command Lucknow between Bhopal-Jhansi	January 1993 to March 1995	4.38	4.38 November 1995	-	-
11.	Provision of leased circuit to Western Railway between Makshi-Biora	July 1988 to March 1995	4.27	4.27 March to October 1996	-	-
12.	Provision of telegraph circuit to Army between Bhopal-Pune	July 1992 to March 1995	4.85	4.85 April 1995	-	-
	Maharashtra Telecommunications Circle					
13.	Provision of underground cables to Army	August 1991 to August 1994	13.10	13.10 March 1993 and February 1994	-	-
14.	Provision of HF Radio Transmitter provided at Ratnagiri	March 1992 to April 1996	8.72	8.72 May 1995	-	-
15.	Provision of 30 channel digital UHF system to Army	February 1993 to May 1996	30.64	-	30.64	Bill for Rs 21.42 lakh issued in October 1994 and May 1995.
	Uttar Pradesh Telecommunications Circle					
16.	Provision of 10 kms of 20/20 lbs underground cable at Jhansi to Army Authorities	April 1994 to June 1996	25.22	23.22 January 1996	2.00	-
		Total	**177.20**	**111.48**	**65.72**	

Appendix IX

(Referred to in paragraph 7.2.2 at page 72)

Non-billing or short billing of customers -- bills issued at old rates

Sl. No.	Particulars of lines/ cables/circuits	Period of short/non recovery	Total Amount of short/non recovery	Particulars of bills issued/recovery made after issue of Audit Memo		Remarks
				Amount recovered/ month of recovery	Amount to be recovered	
1	2	3	4	5	6	7
			(Rupees in lakh)			
	Bihar Telecommunications Circle					
1.	Provision of six speech circuits to various subscribers	November 1992 to October 1995	13.96	12.85 August 1996	1.11	Bill issued in June 1995
	Orissa Telecommunications Circle					
2.	Provision of wireless circuits one each at Paradeep, Sukinda, Bhubaneswar and Calcutta for Tata Iron and Steel Company (TISCO)	November 1992 to March 1995	7.64	7.64 October 1995	-	-
3.	Provision of wireless link at Kaliapani to work with the existing wireless net Bhubaneswar-Barabil to Orissa Mining Corporation Limited	September 1991 to March 1995	4.63	4.63 February 1996	-	-
	Punjab Telecommunications Circle					
4.	Provision of a speech circuit between station `A' and `B' to Army authorities in February 1992	February 1992 to June 1994	3.43	3.43 August 1994	-	-
	Rajasthan Telecommunications Circle					
5.	Provision of two speech circuits to BSF	November 1992 to June 1996	5.60	5.60 March 1996	-	-
6.	Provision of six speech circuits and six TP circuits under TDE Kota	November 1992 to June 1994	15.71	11.48 October 1993 to March 1995	4.23	Bill issued in June 1995
7.	Provision of speech circuits provided to various users and TDE Sriganga Nagar	November 1992 to May 1993	5.40	5.40 June 1994	-	-

1	2	3	4	5	6	7
North East Telecommunications Circle						
8.	Provision of seven Teleprinter and four non-exchange lines at Meghalya Telecom District	February 1992 to June 1994	3.92	2.10 November 1996	1.82	Bill issued in May 1995
Tamil Nadu Telecommunications Circle						
9.	Provision of Three Teleprinter circuits to different agencies and one Teleprinter circuit to Additional Commissioner Special Bureau	November 1992 to June 1995	8.15	8.15 Decemeber 1994	-	-
10.	Local leads provided to Samrat Shipping Corporation, Nisha Iwai Corporation, Chennai	August 1988 to June 1995	3.08	3.08 October 1994	-	-
Uttar Pradesh Telecommunications Circle						
11.	32 facilities like Hot line, speech circuits, etc.	November 1992 to September 1994	16.70	11.98 February 1995 to April 1995	4.72	-
		Total	**88.21**	**76.34**	**11.87**	

Appendix X

(Referred to in paragraph 7.2.4 at page 73)

Short billing of rent on private data network

Sl. No.	Particulars of lines/ cables/circuits	Period of short/non recovery	Total Amount of short/non recovery	Positions of bills issued/recovery made after issue of Audit Memo		Remarks
				Amount recovered/ month of recovery	Amount to be recovered	
1	2	3	4	5	6	7
			(Rupees in lakh)			
Andhra Pradesh Telecommunications Circle						
1.	Provision of point to point four wire, long distance data circuits to Indian Air Lines between Hyderabad and New Delhi in December 1991	December 1991 to March 1995	6.07	6.07 May 1995	-	-
Tamil Nadu Telecommunications Circle						
2.	Provision of two long distance circuits to Indian Air Lines between Nodal Centre Chennai and New Delhi	November 1988 to December 1994	157.00	64.00 May 1995 and July 1996	93.00	-
		Total	**163.07**	**70.07**	**93.00**	

Appendix XI

(Referred to in paragraph 7.2.6 at page 74)

Non-billing or short billing of customers -- other reasons

Sl. No.	Particulars of lines/ cables/PBX etc.	Audit Observation	Period of short/non recovery	Total Amount of short/non recovery	Particulars of bills issued/recovery made after issue of Audit Memo: Amount recovered/ month of recovery	Particulars of bills issued/recovery made after issue of Audit Memo: Amount to be recovered	Remarks
1	2	3	4	5	6	7	8
					(Rupees in lakh)		
	Andhra Pradesh Telecommunications Circle						
1.	Provision of 20+200 PMBX board to Osmania University in March 1979 and conversion to subscriber owned EPABX in December 1993	Non issue of bills for annual rental of board and extension	May 1992 to April 1993	7.85	7.85 March and May 1994	-	-
	Assam Telecommunications Circle						
2.	Provision of 30 channel UHF system to Army authorities	Rent revision based on actual cost not done	April 1993 to April 1996	8.57	-	8.57	Bills for Rs 8.05 lakh issued in June 1995.
	Gujarat Telecommunications Circle						
3.	Provision of 10 data/speech circuits to various subscribers	failure to issue bills	December 1993 to December 1996	4.55	4.55 January 1996	-	-
4.	Departmental cables in Bharuch Telecom District	Non recovery of compensation for damages to Departmental property	-	7.00	-	7.00	Demand note issued in July 1994
5.	Lines leased to Canal authorities in Surat Telecom District	Non-billing due to failure to make over records etc.	-	22.68	-	22.68	Bill for Rs 4.55 issued in March 1995
6.	35 External extension provided from Subscriber's owned EPABX of GNFC	Failure to observe Department's Rules resulting in short recovery	March 1989 to March 1996	6.59	6.59 June 1993 and February 1996	-	-

1	2	3	4	5	6	7	8
Haryana Telecommunications Circle							
7.	Provision of one speech circuit and one telegraph circuit to Army authorities	Failure to realise rent due to non adherence of Departmental Rules	May 1983 to March 1994	18.60	17.20 March 1996	1.40	-
8.	Provision of 38/20 lbs underground cable to Army in February 1993	Non-issue of Advice Notes	February 1993 to February 1995	4.62	4.62 February 1996	-	-
Jammu and Kashmir Telecommunications Circle							
9.	Provision of 20/20 lbs underground cable to Railways in February 1992	Non fixation of rental on the basis of actual expenditure	February 1992 to June 1995	14.33	14.33 September 1995	-	-
Karnataka Telecommunications Circle							
10.	Provision of 8/20 lbs underground cable to AIR Gulbarga in December 1990	Non fixation of rental on the basis of actual expenditure	December 1990 to March 1996	8.73	8.73 May 1994 to March 1996	-	-
Kerala Telecommunications Circle							
11.	Provision of 3 long distance speech circuit to PSLV project at Trivandrum	Non revision of rent on expiry of guarantee period	August 1990 to July 1995	3.73	3.73 May 1995	-	-
Maharashtra Telecommunications Circle							
12.	Provision of 50/20 lbs underground cable to IAF in November 1988	Incorrect fixation of rent on rent and guarantee basis	November 1988 to November 1995	39.47	-	39.47	Bill issued in October 1995
13.	Provision of underground cable to Southern Command in July 1991	Non fixation of rental on the basis of actual expenditure	July 1991 to July 1994	9.13	9.13 February 1994	-	-
14.	Provision of accessories and provision of STD etc. in TDE Akola	Bills not issued due to non-posting of 1125 advice notes issued during the period January 1993 to September 1995 in TRA branch	January 1993 to December 1995	4.00	-	4.00	-

1	2	3	4	5	6	7	8
15.	Provision of Telephone connections in TDE Akola	Bills not issued due to non-posting of 757 completed advice notes issued in TRA branch	April 1993 to December 1995	8.49	-	8.49	-
16.	3 Measured rate and Two flat rate exchanges of Telecom District Akola	Non-revision despite increase in equipped capacity	March 1993 to December 1995	10.88	-	10.88	-
	North East Telecommunications Circle						
17.	12 Non-Exchange lines provided by TDM Shillong	Short collection of installation charges	One time payment	7.29	0.70 October 1996	6.59	Bills issued in April 1994
	Orissa Telecommunications Circle						
18.	Provision of wireless circuit between Bhubaneswar-Paradeep-Bhawani Patna	Non-issue of bills for want of details	September 1991 to March 1995	6.25	6.25 February 1996	-	-
	Punjab Telecommunications Circle						
19.	Provision of a speech circuit to Army authorities	Failure to issue bills	February 1985 to June 1996	22.63	-	22.63	Bills issued in October 1996
	Tamil Nadu Telecommunications Circle						
20.	Provision of speech circuits between Maritime operator's room and Naval detachment Rameshwaram	Non issue of bills	January 1991 to June 1995	5.77	5.77 April 1995	-	-
21.	Provision of telegraph circuit to CBI Chennai	Non issue of bills for accessories	November 1992 to June 1995	3.43	-	3.43	Bill issued in October 1994
	Uttar Pradesh Telecommunications Circle						
22.	Provision of underground cable to IAF, Allahabad	Incorrect fixation of rent	March 1991 to March 1995	14.33	11.24 April 1986 to October 1994	3.09	-
23.	Provision of speech circuit between Haridwar Moradabad to Divisional Railway Manager, Moradabad	Non issue of advice note	February 1980 to January 1994	15.69	15.69 June 1995	-	-

1	2	3	4	5	6	7	8
West Bengal Telecommunications Circle							
24.	Provision of 15 speech/ data circuits to Coal India limited	Failure to issue bills due to want of relevant records	April 1993 to March 1996	119.88	119.88 October 1996	-	
			Total	**374.49**	**236.26**	**138.23**	

Appendix XII

(Referred to in paragraph 8.4.7 at page 120)

Status of Village Public Telephones and Gram Panchayat Public Telephones in rural sector as on 31 March 1996

Sl. No	Circle	Total Number of Inhabited Villages	VPTs as on 31.3.96	Remaining uncovered villages	Total Number of Gram Panchayats	GPPTs As on 31.3.96	Remaining uncovered Gram Panchayats as on 31.3.96	Achievement percentage	
								VPTs	GPPTs
1.	Andaman Nicobar	292	91	201	67	33	34	31.16	49.25
2.	Andhra pradesh	29460	18653	10807	19533	16569	2964	63.32	84.82
3.	Assam	22224	8430	13794	2485	2067	418	37.93	83.18
4.	Bihar	79208	12043	67165	11762	8518	3244	15.20	72.42
5.	Gujarat	18125	12903	5222	13510	11961	1549	71.19	88.53
6.	Haryana	7018	6661	357	5946	4868	1078	94.91	81.87
7.	Himachal Pradesh	16997	4041	12956	2757	2327	430	23.77	84.40
8.	Jammu & Kashmir	6453	1461	4992	1461	705	756	22.64	48.25
9.	Karnataka	27024	13361	13663	5671	4807	864	49.44	84.76
10.	Kerala	1530	1530	0	982	982	0	100	100
11.	Madhya Pradesh	71526	28012	43514	30922	19224	11698	39.16	62.17
12.	Maharashtra	40430	23034	17396	24937	21122	3815	56.97	84.70
13.	North-East	14197	2492	11705	4241	2121	2120	17.55	50.01
14.	Orissa	46989	12750	34239	5261	4956	305	27.13	94.20
15.	Punjab	13252	8501	4751	11743	8501	3242	64.15	72.39
16.	Rajasthan	37889	12274	25615	9178	7746	1432	32.39	84.40
17.	Tamil Nadu	20196	14430	5766	13288	12943	345	71.45	97.40
18.	Uttar Pradesh (E)	75462	17692	57770	57132	15650	41482	23.44	27.39
19.	Uttar Pradesh (w)	37106	9957	27149	16609	5798	10811	26.83	34.90
20.	West Bengal	38337	8125	30212	3473	3263	210	21.19	93.95
21.	MTNL, New Delhi	191	191	0	191	191	0	100	100
	Total	**603906**	**216632**	**387274**	**241149**	**154352**	**86797**	**35.87**	**64**

Appendix XIII

(Referred to in paragraph 8.4.7 at page 120)

All India tribal sub plan Telecom status as on 31 March 1996

S.No	Circle	Telephone facility in				Percentage of coverage	
		Villages		Panchayat villages		Villages	Panchayat villages
		Total No.	No. covered	Total No	No. covered		
1.	Andhra Pradesh	5975	547	981	490	9.15	49.95
2.	Assam	7084	995	329	313	14.05	95.14
3.	Bihar	36446	3027	3345	1872	8.31	55.96
4.	Gujarat	4818	2167	2437	1864	44.98	76.49
5.	Himachal Pradesh	660	77	147	43	11.67	29.25
6.	Karnataka	1540	1263	551	529	82.01	96.00
7.	Kerala	112	112	88	88	100	100
8.	Madhya Pradesh	22406	5747	9097	4430	25.65	48.70
9.	Maharashtra	5501	1307	1179	990	23.76	83.97
10.	North-East	13421	2492	3563	2121	18.57	59.53
11.	Orissa	18477	3553	1535	1339	19.23	87.23
12.	Rajasthan	4363	955	974	788	21.89	80.90
13.	Tamil Nadu	174	69	63	54	39.66	85.71
14.	Uttar Pradesh	453	128	226	55	28.26	24.34
15.	West Bengal	19550	2256	1004	930	11.54	92.63
	Total	**140980**	**24695**	**25519**	**15906**	**17.52**	**62.33**

Appendix XIV

(Referred to in paragraph 8.4.8 at page 122)

Component wise allocation of financial outlays and actual expenditure for annual plan and first four years of 8th Five Year Plan

(Rs in crore)

		Telegraph office	Telex	Local Telephones	Long distance switching system	Long distance transmission system
Original allotment	Rural	25.20	4.77	1368.49	45.27	955.75
	Tribal	31.60	6.10	766.97	33.48	328.73
	Total	56.80	10.87	2135.46	78.75	1284.48
Revised allotment	Rural	29.82	2.50	1735.15	45.67	999.09
	Tribal	22.91	7.33	1012.72	35.62	448.96
	Total	52.73	9.83	2747.87	81.29	1448.05
Actual Expenditure	Rural	0.65	0.43	1137.57	13.53	237.20
	Tribal	6.85	0.64	817.86	6.88	152.57
	Total	7.50	1.07	1955.43	20.41	389.77
Percentage of actual to final allotment	Rural	2.18	17.21	65.56	29.62	23.74
	Tribal	29.90	8.73	80.76	19.31	33.98
	Total	14.22	10.89	71.16	25.11	26.92

Appendix XV

(Referred to in paragraph 9.3 at page 140)

Unproductive investment on the Electronic Telex Exchange

Station	Existing capacity	Replaced capacity	Percentage of capacity increased	Number of working connections as on 31 march 1996	Percentage of capacity utilisation with reference to existing capacity	Percentage of capacity utilisation with reference to replaced capacity
1	2	3	4	5	6	7
Agra	250	300	20	116	47	39
Allahabad	100	150	50	56	36	24
Bareilly	60	60	-	29	48	48
Bhubaneswar	200	500	150	196	98	39
Chandigarh	415	550+250 transit	93	322	78	40
Dehradun	150	200	33	72	46	35
Faridabad	250	300	20	110	44	37
Ghaziabad	100	300	200	56	37	12
Gurgaon	60	100	67	46	76	46
Kanpur	280	400	43	135	60	42
Lucknow	270	400+500 transit	233	215	79	24
Nasik	200	200	-	110 (July 1996)	55	55
Noida	40	100	150	57	-	50
Shimla	40	100	150	38	95	38
Varanasi	150	200	33	93	40	31

GLOSSARY OF TERMS AND ABBREVIATIONS

Analogue	An electrical signal which is analogous to changing physical quantity measured
C-DoT	Centre for development of Telematics
CCV	Crystal control version
CKD	Complete knock down - goods imported in fully manufactured condition
CKM	Cable conductor kilometre - cable sheath kilometres multiplied by the number of conductor pairs in each cable
CNA	Changed number announcing
Coaxial cable	A cable with a single wire in the centre of cylindrical conductor forming a pair for carrying electrical signals
Cross-bar exchange	A telephone exchange where switching connections are made by operation of two bars, one horizontal and another vertical
CUG	Closed user group
DEL	Direct exchange line, one each for every telephone connection
Digital exchange	The exchange having signals coded into binary pulses and having little or no moving parts
EDBPM	Extra departmental branch postmaster
EDX	Electronic database exchange
EKB	Electronic key board
EMTP	Electro mechanical teleprinters
EPABX	Electronic private automatic branch exchange

ETP	Electronic Teleprinter
GPSS	Gateway packet switching system
HDPE	High density polyethylene
Hertz or Hz	Frequency (cycles per second), named after Heinrich Hertz - usually in ranges of kilo 1000 - KHz, mega 1,000,000 - MHz or giga 1,000,000,000 - GHz
HF	High frequency
HPA	High power Amplifier
HUB station	Earth station
HVNET	High speed very small aperture terminals data network
ILT	Integrated line and trunk
LDPT	Long distance public telephone
MARR	Multi access rural radio
MAX	Multiple automatic exchange operating on electrical mains supply
Mb/s	Mega bits per second denoting digital frequency
MPCM	Multi purpose counter machines
MTM	Message terminal machine
Multiplexing	By which several circuits are combined for transmission over a common transmission path
Optical Fibre	Glass fibres using lightwaves for transmission of signals
[redacted]	
OYT	Own your telephone
PABX	Private automatic branch exchange
PBX	Private branch exchange
PCM	Pulse code modulation

PVC	Polyvinyl chloride
RLU	Remote line unit
RTN	Rural telecom network
SKD	Semi knock down means goods imported semi finished
SPV	Solar photo voltaic
STD	Subscriber trunk dialling
SV	Synthesised version
TAX	Trunk automatic exchange
Telex	Teleprinter exchange
TTL	Transit transistor logic
TWT	Travelling wave tube
UHF	Ultra high frequency (300 to 3000 MHz)
VLSI	Very large scale integrated
VSAT	Very small aperture terminal

ERRATA

Page No.	Line	For	Read
25	6th line from bottom	three	two
62	4th line from top (table)	Savings	Excess
67	9th line from bottom	15.60	157.60
76	2nd marginal gist - 2nd line	license	licence
82	1st marginal gist - 2nd line from bottom	only in one	only one
102	1st marginal gist - 2nd line from top	instaling	installing
110	2nd marginal gist - 1st line	Igonoring	Ignoring
135	9th line from top	extending	exceeding
145	2nd marginal gist - 2nd line from bottom	for	of
146	8th line from top	later	latter
147	2nd line from top	that	than