REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR

THE YEAR 1981-82

UNION GOVERNMENT (POSTS AND TELEGRAPHS)

ERRATA

Page No.	Line	*For*	*Read*
2	Item No. (vii)	isnstruments	instruments
5	14	oi	of
11	9 from bottom	—7.7*	—7.7
24	2 from bottom	Rs.	Re.
26	11	Km.	Kms.
32	6 from bottom	GM's	GMs
38	1	ihstallation	installation
41	18	Rs. 17.37	Rs. 27.37
42	18	Part	Park
42	27	Til	Till
47	7	Amal er	Amalner
57	3 from bottom	obtiaining	obtaining
62	1	GMM's	GMMs
70	17	icapacity	capacity
79	10	iimit	limit
99	7	rea onable	reasonable
99	11	Revi ed	Revised
100	9	lakh	lakhs
108	6 from bottom	Telegraph	Telegraphs
111	8	intellex	intelex

S/12 C&AG/82

REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR

THE YEAR 1981-82

UNION GOVERNMENT (POSTS AND TELEGRAPHS)

TABLE OF CONTENTS

PREFATORY REMARKS

This Report has been prepared for submission to the President under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts of the Posts and Telegraphs Department for 1981-82 together with other points arising from audit of the financial transactions of the Posts and Telegraphs Department.

The cases mentioned in the Report are among those which came to notice in the course of test audit during the year 1981-82 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 1981-82 have also been included wherever considered necessary.

The points brought out in this Report are not intended to convey or to be understood as conveying any general reflection on the financial administration by the Department/authorities concerned.

CHAPTER I

GENERAL

1. **Revenue position.**—The total revenue receipts of the Posts and Telegraphs Department as budgeted for and realised during the five years ending 1981-82 are given below :—

Year	Budget estimates	Actuals	Variation	Prcentage of Variation
		(Crores of rupees)		
1977-78	717.39	668.19	—49.20	—6.9
1978-79	778.67	762.83	—15.84	—2.0
1979-80	888.30	835.05	—53.25	—6.0
1980-81	963.30	910.01	—53.29	—5.5
1981-82	1130.00	1070.60	—59.40	—5.3

The revenue receipts during 1981-82 were Rs. 59.40 crores less than the estimates. The shortfall was mainly due to less receipts under the heads "Sale of ordinary stamps", "Sale of service stamps", "Telegrams" and "Telphone revenue on account of rentals and local and trunk call fees, etc." partly offset by more collections under the heads "Postage realised in cash", "Commission on money orders, postal orders, etc.", "Telex" and "Rent of wires, circuits and instruments leased to railways, canals, etc." The budget estimates and the actual receipts under the main heads of revenue during 1981-82 are given below :—

Main heads of revenue	1981-82 Budget estimates	Actuals	Variation
		(Crores of rupees)	
(*i*) Sale of ordinary stamps (including post cards)	180.00	171.90	—8.10

(*ii*) Sale of service stamps	30.00	27.40	—2.60
(*iii*) Postage realised in cash	43.00	48.55	+5.55
(*iv*) Commission on money orders, postal orders, etc.	31.00	35.30	+4.30
(*v*) Telegrams	69.00	58.61	—10.39
(*vi*) Telex	54.00	70.96	+16.96
(*vii*) Rent of wires, circuits and isnstruments leased to railways, canals, etc.	15.00	19.44	+4.44
(*viii*) Telephone revenue on account of rentals and local and trunk call fees, etc.	726.30	656.93	—69.37
(*ix*) Other receipts (Net)	—18.30	—18.49*	—0.19
TOTAL	1130.00	1070.60	—59.40

*Credits on account of "forfeited money orders" included in this amount in respect of West Bengal, North East, Tamil Nadu, Uttar Pradesh, Andhra Pradesh, Bihar, Madhya Pradesh, Kerala and Rajasthan circles are under reconciliation.

2. The growth of revenue during five years ended with 1981-82 is indicated below :—

Main heads of revenue	1977-78	1978-79	1979-80	1980-81	1981-82	Increase/Decrease in 1981-82 as compared to 1977-78	
						Amount	Percentage
1	2	3	4	5	6	7	8
				(Crores of rupees)			
(*i*) Sale of ordinary stamps	118.20	137.67	146.52	156.65	171.90	53.70	45.4
(*ii*) Sale of service stamps	21.87	24.95	27.49	25.36	27.40	5.53	25.3
(*iii*) Postage realised in cash	26.29	30.99	35.54	40.37	48.55	22.26	84.7
(*iv*) Receipts on account of money orders and postal orders including forfeited money orders	31.24	26.56	26.14	31.41	35.68 (A)	4.44	14.2
(*v*) Telegrams	48.68	48.15	59.62	46.38	58.61	9.93	20.4
(*vi*) Telex	29.98	43.07	47.37	60.02	70.96	40.98	136.7
(*vii*) Rent of wires, circuits and instruments leased to railways, canals, etc.	10.76	15.68	10.42	20.54	19.44	8.68	80.7
(*viii*) Telephone revenue on account of rentals and local and trunk call fees, etc.	391.66	432.06	491.14	540.11	656.93	265.27	67.7
(*ix*) Other receipts (Net) excluding forfeited money orders	—10.49	3.70	—9.19	—10.83	—18.87 (B)	—8.38	79.9
TOTAL	668.19	762.83	835.05	910.01	1070.60	402.41	60.2

(A) Differs from figures shown in paragraph 1 due to exhibition of receipts on account of forfeited money orders under this head instead of under "Other receipts".

(B) Differs from figures shown in paragraph 1 due to (A).

3. The growth of revenue in the two branches of the department compared with the increase in expenditure (inclusive of dividend and depreciation on historical cost and supplementary depreciation, if any, towards inflationary element) during the five years ended with 1981-82 is indicated below :—

Year	Revenue	Expenditure	Percentage of expenditure to revenue
1	2	3	4
	(Crores of rupees)		
Postal Services			
1977-78	206.90	208.88	101.0
1978-79	239.17	236.90	99.1
1979-80	259.22	270.75	104.4
1980-81	278.11	350.26	125.9
1981-82	309.41	403.10	130.3
Telecommunication Services			
1977-78	461.29	332.28	72.0
1978-79	523.66	380.05	72.6
1979-80	575.83	430.45	74.8
1980-81	631.90	507.33	80.3
1981-82	761.19	600.03	78.8
Total (Department as a whole)			
1977-78	668.19	541.16	81.0
1978-79	762.83	616.95	80.9
1979-80	835.05	701.20	84.0
1980-81	910.01	857.59	94.2
1981-82	1070.60	1003.13	93.7

CHAPTER II

GENERAL RESULTS OF APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

4. **General.**—The following table compares the expenditure during 1981-82 with the total of voted grants and charged appropriation :—

		Total grant/ appropriation	Actual expenditure	Saving	Percentage of column 3 to column 1
		1	2	3	4
			(Lakhs of rupees)		
Charged : Original	*1.50*				
Supplementary	*7.05*	*8.55*	*7.51*	*1.04*	*12.2*
Voted : Original	17,25,72.16				
Supplementary	84,48.78	18,10,20.94	17,21,77.27	88,43.67	4.9

The saving of Rs 88,43.67 lakhs in the voted portion consisted of the following :—

Particulars of grant	Total grant	Actual expenditure	Excess + Saving—	Percentage of column 4 to column 2	Amount surrendered to the Ministry of Finance during the year
1.	2	3	4	5	6
			(Lakhs of rupees)		
16—Posts and Telegraphs Working Expenses	10,41,26.85	10,40,83.30	—43.55	Nil	Nil
17—Posts and Telegraphs Dividend to General Revenues, Appropriation to Reserve Funds and Repayment of Loans from General Revenues	2,56,93.34	1,17,29.51	—1,39,63.83	54.3	1,60,70.42
18—Capital outlay on Posts and Telegraphs	5,12,00.75	5,63,64.46	+51,63.71	10.1	1,08.90

The saving of Rs. 43.55 lakhs under Grant No. 16—Posts and Telegraphs Working Expenses was mainly due to less expenditure under :—

POSTAL

(i) Post offices (provision Rs. 2,13,39.05 lakhs; expenditure Rs. 2,08,40.34 lakhs; saving 2.3 per cent);

(ii) Conveyance of Mails (provision Rs. 69,69.79 lakhs; expenditure Rs. 59,27.24 lakhs; saving 15.0 per cent);

(iii) Superannuation and Retirement Allowances (provision Rs. 10,00.00 lakhs; expenditure Rs. 8,31.81 lakhs; saving 16.8 per cent);

(iv) Commuted value of Pension (provision Rs. 4,75.00 lakhs; expenditure Rs. 3,79.93 lakhs; saving 20.0 per cent);

(v) Other Pensions (provision Rs. 12.00 lakhs; expenditure Rs. 5.33 lakhs; saving 55.6 per cent);

(vi) Stationery and Forms Printing, Storage and Distribution (provision Rs. 14,92.45 lakhs; expenditure Rs. 9,92.41 lakhs; saving 33.5 per cent);

TELECOMMUNICATION

(vii) Radios (provision Rs. 1,63.92 lakhs; expenditure Rs. 1,47.32 lakhs; saving 10.1 per cent);

(viii) Stores Accounting (provision Rs. 54.50 lakhs; expenditure Rs. 47.95 lakhs; saving 12.0 per cent);

(ix) Telecommunication Research (provision Rs. 1,34.45 lakhs; expenditure Rs. 1,10.85 lakhs; saving 17.6 per cent);

(x) Commuted value of Pension (provision Rs. 4,50.00 lakhs; expenditure Rs. 4,02.74 lakhs; saving 10.5 per cent);

(xi) Gratuities (provision Rs. 5,90.00 lakhs; expenditure Rs. 4,13.91 lakhs; saving 29.8 per cent); and

(xii) Other pensions (provision Rs. 8.50 lakhs; expenditure Rs. 0.21 (minus) lakhs; saving 102.5 percent).

The above savings were partly offset by excesses as under :—

POSTAL

(i) Control and Supervision (provision Rs. 23,53.05 lakhs; expenditure Rs. 27,45.72 lakhs; excess 16.7 per cent);

(ii) Mail Sorting (provision Rs. 51,18.19 lakhs; expenditure Rs. 57,50.97 lakhs; excess 12.4 per cent);

(iii) Operational Training (provision Rs. 63.17 lakhs; expenditure Rs. 72.70 lakhs; excess 15.1 per cent);

(iv) Banking and Life Insurance (provision Rs. 11,29.49 lakhs; expenditure Rs. 12,64.37 lakhs; excess 11.9 per cent);

(v) Maintenance (provision Rs. 5,00.68 lakhs; expenditure Rs. 6,31.24 lakhs; excess 26.1 per cent);

(vi) Petty Works (provision Rs. 34.00 lakhs; expenditure Rs. 68.98 lakhs; excess 102.9 per cent);

(vii) Family Pension (provision Rs. 2,40.00 lakhs; expenditure Rs. 2,98.77 lakhs: excess 24.5 per cent);

(viii) Post cards, stamps, envelopes (provision Rs. 18,25.96 lakhs; expenditure Rs. 22,27.60 lakhs; excess 22.0 per cent);

TELECOMMUNICATION

(ix) Stores Depots (provision Rs. 5,97.68 lakhs; expenditure Rs. 7,20.33 lakhs; excess 20.5 per cent);

(x) Miscellaneous Expenditure (provision Rs. 2,22.31 (minus) lakhs; expenditure Rs. 11.04 lakhs; excess 105.0 per cent);

(xi) Petty works (provision Rs. 9,00.00 lakhs; expenditure Rs, 10,20.91 lakhs; excess 13.4 per cent);

(xii) Amenities to staff (provision Rs. 3,66.70 lakhs; expenditure Rs. 4,07.41 lakhs; excess 11.1 per cent), and

(xiii) Stationery and Forms Printing, Storage and Distribution (provision Rs. 5,25.00 lakhs; expenditure Rs. 7,39.37 lakhs; excess 40.8 per cent).

The reasons for savings were awaited.

The saving of Rs. 1,39,63.83 lakhs under Grant No. 17—Posts and Telegraphs Dividend to General Revenues, Appropriation to Reserve Funds and Repayment of Loans from General Revenues was mainly due to less expenditure under:—

Appropriation to Posts and Telegraphs Capital Reserve Fund (provision Rs. 2,16,00.00 lakhs; expenditure Rs. 66,00.00 lakhs; saving 69.4 per cent).

The above saving was partly offset by excesses as under :—

(i) Dividend to General Revenues (provision Rs. 39,60.24 lakhs; expenditure Rs. 49,82.51 lakhs; excess 25.8 per cent); and

(ii) Appropriation to Posts and Telegraphs Revenue Reserve Fund (provision Rs. 1,33.10 lakhs; expenditure Rs. 1,47.00 lakhs; excess 10.4 per cent).

The reasons for savings were awaited.

5. **Excess requiring regularisation.**—The excess over the following grant requires regularisation under Article 115 of the Constitution :—

	Grant	Expenditure	Excess
	Rs.	Rs.	Rs.
18—Capital Outlay on Posts and Telegraphs	5,12,00,75,000	5,63,64,46,150	51,63,71,150

Despite the large excess, a supplementary grant of only Rs. 2,000 was obtained in September 1981 and March 1982. The excess of Rs. 51,64 lakhs was mainly due to more expenditure under :—

POSTAL

(i) Administrative offices (provision Rs. 1,63.00 lakhs; expenditure Rs. 2,05.50 lakhs; excess 26.1 per cent);

(ii) Post offices (provision Rs. 9,00.90 lakhs; expenditure Rs. 12,17.22 lakhs; excess 35.1 per cent);

TELECOMMUNICATION

(iii) Local Telephone Systems (provision Rs. 2,30,56.01 lakhs; expenditure Rs. 2,77,15.14 lakhs; excess 20.2 per cent);

(iv) Other Land and Buildings (provision Rs. 12,00.00 lakhs; expenditure Rs. 14,72.50 lakhs; excess 22.7 per cent); and

(v) General (provision Rs. 48,64.83 lakhs; expenditure Rs. 90,69.47 lakhs; excess 86.4 per cent).

The above excesses were partly offset by savings as under :—

POSTAL

(i) Staff Quarters (provision Rs. 8,63.00 lakhs; expenditure Rs. 4,11.43 lakhs; saving 52.3 per cent);

(ii) R.M.S. Vans (provision Rs. 89.00 lakhs; expenditure Rs. 35.94 lakhs; saving 59.6 per cent);

TELECOMMUNICATION

(iii) Telegraph Systems (provision Rs. 14,87.00 lakhs; expenditure Rs. 13,12.53 lakhs; saving 11.7 per cent);

(iv) Long Distance Switching Systems (provision Rs. 30,86.00 lakhs; expenditure Rs. 24,98.50 lakhs; saving 19.0 per cent);

(v) Transmission Systems (provision Rs. 1,32,71.00 lakhs; expenditure Rs. 1,18,54.01 lakhs; saving 10.7 per cent); and

(vi) Ancillary Systems (provision Rs. 22,20.01 lakhs; expenditure Rs. 5,72.22 lakhs; saving 74.2 per cent).

The reasons for excess were awaited.

CHAPTER III

REVENUE

6. **Arrears of telephone revenue.**—(i) For bills issued up to 31st December 1981, collection of Rs. 17.01 crores as telephone revenue was in arrears on 1st April 1982 as indicated below :

	(Crores of rupees)
Government subscribers	2.93
Other subscribers	14.08

Out of the total outstanding of Rs. 17.01 crores, Rs. 5.80 crores related to bills issued during April 1981 to December 1981 and balance of Rs. 11.21 crores to bills issued up to and including 1980-81. The year-wise analysis of the arrears is given in Appendix 1 (a).

Out of the total arrears of Rs. 17.01 crores as on 1st April 1982, Rs. 103.12 lakhs pertained to claims of more than Rs. 5,000 as indicated below :

	(Lakhs of rupees)
1. Central Government subscribers	24.69
2. State Government subscribers	31.41
3. Central Public Sector Undertakings	—
4. State Public Sector Undertakings	—
5. Local Bodies	0.62
6. Other subscribers	46.40
TOTAL	103.12*

*This does not include figures in respect of Calcutta, West Bengal, North East, Gauhati, Agra, Bombay and Madras Telecommunication Circles/Telephone districts.

The year-wise analysis of Rs. 103.12 lakhs is given in Appendix I(b).

(ii) The percentage of the outstanding on 1st April 1982 to the total amount collected during April 1981 to December 1981 and the corresponding percentages of the outstandings on 1st July to the total amount collected during the year ending with preceding March in three preceding years are given below :

Year	Amount collected	Percentage increase over previous year	Amount outstanding on 1st July/1st April following (including outstandings for the bills issued in the preceding years)	Percentage increase over previous year	Percentage of the amount outstanding to the amount collected during the year
1	2	3	4	5	6
		(Lakhs of rupees)			
1978-79	4,45,45	11.8	16,90	40.2	3.8
1979-80	5,01,89	12.7	18,26	8.0	3.6
1980-81	5,61,23	11.8	18,42	0.9	3.3
1981-82 (up to December 1981)	4,53,27@	7.7*	17,01	—7.7*	2.8*

(iii) The percentage of the outstanding to the amount billed (as on 1st April 1982) in respect of the bills issued during April 1981 to December 1981 and the corresponding percentages of the outstanding to the amount billed (as on 1st July) in respect

* The percentages have been worked out on *pro rata* basis.

@ This does not include figures in respect of Gauhati Telephone District.

of the bills issued (up to March) in the three preceding years are given below :

Year	Amount billed	Amount outstanding on 1st July/ 1st April following out of amount shown in column 2	Percentage of column 3 to 2
1	2	3	4
	(Lakhs of rupees)		
1978-79	4,47,69	5,79	1.3
1979-80	5,08,69	7,93	1.6
1980-81	5,61,94	7,54	1.3
1981-82 (upto December 1981)	4,64,32@	5,80	1.2

(iv) A test-check in audit of telephone revenue accounts conducted during 1981-82 has shown several instances of short-billing as well as failure to issue bills. Of 7088* cases (Rs. 32.35* lakhs) of short-billing brought to the Department's notice, the Department had not realised (June 1982) the amounts short-billed in 2095* cases (Rs. 20.60* lakhs) and out of 2095* cases, in 1689* cases (Rs. 14.34* lakhs) even bills had not been issued. The Department had also not issued (June 1982) bills in 1116* cases (Rs. 22.52* lakhs) out of 2348* cases (Rs. 32.15* lakhs) of failure to issue bills brought to the notice of the Department.

@This does not include figures in respect of Gauhati Telephone District.

* This does not include figures in respect of Delhi, Calcutta, Gauhati, Agra and Andhra Telecommunication Circles/Telephones Districts.

(v) Recovery of Rs. 67.86 lakhs was under litigation on 1st July 1982. The progressive position was as below :

	No.	Amount (Lakhs of rupees)
(*a*) Cases under litigation as on 1st July 1981	909	54.00
*(*b*) Cases in which litigation proceedings were commenced during July 1981 to June 1982	348	25.13
*(*c*) Cases decided during July 1981 to June 1982	181	11.27
*(*d*) Cases decided out of (c) in favour of P&T Department	100	6.17
(*e*) Cases under litigation as on 1st July 1982	1,076	67.86

(vi) During 1981-82 the telephone revenue written off was Rs. 11.33 lakhs as indicate below :

Reasons	(Lakhs of rupees)
1. Whereabouts of the subscribers not known	5.26
2. Solvency of the subscribers not established	1.92
3. Closure of the subscribers firms, concerns, etc.	0.58
4. Death of subscribers	0.46
5. Relevant departmental files not available	0.10
6. Other reasons	1.87
7. Break-up not available	1.14
TOTAL	11.33@

The year-wise analysis of this amount is given in Appendix 1(c).

* This does not include figures in respect of West Bengal, North East Gauhati and Agra Telecommunication Circles/Telephone Districts.

@This does not include figures in respect of West Bengal, North East Gauhati and Agra Telecommunication Circles/Telephone Districts.

(vii) Total equipped/optimum capacity of telephone connections at the end of the years 1978-79, 1979-80, 1980-81 and 1981-82 and the actual connections given in these years are given below :

Year	Total equipped/ optimum capacity of Telephone connections at the end of the year	Actual working connections at the end of the year
1	2	3
	(Figures in lakhs)	
1978-79	21.88	18.71
1979-80	23.32	20.14
1980-81	24.72	21.49
1981-82	26.14	22.98

The above table would show that the equipped capacity was under-utilised.

(viii) The amounts outstanding at the end of the years 1978-79, 1979-80, 1980-81 and 1981-82 in respect of metropolitan cities of Delhi, Calcutta, Madras and Bombay are given below :

	1978-79	1979-80	1980-81	1981-82
			(Lakhs of	rupees)
1. Delhi	1,155.57	1,240.70	1,188.18	1,174.36
2. Calcutta	345.69	629.29	492.42	520.41
3. Madras	62.58	72.93	73.12	174.74
4. Bombay	327.00	470.00	492.00	564.80

(ix) Complaints received regarding over-billing during the year 1981-82 were 39,105.*

*This does not include figures in respect of Delhi, West Bengal, North East Gauhati, Tamil Nadu, Agra and Bangalore Telecommunication Circles/Telephone Districts.

7. **Arrears of rent of telegraph, telephone and teleprinter circuits and telex/intelex charges.**—For bills issued up to 31st December 1981, collection of Rs. 334.80 lakhs as rent of telegraph, telephone and teleprinter circuits and telex/intelex charges was in arrears on 1st April 1982 (as against Rs. 352.90 lakhs as on 1st July 1981) as indicated below :

	(Lakhs of rupees)
Rent of telegraph, telephone and teleprinter circuits	235.02
Telex and intelex charges	99.78
TOTAL	334.80

Out of the total arrears of Rs. 334.80 lakhs, Rs. 118.77 lakhs related to bills issued during April 1981 to December 1981 and the balance Rs. 216.03 lakhs to bills up to 1980-81. Year-wise analysis is given in Appendix II.

8. **Arrears of revenue of radio telegraph charges.**—According to Departmental rules, the Chief Accounts Officer, Telegraph Check Office (CAOTCO), Calcutta prepares monthly bills in respect of radio telegrams exchanged between the Indian coastal radio stations owned by the Indian Posts and Telegraphs Department and ships at sea. These bills are preferred by the CAOTCO, Calcutta against the companies/administrations controlling the apparatus on the ships on the 15th of the third month following the month of traffic.

In paragraph 8 of the Report of the Comptroller and Auditor General of India (Posts & Telegraphs) for 1980-81, mention was made of arrears of revenue of radio telegraph charges to the extent of Rs. 63.20 lakhs as on 1st August 1981 for the bills pertaining to the period up to 30th November 1980. Out of this, Rs. 37.30 lakhs related to bills pertaining to the period up to 31st March 1980. It was further observed in audit that in respect of bills pertaining to the period up to 31st March 1982 claims to the extent of Rs. 67.15 lakhs were in arrears as on 1st August 1982.

For bills pertaining to the period up to 31st March 1981 claims to the extent of Rs. 28.72 lakhs were in arrears on 1st August 1982. Out of the arrears of Rs. 28.72 lakhs as on 1st August 1982 Rs. 2.46 lakhs were outstanding against one foreign administration. Year-wise analysis of this amount is given in Appendix III.

A comparative picture of the arrears as on 1st August of second succeeding year for 1977-78 to 1981-82 is given below :

Year	Amount outstanding at the beginning of the year in respect of bills pertaining to previous years	Amount of bills pertaining to the year	Total amount collectable	Amount collected during the year out of that shown in Col. 4	Amount outstanding at the end of the year	Amount outstanding as on 1st August of second succeeding year
1	2	3	4	5	6	7
					(Lakhs of rupees)	
1977-78	51.64	29.40	81.04	25.39	55.65	18.60 (1-8-79)
1978-79	55.65	38.56	94.21	27.17	67.04	35.41 (1-8-80)
1979-80	67.04	42.70	109.74	27.69	82.05	37.30 (1-8-81)
1980-81	82.05	40.00	122.05	30.02	92.03	28.72 (1-8-82)
1981-82	92.03	40.50	132.53	50.86	81.67	(Due on 1-8-83)

Out of Rs. 28.72 lakhs outstanding as on 1st August 1982, Rs. 11.95 lakhs pertained to 1980-81 and the balance Rs. 16.77 lakhs to earlier years.

9. Arrears of telegraph revenue

(A) *Inland press telegrams*.—Inland press telegrams are accepted in Telegraph Office without prepayment from registered newspapers or news agencies under the Deposit Account System, when the charges are payable by the addressees. The bills for such charges are to be preferred by the Chief Accounts Officer, Telegraph Check Office (CAOTCO), Calcutta, against the newspapers or news agencies who are required to make payment under the rules within one week of their presentation to them.

A test-check in audit of the bills issued by the CAOTCO, Calcutta, during September 1981 to May 1982 pertaining to the period from April 1981 to March 1982 disclosed that there was delay of 1 month to 5 months in issuing the bills, the amounts of which varied from Rs. 0.13 lakh to Rs. 15.45 lakhs. The Department stated (September 1982) that the delay which was 5 months in earlier months had been reduced to one month by March 1982. However, the bills for the month of April 1982 were issued by 5th July 1982 only.

Mention was made of arrears of revenue of telegraph charges in respect of inland press telegrams to the extent of Rs. 8.49 lakhs as on 1st November 1981 for bills pertaining to the period up to 31st March 1980 in paragraph 9(A) of the Report of the Comptroller and Auditor General of India (Posts and Telegraphs) for 1980-81. Out of this, Rs. 2.58 lakhs related to bills pertaining to the period upto 31st March 1979. A test-check in audit (June 1982) revealed that for bills pertaining to the period upto 31st March 1982, collection of Rs. 33.20 lakhs was in arrears as on 1st July 1982. Out of this Rs. 6.34 lakhs related to bills pertaining to the period 1966-67 to 1979-80 and Rs. 6.27 lakhs for bills pertaining to the year 1980-81.

(B) *Mobilisation telegrams*.—Bills relating to mobilisation telegrams (telegrams issued in connection with Military business which are accepted in Telegraph Offices, without prepayment) are to be preferred by the CAOTCO, Calcutta monthly against the Defence authorities, who are required to effect payment within 3 weeks of their receipt.

In paragraph 9(B) of the Report of the Comptroller and Auditor General of India (Posts and Telegraphs) for 1980-81, mention was made of arrears of revenue of telegraph charges in respect of mobilisation telegrams to the extent of Rs. 28.67 lakhs as on 1st November 1981 for bills pertaining to the period up to March 1981. Out of this, Rs. 24.51 lakhs related to bills pertaining to the year 1980-81 and balance Rs. 4.16 lakhs to the years 1976-77 (Rs. 0.34 lakh), 1977-78 (Rs. 0.05 lakh), 1978-79 (Rs. 0.66 lakh) and 1979-80 (Rs. 3.11 lakhs).

Although under rules, the bills are to be paid by the Defence authorities within 3 weeks of their presentation to them, it was noticed in audit that for bills pertaining to the period up to March 1982 payment of Rs. 44.02 lakhs was in arrears as on 1st July 1982. Out of this Rs. 42.20 lakhs related to bills pertaining to the year 1981-82 and the balance Rs. 1.82 lakhs to the years 1976-77 (Rs. 0.28 lakh), 1977-78 (Rs. 0.02 lakh), 1978-79 (Rs. 0.04 lakh), 1979-80 (Rs. 0.18 lakh) and 1980-81 (Rs. 1.30 lakhs). The Department stated (September 1982) that a sum of Rs. 35.03 lakhs had since been adjusted and the outstanding balance at the end of August 1982 was Rs. 8.99 lakhs only. It was, however, noticed that the adjustments were carried out as late as August 1982 and that too after it had been pointed out by Audit.

10. **Short-billing, non-billing etc. noticed by Audit.**—Seven cases of short-billing, non-billing etc. (Rs. 12.41 lakhs) where recovery was yet to be made (September 1982) are mentioned below:

Sl. No.	Name of Work	Audit observations in brief	Date of audit observations	Action taken by the Department
1	2	3	4	5
1.	Provision of Type 'A' Broadcast channels, control channals and other circuits between New Delhi and Aligarh as required by Director, General All India Radio, New Delhi.	Directorate General, All India Radio was provided Type 'A' Broadcast channels, control channals and other circuits in March/April 1970. Rental based on the capital cost was not revised with the result that there was short realisation of revenue amounting to Rs. 3.88 lakhs.	May 1982	The Department stated that calculations of rental at the rate of Rs. 50,643 per annum were being sent to Delhi authorities for effecting recovery.
2.	Provision of speech circuit between Gulmarg and Rampur by the Telegraph Engineering Division, Srinagar for Defence Authorities.	A speech circuit between Gulmarg and Rampur was provided by the Telegraph Engineering Division, Srinagar on 24th February 1969. Although the circuit was closed on 30th June 1979, the rent for a period of more than ten years from February 1969 to June 1979 amounting to Rs. 1.55 lakhs remained unrealised due to non-receipt of completed copy of advice note by the Telephone Revenue Accounting Branch of the Division.	June 1981	The Department stated (June 1982) that necessary instructions to recover the amount will be issued after verification of records.

1	2	3	4	5
3.	Provision of cable 14/40 lb. Paper core quad Twin (PCQT) for Air Force Authorities at Sarsawa (Uttar Pradesh).	The Air Force Authorities were provided wiih 14/40 lb. Paper core quad Twin (PCQT) underground cable (cost : Rs. 1.48 lakhs) on 22nd August 1967. The rent was not revised based on the actual expenditure with the result short recovery to the tune of Rs. 0.53 lakh was made during the guarantee period of 10 years from the Air Force Authorities.	June 1982	The Divisional Engineer Telegraphs Dehra Dun stated (June 1982) that the DET Saharanpur was being addressed for making recovery.
4.	Provision of one direct channelling group between Pathankot-Dalhousie for Himachal Pradesh Electricity Board.	An estimate (cash cost: Rs. 69,445, stores cost: Rs. 155) for installation of a direct channelling group between Pathankot and Dalhousie was prepared by the Director Microwave Project, Jullundur in September 1979 on a demand from the Himachal Pradesh Electricity Board. According to the departmental rules the expenditure was recoverable from the Electricity Board. The Department failed to realise even the estimated expenditure of Rs. 0.70 lakh. The actual expenditure was not known.	November 1981	The Department stated (November 1981) that action to recover the cost would be taken through Chief Accounts Officer' soffice of the General Manager Projects, New Delhi.

5.	Provision of two T-43 Trunk Boards and 'B' position PABX in the Military PABX at Bareilly.	Two T-43 Trunk Boards and 'B' position in PABX were installed in June 1963 in the Military PABX at Bareilly. Another T-43 Trunk Board was installed in March 1976. Due to incorrect fixation of rental and adoption of wrong percentage, the Department failed to enforce correct recoveries from the Army authorities resulting in short recovery of Rs. 1.61 lakhs.	July 1980	The Divisional Engineer Telephones, Bareilly stated (May 1982) that action was being taken to recover the dues from the party.
6.	Provision of 20 pairs 6 1/2 lb cable to the Indian Air Force Authorties at Bareilly.	The Indian Air Froce Authorities were provided 20 pairs 6 1/2 lb cable on 1st April 1975 in response to a firm demand placed by them in April 1966. The final rent fixed on flat rate basis was Rs. 39,000 from April 1975 and Rs. 76,000 per annum from Ist March 1976 with a guarantee period of 10 years. The rent was, however, recovered at the rate of Rs. 39,000 only from 1st April 1975 to 30th June 1982 while the same was required to be recovered at the rate of Rs. 76,000 per annum from 1st March 1976, resulting in short recovery of rental to the tune of Rs. 2.34 lakhs from 1st March 1976 to 30th June 1982.	April 1982	The Department stated (May 1982) that the short recovery was being pointed out to Telephone Revenue Accounts Branch of Divisional Engineer Telephones Bareilly for realisation of this amount from the party.

1	2	3	4	5
7.	Provision of telecommunication facilities to Narora Atomic Power Project.	On receipt of firm demand from the Narora Atomic Power Project (NAPP) Narora, provisional rental of Rs. 42,068 per annum with guarantee period of 6 years was quoted by the Department in September 1977 and was accepted by NAPP in the same month. The rental based on the capital cost however, worked out to Rs. 0.45 lakh per annum. Though the line was commissioned on 22nd March 1978, rental amounting to Rs. 1.80 lakhs for the period from 22nd March 1978 to 21st March 1982 remained unrealised.	August 1981	The Department stated (August 1982) that the Divisional Engineer Telegraphs, Aligarh has issued a demand note to the party on 3rd August 1982 on the basis of rentals pointed out by audit.

11. **Short-billing of Rs. 5.30 lakhs (approx.) towards Fire Alarm Services provided to Bombay Municipal Corporation.—** The Posts and Telegraphs Department entered into an agreement with Bombay Municipal Corporation (BMC) in 1950 agreeing to erect and maintain Telephone Fire Alarm Pillars* at their own expense in various streets in Bombay to enable public in case of fire, to communicate direct with the nearest Fire Station.

The P&T Department provided these alarms and had to levy rental (i) for the magneto switch board and (ii) for the Fire Alarm extensions.

The agreement, was to continue in force for one year and thereafter determinable by either party by giving 7 days, notice in writing. The tariff for Fire Alarms was referred to the Tariff Committee in 1964. It was stated in April 1967, that the then existing tariffs for FAS were under review. It was decided by the DGPT in January 1968, that rentals for the switch board should be 75 per cent of the rental, for a PBX of equivalent capacity and the rental for the Fire Alarm extension should be 75 per cent of the rental of PBX connection of equal length. DGPT's orders further indicated that in respect of Bombay and other places where the service was being provided under specific agreement with the local municipal corporation or fire brigade authorities, the revised rates would come into force after the termination of these agreements or 1st January 1968 whichever was later.

Accordingly a draft notice for terminating the agreement with BMC was submitted to the Directorate by the General Manager, Bombay Telephone District (BTD) on 30th July 1968. In spite of periodical reminders from GM, BTD. from 1968 onwards, no action has been taken by the Directorate to terminate the contract till date.

*NOTE:—The Fire Alarm Services (FAS) consist of a magneto switch board at the Fire Brigade Stations with extension lines terminated in magneto Telephone instruments in the Fire Alarm Pillars in various localities of the city.

The P&T Department had been levying for the FAS provided to the BMC, a uniform rate of Rs. 330. No charge had been made for the switch boards provided for the FAS. The telephone tariffs were revised on 1st October 1971, 15th May 1974, 1st March 1976 and on 1st September 1980. These revisions were not given effect to while billing the BMC for these services.

Thus, for the FAS provided, the BMC had been short billed to the extent of Rs. 5.30 lakhs in all approximately from 1st October 1971 to 31st March 1981 (Non-billing of Rs. 3.51 lakhs in respect of switch boards and short-billing of Rs. 1.79 lakhs in respect of extensions). Even the bills preferred in March 1979 and April 1980 at the old rates have not been paid on the plea that the services provided were defective.

The Department stated (August 1982) that the agreement could not be terminated as the BMC requested for rebate in the case of non-working of fire alarm service due to disorder. Further, they stated that the fire alarm services were provided at a concessional rate to the BMC purely for the benefit of the public.

However, the fact remains that due to Department not terminating the contract an opportunity of earning revenue to the extent of Rs. 5.30 lakhs for the period from 1st October 1971 to 31st March 1981 was lost.

12. **Incorrect fixation of trunk call charges on Simla-Chandigarh route.**—The radial distance between Chandigarh and Simla being 55.5 kilometres (kms.) the call charges between these stations were to be fixed at the rates prescribed for the slabs exceeding 50 kms. but not exceeding 100 kms. It was noticed in audit (April/May 1979) that while the correct slab of distance exceeding 50 kms. had been applied in respect of circuits working for Defence authorities between these two stations as well as for fixing the periodicity of pulses for the purpose of STD, the radial distance for the purpose of fixation of trunk call charges had been taken as 49 kms. and the rate fixed as Rs. 1 prior to March 1976 and Rs. 2 from March 1976 based on the slab of

radial distance exceeding 20 kms. but not exceeding 50 kms. The correct trunk call rates should have been Rs. 2 prior to March 1976 and Rs. 4 from March 1976.

When the incorrect fixation of rates was pointed out (April/May 1979) to the District Manager, Telephones Chandigarh by audit, he approached (July 1979) the Director General, Posts, and Telegraphs for revision of charges from Rs. 2 to Rs. 4 per trunk call. The rates were corrected with effect from 10th August 1979. Due to incorrect fixation of rates earlier, the Department suffered a loss of Rs. 6.62 lakhs from March 1976 to August 1979.

S/12 C & AG/82—3.

CHAPTER IV

WORKS EXPENDITURE

13. **Injudicious closure of Ennore exchange.**—A project for expansion of Kalmandapam exchange from 3600 to 4800 lines was sanctioned (March 1976) at an estimated cost of Rs. 74.01 lakhs including overheads. The exchange equipment was received and commissioned in two stages (February 1979 and September 1979) of 600 lines each.

There was another Main automatic exchange (MAX II) within the multi-exchange system of Madras Telephone District located in a rented building since 1967 at Ennore (about 10 km. north of Kalmandapam exchange). To accommodate the Ennore Exchange in a departmental building, land measuring 1.61 acres was acquired in 1972, keeping in view the construction of a future MAX I building on that site. The construction of the building was completed at a cost of Rs. 2 lakhs and the building was taken over in December 1977. In October 1978 sanction for Rs. 7.73 lakhs (excluding overheads) was accorded for shifting of 300-line MAX II at Ennore from the rented building to the departmental building.

In Ennore exchange only 300 lines were put into operation against the equipped capacity of 500 lines. The remaining buffer of 200 lines was utilised to improve the grade of service offered. To improve the quality of service and to give relief, action was also taken for providing (a) Selector hunter grading (b) Static electric ringer (standby), (c) additional outgoing relay sets and (d) composite racks, etc. Ennore exchange which fell outside the limits of Madras Corporation should have been declared as an independent telephone system, serving the entire Tiruvottiyur Municipal limits as its local area. However, in order to avoid heavy expenditure on cable laying and transfer of connections from one exchange to another, Ennore exchange was retained within the Madras Telephone System.

In May 1976, the Director General, Posts & Telegraphs (DGPT) had decided generally to replace MAX II exchanges by MAX I but the Madras Telephone District did not initiate action regarding Ennore exchange. Only in August 1979 a proposal was sent to DGPT for allotting MAX I equipment to Ennore but the proposed MAX I did not take any shape (August 1982). In September 1979 the General Manager Madras decided to close down the Ennore exchange and to transfer all the existing lines to the second phase of expansion of Kalmandapam exchange due to very high incidence of per line traffic and deterioration of service. This decision was implemented in December 1979 without obtaining the prior approval of DGPT as required under departmental rules. Department sanctioned (August 1981) an estimate for Rs. 22.37 lakhs for laying higher gauge cables from Kalmandapam exchange to take over 138 out of 282 lines working in Ennore area. This was an avoidable extra expenditure on account of transfer of lines from Ennore to Kalmandapam. The building originally constructed for MAX II at Ennore is now occupied by Assistant Engineer-External, Kalmandapam.

Consequently, 900 lines of Kalmandapam exchange could only be offered to the public, as 300 lines were left to absorb the existing subscribers of the Ennore exchange. The actual expansion of Kalmandapam exchange was thus blocked to the extent of 300 lines although the waiting list at Kalmandapam exchange was 566 in November 1979, 591 in December 1979 and 670 in January 1980. This resulted in a recurring loss of revenue of over Rs. 7 lakhs per annum since December 1979. The recovered equipment from the closed Ennore exchange in December 1979 had not been profitably used for other exchanges so far (August 1982).

The Department replied (August 1982) that more revenue was earned per transferred line after transfer to Kalmandapam exchange which compensated for reduction in total system capacity. The increase was from the existing connections only, since no new connections were provided, which could have been realised from the time the exchange was opened in 1967. Had Ennore exchange been maintained properly, the Department could have earned not only the increase in revenue on account of traffic from Ennore subscribers but could have earned additional Rs. 7 lakhs from Kalmandapam exchange as well. This opportunity was lost by transferring all the connections from Ennore to Kalmandapam. The Department further stated (August 1982) that the recovered equipment was being used as an imprest equipment for shifting of some more MAX II exchanges.

The injudicious closure of Ennore exchange had resulted in a recurring loss of over Rs. 7 lakhs per annum and avoidable expenditure of Rs. 22.37 lakhs for laying higher gauge cable from Kalmandapam exchange to accommodate the transfer of lines.

14. **Expansion of Hissar telephone exchange.**—To meet the growing demand for new telephone connections at Hissar, the Posts and Telegraphs (P&T) Department sanctioned (March 1971) a project estimate for Rs. 60.99 lakhs for replacement/expansion of existing 1300-line MAX II telephone exchange to 1800-line MAX I. The project was expected to yield annual revenue of Rs. 12.62 lakhs. The work was to be completed within about a year on receipt of complete stores.

(i) *Delay in installation of equipment*:—The indents for the supply of exchange equipment was placed by the Director General, Posts and Telegraphs (DGPT) on the Indian Telephone Industries (ITI) in June 1970 in anticipation of sanction of the project. The supply of equipment started from April 1971 and by the end of March 1973, equipment worth Rs. 12.22 lakhs had been received. The telephone exchange building was completed in June 1973. However, installation work of 1800-line MAX I commenced in February 1974 and exchange commissioned in March 1975.

The delay of one year in installation of equipment resulted in delay in providing telephone connections to the applicants (486 in March 1975) on the waiting list and loss of potential revenue of Rs. 12.62 lakhs.

(ii) *Air-conditioning plant (AC plant)*.—For providing the AC plant for 1800 line MAX I, provision was made in the project estimate for Rs. 3.02 lakhs. Though the project was sanctioned in March 1971, indent for plant was placed by the DGPT on the Director General, Supplies and Disposals (DGSD) in June 1973 and the work was awarded to firm 'A' in January 1974 for supply and installation at a cost of Rs. 4.03 lakhs. According to the agreement, supply, installation, testing and commissioning of AC plant was to be completed within 6-7 months from the date of receipt of acceptance of tender *i.e.* by August 1974 and for any failure the firm was to pay penalty equal to liquidated damages after the expiry of the contract. The main air-conditioning equipment was delivered by the firm in May 1974. However, a problem arose in the routing of air-conditioning ducts and the same was discussed by the representatives of both the sides. Consequently, the firm was required to furnish revised drawings. Extension in delivery period applied by the firm from time to time was granted by DGSD and the last extension granted was up to January 1978. Installation of air-conditioning plant was completed in December 1977 and the plant commissioned in April 1978 instead of August 1974. The plant passed the summer test in May 1978, monsoon test in September 1978 and winter test in January 1979.

In April 1976, the firm first intimated that the plant was ready for summer test. Since installation of a sub-station for making the power supply was yet to be carried out by the Executive Engineer P&T, New Delhi due to departmental delays, the Divisional Engineer, Hissar, arranged (May 1976) with the Haryana Electricity Board to obtain 200 KW Low tension supply as a temporary measure to enable the air-conditioning plant to work for the said tests. Since the AC plant had not been installed by that time, the temporary connection which was taken in August 1976 was surrendered by the Department in November 1976. The firm actually installed the plant in December 1977 and commissioned it in April 1978, much after the Department had arranged permanent connection after installing its own sub-station in June 1977. The temporary power connection resulted in infructuous expenditure of Rs. 0.52 lakh and in addition a sum of Rs. 0.03 lakh was recoverable from the firm on account of water and electricity consumed during the erection of the plant.

On pointing out by audit, the Department stated that the amount was to be recovered from the firm and that the amount of loss (Rs. 0.52 lakh) sustained would be taken into consideration at the time of finalisation of the contract. As a precaution, it was ordered (May 1977) by the DGPT that the amount to be recovered from the firm should be indicated to the DGSD when no loss certificate was to be issued. While issuing "No loss Certificate" (March 1980), the Department failed to include the amount in the said certificate.

Air-conditioning plant had not been working due to inadequate supply of water and some other defects. The case for installation of a Tube-well was taken up (May 1980) with P&T Civil Division and the tube-well was yet to be installed (March 1982). Further due to the compressors being not able to take the load, the AC plant erected at a cost of Rs. 4.16 lakhs remained idle since June 1980. The estimate prepared in October 1976 for installation of air-conditioning plant for Rs. 4.16 lakhs had also not been sanctioned so far (March 1982).

(iii) *Utilisation of full exchange capacity.*—According to instructions (September 1970) of the Department, 90 per cent of the exchange capacity should be utilised soon after installation/expansion or in any case not later than 6 months of such expansion and 94 per cent about 6 months before the due date of commissioning of next expansion. Although, the expanded capacity of exchange (from 1300 to 1800 line) was commissioned in March

1975 and there were 486 applicants on the waiting list for new telephone connections at that time, it took more than 36 months to load the exchange to the prescribed extent as shown below.

Month	Equipped capacity	Connectable capacity 94% of 1300) & 90% of 500)	Working connections	Spare capacity	Waiting list
1-10-1975	1800	1672	1370	302	398
1-1-1976	1800	1672	1395	277	403
1-4-1976	1800	1672	1574	23x	23
1-7-1976	1800	1672	1560	15x	15
1-10-1976	1800	1672	1553	20x	20
1-1-1977	1800	1672	1535	37x	37
1-4-1977	1800	1672	1634	13x	13
1-7-1977	1800	1672	1643	24	45
1-10-1977	1800	1672	1636	36	63
1-1-1978	1800	1672	1631	41	109
1-4-1978	1800	1672	1667	5	84

Thus due to delay in release of new telephone connections the Department lost potential revenue of Rs. 3.12 lakhs from October 1975 to March 1978.

Summing up.—The following points emerge:—

— Due to delay in initiating the installation work after receipt of the stores, the Department suffered loss of potential revenue of Rs. 12.62 lakhs.

— Due to the delay in the commissioning of the AC plant there was an avoidable expenditure of Rs. 0.52 lakh in obtaining the temporary power connection for the working of the AC plant.

— Due to fault in the compressors, the AC plant erected at a cost of Rs. 4.16 lakhs had been idle from June 1980.

NOTE : (x) :—indicates the spare capacity limited to number of persons on waiting list.

— Due to non-utilisation of equipped capacity according to standards, there was a loss of revenue to the extent of Rs. 3.12 lakhs for the period from October 1975 to March 1978 and consequent delay in providing the telephone facilities to the public.

The Department stated (August 1982) that efforts were being made to recover the dues through DGSD from the contractor's final bill. They further stated that there was a drop in waiting list on account of introduction of the advance deposit scheme from 1st September 1975.

The fact, however, remains that there was a waiting list throughout till the exchange was fully loaded and the Department could not liquidate it at any stage, thus depriving the applicants of telephone facility and itself potential revenue.

15. **Under-utilisation of installed capacity of Trunk Automatic exchange (TAX) at Bangalore.**—The Posts and Telegraphs (P&T) Department decided (1972) to instal a 2000-line Trunk Automatic exchange (TAX) at Bangalore to serve as a primary centre in the National Trunk Switching plan and sanctioned the project (1974) at a cost of Rs. 1.73 crores. The TAX was commissioned in 2 stages (June 1978 and October 1978). While the installation of 2000-line was in progress, a project for further expansion of 1000-line at a cost of Rs. 85.59 lakhs was sanctioned in July 1978, with a view to connecting more stations to Bangalore TAX and facilitate STD dialling.

As the availability of reliable transmission media and connecting equipment at the other end stations was essential for the optimum utilisation of capacity at TAX, the DGPT asked the General Manager (GM) Telephones, Bangalore and the GM's of various project circles in November 1979 to examine the sanctioned projects/estimates to know whether provision of groups for these routes existed or not and arrange for the same wherever necessary. In January 1980, the DGPT issued further instructions to GM, Telephones, Bangalore to furnish a copy of project estimates to local Telecommunication circle also to enable it to get ready the stations under its control to be connected to Bangalore TAX.

Expansion of Bangalore TAX from 2000-line to 2830-line as against the envisaged expansion from 2000-line to 3000-line was commissioned in March 1981. The position of installed capacity and utilisation during the last 3 years was as under :—

Date	Installed capacity	Utilisation		Outgoing (Local exchanges)	Incoming (Local exchanges)	Total
		Outgoing distant stations	Incoming distant stations			
31-3-1980	2000	370	449	183	335	1337 (66.8%)
31-3-1981	2830	403	521	233	356	1513 (50.5%)
31-3-1982	2830	458	547	294	482	1781 (62.9%)

The poor utilisation of installed capacity in TAX as reported by Deputy General Manager, Bangalore and Project Control Coordination Committee was due to non-availability of transmission media and equipment at the end stations.

Inspite of DGPT's instructions time and again that all TAX should be loaded to full capacity based on traffic Matrices, the additional capacity created by 830-line expansion of TAX was allowed to remain idle, while main 2000-line TAX was utilised to the extent of 89 per cent only (March 1982).

The Financial Stock-taking report of the Project for installation of 2000-line TAX for the period ending on 31st March 1980 and 1981 envisaged net revenue of 16.6 per cent from the working of the TAX based on the revised sanctioned cost of Rs. 226.4 lakhs. The Project was completed at a cost of Rs. 360.58 lakhs and the annual recurring expenditure amounted to Rs. 59.10 lakhs. As per the actual revenue earned by the exchange, there was a loss of Rs. 18 lakhs during 1979-80 and a net revenue of Rs. 28.87 lakhs (8 per cent on capital cost) during 1980-81 as indicated below :

Year	Actual revenue earned	Annual recurring expenditure based on actual expenditure	Net Profit/Loss
			(In lakhs of rupees)
1979-80	41.10	59.10	18.00 (Loss)
1980-81	87.97	59.10	28.87 (Profit)

Besides, the entire outlay of Rs. 87.68 lakhs on the 830-line expansion with a gross revenue potential of Rs. 104.24 lakhs *per annum*, would be unproductive till such time full capacity is utilised, since the capacity created by the expansion in March 1981 remains idle (March 1982).

The Department stated (September 1982) that some circuits of the expanded capacity were utilized from the date of its commissioning and the loading of Bangalore 2830-line TAX was expected to come up to 79 per cent by March 1983.

16. **Expansion of Vijayawada Trunk automatic exchange.**— A trunk automatic exchange (TAX) with an equipped capacity of 1200-line was installed (October 1977) at Vijayawada. The Director General, Posts & Telegraphs (DGPT) had approved its expansion by 800-line (from 1200 to 2000-line) in October 1973 with a view to meeting increase in traffic, and providing subscriber trunk dialling (STD) facility to additional stations like Bhimavaram, Gudivada, Masulipatnam and Rajamundry. The project estimate was sanctioned (January 1978) by the P&T Board at a cost of Rs. 79.50 lakhs. The work of installation was taken up in June 1978 and completed in March 1980. The expanded capacity was commissioned in May 1980.

Utilisation of capacity.—The expansion of the capacity of the TAX by 800 lines was estimated to require 1,843 circuits on various routes connected to Vijayawada. The number of circuits was reduced to 1,445 (828 incoming and 617 outgoing), after recalculation of anticipated traffic load on the TAX from and to various stations in October 1979. At the time of commissioning of 800-line expansion (May 1980) the existing capacity of 1,200-line was loaded to the extent of 718 lines only. Even by November 1981, the total utilisation was 906 lines only *i.e.* an increase of 188 lines in a period of 19 months. The project for expansion by 800-line anticipated on overall additional revenue of Rs. 307.69 lakhs on account of STD service and share of the TAX project being Rs. 25.64 lakhs. With the capacity of 2,000-line loaded only to the extent of 906 lines, the expansion of 800-line at an estimated cost of Rs. 79.50 lakhs not only failed to fetch the anticipated additional income but cost the Department liability of recurring annual revenue expenditure of Rs. 14.04 lakhs towards maintenance, depreciation, interest, etc. on the equipment installed for the additional 800-line capacity. The District Manager, Telephones (DMT) Vijayawada stated (February 1982) that the ultimate utilisation depended on the commissioning of the switching and transmission projects simultaneously in the other parts of the country which had a relation with the expansion of a TAX. The spare capacity in Vijayawada TAX was likely to continue till the transmission media and the switching facilities at the stations with which it was to be connected come up.

Further expansion.—While the installation of first expansion by 800-line was in progress (September 1978), the Department proposed to further expand the capacity of the exchange from 2,000 to 3,000 lines and included the required equipment in the supply programme of Indian Telephone Industries for 1979-80. A project estimate for Expansion-II of Vijayawada TAX by 1,000-line was sanctioned by the P&T Board in November 1979 at an estimated cost of Rs. 98.61 lakhs consisting of building (Rs. 6.44 lakhs), electrical installation (Rs. 1.06 lakhs), air-conditioning (Rs. 3.89 lakhs) and apparatus and plant (Rs. 87.22 lakhs). The supply of equipment (apparatus & plant) commenced from October 1979 and by November 1981, equipment worth Rs. 102.88 lakhs was received. The building (with electrical installation) in which the equipment for the expansion was to be installed had also been completed (December 1981) at a cost of Rs. 9.25 lakhs. In the justification for the second expansion, it was stated that the expansion would enable extension of STD facilities to stations like Palakole, Tadepalligudem, Ongole, etc. of high traffic potential and also linking of Vijayawada TAX to other TAXs viz. Calcutta, Delhi, etc. This expansion was also to enable augmentation of circuits to the existing exchanges and TAXs connected to Vijayawada TAX so as to cope up with the increased traffic and also help in providing operator trunk dialling circuits to more manual trunk exchanges. With the installation still to be taken up, equipment worth Rs. 102.88 lakhs was lying idle and the building with electrical installation completed at a cost of Rs. 9.25 lakhs was vacant. The DMT stated (February 1982) that the timing for further expansion of TAX from 2000 to 3000 line was under re-consideration in the Posts & Telegraphs Directorate and a decision had to be taken on the progress of completion of switching and transmission projects in the other parts of the country which had a direct bearing on the functioning of Vijayawada TAX and that there would not be much infructuous expenditure even if it was decided not to undertake the expansion as it was proposed to utilise the existing building by shifting the Vijayawada Trunk exchange and the surplus equipment would be diverted for the installation of proposed Guntakkal TAX. Actually, the Department would be put to a further additional expenditure in the dismantlement of Trunk exchange equipment at the existing building and laying of additional pairs of underground cable, junction lines, etc., besides infructuous expenditure involved on handling, freight, transportation, storage, etc. charges on the equipment received for the 1000-line expansion and its subsequent diversion to Guntakkal TAX. This shows lack of proper planning on the part of the Department.

The Department stated (September 1982) that all but two of the additional stations proposed to be connected to Vijayawada TAX had already been connected and the diversion of equipment was due to anticipated traffic not coming up to the expected level.

17. **Installation of Trunk Automatic exchange at Madurai.**—To integrate Madurai with National subscribers trunk dialling scheme a project for installation of 500 lines Trunk Automatic exchange (TAX) at Madurai was sanctioned (October 1967) by the Director General, Posts and Telegraphs (DGPT) at an estimated cost of Rs. 23.15 lakhs. The programme was subsequently amended and an estimate for installation of 2000 lines TAX at Madurai was prepared and forwarded by General Manager Telephones (GMT) Madras to the DGPT in March 1974. The P&T Board, however, sanctioned 800 lines (August 1976) at an estimated cost of Rs. 91.98 lakhs comprising :—

Building including electrical installation	Rs.	6.72 lakhs
Apparatus and plant	Rs.	80.97 lakhs and
Air-conditioning	Rs.	4.29 lakhs.

The project was expected to yield a net profit of Rs. 27.58 lakhs per annum.

Electrical installation.—In the project estimate for installation of 800 lines TAX, provision for installation of an additional 200 KVA transformer in addition to the then existing 150 KVA transformer was made, which was subsequently (October 1976) changed to 250 KVA transformer in replacement of the then existing 150 KVA transformer. Installation of 250 KVA transformer was sanctioned in December 1977 and the work was completed in October 1978 at a cost of Rs. 1.56 lakhs.

The transformer of 250 KVA was also not considered adequate (November 1979) keeping in view the additional demand of air-conditioning (AC) plant of the TAX building. In November 1979, it was decided to install a 400 KVA transformer at an estimated cost of Rs. 4.25 lakhs. There was no provision for installation of this transformer in the project for 800-line TAX. However, taking in view the future programme for installation of 2400-line strowger exchange at Madurai, wherein there was a provision of Rs. 1.54 lakhs for a sub-station, a detailed estimate was sanctioned in January 1980 and the work on 400 KVA transformer was completed (October 1980) at a cost of Rs. 5.02 lakhs.

It was seen in audit that the actual consumption of electricity on an average up to November 1981 had been only 170 KVA.

Air-conditioning of the 800-*line TAX.*—(a) Though the project estimate for 800-line TAX was sanctioned in August 1976, the work of air-conditioning was entrusted to Civil wing, P&T, only in April 1977. Detailed estimate was prepared in June 1978 and the contract for air-conditioning was awarded in March 1979 after a period of 9 months with the stipulated date of completion as November 1979. Owing to subsequent changes in the drawings proposed by the Department, the contractor could not start the work till July 1979. However, the Department pointed out to the contractor (September 1979) that the work should be completed by November 1979 failing which penalty of Rs. 0.68 lakh would be imposed on him under the provisions of the agreement. Except for foundation and cooling tower work, no work was taken up by the contractor till November 1979. On a request from the contractor, the Department granted further extensions till March 1980, April 1980, September 1980 and October 1980 without prejudice to the right of the Department to recover liquidated damages. The contractor ascribed the delay due to changes in instructions from the Department from time to time and to delay in completing the associated works that were to be carried out by the Department. The contractor offered the plant for testing in October 1980 but it did not give satisfactory performance. It was again offered for acceptance testing on 22nd November 1980 and the plant was taken over by the Department in December 1980. No penalty was imposed on the contractor for the delay as provided in the agreement. Meanwhile, owing to delay in commissioning the AC plant, the

Department had to incur an avoidable expenditure of Rs. 0.84 lakh in purchasing and installing 12 room air-conditioners in the equipment room.

(b) In the preliminary estimate sanctioned for Rs. 7.35 lakhs in July 1977, an area of 7305 sq. feet was proposed to be air-conditioned with centralised AC plant of 66 Tonnes rate (TR). In the detailed estimate, the area to be air-conditioned was taken as 9215 sq. feet (June 1978) with the capacity of AC plant as 90 TR. The work was awarded in March 1979. In the Co-ordination Committee meeting (April 1979) it was decided that the Co-axial Carrier, Voice Frequency Terminals room in the ground floor need not be air-conditioned and the spare capacity available should be utilised for air-conditioning the Trunk switch room. However, it was noticed in March 1981 that after excluding the coaxial equipment room in the ground floor (1912 sq. feet) the capacity requirement as per the MAX load of TAX hall and MDF would be of the order of 60 TR only. Thus, though the AC plant was installed and commissioned much after the decision of the Co-ordination Committee, an excess capacity of 30 TR was erected resulting in avoidable expenditure of Rs. 2.60 lakhs (November 1981). The DMT, Madurai stated (June 1981) that the excess capacity would be utilised when the ultimate TAX switch room of future expansion of 2000-line capacity was commissioned.

Utilisation of circuits.—As per specifications (March 1976) the total number of circuits allotted to connect additional stations with Madurai TAX (800 lines) were as follows :—

	Outgoing	Incoming
Inter TAX routes	144	142
Remote stations (Including local)	252	283
	396	425

The utilisation of circuits was much less as indicated below: (February 1981 and November 1981).

	February 1981		November 1981	
	Outgoing	Incoming	Outgoing	Incoming
Inter TAX routes	68	51	91	104
Remote stations (including local)	148	165	211	178
	216	216	302	282
	Total : 432		Total : 584	

Due to under-utilisation of the capacity, capital to the extent of Rs. 39.53 lakhs remained idle from November 1980 to February 1981 and Rs. 27.37 lakhs from March 1981 to November 1981 and Rs 17.74 lakhs from December 1981 onwards would continue to remain idle till utilisation of full exchange capacity besides resulting in potential loss of revenue.

While the 800-line TAX had not been fully utilised (November 1981) another project for expansion of 800-line to 2200-line was sanctioned in July 1979 at a cost of Rs. 1.56 crores and the Project is in progress. A sum of Rs. 89.06 lakhs had already been spent (November 1981).

The project for 800-line TAX was sanctioned at an estimated cost of Rs. 91.98 lakhs. As against this, the actual expenditure on the project was Rs. 115.89 lakhs as on November 1981. Action for revising the sanction was yet to be taken by the Department (November 1981).

The Department stated (September 1982) that instructions will be issued giving guide-lines about the planning of transformers of appropriate capacity. They further stated that a loading of about 87 per cent of the equipped capacity had been reached. With this utilisation the profit earned by the TAX (March 1982) was calculated to be about Rs. 22.63 lakhs per annum against the amount of Rs. 27.58 lakhs anticipated at the project formulation stage.

Summing up.—The following points emerge :

— The actual average consumpt ion of electricity for the building including TAX at CTO compound Madurai during 1981 was only 170 KVA and the 250 KVA transformer (installed in 1978 at a cost of Rs. 1.56 lakhs) was more than sufficient to meet the requirement. The decision to instal an additional 400 KVA in November 1979 at an estimated cost of Rs. 4.25 lakhs (completed in October 1980 at a cost of Rs. 5.02 lakhs) resulted in an idle investment of Rs. 5.02 lakhs.

— Installation of a higher capacity AC plant of 90 TR instead of 60 TR, despite the suggestion made by the Co-ordination Committee, resulted in excess expenditure of Rs. 2.60 lakhs.

— Due to non-utilisation of full circuits, capital to the extent of Rs. 39.53 lakhs remained idle from November 1980 to February 1981, Rs. 17.37 lakhs from March 1981 to November 1981 and Rs. 17.74 lakhs from December 1981 would continue to remain idle till full utilisation of exchange capacity.

18. **Loss due to diversion and non-utilisation of stores.**—A project for construction of a telephone exchange building at Ghatkopar (Bombay) was sanctioned (April 1972) at an estimated cost of Rs. 69.46 lakhs. Land was already available with the Department (cost Rs. 0.81 lakh). Sanction for apparatus and plant and cable component for installation of 6,000-line main automatic (MAX) cross-bar exchange (in the new building) in replacement of the existing 2000-line MAX I strowger type exchange (in the old building) was accorded in April 1973 for Rs. 245.60 lakhs. The building work commenced in April 1974 and was completed in December 1976 against the stipulated date of completion of December 1975. The Indian Telephone Industries (ITI) was to commence supply of equipment in July 1977 and to complete it by March 1979.

While the work was in progress, another project for installation of 10,000-line imported cross-bar equipment was sanctioned in March 1978 for Rs. 9.06 crores. The anticipated demand was assessed as 19,967-line. The initial expansion by 6000-line was to be with ITI equipment and further expansion of 10,000-line with imported equipment. The building at Ghatkopar, completed in December 1976, had a capacity for installation of 20,000 lines.

In February 1979, the DGPT decided to use imported equipment for larger exchanges and ITI equipment for expansion of existing exchanges or for smaller exchanges for which imports were not considered feasible. On the basis of this decision 4000 lines were decided to be transferred to Andheri II exchange and 2000 lines to Thana exchange in spite of the suggestion from the General Manager Telecommunications Bombay to return the diverted equipment to Ghatkopar exchange. In June 1979 the 2000 lines diverted to Thana were further rediverted to Shivaji Part II exchange. Detailed accounting instructions regarding the transfer of the above equipment for 6000 lines were issued by the DGPT in January 1980/April 1980 by cancelling the project estimate for 6000 lines at Ghatkopar and transferring of booked expenditure other than ITI equipment against this project to the project estimate for 10,000 lines in Ghatkopar exchange sanctioned in March 1978. The expenditure incurred against ITI cross-bar equipment (6000-line) was transferred (October 1980) to Andheri II and Shivaji Park II in the ratio of 2 : 1. Till August 1980 the total booked expenditure was Rs. 255.65 lakhs including ITI equipment worth Rs. 250.19 lakhs. There was, thus, an infructuous expenditure of Rs. 5.46 lakhs.

Although the expenditure of Rs. 250.19 lakhs (for ITI equipment) was transferred to Andheri II and Shivaji Park II expansion projects—the physical transfer of stores/equipments was not effected as some portion of the further expansions at Andheri II and Shivaji Park II had already been executed even before the order for diversion of the equipment was issued and consequently, stores valued at Rs. 48.03 lakhs became surplus and remained unutilised till March 1982. The unutilised diverted stock was lying in the Stores of Bombay Telephones. This amounted to incorrect accounting and over-capitalisation of assets at the new exchanges *viz.* Andheri II and Shivaji Park II without the actual installation and utilisation of the stores.

The Department was put to avoidable loss due to diversion of stores as under:—

(i) The decision to divert stores to Andheri II and Shivaji Park II was taken in February 1979 and June 1979 respectively whereas part expansion of 1200 lines in Andheri II and 400 lines in Shivaji Park had already taken place before actual diversion of stores. Stores worth Rs. 48.03 lakhs, thus remained idle and unutilised for more than 2 years.

(ii) Infructuous expenditure of Rs. 5.46 lakhs on the installation of Max cross-bar exchange of 6000-line at Ghatkopar.

The Department stated (August 1982) that the surplus equipment had provided a buffer stock for other projects which would help to compensate for delay and imbalances in supplies received from ITI for these items and that it was being progressively utilised in the local net-work.

19. **Working of telephone exchanges without air-conditioning.**—(A) A project estimate for installation of 2100-line automatic exchange in place of existing 2000-line manual exchange at Aligarh sanctioned in August 1973, included a provision for the installation of an airconditioning (AC) Plant.

Order was placed through Director General of Supplies & Disposals (DGSD) on a firm in October 1974 for supply, installation, testing and commissioning of the plant by May 1975 or earlier. Since the flooring of the plant room was not constructed as per the specifications of the installing firm and the Department also wanted to change the foundation, the firm sought extension of delivery period up to 15th October 1975 which was granted by the DGSD. The erection of the plant was finally completed by the firm in November 1976.

The plant could not however, be commissioned as high tension (HT) connection had not been obtained by the Department. The work of providing HT Connection was completed by Uttar Pradesh State Electricity Board (UPSEB) in March 1977. The layout diagram of HT installation was not supplied by the Department to the UPSEB even after a period of 8 months due to lack of coordination between Divisional Engineer Telegraphs Aligarh, Electrical Division Posts & Telegraphs Lucknow and UPSEB. The Department supplied the layout diagram and executed an agreement with the UPSEB for taking 11 KV supply in November 1977 only. The power line was energised in December 1977 but the commissioning of the line was done in February 1978 after the HT Supply was made available.

The AC plant was commissioned in October 1979 and remained faulty (March 1982). Winter test was completed in March 1982 and summer and monsoon tests were still to be taken (August 1982). The automatic exchange which was expanded in various phases—2100 lines (December 1975), 2400 lines (December 1975), 3000 (December 1976) and 3300 lines (July 1980) remained without air-conditioning facility although an amount of Rs. 6.34 lakhs had been spent on it (March 1981).

(B) *Air-conditioning plant at Sangli.*—A project for installation of 2100-line main automatic exchange (MAX) at Sangli was sanctioned in March 1972 for Rs. 56.10 lakhs including the installation and commissioning of an AC plant at a cost of Rs. 2.83 lakhs. The purchase order was placed (January 1975) on firm 'A' by the DGSD for Rs. 6.13 lakhs with the date of delivery as 30th September 1975 or earlier. No security deposit was obtained from firm 'A'. By July 1978 the firm had been paid Rs. 5.29 lakhs although the delivery date was extended till January 1979 and the plant was not commissioned. In August 1978 firm had stopped the work till all their payments were released. In March 1979 the contract was terminated with the stipulation to get the work completed at the risk and expense of firm 'A' and the balance work was awarded in November 1979 to firm 'B' for Rs. 0.66 lakh without stipulating any clause for guarantee and performance. The work was commenced by firm 'B' in December 1979, and was finally completed in October 1981. By then Rs. 0.45 lakh had already been paid to firm 'B'. Due to non-commissioning of AC plant the Department had to pay Rs. 0.59 lakh for not complying with the guaranteed load of 150 KVA from March 1976 to September 1979.

The plant which was installed at a cost of Rs. 5.74 lakhs (Rs. 0.45 lakh recoverable from firm 'A') remained unproductive.

20. **Installation of 50-line Auto-telex exchange at Adoni.**— A project for installation of a 50-line auto-telex exchange at Adoni (Andhra Pradesh) was sanctioned by the Director General, Posts & Telegraphs (DGPT) in August 1974 at a cost of Rs. 5.20 lakhs. The demand of telex exchange at that time was 21 connections, based on which net annual profit of Rs. 0.20 lakh was anticipated. Intending subscribers are not required to make any deposits.

The installation of the telex exchange was included in the commissioning programme for the year 1976-77. When the work of installation was to be taken up in June 1976, the number of prospective subscribers dwindled to 10. As the full utilisation of the capacity of the exchange was in doubt, the General Manager (Project), Madras, who had to carry out the installation work, suggested (June 1976) to the General Manager Telecommunication (GMT) Andhra Circle to review the position. The GMT intimated (July 1976) that he had reviewed the situation and decided that the installation of 50-line telex exchange at Adoni might be proceeded with. The work of installation commenced in November 1976 and the exchange was commissioned in March 1977 at a cost of Rs. 7.70 lakhs with only 13 working connections out of which 4 were service connections. Even after 4 years of commissioning of the exchange, the total working connections did not go beyond 12 including 4 service connections against the available capacity of 50 connections. The Department stated (July 1982) that the expectation that more subscribers might come up for telex connections with the commissioning of exchange, had not been realised. Only 18 teleprinter machines had been indented till July 1981 and utilised. A review in audit of the 12 working connections revealed that there was a net loss of Rs. 1.41 lakhs up to March 1981 with reference to the annual recurring expenditure and actual revenue realised. The Department stated (July 1982) that on present considerations and review of the unsuccessful efforts to get more telex subscribers, a 20-line Cabinet Type exchange was being installed at Adoni replacing the 50-line Rack Type which was under-utilised. The Department could have avoided the extra expenditure of Rs. 4.31 lakhs (approximately) on the installation of 50-line telex exchange, if timely decision was taken to install a 20-line telex based on the actual demand.

21. Un-remunerative telex exchanges

(a) *50-line telex exchange at Tarapur.*—To meet the demands of 20 prospective subscribers (excluding 2 service connections), a project for opening a 50-line telex exchange at Tarapur, an industrial township near Bombay, was sanctioned by the Director General, Posts & Telegraphs (DGPT) in March 1974 at a cost of Rs. 5.12 lakhs. Another 8 applications for connections were received during April 1974 to October 1976. The work of installation commenced in January 1976 and when the completion was in sight, demand notes for deposit were issued (August 1976) to all the applicants. Only 10 applicants paid the demand notes, the rest having backed out. The exchange was commissioned in November 1976, with 7 working connections. Six more connections (including 3 service connections) were released during December 1976 to March 1977.

At the time of sanctioning the project it was expected that the scheme would yield a net profit of Rs. 0.38 lakh per annum on the basis of 20 subscribers. The actual expenditure increased to Rs. 6.93 lakhs, and the scheme could not earn the anticipated profit due to reduction in number of subscribers. The exchange continued to run in loss till February 1979 when 16 connections (including 3 service connections) in all were working. The loss from November 1976 to February 1979 came to Rs. 0.46 lakh.

(b) *20-line telex exchange at Amalner (Maharashtra).*—On a demand of the local Telephone Users Association (July 1971) based on 16 applicant members, a project for opening 20-line telex exchange at Amalner was sanctioned in April 1975 at a cost of Rs. 2.55 lakhs. By that time the demand for telex connections had already shrunk to 10. On commissioning the exchange in March 1977, demand notes were issued to all applicants. Only 5 subscribers paid the demand notes and on the date of commissioning 7 connections were released, of which 2 were service connections. As no applicant was on waiting list since March 1977 there was no increase in the number of working connections.

The exchange was originally expected to yield a net profit of Rs. 0.22 lakh per annum on the basis of 10 subscribers. Owing to decrease in demand for telex connections, the telex exchange continued to run at a recurring loss of Rs. 0.31 lakh per annum since the date of commissioning. The total loss on this account worked out to Rs. 1.48 lakhs for the period from April 1977 to December 1981.

The Department stated (August 1982) that the exchange at Tarapur had been showing profit from March 1979 but telex demand at Amalner remained static even now.

22. Providing Telecommunication facilities for a Water Supply Scheme.—In November 1971, Public Health Engineering Department, Tamil Nadu state placed a firm demand on the Posts & Telegraphs Department for a telephone system (non-exchange line) between the Head Water Works situated in the river-bed of Vaigai near Pottichettikudi and Ramnad town. In July 1972, Tamil Nadu Water Supply and Drainage (TWAD

Board (successor to the Public Health Engineering Department) requested extension of the line upto another point in Keelakarai Water Supply Scheme.

A rental of Rs. 7,375 per annum with 5 years guarantee was quoted in January 1974 and the TWAD Board authorities paid the amount in February 1975. Work was not commenced. In view of the sharp increase in cost of materials, revised rates of rent and guarantee terms—Rent Rs. 17,442 per annum and guarantee 10 years (while the correct period actually worked out to 7 years) were quoted to the TWAD Board authorities in August 1976. The TWAD Board accepted the revised rent and guarantee terms and paid the amount in November 1976. Still, the work was not taken up. The water supply scheme was, however, commissioned in August 1977 without telecommunication facilities for which the TWAD authorities/Municipality concerned kept on reminding the Department. Finally, the work was taken up in May 1978 and the non-exchange line (cost : Rs. 1.35 lakhs) was provided on 3rd May 1979 without getting the hiring contract excecuted by the TWAD authorities as prescribed in the rules.

The rent and guarantee terms were for the third time revised —Rent Rs. 23,534 per annum and guarantee for 10 years (instead of the correct period of 7 years) and a supplementary demand note for Rs. 5,942 was issued in May 1979 due to further increase in the cost of materials. The TWAD authorities paid Rs. 5,942 in June 1979. But the execution of hiring contract was not insisted upon even at this stage.

A demand note for Rs. 10,015 (instead of Rs. 25,369 at the rate of Rs. 23,534 per annum) towards the rental charges for the period from 3rd May 1980 to 31st May 1981 was issued by the Department on 1st May 1980. The demand was not met by the TWAD authorities and the non-exchange line was disconnected on 7th June 1980. The TWAD authorities stated (September 1980 and July 1981) that they were only an agency executing water supply and drainage works of the local body or

Panchayat and that they were in no way connected with the signing of hiring contract or for remittance of yearly rental charges, etc., and returned the demand note and hiring contract unexecuted. Thereafter, the Department did not pursue the matter with the Municipality/Panchayat, the actual users of the non-exchange line.

In the absence of the hiring contract the Department could not enforce the recovery of a sum of Rs. 1.41 lakhs towards the rental for the unexpired portion of the guarantee period; besides, the assets created at a cost of Rs. 1.35 lakhs had not been used from June 1980 onwards.

The Department stated (August 1982) that the case for getting the hiring contract signed had since been taken up with the State Government authorities and the Department was pursuing the case of recovery of revenue with the local Government.

Summing up.—The following points emerge :—

—There was a delay of over 7 years in providing telecommunication facilities;

—Failure of the Department to get the hiring contract executed before providing the line resulting in non-recovery of Rs. 1.41 lakhs;

—The assets created at a cost of Rs. 1.35 lakhs remained idle from June 1980 onwards.

23. **Delay in providing Telecommunication facilities to combined Water Supply Scheme to Perundurai and K. C. Palayam.**—In August 1971, the Executive Engineer, Public Health Engineering Department, Tamil Nadu placed a firm demand on the Posts and Telegraphs (P&T) Department for provision of non-exchange telephone system for combined water supply scheme to Perundurai and K. C. Palayam, a distance of 36.50 kms. In January 1973, rental charges (Rs. 7,767 per annum) were quoted to the Executive Engineer, TWAD Board (successor

to the Executive Engineer, PH Engineering Division). The rates were accepted by him in the same month, but the work was not taken up even though the TWAD Board was pressing for early provision of non-exchange line. Eventually, the TWAD Board had to execute and commission the water supply scheme in March 1975 without telecommunication facilities.

One year after commissioning of the water supply scheme, the P&T sanctioned a detailed estimate in February 1976 for this work at a cost of Rs. 0.80 lakh. Indents for the stores were released piecemeal during April 1976, June 1976, October 1976, March 1978 and October 1981. Stores valued at Rs. 0.85 lakh were received till March 1978 including 73 kms. of ACSR wires costing Rs. 0.44 lakh received in August 1977.

Revised rent and guarantee terms (Rent Rs. 15,877 per annum and guarantee 5 years) were communicated to the TWAD Board in August 1976 which were again revised in September 1978 to Rs. 16,211 per annum. The guarantee amount was paid in November 1978 and necessary hiring contract executed by the TWAD Board in February 1979.

According to the Specification in the estimate, 22 kms. of post-line (out of 36.50 kms) was existing and a new post-line of 14.50 kms. only had to be erected for providing the system. It was found in April 1979 that some portions of the existing 22 kms. alignment had been dismantled after the sanction of the estimate, necessitating re-erection of the dismantled post-line and revision of the estimate.

It was also noticed in July 1979 that the ACSR wires received on the work in August 1977 at a cost of Rs. 0.44 lakh were not actually available in stock. No indication regarding the disposal of these wires was on record in the relevant estimate files of the divisional office.

In April 1981, it was observed that iron wires could be utilised for the system in preference to the ACSR wires.

The work on the estimate had been commenced in May 1982 and a revised detailed estimate was under sanction. Due to the delay in the provision of the non-exchange line to the TWAD Board the Department denied itself a potential revenue of Rs. 1.05 lakhs from April 1975 to July 1982.

Summing up.—The following are the points that emerge :—

—Due to considerable delays at different stages, telecommunication facilities were not provided (July 1982) for execution and maintenance of the water supply scheme, even though the TWAD Board placed a firm demand as early as in 1971 and the water supply scheme was commissioned in 1975;

—The Department had taken five years (1971-76) to sanction the estimate and five more years passed by without the Department commencing the work. Even after 10 years (April 1981) the Department was still considering the feasibility of carrying out the work with iron wire instead of ACSR wire which, though received in August 1977, was stated to be not available in stock;

—Stores costing Rs. 0.85 lakh received on the estimate remained unutilised from April 1978 onwards; and

—The Department lost potential revenue of Rs. 1.05 lakhs during April 1975 to July 1982.

24. **Non-utilisation of cables in Madurai telephone system.**—In Madurai telephone system, estimates were sanctioned in January 1967, July 1976, August 1977 and August 1978 at a cost of Rs. 4.45 lakhs, Rs. 3.63 lakhs, Rs. 3.04 lakhs and Rs. 0.23 lakh respectively for laying additional, primary and distribution cables. A study in audit revealed the following :

(*i*) In the estimate sanctioned in January 1967, provision for 1446 metres of 600 pairs 6.5 lbs. cable and 5620 meters of 400 pairs 6.5 lbs. cable was made for Rs. 0.37 lakh and Rs. 1.43 lakhs respectively in addition to other types of cables. Indents were released in May 1967. As sufficient quantity of 400 pairs 6.5 lbs. cable could not be obtained as envisaged in the estimate, the Department obtained 4513 metres of 600 pairs cable (3813 metres of 6.5 lbs. and 700 metres of 4 lbs.) in its place and laid them during 1971-72 to 1973-74 without the approval of the Divisional Engineer (Phones) for using higher capacity cable. Owing to utilisation of higher capacity cable, the Department had to incur extra expenditure of Rs. 1.55 lakhs without any proper utility. The original indent for 400/6.5 lbs. cable was not cancelled but re-issued in May 1975 for 3300 metres, bulk of which was not required for this estimate. The cable was also received in June 1975 and 2483 metres were transferred to other works in the Division in 1976. The Department revised the estimate in July 1980 making provision therein for cables actually used in the estimate.

(*ii*) The estimate sanctioned in July 1976 provided for 1900 metres of 1000 pairs 6.5 lbs. cable costing Rs. 2.85 lakhs. Against this, 6621 metres cable of different types (cost : Rs. 10.38 lakhs) was obtained as indicated below :—

(*a*) 1991 metres of 800 pairs 4 lbs. costing Rs. 3.98 lakhs (August 1976).

(*b*) 2147 metres of 300/10 lbs. costing Rs. 3.05 lakhs (February 1978).

(*c*) 2483 metres of 400/6.5 lbs. costing Rs. 3.35 lakhs (1976).

Of the 1991 metres of 800 pairs 4 lbs. cable received in August 1976, 613 metres only were required for this work. The balance 1978 metres costing Rs. 2.75 lakhs remained unutilised till (May 1979) when 995 metres was transferred to other work and the remaining 383 metres of cable costing Rs. 0.76 lakh remained unutilised till September 1980 when it was transferred to some other work.

2147 metres of 300/10 lbs. cables obtained in February 1978 were kept in the Division till March 1980 when it was transferred in fragments to other works.

The Department sanctioned (January 1980) revised estimate, making provision therein for the cables actually used, to regularise the deviations. As against the total provision of Rs. 2.85 lakhs for 1000 pairs cables in the estimate, the Department had obtained 6621 metres cables of different sizes worth Rs. 10.38 lakhs, utilised it to the extent of Rs. 4.58 lakhs and transferred the balance (cost : Rs. 5.80 lakhs) to other works after a lapse of two to four years.

(*iii*) In the estimate sanctioned in August 1977 for laying distribution cables, there was no provision for 20 pairs 6.5 lbs. cables. But 3,798 metres of this type cable costing Rs. 0.54 lakh was obtained during August 1977 to March 1978. The excess cable remained unutilised till February 1981 when 3298 metres were transferred to other works in the Division (February 1981).

Further, as against a provision of 900 metres of 200/6.5 lbs. cable, 1629 metres were obtained on this estimate in August/September 1977 at a cost of Rs. 1.21 lakhs. 650 metres (cost : Rs. 0.48 lakh) of cable received in excess of the provision (out of total 729 metres received in excess), were utilised in May 1978 and was adjusted in the accounts in February 1981.

(*iv*) In the estimate sanctioned in August 1978 there was no provision for 100 pairs/6.5 lbs. cables. But indent for 2000 metres of 100/6.5 lbs. cable was released and cable obtained in August 1978 at a cost of Rs. 1 lakh. This cable was subsequently transferred to other work and stated to have been utilised in October 1978, the account adjustment of which was made in March 1979.

Thus, owing to defective issue of indents and disregard of provision in the estimates in spite of the clear rules and instructions on the subject, the Department incurred an extra expenditure of Rs. 1.55 lakhs by using higher capacity cable and blocked the capital to the extent of Rs. 7.82 lakhs from 1 to 4 years in the form of unutilised cables.

The Department stated (August 1982) that the higher capacity cables were utilised due to non-availability of the lower capacity cables. They further stated that the release of indents without provision in the cable estimates had to be viewed in the context of the non-availability of the required types of cables with the store depots and the pressure on the field officers for completion of the project.

25. **Over-capitalisation of assets**

(*a*) A project estimate for "Expansion of telephone exchange (MAX-I) at Kota (Rajasthan) from 2700 to 3600 line" was sanctioned by the Director General, Posts & Telegraphs (DGPT) (June 1975) for Rs. 22.80 lakhs, out of which cable component accounted for Rs. 9.80 lakhs. It was proposed to lay 4000 metres of 600 pairs underground cable from MAX-I to Aerodrome cross as primary cable. The cost of this cable was taken at Rs. 214 per metre amounting to Rs. 8.56 lakhs in the detailed estimate. Eventually 4200 metres of 800 pairs cable was obtained for this work by diversion of stores from the Divisional Engineer, Telegraphs, Ujjain, at a cost of Rs. 15.33 lakhs. The work of laying cable was completed in April 1977. Thus, assets to the extent of Rs. 7.04 lakhs (including overheads) were over-capitalised on account of laying a higher capacity cable (800 pairs in place of 600 pairs).

The Department stated (August 1982) that due to higher rate of growth of demand in the subsequent years, the full capacity of 800 pairs cable was utilised by 1981 at Kota.

(*b*) In November 1972 the Postmaster General, Madras, sanctioned a detailed estimate for Rs. 1.61 lakhs for laying underground cables in connection with the shifting of 400-line telephone exchange (increased to 500-line from September 1974) at Mettupalayam (Tamil Nadu) to the new departmental building. It was proposed therein that 1700 metres of 400 pairs cable and 1240 metres of 200 pairs cables would be laid for taking over the existing distribution points to the new exchange. Actually, cables to the extent of 1851 metres (600 pairs) and 1448 metres (300 pairs) were laid and the exchange commissioned in August 1973.

Thus, against the provision of cable of 400 pairs and 200 pairs capacity, the Department actually laid 600 pairs and 300 pairs cables respectively as these stores were stated to be readily available. The assets to the extent of Rs. 1.84 lakhs were over-capitalised on account of laying higher capacity cables (600 pairs and 300 pairs) in place of 400 pairs and 200 pairs.

26. **Expansion of Rajkot telephone exchange.**—In April 1972, Rajkot telephone exchange, having an equipped capacity of 5700 lines was working with 4955 telephone connections and 1374 applicants were on the waiting list. On the basis of this waiting list and average expected rate of fresh demand of 500 new connections *per annum*, expansion of the exchange from 5700 to 7500 lines was sanctioned in June 1972 at an estimated cost of Rs. 43.52 lakhs. Another expansion of the exchange from 7500 to 9000 lines was sanctioned in October 1973 at an estimated cost of Rs. 37.58 lakhs as it was observed that due to coming up of many small scale industries, the city was developing very rapidly and the first expansion would not be sufficient to meet the demand. These expansions were expected to be completed in phases as under :—

(1) 5700 to 7500 lines by March 1976;

(2) 7500 to 9000 lines by February 1977

The expansions were completed and commissioned as follows :—

(1) 5700 to 6000 lines on 1st June 1973;

(2) 6000 to 6900 lines on 6th December 1975;

(3) 6900 to 7500 lines on 31st March 1976; and

(4) 7500 to 9000 lines in March 1977.

According to instructions issued by the Director General, Posts & Telegraphs, (DGPT) in September 1970, 90 per cent of the exchange capacity is to be utilised soon after the expansion or in any case not later than six months of such expansion and 94 per cent about six months before the due date of the commissioning of the next expansion. This was not done in the case of Rajkot exchange for the reason that the cable plan did not synchronise with the installation of the exchange equipments. According to departmental instructions then in force the cable plan of all the Telephone systems with more than 500 lines was to be prepared as per various engineering instructions, by the General Manager, Telecommunications of the circle and approved by the General Manager Project of the region. All cables schemes were to be prepared in consonance with the equipment expansions. There was delay in preparation and approval of cable schemes which could have been approved in advance of the commissioning of the exchange. The actual dates of the approval of the cable schemes, compared with the dates of commissioning of the exchanges were as under :—

Details of expansion Rajkot Max-I	Date of commissioning	Date of approval of primary & secondary cable scheme	Date of approval of distribution cable scheme
1	2	3	4
5700—6000.	1-6-1973	October 1973	7-5-1976
6000—6900.	6-12-1975	October 1973	7-5-1976
6900—7500.	31-3-1976	May 1976	7-5-1976
7500—9000.	1-3-1977	September 1976	11-1-1977

As a result of delay in approval of cable schemes, cables were not laid by the time the exchanges were commissioned and hence optimum number of connections could not be released. In all the above cases detailed estimates were prepared after the approval of the cable scheme and actual laying of the cables was completed as follows :—

5700 to 7500 completed on 31st March 1977; and

7500 to 9000 completed in October 1979.

In the case of 7500 to 9000 lines cables worth Rs. 1.70 lakhs were omitted to be included in the approved cable scheme. To overcome this difficulty, 32 minor detailed cables estimates were sanctioned within the powers of the Divisional Engineer by splitting the estimates to avoid obtaining sanction of the DGPT. This resulted in increasing the cost of the project by more than 10 per cent. The project estimate was yet (June 1982) to be revised and sanctioned. Because of the delay in the preparation of the cable plans and actual laying of cables, the release of telephone connections was delayed resulting in loss of potential revenue amounting to Rs. 12.53 lakhs from December 1975 to November 1979.

The Department stated (August 1982) that the delay in the approval of the cable plans was due to the transfer of some connections to another exchange and the large number of droppings in the waiting list consequent on the introduction of the Advance Deposit Scheme in 1975.

27. **Under-utilisation of exchange capacity.**—The telephone exchange (MAX-II) at Ambattur (Madras) was expanded (January 1977) from 1000 lines to 1300 lines to provide new telephone connections to prospective subscribers as per waiting list.

In order to get full return on the capital invested in such projects and to avoid public dissatisfaction and complaints, the Director General, Posts & Telegraphs (DGPT) had issued detailed instructions (September 1970) for obtiaining utilisation of 90 per cent of the exchange capacity within 6 months of the commissioning of the exchange or its expansion and 94 per cent of the capacity about 6 months in advance of the due date for the commissioning of the next expansion. Although the expanded capacity of the exchange of 300 lines was commissioned in January 1977, it took more than 3 years to load the exchange to the prescribed extent as shown below :—

Month	Equipped capacity of exchanges	Connectable capacity (94%) of 1000 lines and 90% of 300 lines	Working connections	No. of applicants in waiting list
1	2	3	4	5
July 1977	1300	1210	1105	9
March 1978	1300	1210	1153	10
April 1978	1300	1210	1151	26
July 1978	1300	1210	1149	57
September 1978	1300	1210	1152	70
December 1978	1300	1210	1151	71
March 1979	1300	1210	1145	77
June 1979	1300	1210	1149	133
September 1979	1300	1210	1145	161
December 1979	1300	1210	1132	194
March 1980	1300	1210	1133	220
June 1980	1300	1210	1137	256
September 1980	1300	1210	1185	216
December 1980	1300	1210	1205	255
March 1981	1300	1210	1222	291

Due to delay in the release of new connections to the applicants in the waiting list, the Department lost potential revenue of Rs. 6.79 lakhs (from July 1977 to January 1981).

The General Manager, (GMT) Madras Telephones, stated (October 1981) that MAX-II exchanges were designed for medium traffic areas and in Ambattur area, where calling rate was high, only MAX-I strowger type or cross-bar exchange could meet the traffic loading requirements and that the safe traffic loading capacity had been reached at 1153 lines (85 per cent to 88 per cent) and any further loading would have affected the efficiency of the exchange and consequently its earning capacity would have been reduced. It was, however noticed in audit that the exchange was loaded even to the extent of 1205 lines (92.7 per cent) by December 1980, 1222 lines (94 per cent) by March 1981 and 1243 lines (95.6 per cent) by September 1981 and the revenue increased from Rs. 45.76 lakhs during 1979-80 to Rs. 52.44 lakhs in 1980-81.

The GMT Madras further stated (March 1982) that in accordance with the latest instructions of DGPT (January 1980), in the case of expansion of existing capacity, an overall utilisation of 92 per cent has to be achieved instead of 94 per cent. Even if these instructions were made applicable to earlier cases of expansion, the total loss suffered by the Department in this case would work out to Rs. 5.29 lakhs.

CHAPTER V—PROJECT REVIEWS

28. **Delay in the installation of continuous channel testing bays (CCTB) and their unsatisfactory performance.**—Continuous channel testing bay (CCTB) is a device intended for automatic fault control and for continuous monitoring of the performance of outgoing and incoming dialling circuits in Carrier/Coaxial/Ultra high frequency microwave stations. In October 1973 the Director General, Posts and Telegraphs (DGPT) placed an order on Indian Telephone Industries (ITI) Naini for supply of 275 CCTB (cost : Rs. 93.14 lakhs) for installation in various telecommunication systems in India without sanction of regular estimate. This order was placed on ITI with an understanding that bulk manufacture and supply would take place only after satisfactory performance of the prototype of CCTB by conducting successful field trials. 58 bays (cost : Rs. 20.85 lakhs) were sent between February 1976 to December 1976 to General Manager, Maintenance (GMM) Madras, 52 (cost : Rs. 18.30 lakhs) to GMM Calcutta, 88 (cost : Rs. 27.03 lakhs) to GMM New Delhi and 77 (cost : Rs. 26.96 lakhs) to GMM Bombay.

A prototype of CCTB designed to test the continuity of single line operator dialling/multiple line operator dialling (SLOD/MLOD) channels was received by GMM Madras from ITI Naini in March 1974 and was put on field trial between Madras and Bombay during October 1974 to February 1975. The GMM Bombay/Madras after trials informed the DGPT (June 1975/July 1975) that the CCTB would not add to or improve upon the existing maintenance efforts and that the performance of the bays was unsatisfactory, the behaviour of the pulse generation was erratic in the transmitter units and wrong numbers were obtained in SLOD circuits. Besides, it posed problems in wiring up the monitoring circuits to the working channels and their installation. The GMM Bombay requested the DGPT to review the suitability of the equipment before standardisation and installation on a large scale. Even though the supplies were not made to the field units by this time, the DGPT had not taken any action to stop the manufacture/supply of the CCT bays as per the understanding that manufacture and supply would take place only after successful field trials.

In May 1976, *i.e.*, after 11 months the DGPT decided that the CCTB equipment for one way circuit should also be used to monitor the performance of subscribers trunk dialling (STD) channels on the various routes instead of testing the continuity of SLOD/MLOD channels alone for which they were originally designed.

The receiving field units in Madras and Delhi found that some of the parts of the CCT bays were badly damaged and in some cases power supply panels were either badly damaged or were missing. Besides, certain accessories like 6 seconds pulse generator, 40 contact relay and 50 volt battery eliminator were found wanting. Damaged parts were however, replaced free of cost by ITI by December 1977 in respect of Madras units and March 1980 in respect of Delhi units. For accessories tenders were finalised in May 1979. In some cases the bays were installed without these accessories but commissioning was delayed for want of those accessories.

Of the 275 bays received by GMM's Madras, Calcutta, New Delhi and Bombay only 201 were installed till date as indicated below :—

Units	No. of CCTB received in 1976 and cost	No. of CCT bays installed	Period during which installed and commissioned	Cost in lakhs of rupees	Period of delay in installation	Yet to be installed and commissioned
1	2	3	4	5	6	7
GMM Madras	58 (cost : Rs. 20.85 lakhs)	46	Between March 1978 and July 1978.	16.14 lakhs	2 years	
		4	July 1979 to November 1979.	1.51 lakhs	3 years	
		3	March 1980 to June 1980	1.08 lakhs	4 years	
		5	March 1981 to July 1981	2.12 lakhs	5 years	
	TOTAL	58		20.85 lakhs		
Calcutta	52 (cost : Rs. 18.30 lakhs)	18	Upto March 1980	7.08 lakhs	3 to 4 years	34 (cost : Rs. 11.22 lakhs)
New Delhi	88 (cost : Rs. 27.03 lakhs)	47	Between November 1979 and February 1980	10.41 lakhs	3 years	8
		33	Between February 1980 and April 1980	13.86 lakhs	4 years	(cost : Rs. 2.76 lakhs)
	TOTAL	80		24.27 lakhs		
Bombay	77 (cost : Rs. 26.96 lakhs)	45	But not commissioned (September 1982)	14.85 lakhs	6 years	32 (cost : Rs. 12.11 lakhs)

After commissioning some of the bays, it was noticed that the STD channels to which CCT bay was connected. were seized for traffic and resulted in excess metering and caused wrong numbers on dialling higher digit numbers due to certain technical snags. The STD circuits could not be connected to the bays and the matter was, therefore, brought to the notice of DGPT (June 1978) by GMM Madras seeking instructions to get over the difficulties. After 17 months the DGPT decided (October 1979) that in modification of their earlier decision the CCT bays should be provided for all the one way circuits such as SLOD/MLOD circuits *i.e.*, on non-STD one way circuits. In November 1979 the DGPT forwarded a write-up to all the GMMs indicating certain modifications suggested by the Telecom Research Centre (TRC) for drawing the CCT bays on a few STD channels reiterating the necessity of commissioning the CCT bays by connecting them to SLOD/MLOD one way circuits. The modifications to the CCT bays were still under consideration and discussion between the Directorate and GMM Madras even though more than 3 years had elapsed since the proposal was made by DGPT in 1979. The problem of the equipment not responding correctly to the digits higher than seven causing wrong numbers could not yet (August 1982) be solved. Even in the case of SLOD circuits the equipments were not able to give a single hour's satisfactory service since their installation. The CCT bays which were installed and commissioned, did not therefore serve any useful purpose. The cost of Rs. 0.61 lakh on account of services of the staff employed for the installation of the equipment at Calcutta up to March 1981 remained unproductive. The information in respect of other circles was awaited (September 1982).

The Department stated (September 1982) "......Instructions had been issued to all GMMs to complete the installation of CCT bays on priority. Further modifications had now been finalised in consultation with TRC and the CCT equipment would be put into use expeditiously".

Summing up.—

—bulk order for CCT bays was placed (cost : Rs. 93.14 lakhs) on ITI without ensuring their satisfactory performance by conducting successful field trials and manufacture/supplies were not stopped even when the defects were intimated to the DGPT;

—the CCT bays (even those installed and commissioned) were not used for the purpose for which they were intended even after a lapse of 6 years of their receipt by the field units;

—the Department could not perfect the equipment in all respects specially when the GMM Bombay/Madras had expressed reservations about their functioning even at the time of initial trial;

—due to lack of planning and proper care in executing the work, equipment worth Rs. 93.14 lakhs remained idle for periods ranging from 2 to 6 years;

—the cost of equipment was paid without sanction of the regular estimate; and

—74 bays (cost : Rs. 26.09 lakhs) were yet to be installed.

29. **Installation of 2,000-line Cross bar exchange at Secunderabad.**—Hyderabad telephone system consisted of multi-telephone exchanges located in different localities of the city. Secunderabad area was served by a 6300-line strowger telephone exchange. As there was no further scope to expand its capacity, it was decided (June 1973) to instal a new cross-bar exchange with 2000-line as a second unit. The project estimate for the installation of this exchange was sanctioned (October 1974) at a total cost of Rs. 100.34 lakhs (air-conditioning plant Rs. 62.17 lakhs, lines and wires Rs. 5.51 lakhs and cables Rs. 32.66 lakhs). The estimate for construction of telephone exchange building, which had been sanctioned earlier (November 1969, cost : Rs. 4.97 lakhs) was revised to Rs. 6.23 lakhs. The project was expected to yield an additional revenue of Rs. 21.17 lakhs per a nnum.

Exchange equipment.—The equipment required for the installation of the cross-bar exchange was originally included in the manufacturing programme of Indian Telephone Industries (ITI) Bangalore for the years 1974-75 and 1975-76 (1000-line each year) and necessary purchase order was placed on ITI in May 1974 with scheduled period of delivery as 1975-76. The ordering specifications for the equipment were furnished to ITI in November 1973. The ITI wanted (November 1973) the detailed architectural drawings of the building in which the equipment was to be installed. The Department furnished the drawings in February 1976 only. The Director General, Posts & Telegraphs (DGPT) subsequently included the equipment required for this project in the supply programme for 1976-77. The installation work was taken up in September 1977 and the exchange was commissioned in March 1979. Had the architectural drawings been supplied to ITI soon after November 1973, the equipment would have been received in 1975-76 according to the original delivery period and exchange could have been commissioned one year ahead. The delay in commissioning caused potential loss of revenue of Rs. 21.17 lakhs to the Department.

Cables.—The project estimate provided for laying of underground cables both for local and junction network at an estimated cost of Rs. 32.66 lakhs. The specification of the cable was revised to 100 pairs/10 lbs. from 100 pairs/20 lbs. as the performance of 100 pairs/10 lbs. cable was considered satisfactory for transmission requirements. While executing the work, 100 pair/20 lbs. cable was actually laid over a distance of 10,756 metres, resulting in an avoidable extra expenditure of Rs. 11.19 lakhs.

Utilisation of the exchange capacity.—According to the departmental instructions, cross-bar exchanges are to be loaded up to 60 per cent on the date of cut over and up to 90 per cent within six months. Although the 2000-line exchange was commissioned in March 1979, only 316 new telephone connections could be given on 31st March 1979. It was loaded to the installed capacity only by 15th November 1979. The General Manager, Phones (GMP) stated (April 1982) that one piece of equipment called "Decoupling Diode" which played a vital role in establishing a call was found to be sub-standard as it got punctured after 20 to 30 operations. The exchange capacity could thus be fully loaded after these diodes numbering 4080 were progressively replaced by ITI. Had the Department taken timely action in testing the functioning of the exchange before its cutover and made necessary efforts to obtain quick replacements for the defective part, the loss in revenue to the tune of Rs. 10.77 lakhs in not achieving the set targets could have been avoided or lessened.

The accounts of the project had not been closed (December 1981), although the expenditure booked was Rs. 146.30 lakhs excluding overheads, as against the sanctioned cost of Rs. 95.58 lakhs (excluding overheads). The General Manager, Telephones, Hyderabad, stated (April 1982) that the revised estimates on the basis of actual expenditure would be prepared and got sanctioned.

The Department stated (August 1982) that it was true that supply of drawings with the structural details to be furnished to ITI was delayed till February 1976 but it did not by itself cause the delay in commissioning of the equipment. They further stated that the reasons for laying 100 pairs/20 lbs. cable instead of 100 pairs/10 lbs. were expediency and availability.

30. Kolhapur multiple auto exchange (MAX-I).—In March 1972, the Director General, Posts and Telegraphs (DGPT) sanctioned a project for installation of strowger with 3600-lines capacity in replacement of Central Battery Multiple (CBM) exchange at Kholapur for Rs. 90.53 lakhs.

While this project was in progress another project for expansion of the exchange from 3600 lines to 4500 lines was sanctioned (January 1974) for Rs. 20.76 lakhs. A third expansion from 4500 lines to 6900 lines was sanctioned (September 1975) at a cost of Rs. 60.80 lakhs. The latter projects mainly comprised of lines and wires, cables, apparatus and equipment.

The exchange with 3600 lines and with 4500 lines was cut over in March 1977. Expansion beyond 4500 lines was made in instalments and the last expansion up to 5700 lines was cut over in March 1981.

A test check in audit of the accounts of the circle disclosed the following :—

Building.—Administrative approval and expenditure sanction was accorded (cost : Rs. 34.29 lakhs) in September 1971 and tenders were invited in March 1972. The work was awarded to a contractor 'A' (August 1972) at a cost of Rs. 22.84 lakhs with due date of completion as April 1974. Meanwhile the vertical expansion of the building by two floors (IInd & IIIrd) to accommodate administrative offices was sanctioned (cost : Rs. 4.93 lakhs) in May 1973 and was also awarded to the same contractor.

By March 1974, 15 per cent of the equipment had arrived. The contractor had however not completed the work. The Department of their own, granted (February 1975) extension up to May 1975 with the directive to complete the balance items of work. The contract specifically provided for issuing a notice to contractor about the Department's intention to rescind the contract before it was actually terminated, for getting the balance work completed by another contractor. A draft notice for rescinding the contract was sent to the Ministry of Law in April 1975 (Bombay unit) and a modified draft notice duly approved by the Ministry of Law was received by the Department (April 1975) but was not issued, for no reasons on record. An order finally rescinding the contract with effect from 31st July 1975 was issued (July 1975) when the total amount paid to the contractor was Rs. 13.47 lakhs. The balance work was awarded to contractors 'B' and 'C' for Rs. 1.99 lakhs and Rs. 6.62 lakhs respectively, and was completed in July/August 1976.

In January 1976, the contractor 'A' asked for appointment of an arbitrator. An arbitrator was appointed by the P&T Board in March 1976. The award given by the arbitrator in

October 1977 rejected counter-claims of the Department stating *inter alia* that the action of the Department in rescinding the contract in July 1975, without show cause notice, after the extended period up to May 1975, was not based on equity and justice and was arbitrary and unilateral. The arbitrator not only rejected the counter claims (Rs. 6.44 lakhs) of the Department but allowed a net amount of Rs. 0.68 lakh to the contractor and in addition Rs. 0.05 lakh as the cost of arbitration proceedings. The award was made a rule of the court and a decree to the effect was passed (December 1978) by the High Court.

The omission on the part of the Department to issue show cause notice by invoking the provision of the agreement before the contract was actually rescinded, led to extra expenditure of Rs. 4.70 lakhs incurred in getting the left over work done through other contractors 'B' and 'C' at a higher rate, which could not be recovered from contractor 'A'. Besides, the delay in commissioning the exchange resulted in a loss of revenue of about Rs. 2.34 lakhs. Thus, there was a total loss of Rs. 7.04 lakhs to the Department.

Cables.—The projects for installation of 3600 lines and for expansion to 4500 lines comprised cable component at an estimated cost of Rs. 9.21 lakhs and Rs. 8.64 lakhs respectively. Another project sanctioned in September 1975 for further expansion to 6900 lines had a cable component at an estimated cost of Rs. 23 lakhs. The detailed estimates sanctioned for cable laying work for all the projects, cable schemes approved for the cable laying works and indents issued for the cable supply for the respective estimates were as under :—

Project sanctioned		Cable scheme approved	Detailed estimates sanctioned for	Indents when released
1		2	3	4
(a) Particulars	(b) When sanctioned			
(*i*) Installation of 3600 lines	March 1972	Scheme extending up to 5400 lines with	(*i*) For P&S (primary & secondary)	March 1976 for cables and July 1980 for

1		2	3	4
		cabinet and pillars was approved in October 1975.	cables for 3600 lines not yet sanctioned.	cabinet, pillars.
(*ii*) Expansion of 3600 to 4500 lines.	January 1974		(*ii*) For 4500 lines (*a*) Sanctioned in June 1976 for Rs. 6.16 lakhs for P&S.	March 1976
			(*b*) Primary cables costing Rs. 3.42 lakhs (for making good of the shorttage cable for 4500 lines sanctioned in October 1978).	July 1981
(*iii*) Expansion of 4500 lines to 6900 lines.	September 1975	Cable Scheme 5400 lines to 6900 with cabinet and pillar approved in December 1980.	Sanctioned in October 1981 for 5.44 lakhs.	—

(A) Though the cable scheme approved as early as in October 1975 contemplated the installation of cabinets and pillars, the indents issued in March 1976 were only for cables. The indents for cabinets and pillars were issued in July 1980. This resulted in receiving the cables right from September 1976 but the cabinets and pillars were received only from October 1980. The cables laid during 1976 to 1978 had therefore, to be joined as per tapering manner, contrary to the instructions issued in May 1975. As against the actual requirements of primary and secondary cables of 29.526 kms. length under the approved cabinet and pillar scheme the cable required to be laid under tapering scheme was 43.615 kms. length till March 1981. Delay in releasing the indent for cabinets/pillars simultaneously with the indent for cables so as to obtain the cabinets and pillars early, resulted in excess laying of cable for 14.089 km. length costing Rs. 32.11 lakhs for consequential over-capitalisation to that extent.

(B) In order to have economic utilisation of costly materials like cables, the DGPT Delhi had prescribed (May 1973) the planning period for primary and secondary cables as 3 and 6 years respectively. The optimum percentage utilisation of these primary and secondary cables was also prescribed (September 1975) as 90 per cent and 80 to 85 per cent respectively. In March 1981 *i.e.* even after 3 years the percentage utilisation of primary and secondary cables laid during 1976 to 1978 was 66.99 and 75.36 respectively. This was due to non-implementation of cabinet and pillar system. The Department was therefore, deprived of the flexibility and optimum utilisation of cable icapacity.

(C) The estimates provided for cable gauge 6½ lbs/1200 pairs whereas the highest gauge available with the store Depot was 6½ lbs/1000 pairs and these were supplied in September 1976. To meet the resultant shortage of 200 pairs of primary cables, cables of 6½ lbs./200 pairs were supplied in November 1976. The cable laying work commenced in September 1976. However, cable 6½ lbs/200 pairs, required to meet the deficiency in laying primary cable (October 1976) was sought to be made up by laying one cable length of 6½ lbs/400 pairs instead of 2 lengths of 200 pairs cable. Since the supply of cable 6½ lbs/400 pairs was not received, 6½ lbs/200 pairs cable (received in November 1976) was later laid in 1978, after the cut over of the exchange. This resulted in an avoidable expenditure of Rs. 0.71 lakh on account of re-digging and re-instatement charges.

The Department stated (September 1982) that admittedly there had been a delay in construction of the building. It had received a raw deal from the arbitrator and that the revised detailed estimates for the primary and secondary cables for 3600 lines were under sanction.

Summing up.—The following points emerge :—

—Failure of the Department to give show cause notice to the contractor resulted in extra expenditure of Rs. 4.70 lakhs in getting the left over work done through other contractors.

—Extra expenditure of Rs. 0.73 lakh in arbitration.

—Loss of revenue of Rs. 2.34 lakhs due to belated completion of the building and delayed cut over of the exchange.

—Due to non-implementation of cabinet and pillar scheme, the Department was deprived of the flexibility and optimum utility of the cable. There was also over-capitalisation of Rs. 32.11 lakhs.

—Avoidable expenditure of Rs. 0.71 lakh on account of re-digging and relaying charges of cable.

31. **Installation of 20,000-line cross-bar exchange at Malabar Hill.**—With a view to meeting the increasing demand for new telephone connections in the areas covered by Gamdevi telephone exchange of Bombay Telephone system and also in view of the development of the Malabar Hill area, approval was accorded in principle by Government in August 1964 to open a new auto telephone exchange at Malabar Hill in Bombay Telephone District and for acquiring land measuring 4,000 square yards (sq. yds.) in that area. On acquisition of 6529 sq. yds. of land in Malabar Hill area in March 1970 at a cost of Rs. 29.67 lakhs, Government approved (June 1974) installation of 20,000-line exchange with imported equipment in 10-storeyed building (including basement) estimated to cost Rs. 1,464.55 lakhs including land. The exchange was expected to yield a net annual revenue return of Rs. 81.60 lakhs at 90 per cent loading of the total equipped capacity. The project was finally sanctioned in September 1976 at a cost of Rs. 2,075.76 lakhs. The increase in cost was

mainly due to increase of Rs. 523 lakhs in respect of cables and Rs. 100 lakhs in respect of apparatus and plant including air-conditioning plant.

The first and second units of the Malabar Hill exchange (10,000 lines each) were commissioned in May 1978 and November 1978 respectively.

A review in audit (during April/May 1980) of the execution of the project revealed the following:—

Though the process of selection and acquisition of land started with the issue of approval of the project in August 1964, land (measuring 6,529 sq. yds.) was acquired in March 1970 at a cost of Rs. 29.67 lakhs (which worked out to Rs. 454.44 per sq. yd.) based on the recommendations of the Negotiating Committee set up by the DGPT in November 1969. While the search for a suitable land was on, an offer for 8,710 sq. yds at Rs. 400 per sq. yd in Napean Sea Road of Malabar Hill area was received by the Department in August 1968 and the land was found to be technically suitable for the purpose. No timely action was taken on this offer by the Department and the same land was negotiated and acquired by the Reserve Bank of India in 1969 at the rate of Rs. 365 per sq. yd. As a result of delay in taking timely action, the Department had to incur an extra expenditure of Rs. 5.84 lakhs in acquiring land (6,529 sq. yds) later in March 1970.

Though the project estimate envisaged installation of imported equipment, the building was planned and constructed (both in height and plinth areas) to meet the technical requirements of indigenous cross-bar equipment. Of the total carpet area of 12,894 sq. mts spread over 11 floors of the building, 4,880 sq. mts (4 floors) were set apart for the installation of 40,000-line exchange (one unit of 10,000 lines in each floor of 1,220 sq. mts.), besides 2446 sq. mts, (2 floors *i.e.* VII and VIII) for future planning. Against the area of 4,880 sq. mts. planned to be utilised for all the 4 units, a carpet area of 2,440 sq. mts, only (first and second floor) was actually required for accommodating the entire 40,000 line imported equipment, on the basis of the area utilised for the imported equipment of two units of 10,000 lines each. Thus the extra technical accommodation *i.e.* remaining 2 floors of the building (covering 2,440 sq. mts carpet area) was rendered surplus to requirement even after taking into account the expansion of the exchange from 20,000 lines to 40,000 lines. The extra expenditure involved in the construction of this surplus technical accommodation was Rs. 22.81 lakhs at proportionate cost.

Keeping in view the requirement of air-conditioning for the exchange, 5 floors of the building covering a total carpet area of 6,035 sq. mts. were air-conditioned at a cost of Rs. 31.39 lakhs including the 2 floors (IV & VI) covering 2,440 sq. mts. which were not ultimately required for the installation of equipment. The extra expenditure incurred on provision of air-conditioning plant and ducting arrangements was Rs. 12.73 lakhs, on a proportionate basis.

In connection with the purchase of the air-conditioning plant 6 tenders were received in September 1975, of which the tender of firm 'A' was finally accepted in April 1976 at a cost of Rs.30.06 lakhs (amended to Rs. 31.39 lakhs in May 1979). Earlier in May 1974, while considering the tenders received for air-conditioning of another exchange (under the Bombay Telephones District), the Department had stated that the compressors of firm 'A' installed at Waudby Road exchange were giving endless troubles and their compressors installed in other places were also posing similar problems, mainly due to heavy vibrations affecting the building as well as working of the delicate installations of air-conditioning system and the average current consumption of the units of firm 'A' was far higher than those of other makes.

However, firm 'A's offer was accepted. The 3 compressors supplied by firm 'A' and commissioned in May 1977, July 1977 and May 1979 failed within a period ranging from 1 month to 21 months.

The 3 units of air-conditioning plant commissioned in May 1977, July 1977 and May 1979, had not passed the prescribed tests so far (September 1982) and the plant had not been taken over by the Department and the exchange continued to function without air-conditioning facility though essential for the efficient operation of the cross-bar exchange, even after incurring an expenditure of Rs. 31.39 lakhs.

Summing up.—The following points emerge :—

— By not taking timely action to accept the cheaper offer of land in 1968 extra expenditure of Rs. 5.84 lakhs was incurred in 1970 on its acquisition.

— The building was constructed with original specifications for indigenous equipment, while imported equipment was installed, thus rendering surplus 2440 sq. mtrs. of technical area, involving extra expenditure of Rs. 22.81 lakhs.

— The surplus area was provided with air-conditioning plant and ducting arrangements resulting in further extra expenditure of Rs. 12.73 lakhs.

— The air-conditioning equipment was purchased from firm 'A' whose earlier offer for another exchange was not found acceptable and 3 compressors installed in this exchange had actually failed within a period of 1 to 21 months and the units of air-conditioning system (cost: Rs. 31.39 lakhs) installed in May 1977, July 1977 and May 1979 had not been tested and taken over so far (August 1982).

32. Vadodara (Baroda) Telephone System

Introductory

In order to meet the growing demand for new telephone connections at Vadodara, a project for installation of a new 3000-line cross-bar exchange was sanctioned by Government in December 1965, at a total estimated cost of Rs. 52.44 lakhs. The new 3000-line cross-bar exchange was installed in November 1974.

(i) The P&T Department entrusted the work to State Public Works Department, instead of to Central Public Works Department, with a view to expedite planning, demolishing the residential quarters and ensuring good workmanship in construction. The building was completed in January 1970 at a cost of Rs. 9.15 lakhs against the original estimate of Rs. 6.69 lakhs. It was, however, made available for installation of equipment only in September 1972, after rectification of the various defects in execution, special repairs, additions and alterations suggested by the P&T Department causing additional expenditure of Rs. 0.85 lakh.

(ii) Some defects due to faulty design, execution and workmanship could not be rectified, for example :—

(a) Inadequate headway and height of the floor due to thick plastering of beams to cover uneveness and slope in the slab towards North.

(b) Uneven sinking of the ground floor.

(c) Provision of a large number of windows and ventilators in the equipment room, which was to be air-conditioned.

(d) Insufficient strength of the RCC frame structure, which restricted the scope for vertical extension to one additional floor instead of 2 floors initially planned and sanctioned.

Consequently, the earlier plan to accommodate the further expansion of the exchange (5000 to 8000-line) on the second floor and other units on the 3rd floor by vertical extension of the building by 2 additional floors sanctioned in May 1976 at the cost of Rs. 29.26 lakhs had to be modified and cross-bar expansion was accommodated on the first floor itself. The rear floor was designed to a height of 15.5 feet to accommodate auto manual relay racks, trunk switch room, ticket sorting room .

store room, relay racks and ladies dormitory, etc. was constructed at a cost of Rs. 9.76 lakhs.

The height of the second floor was retained at 15.5 feet though no cross-bar or strowger exchange was planned to be accommodated on that floor. Further, in view of false ceiling for the trunk switch hall much below the true ceiling, some part of the higher space became superfluous. Facilities like ticket sorting room, ladies dormitory, auto manual, etc. did not require the height provided for the administrative block.

Utilisation of exchange capacity.—The orders for supply of equipment for 3000-line cross-bar exchange at Baroda were placed by the DGPT on ITI, Bangalore in 1966 with scheduled period of delivery from February 1967 to July 1967. A major portion of the stores was received by July 1971. The installation work of the equipment was not commenced due to non-completion of the building and non-receipt of some items of store. The steel frames received at Baroda were diverted in August 1971 to Cuttack. The installation work was taken up after September 1972 and the exchange was commissioned in November 1974. In respect of the installation of 3000 lines cross-bar exchange and its three subsequent expansions, the detailed estimates for cables were sanctioned long after the actual cut over of the exchange expansions, leading to avoidable delay in completion of the relative cable works as shown below :—

	Date of cutover of exchange expansion	Detailed estimate for cables sanctioned	Cable work completed
1	2	3	4
3000 lines cross-bar	November 1974	October 1965	June 1977
3,000 to 4,000 lines	February 1976	January 1977	June 1977
4,000 to 5,000 lines	August 1976	January 1977	March 1978
5,000 to 6,000 lines	February 1978	July 1978	April 1980

In respect of expansion from 6,000 to 9,000 lines (cut over in March 1980), the cable work was not completed (November 1981) on the plea of non-availability of distribution point boxes, though full quantity of the same had already been received by March 1980.

In the case of expansion from 9,000 to 10,000 lines, the cable estimates were sanctioned in advance but the cable works were not completed till November 1981, though the capacity was cut over in September 1981. As a result, the loading of the exchange was not done to its optimum available capacity inspite of the heavy waiting list of the customers.

As per departmental norms prescribed in September 1970, July 1976 and January 1980, 90 per cent of the expanded capacity should be utilised within six months of expansion, in addition to 94 per cent of pre-expansion capacity, subject to overall utilisation of 92 per cent of the total capacity after expansion. However, as a result of not utilising the permissible capacity of the exchanges, from time to time, Baroda telephones suffered a loss of potential revenue of about Rs. 22.80 lakhs (cross-bar exchange Rs. 13.74 lakhs from 1975-76 to 1981-82; Kothi exchange Rs. 9.06 lakhs from 1975-76 to 1980-81) even assuming only 90 per cent of the exchange capacity as utilisable.

Under-utilisation of telex exchange.—The 50 lines telex exchange at Baroda installed in March 1968 was expanded to 100 lines from January 1971 and to 200 lines from August 1973 to meet the heavy waiting list. It was noticed from the register of telex applications which was maintained in an incomplete manner that the progress of providing the telex connections was very slow and the optimum capacity of the exchange was not utilised during the period from August 1971 to March 1977 to clear the waiting list. This resulted in potential loss of revenue of Rs. 10.85 lakhs.

Performance.—The Department has set control limit and Management Information System to measure the performance, detect trends and take corrective steps to improve service. The faults and failures in certain areas of the local net work and long distance system of the district exceeded the control limits set for them by the P&T Directorate from 1979-80 to 1981-82 as shown below :—

(a) Local and junction calls

Type of calls	Target (% failure)	Control limit (% failure)	Observed failure			Loss of potential revenue (in lakhs of rupees)		
			Distt. %	Cross-bar exch %	Kothi %	Distt. as a whole	Cross-bar	Kothi
1	2	3	4	5	6	7	8	9
			1979-80					
Local calls	2.5	3.5	7.65	7.0	7.7			
Junction calls	4.0	5.0	10.55	11.60	11.0			
Overall percentage	3.25	4.25	9.10	9.30	9.35			
Loss of potential revenue						6.08	2.45	2.24
			1980-81					
Local calls	2.5	3.5			2.20			
Junction calls	5.0	5.5			8.00			
Overall percentage	3.75	4.50			5.10			
Loss of potential revenue						0.27		0.27
	Percentage of effective trunk calls 1980-81							
Trunk calls	75	72	67					
Loss of potential revenue due to reduced percentage of effective trunk calls.								8.07 (included in figures for District)
			1981-82					
Trunk calls	75	72	67.30					
Loss of potential revenue								3.78
							TOTAL Rs.	18.20 lakhs

(b) *Duration of faults*

(i) *Cross-bar exchange.*—Against the target of 3 hours and control limit of 3.5 hours, for the average duration of fault of the cross-bar exchange, the average duration of faults range from 4 to 9 hours in 1980-81. Against the control limit of 35 faults per 100 stations per month set for the year, the average number of faults per 100 stations exceeded 40.

The average duration of faults increased in 1981-82 and ranged from 6 to 10 hours from April 1981 to October 1981. It was even beyond the relaxed control iimit of 6 hours set for 1981-82 in the following months:—

April 1981	10 hours (not a monsoon month)
June 1981	7 hours
July 1981	9 hours (monsoon month)
August 1981	9 hours (monsoon month)
September 1981	7 hours (monsoon month)

(ii) *Kothi exchange.*—Average duration of faults in the Kothi exchange area was all through above the control limit of 3.5 hours in 1979-80 ranging from 4.2 to 9 hours.

In 1980-81, against the control limit of 3.5 hours average duration of faults ranged from 4.6 hours to 9.8 hours.

(c) *Complaints: Kothi exchange area.*—The target for complaints per 100 stations per month for 1979-80 was 60, with control limit of 70. Actually, the complaints per 100 stations per month averaged 90.75.

The control limit for 1980-81 was set at 55 per station per month for 1980-81. Complaints in the exchange area, however, far exceeded the control limit and averaged 72 to 73.

In 1981-82, up to October 1981, against the control limit of 50, the complaints averaged 86.42 per 100 stations.

Failure of calls and high duration of faults in the local net work were mainly attributable to heavy congestion in some line units, excessive handling of junctions, paucity of junctions in some areas, paucity of auto spare parts, handling of cables for re-arrangement of cable net work, melting of insulating compound from CT boxes of some pillars, failure of air-conditioning plant to some extent, etc. apart from damage to out-door plant in riots.

The reasons for high percentage of trunk call failures could not, however, be ascertained from the records made available to audit.

Summing up.—The main points that emerge are :

— The inordinate delay in completion of the building resulted in avoidable additional expenditure of Rs. 2.46 lakhs.

— The construction of the building revealed many defects which had to be rectified at extra cost to the Department which affected the durability of the asset. The special repairs, additions and alterations undertaken to rectify the defects entailed expenditure of Rs. 0.85 lakh and delayed the utilisation of the building for installation work by 2 1/2 years.

— Due to non-synchronisation of the equipment installation and the cable work, the Department lost potential revenue of about Rs. 22.80 lakhs.

— Due to under-utilisation of the equipped capacity of the telex exchange, the Department lost potential revenue of about Rs. 10.85 lakhs.

— Faults in the local net work and failures in local junction and trunk calls were in excess of the control limits set by the Directorate, leading to a potential revenue loss of Rs. 18.20 lakhs (approx.) on account of trunk calls.

CHAPTER VI—STORES PURCHASE AND CONTROL

33. **Irregular purchase of telephones.**—According to an agreement between the Posts and Telegraphs (P&T) Department and the Indian Telephone Industries (ITI), all telephone equipment manufactured by the latter were to be purchased by the Department exclusively from the ITI with the exception of those manufactured in the Telecommunication factories of the Department. Based on this agreement, the P&T Directorate issued instructions (January 1978 & August 1979) to all its field units that the indents for telephone instruments and spares, etc. should be placed on the ITI centrally through the Directorate and that supplies would be made to the individual units concerned direct by the manufacturers on the basis of the allotment orders issued by the Directorate. Purchases were accordingly made by the Department from the ITI as per the price list of 1976, payments made by the cost check unit of the Department attached to the ITI and the debits raised against the concerned Telecommunication Division for accounting. In March 1980, the P&T Directorate reiterated its earlier instructions to the field units that no direct indents be placed on the ITI and that the Directorate might be approached for requirements of all types. Contrary to these instructions, the Divisional Engineer Telecommunication (DET), Tirupathi had been purchasing telephone instruments and making payments direct to the ITI. The direct payments made by him amounted to Rs. 3.71 lakhs (1978-79), Rs. 29.63 lakhs (1979-80 and Rs. 19.29 lakhs (1980-81). These purchases had not yet been approved by the P&T Directorate (June 1981).

The direct purchases resulted in heavy extra expenditure to the Department as the ITI which was offering concessional rates to the P&T Department, decided (February 1980) to adopt for all purchases made by the Telecommunication Units and their regional offices direct, the selling price at non-P&T rates from 15th January 1980 as it was not getting the escalation charges for such direct supplies. The non-P&T rates were usually 2 to 3 times more than the rates as per rate list of 1976 normally charged to the P&T Department and were still substantially higher even after taking into account the escalation in prices admissible on the rate as per the rate list.

The purchases made by the DET, Tirupathi from January 1980 to August 1980 were charged by the ITI at non-P&T rates and a sum of Rs. 23.55 lakhs was paid instead of Rs. 14.83 lakhs at the P&T rates inclusive of escalation charges resulting in excess payment of Rs. 8.72 lakhs. When this irregularity was pointed out by Audit (March 1981), the DET Tirupathi stated that purchases were necessitated in the exigencies of service and that every item of purchase had its contribution to the proper maintenance of system and also for the increased revenue. Although, the Chief Accounts Officer, cost check unit, Bangalore asked the General Manager, Telecommunications Hyderabad (December 1979) to instruct the DET Tirupathi not to indent telephone instruments or other stores without the knowledge and approval of the Directorate and also not to make payment to the ITI for direct supplies, the direct purchases were continued to be made (March 1981).

Besides, the DET Tirupathi also made direct purchases from the ITI on behalf of other Divisions. The stores and its corresponding debits were routed through the Assistant Engineer (AE), circle store Depot. In the course of such transfer, debits to the extent of Rs. 4.62 lakhs (comprising of freight charges of Rs. 1.41 lakhs on account of transport of stores and actual cost of stores to the extent of Rs. 3.21 lakhs) sent by the Divisional Engineer Telecommunications, Tirupathi, the amount of stores was adjusted in the accounts leaving a balance of Rs. 1.41 lakhs representing freight charges as outstanding (August 1981).

The Department stated (November 1981 and June 1982) that the circumstances under which such purchases had to be made by the DET were being considered and that for the supply of such items of equipment against direct indents from field units rates payable to ITI was also being taken up with them. No further information has been received in Audit so far (September 1982) despite a reminder.

34. Avoidable extra expenditure on purchase of Travelling Wave Tubes

1. *Avoidable extra expenditure of Rs. 3.20 lakhs on repeat order under existing contract.*

Microwave equipments manufactured by firm 'A' of Canada and firm 'B' of Hungary have been installed on different microwave routes in India. Travelling Wave Tubes (TWTs) are an important element of the microwave system and have a fixed shelf life. The Department decided (July 1978) to purchase 610 TWTs to meet its immediate requirement for the year 1978-79 on routes where equipment supplied by firm 'A' had been installed, from firm 'A' or firm 'C' (the manufacturers of TWTs supplied by firm 'A' with original microwave equipment) whosoever quoted lower, and also to enter into a dialogue with them for firming up prices at least for 5 years. Similar dialogue was to be entered into with firm 'B'. Simultaneously indigenous manufacturers like Bharat Electronics Limited were to be approached to develop TWTs of specifications applicable to all microwave systems.

Offers were invited (January 1979) from firm 'A' and 'C' for supply of 610 TWTs. The tenders were to be opened on 20th March 1979 with offers remaining firm for two months from the date of opening of tenders. The tenderers were asked to quote equitable escalation clause with a view to firming up the prices for at least 5 years from the date of placement of orders but both the tenderers refused to agree to escalation for a period of 5 years. Ultimately firm 'C' whose offer at US $ 960 per unit was less than that of Canadian dollars 1354 per unit of firm 'A', was persuaded by the DGPT to agree to hold the price quoted by them with an escalation factor for at least one year so as to cover supplies for the year 1980-81 also.

Order for supply of 610 TWTs at US \$ 960 per unit (total Cost: 585600 US dollars) was placed by DGPT on Indian agents of firm 'C' in August 1979 with delivery period of 9-10 months from the date of order and issue of irrevocable letter of credit giving option to the Department to place another order by 30th June 1980 for the same quantity of TWTs at a price which was not to exceed the unit price of the contract by more than 15 per cent. The Directorate assessed (February 1980) the requirements of TWTs at 300 TWTs per year and decided to procure tubes on this basis. Instead of placing an order for 300 TWTs at US \$ 1104 per unit (US \$ 960 plus the maximum permissible escalation of 15 per cent thereon on additional order) by 30th June 1980 in terms of the purchase order of August 1979 or negotiating a still lower rate the Department asked the firm (March 1980 and May 1980) to quote for a contract for 6 years. Further order was placed in January 1981 only on finalisation of the contract for 5 years agreeing to the prices of US \$ 1236, 1422, 1635, 1880 and 2162 for orders for 300 TWTs each to be placed in January 1981, October 1981, October 1982, October 1983 and October 1984 respectively. The non-placement of the order for 300 TWTs by 30th June 1980 for which the Department had option under the Purchase order of August 1979 and obtaining these supplies in turn against fresh purchase order of January 1981 resulted in an avoidable expenditure of US \$ 39,600 equivalent to Rs. 3.20 lakhs approx. (@ Rs. 100 = US \$ 12.36) being the difference between the amounts at which order was placed in January 1981 and the amount at which the order could have been placed under the Purchase order of August 1979.

The Department stated (August 1982) that the proposal of firm 'C' (for supply of 300 TWTs @ \$ 1104 per unit) was received on 16th June 1980 and was valid upto 30th June 1980 and this period was too short to examine the case fully. As the Department was already seized of the matter action within the time available would have saved the extra expenditure.

II. *Contracting of avoidable extra expenditure of Rs. 7.14 lakhs due to defective escalation.*

In response to the Department's offer to firm 'C' (March 1980 and May 1980) for contract for supply of TWTs for a period of at least 6 years at the rate of 300 tubes per year, the firm sent quotations (June 1980) for a 5 year contract, the offer being open till 30th June 1980 only. The Department did not act upon this offer and held further discussions with the firm. After a lot of persuation the firm ultimately agreed to apply simple increase in price every year instead of compound increase. This basis was considered to be reasonable in view of the overall price increase in the world market.

A scrutiny in audit revealed that the firm, after discussion with the officers of the Department had furnished rates (4th December 1980) based on application of escalation in compound form instead of escalation in simple form as agreed. The Purchase order finally placed by the Department (15th January 1981) was with the application of compound escalation at the rate of 15 per cent per annum and this resulted in contracting an avoidable extra expenditure of Rs. 7.14 lakhs during the period of contract.

The Department's Internal Finance observed (December 1980) that in this deal the Purchase case ran as a parallel to the placement of another order for 5 years finalised in 1980 with firm 'B', but the fact of simple escalation agreed to earlier by firm 'C' was not pointed out even by the Internal Finance.

The Department stated (August 1982) that the form of escalation negotiated and agreed to had apparently been described as simple in the sense that it was a simple increase of 15 per cent from year to year and not based upon a complex formula calling for complicated calculations involving a number of factors as was done in some other contracts. This is however, not correct as the file relating to discussions with firm 'C' referred to application of increase on simple basis, which meant fixed percentage increase per year on the basic price fixed for first year as opposed to increase on a compounded basis i.e. percentage increase on the price fixed year after year. This is also evident from the notings in the parallel case of purchases under long term contract, order for which was placed on firm 'B' in June 1980.

Summing up.—The following points emerge :

— The Department, due to failure to place order for additional quantity of 300 TWTs required by it in 1980-81 under the provision of existing purchase order by the stipulated date i.e. 30th June 1980, had to incur an avoidable extra expenditure of Rs. 3.20 lakhs.

— The Department's failure to avail of the firm's offer through negotiations of simple escalation and acceptance of escalation of 15 per cent in compound form in the final contract caused an avoidable extra liability of Rs. 7.14 lakhs for the supplies to be received during the years 1982 to 1985.

35. **Avoidable expenditure on the procurement of inter-working equipments for the exchanges at Calcutta and Bombay.**—The Posts & Telegraphs (P&T) Department placed an order on a foreign firm 'A' (November 1975) for supply of complete equipment for installation and commissioning of Malabar Hill-I and II exchanges in Bombay, Tiretta Bazar I & II exchanges in Calcutta and Railwaypura in Ahmedabad of 10,000 lines each at a total cost of Rs. 10.66 crores (Japanese Yens 2,878,648,521). A repeat order was placed (January 1978) on the same firm at the rates of earlier order, for supply of complete equipment for installation and commissioning of Mazagaon, Prabhadevi and Ghatkopar exchanges in Bombay of 10,000-line each at a total cost of Rs. 6.24 crores (Japanese yens 1,684,523,640).

Both these orders stipulated that the purchaser could place orders for supply of any additional equipment and/or service within 5 years of the completion of supplies against respective order at the basic price before introductory discount adjusted by the formula prescribed therein or the then current price, whichever was lower. The respective escalation formula prescribed it to be linked with the increase in the average nominal cash earning index and the average nominal wholesale price index for electrical machinery after the placement of original order and until the placement of new order. While the formula for order of November 1975 required escalation to be determined with reference to the average of the above indices for the year December 1973—November 1974, the order placed in January 1978 required the increases to be determined with reference to average of the indices for the year December 1976—November 1977.

Placement of order for additional equipments for Calcutta and Bombay exchanges.

Subsequent to installation and commissioning of the exchanges referred to above, the Department invited (September 1978) quotation for 1.34 lakhs lines and accepted (December 1979) the offer of the same firm 'A' for purchase of 56,000-line equipment. Some of these exchanges were to be located at Calcutta and Bombay. During discussion held by Department (April 1980) with the firm for finalisation of material for the new order, the need to install additional equipments for inter-working of exchanges in the existing exchanges, Tiretta Bazar II and III at Calcutta, Mazagaon, Prabhadevi and Ghatkopar at Bombay was felt. Since provision for placement of orders for additional equipments/services already existed in the original purchase orders of November 1975 and January 1978 and the 5 year period from the date of completion of supplies against these orders had not elapsed, the quotations for necessary inter-working equipments were received from firm 'A', on 29th July 1980 in accordance with clause 9.4 of the respective purchase orders.

It was noticed in audit that the prices quoted by the firm for additional equipments (July 1980) were much higher than those quoted for the same items in their offer of January 1979 for new exchanges for which order was placed in July 1980. The firm had, however, stated (October 1980) that the prices forthe complete exchanges given as a tender were very special and isolated prices applicable to the exchanges covered by the tender. However, clause 9.4 of the original purchase orders under which quotations for additional equipments were received required the contractor to supply any additional equipment and/or service at the current prices if lower than the prices calculated after applying escalation formula and made no distinction as to whether such current prices of additional equipments were quoted as part of tender for complete exchanges or otherwise. The very fact that the firm in their quotation of July 1980 had quoted the prices for additional equipment in terms of clause 9.4 of the earlier purchase orders establishes that the prices were to be regulated on the basis of escalation formula or prevailing market rates whichever was less. The arguments put forth by the firm were thus untenable. The Department, however, accepted these and placed two orders for additional inter-working equipments in December 1980 at the rates quoted in July 1980, thus contracting an extra expenditure of Rs. 6.13 lakhs (as per details given below), which could have been avoided had the Department insisted on enforcement of clause 9.4 of the original purchase orders.

Sl. No.	P.O. No. & date	Particulars of equipment	Value of order for Japan (in thousand Yens)	Total value of common items (in thousand Yens)	Amount payable if prices had been worked out on the basis of prices prevalent in June 1980 on which order for 56,000 lines was placed in July 1980 (in thousand Yens)	Difference between Col. 5 & 6 (in thousand Yens)
1	2	3	4	5	6	7
1.	8-220/80-MMC Itoh Dt. 23-12-1980	Switching equipment, spare parts, Installation materials, installation tools for working and installation spare.	JY 47,091.45 Rs. 18,48,173	24,882.18	17,405.68	7,476.50
2.	8-221/80-MMD/C Itoh Dt. 23-12-1980	—do—	JY 31,818,98 Rs. 12,48,783	17,875.82	8,797.92	9,077.90
						16,554.40

Rs. 6.13 lakhs @ Rs. 100 = JY 2700

The Department stated (June 1982) that operating on the escalation formula was the most advantageous alternative for the Department. However, as stated above, the current prices on which order was placed for additional exchanges in July 1980 were much lower than the prices worked out after applying escalation formula given in original purchase orders.

The Department thus failed to make use of the clause in the original purchase order which required the firm to supply the additional equipments at the then current prices if lower than those worked out as per the escalation formula and thereby contracted an avoidable extra expenditure of Rs. 6.13 lakhs.

36. **Avoidable extra expenditure on purchase of Thermoelectric power meters.**—The Posts & Telegraphs Department (P&T) invited (October 1977) global tenders for procurement of various testing instruments and accessories for use in microwave schemes, which included 50 Thermoelectric power meters estimated to cost Rs. 4.50 lakhs.

The offers were evaluated by a committee constituted (January 1978) for the purpose. The lowest technically acceptable offer (January 1978) of a US firm 'A' in respect of Power meters at US $1205 per unit was accepted and advance order for 62 Thermoelectric Power meters at a total cost of US $ 74,710 was issued (May 1978) on the local agents of firm 'A' which provided for delivery within 6 to 9 months from receipt of Purchase order and details of import licence (I/L) and letter of credit (L/C) particulars.

Detailed order was issued by the Department on November 1978 which provided that the supplies were to be completed within 9 months from the date of order and receipt of particulars of import licence and that all the Bank expenses for the letter of credit including amendment charges, interest and out of pocket expenses were to be borne by the supplier.

Necessary I/L, valid up to 31st December 1979 was obtained by the Department in October 1978. An L/C was established in favour of foreign suppliers by the State Bank of India, Bombay, (January 1979) which was valid till 31st August 1979, and its opening charges were to be recovered from the foreign suppliers before handing over the original letter of credit to the beneficiaries. The agents of firm 'A' requested the Department (January 1979) to amend the Purchase order and the L/C to provide for additional payment of US $ 500 on the order as local inland freight and handling charges and for carriage of goods by air as per their offer and also to extend the validity of the L/C till 30th November 1979. They informed that the delivery period of 9 months would start only after receipt of fully operable L/C. The firm also requested (May 1979) amendments to L/C for collection of L/C charges while settling bills of the agents instead of recovery of L/C charges from the suppliers. The Department issued requisite amendments to the Purchase order (April 1979 and June 1979) and these were intimated to the State Bank of India, Bombay (June 1979 and July 1979) for suitably amending the L/C. Amendments to the L/C were, however, intimated to suppliers in December 1979 only. The agents intimated (October 1979) the inability of their principals to progress this order because of non-receipt of fully operable L/C physically in their hands from the State Bank of India, New York. The agents asked for enhancement of price by US $ 150 per unit and also for extension of the validity of L/C up to 31st December 1980. Though the Department rejected these requests (November 1979) on the grounds that no increase in price was called for and L/C could not be extended as I/L was valid upto 31st December 1979 only, it eventually (April 1981) allowed enhancement of price to US $ 1735 per unit as asked for by the firm in October 1980 and thereby agreed to an increase of US $ 530 per unit. The Department also got (May 1980) the I/L extended up to 31st March 1982 and the L/C upto 31st December 1980. It also extended delivery period up to 31st March 1982, reserving its rights to recover liquidated damages and subject to usual denial clauses. The supplies against this order were completed in February 1982.

Thus due to delay that occurred in the placement of detailed order (November 1978) and establishment of proper letter of credit (December 1979) which were 10 months and almost 2 years respectively after date of quotation of January 1978, the Department had to incur an avoidable extra expenditure of US $ 32,860 (Rs. 2.71 lakhs). Again, if the Department had accepted the revised offer of the firm (October 1979) for enhancement of the value of order by US $ 150 per unit and extension of L/C upto 31st December 1980 even then it would have saved US $ 23,560 (Rs. 1.94 lakhs) in this deal.

The Department stated (June 1982) that the delay in issue of amendment to the Purchase order and L/C was procedural and since the instruments were badly needed for commissioning of microwave projects, development works of Advance Level Telecommunication Training Centre, and Telecommunication Research Centre, there was no alternative except to agree to the revised price.

37. **Non-return of mild steel by a private firm.**—Mention was made in paragraph 22(iv) of the Report of the Comptroller & Auditor General of India for the year 1977-78 Union Government (Posts & Telegraphs) that 154.132 tonnes of mild steel costing Rs. 3.03 lakhs purchased for the Civil Stores Depot, Kanpur between June 1972 and April 1973 was lying unutilised for more than 5 years. The Department had stated (November 1978) that steps to utilise the stock were being taken.

The Superintending Engineer, Posts & Telegraphs Civil Circle, Lucknow, approved in September 1978 a proposal for re-rolling of 81 tonnes of mild steel out of the above stock to "tor" steel, for using it in other works of P&T Civil Divisions.

On the basis of quotations, the work of re-rolling of 50 tonnes (cost: Rs. 0.24 lakh) was awarded to a private firm (November-December 1978). The normal rules for safeguarding the Government material entrusted to the firm were not observed by the Department. No agreement with the firm was got executed nor was any security or bank guarantee obtained from the firm.

50 tonnes of mild steel were supplied to the firm in November/ December 1978 for re-rolling to be returned within 15 days of their receipt (The cost as per issue rate was Rs. 1.03 lakhs and as per market rate (1981) it was Rs. 2.40 lakhs). The re-rolled "tor" steel had not (August 1982) been received from the firm. The original steel had also not been returned and despite the delay, no legal proceedings were initiated against the firm. After 3 years the firm agreed to pay the Department its issue rate value i.e. Rs. 1.03 lakhs (and not the market value) in 5 monthly instalments. The first instalment of Rs. 0.19 lakh was received in August 1981. The firm had not paid subsequent instalments. No action has so far (September 1982) been taken to fix responsibility for failure on the part of concerned official(s).

The Department stated (August 1982) that the firm is understood to have initiated liquidation proceedings and legal opinion had been sought for filing a civil suit for recovery of the amount.

38. **Defective Medium Frequency (MF) wireless receiver sets.**—In order to replace the old equipments installed in 1960-61 for maritime activities in 13 Coastal Posts and Telegraphs (P&T) wireless stations, by highly sensitive receivers with the intention of increasing the range of reception and thereby augmenting the inward traffic from ships/vessels the Director General, Posts and Telegraphs (DGPT) placed an order with a foreign firm in September 1973 for the supply of 30 sets of MF wireless receivers costing Rs. 9.04 lakhs, to be supplied by June 1974. The actual delivery was, however, delayed and the last shipment of the equipment was made in January 1977, after a delay of two and half years. The equipments were received in June-July 1977. During their performance, tested in September 1977 most of the receivers failed for one reason or the other. The Service Engineers of the local agents and the suppliers visited Bombay wireless station in March 1978 and after repairs/adjustments, 28 numbers out of 30 were finally accepted by the Department in April 1978. The remaining 2 receiver sets were rejected even by the Engineers of the firm who wanted these to be sent back to their factory for

repairs. The 28 accepted equipments were distributed to the various Coastal Wireless Stations and installed during April 1978 to October 1978. The actual expenditure incurred (September 1981) on these equipments including local agents' commission was Rs. 12.45 lakhs.

Within a few months of commissioning of the receivers, complaints were received by Controller of Telecommunication Stores (CTS) Bombay about their faulty performance. In September 1978 i.e. within five months of their acceptance test complaints about unsatisfactory working of as many as 12 receivers were sent by one of the Divisional Engineer Wireless. When the position was brought to the notice of the local agents of the suppliers (January-February 1979) they informed (February 1979) that their principals wanted the faulty receivers to be returned to them for repairs at the factory on freight to pay basis. In March 1979 the Department wanted CTS Bombay to make arrangements for sending the defective receivers to the suppliers. The suppliers desired (April 1979) that initially the two equipments rejected in April 1978 be sent to them as the first lot and the remaining equipments be sent in the second lot after the first lot was received duly repaired. The Department initiated action (May 1979) to obtain Customs Clearance Permit (CCP) for arranging the despatch of first lot of 2 equipments. The CCP was obtained in May 1980 with the validity period of six months only and the first lot of 2 equipments was air-lifted in November 1980. Meanwhile, by the end of December 1979, twenty two receiver sets more were also received back by the CTS Bombay for repairs due to their unsatisfactory working.

The Department informed that the two receivers of the first lot were returned duly repaired by the foreign company in March 1981 but the delivery was not taken as they were not cleared by Customs authorities so far (August 1982). No action was taken to despatch the remaining equipments for repair as stipulated earlier by the supplier. Consequently 24 receivers procured at a cost of Rs. 9.96 lakhs were largely unutilised since their receipt in June/July 1977. In addition, the Department suffered a loss of potential revenue amounting to Rs. 2.90 lakhs which it would have earned during June 1974 to December 1981.

The Department stated (September 1982) that the two sets duly repaired were received back and were got cleared from Customs in July 1982, but one set was again found to be faulty, and that the balance 22 sets were being got repaired at site by asking the supplier to send his Engineers to India.

CHAPTER VII

LAND AND BUILDINGS

39. **Construction of staff quarters at Pankha Road.**—To meet the growing demand and solve the acute shortage of staff quarters in New Delhi, the Director General, Posts and Telegraphs (DGPT) conveyed administrative approval and expenditure sanction in July 1972 and February 1973 for purchase of land and construction of 144 Type I and 119 Type II quarters on plot No. 1 at Pankha Road in first phase and 133 Type I and 210 Type II quarters in the second phase at a total estimated cost of Rs. 118.60 lakhs and Rs. 81.19 lakhs respectively including overheads.

A test check of the accounts of the project by Audit (September 1981) disclosed the following:

Land.—The General Manager, Telephones, Delhi paid Rs. 87.89 lakhs (Rs. 51.59 lakhs in March 1969 and Rs. 36.30 lakhs in March 1970) to the Delhi Development Authority for the purchase of 29.6 acres of land at Pankha Road and 15 acres of land at Malviya Nagar. A sum of Rs. 64.01 lakhs was adjusted for 21.72 acres of land made available at Pankha Road and the land for Shadipur telephone exchange and Pankha Road telephone exchange in July 1970 and March 1975 respectively. The remaining amount of Rs. 23.88 lakhs remained unadjusted (June 1982) as no land had been made available to the Department which is paying a dividend of Rs. 1.67 lakhs per annum to the General Revenues (at 7 per cent) for an asset which is not in its possession.

Building work.—The Executive Engineer P&T Civil Division-II, Delhi, accepted (February 1977) the tenders of Contractor 'A' for Rs. 28.29 lakhs for construction of 144 Type I quarters and Rs. 31.12 lakhs for 119 Type II quarters in Phase I. The tender of the same contractor was accepted (November 1978) for Rs. 87.19 lakhs for construction of 133 Type I and 210 Type II quarters in Phase II. The works in Phase I and II were to be completed by February 1978 and August 1980 respectively. The Executive Engineer who assessed the position of the work in September 1981 mentioned in his report that the progress of work for the last 10 months was negligible and the contractor had obviously no intention to proceed with the work. The contract was eventually rescinded in March 1982 and re-measurements of the work done to settle the contractor's account showed that the Department had paid Rs. 3.20 lakhs for work not executed by the contractor.

Secured Advances.—According to departmental rules secured advances are to be paid to the contractors on the recommendation of the officer-in-charge of the work on the security of the material brought to the site, but in disregard of the rules secured advances to the tune of Rs. 0.75 lakh were granted in respect of material not available at site and the amount is yet to be recovered (October 1982).

Excessive issue of steel and cement.—An examination of the steel and cement accounts had revealed that 28.164 Metric Tonnes (MT) of mild steel, 268.803 MT of tor steel and 448.58 MT of cement were issued to the contractor in excess of the actual requirement. The cost of the material issued in excess and recoverable at double the issue rates as per provisions of the agreement works out to Rs. 10.40 lakhs.

Loss of potential revenue.—Non-completion of the construction of quarters planned in Phase I and II by the stipulated period *viz.*, February 1978 and August 1980 not only caused the Department potential loss of revenue of Rs. 4.61 lakhs in the shape of licence fee from prospective occupants up to September 1981 but also avoidable expenditure of Rs. 7.20 lakhs up to September 1981 on account of payment of house rent allowance to the staff.

Further the delay in the completion of the quarters had delayed the installation of the fans purchased at a cost of Rs. 1.08 lakhs resulting in blockage of capital.

Summing up.—

— The Department has not obtained possession of the land for which a sum of Rs. 23.88 lakhs was paid as early as March 1970;

— a sum of Rs. 3.20 lakhs had been paid for work which had not been executed.

— material worth Rs. 0.75 lakh for which the contractor had obtained secured advances was not available at site.

— an amount of Rs. 10.40 lakhs due to excessive issue of cement and steel is still outstanding against the contractor; and

— the delay in completion of the quarters resulted in loss of revenue on account of licence fee of Rs. 4.61 lakhs (up to September 1981). In addition the Department could have saved a sum of Rs. 7.20 lakhs (up to September 1981) on account of payment of house rent allowance to the staff.

The Department stated (September 1982) that they were seized of the problem regarding secured advances and excess issue of steel and cement and the matter was under investigation from the vigilance point of view.

40. **Extension of Lodhi Road Post Office Building.**—The Director General, Posts and Telegraphs (DGPT) sanctioned (January 1969) a project estimate for extension of two wings of Lodhi Road Post Office building at a cost of Rs. 6.27 lakhs. The work could not be taken up due to some technical difficulties regarding vertical extension and the general ban (August 1973) on construction of postal buildings. Subsequently a revised estimate was prepared (July 1977) at a cost of Rs. 10.15 lakhs by the Superintending Engineer (SE) Civil Circle Delhi. The case was processed (1977) on the authority of the original sanction *i.e.*, without obtaining revised sanction of the competent authority and the building work awarded to the successful

tenderer (December 1977) at his tendered cost of Rs. 7.40 lakhs, which was 17 per cent above the estimated cost of Rs. 6.32 lakhs put to tender for the building portion of the work.

In January 1978 the Post Master General (PMG) Delhi informed the SE that with the passage of time the position had changed and requested (February 1978) revision of estimate, providing for the portion relating to the post office on the right side alone. The contractor was accordingly asked to arrange for the construction of the right wing of the building only. This work was completed in April 1979 at a cost of Rs. 5.15 lakhs.

Since accommodation in the building was even then felt to be short of the requirements of the post office, the PMG took a decision (July 1979) for the extension of the building on the left side also. An estimate for the purpose was sanctioned in September 1980 at a cost of Rs. 8.02 lakhs. The building work was awarded to a tenderer at a cost of Rs. 6.08 lakhs which was 41.68 per cent above the estimated cost of Rs. 4.29 lakhs. The work is still in progress and expenditure of Rs. 3.82 lakhs has so far been incurred (June 1982).

In accordance with the initial agreement, the work of extension of the post office building on both the sides as originally planned was to cost Rs. 7.40 lakhs. By splitting the work and taking it up in 2 phases separately (right wing in 1978 and the left wing in 1981) the actual cost of the work had gone up to Rs. 8.97 lakhs (June 1982) resulting in extra expenditure to the Department amounting to Rs. 1.57 lakhs which would go up further with the completion of work on the left wing now in progress.

41. **Avoidable expenditure in construction of staff quarters.**—For construction of 63 staff quarters at Aurangabad, the General Manager, Telecommunications (GMT) Maharashtra Circle accorded administrative approval and expenditure sanction in February 1979 (Estimated cost : Rs. 22.20 lakhs). The Superintending Engineer (SE) technically sanctioned the detailed

estimates in April 1979 for Rs. 14.21 lakhs. The drawings for the work were got approved by the Municipal Committee in October 1979. Notice inviting tenders (NIT) was issued (November 1979) for an estimated cost of Rs. 9.94 lakhs with scheduled period of completion as 15 months. A single tender for Rs. 19.79 lakhs was received and was recommended for acceptance in February 1980 on the ground that it was reasonable as per State Public Works Department rates.

Posts & Telegraphs Civil Division found (February 1980) that the budgetary provision was omitted to be made either in the Revised estimates for 1979-80 or Budget estimates for 1980-81. The GMT Maharashtra Circle also failed to ensure the requisite budgetary provisions and expressed his inability (February 1980) to allot funds unless the work was included as a budgetted work. Efforts were made by SE Civil Circle II (P&T) Bombay (March 1980) either to get the work included in the demands for grants for 1980-81 or to obtain clearance from Director General, Posts & Telegraphs (DGPT) for considering this as non-budgetted work but with no success. The SE again stressed (May 1980) the need for including the work as "non-budgetted" work for 1980-81 as a special case since the validity of tender was extended up to 30th June 1980 and the rates would go up considerably if tenders were recalled. The Director General did not consider the reasons advanced by GMT, Maharashtra as tenable and still sanctioned the work as "non-budgetted" one in October 1980 to be taken up on approval of Supplementary Demands for grants but the validity period had already expired in June 1980. In November 1980, it was decided to call fresh tenders. In July 1981 tenders were re-invited and the work was awarded to the lowest tenderer at a cost of Rs. 25.63 lakhs *i.e.* Rs. 5.84 lakhs more than the earlier tendered cost of Rs. 19.79 lakhs.

Due to failure to include the housing project in the capital works programme for 1979-80 or even 1980-81 and make the requisite budgetary provision, the Department was put to an avoidable expenditure of Rs. 5.84 lakhs besides delaying the facility of quarters to the staff.

42. **Construction of staff quarters at Salt Lake, Calcutta.**—The Director General, Posts and Telegraphs (DGPT) sanctioned an estimate (January 1973) for construction of 564 staff quarters (264 Type I, 276 Type II and 24 Type III) at Salt Lake, Calcutta at an estimated cost of Rs. 166.27 lakhs excluding the cost of land (Rs. 70.10 lakhs) which had been sanctioned in November 1970.

Land measuring 22.72 acres was acquired (May 1973) at a cost of Rs. 68.75 lakhs on lease basis from the Government of West Bengal. The construction work could not be commenced due to imposition of ban (August 1973) on the construction of non-functional buildings. The ban for Type I and II quarters was lifted in July 1975 and for Type III in July 1977, in view of the low availability of staff quarters and the urgent need to provide them.

The revised preliminary estimate was prepared in April 1976 and was sanctioned in April 1977 for Rs. 248.56 lakhs (Building Rs. 230.59 lakhs and Electrical installations Rs. 17.97 lakhs) to be completed within 26 months.

The Department took 42 months (June 1976—December 1979) to complete the Type I and Type II quarters as detailed below, and did not construct the 24 Type III quarters at all.

Name of work	Month of issue of work order	Stipulated month of completion	Actual month of completion	Delay	Amount of compensation levied on contractor for delay on his part
1	2	3	4	5	6
Pile foundation	June 1976	December 1976	July 1977	7 months	Rs. 100
Pile foundation for Type-II quarters.	June 1976	January 1977	December 1977	11 months	Rs. 100
Superstructure for Type-I quarters.	August 1977	January 1979	August 1979	7 months	NIL
Superstructure for Type-II quarters.	October 1977	February 1979	September 1979	7 months	Rs. 100
Overhead tank of 75,000 gallons capacity.	October 1978	March 1979	March 1980	13 months	Rs. 768 (Functionally completed in November 1979 and fully completed in March 1980).

Although the due date of completion of Type I and II quarters was January 1979/February 1979, application for supply of electricity was made to the West Bengal State Electricity Board (WBSEB) only in February 1978 and the service connection charges of Rs. 8.09 lakhs were deposited in December 1978. Detailed plans were supplied to WBSEB in June 1978 and land for construction of sub-station was made available only in January 1979. Power supply was given by the WBSEB in December 1979 including service connections to the water supply pumps which had already been installed by October 1979. There was thus delay of 11 to 10 months in providing power supply to the quarters. For service connection to individual quarters, the respective allottees were required to apply to WBSEB direct.

The number of quarters allocable to various heads of circles in Calcutta were finalised only in February 1980 and allotment to respective staff was completed in June 1980 for Type I and in October 1981 for Type II quarters, despite the fact that all the Type I and II quarters were ready for allotment in December 1979.

The quarters remained unoccupied for periods ranging from 1 to 22 months mainly due to lack of co-ordination and proper planning in the Department, despite the urgent need to provide quarters to staff which prompted construction in 1975. The delay in occupation of quarters not only caused loss of revenue to the Department, to the extent of Rs. 1.40 lakhs on account of non-recovery of licence fee but also necessitated avoidable expenditure on payment of house rent allowance to the extent of Rs. 2.03 lakhs.

The actual expenditure on the whole project including overheads upto March 1980 alone was Rs. 291.61 lakhs against the sanctioned amount of Rs. 248.56 lakhs although Type III quarters were not constructed at all.

Service charges were recovered from the allottees on adhoc basis at the rate of 1 per cent of their basic pay which worked out to Rs. 2.25 and Rs. 3.80 per month on the basis of average pay whereas from the same category of employees and for the same Type of quarters, it was being recovered at the rate of Rs. 11.65 and Rs. 14.05 per month respectively in an adjoining locality of Ultadanga in Calcutta. Neither the rationale behind fixation of service charges at the rate of 1 per cent of basic pay of allottees nor actual amount payable to the civic authorities towards the service charges was furnished by the Department and as such amount of short recovery on this account could not be worked out.

The Department stated (March 1982) that the quarters could not be allotted just after completion as there was no power supply and finally quarters had to be allotted to the staff from March 1980 onwards without power connection due to non-availability of power meters and service charges were recovered on adhoc basis.

43. **Special repairs to the terrace of a Telecommunication Building.**—A 3-storeyed telecommunication exchange building was constructed by the Civil Wing of the Posts and Telegraphs Department at Belgaum and was taken over by the Divisional Engineer, Telegraphs (DET) Hubli, in stages between January 1969 and July 1970. The work of providing heat insulation and water proofing treatment was executed (estimated cost : Rs. 0.25 lakh) by firm 'A' under an agreement executed in July 1969. The firm guaranteed (July 1970) the structure to be water and leak proof for a period of 8 years with the stipulation that it would not be responsible for leakage caused by earthquake, structural defects or by misuse of roof. During the period of guarantee, the firm agreed to make good all defects affecting water proofing at its cost.

The work of erecting the air-conditioning plant in the building was entrusted to firm 'B' through Director General, Supplies and Disposals (DGSD) in July 1968. The terrace portion of the technical block of the building (third floor) was taken over by firm 'B' in May 1970 for installation of air-conditioning plant, and it agreed to make good any damage to the terrace caused during installation of air-conditioning plant. The Civil Division of the P&T Engineering brought to the notice (July 1970) of the DET, that firm 'B' had cut open the water proofing treatment and thermal insulation for installing a cooling tower on the terrace of the technical block of the building. It was also pointed out to the DET that necessary repairs to the water proofing treatment may be got done by firm 'B' to the satisfaction of firm 'A' and any delay would lead to damage to the other portion of the technical block. The DGPT also asked firm 'B' (August 1970) to make good the damages early. Firm 'B' agreed and informed the Department that repairs would be carried out by firm 'A' itself on payment by firm 'B'. The matter was not pursued thereafter with the result that the damages done to the water proofing remained unattended till July 1979.

There had been a series of complaints starting towards the end of July 1970 about leakage of rain water from the ceiling. There were also complaints that the bathrooms were getting flooded due to leaks in pipeline joints. Water pipes embedded in the walls were stated to be leaking and discolouring the interior walls. While the Civil Division attributed the leakages to poor maintenance by the DET like not periodically cleaning the terraces and checking growth of plants on terrace, the DET felt that there should be some other reasons as water flooding took place not only in rainy season but during summer and winter as well. The Superintending Engineer reported to the General Manager, Telecommunication, Bangalore (September 1978) that "the tarfelt layers which had been laid on the terrace for water-proofing purposes had been punctured at places while installing the cooling tower and connected units for the air-conditioning in this building, the rain water has seeped through these points and consequently leakages have occurred". Thereafter, administrative approval and expenditure sanction for Rs. 1.08 lakhs was accorded by the General Manager, Telecom, Karnataka, (February 1979) for special repairs to the terrace of the Telecommunication building. The work was entrusted (July 1979) to a single tenderer, who responded to the notice inviting tenders for Rs. 1.06 lakhs to be completed within 3 months. The work was actually completed in January 1981 after a delay of 15 months at a cost of Rs. 1.01 lakhs.

Though the leakages in the building were noticed by the Department as early as 1970 no action was taken by it to recover the cost from firm 'B' till December 1981 by which time the guarantee period for water proofing had expired.

The Department stated (August 1982) that the question of recovery from firm 'B' of amount spent on special repairs to the terrace taken up in December 1981 with the DGSD was being vigorously pursued.

CHAPTER VIII
OTHER TOPICS

44. **Loss in advertisement receipts.**—According to departmental instructions, no reserve rates are fixed for "special position" advertisements in the front cover, outside backcover and spine of the Telephone Directory, while in respect of other "position", the successful tenderer is to obtain advertisements at or above certain specified rate fixed by the Department. Further, the advertising agent has to supply laminated art carton box or box board duly printed for use as cover front, back, spine at his own cost containing both departmental and other advertisements. The departmental instructions specifically require that the advertisers would quote their rates taking into account the cost of materials to be supplied by them. The General Manager, Telephones (GMT) Bangalore while appointing agents (May 1977) for securing advertisements for telephone directory of Bangalore Telephone District, (English Language) for 2 issues commencing with directory due for publication in March 1977, omitted to incorporate the provision about cost of material, etc. in the relevant agreement entered into with firm 'A'. The firm disputed the claim of the Department for gross revenue from "special position" advertisements and pressed successfully for exclusion therefrom the firm's expenses towards the supply of front and back covers and spine. GMT Bangalore allowed (March 1980) a deduction of Rs. 1.16 lakhs from the gross collections on this account for the 2 issues of 1977 and 1979 before computing the departmental share and the firm's commission. Besides, a further reduction from gross revenue was conceded on account of commission charges paid by the firm for the procurement of advertisements on the firm's plea that the agreement did not prevent such payments and the revenue collected after deduction of commission charges was also not less than the minimum reserve rates. This worked out to Rs. 0.32 lakh for the 2 issues. Since the agreement did not clearly spell out the definition of "Gross Revenue", the Department lost for 2 issues of Directory in 1977 and 1979 its share to

the tune of Rs. 0.89 lakh, representing 60 per cent of Rs. 1.48 lakhs on account of the reduction allowed in the gross revenue.

The Department stated (September 1982) that the GMT Bangalore was being instructed to recover the amount of Rs. 0.89 lakh.

45. **Loss of recovered copper wire.**—According to departmental instructions (December 1974) copper wire scrap recovered, as a result of replacement of copper wire by copper weld wire or ACSR (Aluminium conductor steel reinforced) wire was required to be sent to the nearest main/retail store depot for further disposal. 6581 Kg. of (300 lbs.) recovered copper had been lying in the store of Sub-Divisional Officer (SDO), Telephone, Dehra Dun since April 1972, and was not sent to Controller of Telegraphs Store, Calcutta (CTS) in spite of being pointed out by Audit a number of times.

In October 1980, when the store line-man holding the charge of sub-divisional stores from 1969 was handing over charge of stock to another line-man, shortage of 3478 Kg. of recovered copper wire valuing Rs. 0.80 lakh was noticed on 30th October 1980. The loss was reported to the Police on the same day and criminal proceedings against the line-man have been launched. It was seen in audit that :—

(*i*) Though the departmental rules provide that an immediate report of such losses should be sent to Audit no such report was sent. The Divisional Engineer Telecommunication, Dehra Dun stated (August 1981) that report to Audit was not sent due to oversight.

(*ii*) Physical verification of stock of the copper wire in question was not conducted annually by the Sub-Divisional Officer during April 1972 to September 1980.

(*iii*) From April 1972 onward, out of 6581 Kg. of recovered copper wire, only 10 Kg. was locally utilised and balance quantity of 3092 Kg. was still lying in stock (August 1981). No action has so far been taken to send this recovered copper wire to CTS.

The Department while accepting the facts stated (September 1982) that fresh instructions have been issued by the General

Manager, Telecommunication, UP Circle, Lucknow to despatch recovered copper wire to store depots, physically verify the stock every year and report the cases of losses to audit as well.

46. **Excess provision of transformers at telephone exchange in Madras Telephone District.**—At Anna Salai Telephone Exchange in Madras Telephone District, two transformers of 500 KVA each were working with a contracted High Tension supply of 510 KVA. To meet the demand of additional load, assessed at 1900 KVA, on account of expansion of the Postmaster General's office with two additional floors and installation of the outgoing Trunk exchange, the General Manager, Madras Telephones, proposed (March 1976) replacement of the existing 500 KVA transformers by two 1000 KVA transformers.

While scrutinising the proposal from the technical angle, the Executive Engineer (Electrical, P&T) opined (July 1976) that instead of replacement of the existing transformers by two 1000 KVA transformers at a cost of Rs. 4.43 lakhs, installation of a third 500 KVA transformer in addition to the existing two of the same capacity at an estimated cost of Rs. 1.88 lakhs would suffice as the future demands would be only 1500 KVA.

The General Manager, Telephones (GMT), however, held the view that though the load of 1500 KVA was adequate for the present as well as for distant future expansion, installation of two transformers of 1000 KVA (estimated cost :-of Rs. 4.43 lakhs) would be necessary as in the event of failure of any one of the transformers "the entire load including the old Mount Road exchange as well as the PMG's office cannot be put on with the capacity of an additional 500 KVA transformer". The justification given was not correct since with three transformers of 500 KVA each, two transformers with a total capacity of 1000 KVA would still be available in the event of failure of one and even with 2 transformers of 1000 KVA capacity each, the capacity available viz., 1000 KVA, would be the same if one of the two goes out of order. Nevertheless, installation of 2 transformers of 1000 KVA each was sanctioned (December 1977) at an estimated cost of Rs. 4.43 lakhs and the same were installed in June 1979 at a cost of Rs. 4.30 lakhs.

The actual consumption was around 800 KVA till August 1982. The installation of two 1000 KVA transformers cost the Department an extra expenditure of Rs. 2.42 lakhs.

The Department stated (August 1982) that the actual consumption of electric energy had not come up to the expected capacity and the reasons for this were being looked into.

47. **Working of Postal Stock Depot, Bhubaneswar.**—The Postal Stock Depot (PSD), Bhubaneswar held 2,44,242 metres Khadi cloth of different types of a total value of Rs. 14.06 lakhs in stock on 31st of March 1981. The PSD received further quantity of cloth of the value of Rs. 5.44 lakhs during the year 1981-82. In all, the PSD had in stock cloth worth Rs. 19.50 lakhs during the year 1981-82. The requirement of different varieties of cloth for the year 1981-82 was of the order of Rs. 6.70 lakhs only resulting in excess stock to the extent of Rs. 12.80 lakhs. The stock had accumulated because of inaccurate assessment of requirements. The Department stated (November 1981) that arrangements were being made to dispose of the surplus cloth and that Railways and other Government departments had been addressed in this connection. The Director General, Supplies & Disposals, had also been requested to help the Department in disposing of the surplus Khadi cloth. The excess Khadi cloth has yet to be disposed of (July 1982).

L P Khanna

Delhi
The 7 JAN 1983

(L. P. KHANNA)
Director of Audit
Posts and Telegraph

Countersigned

G Prakash

New Delhi
The 11 JAN 1983

(GIAN PRAKASH)
Comptroller and Auditor General
of India

APPENDIX I

(Referred to in Paragraph 6 at pages 10—15)

(*a*) Year-wise analysis of telephone revenue in arrears on 1st April 1982 for the bills issued up to 31st December 1981 :

Year	Amount (Lakhs of rupees)
Upto 1974-75	176.91
1975-76	51.88
1976-77	96.50
1977-78	144.30
1978-79	150.37
1979-80	209.40
1980-81	292.32
1981-82 (Upto December 1981)	579.67
TOTAL	1701.35

(*b*) Year-wise analysis of telephone revenue exceeding Rs. 5,000 in arrears on 1st April 1982 for bills issued up to 31st December 1981 :

Year	Amount (Lakhs of rupees)
Upto 1974-75	11.14
1975-76	2.98
1976-77	4.93
1977-78	6.62
1978-79	8.48
1979-80	13.93
1980-81	21.02
1981-82 (Upto December 1981)	34.02
TOTAL	103.12*

*This does not include figures in respect of Calcutta, West Bangal, North East, Gauhati, Agra, Bombay Madras Telecommunication Circles/ Telephone Districts.

(c) Year-wise analysis of telephone revenue written off during 1981-82 :

Year	Amount (Lakhs of rupees)
Upto 1974-75	3.22
1975-76	0.64
1976-77	0.78
1977-78	1.06
1978-79	1.03
1979-80	0.84
1980-81	0.67
1981-82	3.09
TOTAL	11.33*

*This does not include figures in respect of West Bengal, North East, Gauhati and Agra Telecommunication Circles/Telephone Districts.

APPENDIX II

(Referred to in paragraph 7 at page 15)

Year-wise analysis of arrears of rent of telegraph, telephone and teleprinter circuits and telex/intelex charges on 1st April 1982 for bills issued up to 31st December 1981.

Year	Rent of telegraph telephone and tele-printer circuits	Telex and intellex charges	Total
		(Lakhs of	rupees)
Upto 1976-77	26.23	18.32	44.55
1977-78	12.29	11.19	23.48
1978-79	20.45	16.72	37.17
1979-80	19.92	11.74	31.66
1980-81	60.60	18.57	79.17
1981-82	95.53	23.24	118.77
TOTAL	235.02	99.78	334.80

The above figures have been furnished by the Department and are subject to verification (November 1982).

APPENDIX III

(Referred to in paragraph 8 at pages 15-16)

Year-wise analysis of revenue of radio telegraph charges in arrears on 1st August 1982 for bills pertaining to the period up to 31st March 1981 :

Year	Amount (Lakhs of rupees)
1965-66	0.68
1966-67	0.43
1967-68	0.14
1968-69	0.81
1969-70	0.01
1970-71	0.21
1971-72	0.08
1972-73	0.01
1973-74	0.43
1974-75	0.11
1975-76	1.95
1976-77	3.16
1977-78	2.84
1978-79	2.70
1979-80	3.21
1980-81	11.95
TOTAL	28.72

MGIPRRND—TSS-II—S.12 C&AG-82—29-12-82—1460