सत्यमेव जयते

REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR

THE YEAR 1980-81

UNION GOVERNMENT (POSTS AND TELEGRAPHS)

ERRATA

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381 382	6 against Columns 12 and 15	Actual	Annual
384	Column 2 of Table—against 1972-73	269127	369127
387	Column 2—item 2—7th line	power supply	power supply,
387	Column 5—item 3(i) and (ii)	Steep rise in cost of building materials, labour charges and air-conditioning and electrical sub-system. Original estimate was of ad-hoc nature.	Steep rise in cost of building materials, labour charges and air-conditioning and electrical sub-system. Original estimate was of ad-hoc nature.
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COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR

THE YEAR 1980-81

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 1980-81 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 1980-81 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 1980-81 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 1

GENERAL

1. **Revenue position**.—The total revenue receipts of the Posts and Telegraphs Department as budgeted for and realised during the five years ending 1980-81 are given below :—

Year	Budget estimate	Actuals	Variation	Percentage of variation
	(Crores of rupees)			
1976-77	648.31	619.27	—29.04	—4.5
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

The revenue receipts during 1980-81 were Rs. 53.29 crores less than the estimates. The shortfall was mainly due to less receipts under the heads "Telegrams" and "Telephone revenue on account of rentals and local and trunk call fees, etc.". The budget estimates and the actual receipts under the main heads of revenue during 1980-81 are given below :

Main heads of revenue	1980-81 Budget estimates	Actuals	Variation
	(Crores of rupees)		
(*i*) Sale of ordinary stamps (including post cards)	162.50	156.65	—5.85
(*ii*) Sale of service stamps	30.00	25.36	—4.64
(*iii*) Postage realised in cash	37.00	40.37	+3.37
(*iv*) Commission on money orders, postal orders, etc.	32.00	30.84	—1.16
(*v*) Telegrams	63.00	46.38	—16.62
(*vi*) Telex	49.00	60.02	+11.02
(*vii*) Rent of wires, circuits and instruments leased to railways, canals, etc.	14.00	20.54	+6.54
(*viii*) Telephone revenue on account of rentals and local and trunk call fees, etc.	586.50	540.11	—46.39
(*ix*) Other receipts (Net)	—10.70	—10.26	+0.44
TOTAL	963.30	910.01	—53.29

2. The growth of revenue during five years ended with 1980-81 is indicated below :

Main heads of revenue	1976-77	1977-78	1978-79	1979-80	1980-81	Increase/Decrease in 1980-81 as compared to 1976-77	
						Amount	Percentage
1	2	3	4	5	6	7	8
			(Crores of rupees)				
(*i*) Sale of ordinary stamps	113.18	118.20	137.67	146.52	156.65	43.47	38.4
(*ii*) Sale of service stamps	22.48	21.87	24.95	27.49	25.36	2.88	12.8
(*iii*) Postage realised in cash	25.91	26.29	30.99	35.54	40.37	14.46	55.8
(*iv*) Receipts on account of money orders and postal orders including forfeited money orders	25.39	31.24	26.56	26.14	(A) 31.41	6.02	23.7
(*v*) Telegrams	43.26	48.68	48.15	59.62	46.38	3.12	7.2
(*vi*) Telex	29.97	29.98	43.07	47.37	60.02	30.05	100.3
(*vii*) Rent of wires, circuits and instruments leased to railways, canals, etc.	12.41	10.76	15.68	10.42	20.54	8.13	65.5
(*viii*) Telephone revenue on account of rentals and local and trunk call fees, etc.	350.35	391.66	432.06	491.14	540.11	189.76	54.2
(*ix*) Other receipts (Net) excluding forfeited money orders	—3.68	—10.49	3.70	—9.19	(B) —10.83	—7.15	194.3
TOTAL	619.27	668.19	762.83	835.05	910.01	290.67	46.9

(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 towards inflationary element) during the five years ended with 1980-81 is indicated below :

Year	Revenue	Expenditure	Percentage of expenditure to revenue
1	2	3	4
	(Crores of rupees)		
Postal Services			
1976-77	193.96	226.00	116.5
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
Telecommunication Services			
1976-77	425.31	293.64	69.0
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
Total (Department as a whole)			
1976-77	619.27	519.64	83.9
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

CHAPTER II

GENERAL RESULTS OF APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

4. **General.**—The following table compares the expenditure during 1980-81 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*	*1.50*	*Nil*	*1.50*	*100.0*
Voted : Original	14,97,84.73	15,37,39.77	13,25,07.40	2,12,32.37	13.8
Supplementary	39,55.04				

The saving of Rs. 2,12,32.37 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
			(Lahhs of rupees)		
17—Posts and Telegraphs Working Expenses	8,65,59.54	8,85,09.21	+19,49.67	2.3	Nil
18—Posts and Telegraphs Dividend to General Revenues, Appropriation to Reserve Funds and Repayment of Loans from General Revenues	2,20,21.44	88,88.94	—1,31,32.50	59.6	10,43.92
19—Capital Outlay on Posts and Telegraphs	4,51,58.79	3,51,09.25	—1,00,49.54	22.3	1,01,17.20

The saving of Rs. 1,31,32.50 lakhs under Grant No. 18—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 :

(i) Appropriation to Posts and Telegraphs Capital Reserve Fund (provision Rs. 1,83,00 lakhs ; expenditure Rs. 52,00 lakhs ; saving 71.6 per cent) ;

(ii) Appropriation to Posts and Telegraphs Revenue Reserve Fund (provision Rs. 1.62 lakhs ; expenditure Rs. 42 lakhs ; saving 74.1 per cent).

The above savings were partly offset by excess as under :

Dividend to General Revenues (provision Rs. 35.60 lakhs ; expenditure Rs. 36,47 lakhs ; excess 2.4 per cent).

As explained in the Appropriation Accounts, savings were mainly due to less surplus consequent on short-fall in anticipated revenue and more expenditure than anticipated.

The saving of Rs. 1,00,49.54 lakhs under Grant No. 19-Capital Outlay on Posts and Telegraphs was mainly due to less expenditure under :

(i) Telegraph Systems (provision Rs. 7,70 lakhs ; expenditure Rs. 6,17 lakhs ; saving 19.9 per cent) ;

(ii) Local Telephone Systems (provision Rs. 2,15,64 lakhs ; expenditure Rs. 1,50, 96 lakhs ; saving 30.0 per cent) ;

(iii) Long Distance Switching Systems (provision Rs. 16,05 lakhs ; expenditure Rs. 14,37 lakhs ; saving 10.5 per cent) ;

(iv) Transmission Systems (provision Rs. 1,30,02 lakhs ; expenditure Rs. 75,25 lakhs ; saving 42.1 per cent) ;

(v) Ancillary Systems (provision Rs. 15,10 lakhs ; expenditure Rs. 3,93 lakhs ; saving 74.0 per cent) ;

(vi) Other Land and Building (provision Rs. 10,00 lakhs ; expenditure Rs. 8,92 lakhs ; saving 10.8 per cent).

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

(i) Administrative Offices (provision Rs. 50 lakhs ; expenditure Rs. 1,88 lakhs ; excess 276.0 per cent) ;

(ii) Post Offices (provision Rs. 3,22 lakhs ; expenditure Rs. 9,93 lakhs ; excess 208.4 per cent) ;

(iii) Staff Quarters (provision Rs. 2,50 lakhs ; expenditure Rs. 3,72 lakhs ; excess 48.8 per cent) ; and

(iv) General (provision Rs. 50,86 lakhs ; expenditure Rs. 75,96 lakhs ; excess 49.4 per cent).

Reasons for savings have been explained in the Appropriation Accounts mainly as due to less receipt of equipment, slow progress in construction of buildings, etc.

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

	Grant Rs.	Expenditure Rs.	Excess Rs.
17—Posts and Telegraphs Working Expenses	8,65,59,54,000	8,85,09,20,591	19,49,66,591

The excess occurred despite a supplementary grant of Rs. 39,55,00,000 obtained in December 1980. The excess of Rs. 19,50 lakhs was mainly due to more expenditure under :—

POSTAL

(i) Control and Supervision (provision Rs. 18,94 lakhs ; expenditure Rs. 23,92 lakhs ; excess 26.3 per cent) ;

(ii) Mail Sorting (provision Rs. 41,25 lakhs ; expenditure Rs. 49,30 lakhs ; excess 19.5 per cent) ;

(iii) Conveyance of Mails (provision Rs. 43,98 lakhs ; expenditure Rs. 49,55 lakhs ; excess 12.7 per cent) ;

(iv) Banking and Life Insurance (provision Rs. 9,34 lakhs ; expenditure Rs. 10,68 lakhs ; excess 14.3 per cent) ;

(v) Other services (provision Rs. 1,96 lakhs ; expenditure Rs. 2,17 lakhs ; excess 10.7 per cent) ;

(vi) Audit (provision Rs. 75 lakhs ; expenditure Rs. 84 lakhs ; excess 12.0 per cent) ;

(vii) Maintenance (provision Rs. 3,44 lakhs ; expenditure Rs. 6,05 lakhs ; excess 75.9 per cent) ;

(viii) Petty works (provision Rs. 22 lakhs ; expenditure Rs. 56 lakhs ; excess 154.5 per cent) ;

(ix) Commuted value of pension (provision Rs. 2,05 lakhs ; expenditure Rs. 4,11 lakhs ; excess 100.4 per cent) ;

(x) Gratuities (provision Rs. 2,84 lakhs ; expenditure Rs. 4,52 lakhs ; excess 59.2 per cent) ;

(xi) Family Pension (provision Rs. 1,63 lakhs ; expenditure Rs. 2,54 lakhs ; excess 55.8 per cent) ;

(xii) Other Pension (provision Rs. 1 lakh ; expenditure Rs. 8 lakhs ; excess 700.0 per cent) ;

(xiii) Stationery and Forms Printing, Storage and Distribution (provision Rs. 6,56 lakhs ; expenditure Rs. 7,49 lakhs ; excess 14.2 per cent) ;

TELECOMMUNICATION

(xiv) Direction and Administration (provision Rs. 2,01 lakhs ; expenditure Rs. 2,23 lakhs ; excess 10.9 per cent) ;

(xv) Construction (Engineering works) (provision Rs. 10,83 lakhs ; expenditure Rs. 12,46 lakhs ; excess 15.1 per cent) ;

(xvi) Commuted value of Pension (provision Rs. 2,65 lakhs ; expenditure Rs. 3,77 lakhs ; excess 42.3 per cent) ;

(xvii) Family Pension (provision Rs. 1,85 lakhs ; expenditure Rs. 2,29 lakhs ; excess 23.8 per cent).

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

POSTAL

(i) Post Offices (provision Rs. 1,85,48 lakhs ; expenditure Rs. 1,81,16 lakhs ; saving 2.3 per cent) ;

TELECOMMUNICATION

(ii) General Manager (Projects) (provision Rs. 43 lakhs ; expenditure Rs. nil ; saving 100.0 per cent) ;

(iii) Stores Accounting (provision Rs. 50 lakhs ; expenditure Rs. 45 lakhs ; saving 10.0 per cent) ;

(iv) Miscellaneous Expenditure (provision Rs. 35 lakhs ; expenditure Rs. 4,05 lakhs (minus) ; saving 1257.1 per cent) ;

(v) Technical and Development circle (provision Rs. 3,88 lakhs ; expenditure Rs. 1,96 lakhs ; saving 49.5 per cent) ; and

(vi) Superannuation and Retirement Allowances (provision Rs. 7,50 lakhs ; expenditure Rs. 6,26 lakhs ; saving 16.5 per cent).

Excesses as explained in the Appropriation Accounts occurred mainly due to opening of new Postal Divisions, shifting of offices, filling up of vacant posts, payment of instalments of Additional Dearness Allowance, adjustments of debits relating to previous years, more expenditure than estimated on overtime allowance, travel expenses, repairs and maintenance of Post Office buildings, overhauling of mail vans, petty works, etc., payment of more incentive money to development officers (Postal Life Insurance), receipt of more commutation, gratuities and family pension cases than anticipated, local purchase of more paper, printing of more forms and increase in freight and conveyance charges, etc.

CHAPTER III

REVENUE

6. **Arrears of telephone revenue.**—(i) For bills issued up to 31st March 1981, collection of Rs. 18.42 crores as telephone revenue was in arrears on 1st July 1981 as indicated below :

	(Crores of rupees)
Government subscribers	2.79
Other subscribers	15.63

Out of the total outstanding of Rs. 18.42 crores, Rs. 7.54 crores related to bills issued during 1980-81 and balance of Rs. 10.88 crores to bills issued up to and including 1979-80. The yearwise analysis of the arrears is given in Appendix I(a).

Out of the total arrears of Rs. 18.42 crores as on 1st July 1981, Rs. 489.87* lakhs pertained to claims of more than Rs. 5,000 as indicated below :

	(Lakhs of rupees)
1. Central Government subscribers	47.85
2. State Government subscribers	36.11
Central Public Sector Undertakings	0.06
State Public Sector Undertakings	0.06
5. Local Bodies	6.24
6. Other subscribers	399.55
TOTAL	489.87*

The yearwise analysis of Rs. 489.87 lakhs is given in Appendix I(b).

(ii) The percentage of the outstanding on 1st July 1981 to the total amount collected during the year ending with preceding

* This does not include figures in respect of Calcutta add Gauhati Telephone Districts.

March and the corresponding percentages in the three preceding years are given below :

Year	Amount collected	Percentage increase over previous year	Amount outstanding on Ist July 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)		
1977-78	3,98,58	7.4	12,05	38.3	3.0
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

(iii) The percentage of the outstanding to the amount billed (as on 1st July 1981) in respect of the bills issued during 1980-81 and the corresponding percentages in the three preceding years are given below :

Year	Amount billed	Amount outstanding on 1st July following out of the amount shown in column 2	Percentage of column 3 to 2
1	2	3	4
	(Lakhs of rupees)		
1977-78	4,01,82	4,29	1.1
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

(iv) A test-check in audit of telephone revenue accounts conducted during 1980-81 has shown several instances of short billing as well as failure to issue bills. Of 8105* cases (Rs. 42.47* lakhs) of short billing brought to the Department's notice, the Department had not realised (June 1981) the amounts short billed in 3678* cases (Rs. 15.47* lakhs) and out of 3678* cases, in 2308* cases (Rs. 11.69* lakhs) even bills had not been issued. The Department had also not issued (June 1981) bills in 1454* cases (Rs. 12.24* lakhs) out of 3953* cases (Rs. 28.41* lakhs) of failure to issue bills brought to the notice of the Department).

(v) Recovery of Rs. 54.00 lakhs was under litigation on 1st July 1981. The progressive position was as below :

	No.	Amount (Lakhs of rupees)
(*a*) Cases under litigation as on 1-7-1980	863	40.16
(*b*) Cases in which litigation proceedings were commenced during July 1980 to June 1981	306	21.33
(*c*) Cases decided during July 1980 to June 1981	260	7.49
(*d*) Cases decided out of (c) in favour of P & T Department	129	2.95
(*e*) Cases under litigation as on 1-7-1981	909	54.00

(vi) During 1980-81 the telephone revenue written off was Rs. 24.00 lakhs as indicated below :

Reasons	(Lakhs of rupees)
1. Whereabouts of the subscribers not known	11.34
2. Solvency of the subscribers not established	3.84
3. Closure of the subscribers firms, concerns, etc.	1.40
4. Death of subscribers	1.56
5. Relevant departmental files not available	0.40
6. Other reasons	5.46
TOTAL	24.00

* This does not include figures in respect of West Bengal and Madhya Pradesh Telecommunication Circles and Gauhati Telephone District.

The yearwise analysis of this amount is given in Appendix I(c).

(vii) Total equipped/optimum capacity of telephone connections at the end of the years 1977-78, 1978-79, 1979-80 and 1980-81 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)	
1977-78	20.18	19.29
1978-79	21.88	18.71
1979-80	23.32	20.14
1980-81	24.72	21.49

The above table would show that the equipped capacity was underutilised.

(viii) The amounts outstanding at the end of the years 1977-78, 1978-79, 1979-80 and 1980-81 in respect of metropolitan cities of Delhi, Calcutta, Madras and Bombay are given below :—

	1977-78	1978-79	1979-80	1980-81
			(Lakhs of rupees)	
1. Delhi	611.47	1155.57	1240.70	1188.18
2. Calcutta	552.30	345.69	629.29	492.42
3. Madras	86.58	62.58	72.93	73.12
4. Bombay	358.00	327.00	470.00	492.00

(ix) Complaints received regarding over-billing during the year 1980-81 were 89952*.

7. **Arrears of rent of telegraph, telephone and teleprinter circuits and telex Intelex charges.**—For bills issued up to 31st March 1981, collection of Rs. 352.90 lakhs as rent of telegraph, telephone and teleprinter circuits and telex/intelex charges

* This does not include figures in respect of 11 circles/districts out of 42 circles/districts.

was in arrears on 1st July 1981 (as against Rs. 352.76 lakhs as on 1st July 1980) as indicated below :

	(Lakhs of rupees)
Rent of telegraph, telephone and teleprinter circuits	234.04
Telex and intelex charges	118.86
TOTAL	352.90

Out of the total arrears of Rs. 352.90 lakhs, Rs. 149.72 lakhs related to bills issued during 1980-81 and the balance Rs. 203.18 lakhs to bills up to 1979-80. Yearwise 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.

A test-check in audit of the bills issued by the CAOTCO, Calcutta during October 1980 to December 1981 disclosed that there was delay of 6 to 10 months in issuing the bills, the amounts of which varied from Rs. 2.82 lakhs to Rs. 4.16 lakhs. In respect of bills pertaining to the period March 1981 onwards, the bills were yet (January 1982) to be completed. The Department stated (February 1982) that delay in the issue of bills was due to failure of power supply in Calcutta and the bills had since been issued upto the month of June 1981.

In paragraph 8 of the Report of the Comptroller and Auditor General of India (Posts and Telegraphs) for 1979-80, mention was made of arrears of revenue of radio telegraph charges to the extent of Rs. 58.22 lakhs as on 1st August 1980 for the bills pertaining to the period up to 31st October 1979. Out of this, Rs. 35.41 lakhs related to bills pertaining to the period up to 31st March 1979. It was further observed in audit that in respect of bills pertaining to the period up to 30th November 1980, claims to the extent of Rs. 63.20 lakhs were in arrears as on 1st August 1981. The Department stated (February 1982) that according to International Radio Regulatives (ITU Geneva), any accounting authority shall have the right to question contents of accounts within a period of 6 months after receipt of accounts. A further period of 6 months is also required in receipt of cheques through banks either in Pound Sterling or in U.S. Dollars and for encashment of the cheques.

For bills pertaining to the period up to 31st March 1980, claims to the extent of Rs. 37.30 lakhs were in arrears on 1st August 1981. Yearwise analysis of this amount is given in Appendix III. The Department stated (February 1982) that the total outstanding pertaining to bills issued up to March 1980 had been reduced to Rs. 26.33 lakhs.

Out of the arrears of Rs. 37.30 lakhs as on 1st August 1981, Rs. 9.81 lakhs pertained to claims of more than Rs. 1 lakh each against three foreign companies/administrations. The Department stated (February 1982) that the outstanding of over Rs. 1 lakh each against their parties had been reduced from Rs. 9.81 lakhs to Rs. 2.97 lakhs.

A comparative picture of the arrears on 1st August of second succeeding year for 1976-77 to 1979-80 and for 1980-81 (up to November 1980 only) 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 on 1st August of second succeeding year
				(lakhs of rupees)		
1	2	3	4	5	6	7
1976-77	44.70	30.43	75.13	23.49	51.64	15.80 (1-8-78)
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	100.74	27.69	82.05	37.30 (1-8-81)
1980-81	82.05	26.20 (upto November 1980)	108.25	30.02	78.23	(due on 1-8-82)

Out of Rs. 37.30 lakhs outstanding as on 1st August 1981, Rs. 18.28 lakhs pertained to 1979-80 and the balance Rs. 19.02 lakhs to earlier years.

9. Arrears of telegraph revenue

(A) *Inland press telegrams.*—Inland press telegrams are accepted in Telegraph Offices without prepayment from registered newspapers or news agencies under the Deposit Account System, when the charges are payable by the addressees of messages. 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 June 1980 to August 1981 pertaining to the period from June 1979 to March 1981 disclosed that there was delay of 4 to 14 months in issuing the bills, the amounts of which varied from Rs. 1.36 lakhs to Rs. 10.43 lakhs. The bills pertaining to the period April 1981 onwards, were yet (November 1981) to be completed. The Department stated (February 1982) that the delay in issue of bills was due to acute power crisis for the last 3 to 4 years in Calcutta and the bills upto the month of November 1981 had since been issued by 31st December 1981.

In paragraph 9(A) of the Report of the Comptroller and Auditor General of India (Posts and Telegraphs) for 1979-80, mention was made of arrears of revenue of telegraph charges in respect of inland press telegrams to the extent of Rs. 9.27 lakhs as on 1st September 1980 for the bills pertaining to the period up to 31st March 1979. Out of this, Rs. 0.80 lakh pertained the period up to 31st March 1979. A test-check in audit (November 1981), however, revealed that for bills pertaining to the period upto 31st March 1980, collection of Rs. 8.49 lakhs was in arrears as on 1st November 1981. Out of this Rs. 2.58 lakhs related to bills pertaining to the period 1966-67 to

1978-79. The Department stated (February 1982) that the outstanding revenue of press telegrames bills for bills issued upto 31st March 1980 had been reduced to Rs. 7.66 lakhs as on 1st January 1982.

(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 1979-80, mention was made of arrears of revenue of telegraph charges in respect of mobilisation telegrams to the extent of Rs. 85.10 lakhs on 1st August 1980 for the bills pertaining to the period up to March 1980. Out of this, Rs. 82.40 lakhs related to bills pertaining to the year 1979-80 and balance Rs. 2.70 lakhs to the years 1976-77 (Rs. 0.38 lakh), 1977-78 (Rs. 0.05 lakh) and 1978-79 (Rs. 2.27 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 the bills pertaining to the period up to March 1981, payment of Rs. 28.67 lakhs was in arrears as on 1st November 1981. Out of this, Rs. 24.51 lakhs related to bills pertaining to the year 1980-81 and the balance of Rs. 4.16 lakhs to the years 1976-77 (Rs. 0.34 lakh), 1977-78 (Rs. 0.05 lakh), 1978-79 (Rs. 0.66 lakhs) and 1979-80 (Rs. 3.11 lakhs). The Department stated (February 1982) that the amuont of outstanding for bills pertaining to the period upto 31st March 1981 had been reduced to Rs. 6.72 lakhs by 31st December 1981.

10. **Short-billing, non-billing etc. noticed by Audit.**—Ten cases of short-billing, non-billing, etc. (Rs. 14.94 lakhs) where recovery was yet to be made (December 1981) are mentioned below. Besides, there were 5 other such cases in which Rs. 4.49 lakhs had been recovered on being pointed out by audit.

Sl. No.	Name of Work	Audit observation in brief	Date of audit observation	Action taken by the Department
1	2	3	4	5
1.	Provision of a speech circuit between Nagrota and Awantipore (Jammu and Kashmir)	A speech circuit between Nagrota and Awantipore was handed over to the Defence authorities in December 1978, but no rent had been recovered till it was pointed out by Audit in April 1981 resulting in arrears of Rs. 1.11 lakhs.	April 1981	The Department stated (August 1981) that a bill for Rs. 1.04 lakhs was issued to the Defence authorities in May 1981.
2.	Provision of two pairs with new alignment between Sribijaynagar-Nanuwala Raisingh nagar for Army (Rajasthan)	The work of two pairs with new alignment between Sribijaynagar - Nanuwala Raisingh nagar was completed and handed over to the Army authorities in March 1978. Though the actual cost of work had exceeded the estimated cost, the rental had not been revised by the department as required under the rules resulting in short recovery of Rs. 0.93 lakh from March 1978 to June 1982.	September 1980	The department stated (October 1981) that a bill for the difference in rental amounting to Rs. 0.93 lakh had been sent to the Army authorities; the payment of the bill was awaited.
3.	Provision of two P. L. route from Military PABX Babina to Field Firing Range Babina	The work of two pairs P. L. route from Military PABX Babina to Field Firing Range Babina was completed and handed over to Army authorities in December 1978. Due to non-issue of bill for recovery of rental, Rs. 0.37 lakh remained unrealised for the period from December 1978 to December 1981.	October 1979	The Department stated (October 1981) that the bill claiming the rent from December 1978 to May 1982 had been sent to the Deputy Chief Signal Officer, Jabalpur and the case was being pursued vigorously for the recovery of the dues.

1	2	3	4	5
4.	Provision of 9 Magneto Switch Boards at different stations in North West Circle.	9 Magneto switch Boards were provided to the canal authorities at different stations. The rental of these boards was to be charged on the basis of flat rental fixed for switch boards of PBXs. By mistake, they were taken as instruments to be charged rental at the rate of Rs. 18 per annum each resulting in a loss of Rs. 0.56 lakh for the period from December 1968 to March 1980	June 1979	The Department had stated (November 1980) that instructions for issue of revised bills to the canal unit and pursuance of the matter for speedy realisation were issued. However, the recovery had not been effected so far (July 1981).
5.	(a) Installation of 200-line PABX at Baramulla (Jammu & Kashmir) (b) Installation of 200-line PABX at Srinagar	The works at Baramulla and Srinagar were completed and handed over to the Army authorities in June 1976 and in December 1977 respectively. Though the expenditure had increased by more than 10 per cent, the rental was not revised on the basis of actual expenditure resulting in short realisation of Rs. 0.53 lakh.	April 1980	The Department stated (August 1981) that as soon as the actual cost was known the difference between the rentals calculated on actual cost plus 15 per cent thereof would be recovered from the Army.
6.	Expansion of 200-line PABX to 300-line and laying of underground cable.	The underground cables were laid and handed over to the Army authorities in December 1979. Rental on capital cost basis being higher than the flat rate was quoted to the Army authorities and was accepted by them. Later it was found that the rental calculated on flat rate basis was higher than the capital cost	March 1980	No action to recover the amount of Rs. 1.84 lakhs had been taken.

	basis. Due to incorrect fixation of rent, the Department could not revise the rental consequent upon upward revision of Telephone tariffs on flat rate basis with effect from March 1976 resulting in short realisation of rental to the extent of Rs. 1.84 lakhs from December 1979 to November 1981.		
. Installation of 200-line Switch Board for Army PABX at Rajouri.	The facility of 200-line switch board was provided to the Army authorities in October 1973 at an annual rental of Rs. 0.57 lakh with a guarantee period of 3 years. Instead of charging rental on capital cost basis after the expiry of guarantee period, the Department continued to recover the rental on flat rate basis resulting in short realisation of Rs.0.69 lakh from October 1976 to October 1980.	March 1980	The Department stated (August 1981) that the amount short recovered had been billed for and that the case was being pursued with Army authorities for obtaining early payment.
8. Provision of 300-line exchange at Leh for the Army authorities.	The work of laying underground cable for 300-line exchange was completed and handed over to the Army authorities in December 1971. The non-issue of advice note to Telephone Revenue Accounts unit for charging the rental resulted in non-realisation of dues to the extent of Rs. 6.26 lakhs from December 1971 to November 1981.	October 1980	The Department stated (December 1981) that out of total amount of Rs. 6.26 lakhs, the Army authorities had paid Rs. 1.87 lakhs and that efforts were being made to recover the balances.

1	2	3	4	5
9.	Provision of one speech and telegraph circuit between Gorakhpur and Raxual via Motihari	As there was no permanent line between Motihari and Raxual, the demand of Army authorities for one speech circuit could not be fulfilled. The demand was therefore, cancelled in March 1966. Meanwhile, another demand was placed for erecting two pairs of lines between Motihari and Raxual. This work was completed in March 1967, but the lines were not handed over to the Army authorities in view of cancellation made in March 1966. On the matter being taken up by the DGPT, the Army authorities clarified (January 1971) that their demand of January 1964 was not cancelled by them. The line was handed over in September 1971. This resulted in a loss of rental of Rs. 0.69 lakh from March 1967 to September 1971.	June 1981	The Department stated (October 1980) that the Army authorities had agreed to pay the rent bill from October 1971 onwards. It however, intimated (October 1981) that the bills from October 1971 to September 1980 had not been paid and the Army authorities had stated that the matter had been referred to the higher authorities.
10.	Installation of a 200-line PABX at Gorakhpur for Air Force authorities.	The 200-line PABX was commissioned and handed over to the Air Force authorities in December 1971. Owing to the non-revision of rent on the basis of actual expenditure incurred on the the work, rental of Rs. 2.03 lakhs from December 1971 to December 1981 remained unrecovered.	May 1979	The Department stated (October 1981) that the action was being taken to recover the short charged amount from the party.

11. **Short billing of telephones of heavy callers.**—The Director General, Posts and Telegraphs (DGPT) decided (1970) that the 4-digit meters of all heavy traffic subscribers should be replaced by 5-digit meters. In Calcutta Telephone District (CTD), the requirement of 5-digit meters in July 1976 (in replacement of 4-digit meters) was 1.22 lakh numbers. During the period April 1972 to October 1979, 35,832 numbers of 5-digit meters were received, out of which 35,384 numbers were supplied to different exchanges in CTD. The rest of the telephones continued to have 4-digit meters. The cost of each 4-digit meter was Rs. 20 approximately and that of each 5-digit was Rs. 27.

The 4-digit meters record a maximum of 9,999 calls and when this number is exceeded, the meter reverts to 0000 position and starts a fresh revolution. Delayed meter reading would result in the calls of a full revolution or a part thereof being over-looked. To obviate the possibility of short billing on this account, certain safeguards were prescribed in the departmental rules to be observed by the telephone exchanges and the telephone revenue accounting (TRA) branches. These *inter alia* included :

— maintenance of a quarterly meter reading register by exchange;

— maintenance of the list of telephones, in respect of which one or more revolutions are completed indicating the number of completed rounds against each telephone; and

— the maintenance of list of heavy callers by TRA branches, if the number of calls exceeded 5,000 in the case of a subscriber with 4-digit meter or if it exceeded 10,000 in the case of a subscriber with 5-digit meter.

A test-check in audit of 10 exchanges between April 1979 to May 1981 revealed that the register of heavy callers was not maintained by the TRA branches and consequently 517 revolutions in 398 cases for the period from February 1976 to July 1979 escaped billing, which resulted in a short recovery of Rs. 16.60 lakhs. After this was pointed out by Audit, bills in 73 cases (amount : Rs. 3.13 lakhs) were issued up to March 1981.

The General Manager CTD stated (May 1981) that the exchange-wise lists, where the subscribers made 5,000 calls or more in a quarter were being received from the computer organisation. As these lists were not fool-proof, the computer organisation had been asked to supply a list of heavy callers as per Department's requirement. It was also stated that instructions had already been issued by CTD to the exchanges to record the number of revolutions invariably in the quarterly meter reading book from the fortnightly meter readings and also to furnish the list of telephones in respect of which one or more revolutions were completed.

The Department stated (October 1981) that bills in respect of 306 cases had been issued and the remaining cases were under examination.

CHAPTER IV

WORKS EXPENDITURE

12. **Expansion programme of Russa auto-telephone exchange at Calcutta.**—To meet the growing demand of telephone connections in Calcutta, the Director General, Posts & Telegraphs (DGPT) sanctioned the expansion of the existing Russa-I telephone exchange in phases as mentioned below :—

	Date of sanction	Amount of estimate (Rs. in lakhs)	Proposal for expansion of lines	Scheduled date of	Actual expenditure (Rs. in lakhs)	Actual date of commissioning
Russa-II (code 41)	May 1965	45.38	2000	March 1971	105.13	December 1971
	January 1976	27.17	1000	February 1979	15.01 (upto March 1980)	February 1979
Russa-III (code 42)	October 1970	247.46	6000	January 1974	281.68, (upto September 1979)	March 1975

Russa-II cross bar exchange (code 41)

(a) *Installation of equipment.*—Indents for the equipment for Rs. 72.04 lakhs were placed on the Indian Telephones Industries (ITI) and certain equipment (cost : Rs. 57.88 lakhs) were received by March 1968, but their installation could not be taken up till June 1968 as the iron work material was not received in time. The supplies of the equipment were also made by the ITI at random and not in proper sequence. As a result, the installation of the equipment could be completed and the exchange commissioned only in December 1971.

(b) *Laying of Cables.*—The total length of cable required for this project was 14.60 kms. for which indents were placed in 1966-67 (0.73 kms.), 1967-68 (0.07 kms.), 1969-70 (8.80 kms.), 1971-72 (1 km.) and 1973-74 (4 kms.). Against these indents, supplies of 12.45 kms. of cable were received up to 1973-74 (7.85 kms. upto 1971-72, 1 km. in 1972-73 and 3.60 kms. in 1973-74).

Even though the exchange was commissioned in December 1971, only 7.85 kms. of cable had been received by the end of 1971-72 and only 1.17 kms. of it had been laid till the end of March 1973.

Russa-III-6000-line exchange

(a) *Installation of equipment.*—Equipment for this expansion was received in June 1970; but the installation work was started in September 1972. The exchange was commissioned in March 1975 against the scheduled date of January 1974.

(b) *Laying of the cable.*—Indents for the supply of 140.86 kms. of cable were placed on stores organisation during 1972—74 (15.60 kms.) 1974-75 (61.01 kms.), 1975-76 (52.47 kms.) and 1976-77 (11.78 kms.). Against these indents, total supplies of 72.68 kms. were received during 1974-75 (29.57 kms.), 1975-76 (28.77 kms.) and 1976-77 to 1978-79 (14.34 kms.).

Cable laying work was started in February 1973. By the time the exchange was commissioned (March 1975), only 15.30 km. of cables were laid against the total length of 140.8 kms. to be laid. Indents for nearly 44 per cent of the total cable were placed only after the commissioning of the exchange.

(c) *Air-conditioning.*—The project for installation of 6000 line exchange had also provision for air-conditioning of the exchange. According to departmental technical instructions, sophisticated components of telephone equipment should be unpacked and taken out from the plastic containers in air-conditioned rooms to avoid ingress of dust and humidity in them which would adversely affect their performance. Though the equipment was received by June 1970, the detailed estimate to put up the air-conditioning plant was sanctioned by the General Manager Telephones Calcutta (GMT) at a cost of Rs. 4.66 lakhs in December 1972. Indent for the 80-ton capacity air-conditioning plant was placed with the Director General, Supplies and Disposals (DGSD) (September 1972), who placed order for supply, installation etc. and commissioning by January 1974 on a firm 'A' in May 1973 at a cost of Rs. 4.20 lakhs. The time schedule for supply and commissioning of the air-conditioning plant was extended by the Department on the following grounds:—

- non-supply of approved layout drawings to the firm 'A' by the Department;
- non-availability of plant room, being under construction;
- location of the cooling tower not decided; and
- non-availability of power and water supplies.

The air-conditioning plant was finally installed in March 1975 and the summer, monsoon and winter tests conducted in May 1975, August 1975 and February 1976 respectively. The air-conditioning plant, which was to be commissioned in January 1974, was thus actually taken over by the Department in May 1977.

Utilisation of equipped capacity.—According to departmental instructions, 90 per cent of the exchange capacity should be utilised soon after 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 commissioning of next expansion. Owing to delay in receipt and installation of exchange equipment and the laying of cables, in particular, full capacity of the expanded Russa exchanges could not be utilised to the prescribed extent though there was long list of applicants waiting for telephone connections. Had there been no delay in commissioning of equipment and in laying of cables, the Department could have earned additional revenues of about Rs. 141 lakhs computed with reference to the average annual revenue in the past.

The GMT Calcutta stated (April 1981) that major portion of the cables envisaged were laid as and when found necessary to give new connections and the reasons for delay in laying were due to the pre-occupation of the cable section with urgent works such as restoration of break-down etc.

The Department stated (October 1981) that the delay in provision of new connections was due to environment constriants experienced at Calcutta in cable net work which had to be removed on priority and that a Task Force had been appointed - the purpose to look specifically into this problem.

The following points emerge :

— The capacity could not be utilised to the extent envisaged, due mainly to delay in the commissioning of equipment and delay in laying of cable; had it been so utilised the Department could have earned revenue of Rs. 141 lakhs up to March 1981.

Due to delay in supplying approved layout drawings, making available plant room to the supplier and non-availability of power and water supplies, there was delay in installation of air-conditioning plant; the exchange equipment thus operated without air-conditioning plant from September 1972 to March 1975.

13. **Opening of a new automatic exchange at Bagh Bazar, Calcutta.**—To meet the growing demand of intending subscribers for new telephone connections in Bagh Bazar area (where an automatic exchange code 55 of 9800 lines was already functioning) a project estimate (cost : Rs. 70.63 lakhs) was sanctioned (November 1966) for opening a new 3000-line cross-bar exchange. The project comprised building (Rs. 5.36 lakhs), electric installation (Rs. 0.98 lakh), lines, wires and cables (Rs. 25.91

lakhs) and apparatus and plants including air-conditioning (Rs. 38.43 lakhs).

Building.—The new exchange building was to be provided by constructing an additional floor on the existing exchange building. The detailed estimate (cost : Rs. 4.67 lakhs excluding overheads) was sanctioned in July 1966. Tenders were invited in April 1967 and the work was awarded in July 1967 to a contractor. The additional floor scheduled to be completed in May 1968 was actually completed in August 1969, 15 months after the stipulated date, and taken over in May 1970 i.e. 9 months after its completion. The electric installation was completed in November 1973 i.e. about 3½ years after the building was taken over. There were no reasons on record for these delays.

Installation of equipment.—The order for the exchange equipment was placed (March 1967) on the Indian Telephone Industries (ITI) and equipment (cost : Rs. 40.17 lakhs) was received by the end of 1971-72 i.e. 5 years after the placement of the indent. Further stores (cost : Rs. 34.94 lakhs) were received during 1972-73 to 1975-76. The installation work, though commenced in October 1972, remained suspended during April-November 1974 due to shortage of engineering staff and the exchange was commissioned in March 1976.

Cable laying.—Out of 38 kms. of cable to be laid, only 17.5 kms. had been laid by March 1976 (month of commissioning) and in all 30 kms. were laid by September 1980. The General Manager Telephones (GMT) Calcutta stated (May 1980) that delay in laying the cable was due to heavy monsoons during 1976-77 and time lag between commissioning of an exchange and planning the subscribers cable net work.

From the foregoing, it would be seen that there was delay in the construction of the building, installation of equipment and laying of cable although the Public Accounts Committee (PAC) in paragraphs 1.314 and 1.316 of its 145th Report (5th Lok

Sabha : 1974-75) and again in paragraph 1.82 of its 14th Report 1977-78 (6th Lok Sabha : 1977-78) had stressed that the Department should issue suitable instructions to the effect that the persons entrusted with the execution of the projects would be held responsible for any loss of revenue to Government as a result of delay in the execution of the projects. No action for delay in completion of this project was taken against any official.

Air-conditioning.—While the building was taken over by the Department in May 1970 and the installation of exchange equipment had commenced in October 1972, the indent for air-conditioning (AC) plant was placed on the Director General, Supplies and Disposals (DGSD) only in September 1972—just a month before the sophisticated instruments were unpacked. The DGSD placed an order on firm 'A' (November 1973) for supply, installation, commissioning and testing of AC plant at a cost of Rs. 4.40 lakhs. The target date was 30th June 1974, but was extended twice up to March 1975 because the plant room was not ready and the location of cooling tower had not been settled by the Department. AC plant was installed (May 1975), but it could not be commissioned for want of power and water supplies. Power was made available in March 1976 and the plant was commissioned in 1977. The summer and winter tests could not be conducted and were waived in May 1978. Departmental technical instructions require that sophisticated components of telephone equipment should be unpacked and taken out from plastic containers in air-conditioned rooms to avoid ingress of dust and humidity in them, which would adversely affect their performance. It would be seen that the exchange equipment in this case was without any air-conditioning from October 1972 to April 1977.

Utilisation of exchange capacity.—According to departmental instructions (September 1970) 90 per cent of exchange capacity should be utilised soon after expansion (within 6 months) and 94 per cent about 6 months before the due date of commissioning of next expansion. Although the new 3000-line exchange (code 54) was commissioned in March 1976, it took the

Department 3 years to load the exchange to the prescribed extent and the capacity of the two exchanges put together remained largely unutilised as shown below. Had it been possible to utilise the capacity as envisaged, the Department could have earned revenue of about Rs. 44 lakhs during September 1976 to March 1980.

CODE 54 AND CODE 55

As at end of month	Equipped capacity	Connectable capacity	Working connections	Spare capacity	Waiting list
September 1976	12800	11912	9301	2611	1881
March 1977	12800	11912	10481	1431	848
September 1977	12800	11912	10658	1254	829
March 1978	12800	11912	11590	322	421
September 1978	12800	11912	11563	349	603
March 1979	12800	11912	11817	95	448
September 1979	12800	11912	11290	622	562
March 1980	12800	11912	11562	350	569

Clearance of faults

The target fixed by the Department for average duration of faults for monitoring the performance of faults clearance was 5 hours during 1976-77, 2 hours during 1977-78, 5 hours during 1978-79 and 5 hours during 1979-80 respectively. Against this, the duration of faults in Calcutta was as under :—

Year	Average duration of faults in hours
1976-77	8.6
1977-78	14.5
1978-79	23.5
1979-80	16.9

The Department stated in reply (July 1981) "that a "Task Force" for up-grading the outdoor telephone net work at Calcutta was set up to upgrade the external plant by executing various programmes such as pressurisation of cables, laying of cables in ducts, replacement of fault-prone cables, laying of cables in pipes across main roads, etc. It was expected that these protective works when completed would result in fewer faults and better fault repair service".

Summing up.—The following points emerge :—

— There was lack of synchronisation between different stages of the project with the result that even though it was sanctioned in November 1966, it was completed and commissioned in March 1976 without any air-conditioning till April 1977.

— Contrary to recommendations of PAC in its 145th Report (5th Lok Sabha : 1974-75) and 14th Report (6th Lok Sabha : 1977-78), no action had been taken against any official for delay in execution of the project.

— The Department could have earned revenue of about Rs. 44 lakhs during September 1976 to March 1980 had the exchange capacity been utilised as envisaged.

14. **Telephone exchange at Ludhiana.**—To meet the growing demand for new telephone connections at Ludhiana, the Posts and Telegraphs (P&T) Department sanctioned a project estimate for Rs. 207.56 lakhs (June 1974) for vertical extension of the telephone exchange building and installation of a 6000-line cross-bar exchange. The project was expected to yield a net revenue of Rs. 19.31 lakhs *per annum*.

Building including electric installation.—In the sanctioned project estimate (June 1974), provision for building and electric installation was made for Rs. 12.10 lakhs. Administrative approval and expenditure sanction for the building for Rs. 7.56 lakhs were earlier accorded by the Director General, Posts and Telegraphs (DGPT) in October 1970 and the detailed estimate was sanctioned by the Superintending Engineer, Civil Wing, in April 1974 for Rs. 6.19 lakhs. Actual expenditure booked up to March 1980 (including overheads) was Rs. 10.81 lakhs.

The work of the building was awarded to a contractor in June 1974 and completed in September 1975. In December 1975, certain defects were detected in floor level of the switch room. They were got rectified at the cost of the contractor and the building was taken over in May 1976. The building (cost : Rs. 10.81 lakhs), however, remained unutilised for 1½ years till the commencement of installation work of cross-bar exchange in September 1977.

Apparatus and plant.—The indent for the supply of exchange equipment was placed on the Indian Telephone Industries (ITI) in June 1974. By September 1977, equipment costing Rs. 116.02 lakhs was received from the ITI. The work of installation of the 6000-line cross-bar exchange was commenced in September 1977 and completed in March 1980. It took 30 months for the Department to instal the equipment.

Utilisation of exchange capacity.—According to the departmental instructions, 90 *per cent* of the exchange capacity should be utilised soon after expansion or in any case not later than 6 months of such expansion. Although, the expanded capacity of the exchange was commissioned in March 1980 and there were 5432 applicants on the waiting list for new connections at that time, the exchange could not be loaded to the prescribed extent even after 11 months as shown below :—

Quarter ending	Equipped capacity	Connectable capacity	Working connections	Spare capacity	No. of applicants on waiting list
March 1980	6000	5400	2482	2918	5432
September 1980	6000	5400	3311	2089	7205
December 1980	6000	5400	3725	1675	7285
March 1981	6000	5400	4663	737	6773

Due to delay in release of new connections, the Department lost potential revenue of Rs. 8.37 lakhs from September 1980 to March 1981 and the loss is still continuing. It was noticed in audit that the following factors contributed to delay in giving the telephone connections :—

— The project for installation of exchange of 6000 lines was sanctioned in June 1974, whereas the estimate for providing line and wire material was sanctioned by the District Manager Telephones (DMT) in May 1978. The indents were released in May 1978 and June 1978. Most of the stores against these indents were received by January 1979, but since the exchange was not commissioned by that time, the stores were diverted to other places in the North-West Circle. The information on utilisation of stores in the North-West Circle was awaited (October 1981) from the Department. In November 1979, efforts were made to get the stores, but they could not be procured in full due to shortage of line stores. Further indents were released in February 1980 and again in January 1981 and the stores were received in January 1981.

— To provide primary and secondary distribution cable 10 estimates (Rs. 120.43 lakhs) were sanctioned in 1978-79 as a part of the project sanctioned in June 1974. Although the project was sanctioned in June 1974, the cable scheme was approved in February 1978 and indents for cables were placed piece-meal and continued to be released up to November 1980 i.e. 8 months after the commissioning of the exchange (March 1980).

— The District Manager Telephones observed (September 1980) that "there were cracks in the cables which reflected that there was no proper check at

> the time of laying the cables and necessary precautions were not observed while laying the cables". This led to abnormal delay in the release of new telephone connections.

The Department stated (October 1981) that due to late receipt of essential stores and drawings, the built up space in the exchange was utilised for storing equipment...................... that since the line network could not be completed due to lack or shortage of stores, provision of connections was delayed for reasons beyond the control of the Department.

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

- The building for the expansion of exchange was completed in September 1975 (cost : Rs. 10.81 lakhs) and handed over to the Engineering Wing in May 1976, but the installation of the equipment could be started only in September 1977 after 1½ years.
- The exchange was commissioned in March 1980, but the indents for laying the cables continued to be released till November 1980 resulting in delay in laying the cables and giving new connections to the subscribers involving loss of potential revenue of Rs. 8.37 lakhs for the period from September 1980 to March 1981.
- The project estimate was sanctioned for Rs. 207.56 lakhs in June 1974 and it was completed at a cost of Rs. 371.40 lakhs for which revised estimate was not yet sanctioned (November 1981).

15. **Subscriber Trunk Dialling (STD) service on Amritsar-New Delhi route.**—To provide STD facility on Amritsar-New Delhi route, the Posts and Telegraphs (P&T) Department introduced STD service (September 1970) on point to point basis

with 29 outgoing circuits. The main auto-exchange Amritsar had the capacity o f 9000 lines in 1970-71 and the capacity was expanded progressively during the years 1974-75 to 1977-78 as indicated below :—

Year	Capacity of exchange (Numbers)	Approximate number of working connections (Numbers)
1970-71	9,000	8,000
1974-75 (May 1974)	10,800	9,990
1976-77 (February 1977)	13,200	10,304
1977-78	13,200	12,726

In anticipation of the above expansions, the Director General, Posts and Telegraphs (DGPT) had placed an advance order for STD equipment on the Indian Telephone Industries (ITI) in March 1969 for providing additional STD circuits on the above route. Since sufficient equipment for carrying out the expansion of the STD circuits had been received at Amritsar (during July 1969 to March 1972), the Divisional Engineer Phones Amritsar advised (May 1973 and December 1973) the Postmaster General Ambala that based on the expected traffic for the year 1974, the total requirement of STD channels was 57 and requested him to direct the Divisional Engineer Telephones, Installation Northern Region, to instal the above equipment. But the equipment was not installed till September 1978. Meanwhile, some of the equipment was diverted to other stations, viz. Srinagar, Simla and New Delhi.

Keeping in view the growth of STD traffic, the DGPT directed the General Manager, Maintenance New Delhi (GMM)

(June 1976) to allocate 12 additional channels for Amritsar-New Delhi route and these were allocated in September 1976. Switching equipment at Amritsar end was installed in September 1978, but the corresponding equipment at New Delhi end had been installed in May 1978 and the requisite channels were installed in August 1978 and made over to the Maintenance Organisation. Due to delay in installing the equipment, which had already been received (during July 1969 to March 1972) and delay in providing the additional channels as directed by the DGPT (June 1976) until August 1978, the loss of potential revenue to the Department would work to Rs. 22.56 lakhs from September 1976 to September 1978 on the basis of average number of local calls for one year before and after installing the STD equipment.

The Department stated (November 1981) that the increase of local call revenue after the commissioning of additional STD circuits could not be wholly and entirely attributed to STD circuits alone and that the increase was also due to 713 new telephone connections and increase in tariff rates with effect from June 1979.

16. **Uttarpara telephone exchange.**—A project estimate for Rs. 72.86 lakhs was submitted (October 1963) by the General Manager Calcutta Telephone District (GMCTD) to the Director General, Posts and Telegraphs (DGPT) for installation of 2100-line direct auto exchange at Uttarpara in replacement of existing 300-line multiple exchange installed in a rented building. Land measuring 0.50 acre was acquired (May 1966) and payment of Rs. 1.12 lakhs was made in June 1976. The construction of the building was started in November 1967 and continued till December 1971.

In August 1972, a revised project estimate for installation of a 2000-line cross bar exchange in replacement of the existing central battery multiple (CBM) exchange was sanctioned (April

1973) at an estimated cost of Rs. 87.89 lakhs. It comprised the following components :—

	(Rupees in lakhs)
Land	0.66
Building	18.59
Cables	24.09
Apparatus and Plant	44.55
TOTAL	87.89

The project was expected to yield a revenue of Rs. 17.26 lakhs *per annum* and was to be completed in about 2 years after the receipt of complete stores. The total estimated cost on the project had gone up to Rs. 158.01 lakhs (October 1980).

The Department stated (August 1981) that the increase in cost was "mostly due to escalation in cost of equipment and materials". The revised project estimate had not been sanctioned (October 1981).

A test-check in audit of the accounts of the projects disclosed the following points :—

(i) *Building.*—Detailed estimate for construction of the building was sanctioned in September 1965 and the construction commenced in November 1967. It was completed in December 1971 at a cost of Rs. 19.99 lakhs. Since the installation of equipment had been taken up only in February 1974, the building was meanwhile used primarily for keeping stores of Uttarpara exchange as well as of 4 other exchanges.

(ii) *Air-conditioning.*—The indent for supply and erection of air-conditioning plant was sent to the Director General Supplies and Disposals (DGSD) only in October 1973. This indent was returned by the DGSD (November 1973) on the ground that it was in Foot, Pound, Second system (FPS) instead of Metre, Kilogram, Second system (MKS). The revised indent in MKS was sent to the DGSD (April 1974), but since all the dimensions were not converted into metric units and all the information was not furnished, it was again returned (May 1974) to the Department. The complete indent indicating the requisite particulars was then given in December 1974.

Thereafter, the DGSD intimated (December 1974) that as per his office order of 4th December 1974, the procurement of air-conditioning plant for the technical building was the responsibility of the P & T Department and advised the GMCTD to take action accordingly. As the question as to which wing should do this work remained under consideration in the P & T Board, the tenders for air-conditioning plant were invited by the GMCTD only in August 1975 and the order for supply, installation and commissioning of the plant was placed on firm 'A' in March 1977. Meanwhile, the exchange was commissioned in January 1977. The firm asked (September 1977) for extension of time till middle of November 1977, which was granted because (i) the conduits, pipes and clocks were obstructing the ducting being laid and it was to be removed by the Assistant Engineer, P & T and (ii) the documents for clearing the compressor were received by the firm as late as September 1977 from the bank. The air-conditioning plant was installed in November 1977, but it could not be commissioned due to non-completion of electric installation by the Electrical Wing of the Department. The sub-station was commissioned in January 1978. The plant was also commissioned the same month and the first monsoon test was conducted in October 1978 when several defects were noticed. The plant however, passed the summer test in June 1979.

Meanwhile in July 1977, 8 window type air conditioners had been purchased (cost: Rs. 0.73 lakh). Thus, from February 1974 (from the time the installation of exchange began) to July 1977 the exchange equipments remained without air-conditioning facility although according to departmental instructions sophisticated components of telephone equipment should be unpacked and taken out of plastic containers in air-conditioned rooms to avoid ingress of dust and humidity which affect its performance.

Cables.—Based on the survey of demands, to meet the requirement of the area after utilisation of existing capacity, one estimate for cable laying was sanctioned in 1975-76 (cost: Rs. 19.24 lakhs) two in 1976-77 (cost : Rs. 1.19 lakhs) and another one in 1978-79 (cost : Rs. 16.09 lakhs) to meet short-falls in earlier planning. The indents were placed with the Circle Store Depot in December of 1975, 1976 and 1978. The work of laying cables started (July 1976) and by September 1980, 36 kms. of cable out of 39 kms. had been laid. The Department stated (July 1980) that the delay in cable laying was due to pre-occupation of cable construction units with other urgent works, which could not be spelt out by the GM, Calcutta.

Utilisation of the exchange capacity.—According to departmental instructions (September 1970), 90 *per cent* of the exchange capacity should be utilised soon after 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 the next expansion. Although the expanded capacity of the exchange of 2000 lines was commissioned in January 1977, the exchange had not been loaded to the prescribed extent even after 3 years of its commissioning. The actual utilisation of the installed capacity was as under :

Month ending	Installed capacity	Connectable capacity	Working connections	Spare capacity	Waiting list
February 1977	2000	1800	619	1181	347
June 1977	2000	1800	796	1004	291
December 1977	2000	1800	862	938	296
March 1978	2000	1800	1052	748	124
December 1978	2000	1800	1097	703	184
March 1979	2000	1800	1186	614	101
June 1979	2000	1800	1217	583	129
September 1979	2000	1800	1253	547	117
November 1979	2000	1800	1259	541	123
February 1980	2000	1800	1286	514	114
April 1980	2000	1800	1305	495	92
August 1980	2000	1800	1322	478	102
November 1980	2000	1800	1332	468	117
March 1981	2000	1800	1337	463	132
April 1981	2000	1800	1335	465	142

The under-uitlisation of the expanded capacity due to delay in laying cables resulted in non-realisation of potential revenue of about Rs. 14 lakhs (up to March 1981).

17. **Loss due to utilisation of higher capacity cables.**—In anticipation of the proposed expansion of Mangalore and Hubli telephone exchanges, the General Manager, Telecommunications (GMT), Karnataka Circle placed indents (June 1976) for higher capacity cables on the Director General, Posts and Telegraphs (DGPT). The cables were accordingly supplied (December 1976) by the DGPT. As these expansions did not materialise, the cables received remained unused in the Circle Telegraph Store Depot, Bangalore (CTSD). At the close of December 1976, the CTSD had a stock of 10.4 kms. of 200 pairs and 4.4 kms. of 300 pairs of poly-jacketed cables.

During 1976-77, Karnataka circle had a major programme for providing telephones which was hampered due to short supply of small-sized cables. The circle was in need of these cables for opening exchanges in the rural areas and expansion of existing exchanges. In December 1976, the GMT proposed to surrender these higher capacity cables and to obtain, instead, lower capacity cables for the immediate expansion of the rural exchange programme. This was not agreed to by the DGPT as the cables proposed to be surrendered had been allotted on the specific demand of the GMT. The DGPT further intimated (January 1977) the GMT that if the higher capacity cables were not utilised in about a month's time, they would be transferred to other circles. The GMT, however, initiated (February 1977) action for laying these higher capacity cables in replacement of lower ones, which were to be used in the expansion of rural and other exchanges. In this process cables of 20,50.75 and 100 pairs having a capacity of 1924.32 conductor KM(CKM) were replaced by higher cables of 200/300 pairs with a capacity of 5895.80 CKM. The cost of the higher capacity cables was Rs. 10.73 lakhs whereas the cost of cables of the required size was Rs. 5.36 lakhs only. It was also seen that the capacity of the existing lower size cables was sufficient to cater to the current and further demands of the telephone connections.

Again, the circle had aimed at recovering 30.315 kms. of cable whereas only 18.404 kms. could be recovered. The cost of the unrecovered cable was Rs. 0.82 lakh.

The GMT, Bangalore stated (February 1980) that if the Department had not resorted to laying of higher capacity cables and recovering small size cables, it would not have been able to achieve the targets.

The Department stated (August 1981) that "Karnataka Circle was having cables of size 200 and 300 pairs supplied to them against expansion programme of some of the larger size exchanges. Because of change in installation programme, the Circle made a suggestion to the Directorate for surrendering these cables and for making arrangements for supply of small size cables in lieu of these large size cables. As adequate quantities of small size cables were not available, it was not possible to agree to the suggestion of Karnataka Circle. The circle office, therefore, prepared a scheme to recover lower size cables by laying higher size cables already available with them".

Thus, there was avoidable extra expenditure of Rs. 5.37 lakhs in laying higher capacity cables, in a situation caused by bad planning of indents against requirements.

18. **Loss of revenue due to delay in installation of telephone exchange at Kidwai Nagar, Kanpur.**—In order to provide telephone facility to prospective subscribers on the waiting list of Kanpur telephone exchange and to meet the anticipated demand, the Director General, Posts and Telegraphs (DGPT) sanctioned (May 1974) a project estimate for Rs. 24.05 lakhs for the installation of a 800-line MAX II exchange at Kidwai Nagar, Kanpur without any provision for civil works and air-conditioning as it was then proposed to instal the exchange in a building to be hired. The Department anticipated a net profit of Rs. 3 lakhs per annum. Although departmental land (purchased in 1968 as a part of the proposed expansion of telephone system at Kanpur) for construction of the telephone exchange building was available in Juhi Kalan colony to be served by this exchange, it was initially proposed to instal the exchange in a building to be taken on rent, rather than constructing a building on the departmental land.

As the Kanpur telephone exchange was to be commissioned in 1975-76, orders for the supply of the equipment were placed (May 1974) on the Indian Telephone Industries (ITI), Bangalore. The delivery commenced in September 1974 and most of the equipment except power equipment and ringers was received by July 1975. Orders for supply of power plant were placed by the ITI in December 1975 on a private firm which made the supply in September 1976.

In April 1975, the District Manager Telephones (DMT)

Kanpur invited offers through local press for a suitable accommodation on rent for housing the proposed telephone exchange; only one offer was received, but the accommodation offered was found unsuitable for departmental requirements. Simultaneously, he approached (May 1975) the P & T Civil Wing for initiating action for construction of MAX II type exchange building at Juhi. Administrative approval and expenditure sanction for the construction of the building at an estimated cost of Rs. 1.75 lakhs was accorded (January 1976) by the DMT Kanpur, even though the project estimate sanctioned (May 1974) by the DGPT did not provide for it.

The DMT Kanpur submitted to the DGPT (March 1976) a revised project estimate for Rs. 29.03 lakhs for the installation of the above telephone exchange. The revised estimate, *inter alia,* provided for construction of a departmental building (cost: Rs. 1.75 lakhs) for housing the telephone exchange and 2 packed air-conditioning units of 7.5 tons each (cost: Rs. 1.50 lakhs), which were not provided in the original project esitmate (Rs. 24.05 lakhs). The revised estimate was sanctioned by the DGPT in June 1976. Thus, the Department took more than 2 years (from May 1974) to decide on constructing a departmental building.

Work for the construction of the building was awarded by the P & T Civil Wing to a contractor in June 1976 for completion in November 1976, but clearance of the Municipal Committee for the construction of the building was received only in October 1976 with the result that the building was completed in August 1977, at a cost of Rs. 1.62 lakhs (excluding electrical installation).

Even though the revised estimate provided for installation of package type air-conditioning units, no provision was made in the building design for housing the air-conditioning units.

Meanwhile, in January 1976 the DMT, Kanpur diverted exchange equipment for 200 lines out of the 800 lines received for Kidwai Nagar telephone exchange to Sarvodaya Nagar telephone exchange at Kanpur for expanding its capacity from 1000 lines to 1200 lines; this expansion was commissioned in May 1976. The project estimate for Rs. 4.89 lakhs for the above expansion submitted by the DMT, Kanpur to the DGPT in June 1976 was returned by the latter unsanctioned in July 1976 with the remarks that the district had carried out a major "unbudgeted work" without sanction and without allotment of funds. The DMT, Kanpur was asked to explain the lapse. Instead of replying to the observations of the DGPT, the DMT, Kanpur revised the project estimate from Rs. 4.89 lakhs to Rs. 1.93 lakhs by excluding the components of cable and battery and sanctioned (January 1977) the same under his own powers upto Rs. 2 lakhs. The estimate indicated that no provision under cables had been made as spare capacities in the existing cables would be used to provide new connections. However, the cable component was met from the estimate for another exchange (Lajpat Nagar). Though the actual expenditure (Rs. 2.42 lakhs) had exceeded the estimated cost by more than 10 per cent, the extra expenditure had not been regularised by sanction of the competent authority.

The switch room hall in the Kidwai Nagar telephone exchange building under construction was handed over in February 1977 to the DMT, Kanpur for installation of equipment and the telephone exchange was commissioned in August 1977 along with the completion of the building.

As the building design of the telephone exchange did not provide for the installation of the air-conditioning units, the work of installation of the telephone exchange was started without air-conditioning. Subsequently, (October 1977), orders for the purchase of 5 window type air-conditioners (1.5 tons each) were placed on firm 'S'. These air-conditioners (cost : Rs. 0.48 lakh) were received in April 1978. Of the five air-conditioners, 2 were installed at Kidwai Nagar (May 1978) and the remaining 3 transferred to Sarvodaya Nagar exchange. One of the air-conditioners installed at Kidwai Nagar exchange was found defective right from the time of its installation and was got repaired by firm 'S' in February 1979. Out of the 3 air-conditioner units diverted to Sarvodaya Nagar, one was again returned to Kidwai Nagar exchange and installed there (August 1978). Thus, the exchange equipment at Kidwai Nagar remained without air-conditioning from March 1977 to April 1978 and had to suffer insufficient air-conditioning thereafter.

The Department stated (July 1981) that as per practice MAX-II exchanges are housed in rented buildings. Advance efforts were made to take suitable building on rent and that immediate action was taken to initiate case for construction of a departmental accommodation when these efforts were not successful.

Summing up.—The following main points emerge :

— While the exchange equipment was ordered in May 1974 and was received by July 1975, tenders for hiring a building (without having any particular building in view) were invited only in April 1975; no suitable offer was received but an esitmate for constructing a departmental building was sanctioned in June 1976 and completed in August 1977 with the result that the exchange at Kidwai Nagar could be commissioned only in August 1977 resulting in non-realisation of potential revenue of about Rs. 13 lakhs.

— Exchange equipment had been in operation without air-conditioning facility from August 1977 to April 1978 and with the risk of exposure to dust and humidity for a long period.

— 200-line equipment was temporarily diverted for expansion of Sarvodaya Nagar exchange without sanction and without allotment of funds.

— On the project estimate of Rs. 4.89 lakhs for expansion of Sarvodaya Nagar exchange not being approved by the DGPT, the estimate was reduced to Rs. 1.93 lakhs (by excluding the components of cables and battery) and sanctioned by the DMT Kanpur under his own powers up to Rs. 2 lakhs.

— Expenditure actually incurred (Rs. 2.42 lakhs) in excess of the sanctioned project estimate (Rs. 1.93 lakhs) had not been regularised by sanction of the competent authority.

19. **Installation of 12-channel 240 cycles Frequency Modulator Voice Frequency Telegraph (FMVFT) system between Virudhunagar and Madras.**—A project for installation of a 12-channel 240 cycles FMVFT between Virudhunagar and Madras was sanctioned (February 1976; cost: Rs. 0.61 lakh) by the General Manager, Telecommunications, (GMT) Madras. This system was intended for connecting directly the proposed telex exchange at Virudhunagar, sanctioned in September 1974 (estimated cost: Rs. 2.27 lakhs), with Madras telex exchange as per the route approved by the Director General, Posts and Telegraphs (DGPT) in February 1975. The FMVFT system was commissioned (November 1977; cost: Rs. 0.93 lakh), but the proposed telex exchange sanctioned in September 1974 for Virudhunagar could not come up for want of subscribers. Consequently, the entire expenditure of Rs. 0.93 lakh incurred on the installation of the FMVFT system had become infructuous.

The GMT Madras stated (December 1980) that this FMVFT system had been justified on the anticipated demand for telex at Virudhunagar. Information regarding the data on which the anticipation was based was awaited (January 1982). However, for want of demand for telex connections from Virudhunagar, the 12-channel FMVFT system commissioned in November 1977 was being utilised for catering to the teleprinter circuits of Central Telepragh office Virudhunagar and another long distance rented circuit for a textile mill at Kovilpatti.

The fact remains that the intended purpose of installing a 12-channel FMVFT system at a cost of Rs. 0.93 lakh for connecting proposed telex exchange at Virudhunagar with Madras telex exchange had not been served.

20. **Air-conditioning of automatic telephone exchange Dehra Dun.**—A project estimate of Rs. 19.71 lakhs was sanctioned (February 1962) for replacement of 960-line manual exchange by 2000-line automatic exchange. It included a provision (Rs. 0.60 lakh) for air-conditioning the exchange building. The exchange was further expanded from 2000 to 3000 lines in October 1969 and from 3000 to 3900 lines in December 1971.

The detailed specification and drawings for the air-conditioning plant were, however, released by the Director General, Posts and Telegraphs (DGPT) in March 1969. The detailed estimate of Rs. 1.70 lakhs was sanctioned in May 1969 and an indent was placed (June 1969) on the Director General, Supplies and Disposals (DGSD). The DGSD placed an order (December 1970) on firm 'A' for supply and installation of air-conditioning plant (cost : Rs. 1.99 lakhs—revised to Rs. 2.03 lakhs in May 1972). Against the scheduled date of 15th June 1971 for supply and installation, the installation of the plant was completed in December 1972 after grant of extensions of time by the DGSD up to March 1972. In April 1973, a representative of the firm, the DGSD and the P & T Department jointly conducted inspection of the plant and noticed several defects. Though the compressor failed to start and genuineness of the compressor motors was considered doubtful, the DGSD released 5 *per cent* progressive payment out of the balance of 10 *per cent* which according to the terms of supply order was required to be paid to the firm after final inspection and acceptance of the plant by the consignee. As the firm failed to remove the defects, the DGSD instructed the Pay and Accounts Officer, New Delhi (October 1973) to recover the entire amount (Rs. 1.93 lakhs) paid to the firm against the contract. The joint inspection of the plant (winter test) was conducted again in February 1974 and several defects were noticed. It was decided in a meeting of the representatives of DGSD and DGPT held in December 1974, to ask the firm to get the genuineness of the components certified from the respective manufacturers. The firm having failed to get this done, the DGPT declared (April 1975) the plant unacceptable and accorded approval (May 1975) for purchase of 12 window type air-conditioners (cost: Rs. 0.93 lakh). These were installed in June 1975 at a cost of Rs. 1.19 lakhs.

Under advice form the Ministry of Law, a notice was issued by the DGSD to firm 'A' in April 1976; the firm, however, failed to remove/rectify the defects till June 1976. In a meeting in October 1977, it was decided that the plant would be commissioned by the firm by the end of October 1977. The plant was offered for winter test twice in February 1978, which was declared successful. The plant had not been re-offered for summer test, as required, and was lying uncommissioned (November 1981).

Earlier in December 1968 when the installation work was in an advanced stage, the Postmaster General (PMG) Lucknow sanctioned an estimate of Rs. 0.26 lakh for the purchase of 8 window type air-conditioners. These were purchased in February 1969 from firm 'B' and installed in March 1969. Out of these, 6 were faulty (January 1970) and within the guarantee period itself they were sent to the firm for repairs and were received back, duly repaired in May 1971—after 15 months. Another estimate was sanctioned (June 1969) for purchase of 6 more window type air-conditioners for the switch room, where the exchange equipment for expansion from 2000 to 3000 lines was under installation. These window type air-conditioners were installed in March 1971 (cost: Rs. 0.26 lakh), but they were not commissioned as the firm demanded extra charges for commissioning them beyond the guarantee period, and were finally dismantled in December 1971. Out of these 14 window type air-conditioners, 13 were transferred to Agra during February 1972 for use in the auto-exchange. They did not work there either and a sum of Rs. 0.13 lakh was spent on their repairs. One was used in MAX II exchange Rajpur.

The following are the main points that emerge :—

— Due to delay in finalisation of specification/drawings of the air-conditioning plant and release of the indent, avoidable expenditure of Rs. 0.52 lakh had to be incurred for the purchase of 14 window type air-conditioners. Of these six were found faulty and had to be got repaired; another six could not be commissioned.

— Without waiting for the commissioning of the air-conditioning plant, all the 14 window type air-conditioners were transferred to other units where also they did not work and had to be got repaired. When the air-conditioning plant could not, eventually, be commissioned, 12 more window type air-conditioners (cost : Rs. 1.19 lakhs) were purchased and installed in June 1975.

— On account of inadequate air-conditioning facility, the sophisticated instruments/machinery in the exchange remained open to the ingress of dust and humidity.

— The air-conditioning plant (amount paid : Rs. 1.93 lakhs) ordered in December 1970 and installed by the firm in December 1972 was lying uncommissioned (November 1981).

21. **Installation of telex exchange at Bagalkot.**—Anticipating a demand for telex connections from more than 15 subscribers, the General Manager Telecommunications (GMT), Karnataka Circle sanctioned a project estimate of Rs. 3.04 lakhs (February 1976) for installation of a 20-line telex exchange at Bagalkot, a Taluka in Bijapur District. Indent for the exchange equipment required for the project was placed on the Indian Telephone Industries (ITI) by the Director General, Posts & Telegraphs (DGPT) in March 1976. Two detailed estimates were sanctioned by the GMT, Karnataka—one for telex exchange equipment in July 1976 (Rs. 1.28 lakhs) and the other for 20 teleprinter machines for installation at the subscriber's premises

in May 1977 (Rs. 1.44 lakhs). The ITI commenced supply of equipment in March 1977 and 15 teleprinter machines with equal number of auto-dialling units and 5 dialling units costing Rs. 1.77 lakhs were received during September 1977 to January 1978.

The work of the project was not, however, taken up by the Department as demand for the minimum number (8) of telex connections for opening an exchange at Bagalkot was not forthcoming from subscribers of the place as anticipated; the actual immediate demand for telex connections was no more than 3 or 4 in February 1977. The basis on which a demand of more than 15 subscribers had been anticipated and the reasons for the actual demand being as low as 3 or 4 were awaited (December 1981). The exchange equipment was diverted and utilised in commissioning the expansion of Mysore telex from 20 to 40 lines (January 1978—October 1978). Out of 15 teleprinter machines obtained for the project, 2 were diverted (April 1979) for use in carrier station in the division, 2 were transferred to Bijapur Telegraph Sub-Division (February 1980) and the remaining 11 machines (cost : 1.33 lakhs) were lying idle (October 1981).

22. **Restructuring of Alwaye-Muvattupuzha trunk alignment.**—In 1965, the Director General, Posts and Telegraphs (DGPT) sanctioned (cost revised from Rs. 1.16 lakhs to Rs. 2.27 lakhs in December 1969) the dismantling of an old trunk alignment 50 kilometres (kms.) in length on wooden poles between Alwaye and Muvattupuzha (Kerala Circle) and its replacement by an alignment drawn on galvanised iron posts along the road (37 kms.). The Department had the following objectives in view in restructuring the alignment :—

- The existing wooden poles and fittings laid prior to 1947 had deteriorated and therefore, the fault incidence was high. Reconstruction of the alignment along the road on galvanised iron posts was expected to result in reduction in the cost of maintenance.
- The alignment carried important trunk pairs and the restructured alignment was expected to provide

better service and therefore, better utilisation of circuits, resulting in more revenue to the Department.

— The re-alignment was to result in saving in copper wire for 13 kms. length.

The galvanised iron posts along the road were laid at a cost of Rs. 4.33 lakhs. However, the erection of wires had not been completed so far (October 1981) due to the existence of power lines in many sections. The Department became aware of the problem of proximity of power lines to the proposed alignment 2 years after the sanction of the original project estimate in 1965. No detailed survey report of the route had been prepared for the purpose of the estimates and no provision had been made towards payment to the Kerala State Electricity Board (KSEB) for raising/shifting power lines either in the original estimate sanction in 1965 or in the revised estimate prepared in June 1967. This was reported (October 1970) to be due to an inadvertent omission.

The Department took up with the KSEB the question of raising the power lines to facilitate drawal of trunk wires on the new alignment in 1967. A provision of Rs. 0.31 lakh was made in December 1969 in the revised estimate for making payment to the GSEB on this account, which was made in July 1971. In the meantime, in pursuance of a policy decision of the Department to replace copper wire by aluminium conductor steel reinforced (ACSR) wire due to frequent thefts of copper wire (cost : Rs. 1.51 lakhs) which had been taking place, as also to reduce the maintenance cost, a revised project estimate (cost : Rs. 1.77 lakhs) for providing ACSR wire on the new alignment in place of copper wire was sanctioned by the Department in July 1973. The old alignment, however, continued to be maintained at increased maintenance cost and expenditure of Rs. 0.83 lakh was incurred on replacement of stolen copper wire by ACSR wire.

It was also noticed in the meantime (1975) that the posts erected in 1967 would need to be re-erected due to slanting of posts, widening of road and construction of new buildings on the road side. The work of re-erection was completed in 1975. When the matter of raising the power lines was pursued with the KSEB, the latter demanded (1976) another Rs. 1.32 lakhs as payment for the work required to be done. The amount had not yet (September 1981) been paid, but the Department had conveyed (November 1976) its acceptance of the demand. The KSEB completed the work of raising the power lines except for a distance of 4 kms. by December 1980. The work of erecting the ACSR wire in a section of the alignment extending to 18.8 kms. was completed by the P&T Department in December 1980 and the work was reported to be in progress in the other section (18 kms.) except for the portion where the electrical work was to be completed. Meanwhile, various thefts of copper wire (4938 kgs.) took place on the existing alignment resulting in a loss of Rs. 1.51 lakhs.

The following main points emerge :—

— None of the objectives envisaged as far back as in 1965 could be achieved (October 1981) even after incurring a total expenditure of Rs. 4.33 lakhs (up to December 1979).

— The old alignment continued to be maintained at increased maintenance cost. About 4938 kgs. of copper wire (cost : Rs. 1.51 lakhs) were stolen from it and an expenditure of Rs. 0.83 lakh was incurred on putting ACSR wire in its place.

— Additional payment of Rs. 1.32 lakhs would have to be made to KSEB for raising the power lines because of delays.

CHAPTER V—PROJECT REVIEWS

23. **Project for installation of three telephone exchanges at Railwaypura, Ahmedabad.**—In order to meet the increasing demand for new telephone connections in the area served by Central Telephone exchange Ahmedabad, the Director General, Posts and Telegraphs (DGPT) accorded sanctions (including revised sanctions) aggregating Rs. 1412.05 lakhs (details below) in different phases for the purchase of land and construction of a telephone exchange building consisting of a basement and four floors. Each floor was designed to have a technical block with a height of 16 feet to accommodate 10,000-line cross-bar exchange equipment manufactured by the Indian Telephone Industries (ITI) together with an administrative block of height 12 feet. However, the building was after issue of a revised sanction, constructed for the installation of 10,000 strowger type equipment in the ground floor. The details of the various projects sanctioned and executed were as under :—

Name of the project	Date of sanction / Date of revised sanction	Amount sanctioned (Rs. in lakhs)	Actual date of completion	Actual expenditure (Rs. in lakhs)
1	2	3	4	5
Purchase of land	August 1960	10.66	March 1966	10.11
3 storeyed building Phase-I	May 1967	29.72	August 1968	21.18
Vertical extension of 2 storyed building phase I (Phase II)	February 1973	23.24	August 1975	18.52
Ground Floor				
Railwaypura exchange-I				
(a) 3000-cross bar ITI	September 1968	120.77	..	..
(b) The above project was revised to 3000 strowger	September 1970	120.14	November 1972	123.31
(c) Expansion of strowger 3000 to 10,000 lines	September 1970	196.04	November 1973	214.00

1	2	3	4	5
Firsr floor				
1300-line microwave Trunk Tandem Exchange	May 1973	70.98	May 1977	118.66
Second floor				
Railwaypura exchange II, 3000 ITI cross—bar equipment	June 1972	126.46	November 1977	214.80
	March 1976	235.25		
Third floor				
Railwaypura III imported cross-bar equipment 10,000 lines	October 1975	726.02	March 1978	804.07
TOTAL		1,412.05		1,524.65

A review in audit during May-June 1981 of the projects for the installation of the above exchanges as well as their performance for the last 3 years from 1978-79 to 1980-81 revealed the following points.

(1) *Land.*—The site for construction of the building was selected in March 1962 in Railwaypura (Ahmedabad) and the acquisition proceedings were initiated in November 1962. The plot acquired in March 1966 was surrounded by private land on all the 4 sides with no direct access to any public road. A portion of the plot measuring 397.19 sq. metres providing direct access to the main public road was not included in the acquisition proposals on the ground that this portion would be taken over by the Municipal Corporation, Ahmedabad (MCA) under its road-widening programme, in respect of which no notification was on record. However, the MCA suggested to the Department (March 1963) that the land falling within the alignment of road-widening programme should also be acquired by the Department till it was required by the MCA so that the Department might not remain without any access road. Nevertheless, this plot was not acquired by the Department as it appeared certain to the Department that the scheme of road widening by the MCA would come through within 2 to 3 years. In September 1970, a fresh proposal for urgent acquisition of another corner plot measuring 185.08 sq. metres leading to the public road

was initiated. But the acquisition notice issued in October 1971 for this purpose failed in July 1975 following a court decision (July 1975) on a suit filed by the owner.

As acquisition of the corner plot was thus held up, consent of the owner of the main site was obtained in July 1972 for free use of the other plot of land (397.19 sq. metres) (referred to earlier) subject to the condition that an agreement for this purpose, which would be valid till the land was acquired by the MCA, would be entered into with the owner. No such agreement was, however, entered into as the widening of the road was expected then to take a long time and the owner was not prepared to allow use of the land without compensation. The owner withdrew his consent in July 1975 for free use of the land, insisting on its outright purchase by the Department at the market rate prevailing in 1971. It was finally decided in December 1975 to acquire this piece of land of 381.55 sq. metres excluding a small portion in which there was a shop and an acquisition notification was issued for the purpose in May 1976. The land, however, had not been acquired so far (December 1981).

Against the rate of Rs. 372.39 per sq. metre paid for the main site in March 1966, the compensation payable even at the 1971 rate for the additional area of 381.55 sq. metres was Rs. 717.53 per sq. metre as assessed provisionally by the Land Acquisition Officer, subject to final fixation at the time of actual acquisition and payment of compensation thereof. The Department would thus be incurring an extra expenditure of about Rs. 1.32 lakhs.

(2) *Building*.—Phase I of the Railwaypura telephone exchange building with two technical floors (ground and first floors), based on the drawings finalised in April-May 1967, was designed to accommodate 10,000 lines (ITI cross-bar) on each floor of about 1240 sq. metres. However, a strowger type exchange of 10,000 lines was installed on the ground floor.

As per approved schedule of accommodation for technical buildings for installing telephone exchanges, common services like Main Distribution Frame (MDF), power rooms, batteries, air-conditioning plants, etc. for the entire building proposed are to be provided in the basement only. It was, however, noticed in audit that such provision was made on each floor resulting in excess accommodation for this purpose of 173 sq. metres each on the first, second and third floors. Due to installation of exchange equipment on these floors, other than the proposed cross-bar equipment of 10,000 lines, only 1906 sq. metres of area had been utilised against 3720 sq. metres of area available on first to third floors.

The surplus technical accommodation (1814 sq. metres : cost Rs. 9.51 lakhs) created on the three floors has not been put to any use so far (December 1981).

(3) *Air-conditioning plant.*—Air-conditioning of the 4 technical floors (excluding basement) was done in 2 phases (air-conditioning plants I and II). While plant I of 160-ton capacity covering the ground and first floors, for which order was placed in December 1972, was commissioned in March 1974 (cost : Rs. 10.02 lakhs), plant II of the same capacity serving the second and third floors was commissioned in November 1976 (cost : Rs. 10.05 lakhs) against an order placed in February 1974. The total area air-conditioned on the 4 floors was 3959 sq. metres. Area required to be air-conditioned for installation of 3 exchanges was, however, 2657 sq. metres only, resulting in unnecessary air-conditioning of the balance area (1302 sq. metres).

Orders for both the air-conditioning plants I and II were placed by the DGSD, on the recommendations of the Department, on firm 'A', whose offer was the highest in rate as well as capacity on both the occasions, on the ground that the other lower tenders were not technically acceptable to the Department. Excluding the lowest offer of firm 'F' for plant II, which was rejected for the reason that it did not have a service department, the next offer was from firm 'E' for Rs. 7.80 lakhs, against which the highest offer of firm 'A' for Rs. 9.62 lakhs was accepted without seeking clarifications on technical data from firm 'E'.

In its quotation of September 1973, firm 'A' had specified that the rates quoted were inclusive of excise duty at 75 per cent and that there would be a reduction of Rs. 0.47 lakh in its offer if the excise duty concessional certificate C.T. 2 certificate) was furnished by the Department to enable the firm to clear the exciseable items at a concessional rate of duty of 50 per cent of what was charged. The prescribed certificate was, however, not issued by the Department due to oversight, resulting in an avoidable expenditure of Rs. 0.47 lakh.

Against the order placed by the Department in November 1968 for 3,000 lines of strowger exchange for Railwaypura I, the equipment started coming from January 1969 and the installation work commenced from March 1969. The exchange was commissioned in November 1972 and the expansion of the exchange to 10,000 lines was also cut over in November 1973. The indent for the air-conditioning plant I was however, placed on the DGSD only in December 1972; reasons for the delay were awaited from the Department (January 1982). The plant was commissioned in March 1974, but the prescribed first test was conducted successfully only in December 1976 against the due date of July 1973 stipulated in the contract. Thus, the exchange functioned without any air-conditioning facility for 3 to 4 years up to December 1976.

Both the air-conditioning plants I and II (having in all 4 compressors), which passed the first successful tests in December 1976 and November 1976 respectively, were taken over finally by the Department in September 1977 after rectification of certain other defects noticed in the tests. Since then, the plants have not been giving satisfactory performance. The number of days for which the plants remained inoperative (after incurring expenditure of Rs. 2.33 lakhs during 1979-80 and 1980-81) during April 1978 to March 1981 was as under :—

	Air conditioning Plant-I		Air conditioning Plant II	
Year	Compres-sor I (days)	Compres-sor II (days)	Compres-sor I (days)	Compres-sor II (days)
1978-79	216	112	278	148
1979-80	286	209	253	272
1980-81	233	222	272	300

The 4 exchanges, thus, functioned without any regular air-conditioning thereby affecting the life of the equipment, besides providing inefficient service to the subscribers.

(4) (i) *Cables.*—Against sanctioned cost (October 1975) of the cable work (Railwaypura-III exchange) of Rs. 190 lakhs (excluding overheads), the actual expenditure was Rs. 259.42 lakhs. Out of 60 completion reports, 57 were released mostly between January 1981 and April 1981. A test-check in audit of 39 of the detailed estimates. for which completion reports were released, revealed that there was no proper account of the cables received and utilised and the balance left unutilised. The following irregularities about cables and accessories worth Rs. 89.49 lakhs were noticed :—

(a) In 22 estimates. the entire receipt of different sizes of cables valued at Rs. 41.34 lakhs (received either directly from the store depot or other estimates) was diverted to other estimates through adjustments carried out from April 1980 to March 1981. A check of the relevant estimates indicated that there was no provision in them for indenting of cables, but cables were shown as indented and were received against these estimates. They were further shown as diverted to some other estimates with the result that there was no authentic account of the cables received from time to time and their ultimate utilisation against a particular estimate. This indicated that the stores were either wrongly indented for and received or were wrongly shown under the estimates, to which they did not belong.

(b) In one estimate, where no cable-laying work was actually involved, cables costing Rs. 34.14 lakhs were shown as received from other estimates (Rs. 33.23 lakhs from March 1980 to January 1981) and directly from the store depot (Rs. 0.91 lakh). The entire quantity was later shown as diverted to other estimates, including to those estimates from which they were initially transferred by adjustments from January 1981 to March 1981.

(c) In another case, in which no work was carried out and which was ultimately cancelled in April 1981, cables and other accessories worth Rs. 8.78 lakhs were shown as received from other estimates by adjustments made from March 1980 to September 1980, besides cables valued at Rs. 2.12 lakhs directly received from stores depot (total value : Rs. 10.90 lakhs). All these cables and accessories were shown in April 1981 as transferred to other estimates of the same project (Rs. 9.21 lakhs) and also the maintenance estimates (Rs. 1.69 lakhs).

(d) Out of cables received against 2 estimates, materials valued at Rs. 3.45 lakhs were shown as transferred to the maintenance head in March Supplementary 1981 accounts, stating that the stores were in the custody of the Assistant Engineer, Stores, for being utilised on maintenance. Except cables worth Rs. 0.34 lakh, no other cables were received by the Assistant Engineer, Stores during 1980-81 from the construction officers who executed the project and no other details were on record regarding the return of the remaining cables costing Rs. 3.11 lakhs.

(ii) There was non-accountal and possible loss of Rs. 10.79 lakhs on account of unutilised cables omitted to be accounted for in any of the connected estimates, as indicated below :—

(a) While releasing the completion reports of 8 estimates, cables valued at Rs. 9.89 lakhs were shown as transferred to other estimates in which these were not accounted for.

(b) In one estimate due to not correctly closing the cable account, unutilised cables costing Rs. 0.51 lakh were omitted to be accounted for before releasing the completion report.

(c) Cables received from the store depot were omitted to be included in the cable account of concerned estimates with the result that there was short accounting of cables worth Rs. 0.39 lakh.

(d) In respect of one estimate connected with this project, old cables already existing (value : Rs. 1.60 lakhs) were treated as abandoned without being recovered for re-use.

(5) *Utilisation of exchange capacity*.—Railwaypura II (3,000 lines cross-bar) and Railwaypura III (10,000 lines cross-bar) exchanges were cut over in November 1977 and March 1978 respectively, besides Railwaypura-I (10,000 lines Strowger) already functioning in the same building from November 1972. The operation of the three exchanges situated in the same building was required (September 1977) to be governed by "demarcated area cable system" according to which each exchange had its own area to be served. The commissioning of Railwaypura II and III exchanges necessitated redemarcation of the area served by Railwaypura I and the other two (both Strowger) exchanges involving transfer of working connections from the existing exchanges to the two new exchanges, leaving spare capacity in the exchanges from which transfers were effected.

The void created by the transfer of working connections from the three old exchanges to the new Railwaypura II and III exchanges was not fully filled by providing fresh connection to persons in the waiting list for the three old exchanges and there was prolonged delay in loading them to their permissible limit (94 per cent of equipped capacity). The potential revenue lost by the three old exchanges during September 1978 to March 1981, due to non-utilisation of the permissible capacity, was Rs. 23.32 lakhs (Railwaypura-I Rs. 16.79 lakhs, Raipurgate Rs. 3.60 lakhs and Central Rs. 2.93 lakhs).

(6) *Performance*

(i) The Management Information System (MIS) in force facilitates the management in reviewing the working of each exchange and taking effective remedial action. The data relating to the 3 exchanges of Railwaypura-I (10,000-line strowger), Railwaypura-II (3,000-line cross-bar) and Railwaypura-III (10,000-line imported cross-bar) for the period from April 1978 to March 1981 revealed that the functioning of all the 3 exchanges was far from the desired efficiency.

The following table shows the average duration of fault in hours (per fault) and the average number of faults and complaints per 100 Departmental Exchange Lines (DELs) per month in all these 3 exchanges —

Details	Target	Control limit	Railway-pura-I	Railway pura-II	Railway-pura-III
Average duration of fault (per fault) (in hours)					
1978-79	2.5	3	15.46	16.59	13.52
1979-80			19.22	17.75	10.92
1980-81			26.05	29.24	14.11
Average number of faults per 100 DELs per month					
1978-79	37.5	42.5	59.82	69.74	43.22
1979-80			65.41	68.01	42.70
1980-81			52.51	56.92	36.60
Average number of complaints per 100 DELs per month					
1978-79	55	65	88.00	93.58	61.16
1979-80			87.17	83.76	52.70
1980-81			78.50	76.54	48.18

The average duration of fault during the 3 years was much higher in all the 3 exchanges than the desired target of 2.5 hours and control limit of 3 hours. The average duration of fault progressively increased in Railwaypura I and II during these years, whereas it improved in Railwaypura III in 1979-80 over 1978-79, but again slipped back in 1980-81 even compared to 1978-79. It was noticed (May-June 1981) that the duration of faults was longer even in non-monsoon months of the 3 years when ordinarily a better performance was expected. During the three years, the average number of faults and complaints per 100 DELs per month was also high with the result that all the 3 exchanges suffered a high percentage of idle (telephone) hours with consequential loss of revenue.

(ii) The percentage of junction call failures (inter-exchange) in the three exchanges during 1978-79 to 1980-81 are given in the table below :—

Year	Target	Control limit	Railway-Pura-I	Railway-pura-II	Railway-pura-III
			(Percentages)		
1978-79	2.5	3.5	4.3	7.8	4.5
1979-80	2.0	3.0	9.4	8.0	8.8
1980-81	2.0	3.0	18.6	20.6	15.2

The performance of all the three exchanges was not satisfactory as compared to the targets and control limits.

(iii) The average percentages of failure of STD (Subscriber Trunk Dialling) calls of the 3 exchanges during the years 1979-80 to 1980-81 were as follows :—

	Railway-pura-I	Railway-pura-II	Railway-Pura-III
	(Average of STD	percentages calls)	failure
1978-79	47.21	27.69	23.22
1979-80	74.92	62.64	49.42
1980-81	73.83	65.23	62.72

The target and control limit for this for all the 3 years were 40 *per cent* and 47.5 *per cent* respectively. While all the exchanges functioned within the control limit in 1978-79, their performance deteriorated during 1979-80 and 1980-81.

While admitting the above facts and figures, the Department stated (December 1981) that action had been initiated to arrest the deteriorating trend.

(iv) Apart from providing inefficient service to the public, the potential loss of revenue to the Department on account of abnormal delay in fault clearance and also high rates of different failures (beyond the control limit envisaged by the Directorate) during the 3 years 1978-79 to 1980-81 amounted to Rs. 248.11 lakhs as shown below :—

	Railway-pura-I	Railway-pura-II	Railway-pura-III
	(Rupees in lakhs)		
Faults and fault attendance	7.35	3.49	3.42
Junction failures	13.91	6.31	13.40
STD failures	146.87	18.85	34.51
	168.13	28.65	51.33
Grand Total :	Rs. 248.11 lakhs		

(7) *Other points of interest*

In the sanction accorded in May 1967 for the construction of phase I of the telephone exchange building, there was a provision for erection of one goods lift to serve the basement, ground and first floors. Order for supply and installation of one goods lift of 1.5-ton capacity was placed on a firm through the DGSD in January 1970 at a cost of Rs. 0.57 lakh, against which the equipment was supplied by the firm in April 1971. The erection of a lift covering 2 more floors necessitated modification (cost : Rs. 0.20 lakh ; November 1974) to the lift received in April 1971. The goods lift was finally installed and commissioned in February 1978, by which time installation of the Trunk Tandem and Railwaypura-II exchange in the first and second floors was completed (May 1977 and November 1977) and installation of Railwaypura-III exchange on the third floor was nearing completion (cut over in March 1978). The total cost of installing the goods lift including expenditure of Rs. 0.30 lakh on civil works was Rs. 1.07 lakhs.

The lift having been commissioned in February 1978 (and being of smaller size), the Department had to carry the equipment of all the 3 exchanges installed in first, second and third floors of the building with the use of hoists or manually. The expenditure incurred for manual lifting of the equipment for incoming trunk tandem exchange (to the first floor) alone was Rs. 1.01 lakhs (expenditure for carrying the equipment of Railwaypura-II and III exchanges to second and third floors was not available).

Thus, the goods lift erected in the building in February 1973 at a cost of Rs. 1.07 lakhs did not serve much purpose in respect of any of the exchanges already installed on the first, second and third floors of the building, nor would it be useful for the proposed Railwaypura-IV exchange with 10,000 lines imported cross-bar to be installed in the third floor as the lift was not fit to carry either the ITI or imported cross-bar exchange equipment. The Department stated (December 1981) that it was not possible to take care of all eventualities like the increased rack sizes of the equipment introduced with the systems later on.

8. *Summing up*.—The following main points emerge :—

— The Department did not acquire, alongwith the main site, the essential portion of the land providing access to the telephone exchange building from the public road, resulting in an extra expenditure of Rs. 1.32 lakhs on acquiring this land subsequently.

— As a result of planning excessive technical area (with 16 feet height), than actually required, on the 3 floors of the building (excluding ground floor) and also installing exchanges other than those contemplated in the original design, the telephone exchange building had a surplus technical area of 1814 sq. metres (cost : Rs. 9.51 lakhs), which had not been put to any use so far (December 1981).

— By accepting the highest tender of the firm 'A' for plant II, extra cost of Rs. 1.82 lakhs was incurred. Due to failure to obtain concessional excise duty by producing the prescribed concessional duty certificate there was an extra cost of Rs. 0.47 lakh.

— As a result of delay in placing orders for installation of air-conditioning plant I, Railwaypura-I exchange (cut over in November 1972) functioned without any air-conditioning for 4 years up to December 1976.

— Both the air-conditioning plants installed at a total cost of Rs. 20.07 lakhs and taken over in September 1977 did not function for a major part of the last 3 years, despite spending an amount of Rs. 2.33 lakhs on repairs and maintenance.

— There was loss of unutilised cables valued at Rs. 10.79 lakhs and there was diversion of stores valuing Rs. 89.49 lakhs to other projects.

— Old re-usable cables worth Rs. 1.60 lakhs were abandoned without recovery while laying a new set of cables.

-- There was potential loss of revenue to the extent of Rs. 23.32 lakhs from September 1978 to March 1981 due to under-utilisation of the capacity of the exchanges.

— During 1978-79 to 1980-81 all the 3 exchanges functioned far from the desired efficiency. Due to undue delay in fault clearance and also heavy failure rates, the total loss of revenue from 1978-79 to 1980-81 amounted to Rs. 248.11 lakhs.

— Goods lift of a smaller size than that provided for, erected at a cost of Rs. 1.07 lakhs after installation of the 3 exchanges on the first, second and third floors did not serve the purpose for which it was intended. Expenditure of Rs. 1.01 lakhs had to be incurred on lifting manually the equipment of trunk tandem exchange alone.

24. **Scheme of Bombay-Pune wide band microwave link and Bombay-Pune TV relay link.**—With a view to providing telephone circuits between various stations based on existing traffic as well as anticipated growth in the coming years, and for providing reliable communication, a scheme for installation of wide band microwave (WBM) system between Bombay and Pune, forming part of the Bombay-Madras-Trivandrum microwave scheme, was approved by Government in April 1970. The total estimated cost for the entire microwave scheme was Rs. 898.19 lakhs, with a net anticipated return of Rs. 108.82 lakhs, being 12.1 *per cent* on the capital outlay. The estimated cost relating to the Bombay-Pune route was not separately mentioned. However, the Director, Microwave Project, Bombay estimated its likely cost in August 1978 at about Rs. 140 lakhs. The potential revenue from the scheme (Bombay-Pune route) was anticipated to be Rs. 39.86 lakhs *per annum*. As per the project estimate for Rs. 933.91 lakhs sanctioned in May 1972 for the entire scheme, the radio equipment and spares for the WBM links and antenna, wave guide feeders, pressuring equipment, test gear, etc. for the entire scheme were to be imported. A provision of Rs. 34.86 lakhs was made in the project estimate for the import of the above equipment for the Bombay-Pune route. It was, however, noticed in audit (December 1980) that in order to expedite the commissioning of the Bombay-Pune route, the Director General, Posts and Telegraphs (DGPT) decided (October 1971) to establish the microwave link with indigenous radio equipment manufactured by the Indian Telephone Industries (ITI), Bangalore. Orders for the equipment including power plant were placed by the DGPT on the ITI in April 1972.

Meanwhile, on the basis of a firm demand received from All India Radio—AIR (Doordarshan) for provision of a radio bearer channel on Bombay-Pune route for TV relay link between the 2 stations, the DGPT sanctioned a project estimate in September 1973 for providing an additional radio bearer channel at an estimated cost of Rs. 80.64 lakhs, on "rent and guarantee" basis for a period of 10 years, with an annual rental of Rs. 19.39

lakhs (provisional). This radio bearer channel was to be provided through the microwave route already sanctioned, which was to be established with three radio channels—one for communications, one for TV and one as protection (standby). The TV end links at Bombay and Pune were to be provided with imported equipment while the other equipment for the radio bearer channel for TV was to be supplied by the ITI. The orders for import of equipment were placed on a foreign firm in June 1975 for Rs. 44.29 lakhs ($ 4,94,578) while the orders for indigenous equipment were placed on the ITI in April 1972 for Rs. 19.73 lakhs.

The following points were noticed in audit.

(i) *Bombay-Pune route of the WBM scheme.*—As per the project estimate (May 1972), the scheme was scheduled for completion and commissioning by March 1976; subsequently (January 1978), the route was programmed to be commissioned during 1977-78. The radio equipment was received during 1977, by which time the building and tower works were completed. On installation of the equipment, a number of faults were observed in the equipment. A team of engineers from the ITI visited Bombay-Pune section in December 1977/January 1978, but could not improve the performance of the system, which had not been commissioned so far (December 1981). In May 1980, the Department was given clearance by the ITI for importing the radio equipment. The findings that emerge are :

— Since the system could not be commissioned though installed by November 1977, the capital investment of Rs. 140 lakhs (approximately) remained idle for which interest charges paid to the General Revenues worked out to about Rs. 25.20 lakhs (at 6 *per cent per annum*).

— Due to non-commissioning of the route, the Department was put to a loss of potential revenue amounting to about Rs. 119.58 lakhs for the last 3 years (at Rs. 39.86 lakhs *per annum* as per the estimate).

— The cost of indigenous radio equipment supplied by the ITI, (including testing instruments for radio equipment) worked out to about Rs. 28.08 lakhs. Since the scheme could not be commissioned with the indigeneous radio equipment and the Department was permitted to import radio equipment, the expenditure of Rs. 28.08 lakhs proved to be unfruitful.

(ii) *Bombay-Pune T.V. Relay Link.*—The Bombay-Pune relay link, which was to be put through by March 1977, was subsequently (January 1978) programmed for commissioning during 1977-78. The indigenous radio equipment for this link (for which a provision of Rs. 24.27 lakhs including installation and General administration was made in the project estimate) was received by March-April 1977 and installed by December 1977. As in the case of the main microwave route, the radio equipment for the TV relay link supplied by the ITI was not found up to the mark and the link had not been commissioned so far (December 1981). The defects and deficiencies noticed in this connection are :

— Since the TV link could not be commissioned, the expenditure incurred (Rs. 58.19 lakhs) was an idle investment since January 1978 for which interest charges worked out to about Rs. 10.47 lakhs (at 6 *per cent*).

— Due to non-commissioning of the scheme, the Department was put to a loss of potential revenue of Rs. 58.17 lakhs, being rental from Doordarshan at Rs. 19.39 lakhs *per annum*.

— Since the scheme could not be commissioned with the indigenous radio equipment and the Department was permitted to import the equipment, the indigenous radio equipment costing Rs. 24.27 lakhs would become infructuous.

— The TV relay link from Bombay to Pune was made available to the Doordarshan from April 1980 by borrowing some equipment from the Maintenance Organisation. This was, however, withdrawn by the P&T Department from 10th September 1980, for want of confirmation of acceptance of the link and payment of rentals by the Doordarshan. The rental for the TV channel made available to Doordarshan for the period from 15th April 1980 to 10th September 1980 which worked out to Rs. 7.90 lakhs at the rate of Rs. 19.39 lakhs *per annum* was not recovered from the Doordarshan so far (April 1981).

The Department stated (January 1982) that since the link did not satisfy the specifications for relaying TV, rental was not charged.

Thus, the Department was put to loss of potential revenue of about Rs. 177 lakhs besides an idle investment of Rs. 198.19 lakhs not resulting in providing the intended facilities to the public.

25. **Panjim ultra high frequency (UHF) scheme**.—For the introduction of point to point STD between Panjim-Vasco, Vasco-Margao and Panjim-Margao, a 60 channel UHF scheme was sanctioned (November 1972) at an estimated cost of Rs. 37.63 lakhs for these links. These stations are geographically within a distance of 27 kms. of each other. The equipment, which was to work; in the frequency range of 380-400 mega hurt (MHZ), was to be imported along with spares and testing instruments. The multiplexing equipment was to be procured from the Indian Telephone Industries, (ITI) Bangalore.

The imported equipment (cost : Rs. 4.60 lakhs) was received in August 1972 and the other stores (cost : Rs. 6.88

lakhs) were received during 1974-75. While the links between Panjim-Vasco and Vasco-Margao (estimated cost : Rs. 21.01 lakhs) were commissioned in February 1975 and March 1975 respectively, the link between Panjim-Margao could not be commissioned due to non-completion of the building and tower at Varna repeater station, although all the stores had been received. This was due to the fact that construction of the building and tower at Varna was awarded (tendered amount : Rs. 1.61 lakhs) late in April 1975. The General Manager, Projects, Bombay stated (March 1981) that the delay in the award of the work of the building was due to delay in constructing the approach road (1 km. long) by the Department. The building was to be completed in July 1975 but was actually completed in November 1976 and the tower foundation laid in January 1977. Temporary arrangements were made in 1975 and 1976 to test the equipment for the Panjim-Margao link, but interference from the working of Panjim-Vasco and Vasco-Margao UHF links was noticed as they also worked on the same frequency (380—400 MHZ) as Panjim-Margao link. The Department had not visualised that waves of the same frequency would overlap due to geographical location of these places. The Department then decided (August 1975) to change the frequency of Panjim-Margao link from 380-400 MHZ to 420-450 MHZ. The Bharat Electronics Limited (BEL), which was to supply bays with 420—450 MHZ frequency informed the Department (August 1976) that since the equipment would have to be modified suitably, it would take some more time to supply the bays. Thereupon, the Department decided (August 1976) to divert the UHF equipment of Panjim-Margao link (cost : Rs. 1.07 lakhs) to Poona-Baramati link; it was however, diverted finally to Jabalpur-Katni link in September 1977.

In the meantime, the Director General, Posts and Telegraphs (DGPT) sanctioned (September 1976) another project for narrow band microwave (NBMW) system with Giga Hertz (GHZ), 300-channel system between Panjim-Margao at a cost of Rs. 26.63 lakhs including overheads, but excluding the existing assets worth Rs. 18.17 lakhs which had been procured for the

UHF scheme of Panjim-Margao link and could not be commissioned till then. In October 1976, the DGPT decided to divert the equipment, antenna, wave guide systems, etc. available from another project (Panjim-Karwar with repeater station at Canacona) to commission the Panjim-Margao and Bombay-New Bombay 7 GHZ microwave links. Meanwhile, due to the fast development of Panjim-Vasco-Margao areas, STD traffic between these stations exceeded the capacity of UHF lines within a year requiring urgent replacement by 7 GHZ narrow band equipment between Panjim-Vasco and Vasco-Margao.

While this was under examination, the NBMW link between Panjim and Margao (cost : Rs. 44.18 lakhs) was commissioned in March 1978. During the proving-in-period, the equipment at Varna Repeater was shifted by the Maintenance wing of the Department to Vasco and the system started working as Panjim-Vasco-Margao with dropping facility at Vasco instead of Panjim-Margao with repeater station at Varna as was originally provided in the project. This change was attributed to the unsatisfactory performance of the imported UHF system (April 1977; cost : Rs. 4.60 lakhs), combined with overall increased traffic needs of Panjim-Vasco and Vasco-Margao. As a result of this re-routing of the NBMW system, the UHF systems already working between Panjim-Vasco and Vasco-Margao were rendered surplus and the department decided (November 1978) to shut down these two systems permanently. Regarding the surplus equipment (cost : Rs. 4.60 lakhs), the General Manager, Projects, Bombay stated (August 1981) that such equipment was generally used by the maintenance organisation as spares, but that it was not possible to trace its disposal at this stage.

Thus, the UHF schemes between Panjim-Margao could not be commissioned in February-March 1975 alongwith other UHF schemes between Panjim-Vasco and Vasco-Margao despite availability of stores mainly due to delay in getting the building and tower constructed early at Varna and to failure to visualise the possible noise disturbance due to nearby location of all the 3 transmitting stations and the low range frequency between them. There was a loss of potential revenue of about Rs. 11 lakhs from Panjim-Margao link from April 1975 to March 1978.

The UHF schemes between Panjim-Vasco and Vasco-Margao which were commissioned at a cost of Rs. 21.01 lakhs had to be shut down in 3 years but the disposal of the surplus equipment was not traceable. The repeater stations with towers at Varna and Canacona (cost : Rs. 6.17 lakhs upto 1978-79) also remained idle.

CHAPTER VI

STORES PURCHASE AND CONTROL

26. **Local printing of inland letter cards.**—Due to a strike (January to May 1978) in Security Press, Nasik, the Press was not in a position to meet fully the requirement of inland letter cards (ILCs) of the Post offices. The Director General, Posts and Telegarphs (DGPT) therefore, decided (March 1979) to permit each Head of Postal Circle to get blank ILC forms to the extent actually required, not exceeding 10 lakhs, printed locally. The guidelines in this regard issued by the DGPT, stipulated *inter alia,* that (i) the circles were to assess their requirements properly, (ii) the cost of ILCs was not to exceed 6 paise each and (iii) the quality of paper to be used for the ILCs, its dimensions and patterns were to conform to the one printed by the Security Press, Nasik.

Pursuant to the above decision, the Postmaster General, Uttar Pradesh (PMG, U.P.) invited tenders for 10 lakh ILCs. The tenders were opened on 16th March 1979 and a rate of Rs. 49,940 per 10 lakh cards quoted by firm 'A' was found to be the lowest. The PMG asked firm 'A' on 19th March 1979 to furnish the sample of paper to be used together with its size, weight and colour although the notice inviting tender (NIT) provided that the paper to be used should be the same as per the ILCs available at Post Office counters. This course of action was objected to by the Internal Finance Wing of the PMG, who then decided (April 1979) to issue a fresh NIT.

On 18th April 1979, fresh tenders were invited and the tenderers were asked to enclose a sample of the paper to be used and also to put gum on the small flap of the ILC. The tender of firm 'B', though not the lowest, was accepted keeping in view the quality of the paper to be used by that firm and an order was placed (May 1979) for printing 10 lakh ILCs at a cost of Rs. 51,500. No formal agreement to safeguard the interest of the Department was signed with the firm. The supply was to be completed by 3rd July 1979. In June 1979, firm 'B' approached the PMG for permission to use paper of a slightly different colour, which was stated to be of better quality than the approved sample. This proposal of firm 'B' was accepted in June 1979 by the Director, Postal Circle and the fact was later also brought to the notice of the PMG in July 1979. Against the scheduled date (3rd July 1979) of supply of the material, the firm completed it by 7th August 1979. No penalty was imposed on the firm for delayed supply even though clause 12 of the NIT contained a provision to this effect.

In the meantime, the DGPT further authorised (July 1979) the Heads of Postal Circles to enter into contracts for the production of blank ILCs locally in 1979-80 and to get two months requirements after making proper assessment. U.P. circle then assessed its two months requirements at 11.44 crore of ILCs. This assessment was on the high side as would be evident from the following :—

— As against the assesssment of 11.44 crore ILCs as two months requirements, the total sale of the ILCs for the whole year varied from 3.29 crores to 5.77 crores during 1977-78 to 1979-80.

— The requirement intimated by the Dehra Dun Head Post Office alone was for 20 crore ILCs for 4 months, while that of the whole circle except Dehra Dun Head Post Office was 2.65 crores for 4 months. This obvious mistake remained undetected.

— On the PMG, U.P. intimating requirement of 22.87 crore ILCs, the Controller of Stamps Stores (CSS), Nasik informed him (February 1980) that the total requirement of ILCs for the whole country for one year including 3 months reserve, as intimated by the DGPT was 125 crores, but the requirement for the U.P. Circle alone was assessed at 22.87 crore ILCs for 4 months only.

— The total revenue of U.P. Circle under the head "sale of stamps" which included post cards, ILCs, envelopes and postage used for registered letters and parcels during the years 1977-78, 1978-79 and 1979-80 was Rs. 11.50 crores, Rs. 13.26 crores and Rs. 13.14 crores respectively. If the assessed requirement of 22.87 crores ILCs of the U.P. Circle for 4 months was taken as realistic, the revenue earned from the sale of ILCs alone would work out to be more than the total annual revenue earned by the sale of all items covered under "sale of stamps".

Having incorrectly assessed the requirement, the PMG, U.P. Circle issued a NIT in October 1979 for manufacture and supply of 10 crore ILCs. Out of 8 tenders, received by 16th November 1979, the lowest quotation was from firm 'H' which had quoted the rate of Rs. 39.50 per 1000 ILCs. For evaluations of the offers, the Purchase Committee constituted in December 1979 held two sittings, first in the beginning of January 1980 and the second in the middle of January 1980. In the minutes of the second sitting of this committee, it was stated that the sample of the lowest rate was being sent to Government of India Press, Aligarh for getting the quality checked. No quality test was however done. Meanwhile the PMG, U.P. circle had already placed orders for supply of 3 crore ILCs during the period from August 1979 to November 1979 on firm 'B' which had earlier supplied 10 lakhs ILCs in August 1979. The firm was asked to supply 3 crore ILCs without inviting tenders and also without formal agreement. As nothing came out of the deliberations of the Purchase Committee, a further order for printing of

4 crore ILCs was placed in March 1980 on the same firm 'B' again without any formal agreement. The supplies of the ILCs were paid for at the rate of Rs. 51.50 per 1000 against the lowest rate of 39.50 per 1000 received against the tender floated in October 1979. Total difference in cost of 7.10 crore ILCs was Rs. 8.86 lakhs. In June 1980, by which time the U.P. circle had received complete supplies against their order of 7.10 crore of ILCs and also since the strike in Security Printing Press, Nasik was called off, the PMG decided to treat the tenders called in October 1979 as cancelled.

It was further observed that the U.P. circle had come to know in January 1980 that the Security Press, Nasik had resumed supply of postal stationery. Nevertheless, order for 4 crore ILCs was placed on firm 'B' in March 1980. From the stock so received, 3.06 crore ILCs were still lying unsold with the U.P. circle (July 1980). The Department stated (October 1981) that the public was reluctant to purchase these ILCs due to their poor quality and that the expenditure of Rs. 16.39 lakhs incurred in getting 3.06 crore ILCs printed locally in excess of actual requirement was infructuous.

In November 1980, a Member of Parliament brought to the notice of the Minister of Communications that the local printing of ILCs was sub-standard, the quality of paper was poor and that there was no gum on the flaps. The matter was examined and the PMG, Lukcnow found that the paper used by the firm 'B' was inferior to the one used by the Security Press, Nasik. He further informed the DGPT that since the local printer had no mechanical device for gumming the flaps of the ILCs, this condition was not insisted upon.

The Department stated (October 1981) that "the supplies from Security Press, Nasik were not very regular........... It was, therefore, not advisable to depend wholly on the supplies from Nasik. As such placing of orders was continued........... .... The stock has been lying only due to non-availability of 25 paise Postage stamps.................... ....These stocks cannot be taken as a loss to the Government as they are serving the purpose of reserve stock and would be used after affixing 25 paise stamps............ Some of the postmasters did return blank Inland Letter Cards ....This was because fresh supplies of Inland Letter Cards started coming from Nasik and affixing of 25 paise stamps would involve extra labour".

Summing up.—The following points emerge :—

— Orders for manufacture and supply of 7.10 crore ILCs (costing Rs. 38.02 lakhs) were placed on firm 'B' in 1979-80 without taking a decision on the tenders invited in October 1979 and without entering into any formal agreement with firm 'B'.

— The difference between the cost at which 7.10 crore ILCs were got printed from firm 'B' and the cost according to the lowest quotation in the tenders (October 1979) which remained under consideration of the Department was Rs. 8.86 lakhs.

— The quality of paper used by firm 'B' was inferior as compared to the one used by Security Press, Nasik.

— 3.06 crore ILCs of inferior quality worth Rs. 16.39 lakhs were still lying unsold in the Postal Circle of PMG, UP (October 1981) since July 1980.

— This requirement was not scaled down even when the CSS Nasik informed the PMG in January 1980 that the requirement of U.P. Circle was on high side. On the contrary, orders for additional 4 crore ILCs were placed in March 1980.

27. **Pricing of spares ordered by P&T on Hindustan Teleprinters Limited.**—The Posts and Telegraphs (P&T) Department obtains its supplies of teleprinters as also accessories and spares from the Hindustan Teleprinters Ltd. (HTL). No pricing agreement prescribing the basis of fixing prices from time to time has been entered into by the P&T Department with the HTL though such agreements had been entered into by the P&T Department with two other Public Sector Undertakings, *viz.* Indian Telephone Industries and Hindustan Cables which cater to the requirements of P&T for various types of telephone equipment and cables respectively. These agreements prescribed fixation of prices on cost plus margin basis with suitable escalation clauses.

Orders for teleprinters and spares were placed on the HTL by the Controller of Telegraph Stores (CTS), Madras till 1972-73. Thereafter, this work was taken over by the Director General, Posts and Telegraphs (DGPT). When order for about 1,400 items was placed by the DGPT in 1973-74 on the basis of 'price list of spare parts' (supplied earlier to CTS Madras by the HTL) a number of amendments to the price list were communicated by the HTL, some on the plea that incorrect details had been furnished earlier. Not being happy with the situation, the P&T Department proposed (May 1974) to the HTL that on the pattern of the agreement between the P&T Department and the ITI allowing currently a profit margin of 30 *per cent* on spares, a formal pricing agreement be introduced and a P&T cost check unit associated with the fixation of prices of both teleprinter machines and spares. The matter remained under correspondence/discussions between the P&T Department and the HTL and a draft pricing agreement was received from the HTL in July 1980. The Department, however, decided (November 1980) that there was no need to have an elaborate pricing agreement on the same pattern as with the ITI and that it would be enough to fix the price for 1980-81 and allow escalation from year to year. This was expected to save extra work involved in elaborate cost check. Following this decision, the price of a BSN (send receive page Model teleprinter) machine was worked out by the costing cell of P&T Board, and after allowing a profit of 12 *per cent*, the fair price was fixed at Rs. 8,600 with effect from 1st April 1980.

The HTL supplies about 2,400 items of spares, out of which about 1,600 items are manufactured in the HTL's workshop. During the years 1977-78, 1978-79 and 1979-80 the HTL sold spares and accessories valuing Rs. 88.97 lakhs, Rs. 69.40 lakhs and Rs. 100.78 lakhs respectively. The percentage of profit made on cost of sales during 1977-78, 1978-79 and 1979-80 worked out to 69.05, 127.69 and 87.20 *per cent* respectively as given below :—

	(In lakhs of rupees) For total sales by HTL			(In lakhs of rupees) For sales by HTL to P&T out of total sales given in Col. (2)		
	1977-78	1978-79	1979-80	1977-78	1978-79	1979-80
(1)		(2)			(3)	
(*i*) Cost of components sold as spares/accessories	49.01	28.77	56.15	19.32	9.98	23.61
(*ii*) Sales overhead .	3.62	1.71	1.96	1.43	0.60	0.82
(*iii*) Cost of components sold as spares/accessories	52.63	30.48	58.11	20.75	10.58	24.43
(*iv*) Sale value	88.97	69.40	108.78	35.60	24.10	45.74
(*v*) Profit on sales	36.34	38.92	50.67	14.33	13.52	21.31
(*vi*) Percentage of profit to cost of sales	69.05	127.69	87.20	69.05	127.69	87.20

A team of officers of the P&T Department, which visited the HTL to collect data pertaining to cost of production of teleprinters in 1976, also observed that the HTL was making a profit of more than Rs. 20 lakhs annually from sale of spares alone to the P&T Department. In January 1978, the P&T Department proposed to the HTL that the prices of spares be reduced by 25 *per cent* provisionally pending execution of a final price agreement by 31st March 1978. In reply, the HTL stated (February 1978) that working out of the actual cost of spares was a big job, which it expected to complete during the next year. It added that it would be possible to arrive at a suitable policy with regard to spares from 1979-80 and meanwhile prices of spares be frozen.

The last consolidated order for spares was placed by the P&T Department on HTL in June 1979, which was to meet the requirements for 1979-80, 1980-81 and 1981-82 and it covered 1668 items of spares. The prices at which the order was placed were provisional and necessary adjustments were to be made as and when the prices were finally settled

A costing team of P&T visited the HTL during December 1980 and after examining the cost records of a few items of spares observed in its report that the profit margin claimed by HTL was 2 to 3 times the actual cost. The team suggested that the matter might be taken up with HTL for reducing the prices of spares to a reasonable level. Though the prices noted in the order for 1668 items of spares placed by the Department in June 1979 were stated to be provisional and the same was the position in regard to all orders placed from 1975 onwards requiring necessary adjustments to be made as and when the prices were finally settled as per the decision taken in a meeting held in May 1975, no concrete steps had been taken to fix the prices of spares manufactured by the HTL on the basis of actual cost.

Thus, even after 6 years of the decision taken in May 1975, only provisional prices were being paid (April 1981) which carried a profit margin varying from 67 *per cent* to 128 *per cent* during 1977-78 to 1979-80. Had the P&T Department entered into a regular arrangement with the HTL allowing even a margin of 30 *per cent* on spares and accessories as in the case of the latest pricing agreement with ITI, it would have paid Rs. 32.43 lakhs less on purchases made during 1977-78 to 1979-80.

The Department stated (October 1981) that entering into a regular pricing agreement with HTL was examined by the P&T Directorate but it was observed that this might not be justified as it involved an elaborate system of cost data collection/vertification in the case of products from HTL. The Department added that, considering the specialised nature of spare parts in teleprinter machines, there was some basis for having a higher profit margin for such items of spares where extra effort and expenses were involved on the part of HTL and that arrangements were being made to go into these aspects further and obtain the cost data for verification of the cost of spares.

28. **Extra expenditure of Rs. 1.13 crores due to delay in finalisation of tenders.**—The Posts and Telegraphs (P&T) Department, after taking into account the availability of indigenous supply of small size cables decided (April 1978) to import the following quantities of different types of cables to meet its urgent requirements for the years 1978-79 and 1979-80.

Size	Quantity (in kms.)
10—pair	1500
20—pair	3400
50—pair	3000
100—pair	2100

A notice inviting global tenders (NIT) to be opened on 19th September 1978, was issued on 5th July 1978. Consequent upon the revision of some important clauses of the NIT relating to prices, specifications, etc. as notified on 17th August 1978, 2 out of 46 tendering firms sought extension of time for submission of tenders, which was given up to 17th October 1978. According to the NIT, the quotations were to be on firm price basis or the tenderers could quote variable price and base their quotation on price of electrolytic copper wire bars (£ Sterling 688 per tonne).

In all 30 offers were received and opened in October 1978. The offers were technically evaluated by a committee consisting of departmental officers and it submitted its report in March 1979 after 5 months. In the light of the recommendations of the committee, the Director General, Posts and Telegraphs (DGPT) issued letters of intent to firms 'A', 'B', 'C' and 'D' in May 1979. The departmental records showed that the case remained under examination from May 1979 to January 1980 on account of representations received from 2 unsuccessful tenderers for consideration of their post-tender offers. These points were resolved only in January 1980 and the final orders for supply of cables were placed on firms 'A', 'B' and 'C' only during February and March 1980 as given below:

Name of the firm	Date of Order	Size of cable and quantity	Value of the order (Rs. in crores)
Firm 'A'	2nd February, 1980	1800 kms. of 50 pairs (unarmoured) 1200 kms. of 50 pairs (armoured) and 2000 kms. of 100 pairs (armoured) with jointing materials	8.36
Firm 'B'	15th March 1980	100 kms. of 100 pairs (corrugated) with jointing materials	0.30
Firm 'C'	11th February 1980	1500 kms. of 10 pairs (unarmoured) with jointing materials	0.55

An examination of the departmental records, however, revealed that the case regarding placement of orders in respect of all sizes of cables (except 20-pairs for which the Department was asked to prepare a note for the Cabinet) had been cleared in September 1979 by the Ministry of Finance. The case, thereafter, remained under examination in the P and T Department on the complaint of the second unsuccessful tenderer referred to above till the end of December 1979 when it was again referred to the Ministry of Finance and the issues were finally resolved in January 1980 only.

The following points were noticed.

(i) *Order on firm 'A'*.—The Department took more than 9 months to confirm the letter of intent of May 1979. Meanwhile the London Metal Exchange (LME) price of copper went up from £ 919 per tonne in May 1979 to £ 1375 per tonne in February 1980. Firm 'A', therefore, did not agree to execute the order which was based on the LME price of copper of £ 919 per tonne prevalent in May 1979 when the letter of intent was issued and asked for enhancement based on the LME price of £ 1375 per tonne prevailing in February 1980. This was agreed to (March 1980) and the total cost of the order increased to Rs. 9.35 crores from Rs. 8.36 crores (May 1979). Thus as a result of delay in processing the case, the Department incurred an extra expenditure of Rs. 99 lakhs in this deal, besides delay in procurement, of cables and jointing materials of about 1½ years.

(ii) *Order on firm 'B'*.—The purchase order placed (March 1980) on this firm provided for completion of delivery of the material within 5 months from the date of receipt of letter of credit. Here again the Department opened the letter of credit only in December 1980 *i.e.* after 9 months. The supplies accordingly were to be made by the firm by May 1981. However, firm 'B' represented (June 1981) that since the Department had delayed confirmation of the order and opening of the letter of credit, it would not be in a position to execute the order within the stipulated time and as such it sought extension of time up to 31st October 1981. The Department agreed to the extension of time and reserved its rights to levy liquidated damages. The firm was still to supply the material (January 1982).

(iii) *Orders on firm 'C'.*—On receipt of order (February 1980), firm 'C' asked for increase in price which amounted to Rs. 13.04 lakhs over the price mentioned in the May 1979 order. The Department, however, calculated the increase in price allowable to firm 'C' at Rs. 1.80 lakhs on the same pattern as was given to firm 'A'. Since this was not acceptable to firm 'C', the Department decided to cancel the order on this firm.

(iv) As regards firm 'D', no order was placed on it pursuant to the letter of intent issued in May 1979 because of the objections raised by the Ministry of Finance in this case. Fresh global tenders were, therefore, invited by the Department (July 1980) for 10-pair and 20-pair cables, which were earlier to be purchased from firms 'C' and 'D', from 13 firms selected by the departmental committee out of 28 firms, which had responded to the original NIT of July 1978. While the original NIT as amended in August 1978 invited offers for cables as well as matching jointing materials, the tender floated in July 1980 was for cables only.

In all 10 offers were received. These were evaluated by an Evaluation Committee which in its report (October 1980) recommended acceptance of the lowest offers both for 10-pair and 20-pair cables, which were from the same firm 'C' on which the order for 1500 kms. of 10-pair cable was placed in February 1980 and cancelled in July 1980 as stated earlier. Advance orders for 1500 kms. of 10-pair cable and 1700 kms. of 20-pair cable were placed on firm 'C' on 26th December 1980. The order for supply of 20-pair cables was restricted to 1700 kms. (instead of 3400 kms.) due to DGTD limiting his clearance to 1700 kms. only. Import of balance 1700 kms. of 20-pair cable was subsequently cleared by the DGTD in January 1981 and detailed order for 1500 kms. of 10-pair cable and 3400 kms. of 20-pair cable was placed on firm 'C' in February 1981 at a total cost of Rs. 2.33 crores. The stipulated date of supplies of the cable was August 1981 which was further extended to November 1981. Here also the cost increased from Rs. 2.19 crores (May 1979) to Rs. 2.33 crores. The Department had, thus, to incur an extra expenditure of Rs. 14 lakhs because a timely decision was not taken on the original tenders.

The Department stated (October 1981) that :—

— the Tender Evaluation Committee which was constituted on 7th September 1978 had to be reconstituted in November 1978 due to transfer of officers and the complexity of the tenders; and

— every effort was made by the Department to expedite the placement of firm orders, but the delay was due to examination of the cases in the Ministry of Finance and frequent changes in the Government that occurred during the intervening period.

(v) *Summing up.*—The following points emerge :

— Due to delay on the part of the evaluation committee in making recommendations and the long time taken by the Ministry of Communications and the Ministry of Finance in finalising the purchase, the Department had to incur a total extra expenditure of Rs. 1.13 crores on the purchase of cables and jointing material from firms 'A' and 'C'.

— Cables and jointing material worth Rs. 11.98 crores needed by the Department during 1978-79 and 1979-80 would now be available only in 1981-82, thus dislocating its development programmes.

29. **Avoidable extra expenditure on account of airlifting of telephone dials.**—According to an assessment made in January 1978 by the Posts and Telegraphs (P&T) Department, 1 lakh dials (0.50 lakh of type 60C and 0.50 lakh of type 24C, over

and above the supplies expected from Indian Telephone Industries (ITI), were required within 6 to 9 months and another 1 lakh dials in 12 to 18 months. Keeping in view the urgent requirements, a short tender notice was issued (February 1978) for supply of 0.50 lakh dials of each of the types 60C and 24C with stipulation for despatch of stores by air to ensure deliveries between October 1978 and December 1978.

The offers received were considered by the Tender Evaluation Committee (17th May 1978) and based on its recommendations, the Department placed (August 1978) advance orders on two foreign firms 'A' and 'B' (being the lowest tenders) for supply of 0.50 lakh dials each of type 60C and type 24C at a total cost of Rs. 12.87 lakhs and Rs. 12.25 lakhs respectively, followed by detailed orders (October 1978/November 1978) which stipulated the following delivery schedules :—

Type 60C	Type 24C
(*i*) Ist 0.20 lakh pieces in third month after opening of letter of credit (L/C).	The delivery of the items ordered shall be completed within 3 to 4 months from the date of opening of letter of credit
(*ii*) Next 0.20 lakh pieces in fourth month after opening of L/C	
(*iii*) Last 0.10 lahh pieces in fifth month after opening of L/C.	

Both the purchase orders provided for despatch of stores by air on 'freight to pay' basis. The L/C in favour of firm 'A' was opened on 24th January 1979. In March 1979, the order on firm 'B' was cancelled as it failed to furnish a bank guarantee in lieu of security deposit and to comply with other terms and conditions of the tender as agreed to by the firm at the time of submission of tender. While cancelling the order on firm 'B', the Department had observed (March 1979) that the need for dials was not so urgent as originally envisaged in view of the assurance of the ITI to meet the requirement. After holding negotiations with firm 'A', who had agreed to supply dials at the same rate as quoted by the firm 'B' in February 1978, an order was placed on firm 'A' (June 1979) for a smaller quantity of 0.20 lakh dials of type 24C (cost : Rs. 5.08 lakhs) with stipulations for despatch of stores by air and making supplies within one month of the opening of L/C, which was opened on 23rd October 1979.

The consignment of 0.50 lakh dials of type 60C was received during March and April 1979 in 3 lots after payment of Rs. 3.69 lakhs as air freight. Out of these, 0.30 lakh dials were cleared from the customs in July 1979 after payment of Rs. 5.72 lakhs as customs duty assessed for the whole consignment of 0.50 lakh dials. The balance quantity of 0.20 lakh dials and some maintenance tools had not been cleared by the customs so far (November 1981). The Department stated (November 1981) that the clearance of the balance 0.20 lakh type 60C dials was delayed because of error on the part of Air India in manifesting the consignment in 2 flights instead of 3 flights.

Though distribution of 0.31 lakh dials out of 0.50 lakh dials of type 60C was given in the purchase order (November 1978) itself, it was not acted upon by the Controller of Telecommunication Stores (CTS) Calcutta as no indents had been placed by the telephone districts concerned. It was only in November 1979 that the Director General, Posts and Telegraphs (DGPT) in response to a reference by CTS Calcutta (October 1979) clarified that no indents were required for despatching the dials to the districts and that these were to be despatched to the concerned District Telecommunication Stores Depots. Thus, 0.30 lakh dials of type 60C received in the Store Depot of CTS Calcutta in July 1979 remained in stock without further distribution till August 1980. The CTS Calcutta credited them to stock in September 1980 and issued the entire quantity to 4 telephone districts in the same month. The distribution of the remaining 0.19 lakh dials of type 60C alongwith that of 0.20 lakh dials of type 24C ordered in June 1979 was given by the DGPT in February 1980, which revealed that the dials were to meet the requirements of 4 major telephone districts of Bombay, Madras, Delhi and Calcutta for the years 1979-80, 1980-81 and 1981-82, though they were originally intended to meet the requirements for the year 1978-79 only.

The consignment of 0.20 lakh dials of type 24C was received in December 1979 and was cleared by customs in the same month after payment of Rs. 1.10 lakhs as air freight, but it was delivered to the CTS Bombay in March 1980. Though the DGPT had issued instructions to the CTS Bombay in February 1980 for the distribution of these dials, no action was taken on these instructions. It was only in April 1980 when the DGPT again enquired whether the dials were supplied to the districts, the CTS Bombay took them in stock and despatched them to the respective Circle store depots during June 1980 to September 1980.

Thus, out of 0.50 lakh dials of type 60C which reached India during March and April 1979, 0.30 lakh dials only were delivered by the CTS, Calcutta to the respective telephone districts in September 1980, after a delay of about 18 months and the remaining 0.20 lakh had not even been got cleared from customs so far (November 1981) though customs duty on them had been paid. The other 0.20 lakh dials of type 24C which, arrived in India in December 1979, reached the telephone districts between June 1980 and September 1980, *i.e.* after a delay of 6 to 9 months.

In regard to non-clearance of 0.20 lakh dials of type 60C so far (November 1981) the following further points were noticed in audit (November 1981) :

— The Assistant Director Shipping (an officer of the DGS&D organisation at Calcutta) (AD Shipping, Calcutta) had to prepare a fresh bill of entry for securing release of the dials (received in the third flight) which were assessed by customs to duty for Rs. 2.13 lakhs. This amount was paid to customs on 26th September 1981. Refund of Rs. 2.13 lakhs was yet (September 1981) to be claimed from the customs, as the customs duty on the entire cargo had been paid on the original bill of Entry.

— Due to delay in getting clearance of the consignment, the terminal charges would be considerable running probably, into lakhs of rupees (amount not yet available).

— Due to non-clearance of 0.20 lakh dials, Government funds to the extent of Rs. 8.92 lakhs had remained blocked for the last 2¼ years, since July 1979.

Apparently, urgency of the requirements of the dials necessitating their airlifting was not correctly assessed at the time of placing the order, with the result that the Department had to incur expenditure of Rs. 4.79 lakhs on account of airlifting of both types of dials. Since tht stores were ultimately meant to be used in the years 1979-80, 1980-81 and 1981-82 as per the distribution order (February 1980) issued by the DGPT, their transport by sea would have also served the purpose and the expenditure (Rs. 4.79 lakhs) on airlifting could have been largely avoided.

30. **Purchase of defective and sub-standard pulp-boards.**— Based on indents placed by various circles, the Director General, Posts and Telegraphs (DGPT) placed orders for supply of pulp-boards for use as file covers on firm 'A' through the Director General, Supplies and Disposals (DGSD) in October 1979 as indicated below :—

Name of Consignees	69 × 86 Cms. 74.2 Kgs. 250 GSM (Pink)	69 × 86 Cms. 81.6 Kgs. 275 GSM (Pink)	69 × 86 Cms. 81.6 Kgs. 275 GSM (Yellow)
Superintendent, Postal Store Depot, Hyderabad	55,000	..	..
General Manager Telecommunication, Hyderabad	..	2000	..
General Manager Telephones, Calcutta	..	1000	1000
General Manager Telephones, Bombay	..	2000	3,000

The first lot of consignment was received by the Postal Store Depot (PSD), Hyderabad in April 1980. The pulp-boards received in these consignments were not found suitable for the purpose for which they were intended. On receipt of a complaint from the PSD for inferior quality of pulp-boards, the DGPT informed firm 'A' (May 1980) that the pulp-boards supplied were neither as per specifications, nor in conformity with the samples furnished earlier. Similar complaint of defective supply of pulp-boards by the firm was also received (May 1980) by the DGPT from the General Manager, Telephones, Calcutta. The DGPT issued instructions (June 1980) to the firm for making future supplies correctly and according to the specifications, but no penal action such as withholding of payment was taken. By the time these instructions were issued by the DGPT in June 1980, the firm had already despatched almost all the material and the railway receipts had reached the PSD, Hyderabad. The Department stated (November 1981) that it was not considered desirable to withhold payment for the consignments as the party involved was a Government of India Undertaking, set up to promote, *inter alia,* hand-made paper industry.

The Government of India Stationery Officer (Inspection Wing), Calcutta, to whom the samples were sent (August 1980) by the PSD for test, found the supplies to be sub-standard and not according to the specifications. The total quantity received from the firm was 59.911 tonnes costing Rs. 4.84 lakhs.

In November 1980, the DGPT again informed the firm that the material supplied by it to the PSD, Hyderabad was not according to the approved samples and that the PSD had been advised to accept only those portions which conformed to the approved samples. Subsequently, on a suggestion from the DGPT, a representative of the firm and one Assistant Director General of the Department visited the PSD Hyderabad (December 1980). On examination, 10.774 tonnes of pulp-boards (cost : Rs. 0.87 lakh) were found useful. Another 20.425 tonnes of pulp-boards (cost : Rs. 1.65 lakhs) were considered useful for other purposes. The remaining 28.712 tonnes (cost : Rs. 2.32 lakhs) were totally defective and not fit to be utilised at all. But in the absence of any final decision, the entire quantity of pulp-boards (59.911 tonnes) valued at Rs. 4.84 lakhs was lying in stock (October 1981).

It was noticed in audit (April 1981) that the requirement of the pulp-boards for the PSD, Hyderabad for 18 months was 36.13 tonnes whereas indent was placed for 55.5 tonnes and the actual supply received was 59.911 tonnes. This resulted in excess procurement of 23.78 tonnes (value : Rs. 1.92 lakhs). When this was pointed out by Audit (April 1981), the Department stated that the indent was placed sometime in 1978 and that the DGPT placed the orders on the DGSD in October 1979 without taking into account the latest requirements of the PSD.

The following points emerge :

- The first lot of the consignment received (April 1980) was defective, but the DGPT only issued instructions (June 1980) to the firm to improve the further supply without any effective action to withhold payment for the supplies.
- Almost all the supplies were despatched by the firm even before the issue of instructions by the DGPT in June 1980.
- Out of the total supply of 59.911 tonnes, 28.712 tonnes (value : Rs. 2.32 lakhs) were totally defective. The entire quantity 59.911 tonnes (value : Rs. 4.84 lakhs) was lying unused in stock.
- On account of the excess indenting by the PSD Hyderabad there was an excess stocking of 23.78 tonnes of pulp-boards costing Rs. 1.92 lakhs.

31. **Overstocking of coloured instruments.**—Telephone instruments of different colours other than black are provided for use to subscribers on payment of an additional charge of Rs. 60

initially for each set. These instruments are procured from Indian Telephone Industries Ltd. (ITI) Bangalore against the orders placed on it by the Director General, Posts and Telegraphs on the basis of demands forecast by the Telecommunication Circles and Divisions.

The stock position of these instruments of different colours as on 31st January 1981 in the main stores depot at Bombay and Bombay Telephone District showed that 29536 numbers of such instruments valued at Rs. 94.67 lakhs were lying in stock as detailed below :

Year	Opening balance on 1st April	Receipt	Total	Issue	Closing balance on 31st March
1977-78	4016	5598	9,614	2708	6906
1978-79	6906	17760	24,666	4896	19770
1979-80	19770	12836	32,606	3437	29169
1980-81 (Upto 31-1-1981)	29169	4955	34,124	4588	29536

It was, however, noticed in audit (August 1979) that orders placed during 1977-78, 1978-79 and 1979-80 on the ITI for the supply of different varieties of coloured instruments were on the high side as compared to the actual requirement, which led to the building up of a stock of 29,536 instruments at the end of January 1981. Based on the highest issue rate of 4896 telephones in 1978-79, the accumulated stock would last for 6 years. In addition 47,946 black instruments were lying in stock (at the close of March 1981) costing Rs. 76.34 lakhs in the main store depot at Bombay and Bombay Telephone District, which would last for 1½ years.

The Department stated (November 1981) that :—

— stock position of various coloured instruments was frequently reviewed ;

— instructions for diversion of these surplus coloured telephone instruments from Bombay District had been issued ;

— similar instructions in regard to diversion of these instruments from main store depot at Bombay would also be issued shortly ; and

— ITI had also been instructed not to manufacture any coloured instruments during 1981-82.

CHAPTER VII

LAND AND BUILDINGS

32. **Construction of staff quarters at Anna Nagar.**—Departmental rules provide that when land is required by the Posts & Telegraphs (P&T) Department, it should be acquired through the revenue authorities of the State Government. The Department, however, directly purchased a plot of land measuring 25.03 acres at Anna Nagar in Madras (1971) at a cost of Rs. 22.83 lakhs (excluding overheads Rs. 0.68 lakh) from a private company through negotiations. The land so purchased formed part of 78.51 acres of land which had previously been acquired by the Tamil Nadu Housing Board (TNHB), but whose owner (a company) had subsequently obtained exemption from acquisition on the plea that the land was required by him for extracting clay and for factory purposes. The land, however, was not used for the purpose for which it was got released from the State Government. On the contrary, it was sold to a number of Central Government departments including the P&T Department at a cost ranging from Rs. 0.90 lakh to Rs. 0.91 lakh per acre which, according to the Government of Tamil Nadu was an exorbitant rate. In a proximate village Koyambedu, land was acquired by the State Government at the rate of Rs. 0.18 lakh per acre.

The State Government wrote to the TNHB (February 1975) as follows :

> "Even though the company got the above land released in the guise of utilising the same for its own purpose, it has subsequently sold an extent of about 66.30 acres to various Central Government departments by private deals at highly inflated rates ranging from Rs. 89,965 to Rs. 90,750 per acre on 28-3-1970, 17-9-1971 and 28-8-1972."

Since the company got its land released from the State Government on a false pretext, the Housing Department of the State Government issued instructions (February 1975) to the Chairman of the Tamil Nadu Housing Board not to extend without its specific approval any service facilities developed by it in the area to any portion of this land.

After the purchase of land (1971) the construction of phase I comprising 102 type I and 150 type II quarters was sanctioned (October 1972) by the P&T Department. The construction of 42 quarters was taken up in July 1973, but the work was stopped at plinth level due to imposition of a ban by Government (August 1973) on the construction of non-functional buildings. Work on these and the remaining quarters was started again in July 1975 after the ban was lifted. The target date (March 1978) for the completion of the phase I was extended from time to time mainly because of the refusal of the Tamil Nadu Housing Board to provide water and sewerage facilities. The problem of water supply was met by sinking open wells in the area, but the sewerage problem continued to exist. It was seen in audit that though the Government of Tamil Nadu had made its stand (about non-provision of service facilities to this land) known in February 1975 itself, the P&T Department, without resolving the issue with the State Government, had resumed construction not only on the 42 quarters, but also on the remaining 210 quarters in July 1975. Almost 100 *per cent* of the construction work of the first phase (252 quarters) had been completed by September 1978 at a cost of Rs. 1.03 crores, but the quarters continued to remain vacant due to non-availability of sewerage facilities. During October 1978 to March 1981, the P&T staff was paid house rent allowance totalling Rs. 3.61 lakhs, which could have been avoided if the quarters on completion, could have been allotted to the employees in October 1978 itself. Besides, the Department could also have realised Rs. 2.35 lakhs by way of licence fee from the allottees of the quarters.

It was further observed in audit that even though the P&T Department could not resolve the issue with the State Government about the provision of service facilities to the quarters constructed in phase I of the scheme, it had taken up (April 1976) the construction of 264 type I quarters and 224 type II quarters at an estimated cost of Rs. 94 lakhs under phase II ; an expenditure of Rs. 17 lakhs had been incurred thereon up to March 1980.

The Department stated (August 1981) that in the absence of specific ban on sewerage construction by the State Government, it had thought it prudent to proceed with the construction and that the State Government had since agreed to provide temporary sewerage facilities.

However, it may be seen that the P&T Department undertook and completed (September 1978) construction of 252 quarters (cost : Rs. 1.03 crores) in phase I and also took up further construction of 488 quarters (estimated cost : Rs. 94 lakhs and expenditure Rs. 17 lakhs up to March 1980) in Phase II without securing provision for service facilities with the result that the quarters could not be allotted to the employees resulting in loss of Rs. 5.96 lakhs on account of house rent allowance and non-realisation of licence fee. Besides, land was directly purchased (cost : Rs. 22.83 lakhs) by the Department in contravention of the rules, and at the 'highly inflated' rate of about Rs. 0.90 lakh per acre against the rate of Rs. 0.18 lakh per acre at which land was acquired by the State Government in the proximate village.

33. **Construction of Circle Telecommunication Training Centre building at Bhopal.**—The Circle Telecommunication Training Centre (CTTC) of the Posts and Telegraphs (P&T) Department was functioning in two buildings at Bhopal, hired at a rent of Rs. 0.35 lakh *per annum*. In order to have a departmental building for the training centre, the Director General, Posts and Telegraphs (DGPT) accorded administrative approval (November 1976) for the construction of a building at an estimated cost of Rs. 27.11 lakhs. The expenditure sanction was, however, issued (January 1977) for Rs. 31.17 lakhs.

The building was designed to have 3 floors with reinforced cement concrete (RCC) structure with ceiling heights of 12 feet, 16 feet and 12 feet respectively, on ground, first and second floors respectively. The total space to be provided was 22,600 sq. ft. Tenders for civil work were invited in April 1977 and the work was awarded to the lowest tenderer (May 1977) at a total cost of Rs. 16.19 lakhs for completion in May 1978. However, due to delay on the part of the Department in providing architectural designs/plans, internal colour scheme, etc., to the contractor, the civil work was delayed by 22 months. The electrical installation work which was taken up thereafter took another 6 months with the result that the building could be taken over by the Department only in September 1980.

While the work was still in progress, the Department decided (February 1979) to utilise the building for the office of the General Manager, Telecommunication (GMT), Bhopal instead of housing the training centre for which it was actually designed. The Training Centre in turn was shifted to another multi-storyed building of the circle office coming up almost simultaneously and which was earlier earmarked for GMT's office. These two buildings were ready for occupation almost at the same time. The CTTC occupied the circle office building in August 1980 and the GMT's office occupied the training centre building in September 1980. The CTTC building was designed and built with a heavy load bearing capacity to the extent of 2,000 kgs. per sq. metre for library, 500 kgs. per sq. metre for class rooms, 400 kgs. per sq. metre for laboratory and tiffin room and also with considerably high ceilings from technical point of view. Nevertheless, the building was used to accommodate an office requiring a load bearing capacity of 300 kgs. per sq. metre only. Taking into account the proportionate cost per sq. foot incurred by the Department on the construction of CTTC building (cost : Rs. 75.40 per sq. foot) *vis-a-vis* the cost of circle office building (cost : Rs. 48.00 per sq. foot), the Department incurred an expenditure of Rs. 6.19 lakhs on superior specifications which were not actually required for an ordinary office building.

Further, the Department incurred additional expenditure on alterations, modifications, etc. made in the circle office building to cater to the special requirements of CTTC. The exact amount involved on this account could not be quantified because the expenditure had been booked under the main work of construction of circle office building.

Besides, since the building was not completed by the scheduled date (May 1978) the CTTC continued to function in the rented building for which the Department paid a rent of Rs. 0.74 lakh (from July 1978 to August 1980) which could have been saved.

The Department stated (December 1981) that a decision was taken in February 1979 to utilise the Training Centre building for the office of GMT, Bhopal instead of housing the Training Centre for which it was actually designed with heavy floor loadings, due to technical considerations. This decision was taken as no agreement could be reached between the postal and telecommunication circles at Bhopal for sharing the newly-constructed administrative office building.

34. **Purchase of residential accommodation for the Head of a Postal Circle.**—According to the reciprocal arrangements between the Central Government and the Government of Jammu and Kashmir, the State Government had been providing residential accommodation to the Heads of Posts and Telegraphs (P&T) Offices, for which standard licence fee not exceeding 10 *per cent* of the emoluments of the officer occupying the accommodation was being charged. The State Government had accordingly agreed to allot a house to the Postmaster General (PMG), Srinagar. However, on the plea that the allotted accommodation would revert to the State Government after the transfer of the then incumbent, the PMG took a decision in March 1980 for purchasing a residential building, without obtaining prior permission of the Director General, Posts and Telegraphs (DGPT) and without observing the procedure provided in departmental rules.

The said building was constructed on a plot of land measuring 4.01 kanals in 1966-67 when the cost of construction was between Rs. 15 and Rs. 17 per square foot (sq. ft.). Without obtaining the approval of the competent authority and the clearance of the Internal Finance, a provisional payment of Rs. 7.30 lakhs was made to the State Government on 31st March 1980, out of the funds of Rs. 15.03 lakhs meant for the purchase of land for the post office building and the staff quarters. The building was occupied on 21st April 1980. In April 1980, the PMG sent a proposal to DGPT for approval of the above purchase. The Civil Wing of the P&T Department assessed the cost of the building at Rs. 4.13 lakhs, whereas the revenue authorities of the State Government assessed the cost of land component of 4.01 kanals at Rs. 8 lakhs and the building at Rs. 4.5 lakhs. The final terms of purchase were yet (August 1981) to be quoted by the State Government. The building had two structures, one being the main residence for the PMG with a plinth area of 3390 sq. ft. and the other being an annexe with a plinth area of 687 sq. ft.

As per the orders (June 1980) of Government, no residential accommodation with plinth area exceeding 1500 sq. ft. was to be constructed, whereas the total plinth area of the residential accommodation was 4077 sq. ft.

The Department stated (October 1981) that :

— the State Government was yet to intimate the exact terms and conditions of the building;

— the post of PMG had since been upgraded to Senior Administrative Grade; and

— after purchase of the building, it was proposed to utilise the annexe for official purposes.

The following points emerge :—

— The purchase of the building was made by the PMG and payment of Rs. 7.30 lakhs was made to the

State Government (March 1980) without observing the prescribed departmental procedure and exceeding his financial powers.

— The building purchased had accommodation far in excess of the standards prescribed even for the highest grade of officer likely to occupy it.

— The final terms of purchase were yet (August 1981) to be quoted by the State Government.

35. **Acquisition of land for construction of a colony at Kanpur.**—The Director General, Posts and Telegraphs (DGPT) accorded sanction (April 1967) for the acquisition of 7 acres of land at a cost of Rs. 6.98 lakhs in Jajmau colony, Kanpur for the construction of staff quarters. However, this proposal did not materialise as that land had not then been acquired by the Nagar Maha-Palika (NMP), Kanpur.

In May 1967, the NMP conveyed to the Department its approval for allotment of another plot of land measuring 4.627 acres at Panki at the rate of Rs. 10 per square yard. In March 1970, the sales officer NMP submitted to the Department a bill for Rs. 2.24 lakhs on account of the cost of land for processing the case further. But the payment was not made by the Department on the ground that the area where the land was offered was neither developed nor demarcated.

According to the rules, the District Manager Telephones (DMT), Kanpur was required to prepare the site plans and maps of the plot, obtain suitability certificate from the P&T Civil Division and approach the DGPT for sanctioning the purchase of the plot at he cost of Rs. 2.24 lakhs. Instead, the DMT Kanpur wrote to the DGPT in November 1973 requesting him to renew the sanction for Rs. 6.98 lakhs, which had been issued by the DGPT earlier in April 1967 for the purchase of land at Jajmau, as that sanction had become time-barred. The matter remained under correspondence between the DMT Kanpur and the DGPT. Meanwhile, the NMP informed the DMT Kanpur

(May 1975) that the market value of the plot at Panki had been revised to Rs. 5.78 lakhs. This was brought to the notice of the DGPT in June 1975. The DGPT informed the DMT Kanpur that the purchase of land at Panki was independent of the renewal of time-barred sanction for the land at Jajmau. It was further desired by the DGPT that the DMT Kanpur should submit a fresh proposal for the purchase of land at Panki duly supported by a site plan, suitability certificate, etc. as required under the rules. The required documents were obtained in June 1976 and sent to the DGPT who accorded sanction for Rs. 5.96 lakhs including overhead charges (Rs. 0.17 lakh) in March 1977. The payment of Rs. 5.78 lakhs was released to the NMP in March 1977. On actual measurement, the area of land was found to be 5.273 acres and a further payment of Rs. 0.81 lakh was made in March 1978. The possession of the plot was taken by the Department in June 1979.

The Department stated (September 1981) that protracted correspondence and consequent delay took place because of the search for an alternate plot of bigger size, paucity of funds during the period and ban on the construction of non-functional buildings during 1973-75.

However, the fact remains that due to delay on the part of the DMT Kanpur, first in not processing the case properly from March 1970 to October 1973 for obtaining a fresh sanction of the DGPT as required under the rules and due to protracted correspondence betwen the DMT and the DGPT, the Department had to incur an extra expenditure of Rs. 4.04 lakhs for the same undeveloped plot.

CHAPTER VIII

OTHER TOPICS

36. **Contract for fabrication and supply of steel towers.**—In April 1972, the Posts and Telegraphs (P&T) Department placed an order on a public sector undertaking for fabrication and supply of steel towers (5,863 tonnes of galvanised steel towers at a base price of Rs. 2,250 per tonne and 132 tonnes of ungalvanised foundation materials at Rs. 3,000 per tonne) required for various microwave schemes at a provisional total cost of Rs. 1.32 crores. The supplies of galvanised towers were to commence at 300 tonnes per month from January 1973 or earlier for completion by 30th June 1974 or earlier and those of ungalvanised foundation material were to commence at 10 tonnes per month from July 1972 or earlier for completion by 30th June 1973 or earlier.

The contract provided initially for escalation of prices on account of increase in cost of steel, zinc and bought out items of bolts and nuts. In May 1973, the terms of the contract were liberalised to provide for an 'on account' advance payment to the undertaking to the extent of 90 *per cent* of the cost of raw material purchased by it. The total amount of such 'on account' advance payments was however, subject to an overall ceiling limit of 50 *per cent* of the total escalated value of the contract from time to time. In consideration of the 'on account' advance payments, the undertaking agreed to give an additional one *per cent* discount on the prices of the galvanised steel work. These 'on account' advance payments were to be adjusted against the bills for 95 *per cent* payment for supply of finished steel towers on pro-rata basis, *i.e.* at 90 *per cent* of the value of raw material used in fabricating the finished product to the extent of material supplied.

It was noticed in audit (March-April 1978) that from June 1973 to March 1978, 'on account' advance payments amounting to Rs. 118.48 lakhs were made to the undertaking against raw material weighing 5,473 tonnes purchased by it. The advance payments had been made without reference to the likely progress of fabrication and supply of towers. Further, they had been made at market prices of raw material, (which had gone up considerably), while payments for the towers were to be made on the agreed contract rate (without corresponding escalation). The undertaking preferred its bill in December 1974 in respect of one tower of finished material (97 tonnes) supplied by it; the adjustment of advance payment to the extent of 90 *per cent* of value of raw material was not possible as the amount to be adjusted on pro-rata basis was more than the gross amount of the claim. The Director, Microwave project, Nagpur therefore, adjusted approximately 50 *per cent* of the gross amount of the bill towards the advance payments and referred the matter to the Director General, Posts and Telegraphs (DGPT) (January 1975). Supplementary bills on account of escalation in cost of finished material were however, preferred by the firm after November 1976 onwards and were also paid. The DGPT directed (November 1978) that 60 *per cent* of each bill be adjusted from all future bills towards the advance payments made for the raw materials.

Out of Rs. 118.48 lakhs paid to the undertaking during 1973-74 to 1977-78 as 'on account' payments, only Rs. 85.54 lakhs were adjusted from the bills up to March 1981 as against Rs. 102.62 lakhs adjustable in terms of the contract, thus allowing the undertaking to retain Rs. 17.08 lakhs outside the terms of the contract due mainly to the procedure adopted in making 'advance payments'.

Although the entire supply of the fabricated material was to be completed by 30th June 1974, the details regarding the locations and types of towers were supplied by the Department to the undertakings during January 1973 to October 1974 only with the result that the undertaking could not adhere to the delivery schedule. As the cost of labour, consumables, transport, etc. had risen in the meantime, the undertaking demanded (August 1974) payment of escalation charges in respect of wages and furnace oil (which were not provided in the original contract). These were allowed to the undertaking in May 1976, but were frozen to the level admissible on 1st January 1976. The additional liability on this account till March 1981 was Rs. 14.59 lakhs.

The delay in supply of towers by the due date further resulted in payment of central excise duty amounting to Rs. 2.57 lakhs till March 1981 even though there was no specific stipulation in the contract for reimbursement of any increase in the existing duty or any new duty imposed subsequent to the commencement of the contract.

The original date of completion of supplies, *viz.* 30th June 1974 was extended from time to time and the last extension was given up to 31st December 1979. No further extension of time had been granted so far (April 1981) and by 1st March 1981 almost the entire quantity had been supplied except for about 9.7 tonnes. Even if the delay of 2 years on the part of the Department in supplying complete details of the towers required is taken into account, the entire supply should have been completed by June 1976, whereas the undertaking had supplied by that time only 2574 tonnes of galvanised steel towers. According to the terms of the contract, in the event of failure to deliver the material within the period prescribed for delivery, the Department was entitled to recover from the undertaking liquidated damages equal to a sum amounting to 0.5 *per cent* of the value of the stores not supplied for each completed week of such delay, subject to a maximum of 5 *per cent* of the total value of the order placed. As 3321.9 tonnes were supplied after 1976, liquidated damages recoverable from the undertaking at 5 *per cent* of the escalated value would have been Rs. 11·97 lakhs approximately, which were however, not recovered from the undertaking.

As per terms and conditions of contract, the undertaking had agreed to allow a special discount of 2 *per cent* in the rates of galvanised steel towers only against orders for the entire quantity and an additional discount of 1 *per cent*. in consideration of the 'on account' advance payments. These discounts were not allowed in the bills for escalation of prices for finished items paid to the undertaking. When this omission was pointed out by Audit (April 1978), the Department recovered (August 1980 to March 1981) Rs. 0.94 lakh as admissible discount on the escalation bills.

The Department stated (October 1981) that the delays in supplies of the towers material by the undertaking were attributable to reasons beyond the control of both the P&T Department and the undertaking and best efforts were made to expedite the supplies. The following points emerge :—

— The last date for the supply of steel towers required for various microwave schemes was 30th June 1974, but the details regarding locations and types of towers were supplied by the Department to the undertaking only during January 1973 to May 1974.

— The undertaking had supplied almost the entire quantity by March 1981 against the scheduled date of 30th June 1974.

— The 'on account' advance payments were not recovered from the bills on *pro-rata* basis as provided in the contract, with the result that the undertaking was allowed to retain Rs. 17.08 lakhs outside the terms of the contract.

— Due to delay on the part of Department in supplying the details of locations and types of towers, an extra expenditure of Rs. 17.16 lakhs was incurred on account of escalation charges for wages and furnace oil (Rs. 14.59 lakhs) and central excise duty till March 1981 (Rs. 2.57 lakhs).

— Liquidated damages amounting to Rs. 11.97 lakhs recoverable from the undertaking as per the terms of the contract for the delay in supply of material were not recovered.

37. **Manufacture of meter mounting plates with recovered 4-digit meters.**—The Director General, Posts and Telegraphs (DGPT) decided (March 1972) to replace about 7 lakh 4-digit meters in the country with 5-digit meters in all the telephone exchanges with subscribers trunk dialling (STD) facility because of their incapacity to adequately record all the increases in the volume of the traffic, and to use the recovered 4-digit meters in major auto-exchanges (MAX II) of non-STD stations and in Central battery multiple (CBM) exchanges after mounting them on meter plates and rewiring them suitably. This was proposed to be done in a phased manner. In the first phase, 2 lakh 4-digit meters were expected to be recovered. In July 1972, the DGPT decided that the 4-digit meters recovered would be remounted on the meter plates in telecommunication factories. The plates were to be supplied by the Indian Telephone Industries (ITI) and the work was to be done in the Telecommunication Factory, Bombay. The Heads of Telecommunication Circles/District Managers, Telephones and the Heads of Postal Circles were asked (July 1972) to send only good 4-digit meters to the Telecommunication Factory, Bombay taking

special care in packing while despatching them. Detailed instructions were also issued (July 1972) regarding mode of packing, stating, *inter alia,* that since the meters would be recovered in working order from the subscribers, there should be no reason for any of them to be found unserviceable on receipt. It was also stated that for defective handling or packing responsibility would be fixed.

The number of metres received in the factory, Bombay between December 1974 and August 1980 was 1.27 lakhs, out of which 36,191 numbers (28.5 *per cent*) could straightway be mounted on the meter plates; 75,909 numbers (59.75 *per cent*) could be mounted after repairs as well as adjustments and 14,806 numbers (11.71 *per cent*) valued at Rs. 1.48 lakhs were received in completely damaged condition and were rejected. A sum of Rs. 1.65 lakhs was spent on repairs and adjustment of 82,043 numbers (including those received prior to December 1974); another 6,189 numbers (out of 75,909) awaiting repairs would cost Rs. 0.21 lakh for repairs. The factory proposed to use them after repair in the new type coin box telephones.

The Department stated (September 1981) that the expenditure of Rs. 1.65 lakhs incurred on reconditioning of these meters was to be treated as a part of the manufacturing cost of the meter mounting plates.

In regard to 14,806 numbers completely damaged meters (value : Rs. 1.48 lakhs), the damages were not reported to the respective units from which they were received and no action to fix responsibility was so far (August 1981) taken by the Department, in contravention of the DGPT's instructions issued in July 1972. The Department stated (September 1981) that good spare parts of these meters had been used in reconditioning other meters and the scrap would be disposed of by auction.

A scrutiny of the relevant records in the factory at Bombay and office of the Controller of Telecommunication Stores (CTS)

Bombay by Audit revealed (February 1981) that the total issues of meter mounting plates each year were less than the production, resulting in the gradual accumulation of the finished product; 397 plates valued at Rs. 3.18 lakhs were lying unutilised with CTS Bombay as at the close of February 1981. In addition, 216 plates valued at Rs. 1.73 lakhs were lying in the store depots at Jabalpur, Jaipur, Ahmedabad, Calcutta, Jammu and Secunderabad as on 31st March 1981. The Department stated (September 1981) that these plates would be utilised for the CBM exchanges to be installed during 1981-84.

Summing up.—The following points emerge :—

— Though only good 4-digit meters were required to be sent to the factory at Bombay after proper packing, 14,806 numbers completely damaged and unserviceable meters (value : Rs. 1.48 lakhs) were received in the factory.

— An expenditure of Rs. 1.65 lakhs had been incurred on repairs of unserviceable meters either due to defective packing or defective meters being sent to the factory in contravention of the instructions of July 1972 of the DGPT. A sum of Rs. 0.21 lakh more was likely to be incurred in this respect. No responsibility was fixed.

— 397 meter plates (cost : Rs. 3.18 lakhs) were lying idle in the telecommunication stores, Bombay and 216 plates (cost: Rs. 1.73 lakhs) were lying with various store depots with a possibility of utilisation only in 1981-84.

38. **Delay in disposal of inspection reports.**—The total number of inspection reports on Posts and Telegraphs Offices

issued by the Audit Offices up to 31st March 1980 and the number of irregularities pointed out therein remaining unsettled upto the end of August 1981 were 5341 and 35598 respectively. Out of 1076 reports issued during 1980-81, 266 reports had not been received back with the first reply (August 1981). In addition, 133 inspection reports issued prior to April 1980 had also not been received back with the first reply (August 1981).

The following are some of the common types of irregularities noticed as a result of test-check during audit inspections conducted in 1980-81 :—

(a) Security bonds not obtained/not renewed or not kept on record;

(b) Non-renewal and non-execution of lease of buildings;

(c) Irregularities in the maintenance of service books and leave accounts;

(d) General Provident Fund accounts of Group 'D' employees not maintained properly;

(e) Short/excess interest allowed on savings bank accounts. For instance, check of interest calculations conducted by Audit during 1980-81 in 76 post offices in 8 circles revealed that interest of Rs. 0.16 lakh in 1103 accounts was allowed in excess and interest of Rs. 0.32 lakh in 677 accounts was allowed less;

(f) Specimen signatures of savings bank depositors not kept on record;

(g) Overpayments/irregular payments of children's education allowance/tuition fees; and

(h) Health certificates on first appointment wanting.

P.K. Ganapathi

Delhi
The 5 APR 1982

(P. K. GANAPATHI)
Director of Audit Posts and Telegraphs.

Countersigned.

Gian Prakash

(GIAN PRAKASH)
Comptroller and Auditor General of India.

New Delhi
The 7 APR 1982

APPENDIX I

(Referred to in Paragraph 6 at pages 9—12)

(a) Yearwise analysis of telephone revenue in arrears on 1st July 1981 for bills issued up to 31st March 1981 :

Year	Amount (Lakhs of rupees)
Upto 1973-74	145.87
1974-75	51.48
1975-76	61.72
1976-77	116.69
1977-78	184.66
1978-79	202.86
1979-80	324.20
1980-81	754.13
TOTAL	1841.61

(b) Yearwise analysis of telephone revenue exceeding Rs. 5,000 in arrears on 1st July 1981 for bills issued up to 31st March 1981 :

Year	Amount (Lakhs of rupees)
Upto 1973-74	41.16
1974-75	14.56
1975-76	17.11
1976-77	33.73
1977-78	48.95
1978-79	53.28
1979-80	89.02
1980-81	192.06
TOTAL	489.87*

*This does not include figures in respect of Calcutta and Gauhati Telephone Districts.

(c) Yearwise analysis of telephone revenue written off during 1980-81 :

Year	Amount (Lakhs of rupees)
Upto 1973-74	6.52
1974-75	1.78
1975-76	2.53
1976-77	4.60
1977-78	3.51
1978-79	2.72
1979-80	1.27
1980-81	1.07
TOTAL	24.00

APPENDIX II

(Referred to in Paragraph 7 at pages 12-13)

Yearwise analysis of arrears of rent of telegraph, telephone and teleprinter circuits and telex/intelex charges on 1st July 1981 for bills issued up to 31st March 1981 :

Year	Rent of telegraph telephone and teleprinter circuits	Telex and intelex charges	Tota
		(Lakhs of rupees)	
Upto 1975-76	28.94	13.89	42.83
1976-77	13.11	7.35	20.46
1977-78	23.84	12.55	36.39
1978-79	26.45	22.18	48.63
1979-80	33.02	21.85	54.87
1980-81	108.68	41.04	149.72
TOTAL	234.04	118.86	352.90

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

APPENDIX III

(Referred to in paragraph 8 at pages 13—15)

Yearwise analysis of revenue of radio telegraph charges in arrears on 1st August 1981 for bills pertaining to the period up to 31st March 1980 :

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	0.22
1971-72	0.09
1972-73	0.01
1973-74	0.43
1974-75	0.11
1975-76	1.96
1976-77	3.18
1977-78	2.86
1978-79	8.09
1979-80	18.28
TOTAL	37.30

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