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REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA

FOR THE YEAR ENDED 31 MARCH 1989

No. 9 OF 1990

UNION GOVERNMENT (POSTS AND TELECOMMUNICATIONS)

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PREFATORY REMARKS

This Report for the year ended 31st March 1989 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 Departments of Posts and Telecommunications under the Ministry of Communications for the year 1988-89 together with other points arising from test audit of the financial transactions of the two departments.

2. This Report includes, among others, reviews on

Department of Posts

(a) Philatelic Services
(b) Postal Life Insurance Scheme

Department of Telecommunications

(c) Rural communication
(d) Indore-Ahmedabad microwave system
(e) Asansol-Dhanbad-Ranchi microwave expansion scheme
(f) Ambala-Chandigarh-Simla-Amritsar microwave expansion scheme
(g) Ahmedabad-Surendranagar-Rajkot coaxial cable scheme
(h) Surat-Dhulia coaxial cable scheme
(i) Nagpur-Sambalpur coaxial cable scheme
(j) Madras telephone system
(k) Lucknow telephone system

3. The cases mentioned in this Report are among those which came to notice in the course of audit during the year 1988-89 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 1988-89 have also been included, wherever considered necessary.

OVERVIEW

The Audit Report for the year ended 31 March 1989 contains 65 paragraphs including 11 reviews. The points highlighted in the Report are given below :

Department of Posts

I Financial results

The net deficit was Rs.169.73 crores against Rs.88.84 crores anticipated in the budget. The revenue receipts of Rs.741.80 crores of the Department of Posts in 1988-89 fell short of the budgeted estimate by Rs.32.37 crores. The net working expenditure of Rs.911.53 crores exceeded the budgeted estimate by Rs.48.52 crores.

The Department of Posts was not able to utilise funds amounting Rs.16.38 crores out of Rs.19 crores provided in the first four years of the Seventh Five Year Plan for mechanisation and modernisation of the operations. Under the Capital Section (voted), against the budget provision of Rs.46.85 crores, for 1988-89, actual expenditure was Rs.30.12 crores resulting in non-utilisation of Rs.16.73 crores due to non-installation of integrated mail processing system and other mechanical devices. The department opened 1677 new post offices against the target of 6555 post offices during 1985-89. As against 470 Mail Motor Service vehicles, 357 vehicles were added to Ha fleet.

(Paragraph 1)

II Philatelic Services

Philately which has aroused considerable interest the world over has received less than adequate attention in the Department of Posts. Despite the recognition of philately as an effective medium to accord symbolic recognition of past achievements of the country and also to project the image of the country, motivation for development of philately and sustained efforts to involve the younger generation in schools and colleges was lacking. Business promotion and publicity received inadequate attention notwithstanding the repeated recommendations of the Philatelic Advisory Committee to improve it. The staff had not been specially trained for this work.

The issues of philatelic stamps were not balanced in accordance with the recommendation of the Philatelic Advisory committee. There was dominance of stamps on personalities but issues covering flora, fauna and culture were negligible. The design and quality of the stamps needed improvement and there was need to introduce better and more attractive themes.

Effective monitoring and control of philatelic activity and its promotion was lacking at the level of the directorate. Activities pertaining to philately were not reviewed by the Postal Services Board during the last 10 years. Exhibitions were not being held at the circle level as per the prescribed periodicity. The strength of philatelic bureaux remained static and the number of counters for sale of philatelic stamps increased only marginally.

The sale of philatelic stamps during 1984-89 within the country and abroad ranged between Rs.1.65 crores and

Rs.2.85 crores and the sale during 1988-89 was the lowest. Sales abroad declined from Rs.23 lakhs in 1984-85 to Rs.8 lakhs in 1987-88. Overseas coverage was inadequate and was confined to only 14 countries. The performance of the agents selling Indian philatelic products abroad was not evaluated nor were effective steps taken to arrest the declining trend. Sales performance at international exhibitions was not monitored and there was no system of feed back from the officers deputed to such exhibitions.

Philatelic material, stamps and first day covers were printed much in excess of the requirement and were distributed to bureaux without co-relating their past sales, thus leading to accumulation of unsold stocks. These items were being utilised as ordinary postage and stationery involving avoidable expenditure. (Paragraph 2)

III Postal Life Insurance Scheme (PLI)

Postal Life Insurance Scheme which was established in 1884 was having 14.58 lakh policies with an assured sum of Rs.1711.48 crores as on 31st March 1989.

The business secured by the Postal Life Insurance in 1987-88 showed an increase of 63 per cent as compared to 1983-84. The corresponding increase achieved by Life Insurance Corporation was 182 per cent. Though the sum assured in PLI had increased year after year the number of new policies had decreased during 1984-87. The number of new policies obtained from the employees of defence, railways and banks declined from 23.35 in 1984-85 to 8.13 per cent in 1987-88. There was no evidence on record that any specific strategies had been planned by the Department to improve the coverage in these organisations.

The fixation of targets for procurement of business lacked rationale. They were not related to achievements of earlier years and were lower than the effective business of previous year. There was no comprehensive plan of training the staff. Effective monitoring and control on the working of the scheme were lacking.

Out of the new business of Rs.836 crores, procured during 1986-89, business for Rs.129 crores became ineffective as the proponents backed out after completing the formalities.

The bonus rates of Postal Life Insurance on endowment and whole life policies have been higher than those of the Life Insurance Corporation on similar policies; but the difference between the rates has been narrowing down from 38 in 1983-84 to one per cent in 1987-88.

The speed of settlement of claims showed a gradual deterioration. The outstanding claims due for settlement rose from 23323 valuing Rs.8.66 crores in 1983-84 to 35926 valuing Rs.16.35 crores in 1987-88. The percentage of outstanding claims to total claims of the year thus rose from 37 in 1983-84 to 49 in 1987-88. During the corresponding period the percentage of outstanding claims to total claims in the Life Insurance Corporation showed a significant decline from 11.86 to 4.99. While death claims are to be settled within 60 days of receipt of claims, in respect of maturity claim, LIC initiates action two months prior to the date of maturity so that the claim can be settled on the due date. In

PLI no time limit had yet been fixed, for the settlement of claims. The department stated in November 1989 that they had fixed a time schedule in May 1989 to issue sanctions for payments by the date of maturity in clear cases and within 30 days where the cases were incomplete or any information was wanting. Sanctions were to be issued within 90 days in respect of death cases.

Individual premium ledger accounts were not maintained properly with the result the ledger accounts indicating premium recovered remained incomplete. The department accorded two general relaxations in September 1983 and March 1989 waiving the missing credits of premia amounting Rs.7.24 crores upto 31st March 1986. Such relaxations were fraught with risks.

The percentage of expenses to renewal income varied from 8.51 in 1983-84 to 13.07 in 1988-89. The percentage of overall expenses to premium which was 11.03 in 1983-84 increased to 16.49 in 1988-89 in a period of six years.

(Paragraph 3)

IV Construction of staff quarters - defective planning

Departmental rules provide that the suitability of the plot of land for the purpose for which it is to be used should be ascertained alongwith other relevant factors such as availability of water etc. Fifteen quarters at Guntur, the construction of which was completed in September 1985 at a cost of Rs.17.61 lakhs, could not be allotted till September 1989 as the department failed to ascertain the suitability of the site and feasibility of water supply from the local Municipality or other sources before commencement of construction in February 1983. This led to denial of housing facility to employees even after construction was completed.

(Paragraph 4)

V Avoidable expenditure on payment of interest

A dispute regarding the revision of rent of a private accommodation at Calcutta was under adjudication by Calcutta High Court and the Court passed orders in August 1985. The department failed to obtain a copy of the judgement and came to know only on receipt of a notice from the Supreme Court in October 1986. Failure of the department to act in time on the judgement of the High Court resulted in payment of avoidable interest of Rs.5.23 lakhs.

(Paragraph 6)

Department of Telecommunications

VI Financial Results

The revenue receipts of Rs.2358.54 crores in 1988-89 exceeded the budgeted estimate by Rs.52.54 crores. The revenue expenditure of Rs.2544.21 crores showed an overestimation of funds amounting Rs.77.79 crores against the budgeted grant of Rs.2622 crores. The supplementary grant of Rs.35.13 crores obtained in March 1989, in five cases, was unnecessary as the actual expenditure was less than the original grant. This indicated a need for effective budgetary control. The net surplus for the year 1988-89 was Rs. 822.87 crores against Rs.741 crores anticipated in the budget.

During the first four years (1985-89) of the Seventh Five Year Plan, the department spent Rs.4448.01 crores against the plan provision of Rs.4485 crores. The department could lay 88.82 lakh pair kilometres as against target of 188.1 lakh pair kilometres of underground cable required for providing telephone connections. No headway could be made for introducing the new technology of optical fibres, as transmission media, though a target of 20501 route kilometres was fixed for the Seventh Five Year Plan.

Though the equipped capacity of telephone exchanges had increased, capacity utilisation remained around 87 per cent. The number of persons in the waiting list for telephone connections increased from 11.25 lakhs in 1986-87 to 14.21 lakhs in 1988-89.

(Paragraph 7)

VII Revenue

Arrears on account of telephone revenues increased from Rs.35.43 crores as on 1st July 1987 to Rs.82.36 crores in July 1989 while outstanding rent of circuits increased from Rs.11.92 crores in 1986-87 to Rs.17.54 crores in 1988-89. Though there is an Internal Check Organisation in the department, test check by Audit revealed short/non billing in as many as 11591 cases involving Rs.7.87 crores during 1988-89. The department had accepted the observations of Audit and recovered Rs.2.72 crores.

(Paragraphs 8 to 32)

VIII. Rural communication

Rural communication is an important input for the development of rural economy. To further the development of rural communication, Mini Mission V was designed with a view to accelerate the provision of long distance public telephones, rural automatic exchanges and a mix of transmission systems.

The overall progress was not only slow but states like Assam, Bihar, Jammu and Kashmir, Orissa, Rajasthan, Uttar Pradesh, West Bengal and North-Eastern states were lagging behind.

The progress in the opening of telephone exchanges in the rural areas was slow and against the tartget of 4954 rural exchanges during the Seventh Plan period, 1895 exchanges were opened till March 1989. This shortfall was attributed to delay in availability of equipment.

The allocation of Rs.200 crores for rural communication constituted only 8.70 per cent of the total outlay of Rs.2285 crores provided for the Mini Mission. This showed that the urban bias in the provision of telecommunication facilities had continued. Despite the various measures taken, telecommunication facilities in the rural areas continued to be inadequate as there were only 0.06 telephone per hundred population.

In all, 50280 inhabited hexagons were identified for the provision of long distance public telephone facility and till March 1985, 22803 hexagons had been provided with the facility. During the first four years of the Seventh Plan, 7712 long distance public telephones had been provided leaving 19765 hexagons still to be provided with the facility. This also included 1623 first priority hexagons where either a district/sub division/tehsil/sub tehsil/block headquarters or a tourist/pilgrimage centre was located.

(Paragraph 33)

IX Microwave and coaxial cable schemes

The department undertakes various projects to provide, expand and improve telecommunication net work facilities. A review of six microwave and coaxial projects revealed steep escalation in cost mainly attributable to delays in acquisition of land, construction of buildings, laying of cables and placement of orders for equipment and cables and re-engineering of projects. Such delays resulted in denial of facilities to the subscribers and loss of potential revenue to the department. They were symptomatic of defective planning, tardy implementation, ineffective monitoring and lack of functional coordination between the various executing agencies.

The department was unable to effectively dovetail the capacities and production of the Indian Telephone Industries (ITI) and Hindustan Cables Limited (HCL) both working under the department to the requirements of various projects for ensuring co-ordinated supply of equipment and stores for timely implementation of projects.

Orders for the supply of equipment for the Asansol-Dhanbad-Ranchi, Indore-Ahmedabad, and Ambala-Chandigarh-Simla-Amritsar microwave schemes were placed initially on ITI., Equipment for Indore-Ahmedabad microwave system was received but was found sub-standard necessitating import. Supplies for remaining two schemes did not materialise as ITI failed to supply the equipment. As a result, equipment for all the three projects had to be imported involving expenditure in valuable foreign exchange. The supplies of equipment for Surat-Dhulia coaxial cable scheme matured nearly six years after the placement of the order on the Indian Telephone Industries in December 1982.

Supplies of cables by Hindustan Cables Limited for coaxial cable scheme and other Defence works matured long after the due date of delivery.

Indore-Ahmedabad microwave system was sanctioned in July 1969 at an estimated cost of Rs.187 lakhs. The order for the equipment was placed on ITI in March 1970 and supplied in March 1975. The equipment was installed in February 1976 but failed to carry any traffic for three years owing to its substandard performance and was ultimately replaced by installing an equipment imported from Japan during Oxctober 1983 and March 1984. The ITI equipment costing Rs.92.75 lakhs was to be disposed of as scrap. The delayed commissioning of the project resulted not only in a cost over-run of Rs.237 lakhs but also in a loss of potential revenue of Rs.419.16 lakhs and the final cost of the project was 126 per cent over and above the sanctioned cost of Rs.187 lakhs.

(Paragraph 34)

Asansol-Dhanbad-Ranchi microwave expansion scheme was sanctioned in October 1973. Expenditure incurred on the scheme till September 1988 was Rs.385.76 lakhs which exceeded the sanctioned cost of Rs.173.12 lakhs by 123 per cent. The expansion programme was delayed for more than seven years as ITI failed to supply wide band equipment. The equipment was ultimately imported from Japan in May and August 1983 and the route commissioned in March 1986.

(Paragraph 35)

Ambala-Chandigarh-Simla-Amritsar microwave expansion scheme was sanctioned in December 1974 for Rs.404.64 lakhs. The project expected to be completed by March 1979 was actually completed in March 1987 after a delay of eight years at a cost of Rs.1301.20 lakhs. The delay in commissioning resulted in loss of potential revenue of Rs.567.88 lakhs to the department. Order for supply of equipment was placed on ITI in August 1974 for delivery by March 1976. In May 1982, nearly eight years after sanction of the project estimate and placement of purchase order for equipment on ITI, the department realised that the ITI would not be in a position to produce the equipment in the near future and it was decided to import the equipment from Japan. Thus, short-comings in the initial planning of the project necessitated major deviations involving additional expenditure and delay in the execution of the project.

(Paragraph 36)

Ahmedabad-Surendranagar-Rajkot coaxial cable scheme was sanctioned for Rs.406.55 lakhs in January 1982 for completion by 1982-83. It was actually completed in March 1987 at a cost of Rs.719.98 lakhs. There was defective planning and belated action on the part of the department in the purchase of the equipment for the system. The order for 12 MHz analogue equipment was placed on ITI in December 1979 but in June 1981, the department decided to import by converting the system to 140 Mb/s digital. The purchase order for import of equipment was placed on the firm in March 1985 more than three years after the decision. Due to over invoicing of shipment by the supplier, the department had to incur additional expenditure of Rs.109.56 lakhs by way of customs duty, insurance premium, demurrage and wharfage. The firm having failed to adhere to the stipulated date of delivery, liquidated damages amounting Rs.7.70 lakhs were due but not levied by the department.

(Paragraph 37)

Surat-Dhulia coaxial cable scheme sanctioned in January 1982 for Rs.433.65 lakhs envisaged completion of the scheme by 1984-85. But the failure of the department to take timely decision and. proper action regarding acquisition of land and construction of building delayed the commissioning of the scheme by more than four years resulting in cost over-run of Rs.271.20 lakhs and loss of potential revenue of Rs.128.85 lakhs till March 1988. The entire scheme had not yet been commissioned. Supply of the equipment by ITI and cable by HCL were also delayed considerably.

(Paragraph 38)

Nagpur-Sambalpur coaxial cable scheme was sanctioned in April 1982 for Rs.1239.02 lakhs to be completed by March 1985 but due to delay in construction of buildings, laying of cables and installation of the equipment, the entire scheme was yet to be completed though an expenditure of Rs.1512.25 lakhs had already been incurred on the scheme till March 1989. About four years after the sanction of the project estimate, the department decided to covert the proposed 12 MHz analogue coaxial system to 140 Mb/s digital coaxial system and to import the digital system resulting in diversion of ITI make equipment to other routes and delay in completion of the scheme. The decision of the department to change over to digital system indicated lack of proper planning and coordination amongst the various branches of the department.

(Paragraph 39)

X Madras Telephone System

The operating efficiency of the telephone system at Madras was generally below the targets resulting in poor service to subscribers and loss of potential revenue to the department. The excess over the prescribed percentage of faults had risen from 0.4 in 1985-86 to 8.4 in 1988-89. The percentage of ineffective trunk calls was high which in turn deprived the department of potential revenue of Rs.288.19 lakhs. The ratio of local operating expenses to local operating revenue was the highest for Madras Telephones among the four metropolitan cities in 1984-85 and 1985-86. Further, the number of employees per 100 telephones was also the highest in Madras: the increasing trend continued in the subsequent years.

Pulse code modulation system costing Rs.95.14 lakhs supplied by ITI had to be scrapped after installation as its performance was substandard.

(Paragraph 40)

XI Lucknow telphone system

The operating efficiency of telephone system at Lucknow was below the targets resulting in not only poor service but also in loss of potential revenue. While there was under/non-utilisation of available equipped capacity, the provision of telephone facilities to the subscribers did not keep pace with the demand for additional telephones. The percentage of ineffective trunk calls was high and led to loss of potential revenue of Rs.186.31 lakhs per annum.

(Paragraph 41)

XII Stores

General Manager Telecommunications Stores, Calcutta procured 54 lakh telephone stalks and 41 lakh telegraph stalks costing Rs.3.17 crores during 1983-84 from different suppliers by accepting rates where there was wide variation between the lowest and highest accepted rates resulting in extra expenditure of Rs.27.09 lakhs reckoned with reference to the average cost of procurement.

Telecommunication factories at Bhilai, Calcutta and Jabalpur sold 170 tonnes of zinc dross to Uttar Pradesh State Brassware Corporation Limited during March to July 1988 at a fixed price of Rs.22,000 per tonne thereby incurring a loss of Rs.8.09 lakhs. The department has agreed to revise the rates.

(Paragraphs 42 & 44)

XIII. Delay in providing communiction facilities to defence authorities

The telecommunication facilities requisitioned by defence authorities were provided after delays ranging from 5 to 15 years. The delays were attributable mainly to long time taken in sanctioning the estimates, placement of indents and supply of stores and diversion of stores to other works. There was lack of synchronisation of receipt of materials and also lack of functional coordination between various agencies involved.

(Paragraphs 53-58)

XIV. Payment of higher prices

The Department of Telecommunictions placed purchase orders valued at Rs.146.65 lakhs on a foreign firm through their Indian agent during June 1986 to January 1987. The firm had price agreements with the Director General, Supplies and Disposals. During this period, these rates were cheaper and in addition a volume discount was admissible. By placement of orders direct on the firm, instead of routing it through Director General, Supplies and Disposals, the department incurred an extra expenditure of Rs.3.38 lakhs and could not also avail of the volume discount of Rs.7.01 lakhs.

(Paragraph 63)

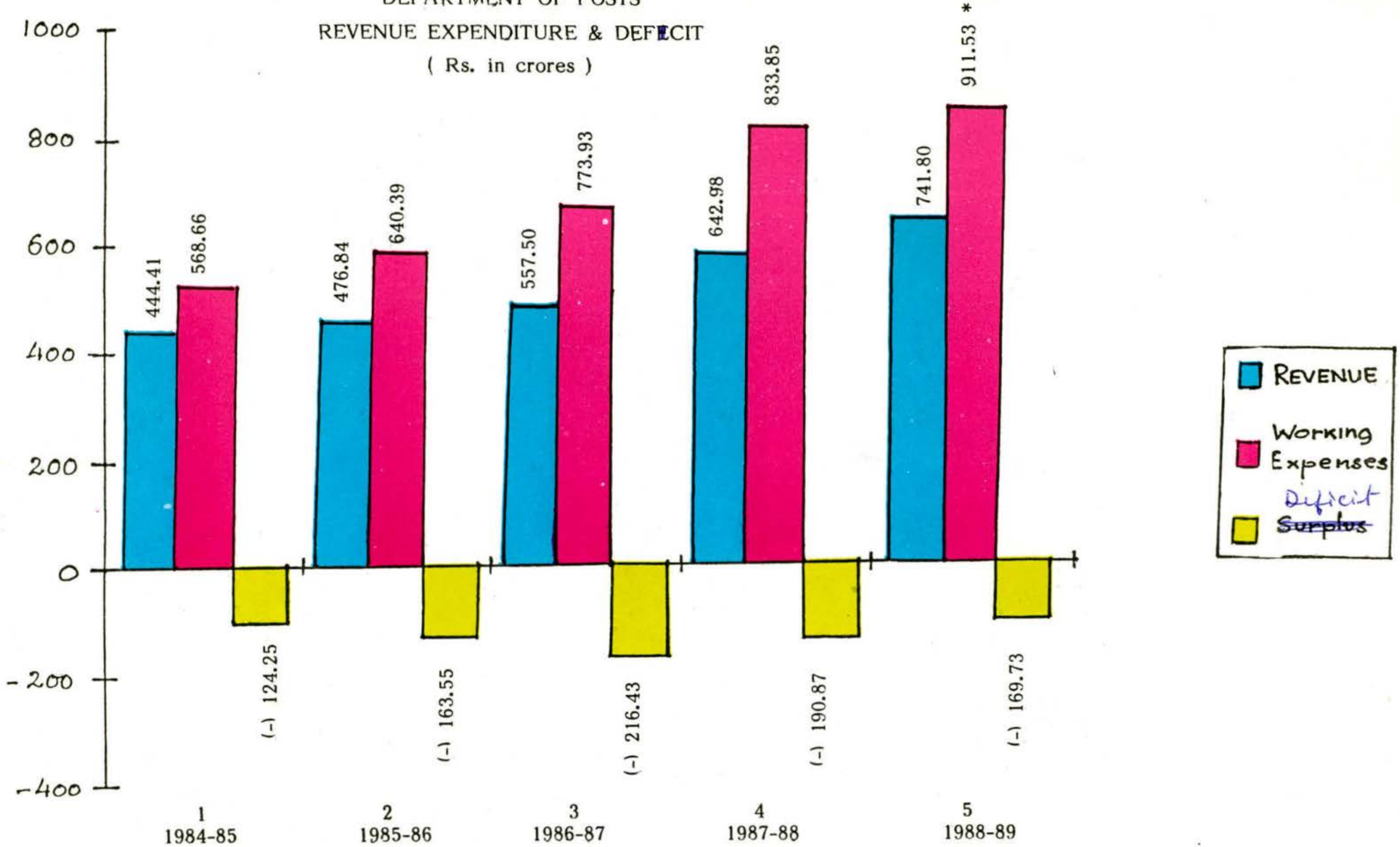
XV. Excess payment of customs duty

Import of equipment and stores under the category of 'Public Telephone Exchange Network' project attracted customs duty at concessional rates provided the contracts entered into with the foreign suppliers were registered before clearance. Failure on the part of department to get the contracts registered with the customs authorities resulted in excess payment of customs duty of Rs.3.59 crores. In four other cases, the department paid customs duty at varying rates in excess of the prescribed rates involving extra expenditure of Rs.20.07 lakhs.

(Paragraph 64)

DEPARTMENT OF POSTS

DEPARTMENT OF POSTS
REVENUE EXPENDITURE & DEFICIT
(Rs. in crores)



* After deducting recoveries of Rs. 179.20 crores from total working expenses of Rs. 1090.73 crores

CHAPTER I

1.ORGANISATIONAL SET UP AND FINANCIAL MANAGEMENT

1.1 Organisational set up

The Department of Posts functions through 'Postal Services Board' headed by a Chairman, who is also Secretary to the Government of India, Department of Posts.

The department's main functions are planning, development, expansion, operation and maintenance of postal services in the country. In this process, it is responsible for collection, transmission and delivery of mail, sale of stamps for postage and philatelic purposes, and providing facilities to the public for remittance of cash by means of money orders/postal orders. The department also discharges certain other functions of the Central Government on agency basis, such as savings bank and other small savings schemes, postal life insurance, collection of customs duty on inward postal articles, disbursement of pension of railway pensioners, disbursement of family pension to the families of employees of coal mines and industries covered by the provident fund scheme.

1.2 Plan performance

During the four years 1985-89 of the Seventh Five Year Plan, the plan provision under the capital section was Rs.152.66 crores. Against this, actual expenditure was Rs.133.63 crores resulting in non-utilisation of Rs.19.03 crores.

Against a target of opening of 6355 new post offices, the department had opened 1677 post offices resulting in an achievement of 26 per cent. 357 vehicles were added during 1985-89 against the department's target of adding 470 mail motor service vehicles required for carrying mails. The department achieved the target of constructing 345 postal buildings. 3693 staff quarters were constructed against a target of 2600.

1.3 Financial results

1.3.1 The financial results of the department for 1988-89 showed a deficit of Rs.169.73 crores as against Rs.88.84 crores anticipated at the budget stage. The revenue receipts (Rs.741.80 crores) fell short of budget estimates by Rs.32.37 crores (4.18 per cent), while the net working expenditure was Rs.911.53 crores. Data on the financial results of the department during the last five years is given in Appendix-I.

1.3.2 The shortfall in revenue receipts was due to less realisation of Rs.11 crores on account of sale of ordinary postal stamps and Rs.40.9 crores on other receipts partly offset by excess realisation under other heads. Details of revenue receipts (estimated and actual) during 1986-87 to 1988-89 under some important heads were:

(Rupees in crores)

Head of Account	1986-87 Budget estimates	1986-87 Actuals	1987-88 Budget estimates	1987-88 Actuals	1988-89 Budget estimates	1988-89 Actuals
Sale of ordinary stamps	295.00	295.54	355.00	339.12	380.00	368.99
Sale of revenue stamps	44.00	33.46	50.00	42.09	45.00	46.33
Postage realised in cash	93.00	88.07	115.00	112.93	120.00	125.59
Net receipts from other Postal Administrations	15.00	18.73	15.00	19.06	18.65	30.37
Receipts on account of money orders/ Indian postal orders	65.00	65.81	80.00	79.96	100.00	100.85
Other net receipts	51.00	55.89	40.00	49.82	110.52	69.67
Total:	563.00	557.50	655.00	642.98	774.17	741.80

1.3.3 Revenue expenditure in 1988-89 was Rs.1085.86 crores as compared to Rs.1027.74 crores in 1987-88. The increase in the revenue expenditure was mainly on account of pay and allowances (Rs.34.68 crores), printing charges on stamps and post cards (Rs.14.76 crores). Details of revenue expenditure during 1986-87 to 1988-89 under some important heads were:

(Rupees in crores)

	1986-87 Amount	1986-87 Percentage increase/ decrease over the previous year	1987-88 Amount	1987-88 Percentage increase/ decrease over the previous year	1988-89 Amount	1988-89 Percentage increase/ decrease over the previous year
Pay and allowances	668.95	18.2	853.68	22.0	888.36	4.1
Pensionery charges	61.74	25.7	96.34	56.0	99.89	3.7
Stamps, post cards etc.	33.18	36.2	20.78	(-)37.4	35.54	71.0
Stationery and printing	11.21	(-)49.9	8.82	(-)21.3	10.25	16.2
Maintenance of assets	6.28	7.0	5.19	(-)17.4	5.74	10.6
Petty works	1.23	(-)24.1	1.74	0.8	1.45	16.9
Conveyance of mails	116.79	254.7	41.19	64.7	44.63	8.4
	899.38	24.0	1027.74	14.2	1085.86	5.7

1.4. Operating ratio

Operating ratio, i.e., percentage of working expenses to the revenue receipts of the department during the last three years was as under:

1986-87	138.8
1987-88	129.7
1988-89	122.9

It will be seen that the operating ratio though not satisfactory had declined from 138.8 in 1986-87 to 122.9 in 1988-89. This was largely due to enhancement of postal tariff.

1.5 Productivity linked bonus

A scheme for grant of productivity linked bonus to postal employees including casual labour was introduced in 1979-80. The productivity linked bonus is paid on the basis of 25 days' wages for the productivity index of 100 achieved during the best performance year, viz., 1976-77. Additional bonus calculated at the rate of one day for each increase of 1 per cent is paid over and above 25 days' wages. Two major activities of the department on the basis of which productivity linked bonus is paid are mail transmission and agency functions. The department employs a sizeable number of extra departmental employees whose duty hours vary from two to five hours, whose number is converted in the ratio of 3.33:1 for equation of full time employees. Productivity linked bonus is paid to the extra departmental and casual employees on the basis of notional pay.

Statistics relating to productivity linked bonus for 1986-87 to 1988-89 were:

		1986-87	1987-88	1988-89
1.	Work Load (in lakhs)	1,13,683	1,14,851	1,12,527
2.	Staff entitled for bonus	5,52,705	5,52,460	5,31,257
3.	Number of days for which bonus was paid	34	35	33
4.	Total amount of bonus (Rupees in crores)	27.13	41.51	47.82
5.	Total revenue earned (Rupees in crores)	557.50	642.98	741.80
6.	Average bonus paid per employee (in rupees)	490.86	751.37	900.12
7.	Average revenue earned per employee (in rupees)	10,086	11,638	13,970
8.	Percentage increase in revenue per employee during 1988-89 as compared to 1986-87.			38.51
9.	Percentage increase in amount of bonus paid per employee in 1988-89 as compared to 1986-87			83.00

Though the increase in bonus paid per employee in 1988-89 as compared to 1986-87 was 83 per cent the increase in revenue earned per employee was 38.5 per cent only during this period.

The departmental instructions of March 1980 provide that the scheme was to be reviewed after observing its working for three years but it was noticed that the scheme was being extended from year to year with the concurrence of the Ministry of Finance.

1.6 Financial control

1.6.1 Revenue expenditure:- Budget allocation of revenue expenditure (voted) for the year 1988-89 of the Department of Posts was Rs.1091.12 crores. Against this, the actual expenditure was Rs.1090.73 crores showing a saving of Rs.0.39 crore. There was a saving of Rs.0.56 crore out of a budget provision of Rs.0.71 crore under 'Mechanisation and Modernisation' due to procurement of less number of mechanical devices for operational purposes.

1.6.2 **Capital expenditure** :- Under the capital section (voted), against the budget provision of Rs.46.85 crores for 1988-89, actual expenditure was Rs.30.12 crores resulting in non-utilisation of Rs.16.73 crores. The reasons attributed to by the department were:

(i) Rs.11.10 crores out of budget provision of Rs.11.15 crores under 'Mechanisation and Modernisation' of postal services due to non-installation of integrated mail processing system and other mechanical devices;

(ii) Rs.2.40 crores out of budget provision of Rs.5.50 crores under 'Administrative Offices' due to slow progress in construction of administrative buildings; and

(iii) entire grant of Rs.3.75 crores under 'Railway Mail Service Vans' remained unutilised as the department did not procure the vans due to introduction of stationary sorting offices.

Savings under the above heads of account were partly offset by excess expenditure under other heads of account. The department surrendered a sum of Rs.9.20 crores on account of savings under various heads of account.

1.6.3 **Persistent savings** :- There were persistent savings of (a) Rs.3.11 crores out of budget allotment of Rs.3.75 crores in 1985-86, (b) Rs.0.83 crores out of budget allotment of Rs.2.40 crores in 1986-87, (c) Rs.1.34 crores out of budget allotment of Rs.1.70 crores in 1987-88 and (d) Rs.11.10 crores out of budget allotment of Rs.11.15 crores in 1988-89 under the head 'Mechanisation and Modernisation' of postal services. This was due to slow progress in installation of in-house computers, procurement of less number of mechanical devices and non-installation of integrated mail processing system.

1.6.4 **Inter departmental transactions** :- Department of Posts and Department of Telecommunciations were separated into two Departments with effect from 1st January 1985. Both the departments adjust various inter departmental transactions like collection of telephone bills made at post offices, payment of pension to telecommunication employees at post offices and share of cost of establishment of combined post and telegraph offices. These transactions which were Rs.1118 crores during 1988-89 were adjusted by the Departments of Posts and Telecommunications either through remittance heads or by booking the amount to the final head of account in the books of the department where the transaction originated instead of through adjusting account. This procedure was being followed by the two departments even five years after their separation. An inter departmental committee was set up in April 1986 to decide the mode of adjustment of inter departmental transactions. The committee submitted its report in November 1986. The department stated, in July 1988, that the report of the Committee was under examination. Even after a lapse of more than five years the department has not evolved a procedure to settle these inter departmental transactions.

CHAPTER II

REVIEWS

2. Philatelic Services

2.1 Introduction

Philately is the study and collection of postage stamps, postal stationery, postal history and other associated subjects. Philately, through issue of commemorative stamps, had become a medium to accord symbolic recognition to past achievements and for bestowing honour or paying homage to individuals, institutions and organisations. It is also intended to promote various values and purposes such as publicity to deserving causes, encouragement to tourism, projection of the flora and fauna of the country and on such matters that will leave an impact on the younger generation.

The Department of Posts deals with the sale of philatelic stamps and other materials which include first day covers, collector's packs containing stamps of different releases in the preceding year, thematic packs containing certain stamps released on the same theme, special covers, first flight covers and presentation albums containing stamps of different releases.

2.2 Scope of Audit

The working of the philately services in the Department of Posts during 1984-89 was reviewed by Audit in May 1989 with a view to assessing the efficiency and effectiveness of the philatelic activities.

2.3 Organisational set up

To promote philately activity philatelic bureaux, have been established in principal head post offices of circle headquarters and district towns. Where opening of the bureau is not justified, a philatelic counter is opened in the selected head or sub post offices. The bureaux are responsible for the promotion of philately activity and for the sale of all philatelic materials. The counters have a limited function of selling stamps, first day covers and information sheets. The transactions in the bureaux and counters, and together with the staff deployment form part of respective post offices under the administrative control of the postmasters concerned.

At the directorate level, philately activity is dealt with by a Deputy Director General assisted by a Director and other supervisory and subordinate staff.

The Postal Services Board is responsible for monitoring the performance and taking policy decisions and give directions. A special Philatelic Advisory Committee headed by the Union Minister for Communications also exist and responsible for advising government on matters pertaining to postage stamps and philately. Besides the officials, viz. members of the Postal Services Board and its Chairman there are non official members consisting of Members of Parliament, philatelists and stamp dealers, artists and prominent persons on the Philatelic Advisory Committee.

2.4 Highlights

- Despite the recognition of philately as an effective medium to accord symbolic recognition of past achievements of the country and also to project the image of the country and considerable interest in the subject of philately the world over, the subject has received less than adequate attention in the Department of Posts.

- Motivation for development of philately and sustained efforts to involve the younger generation in schools and colleges was lacking.

- The strength of philatelic bureaux remained static, while the number of counters for sale of philatelic stamps increased but marginally.

- Effective monitoring and control of the philatelic activity or its promotion was lacking at the level of the directorate. The prescribed reports were not being received regularly and even if received were not put to effective managerial use. The activities were not reviewed by the Postal Services Board during the last 10 years.

- Business promotion and publicity received inadequate attention notwithstanding the repeated recommendations of the Philatelic Advisory Committee to improve it.

- The sale of philatelic stamps during 1984-85 and 1988-89 within the country and abroad ranged between Rs.1.65 crores and Rs.2.85 crores. Sale during 1988-89 amounting to Rs.1.65 crores was the lowest during the last five years. In the United Kingdom sale of philatelic stamps rose from £ 0.1 million in 1967 to £ 37 millions in 1981. In Australia, the sale rose from Australian $ 4.2 millions in 1976 to $ 39.2 millions in 1983.

- The issue of philatelic stamps under different categories was not balanced and there was dominance of stamps on personalities and issues covering flora, fauna, culture were negligible. It was neither in conformity with the recommendations of the Philatelic Advisory Committee which stressed repeatedly that the number of stamps on personalities should be restricted.

- There was recognition that the design and quality of the stamps needed improvement, as also the new need to introduce better and attractive themes. The Philatelic Advisory Committee was informed that with the modernisation of Indian Security Press, Nasik where the machines were old, quality of stamps would improve.

- Sale abroad during last three years was just nominal amounting Rs.7 to 8 lakhs per year representing 3 to 4 per cent of the domestic sales. Surprisingly the sales abroad declined from Rs.23 lakhs in 1984-85 to Rs.8 lakhs in 1987-88 without improvement thereafter.

- Overseas coverage was confined

to only 14 countries. The performance of the agents selling Indian philatelic products abroad had not been evaluated by the department regularly nor effective steps taken to arrest the declining trend. The commission paid to the agents varied from 18 to 30 per cent. Publicity and advertisement were the responsibility of the agents but the department did not exercise any control on their adequacy. There was no built-in incentive in the contracts with agents to boost sales.

Exhibitions were not being held at Circle level as per the prescribed periodicity. Sales performance in the international exhibitions was not monitored effectively and there was no system of feed back from the officers deputed to such exhibitions.

- During the exhibition held in January 1989, the department brought out 40,000 copies of a book " India 89 ". The sale price included cost of commemorative/special stamps attached to the book (Rs.254.60) in addition to the cost of printing of booklet (Rs. 15.40). The department sold only 7513 copies of the booklet up to April 1989 and 1000 copies were supplied to the Department of Tourism who co-sponsored the sales during the exhibition. Thus, huge philatelic stamps valuing Rs. 80.17 lakhs were lying unsold.

Philatelic bureaux forms part of the establishment of head post offices having a common cadre. The staff had not been trained specifically for this work.

- Philatelic stamps and other material were printed and distributed to sale outlets without corelating with past sales and actual requirements. As a result it remained unsold with the bureaux/counters and were utilised as ordinary postage and stationery which involved avoidable expenditure on the printing of philatelic items.

2.5 Release and sale of philatelic stamps

2.5.1 Design and quality of stamps:- A design sub. committee consisting of artists and designers is responsible for designing stamps. Other specialists in the field are also coopted as and when necessary.

Philatelic stamps are printed in the Government of India Security Press, Nasik. The philatelists and philatelist organisations had suggested improvement in the design of the stamps, quality of paper and printing colour. Philatelic Advisory Committee stressed (September 1989) the need for improving the designs and quality of stamps. The General Manager of the Security Press, Nasik informed the committee that the press was having some problems as its machines were very old and that with the modernisation of Indian Security Press, Nasik, intaglio process will be available and the quality of stamps will improve. The Vice Chairman of the Philatelic Advisory Committee further stated that pigments for better quality stamps, printing inks were being indigenously developed and as a short term measure, import of pigment was under consideration.

The existing guidelines

provide for issue of individual stamps only. This was not popular with the philatelists. The Philatelic organisations had, suggested that stamps should be issued in set to contain four stamps. Department agreed to issue stamps in sets/series as far as practicable and decided to modify the guidelines accordingly.

2.5.2 Domestic sale of stamps:- The first issue of philatelic stamp was made in 1911 and up to 1947 only three stamps were issued. In the post independence period (1947-89), 675 stamps of different categories covering personalities, international events, national events, flora and fauna etc. were issued.

The sale of philatelic stamps during 1984-89 was as under :

	1984-85	1985-86	1986-87	1987-88	1988-89
	(in lakhs of rupees)				
Total sale of postage stamps	26279	29222	32928	38121	54090
Sale of philatelic stamps at philatelic bureaux/counters (first 14 days sale)	157	200	219	277	158
Percentage of sale of philately stamps to total postage	0.60	0.68	0.67	0.73	0.29

The department stated that the existing formula to calculate philatelic revenue based on the sale of first fortnight was found defective and needed rectification to reflect total sales for 3 to 6 months period.

Despite the large number of issues of philatelic stamps of different categories by the department, the sales constituted barely 0.7 per cent of the total sale of postage stamps during 1985-88. It declined to a meagre 0.3 per cent in 1988-89.

As compared to the above, philately activity in some other countries had shown a rapid growth. In the United Kingdom, the first philately bureau was established only in 1963-64 and its sales registered a staggering increase of 3690 per cent in a period of 14 years from £ 0.1 million in 1967 to £ 37 millions in 1981-89. Australia also showed an increase of 933 per cent in sales in a period of seven years 1976-83 from Australian $ 4.29 millions to $ 39.2 millions.

As compared to the above, the

growth of sales of philatelic stamps in India was not consistent and had declined in 1988-89 as compared to 1983-84 from Rs.2.85 crores to Rs.1.65 crores. Normal postage stamps are used for postage soon after their purchase/sale. Philatelic stamps are purchased for preservation and hence they are not used by which the department only collects the revenue without rendering service. Thus, the philatelic stamps have rich revenue potential.

The department stated that earning of revenue was not the main aim of philately. Nevertheless, it is felt in Audit that keeping in view of the achievements made by other countries in promoting philatelic activities and improving sales, there is need to harness the revenue potential of this activity in India.

No new strategies to promote philately were adopted and the overall sales was not encouraging. There was no evidence to show whether any efforts had been made to gain insight into consumers preference and into the market composition to establish subjects for stamps.

It was observed that :

(a) no marketing surveys have been carried out;

(b) no national seminar on philately had been held after November 1967 when the first such seminar was held; and

(c) no targets have been fixed or campaigns launched to increase sales.

Secretary, Department of Posts had given certain suggestions in September 1989 for promotion of philately by establishment of stamps clubs, regular holding of exhibitions in planned and coordinated manner, issue of attractive definitive series, improvement in the design and quality of stamps and holding a dialogue with philatelists and philatelic organisations for promotion of philately in the country. In response to the effort "dialogue for promotion of philately " certain suggestions were received regarding the content, quality and design of stamps, issue of first day covers, information sheets, process of cancellation and for providing better services. These suggestions were under consideration.

2.5.3 Analysis of category-wise issue of stamps:- Philately stamps released by the department from time to time fell under six broad categories and generally are in the denomination of sixty paise.

Category	1983	1984	1985	1986	1987	1988	1989 (January 1989 to September 1989)
Personalities	12	11	14	9	28	25	14
International events	13	8	4	5	5	3	4
National events	5	8	11	9	16	15	11
Flora	2	2	1	-	1	1	-
Fauna	4	1	1	1	1	1	1
Art/Culture	-	-	3	-	1	1	4
Total :	36	30	34	24	52	46	34

The issue of philatelic stamps under different categories lacked relative balance and there was dominance of stamps of personalities and issues covering flora, fauna, culture were negligible. It was neither in conformity with the guidelines of the department nor the recommendations of the Philatelic Advisory Committee who stressed repeatedly that the number of stamps on personalities should be restricted.

The Philatelic Advisory Committee which met in February 1986 observed that the general guidelines on issue of stamps should be strictly observed and that the stamps issue programme should be as balanced as possible. It was however, seen that the guidelines were not followed. The guidelines issued by the department in January 1988, again stipulated that the number of stamps on personalities should not normally exceed 25 per cent and that at least 25 per cent stamps every year should be on popular themes like flora, fauna, arts and culture etc. Despite the instructions issued from time to time the emphasis to honour personalities persisted compared to the issues covering flora, fauna, art and culture.

The Advisory Committee meeting held in September 1989 again reiterated that the number of personality issues should be brought down so as not to exceed 25 per cent of total issues.

Excessive issue of one category of stamps resulted in adverse impact on the sale of stamps. A test check by Audit of the sale of stamps during 1987 in four centres revealed that out of six categories of stamps sold for Rs.40.02 lakhs, stamps on personalities accounted for only Rs.1.54 lakhs (3.84 per cent) as shown below : -

Category	Name of stamp	Date of release	Sales (rupees in lakhs)				
			New Delhi	Bombay	Calcutta	Madras	Total
Personality	Rabindra-nath Tagore	8th May 1987	0.66	0.32	0.31	0.25	1.54
	J.Krishna-murthy	11th March 1987					
National	Festival of India	3rd July 1987	9.21	1.22	1.28	7.96	19.67
	Indian Trees	19th November 1987					
Inter-national	Sailing expedition Trishna	10th January 1987	11.72	1.10	0.30	5.69	18.81
	Africa Fund	25th January 1987					
						Total:	40.02

It will be seen that stamps on personalities were favoured less by philatelists.

Philatelic stamps are printed and supplied by India Security Press, Nasik as per the print order and distribution list issued by the directorate from time to time. The entire cost of printing the stamps is borne by the department. Philatelic stamps remaining unsold in the bureaux/counters beyond six months from the date of issue by the Security Press are treated as ordinary postage stamps and released for sale as such or diverted to other post offices for sale as ordinary stamps.

The order of the directorate specifying the number of stamps to be printed was last issued in July 1983 for stamps on non-personalities (15 lakhs) and in November 1986 for personalities (10 lakhs).

Information of sales for all the bureaux was not available in the directorate. A test check conducted by Audit on the sale performance of 38 out of 45 bureaux in respect of four stamps released during 1988 revealed that a large majority of centres had sales of less than 50 per cent of their receipt. Consequently a heavy balance of philatelic stamps was diverted for use as ordinary postage after holding them in stock for six months. In respect of these four stamps alone, 66 per cent of the total stamps issued to various bureaux remained unsold and were ultimately treated as ordinary stamps.

A test check by Audit in respect of the four stamps issued in 1988 showed that the cost of printing ordinary postage stamps was Re. 0.60 per sheet as against the printing cost of philatelic stamps which ranged between Re. 0.90 and Rs. 18.80 (per sheet of the same size). Thus, the printing and release of philatelic stamps in excess of requirements resulted in avoidable extra expenditure to the department. The avoidable expenditure incurred by the department was, however, not ascertainable from the records of the directorate.

The department stated in reply, in November 1989, that the printing order for the stamps was proposed to be brought down to 60000 from the existing level of 10 lakhs.

2.5.4 **Unsold philatelic stamps :-** It was noticed that production was far in excess of the sale resulting in huge stock of unsold stamps and covers. The reasons for heavy return of stamps were not investigated and performance of sales outlets was not effectively monitored. The philatelic stamps received by the bureaux/counters from the Central Stamp Depot form part of the cash balance of post offices to which they are attached and are brought to account in the cash book of post offices. The philatelic stamps remaining unsold after six months, are not to be returned to central or circle stamp depots but are to be sold as ordinary postage.

It was, however, noticed by Audit that New Delhi and Madras bureaux did not follow the correct procedure and returned the unsold philatelic stamps to circle stamp depot. While Madras returned stamps valued at Rs.19.90 lakhs during 1988-89, New Delhi returned stamps valued at Rs. 202.30 lakhs during the three years 1986-89.

Apart from deviation from the prescribed procedure, the return of these stamps to stamp depot indicated that the distribution order of the directorate did not take into account the actual requirements of the various bureaux.

There is need for the introduction of a system for the preparation of annual trading statement in order that it establishes service profitability, relates outcomes to resources used, aids revenue/profit forecasting and assists business planning.

The department does not have management plans and strategies to improve sales. The department stated, in November 1989, that suggestions of Audit are being looked into.

2.6 Sale of philatelic stamps abroad

2.6.1 Total overseas sales of philatelic stamps during 1984-89 was Rs.62 lakhs which was only three to fifteen per cent of local philatelic sales as shown below :

(in lakhs of rupees)

Sale of philatelic stamps	1984-85	1985-86	1986-87	1987-88	1988-89
(i) at philatelic bureaux/ counters in India	157	200	219	277	158
(ii) abroad by agents	23	17	7	8	7
(iii)total	180	217	226	285	165
(iv) percentage growth as compared to earlier year	(-) 10.89	20.55	4.15	26.11	(-) 41.75

The sale of philatelic stamps abroad declined from Rs.23 lakhs in 1984-85 to Rs.8 lakhs in 1987-88 without improvement thereafter.

2.6.2 For promotion of philately abroad the Department of Posts had appointed agents on contract basis. Such appointment of agents was being made as a result of direct enquiry by the department or in response to the initiative of the agents. The role of the Indian Embassy abroad was limited to the extent of ascertaining the credentials of the parties and getting the contract documents signed by them.

The salient features of the contracts entered into with the agents were :

(i) agents were appointed initially for a period of one year and later extended for a period of three years at a time;

(ii) the agents were appointed on payment of commission at agreed rates on the basis of their sales;

(iii) the cost of advertisement, publicity and marketing were to be borne by the agents;

(iv) the agents were to furnish a bank guarantee equal to the value of stock of stamps held by them;

(v) the agents were to render quarterly reports; and

(vi) the stamps were to be drawn by the agents direct from the Government Security Press, Nasik.

As in March 1989, the department had five agents abroad. Particulars of agents, countries covered and commission paid were:

Agent in	Countries covered	Date of appointment	Period up to which contract with them exists	Rate of commission- Percentage of sales value
United States of America	U. S. A.	6th October 1977	5th October 1991	30
United Kingdom	U. K.	18th October 1974	17th October 1990	18
Switzerland	Switzerland Italy France Spain, Holland Belgium	27th May 1980	25th May 1990	20
Federal Republic of Germany	West Germany, Austria	15th November 1980	24th November 1990	20
—do—	Finland, Norway Sweden, German Democratic Republic	28th April 1987	27th April 1990	20

It was noticed that the department had only five agents abroad of whom four had been appointed in 1980 and earlier and only one was appointed in 1987. The five agents covered mainly 14 countries. The department may explore the possibility of appointing more agents to cover the rest of the countries.

The agents were paid commission which varied from 18 to 30 per cent. The basis for wide variation in rates of commission paid to the agents was not ascertainable. There was nothing on record to indicate that there were built-in incentive to offer increased rates of commission for increased sales.

A review by Audit of the contracts entered into with the agents abroad indicated that:

(i) the contracts were renewed in a routine manner. The performance of the agents was not evaluated regularly;

(ii) the agents often held stock of stamps in excess of the amount of bank guarantee furnished by them. The agents in United States of America and U.K. held stock of stamps in excess of bank guarantee to the extent of nearly Rs. one lakh on different occasions;

(iii) the agents were also irregular in sending the quarterly sales statement alongwith remittances and in some cases the delay was as much as seven months;

(iv) there were also instances of inadequate response and delays in the supply of philatelic items to the agents by the department; and

(v) though sales depended on the publicity effort, the department did not exercise any control on the adequacy of the publicity carried out by the agents.

The department stated, in November 1989, that observations of Audit will be looked into and suitable remedial measures taken early to streamline the distribution and sale of stamps abroad through agents and it was also proposed to review their evaluation, monitoring and promotion procedure.

2.7 Growth of philatelic bureaux and counters

Creation of philatelic bureaux is decided by the directorate based on the proposals made by the respective heads of circles, taking into account the functioning of philatelic clubs and the demand for philatelic activities in an area. Counters are set up where a bureau is not justified. During the six years 1983-89, the number of bureaux in the department remained static except an addition of one each in 1984-85 and 1985-86. The number of counters increased marginally from 135 in 1983-84 to 155 in 1988-89.

Absence of growth of bureaux and marginal increase in counters indicated that there were no systematic effort to extend the coverage of philatelic activities to new areas by adequate promotional efforts. The staff has not been trained specifically for this sophisticated work and consequently lacked expertise.

2.8 Publicity

2.8.1 Publicity for the sale of philatelic items is carried out through newspapers, printed posters, display of photo prints, release of information sheets, exhibitions, seminars and notification in departmental monthly magazine " Stamp News " and quarterly magazine " Indian Philately ". The publication of Indian Philately was discontinued from July 1987 due to paucity of resources.

The Philatelic Advisory Commmittee observed that publicity was inadequate and suggested that it should be done in advance through news letters and brochures, newspapers, TV, AIR (if necessary paid advertisements), visuals and special blow ups and posters. The department had suggested to review the publicity procedures and to consider restarting the publication of the Indian Philately.

The department stated, in November 1989, that steps were being taken to improve the publicity for exhibitions/seminars during 1990 and 1991.

2.8.2 International exhibitions :- The Department of Posts, through its philatelic division in the Postal Directorate, participated in philatelic exhibitions held abroad by other Postal Administrations. Such exhibitions, are held both for the purpose of display as well as sale of Indian Philately items. For this purpose expenditure is sanctioned by the Department of Posts and arrangements for hiring of stalls and booths, engaging staff, and sale of stamps were left entirly to the embassy concerned. This practice was not considered satisfactory. The Philatelic Advisory Committee suggested, in September 1989, that instead of relying entirely on the embassies, knowledgeable officers should be sent from India to look after the exhibitions not only to oversee our participation but also to get exposure to international exhibitions. The department had decided to frame the necessary guidelines.

A review by Audit revealed that the sale performance in the exhibitions was not monitored and analysed for useful gains. No targets were fixed . There was no system of feed back from the officers deputed to attend the exhibitions.

A world exhibition called ' India 89 ' was held in India from 20th to 29th January 1989. On this occasion the department brought out 40000 copies of a book of philately stamps called ' India 89 ' for sale in the exhibition, priced at Rs. 270 per copy. The sale price represented cost of commomerative/special stamps attached to the book (Rs. 254.60) and the cost of printing the booklet (Rs.15.40). The printing cost of the booklet was, however, borne by the Department of Tourism, which co-sponsored the sale during the exhibition, subject to supply of 1000 copies as complementary by the department.

The arrangement with the Department of Tourism to co-sponsor the sale of the books did not serve the desired purpose. Out of 40000 copies brought out, the department, could sell up to April 1989 only 7513 copies - 719 in the exhibition and the rest through the philatelic bureaux besides 1000 copies given to the Department of Tourism. Thus, 31487 books were lying unsold in the directorate and other bureaux. The bureaux were permitted to sell the books up to December 1989 but the directorate did not assess the sales position, subsequent to April 1989. As a result of the venture, philately stamps valued at Rs.80.17 lakhs were lying idle in the unsold books without being put to use.

2.8.3 Circlewise exhibitions:- Circle level exhibitions are to be arranged once in two years. It was noticed by Audit that these guidelines were not complied with. During the two years 1986 and 1987, only eight circle level exhibitions were arranged against 18 required to be held. In 1989, up to November 1989, only four exhibitions were arranged.

The department stated in reply that during the last three years an average of five exhibitions only could be held due to limited market for sale of philately materials and also due to economy measures.

In the light of the department's experience, there was an apparant need to reorient the policies and programmes on philately and widen the coverage as also scope of exhibitions by involving schools and colleges.

2.9. First day covers

Alongwith the release of commomerative/special stamp, a first day cover (FDC) is also issued with the same theme in two sizes. These covers can be sold only for a period of six months and those remaining unsold thereafter are to be used departmentally on postal service, after obliterating the motif (theme). Entire work on receipt and distribution of first day covers is dealt with by the bureau in New Delhi Parliament Street Head Post Office. It was noticed that only 22 **per cent** of the covers were actually sold and the rest had to be diverted as ordinary envelopes for use in the departmental correspondence, as shown below:

Year	No. of occasions FDCs were issued	No. of covers printed	No. of covers sold
1987-88	52	300910	67685

There was no evidence to indicate that the directorate had monitored the sale of first day covers from time to time and regulated their printing and supply. There was also no analysis of the extra cost involved on the unsold covers.

The department stated in reply (November 1989) that the print order for first day covers would be reduced by 50 **per cent** during 1990 and the supplies to the bureaux would also be reduced based on their performance in 1988-89.

2.10 Delayed receipt of philately tamps by the bureaux

According to the instructions of the department, philately stamps are to be received in the bureaux well in advance of the date of release of each stamp. A test check by Audit in 10 bureaux revealed that in four bureaux, stamps were received after the date of release in respect of the stamps issued from January 1986 to March 1989 as indicated below :

Name of bureau	No. of releases received late (out of 127)
Vishakapatnam	29
Cuttack	17
Jodhpur	14
Pondicherry	8

In Vishakapatnam five stamps were received one to four months after the date of release of the stamp. Such delayed receipt of stamps also affected the sale proceeds. The department stated, in November 1989, that steps were being taken to improve the position of supply of stamps.

2.11 Monitoring and control

2.11.1 The value of stamps handled by 45 bureaux and 155 counters was of the order of two to three crore of rupees per annum. Despite this, monitoring and control was lacking at the level of the directorate. No studies had been undertaken on management plans, budget, management review, marketing, mail order system, MIS and costing. No procedural amendment to the handbook brought out in 1985 had been issued. No system study had been conducted except having a few workshops on designing of First Day Covers.

In the absence of codified procedures and accounting instructions, no uniform procedure in the maintenance of records in respect of philatelic activity was being followed. There was no watch in the directorate over the prompt receipt of all the prescribed returns, as only 30 and 74 reports respectively were received during 1987-88 and 1988-89 against 216 reports due. The prescribed returns where received were also not being put to effective managerial use. This had resulted in the directorate not being fully aware of (i) the extent of unsold stamps, (ii) performance of the philatelic bureaux, (iii) the stamps and other materials were being received by all the bureaux well in advance, (iv) number of deposit accounts in operation in a year at the philatelic bureaux, (v) staff employed to man the bureaux and (vi) whether the statement/data were being sent promptly.

The department stated, in November 1989, that every effort would be made to make proper use of the existing information received from the field units to ensure a better monitoring of the performance of this activity. Despite the recognition of philately as an effective medium and despite the knowledge that the philately is of considerable interest, the subject received less than adequate attention in the department.

2.11.2 The philatelic activities of the department were not monitored or discussed by the Postal Services Board, as was evident from the proceedings of the Board for the last 10 years, though the sale of stamps was low and sale abroad was declining.

2.11.3 The Philatelic Advisory Committee was required to meet every quarter, but it met only five times during the last three years 1986-87 to 1988-89. The department stated, in November 1989, that the meetings of the Philatelic Advisory Committee as also that of the Design sub-committee will be held more frequently.

2.11.4 Though the bureaux and counters formed part of respective post offices, internal check manual of the department did not provide for the check of philatelic records in the bureaux/counters by internal check parties. Thus, since the formation of internal check in 1976, the philately activites were not subjected to internal check. The department stated, in November 1989, that a small nucleus of a marketing cum sales cell will be established in the philately branch whose target will be to improve performance by at least 50 per cent during 1990.

3. Postal Life Insurance Scheme

3.1 Introduction

The Post office Insurance Fund was established in 1884 initially for the benefit of the employees of the Postal Department. The Postal Life Insurance (PLI) scheme is operated through the Post Office Insurance Fund which forms part of the Public Account. The entire cost of the establishment and management of the scheme is borne by the PLI Fund. The

PLI scheme was gradually extended to the employees of Central and State Governments, Defence Personnel, local bodies, Government aided educational institutions, Universities, Reserve Bank of India, State Bank of India and its subsidiaries, nationalised banks, certain autonomous bodies of Government of India and public sector undertakings under the Central and State Governments.

The scheme offers four types of insurance viz., Whole Life Assurance, Endowment Assurance, Convertible Whole Life Assurance and Anticipated Endowment Assurance. The maximum limit of insurance cover for an individual which was Rs. 4000 at the commencement of the scheme has been gradually raised and the present limit is Rs. one lakh since September 1984. Income tax rebate is admissible on the premia paid, as available in respect of other savings schemes.

3.2 Scope of Audit

The functioning of the PLI was commented upon in paragraph 31 of the Report of the Comptroller and Auditor General of India for the year 1977-78: Union Government (Posts and Telegraphs).

The working of the PLI was again reviewed by Audit in May 1989 covering performance during the period 1983-84 to 1988-89. Comparisons have been drawn with the working of the Life Insurance Corporation of India (LIC), the other Central Government Corporation in similar field of activity, where relevant.

3.3 Organisational set up

The administration of PLI is vested in the Director General, Department of Posts in the Ministry of Communications.

The accounts of the fund are centrally maintained by the Director, PLI, Calcutta. The individual premium ledger accounts of all policy holders are, however, maintained by respective heads of circles, except in respect of policies issued to civilians paid from Defence service estimates which are maintained by the Director, PLI, Calcutta itself. The postal circles and Army Postal Service (APS) Directorate deal with all matters relating to procurement of insurance business, acceptance of proposals, grant of loans, settlement of claims and also control of the staff engaged on the PLI, but the task of issuing insurance policies rest with Director, PLI, Calcutta. Business is, however, acquired through Development Officers and field guides.

3.4 Highlights

- The rate of annual growth of Postal Life Insurance over the preceding year was 18.10 per cent in 1983-84 and declined during the four years 1984-88 and reached 18.91 per cent in 1988-89. Life Insurance Corporation of India had a better growth rate i.e. from 11.58 per cent in 1984-85 to 22.67 per cent in 1987-88 for similar types of policies.

- Though the sum assured had increased year after year, the number of new policies had decreased during' 1984-87. The new policies obtained from the employees of defence, railways and banks declined by 15 per cent during 1985-88. There was no evidence of any specific strategies having been planned by the department to improve the coverage in these organisations.

- The fixation of targets for procurement of new business lacked rationale. They were not related to the achievements of earlier years and were lower than the effective business of previous year.
- Rupees 129 crores out of the new business of Rs.836 crores procured during 1986-89 became ineffective before the issue of policies. The percentage of ineffective business had come down from 25 per cent in 1986-87 to 11 per cent in 1988-89.
- Though the bonus allowed on two Postal Life Insurance policies - endowment and whole life - during the period 1978-88 was always higher than that declared by the Life Insurance Corporation of India for similar policies, the gap between the rates allowed by the two agencies which was 38 per cent in 1983-84 had come down to a meagre one per cent in 1987-88 which calls for close scrutiny by the department.
- The business promotion and publicity received lesser attention and the expenses on advertisement and publicity were just one per cent of the total management expenses on Postal Life Insurance.
- The number of policies settled was declining every year as compared to the claims arisen, including carry forward cases. The outstanding claims due for settlement rose from 23323 valueing Rs. 8.66 crores in 1983-84 to 35926 valueing Rs. 16.35 crores in 1987-88. During the corresponding period, the percentage of outstanding claims to total claims of the year in Life Insurance Corporation of India showed a significant decline from 11.86 to 4.99. While death claims are to be settled within 60 days of receipt of claims, in respect of maturity claim, Life Insurance Corporation of India initiates action two months prior to the date of maturity so that the claim can be settled on the due date. Yet no time limit had been fixed, for the settlement of claims in PLI. The department stated, in November 1989, that they have fixed a time schedule in May 1989 to issue sanctions for payments by the date of maturity in clear cases and within 30 days where the cases were incomplete or any information was wanting and sanctions were to be issued within 90 days in respect of death cases. The percentage of outstanding claims to total claims of the year thus rose from 37 in 1983-84 to 49 in 1987-88. This gradual deterioration was an unhealthy feature and suggested need for effective measures to arrest this trend.

Individual premium ledger accounts were not maintained properly with the result the ledger accounts indicating premium recovered remained incomplete. The department accorded two general relaxations in September 1983 and March 1989 waiving the missing credits of premia amounting to Rs.7.24 crores upto 31st March 1986. Such relaxation is an ad hoc solution and is fraught with risks. The position of such missing credits of premia for the period after March 1986 continued to be unsatisfactory.

- The percentage of expenses to renewal income varied from 8.51 in 1983-84 to 13.07 in 1988-89. The percentage of overall expenses to premium which was 11.03 in 1983-84 increased to 16.49 in 1988-89 in a period of six years.

- Cost of control and audit of the Army Postal Service Directorate for the Postal Life Insurance work had not been debited to the fund since June 1975, thus inflating the balance of the fund and affecting the working results. The amount involved for the last eight years ending March 1988 was Rs.36.11 lakhs.

- Though the Postal Life Insurance scheme has been in force for a long time, the directorate was yet to develop effective monitoring and control on its working.

- Although the Administrative Reforms Wing had recommended in April 1983 that there should be a definite programme of training and plan for training courses on PLI work, the department drew up a comprehensive plan in 1989.

3.5 Business in force

3.5.1 Overall growth of business:- During 1983-89, the number of insurance policies in force, increased by 34.5 per cent, while the value of sum assured thereof increased by 111.5 per cent, as shown below :

	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
Number of policies (in lakhs)	10.84	11.56	12.16	12.81	13.62	14.58
Sum assured (Rupees in crores)	809.43	942.83	1070.91	1227.62	1439.30	1711.48
Percentage growth of sum assured over the preceding year	18.10	16.48	13.58	14.63	17.24	18.91

Thus, it will be seen that the rate of annual growth as regards the sum assured was 18.10 per cent in 1983-84 and declined during the four years 1984-88 and reached 18.91 per cent in 1988-89

Compared to the performance of PLI, the Life Insurance Corporation of India (LIC) showed a better rate of annual growth. During the period 1984-88 the percentage of annual growth in the value of business of

LIC had registered an increase from 11.58 per cent in 1984-85 to 22.67 per cent in 1987-88 (figures for 1988-89 were not available).

3.5.2 Percentage of expenses to premium income:- The percentage of expenses to first year's premium showed a declining trend except during 1986-87 as under:-

	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
First year premium	22.70	22.22	21.40	22.49	20.14	17.69
Renewal	8.51	10.96	8.76	10.34	9.45	13.07
Overall expenses	11.03	13.51	11.11	12.54	11.39	16.49

The percentage of expenses to renewal income varied from 8.51 in 1983-84 to 13.07 in 1988-89. The percentage of overall expenses to premium which was 11.03 in 1983-84 increased to 16.49 in 1988-89 in a period of six years.

3.5.3 New business :- During the period 1983-89, the department procured new business ranging from 1.17 to 1.37 lakh policies with the sum assured ranging from Rs.143 crores to Rs.295 crores per annum as shown below :

	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
Number of policies issued (in lakhs)	1.17	1.12	1.01	1.03	1.20	1.37
Sum assured (Rupees in crores)	143.02	154.04	160.38	179.34	232.94	294.89
Average sum assured per policy	0.12	0.14	0.16	0.17	0.19	0.22
Percentage growth in value	-	6.99	4.80	11.82	29.89	26.59

Though the sum assured had increased year after year the number of new policies had decreased during 1984-87. New business of LIC in 1987-88, as compared to 1983-84, showed an increase of 182 **per cent.** During the same period the new business procured by PLI registered an increase of 63 **per cent.**

A Group insurance scheme for the

Central Government employees was announced in October 1980 and introduced with effect from Ist January 1982. This scheme affected the PLI scheme as the PLI scheme had registered a growth up to 1980-81 but declined from 1981-82. Subsequently, the new business, however, registered an increase and reached the level of 1980-81 by 1988-89.

3.5.4 Analysis of business **sectorwise:-** The PLI was extended to State Bank of India and its subsidiaries, nationalised banks and also certain other financial institutions from 1981 i.e. after introduction of Central Government Employees Group Insurance Scheme in October 1980. It was further extended to the public sector undertakings in 1985. As on 31st March 1989, the scheme had 14.58 lakh policies in force covering the employees of different organisations. The growth of new business, sectorwise, during the last six years, the total number of policies in force as on 31st March 1989 were as under :

Number of policies secured

Sl. No.	Sector	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	No. of active policies as at 31st March 1989
1	2	3	4	5	6	7	8	9
1.	Posts and Telecommunications	29244	30760	22872	24870	26724	35173	463095
2.	Civil departments	12055	54814	60615	44203	53804	54521	669867
3.	Defence	-	13065	7379	6067	5371	13503	160102
4.	Defence civilians	-	672	619	202	396	753	
5.	Railways	76174	1372	1284	775	827	1584	25320
6.	Banks	-	10954	6997	4779	3154	3318	58744
7.	Public sector undertakings Central and State from November 1985	-	-	1402	22357	29590	27656	81005
	Total	117473	111637	101168	103253	119866	136508	1458133

The new business secured from defence including defence civilians, railways and banks decreased from 23.35 per cent in 1984-85 to 8.13 per cent in 1987-88 i.e. a decline of 15 per cent in just three years. But there was a marginal increase to 13.78 per cent in 1988-89. There was no evidence on record of any specific strategies having been planned to improve the coverage in these organisations.

The department stated, in November 1989, that by reviewing the quarterly reports received from the circles, the areas for future potential are identified and the circles are asked to procure business from such areas. In the defence sector the new business had also rapidly increased from Rs.4.55 crores in 1987-88 to Rs.14.9 crores in 1988-89.

The fact, however, remained that in spite of the increase in the value of new business secured from defence, the percentage of total new business secured during this period declined except for a marginal increase in 1988-89.

3.5.5 Targets for new business:- Business is secured through the Development Officers who are regular employees of the department. Besides the Development Officers, retired officials of the department are also engaged by the postal circles as field guides for procurement of new business.

Targets for procuring new business were fixed by the Directorate, circlewise, every year and they were also achieved during 1983-88. It was seen, however, by Audit that fixation of targets for procurement of new business lacked rationale. They were not related to the achievements of earlier years and were lower than the effective business of previous year as shown below :

Year	Effective business achieved	Target	Percentage of increase over previous year
		(Rupees in crores)	
1982-83	107.23	-	-
1983-84	128.48	94.75	18
1984-85	149.34	100.00	5
1985-86	173.01	140.00	40
1986-87	174.37	149.50	6
1987-88	206.61	160.50	4

The same targets were maintained for three years in respect of Bihar circle and for two years in respect of Delhi, Gujarat, Kerala, Maharashtra, North-East, Rajasthan, Uttar Pradesh and West Bengal circles, eventhough the achievements in these circles were more than the targets. No target was fixed for Army Postal Service, Directorate up to 1984-85 and again for 1986-87.

The department admitted, in November 1989, that till 1987-88 the targets fixed were lower than the effective business of the previous year, but from 1988-89 the targets were fixed keeping in view the effective business achievement of the circles in the previous year subject to future prospects of new business potential.

3.5.6 **Ineffective business:-** A policy proposed in respect of any proponent becomes effective only on payment of the first premium. A review of the business secured during the period 1986-89 showed that 11 to 25 per cent of the total value of business secured became ineffective with the parties backing out after completion of prescribed formalities and acceptance of proposal for insurance cover. For these three years alone, the total value of ineffective business worked out to Rs.129 crores (15.4 per cent) out of the gross business secured for Rs.836 crores. Though the percentage of ineffective business came down from 25 per cent in 1986-87 to 11 per cent in 1988-89. 11 per cent appeared to be quite high considering that the objective of the department was to ensure cent per cent effective business. Further, the work done by the department on such ineffective proposals became futile. In the case of LIC, the first premium cheque was to accompany the proposal for insurance cover to be acceptable.

The department stated, in November 1989, that while efforts were made to obtain the first premium in advance from prospective insurants, it would not be possible to eliminate ineffective business totally, but several circles had reported 100 per cent effective business which was a singular achievement.

3.5.7 Lapsed policies:- Where the premium is not paid within six months of its becoming due in respect of effective policies which was in force for less than three years, the policy becomes void, with no liability for payment to the insurants. In all, 8253 policies with the assured sum amounting to Rs.5.34 crores stood lapsed during the years 1983-89.

3.5.8 **Revival of policies :-** A lapsed postal life insurance policy could be revived within three years of its having lapsed subject to the payment of arrears with interest.

3.5.9 **Bonus on policies:-** Similar to Life Insurance Corporation of India, Postal Life Insurance also allowed bonus on its policies every year. The bonus rates of PLI on endowment and whole life policies in the ten years (1978-88) was always higher than that declared by LIC, for similar policies. However, within a span of four years, the gap in the bonus rates between PLI and LIC, which was 38 per cent in 1983-84 had narrowed down to a meagre one per cent in 1987-88 for these policies. This trend may have an impact on the new business of PLI and calls for a closer study by the department.

3.6 Sales promotion

3.6.1 **Business promotion and publicity:-** PLI secured business of 1.20 lakh policies (3 per cent increase) valued at Rs.233 crores in 1987-88 against 1.17 lakh policies valued at Rs.143 crores in 1983-84, accounting for only 63 per cent increase in the value of new business. Thus, business promotion received lesser attention.

The publicity and advertisements were negligible being limited to the hoardings in the office buildings of the Departments of Posts and Telecommunications, certain railway stations, occasional advertisements through news papers on all India/circle basis. The expenditure on advertisement and publicity came down from Rs.22.23 lakhs in 1984-85 to Rs.7.01 lakhs in 1987-88 which was just one per cent of total expenses on PLI.

The department admitted, in November 1989, that expenditure on publicity was low because of economy instructions due to drought situation in the country.

3.6.2 Incentive for securing business:- Similar to LIC, the PLI allows incentive for the business secured. The rate of incentive bonus payable to Development Officers for securing PLI business from April 1988 onwards is as given below :

Amount of effective business for the financial year		Incentive bonus payable	
(i)	Up to Rs.60 lakhs.	Nil, but incentive is payable if business exceeds Rs.50 lakhs.	
(ii)	Rs.60 to 75 lakhs	Rs.20 per ten thousand	
(iii)	Rs.75 to 100 lakhs	Rs.30	--do--
(iv)	Between Rs.1 crore to 2 crores	Rs.20	--do--
(v)	Beyond Rs.2 crores	Rs.15	--do--

In the case of field guides, the incentive bonus payable was last revised in December 1981 as per the rates given below :-

(i)	for an effective business of at least Rs.5 lakhs	Rs.625
(ii)	for an effective business of at least Rs.10 lakhs	Rs.1250
(iii)	for an effective business of Rs. one lakh over Rs.10 lakhs of effective business	Rs.125 per every Rs. one lakh of effective business

The incentive paid to them by the department was five to six per cent of the total management expenses of PLI scheme during the period 1985-88, while it was 32 to 36 per cent in the LIC. To what extent this affected the growth of business was not known.

3.7 Settlement of claims

3.7.1 Position of claims which are due for payment:- As per the terms of PLI policy, the assured value becomes due for payment on the date of maturity of the policy or on receipt of intimation regarding death of the insurant. The department is responsible to initiate action for prompt settlement of all such claims. A review by Audit revealed that the number of policies settled was declining every year, as compared to the claims arisen, including carry forward cases, as shown below :

	1983-84	1984-85	1985-86	1986-87	1987-88
Number of claims which became due but not settled					
(a) Maturity	20,220	22,325	25,616	28,919	32,036
(b) Death	3,103	2,981	3,336	3,488	3,890
Total:	23,323	25,306	28,952	32,407	35,926
Percentage of outstanding maturity/death calims to total claims of the year					
(a) Maturity	32	35	36	42	44
(b) Death	5	5	5	5	5
Total:	37	40	41	47	49
Amount outstanding (Rs. in crores)	8.66	9.47	10.95	13.83	16.35

The outstanding claims of PLI rose from 23323 valueing Rs.8.66 crores in 1983-84 to 35926 valueing Rs.16.35 crores in 1987-88. The percentage of outstanding claims to total claims of the year rose from 37 in 1983-84 to 49 in 1987-88. This gradual deterioration was an unhealthy feature and suggested need for effective measures to arrest this trend. During the corresponding period the percentage of outstanding claims to total claims of the year in the LIC showed a significant decline from 11.86 to 4.99 .

The department stated, in November 1989, that delay in settlement of claims was due to receipt of incomplete claims and non-receipt of verification reports in respect of death claims.

The rules and procedures laid down by the department required that claims of insurants should be settled promptly. The Administrative Reforms Wing in their study report on Postal Life Insurance scheme had recommended in April 1983 that the following steps may be taken to expedite settlement of claims :

(a) The drawing officers should be addressed to obtain nominations from the policyholders, if not already made, or if any change in nomination is required;

(b) an advertisement through either newspapers or radio should be made for this purpose;

(c) In respect of maturity claims the Circle Office should:

(i) take steps two months in advance by supplying the necessary forms to the policy holder without waiting for a reference from his side;

(ii) acknowledge all claim papers promptly;

(iii) settle the cases in 20 days from the date of receipt of calims (in complete order) so that the amount is received by the policy holder on or immediately after the maturity date in cases where all credits are available; and

(iv) take steps to trace missing credits in other cases, by duly intimating the policy holder /drawing officer.

(d) Note No. 3 under Post Office Insurance Fund Rule 31 should be suitably reworded having regard to the above responsibility and the obligation of the Department.

Yet no time limit had been fixed, for the settlement of claims. The department stated, in November 1989, that they have fixed a time schedule in May 1989 to issue sanction for payments by the date of maturity in clear cases and within 30 days where the cases were incomplete or any information was wanting. Sanctions were to be issued within 90 days in respect of death cases.

The effect of this time schedule was yet to be assessed by the Directorate and the Director PLI, Calcutta (November 1989).

While death claims are to be settled within 60 days of receipt of claims, in respect of maturity claim, LIC initiates action two months prior to the date of maturity so that the claim can be settled on the due date.

3.7.2 Pendency of claims received:- Out of the claim papers received from the parties concerned, 851 maturity claims and 677 death claims were pending settlement at the end of March 1989. Of this, Andhra Pradesh and Tamil Nadu circles alone accounted for 325 maturity and 290 death claims, while Delhi and Orissa circles accounted for 247 maturity claims. In all, 58 per cent of the total outstanding cases were lying unsettled in these four circles alone.

The department stated, in November 1989, that the claims position of each circle was monitored regularly every quarter and detailed guidelines had also been issued for ensuring quick settlement of claims. The Directorate did receive quarterly reports from field offices, but the reports did not indicate the position of claims which became due and not settled. Even on the position of claims received but pending settlement, agewise analysis of the outstanding claims were not on record.

Out of 851 maturity claims pending at the end of March 1989, 151 claims were more than six months old; Andhra Pradesh, Delhi and Orissa circles alone accounted for 127 claims. Similarly out of 677 death claims, 52 claims were pending for more than six months and Orissa circle accounted for 22 claims.

record.

Reasons for the pendency of the claims were not ascertained by the Directorate from the circles even though the Administrative Reforms Wing in their study report of April 1983 had recommended that reasons for pendency of claims should be obtained. However, a test check conducted by Audit in 11 out of 19 circles indicated the following reasons for the pendency of the claims:

Reasons	Maturity	Death
(i) Late receipt of claims	59	Nil
(ii) For want of legal documents	10	72
(iii) For want of premia credits	228	80
(iv) Distant claims	99	Nil
(v) Reasons not available	130	93
(vi) Other reasons	27	224
Total	553	469

3.8 Premia ledger accounts

3.8.1 According to the rules, premia recovered as per the terms of the policy are to be properly accounted for in the individual premium ledger accounts maintained for the purpose. These procedural requirements were not complied with by all the postal circles, and as a result, the ledger accounts remained incomplete. The wanting credits towards monthly instalments of premia increased and the settlement of claims due for payment was delayed.

These deficiencies persisted year after year. To tide over the situation and to settle the pending claims, the department accorded general relaxation to ignore the wanting premia and take the policy accounts as complete. The general relaxation issued by the department in January 1974 condoning the wanting credits of premia for the period upto 31st March 1965 was commented upon by Audit in the Report of the Comptroller and Auditor General of India for the year 1977-78. Even, thereafter, the deficiencies in the accounts had continued and the department issued two more general relaxation orders in September 1983 and March 1989. As per these orders, the wanting instalments of premia amounting to Rs. 7.24 crores and also non-posting of unadjusted credits of premia already collected amounting to Rs.8.57 crores for the period upto 31st March 1986 were condoned.

Such repeated relaxations condoning the non-compliance of the prescribed accounting procedure were just an adhoc solution and were fraught with the risk of fraud.

3.8.2 After the issue of sanction for the period upto 31st March 1986, as many as 7.22 lakh monthly instalments of premia were wanting for subsequent periods upto 31st March 1989. For the corresponding period 3.69 lakh credits already realised were also lying unadjusted. Such large scale accumulation showed deterioration in the state of maintenance of premium ledger accounts.

The department admitted that high incidence of unadjusted and non-credit items was due to innumerable mistakes committed by the drawing and disbursing officers of Central and State Government Offices while preparing the schedules and that efforts were being made to pursue cases regularly in order to reduce the unadjusted amounts and non-credits.

3.9 Extra Premium Fund

Upto 31st March 1965, a policy taken by a member of the defence services covered all risks to life in the performance of his duties as a member of the Armed Forces, including the risk arising from service on the high seas or of war or of aviation. Additional premium to cover the extra risks involved was paid from the Defence Services Estimates and this was kept by Director, PLI, Calcutta as separate account outside the insurance fund. The system of collecting extra premia was abolished with effect from 1st April 1965, but the department continued to maintain a separate account for the balance carried forward. The balance in this account at the end of 1988-89 was Rs.3.25 crores. With the discontinuance of extra premium, there was no need for the maintenance of this fund outside PLI Fund. The Director, PLI, Calcutta proposed to the Directorate in June 1989 to obtain the views of Actuary on the need for maintenance of a separate account for extra premium fund. Final decision in this matter had yet to be taken (November 1989).

3.10 Cost of management of the fund

As per the rules of the scheme, entire establishment and overhead expenses on the working of PLI, including cost of control and audit are to be debited to the Post Office Insurance Fund. It was observed by Audit that the control and audit cost in respect of the Directorate of Army Postal Service for the work done on PLI was not taken to the fund since its inception in June 1975. The cost involved for the last eight years alone (1980-88) was Rs.36.11 lakhs which inflated the balance of the fund and also affected the working results.

The department admitted the omission and stated, in November 1989, that the existing rules would be amended to ensure the inclusion of cost of control and audit of APS Directorate for the work done on PLI.

3.11 Training

No comprehensive plan for training of staff on PLI work existed. The Administrative Reforms Wing in their study report on PLI scheme recommended in April 1983 that there should be a definite programme of training and plan for training courses on PLI work in the Calcutta office as well as in the circles.

The department stated in November 1989 that a comprehensive plan for training of PLI staff had been drawn up in 1989 and that detailed training modules have been prepared and sent to all circles and the Postal Training centres for imparting training to employees and officers working in PLI.

3.12. Monitoring and control

3.12.1 As a feed back on the working of PLI, the Directorate was receiving quarterly statements from circle offices and annual returns from Director, PLI, Calcutta. The reports were not, however, being put to efficient use by consolidating and corelating the data available. The reporting system lacked adequate in-put data regarding wanting schedules, schedules to be posted, outstanding claims due for settlement, the period of pendency, etc., and reason thereof, lapsed deposits, ineffective business, agewise analysis of unadjusted credits/wanting premia etc.

Though the PLI scheme has been in force for a long time, the Directorate was yet to develop effective monitoring and control.

3.12.2 Postal Services Board is the apex body, which formulates policies and exercises over-all control on the working of the department. A review of the proceedings of the Board for the last ten years showed that the working of PLI was not monitored by the Board and no directions were issued to improve its functioning except in 1987-88 and 1989-90.

CHAPTER III

OTHER CASES

4. Construction of staff quarters - defective planning

Postmaster General(PMG), Andhra Pradesh Circle, Hyderabad accorded sanction in March 1982 for construction of 15 staff quarters of type I and II at an estimated cost of Rs.8.39 lakhs on a plot of land outside the municipal limits of Guntur acquired in 1971 by the department. The work commenced in February 1983, was completed in September 1985 at a cost of Rs. 17.61 lakhs. But, the quarters could not be allotted to the employees as potable water facility could be provided to the quarters only in September 1989.

After commencement of construction, investigation in July 1983 revealed that the water available was saltish. Commissioner, Guntur Municipality, refused, in January 1984, to give sanction for provision of water as the quarters were situated outside the municipal limits. At the instance of the Secretary of Government of Andhra Pradesh water supply to the quarters was eventually made available only in September 1989 by the Municipality.

Thus, failure to ascertain the suitability of the plot and feasibility of water supply either by the Guntur Municipality or other sources, before commencement of construction resulted in non-allotment of the residential quarters after their completion in September 1985. The defective planning, had resulted in blocking up of capital of Rs. 17.61 lakhs on the construction of quarters. While, on the one hand, the facility of accommodation to the staff was denied, the department continued to pay house rent allowance to staff which amounted to Rs. 0.59 lakh from October 1985 to September 1989.

The department stated, in September 1989, that the procedural aspect of determining the suitability of land with reference to the availability of service connection, appeared to have been lost sight of at the time of acquiring the land in 1971 by the combined Posts and Telegraphs Department. It was stated further that the unsuitability of the ground water on the site was brought to the notice of the PMG by the Civil Wing only in November 1983. Thereafter, efforts were made by the PMG to arrange supply of water resulting in water connection in September 1989 and subsequent allotment of quarters. The department further stated that suitable instructions were being issued to all concerned to ensure that such lapses did not recur in future.

5. Irregular payment of bank charges

Departmental rules provide that for remittance on behalf of the Central Government made by an officer authorised for the purpose, "Government" drafts will be issued at par by the Reserve Bank of India and its agents viz., State Bank of India (SBI).

On a test check made by Audit, in June 1989, it was revealed that in Bihar Circle for remittance of cash from Head Post Office (HPO), Hajipur to various sub-post offices under its jurisdiction, bank drafts were purchased from the SBI at Hajipur regularly by the Postmaster, HPO Hajipur on payment of bank charges to the tune of Rs.1.91 lakhs during April 1982 to May 1989 in contravention of the departmental rules.

Similarly, on a test check conducted in Orissa Circle in July 1987 and June 1988, and on scrutiny of circle office records, it was revealed that 29 sub-post offices and two head post offices in five divisions viz., Balasore, Bolangir, Cuttack North Division, Koraput and Phulbani had purchased bank drafts for transmission of surplus cash between sub-post offices and head post offices, during January 1983 to March 1988, after payment of bank charges of Rs. 1.31 lakhs.

On this being pointed out by Audit in July 1987, one of the sub-post offices stopped payment of bank charges forthwith, but the others continued to pay.

The department stated, in November 1989, that the payments had been made to the State Bank of India which is a bank of the Government. The matter was, however, taken up with the Reserve Bank of India to clarify the position and also to issue suitable instructions to the State Bank of India. Instructions were also being issued to heads of circles not to pay commission to the State Bank of India and to recover the commission already paid.

6. Avoidable expenditure on payment of interest

Postmaster General (PMG), Bihar Circle acquired a private accommodation, measuring 7607 square feet in Calcutta to accommodate the sub-record office and a rest house of the Railway Mail Service 'C' division, Gaya in August 1948 through the Collector, Calcutta on a compensation of Rs. 1500 per month.

Under the provisions of the West Bengal Requisitioning and Acquisition of Immovable Property (Amendment) Act 1975, the compensation payable was to be revised with effect from 7th March 1975 and again after an expiry of five years. Accordingly, the Land Acquisition Collector, Calcutta revised the monthly compensation in March 1980 and in February 1982 from 7th March 1975 and 1980 respectively. The assessment made by the Collector was not acceptable to the owner of the premises and the case was referred to an arbitrator as per orders of the Calcutta High Court in April 1982. The arbitrator gave an award in August 1982, against which both the owner of the building as well as the PMG, Bihar Circle filed appeals separately before the High Court, in September 1982, on the points of measurement of the area and the amount of recurring compensation.

According to the judgement delivered in August 1985, the compensation payable for the two periods was Rs.20340 and Rs.40680 per month respectively for the total area of 8676 square feet. The owner of the building filed a special leave petition in August 1986, in the Supreme Court for the order of payment of the amount as determined by the High Court together with interest thereon. The PMG, Bihar Circle, however, had not taken any action on the judgement as he was stated to have been not aware of it till October 1986 when a notice from the Supreme Court was received in connection with the special leave petition filed by the owner. The department applied for a copy of judgement only on 27th January 1987.

In May 1987, the Supreme Court ordered payment to be made within two weeks as a last chance failing which the owner was entitled to move for appropriate order. The department paid the arrear amounting Rs. 22.70 lakhs to the house owner in July 1987. In August 1987, the Supreme Court issued orders directing the department to pay interest at six per cent per annum from 7th March 1975 to 8th August 1985 and at 12 per cent per annum from 8th August 1985 to 31st July 1987 on the arrears compensation awarded by the Calcutta High Court in August 1985 within three months. The interest amounting Rs.12.64 lakhs was paid in November 1987.

Although an official entrusted with the appeal case at High Court had visited Calcutta on several occasions (16 times) in connection with the case during September 1985 to October 1986, the judgement of the High Court awarded in August 1985 had not come to the notice of the circle office till October 1986.

The circle office did not even avail of the last chance granted by the Supreme Court for payment of arrear rent within the stipulated date i.e. two weeks from 4th May 1987. The PMG, Bihar Circle, issued sanction to the payment of arrears on 22nd May 1987 i.e.18 days after the date of issue of the orders by the Supreme Court and payment was made on 8th July 1987.

Accepting the facts, the department stated, in July 1989, that out of Rs. 12.64 lakhs paid as interest, an amount of Rs. 5.23 lakhs could have been avoided had the judgement of the High Court been collected by the official assigned the job soon after the same was delivered. It was further stated that the Chief Postmaster General, Bihar Circle Patna had investigated the case and fixed responsibility on the officials concerned and had directed the concerned disciplinary authorities to initiate disciplinary proceedings.

DEPARTMENT OF TELECOMMUNICATIONS

CHAPTER IV

ORGANISATIONAL SET UP AND FINANCIAL MANAGEMENT

7.1. Organisational set up

7.1.1 The main functions of the Department of Telecommunications include planning, engineering, installation, maintenance, management and operations of voice and non-voice telecommunication services all over the country as well as with the neighbouring countries of SAARC region. In addition, the department is also responsible for frequency management in the field of radio communications in close coordination with the international bodies. It also enforces wireless regulatory measures by monitoring wireless transmission of all users in the country. it is also responsible for the management of the Indian Telephone Industries Limited, Hindustan Teleprinters Limited, Telecommunications Consultants India Limited, Mahanagar Telephone Nigam Limited, and Videsh Sanchar Nigam Limited.

7.1.2. The Department of Telecommunications functioned through a Board known as "Telecommunications Board" in respect of all matters other than work relating to wireless planning and coordination, Overseas Communication Service, Indian Telephone Industries and Hindustan Teleprinters Limited. With a view to promoting rapid decision making and development in all aspects of telecommunication including technology, production, service, financing etc., the Telecommunications Board was replaced by a Telecommunication Commission with full executive, administration and financial powers in April 1989. The Telecommunication Commission is responsible for:

- formulating the policy of the Department of Telecommunications for approval of Government;

- preparing the budget for the Department of Telecommunications for each financial year and getting it approved by the Government; and

- implementation of the Government's policy in all matters concerning telecommunications.

The Telecommunications Board apart from its Chairman had five members and a Secretary to the Board. The Telecommunication Commission consists of a Chairman and four full time and four part time members. The Commission is also assisted by four advisors.

7.2. Plan performance

For the first four years (1985-89) of the Seventh Five Year Plan the provision under capital section for the department was Rs. 4485 crores. Against this, the actual expenditure was Rs. 4448.01 crores resulting in non-utilisation of funds amounting Rs.36.99 crores.

The department anticipated to lay 188.1 lakh pair Kms of underground cable under local telephone system against which 88.82 lakhs pair Kms up to 1988-89 were laid-an achievement of 47.2 per cent.

The department anticipated to provide 55900 trunk automatic exchange lines while it provided only 37350 lines. Against the anticipated installation of 665 manual trunk boards the department instlled 577 boards during the four years. As against the targeted provision of 5339 route kms of coaxial cable system, only 4749 route Kms of coaxial cable were provided by the department. In respect of Microwave systems, the department provided 5320 route kms only against the targeted provision of 7207 route Kms. In the case of ultra high frequency scheme (30 channels and above), the department provided 5573 route kms against the target of 6620 route Kms while in respect of open wire channels under this scheme 5331 channels were provided against the targets of 4000 channels. Against the targe ted installation of 6720 of long distance public telephone offices (LDPTs), the department installed 5462 (net) of LDPTs during the four years .

In respect of telex exchanges the department provided 98 exchanges against the target of 87 while in respect of telex capacity the department provided 9650 local lines against 20782 lines and 3200 transit lines against 8340 lines.

The department expected to lay and commission 20501 route kilometers of optical fibre cable. The department, however, did not provide single route kilometer under the above facility.

As against the anticipated provision of 13.9 lakh lines of switching capacity during the four years, the department provided 14.89 lakh lines. The department provided 12.77 lakh direct exchange lines against the anticipated provision of 10.84 lakh lines.

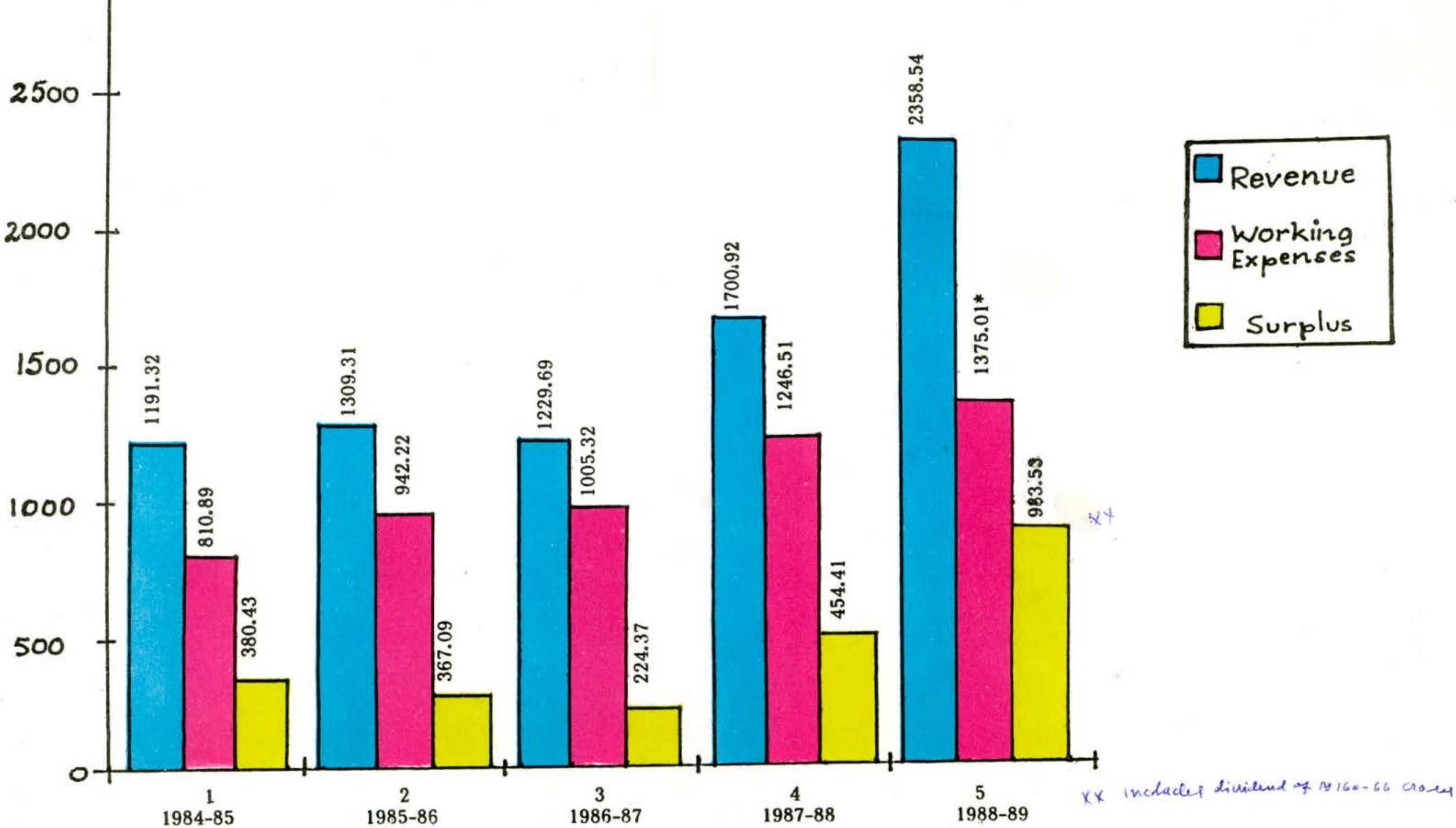
7.3. Equipped capacity and capacity utilisation

Major activity of the department is to provide telecommunication facilities through telephones. For this purpose, the department instals telephone exchanges in rural as well as urban areas. Data relating to the availability of number of telephones in the country at the end of the years 1986-87 to 1988-89 is given in the table below :

	Equipped capacity of the telephone exchanges	Working connections	Percentage utilisation of equipped capacity
	(Nos. in lakhs)		
1986-87	39.89	34.88	87.4
1987-88	43.29	38.01	87.8
1988-89	47.97	41.76	87.1

DEPARTMENT OF TELECOMMUNICATIONS

REVENUE EXPENDITURE AND SURPLUS
(Rs. in crores)



* After deducting recoveries of Rs. 170.67 crores from total working expenses of Rs. 1545.68 crores

7.4. Waiting list position

The total number of applicants in the waiting list for telephone connections is detailed below:

(Figures in lakhs)

	Bombay	Calcutta	Madras	Delhi	Other stations	Total
1986-87	2.02	0.33	0.40	1.71	6.79	11.25
1987-88	2.11	0.40	0.45	1.88	7.80	12.64
1988-89	1.92	0.32	0.51	2.32	9.14	14.21

The number of persons in the waiting list has increased from 11.25 lakhs in 1986-87 to 14.21 lakhs in 1988-89. Among the metropolitan cities, while it has come down in Bombay and Calcutta in Madras and Delhi it has increased.

7.5. Financial results

7.5.1 The financial results of the Department for 1988-89 showed a surplus of Rs. 822.87 crores which exceeded by 9.9 per cent the surplus of 741 crores anticipated at the budget stage. The actual revenue exceeded the budgeted receipts by Rs. 52.54 crores, while the fall in net working expenditure as compared to budget estimate was Rs. 189.99 crores.

The budget estimate of revenue expenditure was Rs. 2426 crores and the revised estimate was Rs.2622 crores. The actual expenditure of Rs. 2544.21 crores was, however, less than the revised estimate by Rs. 77.79 crores. There was thus an over estimation of funds required at the revised estimate stage.

7.5.2 The dividend of Rs.160.66 crores declared was less than Rs.267 crores provided at the budget stage. Shortfall in the amount of dividend was due to lesser borrowed capital outlay than anticipated.

7.5.3 The surplus of Rs.822.87 crores for 1988-89 is more than the surplus of Rs. 454.41 crores for 1987-88. More details including salient indicators of financial results for the three years from 1986-87 onwards are given in Annexure. Revenue expenditure of the department rose from Rs. 1312.20 crore in 1986-87 to Rs. 2544.21 crores i.e. by 93.8 per cent, whereas the revenue receipts increased from Rs.1229.52 crores to Rs. 2358.54 crores i.e by 108.6 per cent after putting an additional investment of Rs.2719.31 crores and increased tariff rates during this period.

7.6. Reserve Funds

7.6.1 Capital Reserve Fund :The fund was constituted on 1st April 1968 with a view to facilitating utilisation of funds for financing such part of the department's capital expenditure. The fund is fed by transfer of such part of the surplus in the working of the department as may be decided from time to time. The balance in the fund also earns interest at the average rate applicable to the year and is credited to the fund. The appropriation from revenue to this fund was stepped up from Rs. 454.31 crores in 1987-88 to Rs. 822.77 crores in 1988-89. A sum of Rs.61.64 crores, being the loan re-paid by Videsh Sanchar Nigam Limited, was also credited to the Capital Reserve Fund. The total withdrawals from the fund during the year was Rs. 884.41 crores. The fund closed with a balance of Rs.338.96 crores.

7.6.2 Revenue Reserve Fund: The fund was set up in 1960-61 and is drawn upon if there is a deficit in the working of the department or if the surplus of the department is not adequate to cover the dividend payment liability in full. The fund is fed by transfer of such part of the surplus in the working of the department as may be decided from time to time. The appropriation from revenue to this fund was Rs. 0.10 crore in 1987-88 and it was also Rs. 0.10 crore in 1988-89. The fund closed with a balance of Rs. 34.13 crores at the end of March 1989.

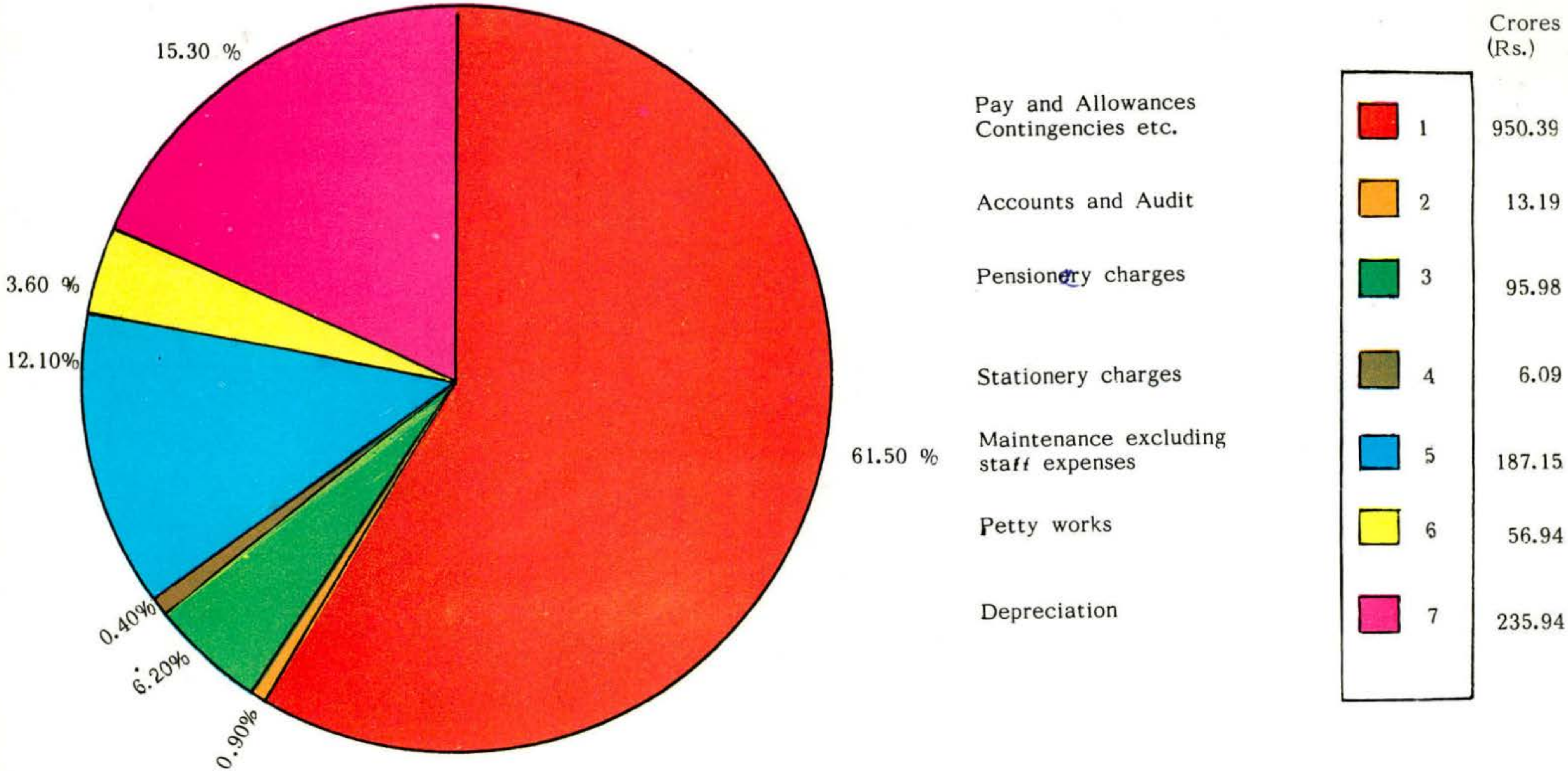
7.7. Revenue receipts

The budget for 1988-89 estimated revenue receipts of Rs. 2306 crores. This was revised to Rs. 2493 crores in the Revised Estmates. The actuals were Rs. 2358.54 crores. The shortfall was on account of less receipts from Mahanagar Telephone Nigam Limited, Videsh Sanchar Nigam Limited and partly due to less receipts of telex charges as the matter regarding sharing of revenue from telephone net work had been referred to the Bureau of Public Enterprises. In the meanwhile, the amount is being recovered at provisional rates.

Revenue receipts revised Estimate and actual during 1987-88 and in 1988-89 under some important heads were as below :

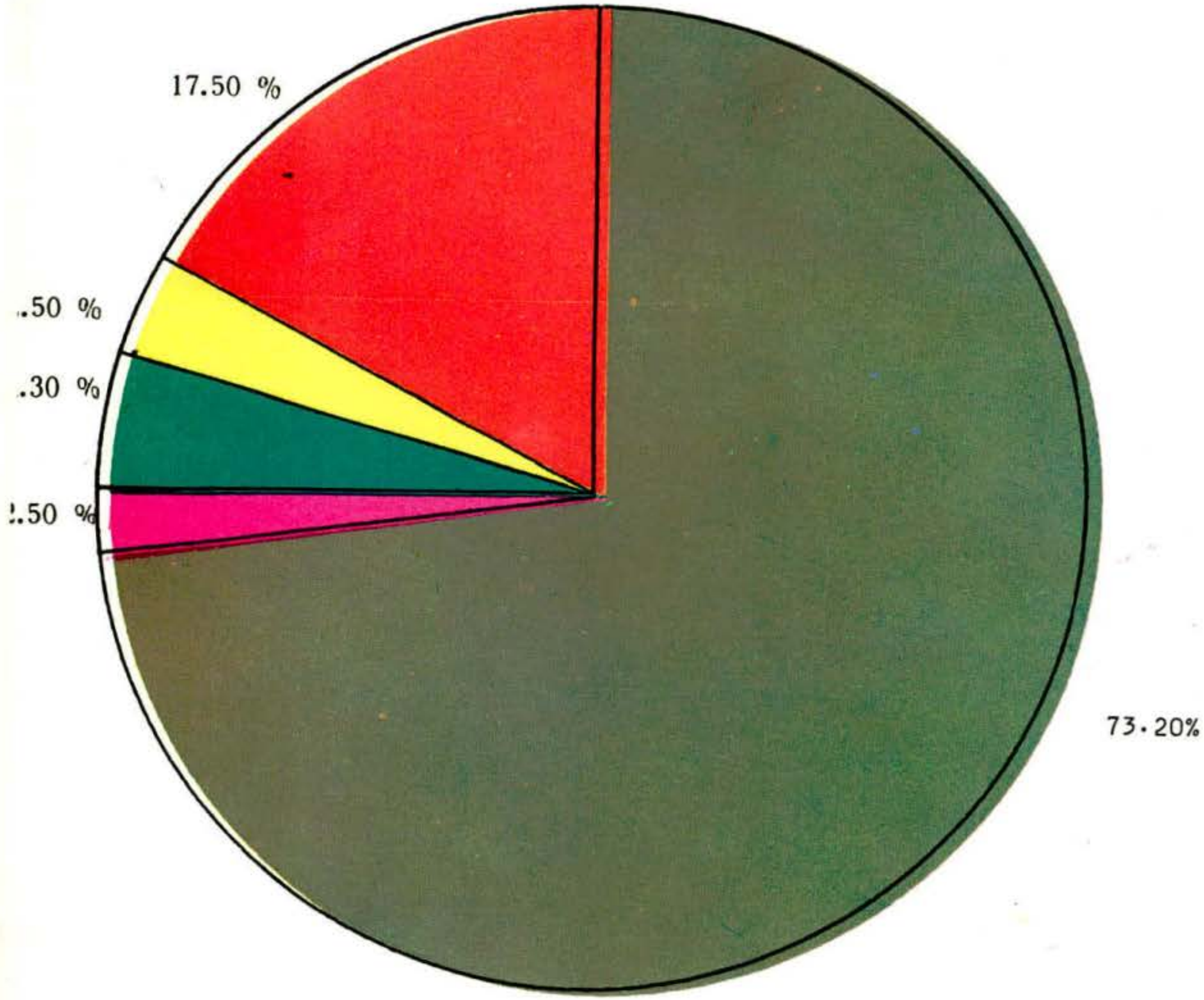
DETAILS OF WORKING EXPENSES OF DEPARTMENT OF TELECOMMUNICATIONS

1988-89



DETAILS OF REVENUE RECEIPTS OF DEPARTMENT OF TELECOMMUNICATIONS

1988-89



		Crores (Rs.)
Local and trunk call charges	1	1725.70
Telex rentals and call charges	2	60.04
Telegram charges	3	101.30
Rent of wires and instruments leased to Railways	4	60.70
Receipts from MTNL	5	415.40

(Rs. in crores)

Main head of revenue receipt	1987-88 Revised estimates	1987-88 Actuals	1988-89 Revised estimates	1988-89 Actuals	Variation
Telephone rental- Local and trunk call charges	1320.00	1281.65	1709.75	1725.70	(+) 15.95
Telex rental and call charges	67.00	66.83	75.00	60.04	(-) 14.96
Telegram charges	94.00	86.41	85.00	101.30	(+) 16.30
Rent of wires and instruments leased to railways, canals etc.	43.95	48.40	50.00	60.70	(+) 10.70
Receipts from other telephone/ telegraph administrations	66.00	60.59	269.00	84.46	(-) 204.54
Receipt from Mahanagar Telephone Nigam Limited	285.00	287.57	447.00	415.40	(-) 31.60
Payments to other telegraph/ telephone administrations	(-) 155.02	(-) 162.27	(-) 173.02	(-) 82.82	90.20
Other receipts	24.07	31.74	30.27	13.76	(-) 16.51
Total	1745.00	1700.92	2493.00	2358.54	(-)134.46

7.8. Revenue expenditure

The increase in revenue expenditure to Rs. 2544.21 crores in 1988-89 from Rs. 1818.34 crores in the previous year was mainly due to increase in appropriations to Telecommunication reserve funds (Rs.368.46 crores) increase of Rs. 102.36 crores under pay and allowances, Rs. 29.59 crores under maintenance and Rs. 42.21 crores on depreciation of assets.

7.9 Operating ratio

Operating ratio i.e. percentage of working expenses to the revenue of the department during the last three years came down from 65.2 in 1986-87 to 45.9 in 1988-89 showing increased profitability.

7.10. Productivity linked bonus

A scheme for grant of productivity linked bonus to the staff of the then Posts and Telegraphs Department was introduced in 1979-80 on the basis of 25 days wages for the productivity index of 100 achieved during the best performance year viz., 1976-77. The scheme was required to be reviewed after three years after observing its working. The existing scheme was extended on year to year basis with the concurrence of the Ministry of Finance.

Consequent on the creation of a separate Department of Telecommunications in January 1985, the scheme was reviewed and a new productivity linked bonus formula effective from the accounting year 1986-87 was introduced. Under this formula the productivity linked bonus is paid on the basis of 40 days wages of productivity index of 100 achieved during 1985-86. For increase/decrease of 5/3 points during any year an addition/decrease of one day's bonus is to be made to the 40 days. The scheme is effective for five years with effect from 1986-87. The formula is based on the traffic i.e. local telephone calls, measured call units, number of telegrams (delivered within 12 hours) handled and number of telephone/telex connections.

Expenditure on this account is booked to the head Pay and Allowances as no separate head of account exists.

Details relating to the productivity linked bonus for 1986 -1989 were as under:

	1986-87	1987-88	1988-89
number of days for which bonus was paid	40	42	44
staff entitled to bonus	263293 (excluding UP)	273434 (excluding UP)	285360 (excluding U.P.)
total amount of bonus (Rs. in crores)	34.97	41.51	53.87

7.11 Budgetary control

7.11.1 During the year 1988-89 the actual expenditure was less than the amount approved by the Parliament. The position of voted grants and charged appropriation of 1988-89 together with the supplementary grants obtained and expenditure incurred is given below:

	original grant/ appropriation	supplementary	total	actual expenditure	variation savings(-) excess (+)
				(Rupees in crores)	
Revenue					
Voted	2425.50	196.00	2621.50	2543.86	- 77.64
Charged	0.50	--	0.50	0.35	- 0.15
Capital					
Voted	1373.99	476.00	1849.99	1769.49	- 80.50
Charged	0.01	--	0.01	--	- 0.01
	3800.00	672.00	4472.00	4313.70	(-)158.30

7.11.2 Supplementary grants of Rs.196 crores in the Revenue Section was required to transfer additional surplus receipts to the Capital Reserve Fund and for providing grant-in-aid to the Telecommunication Research Centre.

The supplementary grant of Rs.476 crores in the Capital Section was required for meeting expenditure on expansion and improvement of telecommunication services. This included expenditure on 15 non-budgetary works, each costing Rs.50 lakhs and above which was proposed to be taken up for execution during the year. The estimated expenditure in respect of 15 non-budgetary works worked out to Rs.33.20 crores. Accordingly the balance sum of Rs.442.80 was required for meeting expenditure on expansion and improvement of telecommunication services.

7.11.3 The suplementary grant obtained in March 1989 under the following heads of accounts was unnecessary as the actual expenditure under these heads were even less than the original grants as shown below:

	Original grant	supplementary grant (Rs. in lakhs)	actual expenditure
Telex system	2124.00	1800.00	1594.90
Manual Trunk Exchange	1496.10	646.00	1233.54
Store Depots	190.00	528.00	72.24
Telecommunication factories	900.00	139.00	319.17
Staff quarters	3100.00	400.00	1854.50

The reasons given by the department for savings under these heads that they were due to less receipt of apparatus and plant material than anticipated, slow progress in land acquisition and construction of buildings are not acceptable as the supplementary grants totalling Rs.35.13 crores were unnecessary.

7.11.4 The actual expenditure under the following heads of accounts was found inadequate even after obtaining supplementary grants in March 1989.

	original grant	supplementary grant (Rs. in lakhs)	actual expenditure
Telephone Exchange (Automatic)	54806.70	41713.00	128274.51
Telephone Exchange (Manual)	3394.30	1586.00	5619.32
Trunk Automatic Exchange	2068.40	354.00	2506.47

The departament stated that excesses under these heads were due to more cases of acquisition of land, speedy progress in construction of buildings, more receipt of apparatus and plant, cable and line material than anticipated.

7.11.5 There were significant savings of more than 10 per cent under 53 heads of accounts in Revenue and Capital Section in 1988-89 as shown in Appendix II. The savings under the above heads of accounts were partly offset by excesses under other heads of accounts.

7.11.6 **Persistent Savings**

Persistent savings exceeding 10 per cent of provisions were noticed in the following cases during the last three years.

Head of Account	Amount of savings/Percentage of savings (Rs. in lakhs)		
Revenue Section	1986-87	1987-88	1988-89
Operational Training	29.43	57.48	10.24
	35.45	59.87	16.70
Miscellaneous Expenditure	224.64	809.75	399.16
	139.51	704.13	99.79
Maintenance of Buildings	219.75	214.25	329.07
	21.33	19.48	21.93
Transmission system	87.76	82.01	45.33
	29.25	26.54	10.92
Telecommunication Training Centres	527.29	163.77	770.50
	69.01	32.75	70.65
Other Telecommunication Buildings	91.00	39.62	156.00
	45.50	24.20	48.00
Stationery and Printing	233.87	556.09	693.83
	25.98	52.96	57.82
Capital Section			
Telegraphs Offices	1161.52	545.99	112.31
	70.87	45.19	10.43
UHF and VHF Relay system	998.56	344.93	5487.50
	40.24	17.20	68.30
Satellite system	2382.93	589.43	4206.20
	59.57	14.33	68.94
Training Centres	839.27	510.66	360.99
	69.93	60.40	43.33
Technical and Development Centre	115.95	354.27	340.78
	71.98	68.06	97.78
Store Depot	90.01	123.58	645.76
	45.00	54.80	89.93
Telecommunication Factories	735.71	216.65	719.83
	59.37	19.72	69.28
Manufacture Suspense Accounts	1727.11	666.80	1141.52
	86.36	30.31	45.66

Savings under the revenue section were attributed to by the department to less expenditure on salaries, dearness allowance, rent rates and taxes, less procurement of training equipment, unanticipated adjustment of rate revision/stock, less expenditure on petty works and less supply of paper from mills and lesser printing of forms at private presses.

Non-utilisation of funds under the capital section were attributed to by the Department of Telecommunications to less receipt of apparatus, plant and subscriber installation material, slow progress in land acquisition cases and construction of buildings, more issue to General Stores and Factory Stores than anticipated.

ANNEXURE
(Refer to paragraph 7.5.3)

Summary of salient indicators of the financial and operating performance of the Department for the years 1986-87 to 1988-89

(in crores of rupees)

	1986-87	1987-88	1988-89
1. Capital-at-charge at the end of the year	5283.91	6346.11	8003.22
2. Revenue receipts	1229.69	1700.92	2358.54
3. Revenue expenditure (of which amount appropriated to funds)	1312.20 (11.72)	1818.34 (454.41)	2544.21 (822.87)
4. Revenue surplus after providing for dividends to general revenues	11.72	454.41	822.87
5. Return on capital at charge	0.22	7.15	10.28

CHAPTER V

REVENUE

8. Arrears of telephone revenue

(a) Departmental rules provide that bills on account of telephone revenue are to be issued bi-monthly in respect of telephone exchanges under measured rate system and annually/-bi-monthly for small telephone exchanges under flat rate system. Such bills are payable within 15 days from the date of issue. In the event of default of the subsciber to pay these charges within the due date the telephone connection is liable to be disconnected. In each Telecom District, there exists a cell which is responsible for pursuit of outstanding dues and a Board consisting of officers which is responsible to find ways and means for recovery of the arrears including resort to litigation and write off.

The following amounts were outstanding on 1st July during the last three years ending March 1989:

Year	arrears as on Ist April	demand raised during the year	total demand	amount collected during the year	arrears at the close of of the year	arrears as on Ist July
	(Rupees in crores)					
1986-87	22.17	941.20	963.37	917.93	45.44	35.43
1987-88	45.44	1333.71	1379.15	1293.43	85.72	49.95
1988-89	85.72	1761.27	1846.99	1705.02	141.97	82.36

(b) Yearwise break-up of the amount outstanding on Ist July 1989 was as under :

Year	Amount (Rs. in crores)
Upto 1979-80	0.95
1980-81 to 1987-88	26.12
1988-89	55.29
Total:	82.36

A general review of the outstanding cases revealed that the arrears arose because of :

(i) delay in submission of the advice notes which is an authority for provision, shifting and closure of telecommunication facilities and for initiating action for recovery of telephone dues to the Telecom Revenue Accounts Branch ;

(ii) at stations where the computerised billing had been introduced, the data required for issuance of the bills were not created;

(iii) telephones of subscribers were not disconnected where the subscribers failed to pay the bills within the prescribed period ;

(iv) at the time of shifting of the telephones on the request of the parties, bonafides of the subscribers were not verified; and

(v) in the case of billing by computer, review of cases where the computer did not prepare the bills was not done promptly.

According to departmental instructions of August 1979 the department has to furnish the particulars of outstanding revenue to Audit by 31st August. The department had failed to furnish information for all the circles/telecommunication districts. During the last three years information was not received for 8, 6 and 11 circles/telecommunications districts respectively out of 50 circles/telecommunications districts;

(c) Category wise break-up of the outstanding dues exceeding Rs.5,000 in respect of 39 circles/telephone districts out of 50 circles/telephone districts for which information was received was as under :

category of subscribers	percentage
Central Government	8.5
State Governments	33.7
Central Public Sector Undertakings	1.0
State Public Sector Undertakings	1.0
Local bodies	0.2
Other subscribers	55.6

Above statistics reveal that about 56 per cent arrears pertained to other subscribers. These recoveries need regular follow up and vigorous pursuit.

(d) Yearwise analysis of the amount written off during 1988-89 in 39 circles/districts was as under :

Year	Amount (Rs. in lakhs)
Upto 1981-82	18.35
1982-83	1.16
1983-84	1.54
1984-85	1.33
1985-86	1.76
1986-87	2.21
1987-88	3.54
1988-89	3.82
Total :	33.71

The amount written off pertained to the following categories:

(i) whereabouts of the subscribers not known (26 per cent);

(ii) solvency of the subscribers not established (4 per cent);

(iii) closure of subscriber's firms, concerns etc. (2 per cent);

(iv) death of subscribers (3 per cent);

(v) relevant departmental files not available; and miscellaneous reasons (65 per cent).

(e) In 38 circles, recovery of Rs.288.16 lakhs was under litigation as on Ist July 1989. The progressive position was as below :

	No.	Amount involved (Rs. in lakhs)
cases under litigation as on 1st July 1988	2098	127.83
cases in which litigation proceedings were commenced during July 1988 to June 1989	2663	184.32
cases decided during July 1988 to June 1989	299	23.99
cases decided out of above 299 in favour of Telecommunications Department	171	11.57
cases under litigation as on Ist July 1989	4462	288.16

9. Non-billing/short billing of telecommunication bills

Besides the cases mentioned in paragraphs 11 to 32 of this Report, a test check in Audit of the Telecommunication Revenue Accounts of 42 circles/telephone districts conducted during 1988-89 revealed non-billing in 3532 cases involving Rs. 70 lakhs. In addition 5228 cases involving Rs. 95 lakhs on account of short billing were also noticed by Audit in test check.

10. Arrears of rent of circuits and telex/intelex charges

The department provides dedicated telegraph, teleprinter and telephone circuits and telex/intelex connections to Government departments, newspaper establishments, news agencies and other subscribers on rental. Bills in respect of these facilities are issued to the subscribers bimonthly or annually which are required to be paid within the due date mentioned on the bills. In the event of failure of the subscribers to pay the charges, the connections are liable to be disconnected. Arrears of collection on the above facilities, as at the end of March 1987 to March 1989, in respect of bills issued up to preceeding 31st December, i.e. by allowing a lead period of three months to complete the formalities, were as under:

(In lakhs of rupees)

		Arrears as on Ist April	Demand raised during the year	Total demand	Amount collected during the year	Closing balance	Arrears at the close of the year for bills issued upto December
Circuits	1986-87	950	7288	8238	6791	1447	1192
	1987-88*	1447	4806	6253	4460	1793	1554
	1988-89*	1793	6195	7988	5395	2593	1754
Telex/ Intelex	1986-87	167	12941	13108	12610	498	233
charges	1987-88*	498	7357	7855	6905	950	145
	1988-89*	950	7662	8612	7499	1113	246

* Exclusive of figures in respect of Mahanagar Telephone Nigam Limited, Delhi and Bombay.

The arrears of rent of telegraph/telephone and teleprinter circuits were more than 30 per cent of actual collection during the last two years and those in respect of telex/intelex charges showed an increasing trend in spite of the fact that these arrears were reviewed periodically at all levels, viz., District, Circle and by thie Department of Telecommunications itself.

Year-wise outstanding dues as on Ist April 1989 for bills issued upto December 1988 are given below :

(in lakhs of rupees)

	Rent of telegraph/ telephone and teleprinter circuits	Telex/ intelex charges	Total
Upto 1983-84	130.52	36.51	167.03
1984-85	91.24	12.87	104.11
1985-86	164.96	15.71	180.67
1986-87	342.22	15.61	357.83
1987-88	470.95	47.38	518.33
1988-89	554.38	118.19	672.57
Total	1754.27	246.27	2000.54

The classification of the dues on Ist April 1989 according to the subscribers in respect of claims exceeding Rs. 5000 in respect of 38 Telecommunication Circles/Telephone Districts (out of 50) was as given below. The total amount of such dues was Rs. 531.17 lakhs.

	Rent of telegraph/ telephone & teleprinter circuits	Telex/ intelex charges	Total	Percentage of total dues
		(Rs. in lakhs)		
Central Government	378.46	1.01	379.47	71.44
State Governments	20.20	1.63	21.83	4.11
Autonomous bodies	13.08	3.96	17.04	3.21
Press/newspapers	34.07	4.99	39.06	7.35
Others	44.46	29.31	73.77	13.89
Total:	490.27	40.90	531.17	100.00

Information in respect of 12 circles/districts could not be included due to its non-receipt from the Heads of circles/districts.

Above data indicates that 21 per cent of the dues (exceeding Rs.5000) recoverable related to private subscribers/news agencies and a total sum of Rs.13.28 crores (66.35 per cent) pertained to the period earlier than 1988-89. Special steps to effect speedy realisation of outstanding dues are called for.

11-32 Major cases of under-assessment of revenue

Though the receipts of the department are required to be checked by the internal check organisation of the department, test check in Audit revealed a number of cases of short/-non-billing as discussed below:

11 Short/non-billing of circuits due to omission to issue bills at revised rates.

The rental charges payable by the subscribers were revised by the department with effect from 1st September 1980, 1st March 1983 and 1st December 1986. It was noticed in Audit that the revised rates of rentals had not been applied by the department in the following 12 cases resulting in short/non-billing to the extent of Rs.56.20 lakhs . The under assessment of this nature is persistent and rose more than threefold from Rs. 17.68 lakhs in 1987-88 to Rs. 56.20 lakhs in 1988-89.

S.No.	Particulars of lines/ cables/PABX etc.	Pointed out by Audit in	Period of short/ non-recovery	Amount of sh non-recovery
				(Rs. in lakhs)
	Madhya Pradesh Telecommunications Circle			
1.	Provision of 15 Kms. underground cable to IAF in November 1987	February 1989	November 1987 to November 1989	20.51
2.	Provision of 7.2 Kms. underground cable to Military authorities on 16th December 1986	February 1989	December 1986 to December 1989	6.58
3.	Provision of 50 pairs/10 Lb underground cable to Military authorities in August 1988.	July 1989	August 1988 to August 1989	2.00
	Bihar Telecommunications Circle			
4.	One 20 plus 200 lines extendable type PBX Board provided to army in September 1982	August 1988	September 1982 to June 1989	4.85
5.	Provision of two teleprinter circuits i.e. (i) Ranchi to Patna on 9th March 1983 and (ii) Ranchi to Calcutta on 6th September 1983 to M/s Arya Travels, Ranchi	August 1988	March 1983 to March 1989	1.28
6.	Provision of 20 plus 100 lines extendable type PBX Board to Metallurgical and Engineering Consultants (INDIA) Limited, Ranchi in replacement of existing two 10 plus 50 lines PBX Boards	August 1988	April 1985 to June 1989	3.63
7.	Replacement of the existing 50 lines private Auto Branch Exchange by an extendable type board of 20 + 100 lines provided to Central Mines Planning and Design Institute Limited, Ranchi.	September 1988	October 1983 to October 1988	3.61

Tamil Nadu Telecommunications Circle				
8.	One extendable type (ordinary) 100 lines PABX Board provided to M/s Steel Authority of India Limited in February 1981	July 1988	December 1986 to April 1989	1.21
West Bengal Telecommunications Circle				
9.	Provision of 50 pairs/6.5 Lb underground cable to Indian Air Force in June 1984	May 1989	June 1984 to June 1989	2.80
Andhra Pradesh Telecommunications Circle				
10.	197 external extensions of PABX Board provided to Eastern Naval Command	December 1988	May 1988 to April 1989	1.97
Punjab Telecommunications Circle				
11.	Underground cable provided to army authorities in June 1987	March 1989	June 1987 to October 1989	5.96
Orissa Telecommunications Circle				
12.	200 lines PABX Board provided to a private company, Tisco Zoda	March 1988	December 1986 to February 1989	1.80

Departmental rules provide that the Subscribers Record Cards of all the exchanges should be subjected to an internal review in such a manner as to ensure that the entries in the Subscribers Record Card relating to each connection are checked at least once a year. The short-billing indicates that proper checks were not applied by the authorities concerned.

While accepting the facts and figures the department stated, in August-November 1989, that recovery had been made in respect of serial numbers 7, 8, 10 and 12 and bills in respect of serial numbers 1, 2, 6, 9 and 11 had been issued and recovery of which was being pursued. Facts and figures in respect of serial numbers 3, 4 and 5 were stated to be under verification by the department.

The department further stated that the short recoveries as indicated at serial numbers 9 and 12 were pointed out by internal check organisation (ICO) of the department as well. On verification it was observed that even though the short recovery in respect of serial number 9 was pointed out by Internal Check Organisation in December 1986, the bill was not issued till it was again pointed out by Audit in May 1989. As regards serial No.12, the objection of the ICO did not cover the point regarding fixation of rentals as a result of prescription of flat rate rentals w.e.f. September 1982.

12(1) Non/short billing due to non-receipt of advice notes

As per the departmental rules, completed advice notes, in respect of telecommunication facilities provided/shifted etc; are to be sent to the Telephone Revenue Accounts (TRA) branch, within a week of the event affecting the connections in order to enable the TRA branch to issue bills to the subscribers. There was non/short recovery of Rs. 38.56 lakhs in respect of the following cases due to non-receipt of completed advice notes. This irregularity persisted despite elaborate procedure regarding submission of completed advice notes and their posting in Subscriber Record Cards. Non-recovery of telephone dues due to delay in issuance of advice notes is persistent and it rose from Rs. 20.40 lakhs in 1987-88 to Rs.38.56 lakhs in 1988-89.

Sl.No. Particulars of lines/cables/PABX etc.	Pointed out by Audit in	Period of non/ short recovery	Amount of non/ short recovery
			(Rs. in lakhs)
North Eastern Telecommunications Circle			
(1) Provision of direct teleprinter service between Raj Bhawan, Agartala and Raj Bhawan, Imphal in September 1981, on rent and guarantee basis	January 1989	September 1981 to March 1990	4.83
Madhya Pradesh Telecommunications Circle			
(2) Provision of teleprinter circuit to Press Trust of India between Indore and Gwalior from 27th May 1980 to 25th November 1987	March 1989	May 1980 to November 1987	1.10
Jammu and Kashmir Telecommunications Circle			
(3) Provision of PCM system to Defence authorities between two exchanges in January 1987	June 1988	January 1987 to June 1989	4.72

(4) Provision of 100 lines extendable type exchange in September 1986 to army	August 1987	September 1986 to June 1988	3.73
Punjab Telecommunications Circle Ambala			
(5) Speech circuit between Patiala-Ropar provided to Punjab State Electricity Board, Patiala in November 1985	November 1987	November 1986 to June 1988	1.34
Orissa Telecommunications Circle, Bhubaneswar			
(6) 10 + 50 lines PBX board provided to General Manager Dera Colliery, Talcher	March 1988	January 1987 to May 1989	2.38
Uttar Pradesh Telecommunications Circle, Lucknow			
(7) Speech circuit provided to Indian Air Force	October 1988	October 1980 to June 1989	5.62
(8) Speech circuit provided in March 1986 to army	October 1988	March 1987 to March 1989	2.31
(9) Three teleprinter circuits provided to Life Insurance Corporation of India			
(i) Kanpur-Lucknow	August 1988	March 1977 to November 1988	1.26
(ii) Kanpur-Meerut	August 1988	December 1976 to November 1988	3.00
(iii) Kanpur-Varanasi	August 1988	October 1976 to November 1986	1.42
(10) Speech circuit provided to the Army authorities in January 1987	October 1988	January to December 1988	1.79

(11) Speech circuit provided to the Air Force authorities in September 1986	October 1988	September 1987 to August 1989	1.80
(12) Telex connection provided to Uttar Pradesh Cement Corporation Limited, Mirzapur in January 1983 from Allahabad telex exchange	August 1985 and April 1989	January 1983 to December 1986	3.26

The department while admitting the facts and figures, in September-November 1989, in respect of all the above 12 cases, except at serial number 2 where a final reply was awaited, stated that bills in respect of all the 11 cases had been issued and recoveries made in full in respect of serial numbers 3, 4, 6, 8, 9 and 10 whereas partly in respect of serial number 12 and recoveries in the remaining cases were being pursued. The department further stated that instructions had been issued to keep a watch on the receipt and forwarding of advice notes in time by maintaining the register prescribed for the purpose. Explanation of officers responsible for delay in submission of completed copy of the advice notes were stated to have been called for.

12 (ii) Non-posting of subscribers record cards

As per departmental rules, completed advice notes in respect of telephone facilities provided/shifted etc. are to be sent to the Telephone Revenue Accounts (TRA) branch where these are to be posted in Subscribers Record Cards (SRCs). It was noticed in Audit that in the following cases, even though the advice notes in respect of works completed were received in TRA branch, no action had been taken to post them in SRCs and to issue bills resulting in non-recovery of Rs. 5.02 lakhs.

S.No.	Particulars of telephone facilities	Pointed out by Audit in	Period of non-recovery	Amount of non-recovery
				(Rs. in lakhs)
Uttar Pradesh Telecommunications Circle				
1.	Shifting of 226 telephones, provision of long cord and plug and socket, etc. provided to various subscribers	February 1988	September 1986 to November 1987	1.08
Jammu and Kashmir Telecommunications Circle				
2.	Underground cable of 38/20 Lbs provided to Air Force Exchange to transmitter in June 1987	May 1988	June 1987 to June 1989	3.94 (including installation charges)

The department while admitting the facts and figures, in November 1989, stated that bills in all the cases had been issued and recoveries were being pursued. The department further stated that tight watch was being kept over the receipt of advice notes and register regarding all the rent and guarantee cases had been maintained.

13. Non-billing due to non-conducting of internal review

As per departmental rules, the Subscriber Record Cards (SRCs) of all the exchanges should be subjected to an internal review in such a manner as to ensure that the entries in the SRCs relating to each connection are checked at least once in a year.

Due to non-observance of the departmental rules, non-billing of rentals amounting Rs. 5.14 lakhs occured in the following two cases:

Sl. No.	Particulars of Lines	Pointed out by Audit in	Period of non-recovery	Amount of non-recovery
				(Rs. in lakhs)
1.	Different types of underground cables provided to a private firm Niky Tasha India Pvt. Ltd. Faridabad	August 1988	June 1987 to May 1989	2.42
2.	Non-exchange lines provided to different private parties in Faridabad	August 1988	May 1986 to May 1989	2.72

The department while accepting the facts and figures in both the cases, in September/October 1989, stated that the billing schedule had been drawn up for issuance of bills at regular intervals and the internal check party directed to review all cases of non-directory items to avoid irregularities in future. It was further stated that the responsibility was being fixed for the lapse in respect of the first case. Bills for the total amount in the two cases had been issued and fully realised in respect of serial No. 1. In respect of Serial No. 2 out of Rs. 2.72 lakhs, Rs. 1.34 lakhs had since been recovered and efforts were being made to realise Rs. 0.81 lakh while the bills for Rs. 0.57 lakh had been cancelled on the basis of subsequent actual calculations.

14 Short recovery of advance rental

As per departmental rules all new telephone subsribers of Non-Own Your Telephone (Non-OYT) category of measured rate exchange are required to pay, before provision of connections, an advance rental of one year as applicable to the station concerned based on line capacity and at rates existing as on the date of giving the connections. This advance rental is in addition to the regular bi-monthly rent and is held as a deposit during the currency of the subscribers telephone. The rental is higher for exchanges having a capacity of 10,000 lines or more as compared to the exchanges having capacity of less than 10,000 lines.

It was noticed in Audit, in January 1989, that consequent on the expansion of equipped capacity of Visakhapatnam telephone exchange system to more than 10,000 lines from July 1988, the advance of one year's rental on new connection was collected at the rate of Rs. 900 which was the tariff in force upto 31st March 1988 instead of the applicable rate of Rs. 1200 per connection. This resulted in a short recovery amounting Rs. 8.03 lakhs in respect of 2677 new telephone connections provided under the Non-OYT scheme during July to December 1988.

The department while admitting the facts stated, in October 1989, that advance rental of Rs. 8.03 lakhs due had been realised from all the subscribers. It was further stated that delay in issue of advice notes was due to bulk release of connections. The reply, however, was not tenable since the delay in issuance of the advice notes had no bearing with the recovery of advance rentals at incorrect rates.

15 Short recovery due to non-charging of rent of telegraph circuits on full time basis

As per departmental instructions, issued in November 1986 and further clarified in February 1987, the leased telephone/telegraph circuits would be provided only on full time basis and not for part of the day and that the existing part time circuits may be converted into full time circuits immediately and suitable action taken to obtain the additional channels from the General Manager, Maintenance, if required.

It was noticed in Audit, in June 1989, that in Ajmer Telecommunications District, rental of seven telegraph circuits was being charged on part time basis from the parties in contravention of the departmental instructions resulting in a short realisation of revenue of Rs.1.37 lakhs from May 1987 to April 1990.

The department while accepting the facts, in November 1989, stated that bills to the tune of Rs.1 lakh had already been issued out of which a sum of Rs.0.21 lakh had since been realised and the balance payment was being pursued. It was further stated that the report of Chief General Manager Rajasthan had also been called for and further report regarding fixing of responsibility and action taken to avoid such instances in future would follow shortly.

16 Short billing of local call charges

As per departmental rules, the Telephone Revenue Accounts (TRA) branch should maintain a list of heavy callers who make more than 10,000 calls in a bi-monthly period, and keep a watch over the bills of these subscribers. In case the number of calls against any of the telephones relating to these heavy callers was found to be on a lower side in any bi-monthly period, the matter should be referred to the officer-in-charge of the exchange for verification of the correctness of the meter reading.

It was noticed in Audit, in September 1988, that in respect of 25 subscribers of cross-bar exchange at Cuttack, the above rules were not followed by the TRA branch of Cuttack Telecommunication District. It was also noticed that the TRA branch did not maintain a register of heavy callers and as a result 1.54 lakh calls relating to these subscribers remained unbilled, resulting in short realisation of Rs.1.17 lakhs.

The department while confirming the facts, in October 1989, stated that out of 25 subscribers pointed out by Audit, payment from 23 subscribers amounting Rs.1.07 lakhs had been realised in July 1989. It was further stated that the concerned staff had been instructed to avoid such errors in future and a register

— of heavy callers was now being maintained to keep a close watch by the TRA unit.

17 Short realisation of rent

A facsimile circuit to work between Madras and New Delhi was provided to a newspaper company ' The Hindu ' in Madras in September 1986 on lease basis on an annual rental of Rs. 33.75 lakhs.

Departmental instructions issued in August 1983 provide that rent for the facsmilie circuit is to be fixed at the rate of 1.25 times the rental charges for the speech circuit between the same station and for the same distance. It was noticed by Audit, in March 1988, that the instructions were not followed while fixing the annual rental resulting in short recovery amounting Rs. 15.47 lakhs from September 1986 to June 1988.

The department while accepting the facts stated, in November 1989, that a sum of Rs. 21.79 lakhs being the rent for the period from September 1986 to March 1989 had been realised in February 1989.

18 Short recovery of revenue due to excess provision of cable

On receipt of a firm demand placed by Tata Engineering and Locomotive Limited, Jamshedpur in February 1982 for laying 100 pairs underground telephone cable of length 3 Kms., the General Manager Telecommunications, Patna conveyed administrative approval in February 1982, for providing 100 pairs of cable. The party revised the demand to 50 pairs of 1.6 Kms. in June 1982. Nevertheless, the Divisional Engineer Telegraphs (DET), Jamshedpur sanctioned an estimate amounting Rs. 2.34 lakhs, for the provision of 100 pairs in December 1982. The party again applied in September 1984 for additional 50 pairs. Out of 100 pairs of cable measuring 1.6 Kms. laid, 88 pairs were handed over to company on 15th October 1984. Remaining 12 pairs were utilised for departmental purposes.

It was noticed in Audit, in February 1989, that even though 88 pairs had been leased to the party, rent in respect of 50 pairs was being charged. Thus, there was realisation of rental of Rs. 3.29 lakhs for the period from October 1984 to October 1989.

While accepting the facts the department stated, in November 1989, that revised rental bill amounting Rs. 3.54 lakhs was issued in April 1989 and paid by the party in October 1989.

19. Short recovery of rental charges due to various ommissions

Sl.No.	Particulars of lines/cables/ PABX etc.	Audit observation	Pointed by Audit in	Period of non/short recovery	Amount of non/ short recovery
1	2	3	4	5	6
					(Rs. in lakhs)
	Mahanagar Telephone Nigam Limited, Delhi				
1.	Provision of various Telecommunication services to M/s Escorts Limited from their 20 + 20 + 200 lines Private Automatic Branch Exchange in September 1980	While examining the list of working connections and comparing it with the records of Telephone Revenue Accounting Branch it was noticed that (i) Plan E-103 and E-104 telephones provided on 12 extensions were not billed for, (ii) rent in respect of 9 external extensions was realised at the rate applicable to internal extensions; (iii)18 extensions were not billed for; and (iv) Rental in respect of four extensions was being recovered on the basis of radial distance instead of chargeable distance as prescribed in the departmental rules	February 1987	September 1981 to April 1988	1.79
	Tamil Nadu Telecommunications Circle				
2.	Provision of 50 lines private auto exchange to Neyveli Lignite Corporation (NLC) at their second mines in Neyveli in September 1983 for a guarantee period of seven years	The facility was surrendered in May 1987 i.e. before the expiry of guarantee period but the department did not recover compensation for the unexpired period	January 1989	June 1987 to September 1990	2.61

Karnataka Telecommunication Circle				
3. Shifting of Posts and Telegraphs local lines/circuits away from the Railway track in the Vijaywada-Dornakal-Kazipet section of South Central Railway in November 1984 marked for electrification by the Railways	Expenditure incurred by the department on shifting of the lines including overhead charges not recovered from the Railways in respect of works carried out in respect of 18 estimates during 1985-86 and 1986-87.	August 1987	1985-86 to to 1986-87	1.90
Bihar Telecommunications Circle				
4. Provision of 20 + 100 lines extendable type PABX Board in January 1978 with a guarantee period of five years	Rentals were not charged at standard flat rates after the expiry of the guarantee period.	August 1988	January 1983 to June 1989	2.06
5. Provision of 20 + 200 lines PBX Board extendable type from Ranchi (M) exchange in December 1970 with a guarantee period of 10 years	--do--	August 1988	December 1980 to June 1989	8.91
Gujrat Telecommunications Circle				
6. Provision of stand-by generator at Porbandar in October 1975 to Ministry of Shipping and Transport	Rental of the stand-by generator not billed since its installation	July 1984	October 1975 to March 1989	1.91

The department while accepting the facts in all the above cases stated, in September-November 1989, that recovery of the full amount as indicated in serial number 2 and 6 had been made and efforts to fix responsibility were being made. Bill for Rs. 1.79 lakhs was issued in respect of serial number 1 above out of which Rs. 1.13 lakhs had been realised. Bills for Rs. 1.90 lakhs and Rs. 10.97 lakhs were issued in September/November 1987, December 1988 and March 1989 in respect of serial numbers 3, 4 and 5 respectively against which payments of Rs. 0.32 lakh and Rs. 1.94 lakhs respectively had been realised. It was further stated that all the cases for the payment of balance amount were being pursued vigorously.

20 Incorrect computation of radial distance in respect of rented circuits

As per departmental rules, all distances for the purpose of billing rented speech circuits provided between two premises are to be actual and are ordinarily to be measured by the shortest practicable route.

It was noticed in Audit, in May 1989, during the checking of subscriber record cards in Rajkot Telecommunication District that radial distances/chargeable distances in respect of 20 circuits provided to private subscribers and railway authorities between Rajkot and three other stations viz Dhoraji, Jamnagar and Manadavar were not determined on actual distances measured by the shortest practicable route. Instead, the distances charged varied from circuit to circuit provided between the same stations resulting in short billing of Rs. 2.64 lakhs from April 1974 to April 1990.

The department while accepting the facts, in November 1989, stated that Telecommunication District Manager, Rajkot had issued supplementary bills, in May 1989, and that action for recovery and fixing of responsibility was under way and final report would follow.

21 Short billing due to non-application of revised rates of tariff

Rentals for the lines and wires/circuits leased to Railways are initially recovered on a provisional basis pending finalisation of rates which are fixed later for a block of five years by the Department of Telecommunications in consultation with the Railway Board. The Department fixed rental charges for the period 1981-82 to 1985-86 in February 1988. The rentals from 1986-87 and onwards was to be charged on a provisional basis at the rates of tariff fixed for the period 1981-82 to 1985-86.

It was noticed in Audit, that continued billing at pre-revised rates by the department notwithstanding upward revision of rates of tariff provisionally resulted in short billing amounting Rs. 4.80 lakhs.

S.No.	Particulars of facility provided	Pointed out by Audit in	Period of short recovery	Amount of short recovery
				(Rs. in lakhs)
Uttar Pradesh Telecommunications Circle				
1.	Trunk channel between Allahabad and New Delhi installed in July 1988	September 1988	July 1988 to July 1989	2.04
2.	Speech circuits from Agra to various stations	December 1988	April 1981 to March 1989	2.76

The department while accepting the facts and figures stated, in September and October 1989, that payments had since been realised from the Railways in first case and out of Rs. 2.76 lakhs relating to second case, a sum of Rs. 2.16 lakhs had been realised and balance was likely to be received shortly. The department further stated that the staff concerned had been instructed to be careful in applying the current rates while issuing the demand notes and a method of review had been introduced in the concerned branch and regular review meetings were being held to monitor the issue of bills.

22 Non-realisation of rental charges in respect of underground cables leased to Eastern Railway

Departmental rules provide that separate registers should be maintained by the Divisional Engineers Telegraph to show increase of cable conductors in respect of underground cables rented to Railways. All alterations in the mileage or description of wires used by Railways for which rent is chargeable are included in the half yearly return of wires alongwith accepted copies of advice notes. The returns are submitted to the Chief Accounts Officer, Telecommunications Circle for realisation of rental charges from the Railways.

It was noticed in Audit, in March 1986 and April 1987, that cables rented to Eastern Railways were neither noted in the registers maintained by the Divisional Engineer Telegraphs, Asansol nor were the same included in the half yearly returns. A joint inspection was conducted, in November 1979, by the representatives of Asansol Telecommunications Division and Eastern Railway to ascertain the actual length of cables rented to Eastern Railway. As per this inspection report, a total of 1113.2 Kms of underground cable in different gauges was rented to Eastern Railway at Asansol and Andal, as in March 1979. The representatives of both Railways and Telecommunications Divisions certified the correctness of the existence of the said length of cables. But no bill on account of rental charges was issued to the Eastern Railway even from April 1979 onwards despite the fact that the actual length of cable rented to them, as in March 1979, was known to Telecommunications Division through joint inspection. Even during the long period from November 1979 to January 1989, the existence of actual length of cables rented to Eastern Railway was not intimated to the billing authority, viz, the Chief Accounts Officer, West Bengal Telecommunications Circle to enable him to issue rental bills,

Thus, due to incomplete maintenance of the prescribed initial records by the Telecommunications Division and failure to intimate to the billing authority the fact of existance of the cables even after the joint inspection, no rental bill was issued to the Eastern Railway, resulting in non-realisation of departmental revenue amounting Rs. 28.75 lakhs for the period from April 1979 to March 1989. In the absence of relevant records showing the actual date of handing over of the cables to the Eastern Railway, rent realisable from them for the period prior to March 1979 could neither be calculated by Audit nor billed for by the department. The omission to issue bills could also not be detected by internal check organisation of the department.

On being pointed out by Audit,

in March 1986 and April 1987, a bill on account of rental charges for the period from April 1979 to March 1989 amounting Rs. 28.75 lakhs was issued in April 1989.

The department while accepting the facts stated, in October 1989, that the payment of the bill was being pursued. It was further stated that to avoid such lapses, a register showing full details of underground cable leased to the Railways had been opened for including immediately any addition or alteration in the underground cables.

23 Short realisation of rentals for ultra-high frequency system

A firm demand for provision of 20 speech channels and six Voice Frequency Transmission (VFT) channels on rent and guarantee basis was placed by the Rajasthan Atomic Power Station (RAPS) in September 1985/ February 1986. The department decided, after technical evaluation, to instal 60 channel ultra high frequency (Microwave system) in November 1986.

Based on the project estimate submitted by the Divisional Engineer Telegraphs (DET) Microwave Project, New Delhi at an estimated cost of Rs. 45.48 lakhs, the DET Kota fixed a rental of Rs. 14.10 lakhs and a five year guarantee period in November 1986 for speech channels on the directions of General Manager Telecommunications (GMT) Rajasthan Circle, Jaipur. Advance rental of Rs. 14.10 lakhs was paid by RAPS, in January 1987 and the system was commissioned in November 1987.

As per departmental instructions issued in November 1979, rentals for telecom services like microwave link provided to subscribers is to be calculated by increasing the annual recurring expenditure by 10 per cent.

It was noticed in Audit, in August 1988, that no cognizance of the above instructions was taken. This resulted in short realisation of Rs. 3.49 lakhs of rentals for November 1987 to June 1990.

The department stated, in November 1989, that the amount as pointed out by Audit had been realised.

24 Short recovery of rental in respect of non-exchange lines

In April 1978, the Director General, Posts and Telegraphs issued instructions that rent in respect of external extensions from private branch exchanges, non-exchange lines and private wires should be computed on chargeable distance i.e. 1.25 times the point to point radial distance.

A test check in Audit, in August 1988, of the Subscribers Record Cards of Kanpur Telephone system revealed that no cognizance of these instructions was taken while computing the rental charges resulting in short recovery of Rs. 2.64 lakhs from April 1978 to April 1989 in respect of non-exchange lines provided to Civil Defence authorities.

On being pointed out in Audit, bills for Rs. 2.64 lakhs were issued in August 1988. The recovery particulars were awaited (November 1989).

The department while accepting the facts, in November 1989, stated that action for recovery and fixing of responsibility was under way and final reply would follow.

25 Non-billing of microwave protecion channels provided to Doordarshan uthorities

The General Manager Maintenance (North) GMM (N), New Delhi is responsible for billing and recovery of rentals in respect of microwave protection channels provided to Doordarshan authorities on occasional basis with effect from November 1987 and for this purpose the regions from which the programme originates are required to furnish relevant data every month. Prior to November 1987, the billing authority in each case was indicated by the department.

A review of the records of the GMM (N) by Audit, in August/December 1988, revealed that bills for such facilities provided to Doordarshan were not issued in 47 cases resulting in non-recovery of Rs. 135.67 lakhs for the period from December 1983 - to April 1988.

The department stated, in November 1989, that a consolidated bill for 29 cases out of 47 pointed out by Audit was issued and a sum of Rs. 80.87 lakhs was recovered from the Doordarshan authorities in December 1988. In respect of 18 remaining cases amounting Rs. 54.80 lakhs, the department stated that 5 cases had already been settled and 13 other cases for which complete information had not been received from the regions concerned were under verification.

26. Non-levy of revised departmental charges on actual capital cost

Whenever a facility is provided by new construction, rent will be charged at special rates by taking into consideration the capital cost of construction as per departmental rules. The rental so fixed is revised in cases where the actual expenditure exceeds the sanctioned estimate by more than 10 per cent.

In the following 3 cases rental charges amounting Rs. 198.84 lakhs were not recovered due to non-adherence to the prescribed procedure:

Sl.No.	Particulars of lines/PABX etc.	Pointed out by Audit in	Period of short/non recovery	Amount of short/non recovery
				(Rs. in lakhs)
	Bihar Telecommunications Circle			
1.	Provision of 4 lengths of 9.314 Kms. 4 quads/20 Lbs cables to Defence authorities	May 1987	June 1985 to June 1988	4.96

Assam Telecommunications Circle

2.	Provision of 8 Kms of 14 pairs/ 40 Lbs underground cable to the Indian Air Force authorities in March 1986	March 1987	March 1986 to June 1989	3.74

Tamil Nadu Telecommunications Circle

3.	Provision of additional radio bearer channel for television relay link between Madras and Kodaikanal to Doordarshan Relay Kendra, Kodaikanal in January 1987	June 1987	January 1987 to March 1990	190.14

The department while accepting the facts of cases at serial numbers 1 and 2 stated, in November 1989, that action for recovery and fixing responsibility was in progress in respect of serial number 1. Rental bill for the difference between actual cost and sanctioned estimate at the rate of Rs. 1.85 lakhs per annum from March 1986 to June 1989 had been preferred to Air Force authorities in May 1989 in respect of serial number 2. It was further stated that field officers had been asked to review the progress of expenditure under all estimates and to release the Completion Reports at the earliest so that the quotation of final rent and guarantee was not delayed. As regards serial number 3, the Department stated that there was short recovery of Rs. 27.18 lakhs only and bills had since been issued by the Chief General Manager Maintenance, New Delhi, recovery of which was awaited (November 1989). The reply was, however, not found to be correct since the total expenditure booked upto March 1989 worked out to Rs. 446.65 lakhs on which rental was recoverable at the rate of Rs. 104.82 lakhs resulting in short recovery at the rate of Rs. 59.45 lakhs per annum for the period from January 1987 to March 1990.

27 Non/delayed realisation of cost of establishment from Defence

With a view to drawing up a special transmission plan to meet the needs of Defence services, a special study group (SSG) was formed in the Posts and Telegraphs Directorate (now Department of Telecommunications) initially for a period of one year with effect from February 1980. The cost on account of pay and allowances, travelling expenses and other miscellaneous expenditure of the staff entrusted with the work was to be borne fully by the Ministry of Defence. The term of SSG was extended finally upto March 1983 and thereafter it started functioning as a regular cell. The cost of the regular cell was, however, to be shared equally between the Ministry of Defence and the Department of Telecommunications from April 1983.

It was noticed by Audit, in November 1987, that (i) the department had not submitted any claim to the Ministry of Defence for recovery of the full cost of SSG for the period from February 1980 to March 1983; and (ii) claim for recovery of 50 per cent cost of regular cell from April 1983 to February 1985 for Rs. 5.08 lakhs was preferred in May 1985, which was returned by the Ministry of Defence in May 1986 as the same was not preferred to the Controller of Defence Accounts concerned. No action to prefer the bill was taken thereafter. The omission remained undetected in Internal Check.

On being pointed out in Audit, in November 1987, the department submitted a claim aggregating Rs. 24.11 lakhs in December 1987 for the period from February 1980 to March 1987. The recovery was made in March 1988. Bill for the year 1987-88 was issued in May 1988, for which the payment was awaited (July 1989 .

The department accepted the facts in November 1989.

28 Non-recovery of rental charges

A. Pursuant to a firm demand in August 1971 from the Defence authorities, the Divisional Engineer Telegraphs (DET), Patna provided, in August 1971, a speech and a teleprinter circuit which were closed in June 1976. It was noticed in Audit, in December 1987, that bills for recovery of rental from the date of opening to the date of closing of the circuits were not issued and a sum of Rs. 0.93 lakh remained unrealised (September 1988) due to non-availability of relevant records.

B. On receipt of a firm demand from the Defence authorities, the DET, Patna provided a speech circuit in February 1971. In November 1987, the control of the circuit was transferred from DET, Patna Division to the Telecom District Manager (TDM), Patna District after the merger of the former Division partly with TDM Patna. It was noticed in Audit, in December 1987, that rental bill was not issued by DET, on opening of the circuit. The omission was pointed out by the Internal Check also in June 1987 but due to non-availability of records and non-issuance of bills rental charges amounting Rs. 3.40 lakhs, up to February 1989, remained unrealised.

The department stated, in November 1989, that action for realisation of dues, fixation of responsibility and remedial measures were being taken.

29 Non-recovery of rent from the army authorities

Army authorities projected a demand in September 1984 that the H-I system installed at station A be diverted and installed at station B for provision of local leads for the army exchange. The system was installed and commissioned at an estimated cost of Rs. 1.96 lakhs and handed over to the army authorities in July 1985. Based on the estimated cost, the department quoted in June 1986 a rent of Rs. 0.67 lakh per annum for a gurantee period of 10 years for acceptance.

It was noticed in Audit, in August 1986, that the correct rent worked out to Rs. 0.81 lakh per annum for a guaranteed period of four years. On being pointed out by Audit, a revised rent of Rs. 0.81 lakh per annum was quoted by Telecommunications District Engineer in February 1987. The army authorities accepted, in February 1988, the rent and guarantee terms.

Due to the lapse, revenue amounting Rs.2.97 lakhs for the period from

July 1985 to March 1989 could not be realised.

The department while accepting the facts, in September 1989, stated that payment had since been realised. It was further stated that suitable instructions had been issued to avoid such lapses in future.

30 Short realisation of rental of cable

Departmental rules prescribe that rental for cable should be fixed either at capital cost or at the standard rates applicable to private wires, whichever is higher. Non-application of the prescribed procedure resulted in short realisation of rental of Rs. 4.73 lakhs in the following case :

Particulars of lines/cables/ PABX etc.	Pointed out by Audit in	Period of short recovery	Amount short recove
			(Rs. in l
West Bengal Telecommunications Circle			
Provision of 9.50 Kms underground cable of 50 pairs/20 lbs to Indian Air Force authorities between station 'A' and 'B' in March 1987	July 1988	March 1987 June 1989	4.73

The department stated, in October 1989, that revision of rental could not be done earlier for want of complete expenditure details. However, bill had been issued for the difference by West Bengal Telecommunications circle and the payment was awaited.

31 Short billing of trunk telephone circuits

The department provided 12 regular and 4 temporary trunk telephone circuits to the Indian Air Force (IAF), Southern Air Command between June 1984 and February 1989. All the circuits were interconnected with the telecommunications network. As per departmental instructions issued in February 1983, rental for these circuits was to be charged at 133.33 per cent of the rate applicable to speech circuits.

It was noticed by Audit, in March 1989, that rental due in respect of five circuits was billed at ordinary rates instead of the prescribed enhanced rates due to insufficient data in the completed copy of advice notes and omission to note the provision of inter-connection facility with telecommunications network in the subscriber's ledger card. This resulted in short billing of Rs. 50.41 lakhs for the period from February 1985 to March 1990. On being pointed out by Audit, the department issued supplementary bills in March 1989 and the payment was made by IAF in September 1989.

While accepting the facts and figures, the department stated, in November 1989, that in order to prevent similar omissions elsewhere, a hundred per cent review had been conducted in respect of all leased trunk circuits.

32 Non-recovery of rentals and installation charges from Indian Air Force

On receipt of a firm demand from the Indian Air Force (IAF) for provision of 2.5 Kms of 50 pairs/ 6.5 lbs underground cable provisional rental of Rs. 0.27 lakh per annum, worked out on ad hoc basis, with a guarantee period of 10 years, was quoted in November 1984 and accepted by the IAF in December 1984. A detailed estimate for Rs. 1.52 lakhs was sanctioned in March 1985. The work was completed and handed over to the IAF in February 1987.

As per departmental rules, the rent and guarantee terms should be fixed either at 18 per cent per annum of the capital cost or at flat rate whichever is higher.

It was noticed in Audit, in November 1988, that no comparison of rent on capital cost basis with flat rate was made with the result that rent worked out on capital cost which was less than the rent on flat rate basis was quoted and got accepted from the IAF, installation fees not levied and the completed advice note had not been issued. This resulted in non-recovery of rentals (including installation fee) amounting Rs. 4.80 lakhs for February 1987 to February 1990.

The department while accepting the facts, in October 1989, stated that bills amounting Rs. 4.80 lakhs had been issued in May 1989 and recovery was being pursued vigorously. It was further stated that responsibility for the lapse had been fixed and the concerned staff had been warned.

CHAPTER VI

REVIEWS

33 Rural communication

33.1 Introduction

Rural communication is an important input for the development of rural economy as it contributes towards dispersal of industries to rural and backward areas and brings rural communities closer to the national mainstream. The extension of telecommunication net work to the rural areas is an essential ingredient in the various rural development programmes as an infrastructure facility.

It was recognised that there was limited demand for individual telephones in the rural areas and accordingly, soon after independence the Department of Telecommunications evolved a policy of providing long distance public telephones connected to the trunk net work through rural electronic exchanges. Long distance public telephones (LDPTs) were parented to nearby exchanges through overhead lines running from 15 to 30 Kms. In difficult forest or snowbound areas LDPTS were provided on radio media by Multi Access Rural Radio (MARR) system as overhead lines were prone to interruptions and were difficult to construct and maintain. To overcome frequent interruptions single channel Very High Frequency (VHF) or Ultra High Frequency (UHF) systems were also used for junctions/trunk lines between small exchanges. For remote areas, where the above mentioned technologies were not useable, communication through satellite was resorted to. In short, rural communication was to be improved by the provision of LDPTs, rural automatic exchanges and a mix of transmission systems.

While the Seventh Plan for the telecommunication sector was being implemented, a National Mission on Telecommunications named "Mission Better Communications" was taken up for implementation in April 1986 covering the period up to March 1990. It was decided in January 1988 that for the period January 1988 to March 1990 attention will be focused on six mini missions to be implemented at a cost of Rs. 2285 crores, of these missions, Mini Mission V was designed to effect improvement of communications in rural areas and was subdivided into two micro missions viz., (i) to provide long distance public telephones in rural areas with an estimated cost of Rs. 75 crores, and (ii) to provide exchanges and transmission systems in rural areas with an estimated cost of Rs. 125 crores.

The Estimates Committee reviewed the provision of telecommunication services in rural areas and their recommendations are contained in the 59th Report (8th Lok Sabha) presented in Lok Sabha on 19th April 1988.

33.2 Scope of Audit

A review of the implementation of the programme on rural communication was conducted by audit in March/June 1989 covering the period

1985 to 1989 including the achievements under Mini Mission V.

33.3 Organisational set up

The programme for improvement of the rural communication is being implemented by the Chief General Manager/General Manager of the Telecommunication circles under the overall supervision of the Department of Telecommunications. The fixation of targets, allotment of equipment to circles and placement of orders for procurement of equipment is done centrally by the department.

The monitoring of the programme is done by the heads of the circles and Telecommunications Commission.

33.4 Highlights

The review brings out, inter alia,

- The department had identified 50,280 inhabited hexagons which were to be provided with long distance public telephones (LDPTs). Till 31st March 1985, 22,803 hexagons had been provided with LDPTs. During the four-year period (1985-89), 7,712 LDPTs were provided against the plan target of 9,000 LDPTs. The overall progress was slow as 19,765 hexagons were still to be provided with LDPTs.

- States like Andhra Pradesh, Kerala and Tamil Nadu had LDPTs practically in all the hexagons while states like Assam, Bihar, Jammu and Kashmir, Orissa, Rajasthan, Uttar Pradesh, West Bengal and North Eastern states were lagging behind.

- The Estimates Committee had noted that as on 31st March 1987 as many as 3,144 hexagons falling in the first priority category were yet to be provided with LDPTs and suggested that the reasons for non-coverage of such a large number of first priority hexagons may be centrally examined by the department and steps taken for their coverage in 1988-89. The first priority category consists of all those hexagons with no telecommunication facility but which are either a district/sub-division/tehsil/sub-tehsil/block headquarters or a tourist/pilgrimage centre etc. But despite the Committee's suggestion as many as 1,623 first priority hexagons were without telephone facilities as on 31st March 1989.

- The progress in the opening of exchanges in the rural areas was slow. 4,954 rural exchanges had been planned for opening during the seventh plan period. As on 31st March 1989, the number of exchanges opened was 1895.

- During 1988-89, 11 units of single channel VHF systems could only be commissioned against a target of 250 units. Forty nine units air lifted from Japan in March 1988 had not been commissioned for want of antennae.

- Telecommunication facilities to the rural areas still continue to be inadequate as in the rural areas there are only 0.06 telephone per 100 population.

- The allocation made for rural

communication even under Mini Mission V was Rs. 200 crores as compared to the overall Mini Missions expenditure of Rs. 2285 crores which showed that the urban bias in the provision of telecommunication facilities continued.

- No data had been compiled to ascertain how far the rural services were subsidised nor the revenue performance of all rural telephones over a period of years reviewed.

- No provision in terms of funds was separately made for providing of different facilities and accordingly the expenditure incurred on the various schemes could not be identified and the physical progress related to the financial outlay.

33.5 Long Distance Public Telephones (LDPTs)

33.5.1 Long distance Public telephones (LDPTs) occupy a very important place in the telecommunication net work in view of their utility in helping to meet the socio-economic objectives of improving the telecommunication facilities in rural and backward areas.

The policy of opening LDPTs based on population of villages was reviewed and revised in 1982 as it was noted that population criteria had resulted in a heavy imbalance in the distribution of long distance public telephones between the states. A large number of public telephones were opened in populous states with larger size of villages close to each other, but a much smaller number of public telephones was installed in backward states where the population was scattered in a large number of small villages.

33.5.2 In the revised policy of 1982 it was decided to provide long distance public telephones based on spatial distribution of telephone facilities in rural areas instead of on the basis of population in individual villages. The objective adopted was to provide a telephone within a radius of 5 Kms of every village as early as possible. In pursuance of this decision studies were conducted by the National Council of Applied Economic Research and the Department and 50280 inhabited hexagons were identified.

Till 31st March 1985, 22803 hexagons had been provided LDPTs and the remaining 27477 were to be covered during the subsequent plan period. An investment of Rs. 320 crores was required to cover all the LDPTs in the Seventh Five Year Plan. The department had originally proposed an outloay of Rs. 6000 crores for the Seventh Plan in which the target for LDPTs was 15000. The target was subsequently revised to 9000 LDPTs as the Planning Commission reduced the outlay to Rs. 4010 crores. On the basis of additional revenues generated, the department again revised the outlay for the Plan to Rs. 6000 crores but had not revised the target for LDPTs. Against the target, the achievements were:

	Target	Achievement
1985-86	2000	1495
1986-87	1120	1563
1987-88	1200	2018
1988-89	2476	2636

The targets fixed during 1986-89 were surpassed including the period after setting up with effect from January 1988 of Micro Mission I (under Mini Mission V). The overall progress was, however, slow when compared to 19765 number of hexagons still to be provided with LDPTs.

33.5.3 Circlewise position of LDPTs facility in rural areas at the commencement of the plan and thereafter was :

Circle/ State	Total inhabited hexagons	Hexagons covered as on 31st March 1985	1985-86	1986-87	1987-88	1988-89	Total	Percentage covered
Andhra Pradesh	4991	4509	326	61	41	20	4957	99.31
Assam	1715	417	14	10	213	255	909	53.00
Bihar	4740	1154	145	107	205	304	1915	40.40
Gujarat	2387	1143	42	74	92	189	1540	64.51
Haryana	820	455	15	30	63	89	652	79.51
Himachal Pradesh	432	177	1	42	17	10	247	57.17
Jammu & Kashmir	885	249	18	7	41	52	367	41.46
Karnataka	3648	2142	70	118	79	183	2592	71.05
Kerala	546	536	2	8	4	11	561	102.74
Madhya Pradesh	6103	2836	300	133	253	349	3871	63.42
Maharashtra	4842	1964	111	304	349	306	3034	62.66
North East	1593	304	12	20	16	26	378	23.72
Orissa	2110	724	98	114	94	134	1164	55.16
Punjab	771	379	6	15	14	93	507	65.75
Rajasthan	6193	1385	164	191	332	353	2425	39.15
Tamil Nadu	1672	1590	10	67	33	31	1731	103.52
Uttar Pradesh	4055	2023	133	230	140	170	2696	66.48
West Bengal	2777	816	28	32	32	61	969	34.89
TOTAL	50280	22803	1495	1563	2018	2636	30515	60.69

The growth of LDPTs in states like Andhra Pradesh, Kerala, and Tamil Nadu was almost complete in all the hexagons, but in Assam, Bihar, Jammu and Kashmir, Orissa, Rajasthan, Uttar Pradesh, West Bengal and in the North Eastern states it was lagging behind. The shortfall was noticeable in some border and strategically important states.

The Estimates Committee also felt that this lopsided development had been due to lack of centralised co-ordination in planning and recom mended that the planning process o the LDPTs may be reviewed centrall and appropriate steps taken to ensur that the states that lag behind wer given proper attention.

The reasons for non-attainmen of targets in some of the circle were attributed to, by the depart ment, as under :

very difficult terrain and geographic conditions;

- administrative and political problems in some of the states;

- supply of sub standard Multi Access Rural Radio (MARR) equipment in Jammu and Kashmir Circle;

- non-availability and shortfall in supply of important stores like MARR system (against 900 LDPTs on MARR system to be supplied during 1988-89, only 190 could be supplied);

- non-submission of adequate number of proposals by field units;

- delay in sanctioning of estimates; and

- lack of proper interest and enthusiasm on the part of departmental officers towards the objective of opening LDPTs.

The department further stated, in November 1989, that the reasons for shortfall in achieving the targets in Himachal Pradesh, Jammu & Kashmir, North East and West Bengal were that a substantial number of LDPTs were planned on Multi Access Rural Radio equipment in remote and inaccesible areas in these circles and that there had been delay in indigenous production and supply of the equipment which was beyond the control of the department.

The Estimates Committee had noted that as on 31st March 1987 as many as 3144 hexagons falling in the first priority category were yet to be provided with LDPTs and suggested that the reasons for non-coverage of such a large number of first priority hexagons may be centrally examined by the department and steps taken for their coverage in 1988-89. The first priority category consists of all those hexagons with no telecommunication facility but which are either a district/sub-division/tehsil/sub-tehsil/block headquarters or a toursit/pilgrimage centre etc. But despite the Committee's suggestion as many as 1623 first priority hexagons were without telephone facilities as on 31st March 1989.

33.5.4 Operation and performance : In the departmental post offices the working hours of the LDPTs are the same as those of post offices. The department had issued instructions in March 1988 to the field units to locate the LDPTs in premises like grocery shops so that their working hours are not less than eight hours. The responsibility for compliance of instructions on working hours rested with the field staff and was not being monitored.

The functioning of the rural telephones and complaints received from users, are monitored at the field level and guidelines have been issued by the department in 1987 to the field offices for monitoring the performance. The department had also decided to review the performance at Board level in future and intended to monitor the faults per 100 telephones per month for exchanges of 100 lines capacity separately.

33.6 Telephone exchanges

33.6.1 Initially, the department established exchanges only if the scheme was found to be financially remunerative or at least if the annual revenue was likely to cover fully the annual recurring expenditure. This policy was revised in

1980. It was decided to subsidise the opening of exchanges in rural areas as the rising costs had made the setting up of exchanges unremunerative, thereby acting as an impediment to the programme of extending services to the rural areas. According to the revised policy, small automatic exchanges in the rural areas could be opened subject to anticipated revenue being a prescribed percentage of the annual recurring expenditure. The policy was further liberalised in April 1987 and the condition of anticipated revenue was completely eliminated.

33.6.2 As on 31 st March 1985, there were 8598 exchanges in rural areas. Opening of 4954 exchanges had been planned during the seventh Plan.

During the first four years (1985-89), 1895 exchanges have been opened in rural areas indicating that the progress of opening new exchanges continued to be slow.

The Estimates Committee had expected that the department would streamline the system to ensure that the targets set for the seventh plan were achieved and that there was no shortfall in this connection.

33.6.3 Under Micro Mission-2, it was planned to commission 2650 strowger and C-DOT electronic exchanges in rural areas during January 1988 to March 1990. Up to March 1989, 857 exchanges had been commissioned/replaced.

The department stated, in November 1989, that the main reason for non-achievement of targets was non-supply of equipment by Indian Telephone Industries (ITI) as production of equipment had not commenced.

33.6.4 The table below indicates the equipped capacity, number of working connections and the number in waiting list in respect of the rural exchanges in operation :

As on 31st March	Equipped capacity	No. of working connections	No. in waiting list	Percentage of working connections to capacity
1985	526668	395899	57066	75.2
1986	572532	335332	122922	76.2
1987	555045	425670	106306	76.7
1988	483804	354451	89550	73.3

According to the department, in rural exchanges the capacity generally exceeded the demand and capacity utilisation was also low because of the large number of low capacity exchanges of 25 lines and 50 lines which were commissioned with a minimum demand of 10 and 23 respectively. The waiting list in the rural areas also mainly pertained to exchanges with 100 line capacity which could not be expanded due to technical reasons and which required to be replaced when the demand increase beyond 100.

33.7 Transmission media for rural network

33.7.1 A target of 20 secondary areas (districts) to be automatised through integrated digital transmission and switching network (IDN) was adopted. For this purpose Multiple Access Rural Radio (MARR) system using very high frequency (VHF) band and 30 channel and 120 channel digital ultra high frequency (UHF) systems were proposed to be utilised. However, the IDN programme was being implemented only in four districts viz. Barwar, Kohima, Mathura and Nainital. These schemes were likely to be commissioned during 1989-90 and 1990-91. In the remaining 16 areas (districts), supply of the switching equipment from ITI had started and the transmission equipment was under field trials.

33.7.2 Under Micro Mission -2, 2130 systems were to be commissioned by March 1990 to improve quality of services in the rural areas. The systems included 6 channel VHF system(60), single channel VHF system (700) and 3 channel open wire carrier system (1370). Till March 1989, 271 systems had been commissioned.

The circlewise allotment was made for only 102 single channel VHF systems but supplies did not materialise as ITI designed units were under field trial and prototype of the units ordered from an Indian firm was still to be approved.

Eleven units of single channel VHF could be commissioned by March 1989 against a target of 250 units. These formed part of the consignment of 60 units of single channel VHF equipment which were air lifted from Japan in March 1988 with reference to an order placed in March 1987. The remaining 49 units could not be commissioned for want of antennae, the orders for which were placed only in August 1988 for delivery by February 1989.

33.8 Satellite transmission

In November 1984, a project estimate was sanctioned at a cost of Rs.15.01 crores with the aim of providing telecommunication services through INSAT for 18 stations situated in hilly, backward and remote areas with the object of improving the socio-economic life of the areas. The scheme was to be commissioned by March 1986 but was commissioned in March 1989. The expenditure incurred up to September 1989 was Rs. 19.42 crores. The main reasons for delay were late receipt of equipment from ITI and Electronic Corporation of India Limited,non completion of civil works, unusual soil condition for antenna foundation at Imphal and non-availability of local experties for pile foundation.

33.9 Inadequacy of telecommunication facilities

Despite the various measures taken, the telecommunication facilities to the rural areas still continue to be inadequate as indicated in the table below :

	31st March 1986		31st March 1988	
	urban	rural	urban	rural
population (in crores)	19.20	56.90	..	..
number of direct exchange lines (in lakhs)	28.80	2.87	34.36	3.64
telephone per 100 population	1.50	0.05	1.79	0.06

33.10 Inadequate funds for rural communication

Mini Missions under the "Mission Better Communications" was estimated to cost Rs. 2285 crores up to March 1990. Out of this, only Rs.200 crores was alloted, under Mini Mission V for improvement of rural communication which represented 8.70 per cent of the total expenditure. Therefore the urban bias in the provision of improved telecommunication facility had continued. This was despite the fact that the Estimates Committee had recommended that the department was to have a fresh look at the allocation of funds for the remaining years of the seventh plan so as to ensure that by the end of seventh plan or latest by the end of the first year of the eigth plan, all the hexagons in the country were provided with the LDPTs.

The department stated, in November 1989, that for providing telecommunication services in rural areas in the country on a large scale there was an ambitious plan and once the new technologies are indigenously developed and made available there will be a quantum jump in communication services in rural areas.

33.11. Revenue performance

No data had been compiled by the circles or the directorate to ascertain how far the rural services were subsidised. The average revenue per LDPT (Rs. 72) and subsidy per LDPT (Rs. 21228) adopted during 1984-85 were still in force. The revenue performance of all rural telephones over a period of years had not been reviewed.

The Estimates Committee also suggested that necessary steps should be taken immediately for a review of the actual revenue performance of all the rural exchanges over a period of years by a time bount programme. This was yet to be done.

33.12. Review of accounting procedure

The department fixed only physical targets for providing different facilities and no provision in terms of funds was separately made. The financial estimates were prepared on the basis of average cost for providing such facilities. Thus, the expenditure incurred on the various schemes in the Plan period could not be identified. As a result the physical progress was not related to the financial outlay from year to year.

The Estimates Committee had also noted that in the present system of accounting the expenditure incurred on the various schemes in a plan period could not be identified and recommended that a review of accounting procedure may be made so as to evolve a system of accounting duly related to schemes under execution. This recommendation was under examination by a committee constituted in September 1988 by the department for this purpose.

34. Indore-Ahmedabad microwave system

34.1 Introduction

With a view to building up national telecommunication network to provide adequate and reliable long distance communications in the country, the Government sanctioned in July 1969, a project estimate at a cost of Rs. 727.73 lakhs for installation of a wideband microwave system from Jaipur to Bombay with three spur routes one of which was from Indore to Ahmedabad.

34.2 Scope of Audit

A review of the Indore-Ahmedabad microwave system was conducted by Audit in March-April 1989.

34.3 Organisational set up

The project was executed by the Director, Microwave Projects, Bombay under the overall supervision of the General Manager, Telecommunication Projects, Bombay. The execution of the project was to be monitored by both, the Circle Office, as also by the directorate.

34.4 Highlights

The review brings out, inter alia,

- **A 960 channels wideband microwave equipment installed in February 1976, even after it was energised and switched on did not carry any traffic and after three years had to be replaced as it was not fit to form a link in the national network.**

- **The replaced equipment costing Rs. 92.75 lakhs was proposed to be disposed of by auction as scrap for Rs. 0.10 lakh only because there was no possibility of its utilisation in any other scheme or training centre.**

- **The system proposed to be commissioned in March 1976 could only be commissioned in August 1984 after a delay of more than eight years. The delayed commissioning not only resulted in cost overrun amounting Rs. 237 lakhs but had also resulted in a loss of potential revenue of Rs. 419.16 lakhs.**

- **The new system of 1800 channels even after its commissioning more than four years ago was being under-utilised to the extent of 61 per cent.**

- **The fact that the department took about eight years for commissioning the system suggested that the monitoring mechanism was not effective.**

34.5 Execution and commissioning of the project

34.5.1 No specific target for the

completion of the project was fixed. In the project estimate sanctioned in 1969, the department stated vaguely :

" The work is likely to be completed within 30 months from the date it is taken up for execution provided all the materials are available in time and sites are acquired and cleared by Standing Advisory Committee on Frequency Allocation ".

Subsequently, in November 1975, the date of commissioning of the system was fixed by the department as March 1976. The original project estimate envisaged import of radio equipment and associated power plants at a cost of Rs. 82.66 lakhs for the Indore-Ahmedabad system. In the revised project estimate of February 1974 it was, decided to use radio equipment to be supplied by Indian Telephone Industries (ITI) for the Indore-Ahmedabad route. According to this revised project estimate sanctioned in February 1974, the Indore-Ahmedabad microwave system was estimated to cost Rs. 187.44 lakhs and on commissioning, the system was expected to earn a revenue of Rs. 50.30 lakhs per annum.

34.5.2 An order for supply of 6 Giga Hertz(GHz), 960 channels, wideband microwave equipment was placed on ITI, Bangalore in March 1970. The supply of the equipment commenced from August 1972 and was completed in March 1975.

The installation of the equipment was completed by February 1976. The acceptance testing of the system in Indore-Ratlam section was carried out in May 1976 and certain defects were noticed. Although the directorate decided to attend to the defects during the proving-in period, the acceptance testing authorities did not accept it as the performance was not up to the prescribed standards. The acceptance testing of the Ratlam-Ahmedabad section was carried out and completed in February 1977. It was observed by the project authorities, in February 1977, that the performance was required to be improved considerably before it could be offered to traffic. The performance could not, however, be brought up to the prescribed standard despite the efforts of the Telecommunication Research Centre (TRC) and ITI engineers. As a result, the system, even after energisation and keeping it switched on for about three years, did not carry any traffic from May 1976 to April 1979.

In a meeting of the departmental officers held in April 1979, it transpired that (i) the performance of the system could not come up to the mark and could not thus, form a link in the national network. At best, the system could be loaded partially and that too for a point-to-point manual working basis and even for that, larger maintenance efforts would be necessary requiring extra input in the form of additional instruments, spares, vehicles as also manpower; and (ii) as the demands for circuits on the Indore-Ahmedabad route was high and also as an alternative route for Bombay-Delhi circuits was to be provided, the system should be replaced at the earliest possible by a better one.

Accordingly, the Directorate decided in June 1979, to replace the ITI make equipment by a more reliable one and in the meantime to load the system partially for point-to-point working on manual basis. It was, however, observed in Audit that none of the channels could be made available for commercial us. Four channels worked on experimental basis on point-to-point manual basis between Ahmedabad-Ratlam and 34 to 69 channels between Ratlam-Indore during August 1979 to July 1984.

The order for the purchase of 6 GHz, 1800 channels wideband microwave equipment was placed on a Japanese firm after three years in May 1982. Though, there was no justification to purchase 1800 channels equipment in replacement of existing 960 channels, yet the orders were placed as the equipment with 1800 channels was available while finalising tenders. The imported equipment was received and installed during October 1983 and March 1984. The acceptance testing of Ahmedabad-Ratlam section was completed in December 1983 and that of Ratlam-Indore section in March 1984. The whole system was commissioned and handed over to maintenance organisation for commercial use in August 1984.

Thus, by inducting an equipment in the national network which was unable to meet technical specifications and was not working satisfactorily, the department had not only delayed the commissioning of the system by more than eight years but also had to replace it by imported equipment of a larger capacity as more than 1100 channels out of 1800 could never be used. The ITI make recovered equipment costing Rs. 92.75 lakhs was proposed to be disposed of by auction as scrap as there was no possibility of its utilisation in any other scheme or training centre. The anticipated sale proceeds of the recovered equipment was stated to be Rs. 0.10 lakh only.

The department stated, in November 1989, that order for equipment was placed on ITI in order to promote indigenous development to attain self sufficiency, but, the equipment supplied by ITI could not meet the required specification and therefore action was initiated to import the equipment.

34.6. Cost and time overrun and loss of revenue

34.6.1 The expenditure incurred on installation of the ITI make 6 GHz 960 channel system was Rs. 254 lakhs. In addition, the cost of replacement of ITI make radio equipment by an imported equipment and commissioning of the system in August 1984 was estimated to be Rs. 170 lakhs. Thus, the total expenditure incurred on the project was Rs. 424 lakhs as against the revised estimated cost of Rs.187 lakhs involving cost overrun of Rs. 237 lakhs.

34.6.2 The spur route was intended to be commissioned by March 1976. Though the system was installed by February 1976, it could be commissioned only in August 1984 after replacement of ITI make radio equipment by imported equipment. Even the partial loading for point-to-point working of the system as decided by the department in June 1979, could not be implemented.

Due to lack of proper planning and delayed commissioning of the system, capital amounting Rs. 254 lakhs, invested in the project, remained unproductive for eight years.

34.6.3 It was expected that the project on commissioning would earn a revenue of Rs. 50.30 lakhs per annum. The delayed commissioning of the project had resulted in a loss of potential revenue of Rs. 419.16 lakhs during April 1976 to July 1984.

34.7. Monitoring mechanism

For watching the progress of work monthly/quarterly progress reports were prepared and submitted to the General Manager, Telecommunication Projects/Directorate indicating therein the bottlenecks and other impediments, if any. Besides, periodical co-ordination committee meetings were also held to monitor the progress of work. But, the fact that the department took eight years for its commissioning suggests that the monitoring system was not effective.

34.8 Under-utilisation of the capacity of the system

On commissioning of the imported 1800 channel system in August 1984, it was stated by the department that 900 channels were being utilised for routing traffic of Ahmedabad-Jaipur 4 MHz coaxial system, as that system was old and unstable. It was, however, observed in Audit that the Ahmedabad-Jaipur coaxial system was having 345 working circuits only. Of the remaining 900 channels of the system, as at the end of March 1989 only 352 channels were being utilised. Thus, even after four years of the commissioning of the system the total utilisation came to 697 channels as against the optimum capacity of 1800 channels. The system was, therefore, still being underutilised to the extent of 61 per cent.

The department stated in November 1989 that the channel capacity had to be provided on long term basis (15 to 20 years) while the channel utilisation relates to the actual requirements for different periods.

35. Asansol - Dhanbad - Ranchi microwave expansion scheme

35.1 Introduction

With a view to providing a stable and reliable communication medium, the Department sanctioned, in October 1973, an expansion scheme for the Asansol-Dhanbad-Ranchi microwave system at a total cost of Rs. 173.12 lakhs. The scheme provided for installation of the following systems:

(i) a 6 Giga Hertz (GHz) wideband microwave system in Asansol-Dhanbad section (40 Kms);

(ii) a 7 GHz narrow band microwave system in Asansol-Raniganj-Durgapur section (44 Kms);

(iii) a 7 GHz narrow band microwave system in Dhanbad-Bokaro section (40 Kms); and

(iv) a 2 GHz narrow band microwave system in Ranchi-Daltonganj section (134 Kms).

The scheme was expected to be commissioned by 1977-78 and to earn a revenue of Rs. 74.91 lakhs per annum. The scheme was commissioned in phases between February 1980 and March 1986. The total expenditure incurred on the project till September 1988 was Rs. 385.76 lakhs which exceeded the estimated cost by 123 per cent.

35.2 Scope of Audit

A review of the project was conducted by Audit during March-April 1989.

35.3 Organisational set up

The scheme was executed by the Director, Microwave Projects, Patna under the overall supervision of the Chief General Manager, Telecommunication Projects, Calcutta.

35.4 Highlights

The review brings out, inter alia,

- The microwave expansion scheme expected to be commissioned by 1977-78 was commissioned in phases during February 1980 to March 1986 involving a delay of two to eight years.

- Due to lack of proper coordination between Indian Telephone Industries (ITI) and the department, the expansion programme was delayed for more than seven years as ITI failed to supply wideband microwave equipment which was ultimately imported from Japan.

- A coaxial cable laid at Dhanbad in November 1979 at a cost of Rs. 12.64 lakhs could not be utilised fully for six years till the commissioning of the Asansol-Dhanbad route in November 1985.

- Another coaxial cable received during 1986 for the wideband microwave schemes at a cost of Rs. 12.77 lakhs remained unutilised and surplus to the requirement.

- Though the actual expenditure of Rs. 385.76 lakhs incurred till September 1988 on the scheme exceeded the estimated cost by 123 per cent, revised project estimate was yet to be prepared and got sanctioned (November 1989).

35.5 Commissioning of routes

35.5.1 Wideband microwave system.

In June 1974 the department placed an order on Indian Telephone Industries (ITI) for supply of radio and multiplexing (MUX) equipment with the stipulation that supply should be made during 1974-75. It was subsequently found, in May 1982, that ITI would not be in a position to supply the requirements of wideband equipment in the near future and as such a purchase order for supply of wideband microwave equipment in respect of 13 routes, including Asansol-Dhanbad section, other 12 routes relating to other parts of the country, was placed on a Japanese firm in May 1982. Thus, the department took more than seven years to decide that the wideband microwave equipment should be imported. The imported equipment was received at Calcutta port in May and August 1983. After installation of the equipment, the route was commissioned in November 1985 against the target year of 1977-78. It delayed the expansion programme by more than seven years due to lack of proper coordination between ITI and the department.

35.5.2 Narrowband microwave systems

(i) The equipment supplied by the ITI for 7 GHz narrowband microwave system in Asansol-Raniganj-Durgapur section was diverted to some other project based on priority as per orders issued by the department in April 1978. As there was delay in replacement supply of the equipment by the ITI, an Ultra High Frequency

(UHF) system was sanctioned in November 1981 at a cost of Rs. 12.18 lakhs to meet the urgent traffic requirement of the route. The UHF system was commissioned in March 1983. The system was to be replaced by the microwave system on receipt of equipment from the ITI. The installation work of microwave equipment was completed on receipt of replacement supply and the microwave route commissioned in March 1986 after a delay of eight years from the target fixed. The UHF equipment has been recovered and utilised on Cuttack-Angul UHF link commissioned in December 1987.

(ii) The complete equipment and accessories for the narrowband microwave system in Dhanbad-Bokaro section was received in 1978-79. The route was commissioned in February 1980 after a delay of about two years of the target year 1977-78

(iii) Narrowband miscrowave system in Ranchi-Daltonganj section was commissioned in November 1982, after a delay of more than four years due to delay in supply of the equipment by ITI.

Thus, the expansion scheme, which was expected to be completed and commissioned by 1977-78, was commissioned in phases between February 1980 and March 1986 involving a delay of two to eight years due to the following main reasons :

(i) delay in supply of equipment by ITI;

(ii) failure of ITI to supply wide band equipment necessitating import;

(iii) delay on the part of the department to take timely decision regarding import of the wide band equipment; and

(iv) diversion of equipment received to some other route.

35.6 Cable

35.6.1 A length of 10.5 Kms of coaxial cable costing Rs. 12.64 lakhs was laid between Dhanbad telephone exchange and microwave station on Dangi hill in April 1979 . The cable could not, however, be utilised fully for more than six years till the Asansol-Dhanbad wideband route was commissioned in November 1985.

The department stated, in November 1989, that 2 cores of this cable were used in 1980 for extending Dhanbad-Bokaro system.

35.6.2 It was decided in 1986 to close the narrowband Asansol-Dhanbad-Ranchi system on commissioning of the wideband system in November 1985. At that time there were two lengths of 4 core coaxial cable between Dangi hill and Dhanbad one laid under Dhanbad-Asansol narrowband microwave scheme in 1969 and another under Dhanbad-Bokaro narrowband microwave expansion scheme in April 1979 and these cable lengths were considered sufficient to meet the requirement for Dhanbad-Ranchi wideband microwave scheme and further length of coaxial cable was not considered necessary for the purpose. One more length of coaxial cable valued at Rs. 12.77 lakhs was procured in November 1986 which was surplus to the requirement of the project and remained unutilised as the repeater between Asansol-Dhanbad was commissioned with the cores of the existing two lengths of the cable.

This suggests defective planning by the department in the procurement of stores resulting in blocking up of capital.

The department stated that the cable received for Ranchi-Dhanbad scheme was being diverted to other works.

35.7 Cost overrun

As against the sanctioned cost of Rs. 173.12 lakhs, the acual expenditure incurred, on the scheme, till September 1988, was Rs. 385.76 lakhs resulting in a cost overrun amounting to Rs. 212.64 lakhs which indicated an increase of 123 per cent over the sanctioned cost. The increase was mainly under (i) equipment (158 per cent), (ii) cables (153 per cent) and (iii) direction and execution (76 per cent) due to escalation of cost of materials and labour charges consequent on prolongation of the project. The revised project estimate has not been prepared and sanctioned so far (November 1989).

The department stated, in November 1989, that the revised project estimate was under preparation based on actual expenditure.

35.8 Monitoring mechanism

For watching the progress of the project, monthly/quarterly progress reports were being prepared and submitted to circle office/directorate. Besides, periodical coordination committee meetings were also being held from time to time. But, the fact that the department took eight years in commissioning the microwave expansion scheme, in its entirety, indicates that the monitoring system was not effective.

The department stated, in November 1989, that it was expected to complete the work in about 50 months time presuming that the entire material shall be available at site of work before the commencement of works and that the time taken after the actual receipt of the radio equipment for installation, had been well within the limit in all the cases. The fact, however, remains that the department realised after more than seven years that ITI was not in a position to manufacture wideband equipment in the near future and that the same had to be imported. The department could not also ensure timely supply of narrowband equipment from the ITI although it was within the administrative control of the same Ministry.

36. Ambala-Chandigarh-Simla-Amritsar microwave expansion scheme

36.1 Introduction

With a view to meeting the immediate and future demand for trunk automatic and subscriber trunk dialling traffic, Government approved a scheme, in April 1973, for the expansion of the Ambala-Chandigarh-Simla and the Ambala-Ludhiana-Amritsar microwave systems by installing additional equipment and systems at a cost of Rs. 378.98 lakhs. The scheme envisaged the following :

(i) expansion of the existing narrowband microwave system on the Ambala-Kasauli-Chandigarh/Simla route;

(ii) installation of additional 6 Giga Hertz (GHz) wideband microwave links in the Ambala-Chandigarh-Simla and Ambala-Ludhiana-Jalandhar-Amritsar routes; and

(iii) installation of 7 GHz narrowband microwave system on the Simla-Mandi-Kulu route.

The project estimate was sanctioned in December 1974, for Rs. 404.64 lakhs. No specific target for the completion of the scheme was fixed but it was expected to be completed in 52 months after the availability of material at site. The scheme was completed and commissioned in phases between November 1979 and March 1987. The actual expenditure incurred on the project, as per the revised project estimate sanctioned in March 1988 was Rs. 1301.20 lakhs.

36.2 Scope of Audit

A review of the scheme was conducted by Audit in January - June 1989.

36.3 Organisational set up

The scheme was executed by the Director, Microwave Projects, Jalandhar under the overall supervision of the General Manager, Telecommunications Projects, New Delhi. The execution of the project was to be monitored by both, the Circle Office, as also by the directorate.

36.4 Highlights

The review brings out, inter alia,

- **There were shortcomings in initial planning, necessitating major deviations and additions involving additional expenditure during the execution of the project.**

- **Against the sanctioned cost of Rs. 404.64 lakhs the actual expenditure incurred on the scheme was Rs. 1301.20 lakhs involving cost overrun of 222 per cent. The component wise cost overrun ranged between 43 to 1965 per cent.**

- **The project sanctioned in December 1974 and expected to be completed by March 1979 was actually completed in March 1987 after a delay of eight years.**

- **The wideband microwave system having a capacity of 1800 channels was being under utilised. The number of channels allocated on the route was 480 only (27 per cent)at the end of April 1989.**

- **Due to delay in commissioning of the project there had been a loss of potential revenue of Rs. 567.88 lakhs to the department during April 1979 to October 1984.**

36.5 Shortcomings in planning

There had been a number of shortcomings in the initial planning of the project which necessitated major deviations/additions involving additional expenditure and delay in the execution of the project. A few such instances were as under:

36.5.1 Radio equipment

The original project estimate, sanctioned in December 1974, envisaged installation of Indian Telephone Industries (ITI) make 6 GHz radio equipment. Accordingly, an advance order for the purchase of equipment was placed on ITI in August 1974 with the stipulation that the delivery be completed by the end of March 1976.

But, subsequently in May 1982, i.e. nearly eight years after the sanction of the project estimate and placement of orders for equipment on

ITI, the department realised that ITI would not be in a position to produce 6 GHz wideband radio equipment in the near future and therefore the same had to be imported from abroad. The order for supply of 6 GHz wideband microwave equipment was placed on a Japanese firm in May 1982 only.

36.5.2 Cables

An adhoc provision for laying 29 Kms of cable was made in the original project estimate. During actual execution, 77.4 Kms of coaxial cable and 5.6 Kms of Paper core quad local (PCQL) cable was laid. The department stated that the variation in length of coaxial cable was mainly due to provision of one stand-by cable which was not contemplated in the original project estimate.

36.5.3 Masts and aerials

While a prolvision for 667 tonnes of tower material was made in the original project estimate, the tower material actually required and procured was 703.45 tonnes.

The department stated, in November 1989, that the variation in weight of tower materials was due to change of tower specification and also due to supplies from different suppliers.

36.6 Cost overrun and revenue yield

As against the original sanctioned cost of Rs. 404.64 lakhs the actual expenditure incurred on the project, as per the revised project estimate of March 1988, was Rs.1301.20 lakhs indicating an overall cost overrun of about 222 per cent. It was, however, observed in Audit that the cost overrun ranged between 43 and 1965 per cent under the different components of the project as detailed below :

	original estimate	revised estimate	variation	percentage variation
			(Rupees in lakhs)	
Land	3.19	12.30	9.11	285
Building	52.69	122.76	70.07	133
Electric installation	1.70	35.10	33.40	1965
Cable	18.56	129.73	111.17	599
Masts and aerials	56.59	80.87	24.28	43
Apparatus and plant	249.08	840.54	591.46	237
General administration	22.82	79.89	57.07	250

It was noticed by Audit that there was no provision for purchase of land for the microwave stations at Amritsar, Ludhiana, Chandigarh and Simla and there was inadequate provision for purchase of land for unattended repeater stations. The cost of construction of staff quarters at Kasauli was not provided for. Further, lump provision was made at old rates whereas the cost of the leading in independent mains lines and internal electric installations had gone up considerably due to prolonged execution of project. Moreover, the coaxial cable length and tower materials provided for in the estimate were much less than actual requirements. The cost also went up due to import of radio equipment owing to non-supply of equipment by ITI.

Thus, it will be seen that the original project estimate was framed on the basis of incomplete and inaccurate data. The enormous delays in commissioning the project also caused substantial extra expenditure due to cost escalation.

The financial viability of the project has undergone a vast change. While at the time of the original sanction it was expected to yield revenue of 72 per cent annually, now owing to escalation in cost, the annual yield would be a meagre 8.2 per cent.

36.7 Time overrun

The scheme which was expected to be completed by March 1979 was commissioned in phases as under :

Section	Date of commissioning
Simla-Nihiri-Mandi	November 1979
Amritsar-Jalandhar	November 1984
Jalandhar-Ludhiana	March 1985
Ludhiana-Ambala	April 1986
Ambala-Chandigarh	March 1987
Chandigarh-Simla	March 1987

Thus, except the 7 GHz route between Simla and Mandi, which was commissioned shortly after the anticipated target date, the other routes were commissioned involving a delay of five to eight years.

The main reasons for the delay was (i) the placement of order for supply of wideband microwave equipment on ITI when even the equipment had not been developed by the ITI, and (ii) the time of seven years taken by the department to review the position and to take a decision to import the equipment.

The department stated, in November 1989, that re-survey of the scheme resulted in change of sites at many stations and thereby delay in land acquisition and building construction.

36.8 Under-utilisation of the system

The wideband microwave system having a total capacity of 1800 channels was commissioned by March 1987. However, in April 1989, more than two years after commissioning of the entire system, the number of channels allocated on the route was 480 which was about 27 per cent of the installed capacity. The system was, thus, being grossly under-utilised.

The department stated, in November 1989, that the system could not be utilised fully due to delayed commissioning of trunk automatic exchanges on the route.

36.9 Loss of potential revenue

The project on its completion by March 1979 was expected to earn a revenue of Rs. 291.91 lakhs per annum. However, except a small portion of the scheme i.e. Simla-Mandi route, the major portion of the project was commissioned between November 1984 and March 1987. Keeping this in view, even on the basis of revenue expected to be earned annually by this project as per the revised project estimate of March 1988, there had been a loss of potential revenue of Rs. 567.88 lakhs to the department during April 1979 to October 1984 at Rs. 101.71 lakhs per annum.

36.10 Expenditure without sanction

Departmental rules stipulate that incurring of expenditure in the absence of a properly sanctioned project estimate is irregular and that in case the actual expenditure exceeds or is likely to exceed the originally sanctioned estimate by more than 10 per cent, a revised project estimate should be prepared and got sanctioned by the competent authority. The project estimate in this case was originally sanctioned for Rs. 404.64 lakhs, in December 1974, but the department continued to incur expenditure much in excess of the sanctioned estimate without proper sanction and in disregard of the departmental rules. The revised project estimate for Rs. 1301.20 lakhs based on total expenditure was sanctioned in March 1988 only.

36.11 Other topics

36.11.1 Tower material for a heavy weight tower of 20 meter height was received at Kasauli with reference to the Telecommunication Directorate order of November 1974. But, later due to re-engineering of Amritsar-Ambala-Simla wideband route, tower material for a special heavy weight tower of 40 metre height was received at Kasauli under a subsequent order placed by the Directorate in August 1977. This tower was erected but the material for the 20 metre heavy weight tower, costing Rs. 0.72 lakh, initially received was lying in the open for the last 10 years without any utilisation so far (April 1989).

The department stated, in November 1989, that the field unit was being instructed to find out the feasibility of diverting the materials to some suitable station.

36.11.2 An Antena, costing Rs.0.90 lakh, was received, in September 1976 at Jalandar through ITI in a damaged condition. After protracted correspondence ITI informed the department in January 1985 that their underwriters had not agreed to settle the claim for the full amount but were agreeable to settle partially for Rs. 0.50 lakh provided the damaged antenna was returned back to them. This was agreed to by the department and the said amount viz. Rs. 0.50 lakh was received, in February 1986, in full and final settlement of the claim. Thus, the department sustained a net loss of Rs. 0.40 lakh.

36.11.3 In May 1984, the Divisional Engineer Telecommunication, Ambala, intimated the Chief Claims Officer, Northern Railway the shortage of imported microwave radio equipment valuing Rs.2.00 lakhs approximately during transit. A payment of Rs. 0.03 lakh was also made to the surveyor for preparing and lodging claim on behalf of the department. Even after five years the department had not been able to complete the formalities of lodging the claim. Due to the abnormal delay the prospects of settlement of the claim were rather doubtful.

The Department stated, in November 1989, that the case was being pursued.

37. Ahmedabad-Surendranagar-Rajkot coaxial cable scheme

37.1 Introduction

In February 1980, Government approved a proposal to install a 12 Mega Hertz (MHz), 2700 channels, 2 core large tube coaxial cable system on the Ahmedabad-Surendranagar-Rajkot route (240 Kms) at an estimated cost of Rs. 371.95 lakhs. It was to replace the 4 MHz, 960 channel system on the route, installed in 1968-69 which was inadequate to meet the projected mannual/automatic trunk and subscriber trunk dialling traffic requirements for 1982-83. The existing 4 MHz, 960 channel system was to be utilised as a stand by. While no specific target was fixed for the commissioning of the system, the departmental proposal stated that although it was expected to commission the system in 1982-83, the progress of work and date of completion would depend on the availability of cable, accessories and equipment from Hindustan Cable Limited (HCL) and Indian Telephone Industries (ITI)'.

The project was subsequently re-engineered in December 1981 and the 12 MHz (analogue) coaxial system, proposed initially, was converted to a 140 mega bits (Mb/s), 1920 channels, digital coaxial system. The re-engineered digital system was commissioned in March 1987. The total expenditure incurred on the project, as at the end of March 1989, was Rs. 719.98 lakhs.

37.2 Scope of Audit

A review of the project was conducted by Audit in January 1989.

37.3 Organisational set up

The scheme was executed by the Director of Telecommunications, Coaxial Cable Projects, Bombay under the overall supervision of the Chief General Manager, Telecommunication Projects, Bombay.

37.4 Highlights

The review brings out, inter alia,

- The cable system was approved by Government in February 1980. The project estimate for Rs. 406.55 lakhs was sanctioned in January 1982. It was commissioned in March 1987 at a cost of Rs. 719.98 lakhs.

- Due to placement of piecemeal orders for purchase of the co-axial cable, the supplies of the cable were delayed resulting in time overrun .

- The cable laying work was effectively taken up by the department only in October 1984 despite the fact that supply of cable commenced in 1981 and by March 1983 more than 96 per cent of the cable had been received.

- There was defective planning and belated action on the part of the department in regard to placement of orders for digital coaxial equipment.

- Due to over-invoicing of the first shipment of equipment by the supplier, the department had to incur an extra expenditure of Rs. 109,56 lakhs.

- The supplier failed to adhere to the stipulated date of delivery of equipment as per the contract. Nevertheless, liquidated damages amounting to Rs. 7.70 lakhs had not been levied on the supplier by the department.

- The 140 Mb/s digital system having a capacity of 1920 channels was grossly under-utilised. Even after nearly two years of its commissioning only 25 per cent of the capacity could be utilised.

37.5 Sanction of estimates

The project estimate for the proposed 12 MHz analogue system was sanctioned for Rs. 406.55 lakhs in January 1982, nearly two years after approval of the proposal. Though the digital system was installed and commissioned in March 1987 at a cost of Rs. 719.98 lakhs neither a revised sanction for the digital coaxial system had been obtained nor the one sanctioned for the analogue system in January 1982 revised till November 1989. The department while admitting that due to change in specification from analogue to digital mode of transmission, the project estimate needed revision, stated in November 1989, that the revised project estimate was under preparation.

37.6 Cost Overrun

The cost overrun amounting to Rs. 313.43 lakhs indicated an increase of 77 per cent over the sanctioned cost. The increase was mainly under buildings (170 per cent) cable (83 per cent) and equipment (80 per cent). The broad reasons for the increase were change in specification of equipment and cost escalation of material and labour due to the prolonged execution of the project.

The scheme, sanctioned in January 1982, envisaged construction of 45 repeater huts along the cable route at an estimated cost of Rs. 0.07 lakh each. 22 repeater huts were constructed during 1982-84 at an average cost of Rs. 0.14 lakh and the remaining 23 were constructed in 1986-87 at a cost of Rs. 0.35 lakh each. In all an expenditure of Rs. 11.16 lakhs was incurred on the construction of huts as against the estimated cost of Rs. 3.15 lakhs involving 254 per cent increase over the estimate.

The department stated, in November 1989, that the cost of construction of repeater huts increased due to the general inflationary trend. However, the fact remains that even the repeater huts constructed during 1982-83 had cost the department Rs. 0.14 lakh on an average as against Rs. 0.07 lakh provided for in the project estimate sanctioned in January 1982.

37.7 Cables

37.7.1 Order for 251.591 Kms of cable and accessories was placed on Hindustan Cable Limited (HCL), in November 1980, for delivery by December 1981. But, 48 Kms cable was received by the stipulated date. Bulk of the supply (96 per cent) was received by March 1983.

The department, in its proposal to Government had stated that the completion of the scheme would be dependent on the availability of cable and its accessories from HCL. But, it was observed in Audit that though there had been delay in supply by HCL, the department itself, was largely responsible for the delay due to placement of piecemeal orders, additional length of cable and accessories required for joining and terminating cables were ordered as late as in February and July 1986.

37.7.2 For digging trenches for cable laying, the cable route outside the city area (about 206 Kms) was divided into six sections of about 35 Kms each. Though the bulk of the cable was received by March 1983 tenders for the digging work were invited only in October 1983. The work of three sections was initially awarded to three different contractors on a trial basis in January-April 1984. The time allowed for completion of each section was five months, but, as the progress of work by the contractors was very slow, about 25 per cent of anticipation, the contracts were terminated in July, November and December 1984. The entire work of digging trenches excepting a stretch of about 31 Kms of rocky soil was thereafter taken up by the department in October 1984 in all the six sections and completed in March 1987.

The trench digging work on the stretch of 31 Kms on rocky soil was done through contractors, for which work the order was issued in November 1985. The work was completed in July 1986. The cable laying work was also taken up by the department simultaneously with trench digging work, in October 1984, and completed in March 1987.

Due to lack of proper planning for the execution of the work and co-ordination amongst various branches of the department, the cable laying work was delayed inordinately.

37.7.3 A consignment of 20 cable drums with 7837 metres of coaxial cable was despatched by HCL in four railway wagons on 8th/9th September 1982 from Rupnarayanpur. Out of this, two wagons containing 10 drums with 3943 metres of cable were burnt completely in a fire accident on 6th October 1982 during transit. The scrap material received at Rajkot, in October 1983, was taken over by the department after a joint inspection by the railway and the departmental authorities. A claim for Rs. 3.05 lakhs was preferred on the railways by the Divisional Engineer Telecommunication, Coaxial Cable Project, Ahmedabad in August 1983. The claim was rejected by the railways in October 1984 and in April 1986, on the grounds that the damage was caused due to accidental fire. The department had, referred the case again to the Railways in July 1986 for reconsideration stating that the goods were booked at railway risk. The claim had not been settled (November 1989) even after a lapse of about six years of occurance of the accident.

37.8 Re-engineering of the project

An advance order for purchase of 12 MHz line and multiplexing equipment was placed on Indian Telephone Industries (ITI) in December 1979 for delivery by December 1980. Subsequently in June 1981 when the supply had commenced the department decided to convert the proposed 12 MHz (analogue) system to 140 Mb/s digital system which necessitated import of the equipment. ITI was instructed in December 1981 not to supply any analogue or multiplexing equipment and the equipment already received was diverted to other schemes. The order for the import of 140 Mb/s digital equipment was placed on a Dutch firm in March 1985 only, more than three years after the decision taken in June 1981 for conversion of the system and cancellation of the order placed earlier on ITI. This suggests defective planning and belated action taken on the part of the department in placement of order for purchase of the right type of equipment for the system.

The department stated, in November 1989, that the orders for import of digital equipment could not be released immediately due to delays in obtaining import clearance, funds in foreign exchange, finalisation of specifications, evaluation of tenders etc.

37.9 Equipment

37.9.1 Order for the supply of 140 Mb/s digital coaxial equipment was placed on a foreign firm in March 1985. The first consignment of the equipment (about 73 per cent) valued at Dutch Florins(DFL) 101.42 lakhs was shipped by the firm in April 1986. The firm, however, invoiced the shipment for DFL 138.32 lakhs i.e. almost for the entire supply. Also, there were several deficiencies in furnishing the shipping documents and other despatch materials by the firm. This led to delay in taking delivery, besides payment of detention fees, demurrage charges and extension charges for insurance cover amounting Rs. 5.55 lakhs. The over invoicing by the firm also caused extra payment of customs duty of Rs. 104.01 lakhs. It was decided in October 1986 to lodge a provisional claim for the total extra expenditure of Rs. 109.56 lakhs on the firm. The department also sought refund from the customs authorities in November 1986. The claims were pending finalisation.

37.9.2 As per the agreement, the delivery of the equipment was to be completed by May 1986. One consignment (22 per cent) was however shipped in August 1986 and the balance (about 5 per cent) was sent by air in four instalments during December 1986 to November 1987. The firm having failed to adhere to the stipulated date of delivery, liquidated damages amounting Rs. 7.70 lakhs were leviable. No recovery had been made on this account.

The department stated, in November 1989, that the consignees had been asked to work out the excess payment and liquidated damages etc. so that final claim could be lodged with the firm; claim for excess insurance had been lodged with the insurance company and the last reference was issued in August 1989; the case for refund of demurrage had been taken up with the firm in August 1989; and the claim for refund of customs duty had already been lodged and was under process.

37.10 Monitoring mechanism

Monthly and quarterly progress reports on the project were submitted to Circle Office and the directorate. Periodical co-ordination committee meetings were also held, but the monitoring mechanism, both at the directorate and the circle level, proved ineffective, in that , no PERT chart was available at the circle level.The cable laying work was effectively taken up in October 1984 and completed in March 1987, much after the receipt of cable in December 1981 to March 1983. Consequently, the system which was expected to be commissioned in 1982-83 was commissioned in March 1987.

38. Surat - Dhulia coaxial cable scheme

38.1 Introduction

In October 1980, Government approved a proposal for installation of a 2.6 Mega Hertz (MHz) coaxial cable system on Surat - Dhulia route (300 Kms) with a spur route Dondaicha - Shahada (about 30 Kms) at a total cost of Rs. 355.67 lakhs. The main objective of the scheme was to interlink Bardoli,-Vyara, Navapur, Nandurbar, Dondaicha and Shahada which are having big auto/manual exchanges having considerable community of interest with Surat and Dhulia and amongst themselves. The department expected to commission the scheme in 1982-83 subject to availability of cable, accessories and equipment.

The project estimate of the scheme, sanctioned in January 1982 for Rs. 433.65 lakhs, envisaged completion of the scheme by 1984-85. The scheme on its completion was expected to yield a revenue of Rs. 42.95 lakhs per annum.

The expenditure incurred on the project, as at the end of November 1988, was Rs. 704.85 lakhs. The scheme has not been completed so far. Only the main route was partly commissioned in phases during March 1988 to March 1989. One section of the main route as also the spur route were yet to be commissioned (March 1989)

38.2 Scope of Audit

A review of the project was conducted by Audit during January to February 1989.

38.3 Organisational set up

The scheme was executed by the Director of Telecommunication, Coaxial Cable Projects, Bombay under the overall supervision of the Chief General Manager, Telecommunication Projects, Bombay.

38.4 Highlights

The review brings out, inter alia,

- **Failure on the part of the department to take timely decision and proper action regarding acquisition of land and construction of buildings delayed the commissioning of the scheme by more than four years. The entire scheme (route) had yet not been commissioned.**

- **There was failure on the part of**

the department to anticipate procedural delays and to overcome them. While on the one hand the department attributes delays on land acquisition to state agencies which are outside its control, the department had also no control over Indian Telephone Industries (ITI) and Hindustan Cables Limited (HCL) both working under the department.

- Buildings expected to be completed in two years i.e by January 1984 were partly completed by November 1988.
- Delay in construction of buildings resulted in an avoidable expenditure of Rs. 6.04 lakhs for construction of temporary sheds and portable aluminium huts to make alternative arrangements for installing the equipment.
- The delay in commissioning resulted in a cost overrun of Rs. 271.20 lakhs, which was 62 per cent above sanctioned cost, and loss of potential revenue of Rs. 128.85 lakhs till March 1988.

38.5 Acquisition of land and construction of building

Sites for construction of coaxial buildings were to be acquired at five places viz. Bardoli, Vyara, Nandurbar, Dondaicha and Shahda. At Navapur, the building was to be constructed on an existing departmental plot.

At Bardoli, even though land acquisition proceedings were started in February 1982, suitable site could be procured in February 1986. Action for the construction of building was initiated in September 1987 and the building was yet to be completed.

At Vyara, though land acquisition proceedings were started in October 1983, site could be procured in September 1986. The work pertaining to construction of the building was yet to be initiated.

At Nandurbar, though land acquisition proceedings were started in March 1982, the site could be procured in August 1984 and construction of the building initiated in July 1985. The building was yet to be completed.

At Dondaicha, land acquisition proceedings were initiated in October 1981 and the site procured/acquired in April 1986. The construction of the building was taken up in August 1988 and the building was still not complete.

At Shahda, land acquisition proceedings were initiated in September 1982 but the site was acquired in November 1988 and the work pertaining to construction of the building was yet to be initiated.

At Navapur, land was not required as coaxial building was to be constructed on an existing departmental plot. The work for construction of building was, however, initiated in March 1983 and the building completed in June 1988.

The above details indicate tardiness on the part of the department to acquire land. This delayed the commissioning of the main route as the buildings could not be got ready even though the coaxial equipment was received in 1988 and almost all the cable laying work was completed by March 1987.

Coaxial buildings were expected to be completed within two years as envisaged in the proposal to the Government. Despite the fact that sites were available with the department at four places by September 1986, the buildings were partly constructed.

There had been abnormal delay in the construction of buildings at all the places mainly due to delay in preparation of preliminary estimates, issue of administrative approval and expenditure sanction; and delay in obtaining approval of the municipality concerned.

Due to delay in the completion of the buildings, the department had to make alternative arrangements for installing the equipment in portable aluminium huts and temporary sheds to commission the system incurring avoidable expenditure of Rs. 6.04 lakhs.

The department stated, in November 1989, that the delay in the acquisition of land was due to cumbersome and time consuming rules of transfer of land and this had further delayed the construction of buildings by the civil wing. These were, however, known difficulties which should have been anticipated. The fact also remained that even after taking possession of the land, the department had taken 12 to 28 months to initiate work relating to the construction of the buildings.

38.6 Construction of unattended repeater stations

The sanctioned project estimate contained a provision of Rs. 1.08 lakhs for construction of 72 unattended repeater stations, along the cable route, expected to be completed in two years i.e. by January 1984. The construction of the repeater stations was started in October 1987, after completion of cable laying work. By November 1988, 55 repeater stations had been completed for Rs. 5.31 lakhs.

The department stated, in November 1989, that the rates provided in the project estimate were based on the then prevailing rates of material and labour and that at the time of actual execution the construction cost had gone up due to inflationary trend. The department was itself responsible for the delay of over five years in the commencement of construction of repeater stations.

38.7 Procurement and laying of cable

Purchase order for supply of 311.648 Kms of coaxial cable was placed on Hindustan Cables Limited (HCL) in March 1982 with the stipulated date of delivery as December 1982. The supply of cable commenced in January 1983 and 308.852 Kms of cable were received by December 1983. The work of cable laying, was, however, commenced in December 1983 and was completed in March 1987. The contracts for trench digging work were terminated and the work taken up departmentally as the contractors either abandoned the work or the pace of work was slow. The cable jointing and cable termination work was taken up in February and November 1987 due to non-availability of cable splicers as a result of which by November 1988, the Surat-Bardoli-Vyare (about 73 Kms) section alone could be commissioned.

The department stated, in November 1989, that the delay was due to the procedures involved in awarding and termination of contracts and non-availability of skilled cable splicers for the project.

38.8 Equipment-installation and commissioning

Order for supply of line equipment and multiplexing equipment was placed on Indian Telephone Industries (ITI) in December 1982 with the stipulated date of delivery as December 1983. The equipment was supplied during April 1984 to June 1988.

As the buildings at Bardoli and Vyara were not ready, it was decided in September 1987, that as an interim arrangement, to install the equipment at Bardoli in a portable aluminium hut and at Vyara in the carrier room of the telephone exchange building and commission the Surat-Bardoli-Vyara section. Accordingly, the equipment was installed in Surat-Bardoli-Vyara section, acceptance tested and the section commissioned in March 1988. The system could not be made over to Maintenance Wing due to pending points and pressure leak faults to be rectified by project organisation and as a result circuits were not commissioned.

At Navapur, equipment was installed in the Coaxial building which was completed in June 1988 and Vyara-Navapur section commissioned in January 1989. The section Dhulia-Dondaicha-Nandurbar was commissioned in March 1989 by installing equipment at Nandurbar in the first floor of the building which was made available for installation purpose and at Dondaicha in a portable aluminium cabin. The section Navapur-Nandurbar on the main route and the spur route Dondaicha-Shahada were yet to be commissioned (March 1989).

38.9 Cost and time overrun

As against the sanctioned cost of Rs. 433.65 lakhs, the actual expenditure incurred till November 1988 was Rs. 704.85 lakhs resulting in a cost overrun amounting to Rs. 271.20 lakhs. The increase was mainly under apparatus and plant (117 per cent) and cables (66 per cent). The escalation charges paid to the ITI for the multiplexing equipment supplied by them was the main factor responsible for cost increase under apparatus and plant. Against the sanctioned cost of Rs. 144 lakhs, the actual expenditure on multiplexing equipment was Rs. 315.02 lakhs.

While the entire project was expected to be commissioned by the end of 1984-85, the department could commission the Surat-Bardoli-Vyara section in March 1988, the Vyara-Navapur section in January 1989 and the section Dhulia-Dondaicha-Nandurbar in March 1989. The Navapur-Nandurbar section of the main route and the Dondaicha-Shahada spur route were yet to be commissioned.

38.10 Monitoring mechanism

Monthly and quarterly progress reports were being prepared and submitted to the circle office and to the directorate. Periodical coordination committee meetings were also being held from time to time. But, programme evaluation and review technique (PERT) chart, which is essential for effective monitoring and ensuring completion of the project within the set time frame was not available with the project organisation. In the absence of a carefully planned programme of commencement and completion of each component activity, the progress reports and coordination committee meetings proved to be ineffective in as much as, all the major component activities of the project got delayed.

The Public Accounts Committee, in their 145th Report, 1974-75 (5th Lok Sabha), and also in 14th Report,1977-78 (6th Lok Sabha), had emphasised the need for effective planning and coordination amongst the various executing agencies. It was, however, noticed that the delays took place almost at all the stages in respect of this scheme due to lack of proper planning and co-ordination among the various executing agencies of the department. Had the department taken proper action and timely decisions in regard to acquisition of sites, construction of buildings, procurement and laying of cables, placement of orders for equipment etc, the overall delay in commissioning the project could have been minimised if not altogether eliminated.

38.11 Loss of potential revenue

The department had anticipated that the system, on its commissioning, would earn a revenue of Rs. 42.95 lakhs per annum. The delay in commissioning of the system had resulted in a loss of potential revenue of at least Rs. 128.85 lakhs till March 1988.

The department stated, in November 1989, that the progress of scheme and its commissioning depends mainly on the availability of land, cable and equipment. It was further stated that land acquisition being a State subject, the department had no control over it and that HCL and ITI, the only two indigenous sources of supply of cable and equipment are not able to meet the requirements of the department in time and therefore the targets were required to be shifted.

39. Nagpur-Sambalpur coaxial cable scheme

39.1 Introduction

In October 1978, the Posts and Telegraphs Board decided to provide an alternative telecommunication medium between main switching centres to ensure reliability of services. A proposal was accordingly approved by Government, in July 1980, for installation of a 12 Mega Hertz (MHz) coaxial cable system between Nagpur and Sambalpur as part of providing an alternative medium to the existing wideband microwave link between Bombay and Calcutta, the main switching centres.

The total expenditure incurred on the project,which was yet to be completed and commissioned in full (May 1989), as at the end of March 1989, was Rs. 1512.25 lakhs.

39.2 Scope of Audit

A review of the scheme was conducted by Audit in March-April 1989.

39.3 Organisational set up

The scheme is being executed by the Director of Telecommunication, Coaxial Cable Projects, Bhopal under the overall supervision of the General Manager, Telecommunication Projects, Bombay.

39.4 Highlights

The review brings out, inter alia,

- The project, conceived in 1978 with the main object of providing reliable communication facility to district headquarters, could not be completed by the department even after a lapse of more than 10 years and incurring expenditure of Rs. 1512.25 lakhs till March 1989 due to lack of proper planning, timely action and coordination among the various wings/branches of the department.

- Despite the fact that out of seven places, where buildings were to be constructed, land was available at five places, the department took about three to seven years to complete the buildings as against a target of two years due to the delay in the preparation of preliminary drawings/estimates and delays in according administrative approval and expenditure sanction.

- The department took nearly six years to complete the cable laying work as against a target of two years.

- Nearly four years after the sanction of the project estimate, the project was re-engineered, in January 1986, and converted from 12 Mega Hertz analogue coaxial system to 140 Mega bits digital coaxial system necessitating import of equipment from a foreign firm.

- Claims of Rs. 1.08 lakhs, preferred against the railways for compensation of cable damaged and refund of demurrage charges for delay in unloading were pending settlement for the last five years.

39.5 Details of the scheme

The scheme envisaged installation of (i) 12 MHz coaxial system on four core large tube coaxial cable on the main route Nagpur-Bhandara-Rajnandgaon-Durg-Raipur-Bargarh-Sambalpur, and (ii) 2.6 MHz coaxial system on four core small tube coaxial cable on the spur route Bhandara-Tumsar-Gondia. The main objectives of the scheme were :

(a) providing an alternative medium to the existing microwave medium between Nagpur and Sambalpur;

(b) meeting the additional traffic demands of manual, trunk automatic and subscriber trunk dialing traffic on the route; and

(c) providing reliable and stable communication medium to Bargarh and the District headquarter at Bhandara and also to developing towns at Tumsar and Gondia.

In its proposal to Government the department had stated in July 1980, rather vaguely:

"It is anticipated to complete and commission the scheme by 1982-83 but the progress of work and date of completion will actually depend on various clearances from the concerned authorities and availability of materials etc. "

The project estimate was sanctioned in April 1982 for Rs. 1239.02 lakhs, nearly two years after approval of the scheme.

In the sanctioned project estimate, the entire expenditure was phased up to 1984-85, indicating completion of the scheme by March 1985. However, only the spur route was commissioned in March 1988 and the main route was likely to be commissioned by March 1990. The scheme, on its commissioning in full was expected to earn a revenue of Rs.

196.60 lakhs per annum.

39.6 Execution of the scheme

39.6.1 Land and Buildings: Out of nine stations on main and spur routes, buildings were available with the department at two places viz. Nagpur and Rajnandgaon and land at five places. Land was to be acquired by the department at the two remaining stations. The civil wing of the department was to carry out the construction of buildings at seven stations. The buildings were of standard size and of known dimensions.

In its proposal to Government, in July 1980, the department had expected to complete the acquisition of land and construction of buildings in two years and the Government approval carried with it approval for taking advance action in this regard. However, the actual position was as under:

	Date of acquisition of land	Date of grant of administrative approval and expenditure sanction	Date of completion of building
Bhandara	June 1984	February 1986	December 1987
Durg	Land available	February 1984	February 1986
Raipur	--do--	March 1983	March 1985
Bargaon	November 1986	May 1987	January 1989
Sambalpur	Land available	November 1983	May 1987
Tumsar	--do-	May 1986	March 1989
Gondia	--do--	June 1983	August 1985

Thus, despite the fact that out of seven places, where buildings were to be constructed, land was available at five, the department took about three to seven years to complete the buildings after the sanction of the project estimate in April 1982. The reasons being as delay in the preparation of preliminary drawings/estimates ; and delays in according administrative approval and expenditure sanction.

39.6.2 Cables : The department had obtained approval of Government, at the proposal stage, in July 1980, for placement of orders for cable in advance. Hindustan Cables Limited (HCL) was also not having any pending orders, for supply of cable, with them and had stressed, in January 1982, for immediate placement of purchase order so that their production capacity might not remain idle. The department, however, placed purchase order for 582.595 Kms large tube coaxial cable (subsequently increased to 583.766 Kms) for the main route and 99.614 Kms of small tube coaxial cable for spur route with jointing material etc. on HCL in March 1982 with the stipulated date of delivery as March 1983. While the supply of small tube cable commenced in May 1984 and was completed in June 1984, the supply of large tube cable by HCL, which was commenced as early as in December 1982, was completed in April 1986 only.

The cable laying work was divided into three segments viz. (i) Nagpur-Rajnandgaon; (ii) Rajnandgaon-Sambalpur (main route); and (iii) Bhandara-Gondia (spur route). The department had expected to complete the entire cable laying work in two years. The actual position was as under :

	work commenced	work completed
Nagpur-Rajnandgaon	December 1982	November 1988
Rajnandgaon-Sambalpur	December 1982	March 1988
Bhandara-Gondia	October 1984	December 1987

Thus, the department took nearly six years to complete the work as against the target of two. The reasons for the delay attributed by the department were :

(i) slow progress of cable laying and jointing work ;

(ii) transfer of cable and accessories to other circles/divisions and schemes, in as much as 5.687 Kms of large tube cable and 2 Kms of small tube cable and 500 sets of jointing materials were transferred from Nagpur coaxial division; and

(iii) damage to 1000 metres of large tube cable during transportation by rail.

39.6.3 Equipment : As envisaged in the approved proposal and sanctioned project estimate the department placed an order on Indian Telephone Industries (ITI), in December 1982, for supply of 12 Mega Hertz (MHz) and 2.6 MHz analogue line and multiplexing equipment for Nagpur-Sambalpur main route and Bhadara-Gondia spur route respectively.

In January 1986, when part of the equipment for the project had already been received at site, the department decided to convert the proposed 12 MHz analogue coaxial system to 140 Mega bits (Mb/s) digital coaxial system and to import digital equipment. At the same time it was decided that equipment already ordered and under supply for Nagpur-Sambalpur route be diverted from site/ITI for use in Delhi-Modinagar-Meerut and Madurai-Tirunnalvelly-Trivandrum coaxial cable routes.

Order for the purchase of digital equipment was placed on a foreign firm nearly two years later, in March 1988, with the stipulated date of delivery as 12 months from the date of opening of letter of credit. The letter of credit was opened in May 1988. The department stated, in November 1989, that the equipment was being received at site from June 1989 and the route was targeted for commissioning in 1989-90.

Thus, the decision to change over to digital system nearly four years after the sanction of the project estimate for analogue system and three years after the placement of supply order for the analogue equipment on ITI, indicates lack of proper initial planning and coordination amongst the various branches of the department.

39.7 Other points of interest

39.7.1 Sixteen coaxial cable drums, supplied by HCL in 1983-84 were received in a damaged condition and the total length of the cable damaged was certified to be 1000 metres valued at Rs. 1.19 lakhs. The damaged cable was disposed of for Rs.0.49 lakh. The claim for compensation of Rs.0.70 lakh preferred on the railways, in June 1984, was still pending settlement (November 1989)

39.7.2 Due to delay in supply of crane by the railway authorities for unloading the cable drums at Sambalpur station, the department paid demurrage charges of Rs. 0.38 lakh in August-September 1984. The claim preferred, in February 1985, for the refund of demurrage charges was rejected by the railways in July 1987. The case was again taken up with the railways and was stated to be under correspondence.

40. Madras telephone system

40.1 Introduction

Madras Telephone system is the fourth largest metropolitan telephone system in the country with 28 exchanges of different types. As on 31st March 1989, the total equipped capacities of telephone and telex exchanges were 158850 and 3200 lines respectively against which 147343 direct exchange lines (DELs) and 2958 telex lines were working.

40.2 Scope of Audit

A review on the working of the Madras Telephone District was included in the Report of the Comptroller and Auditor General of India for the year 1983-84 (Posts and Telegraphs). The present audit review incorporates the audit findings on the working of the system during 1985-89.

40.3 Organisational set up

Madras Telephone system, which was earlier being managed by a General Manager, is now being managed by the Madras Metropolitan Telecommunication Board which was constituted in September 1988 comprising a Chairman, Chief General Manager and four Members - one of whom is a nominee of the Telecommunications Board (now Telecommunication Commission), New Delhi. The Board controls the operation and maintenance of the system and is responsible for formulation, execution and monitoring of planned programmes.

40.4 Highlights

The review brings out inter alia,

- The department failed to achieve the planned targets by 22 per cent in increasing the equipped capacity during the first four years of the Seventh Five Year Plan.
- Fixation of targets pertaining to service demands, mostly related to new connections, were unrealistic and operating efficiency was generally below the targets prescribed.
- The excess percentage of faults over norms fixed had risen from 0.4 in 1985-86 to 8.4 in 1988-89 which showed that action so far taken to contain the faults was not effective enough.
- High percentage of ineffective trunk calls due to departmental reasons resulted in a loss of potential revenue to the extent of Rs. 192.46 lakhs.
- The prescribed call completion rate of subscribers trunk dialling calls in a month in national trunk dialling service (level '0') during 1987-88 and 1988-89 was not achieved.
- Percentage of failure of calls was much in excess of the targets fixed by the department suggesting poor efficiency of local network.
- The ratio of local operating expenses to local operating revenue was the highest for Madras Telephones among the metropolitan group in 1984-85 and 1985-86.
- The number of employees per 100 telephones was the highest in Madras among the metropolitan districts in 1984-85 and 1985-86; the increasing trend continued in the subsequent years also.
- Due to under-utilisation of available telex capacity the department failed to collect anticipated revenue of Rs. 271.63 lakhs during 1985-89.
- Expenditure of Rs. 95.14 lakhs on installation of twenty three Pulse Code Modulation (PCM) systems became infructuous.

40.5 Rate of growth and demand

At the beginning of the Seventh Five Year Plan (1985-90), Madras Telephones had an equipped capacity of 112250 lines with 102400 direct exchange lines (DELs) working. The department planned a further addition of 86100 lines during 1985-89 but could add only 67050 including 18850 replacements resulting in an overall shortfall of 22 per cent in the achievement of targets.

The department attributed the shortfall to the delay in the delivery of equipment and to the revision of supply programmes due to alteration of priorities.

40.6 Operating norms

The department has prescribed certain norms for some important aspects of performance. The Management Information System (MIS) branch of the Directorate fixes group targets and group control limits every year for different units separately viz. metropolitan cities, major and minor districts. The group target indicates target fixed for a group of exchanges whereas the group control means that the achievement should not fall below the prescribed control limit. The MIS format was changed with effect from 1986-87 and information for group control limits has been dispensed with.

The norms have been kept in view by Audit while reviewing the operating performance.

40.6.1 Satisfaction of service demand

The percentage of satisfaction of service demands relating to new connections, shifts, accessories and PBXs vis-a-vis targets during 1984-85 to 1988-89 was as under :

	target	actual performance	shortfall
1984-85	72.1	56.1	16.0
1985-86	43.6	58.6	-
1986-87	43.6	61.5	-
1987-88	95.0	77.1	17.9
1988-89	80.0	76.9	3.1

The data indicates that the targets varied from 43.6 to 95.0 per cent and consequently the actual performance was much higher in 1985-86 and 1986-87 because the targets had themselves been lowered suggesting that the fixation of targets was unrealistic and apparantly did not offer much challenge and scope for extra efforts.

The department stated, in November 1989, that the targets were fixed with the general objective of motivating the field units to continually better their performance.

40.6.2 Fault repair service and complaints

The permissible number of complaints/faults per 100 stations per month fixed from 1985-86 to 1988-89 and actual performance was as under:

	No. of telephones	Maximum permissible limit		Actuals				Excess over permissible limit			
				Complaints		Faults		Complaints		Faults	
		Complaints	Faults	Percentage	No. of telephones	Percentage	No. of telephones	Percentage	No. of telephones	Percentage	No. of telephones
1985-86	160276	39.3	24.7	38.7	62027	25.1	40229	-	-	0.4	641
1986-87	172578	39.2	24.7	33.8	58331	23.3	40211	-	-	-	-
1987-88	180151	25.0	15.0	32.9	59270	21.4	38552	7.9	14232	6.4	11530
1988-89	185427	30.0	15.0	39.6	73429	23.4	43390	9.6	17800	8.4	15576

Though, the number of complaints/faults per 100 stations showed a declining trend since 1985-86, the excess percentage of faults over the norms fixed had risen from 0.4 in 1985-86 to 8.4 in 1988-89. This showed that the action taken by the department so far to identify fault prone areas was not effective.

40.6.3 High percentage of ineffective trunk calls

Targets are fixed every year for the percentage of effective trunk calls after making due allowance for existing constraints on maintenance and operation of the system.

The number of calls booked, matured and the relating percentage of effective and ineffective calls were as under :

	1984-85	1985-86	1986-87	1987-88	1988-89 (upto December)
Number of calls booked (in lakhs)	32.26	32.24	34.17	33.19	24.81
Effective calls (in lakhs)	21.45	21.50	22.24	22.70	17.69
Percentage of effective calls	66.50	66.70	65.10	68.40	71.30
Targets fixed for effective calls (percentage)	70.00	67.90	67.90	75.00	80.00 (Mission target)

Shortfall in percentage of effective calls	3.50	1.20	2.80	6.60	8.70
Total trunk revenue per annum (rupees in lakhs)	675.65	693.72	846.96	1083.69	812.77*
Loss of revenue due to less percentage of effective calls (rupees in lakhs)	35.56	12.48	36.42	104.56	99.17
Ineffective calls (in lakhs)	10.81	10.74	11.93	10.49	7.12
Percentage of ineffective calls	33.50	33.30	34.90	31.60	28.70
Number of calls cancelled due to departmental reasons (in lakhs)	8.75	8.51	8.09	6.40	4.69
Percentage of calls cancelled due to departmental reasons :					
(i) to total cases	27.10	26.40	23.70	19.30	18.90
(ii) to ineffective calls	80.90	79.20	67.80	61.00	65.90
Loss of revenue due to high percentage of ineffective calls for departmental reasons (rupees in lakhs)	28.76	9.88	24.69	63.78	65.35

* Proportionate revenue for the year 1987-88 taken into account.

It was observed in Audit that the targets fixed were not achieved even though the traffic handling capacity of trunk circuits was adequate to achieve the same. Thus, high percentage of ineffective trunk calls due to departmental reasons, resulted in loss of potential revenue to the extent of Rs. 192.46 lakhs out of a total loss of Rs. 288.19 lakhs on this account to the department.

Admitting that there was shortfall in achievement in the effective percentage of trunk calls as against the targets fixed, the department stated, in November 1989, that the targets fixed were to be taken purely as an indication of the concern shown by the department for general improvement of the overall functioning. This was not acceptable as the group targets were fixed after taking into account all relevant factors. Even if it was taken that the targets fixed were an indication of the concern of the department, the fact remained that the concern shown by the department had not been translated into effective action.

40.6.4 High percentage failure of subscribers trunk dialling (STD) calls level '0'

The target percentage of call completion rate and actual performance were as under :

	target	actual	shortfall
1986-87	50.0	50.2	..
1987-88	83.0	54.8	28.2
1988-89	72.0	57.7	14.3

It was observed that the target percentage of call completion rate of STD calls was not achieved in 1987-88 and 1988-89 and the shortfall varied from 14.3 to 28.2 per cent. The amount of loss sustained by the department due to non-maintenance of the prescribed efficiency level could not be quantified, since the revenue earned from subscriber trunk dialling gets merged with the revenue from local calls.

40.6.5 Percentage failure of inter-exchange (junction) calls

The efficiency of the local network is indicated in terms of percentage failure of calls. Percentage of failure of inter-exchange (junction) calls in a month (sample) during 1984-85 to 1988-89 was as under :

	target	actual	excess over permissible limit
1984-85	4.0	16.0	12.0
1985-86	11.8	24.3	12.5
1986-87	18.0	16.8	-

The above data indicates that the percentage failure of inter-exchange calls exceeded the targets in 1984-85 and 1985-86.

Call completion rate (junction) for system of 1000 lines and more was as under :

	target	actual	shortfall
1987-88	95	84.8	10.2
1988-89	92	88.1	3.9

Though the targets in 1988-89 had itself been lowered, the shortfall in call completion existed.

The department attributed the inefficient performance of local network to old age of exchange equipment which had outlived their life. This is not tenable since in fixing targets all relevant factors are assumed to have been taken into account.

40.7 Operating expenses

40.7.1 Ratio of operating expenses

The ratio of local operating expenses to local operating revenue was 41.8 in 1984-85 and 47 in 1985-86. The operating ratio - an indicator for overall economic operation of a unit was the highest in Madras among the metropolitan group as detailed below :

	1984-85	1985-86
Bombay	28.5	33.6
Calcutta	35.7	44.6
Delhi	23.5	23.3
Madras	41.8	47.0

The department attributed the high expenses to the least number of direct exchange lines working in Madras as compared to other metropolitan districts and stated, in November 1989, that the maintenance expenditure would also be slightly high in Madras due to its assets scattered over a wide geographical area. It was, however, observed that ratio of operating expenses to revenue was higher in 1985-86 when compared to 1984-85 when there were comparatively lesser number of lines.

40.7.2 Number of employees per 100 telephones

The number of employees per 100 telephones was the highest as compared to other metropolitan districts in 1984-85 and 1985-86 and the increasing trend continued in 1986-87 and 1987-88 as shown below :

	1984-85	1985-86	1986-87	1987-88
Bombay	3.6	3.7	NA	NA
Calcutta	4.9	4.6	NA	NA
Delhi	4.5	4.0	NA	NA
Madras	5.2	4.8	5.2	5.6

The department stated, in November 1989, that they were aware of the need to bring down the number of staff per 100 telephones and to this end they had been planning their manpower requirements.

40.8 Telex services

40.8.1 Under utilisation

Expansion of electronic telex exchanges and its concentrators were so planned as to provide telex connections on demand by 31st March 1990. However, available capacity had not been utilised fully and the anticipated revenue loss on the unutilised capacity amounted to Rs. 271.63 lakhs as given below :

	Equipped capacity	Connectable capacity (94 per cent of equipped capacity)	Working lines	Waiting list	Spare capacity	Average revenue per telex line per month (in rupees)	Loss of revenue per annum (Rs. in lakhs)
1985-86	2700	2538	2353	110	185	3373	44.52
1986-87	2700	2538	2498	156	40	3720	17.86
1987-88	3200	3008	2596	367	412	4027	177.35
1988-89	3200	3008	2958	258	50	5317	31.90
						Total:	271.63

40.8.2 Operating performance

Targets of percentage of effective telex calls were not achieved during 1984-89 except in 1987-89 when the targets itself were lowered as detailed below :

	target	actuals	shortfall
1984-85	82.0	48.0	34.0
1985-86	69.2	56.1	13.1
1986-87	69.2	50.2	19.0
1987-88	53.0	59.3	..
1988-89	60.0	66.8	..

Further, it was observed in Audit that the performance of Madras Telephones was far behind as compared to Bombay and Delhi Telephones except in 1985-86 (Bombay) and 1988-89 (Delhi) in regard to effective telex calls as indicated below :

Districts	1984-85	1985-86	1986-87	1987-88	1988-89 (up to September)
Targets	82.0	69.2	69.2	53.0	NA
Bombay	74.1	50.3	64.3	77.4	83.0
Calcutta	37.5	32.3	28.2	40.0	36.2
Delhi	66.0	66.5	65.1	66.1	61.5
Madras	48.0	56.1	50.2	59.3	64.5

The department stated, in November 1989, that figures shown under " actuals " are percentage of successful calls during test conducted by the ° Efficiency cell ' and cannot be claimed to be the actual successful calls in live traffic carried by the exchange. Further, the figures under °target' although not communicated to the maintenance officers, was purely, for the purpose of °Efficiency cell' and could not be linked to the revenue earning capacity.

This was not tenable, as the targets were fixed by the department taking into account the age of the equipment; the traffic and the environmental conditions.

40.9 Infructuous expenditure on 24 channel pulse code modulation systems

The then Posts and Telegraphs Directorate took a policy decision in 1969 to instal 24 channel pulse code modulation (PCM) systems in the four metropolitan cities.

In July 1973, the department placed a purchase order on Indian Telephone Industries (ITI), Naini for supply of five numbers of 24 channel PCM systems for Madras Telephones. Field trials and environmental tests of the equipment conducted at Madras, in November 1977, indicated that the equipment did not meet the specifications and were faulty. Nevertheless, the department procured 23 PCM systems for Madras.

Only eight systems could be installed in 1982 and 1983 but due to defects they could be put to restricted use only. Thus, the expenditure of Rs. 95.14 lakhs incurred by Madras Telephones on installation of 23 PCM systems was infructuous.

According to the department no responsibility could be fixed as there was no penalty clause in the agreement with the ITI. Design prepared by Telecommunication Research Centre was also defective and the equipment manufactured was also sub standard.

The department stated, in November 1989, that the batch of 23 PCM systems received was beset with many problems like the system instability etc and the Directorate had approved scrapping of the PCM systems of ITI make.

41. Lucknow telephone system

41.1 Introduction

Lucknow Telephones District was formed in June 1973. The system comprises, Alambagh, Chowk, Kaisarabagh and Mahanagar exchanges. The capacity of the system as on 31st March 1988 was 26300 telephone lines of which, the number of working lines were 25071.

41.2 Scope of Audit

A review of the working of the Lucknow Telephone system during 1983-88 was conducted by Audit in January and June 1989.

41.3 Organisational set up

The Chief General Manager Telecommunications, Uttar Pradesh Circle, Lucknow ~~has~~ the overall responsibility over the Uttar Pradesh Telecommunications circle. The Telecommunications District Manager (TDM), Lucknow controls the operations and maintenance of Lucknow Telephone system and is also responsible for formulation, execution and monitoring of planned programmes.

41.4 Highlights

The review brings out, inter alia;

- As compared to 1983 while the total demand increased by 50 per cent in 1988, the demand was fulfilled to the extent of 34 per cent only. Operating efficiency was generally below the targets prescribed.

- Due to under/non-utilisation of available equipped capacity the department lost potential revenue of Rs. 18.73 lakhs.

- Due to high percentage of ineffective trunk calls the department lost potential revenue to the extent of Rs. 186.31 lakhs

- The percentage failure of Subscribers Trunk Dialling (STD) calls per month in the national trunk dialling service ('0' level) was more than the group target.

- The actual revenue per direct exchange line was less than the target fixed, resulting in net shortfall of revenue amounting to Rs. 155.21 lakhs.

- The percentage of gross operating expenses per weighted telephone in a month and the percentage ratio of local operating expenses to local operating revenue was higher than the group target.

41.5 Growth in demand and subscriber satisfaction

The capacity of the exchanges increased from 20400 lines in April 1983 to 26300 in April 1988. During the same period the waiting list increased from 2683 to 6856, thus leaving an unsatisfied demand of 4173 applicants. This indicated that provision of telephone facilities by the department had not kept pace with the demand for additional telephones as shown below:-

	As on Ist April 1983	As on 31st March 1988	Increase Number	Per centage
equipped capacity (number of lines)	20400	26300	5900	28.92
number of working lines	18674	25071	6397	34.26
percentage working lines to equipped capacity	92	95	-	-
number on waiting list	2683	6856	4173	-

The department stated, in November 1989, that replacement of old strowger equipment and expansion therein at Kaisarbagh exchange did not keep pace with the demand as production and allotment of strowger equipment virtually stopped after 1985 resulting in a gap between demand and satisfaction.

41.6 Under-utilisation of equipped capacity

According to departmental instructions exchange capacity should be utilised to the extent of 90 per cent soon after expansion/installation and in any case not later than six months of such expansion/installation and to the extent of 94 per cent about six months before the date of commissioning of next expansion subject to overall utilisation of 92 per cent of total capacity after expansion. The loss of revenue on account of non-utilisation of available capacity during 1983-88 worked out to Rs. 18.73 lakhs.

Under-utilisation of equipped capacity was attributed by the department to reasons like strowger MAX-II exchange not being suitable for multi exchange systems, capacity reservation for coin collection box/-private branch exchange subscribers and connections not released due to a proposal of area transfer. These were general reasons and were not peculiar to Lucknow Telephones alone.

41.7 Performance Norms

The department has prescribed certain norms for some important aspects of performance. The Management Information System (MIS) branch of the Directorate fixes group targets every year for different units separately viz. metropolitan cities, major and minor districts. The group target indicates targets fixed for a group of exchanges.

41.7.1 Satisfaction of service demand

Installation of new telephone connections/shifting should be carried out within the stipulated period. The percentage of satisfaction of service demand was as under:

	1984-85	1985-86	1986-87	1987-88	1988-89
Group target	95.3	92.9	90	90	90
fulfilment	77.1	77.6	60	65	70
shortfall	18.2	15.3	30	25	20

It was observed that targets were not achieved. This showed that operating efficiency had deteriorated and more so, after 1985-86.

The department stated, in November 1989, that the augmentation of outdoor network did not keep pace with the development of Lucknow city and shifts and release of new connections were delayed.

41.7.2 Fault repair service

The permissible limit of average duration of faults in a month ranged from 2.3 hours to 3 hours during 1984-88. As against this the actual duration of faults varied from 2.8 to 4.9 hours as shown in the table.

	1984-85	1985-86	1986-87	1987-88	1988-89
			(in hours)		
Group target	2.3	2.7	3.0	3.0	3.0
Average duration of fault	2.8	3.6	4.5	4.9	4.8

The department stated, in November 1989, that the targets were kept high so that field units could continually better their performance. The number of faults were stated to be high because of old age of exchange equipment and frequent hold up faults.

The reply of the department was not acceptable as targets are fixed after taking into account identifiable constraints. Further, unless targets fixed are realistic they cannot serve as an effective control to improve efficiency.

41.7.3 High percentage failure of inter exchange and local calls

The efficiency of local network is indicated by percentage failure of local calls. The percentage failure of junction and local exchange calls per month as per sample was as under:

(a) Percentage failure of inter-exchange (junction) calls per month (sample)

	1984-85	1985-86	1986-87	1987-88	1988-89
Group target	1.3	3.2	10.0	10.0	10.0
Actual	6.8	7.2	11.2	10.1	11.2

The percentage failure of inter-exchange calls was above the prescribed targets, the reasons for the upward revision of targets by the department in 1986-87 and 1987-88 were not known.

(b) Percentage failure of local exchange calls per month (sample)

	1984-85	1985-86	1986-87	1987-88	1988-89
Group target	0.8	0.9	5.0	5.0	5.0
Actual	3.1	2.5	12.6	10.5	6.9

The percentage failure of local exchange calls ranged between 38 and 287.5 above the prescribed target during 1984-88. Such increase in failure rates indicated decline in operational efficiency.

The department stated that the shortfall in percentage of successful calls was due to inefficient performance of various strowger exchanges which had outlived their life. It added that the junction network was in " hopeless state " and was being steadily upgraded.

41.7.4 High percentage of ineffective trunk calls

The total number of trunk calls booked, calls matured, percentage of effective and ineffective calls in respect of Lucknow Telephones were as under :

	1983-84	1984-85	1985-86	1986-87	1987-88
Number of calls booked (in lakhs)	11.76	13.65	10.77	8.42	8.50
Number of effective calls (in lakhs)	6.72	6.69	6.19	4.57	5.03
Percentage of effective calls	57.14	49.01	57.47	54.28	59.18
Percentage target fixed for effective calls	72.00	72.30	70.00	60.00	60.00
Shortfall in percentage of effective calls	14.86	23.29	12.53	5.72	0.82
Number of ineffective calls (in lakhs)	5.04	6.96	4.58	3.85	3.47
Percentage of ineffective calls	42.86	50.99	42.53	45.73	40.82
Percentage of calls cancelled due to departmental reasons		Not available			
Total trunk revenue earned in lakhs of rupees (Approximately)	171.39	177.22	170.05	169.71	184.83
Estimated loss of revenue in lakhs of rupees on account of ineffective calls	44.57	84.22	37.08	17.88	2.56

It was observed in Audit that the targets fixed were not achieved and the higher percentage of ineffective trunk calls resulted in loss of potential revenue to the extent of Rs. 186.31 lakhs for the period from 1983-84 to 1987-88.

The department accepted the shortfall and stated, in November 1989, that the shortfall in percentage of effective calls had gradually improved from 1985-86 onwards. However, the improvement was not real as the department had lowered the trgets from 72.3 per cent in 1984-85 to 60 per cent in 1987-88.

41.7.5 High percentage failure of subscribers trunk dialling (STD) calls on level '0'

The percentage failure of STD calls on level '0' (National trunk dialling service) during 1984-85 to 1988-89 was as under :

	1984-85	1985-86	1986-87	1987-88	1988-89
Group target	34.0	45.0	20.0	20.0	20.0
Actual	36.2	37.6	35.0	32.0	26.0
Excess percentage failure over group target	2.2	-	15.0	12.0	6.0

It was observed in Audit that the failure of STD calls was higher than the group target during all the years except 1985-86 when the group target itself was raised.

The department accepted, in November 1989, that there was a shortfall in the achievement in the effective percentage of STD calls as against the targets fixed. It added that " targets fixed are to be taken purely as an indication to the concern shown by the department for general improvement of the over all functioning ".

41.8 Financial performance

41.8.1 Revenue :- The revenue earned per direct exchange line (DEL) per month during 1983-84 to 1987-88 in Lucknow Telephones was far below the target fixed except during 1983-84 as detailed below :

	group target	actual earnings	shortfall per DEL	average number of DELs	surplus(+) shortfall(-) (Rs. in lakhs)
1983-84	215	286	(+) 71	20173	(+) 171.87
1984-85	305	236	(-) 69	21227	(-) 175.76
1985-86	309	253	(-) 56	22518	(-) 151.32
1986-87	N.A.*	221	-	-	-
1987-88	N.A.*	319	-	-	-

(* N.A. = Not available)

The financial performance of the district deteriorated from 1984-85 to 1985-86 resulting in net shortfall of revenue of Rs. 155.21 lakhs during three years ending March 1986. As no group targets were indicated in the Management Information System after 1986-87 the shortfall in revenue could not be determined.

41.8.2 Operating expenses:- Gross operating expenses per weighted telephone in a month were far in excess of the targets as detailed below :

	1984-85	1985-86	1986-87	1987-88	1988-89
			(in rupees)		
Group target	68.0	78.1	80	NA	NA
Actual	115.3	123.9	NA	NA	NA

The ratio of local operating expenses to local operating revenue was also higher than the group targets as detailed below :

	1984-85	1985-86	1986-87	1987-88	1988-89
			(in rupees)		
Group target	18.3	21.8	20.0	NA	NA
Actual	70.2	57.1	58.3	52.7	NA

The department stated, in November 1989, that Lucknow telephone system mostly consisted of outdated exchanges which had affected the operating ratio because of the high maintenance and operation cost of the old equipment and low revenue generation therefrom due to unsatisfactory service. It was further stated that the induction of better and modern equipment in the network and upgradation of external plant had been planned and this would improve the financial performance during the Eighth Five Year Plan.

CHAPTER VII

STORES

42. Extra expenditure on procurement of stalks

General Manager, Telecommunications Stores (GMTS), Calcutta invited tenders in June 1982 for procurement of 45 lakh telephone stalks of 5.25" size and 47 lakh telegraph stalks of 6.625" size. Tenders received from 235 firms were opened in August 1982 and the departmental stores purchase committee recommended, in January 1983, purchase of the material from six established suppliers and 44 new suppliers in the field at varying rates as shown below. Purchase orders to these firms were issued during 1983-84 as under :

Established suppliers	Telephone stalks		Telegraph stalks	
	Quantity (in lakhs)	Rate per unit (Rs.)	Quantity (in lakhs)	Rate per unit (Rs.)
A	3.75	1.90	3.75	2.88
B	10.00	1.92	7.50	2.90
C	6.25	3.42	3.00	4.35
D	6.25	3.42	3.00	4.35
E	6.25	3.42	3.00	4.35
F	4.50	3.80	2.98	4.39
New Suppliers	17.10 (38 firms)	2.45 to 3.80	18.15 (33 firms)	3.25 to 4.35
Total	54.10		41.38	

The total cost of telephone and telegraph stalks procured was Rs. 3.17 crores.

The stores purchase committee (SPC) observed that it was necessary to consider a large number of sources for this critical item which was the cause of concern for field units. The committee also opined that placement of orders should not be restricted to the lowest tenderers only. According to them, the price differential was not very high and any extra amount to be paid as a result of this difference was a negligible percentage of the total inventory of all the stock which was not moving due to absence of the stalks.

It was noticed in Audit that there was wide variation between the lowest and highest accepted rates. There was no evidence to show that the department conducted negotiations with suppliers to bring down the quoted price. As a result, the department incurred extra expenditure of Rs. 27.09 lakhs reckoned with reference to the average cost of procurement.

The department stated, in November 1989, that SPC gave reasons for their recommendations for placing orders. Price was not the only criterion for placing orders. Such factors as capacity of the manufacturers, past performance, pending orders and supply of materials in the specified time to enable the department to achieve approved plans and programmes were taken into account by the SPC while evaluating tenders and making recommendations for procurement.

The reply of the department may be viewed in the context that all stores procured conformed to ISI specifications; nevertheless the variation between the lowest and highest accepted rates was high.

43. Loss of stores

Departmental rules provide that a continuous or progressive stock-taking must be carried out by the officer-in-charge of stores in such a manner that all stores are completely verified once in the course of a financial year. In respect of certain specified items of stores, the stock-taking must be conducted half yearly instead of annually. Apart from this, a system of continuous stock-taking by independent stock verifiers working under the Chief Accounts Officer, office of the General Manager, Telecommunications Stores (GMTS), Calcutta exists for complete verification at least once a year of each item of stores in all depots.

During audit of the Retail Telecommunications Store Depot (RTSD), Calcutta Telephones, it was noticed that half yearly progressive stock takings in respect of certain specified items was not being carried out by the depot authority despite being pointed out by Audit in February 1985. In reply the department stated, in November 1989, that the progressive stock-taking of stores had been conducted every year since 1986-87 but it had not been possible to conduct progressive stock-taking on all the items during a year because of some practical problems.

Scrutiny of stock ledgers/bin cards revealed that receipts, issues and balances of store items were not checked and authenticated by the officer-in-charge of the depot. Independent stock verification was also not conducted in accordance with the provisions of the departmental rules. Even one cycle of complete stock verification of nine items of stores could not be completed during April 1985 to February 1989. Six items of specified stores (out of nine items) were verified only once for each item between April 1985 and April 1987.

An independent stock verification conducted in March-April 1989 revealed shortage of six items of specified stores costing Rs. 18.05 lakhs.

While accepting the loss of stores of Rs. 13.80 lakhs as against Rs. 18.05 lakhs, the department stated, in November 1989, that the case was already under investigation by Central Bureau of Investigation and further action would be taken on receipt of their report.

Thus, non-observance of departmental rules regarding verification of stock resulted in shortage of stores costing Rs. 13.80 lakhs and the discrepancies remaining undetected earlier.

44. Loss on sale of zinc dross

Zinc is used in galvanising process in telecommunication factories. It is a controlled item and its price is regulated by the Minerals and Metals Trading Corporation Limited (MMTC). Zinc dross is a by product obtained in the process of galvanising having zinc content up to 96.73 per cent.

Till February 1988, zinc dross was being sold through public auction/tender in all telecommunication factories. In February 1988, the Department of Telecommunications (DOT) issued instructions to its factories at Bhilai, Calcutta and Jabalpur to sell zinc dross on quarterly basis to Uttar Pradesh State Brassware Corporation Limited (UPSBCL) at a fixed price of Rs. 22000 per tonne (excluding taxes) keeping in view the maximum price at which zinc dross was sold in auction during 1986-87 and 1987-88. The rate was valid upto 31st December 1989.

The Manager, Telecommunication Factory, Calcutta informed the DOT in March 1988 that the sale of zinc dross at Rs. 22000 per tonne to the UPSBCL would result in loss as compared to Rs. 27800 per tonne at which zinc dross was last sold in January 1988 through auction/tender. The Manager, Jabalpur factory also informed the DOT, in July 1988 that as there was heavy increase in the price of zinc metal, the sale price of zinc dross to UPSBCL required revision.

A scrutiny by Audit, in August 1988, of the records of the telecommunication factories at Bhilai, Calcutta and Jabalpur revealed that the prevailing rate of zinc dross obtained through sale by auction/tender by these factories ranged between Rs. 25000 and Rs. 27800 per tonne. The decision to sell 170.05 tonnes of zinc dross during March to July 1988 to UPSBCL at fixed rate of Rs. 22000 per tonne resulted in a loss of Rs. 8.09 lakhs.

The department stated, in October 1989, that the decision to sell zinc dross at the rate of Rs. 22000 per tonne was taken keeping in view the fact that the UPSBCL is a wholly State Government owned* undertaking and the sale at concessional rate would help the country in earning sizeable amount of foreign exchange in addition to providing employment to the handicraft artisans in Uttar Pradesh. It was further stated that since the market price of zinc dross was rising rapidly it was taken up in September 1988 and it was decided to sell zinc dross at 72.5 per cent of the prevailing MMTC rate of zinc instead of at old fixed price of Rs. 22000 per tonne.

The fact, however, remained that the department fixed the price without providing for any variation clause and thereby sustained a loss of Rs. 8.09 lakhs during March to July 1988.

45. Infructuous expenditure on procurement of panels

General Manager, Telecommunications Projects, (GMTP), Madras received 309 gas pressure control panels costing Rs. 7.73 lakhs in 1974 from Hindustan Cables Limited (HCL), Rupnarainpur. Out of these panels, 243 were to be installed in the Madras - Calcutta coaxial cable route.

The panels, however, could not be used in the repeaters of the coaxial system as most of them were found to be leaky/defective even at the time of their receipt in 1974. It was, therefore, decided to test the panels and also attempt to retrieve those with minor defects and send the report to HCL for further follow up action.

Eighty two panels were retrieved by repairs and the balance 161 panels, costing Rs. 4.03 lakhs, were found thoroughly unserviceable and had to be scrapped. A committee constituted in February 1985, to examine the possible disposal of the control panels, recommended their disposal after observing the usual formalities. The case was referred to the directorate in May 1987 for sanction which was awaited.

Thus, 161 pressure panels procured for the Madras - Calcutta coaxial route could not be utilised at all. It has resulted in an infructuous expenditure of Rs. 4.03 lakhs.

The department admitted the facts and stated, in November 1989, that disposing of the unserviceable panels was under process of sanction.

46. Infructuous expenditure on purchase of engine alternators

The Executive Engineer, Electrical Division, Bangalore placed indents in February and August 1983 on firm 'A' through the Director General Supplies and Disposals (DGSD) for supply of a 125 KVA diesel generating set comprising cummins engine, Jyoti alternators, control panel etc. for augmenting power plants of Shankarapuram and Central exchanges of Bangalore telephone district. Stores worth Rs. 4.37 lakhs, besides two alternators costing Rs. 1.12 lakhs, were received in April 1984 and installed in september 1984. During testing, in February 1985, it was found that the alternators could not work with the "thyrister" controlled load of Shankarapuram exchange. No modification/improvement could be made by the manufacturer who stated, in November 1985, that the alternators were designed for standard duties and not for special load as applicable to telephone exchanges. Two alternators of specific requirement, at a cost of Rs. 2.99 lakhs, were later procured in May 1986.

Failure of the department to mention the special load requirements of the exchanges resulted in not only delay in augmenting power plants of the exchanges but also entailed an infructuous expenditure of Rs. 1.12 lakhs on procurement of two alternators lying unutilised since April 1984.

The department admitted, in November 1989, that the alternators could not be utilised for the purpose for which they were purchased due to an upgradation of technical specifications which could not be foreseen at the time of purchase. After it was pointed out by Audit, one of the alternators had been put to use at Vijayanagar, Bangalore in July 1989. The other was expected to be utilised in another building at Bangalore.

CHAPTER VIII

LAND AND BUILDINGS

47. Avoidable expenditure due to non-renewal of lease deeds

In June 1978, the General Manager (GM) Telephones, Kanpur hired accommodation measuring 5472 square feet on the first and second floors in a private building at Transport Nagar, Kanpur for a period of five years at a monthly rent of Rs. 4651.20. An additional accommodation in the basement of the same building measuring 4201 square feet was also hired for a period of five years from December 1978 at a monthly rent of Rs. 3150.75. The lease deeds provided that the lessee would have the option of renewing the lease of the said premises for a further period on giving notice of such intention to the lessor at least three months before the expiry of the lease and the lessor was to forthwith execute and deliver to the lessee a renewed and duly registered lease of the said premises for such further period on the same rent and on the same terms and conditions.

Of the 5472 square feet of accommodation hired in June 1978, the department surrendered 4558 square feet on 31st January 1981 and retained 914 square feet on the first floor, as also the accommodation in the basement.

It was noticed by Audit, in August 1988, that the department had not given three months notice prior to expiry of the lease to the lessor for retention of the space beyond the agreed period at the same rent. Landlord having demanded in November 1983 a revision of rent, the GM Telephones, Kanpur constituted in February 1984, a fair rent committee which recommended Rs. 1.90 per square foot for the basement and Rs. 2 per square foot for the first floor. In April 1984, fresh lease deeds were executed for a period of three years retrospectively from June and December 1983, at the rates recommended by the fair rent committee and rent was paid accordingly. The basement accommodation in the building was vacated in June 1987 while the first floor was vacated in April 1988.

Failure by the department to avail of the option of giving three months notice to the lessor prior to the expiry of the original lease for renewal of the lease on the same rent resulted in an avoidable expenditure of Rs. 2.67 lakhs.

The department while admitting the facts stated, in November 1989, that action was being taken for the lapses.

48. Delay in construction of telephone exchange building at Bhuj

The Director General Posts and Telegraphs (DGPT) sanctioned, in August 1983, a project for the construction of 5 + 5 type exchange building and installation of 2500 lines MAX -I cross bar exchange in replacement of the existing 1800 lines CBM exchange at Bhuj in the Gujarat Telecommunication Circle at a cost of Rs.237.05 lakhs. The project included a provision of Rs. 85.80 lakhs for land and buildings and Rs.151.25 lakhs for exchange installation. Old assets costing Rs.25.61 lakhs were also to be utilised bringing the total cost of the project to Rs.262.66 lakhs. The project was justified on the ground that Bhuj was a main centre of business and situated near the Indo-Pak border.

The allotment of equipment was made by the DGPT, in December 1980, but the project estimate was sanctioned in August 1983. The preliminary drawings were drawn in March 1984 and the working drawings were finalised in October 1985. The notice inviting tenders (NIT) was issued in January 1987 and the work of exchange building was awarded in April 1987 for completion within 18 months. It was, however, completed in July 1989.

Thus, the construction of the exchange building was primarily delayed due to late preparation of estimates, long time taken in processing and preparation of drawings, and issue of the NIT.

The purchase order for the supply of cross bar equipment was placed in December 1982 on Indian Telephone Industries (ITI), Bangalore on the basis of the supply programme approved by the DGPT in April 1982. The supplies were to commence with effect from Ist April 1983. The supplies commenced in February 1985 i.e. 22 months after the scheduled date and was completed by March 1987 at a total cost of Rs. 65.28 lakhs.

As the departmental building was not ready, the entire equipment received from ITI were stored in a rented godown from June 1986 to July 1989 and the rent paid amounted to Rs.2.50 lakhs. The godown was vacated in July 1989.

Thus, due to lack of proper planning and coordination among the different branches of the department and with the ITI, the commissioning of the telephone exchange at Bhuj, a strategic area of military importance, had been abnormally delayed depriving the area of better telecommunication facilities. The equipment was also exposed to the risk of deterioration due to prolonged storage. Mismatch between the time schedule of the completion of the exchange building and receipt of the exchange equipment had also resulted in avoidable payment of rental charges amounting Rs.2.50 lakhs.

The matter was reported to the department in June 1989, but a reply has not been received (December 1989).

CHAPTER IX

OTHER CASES

49. Non-erection of passenger lift

Bangalore Telecommunication District decided in April 1982, to have a " 13 passenger lift " in the non-technical block of the Vijayanagar Telephone Exchange to serve initially four floors and eventually two more though there was no provision in the project estimate for the passenger lift since four floors were being built. The electrical wing of the department initiated action, in October 1983, by placing an indent on the Director General Supplies and Disposals, Madras, for procurement of equipment on the assumption that the lift room wuld be constructed independent of the other portions of the building.

The firm delivered the lift and other equipment, costing Rs. 2.42 lakhs in September 1984. Although the lift was to be installed by March 1985, even after more than four years, the lift had not been erected for want of a machine room on the terrace of the building. The civil wing of the department felt difficulties in constructing the machine room independent of the two additional floors of the building.

The department stated, in November 1989, that after receipt of material at site in September 1984, the work of vertical extension could not be taken up due to non-availability of funds and economy measures. It added that the civil division is pursuing the permission from corporation, Electricity Board, Water Supply and Drainage Board, for taking up the civil work and it will be taken up shortly.

Thus, due to defective planning and lack of co-ordination between the different wings of the department, a lift, costing Rs. 2.42 lakhs, had been lying idle for over five years. Further, the benefits of free maintenance and guarantee/warranty, valid for twelve months from the date of handing over the lift had lapsed.

50. Undue delay in expansion of an exchange

To meet the increasing demand for telephone connections, the Postmaster General, North Eastern Circle, Shillong sanctioned, in September 1972, a project for expansion of telephone exchange MAX II at Doom Dooma from 200 to 300 lines at an estimated cost of Rs. 2.85 lakhs. The expansion was targeted for commissioning during 1973-74. The project was expected to earn a net revenue of Rs. 0.11 lakh per annum. It was also envisaged in the project estimate to convert the system from flat rate to measured rate system.

Indents for supply of equipment were placed in September 1972. Though the equipment and other stores were received before July 1976, the work on expansion could be completed and commissioned only in April 1985, after 11 years. In September 1988, the Telecommunications District Engineer (TDE), Dibrugarh attributed the delay to non-receipt of full equipment; diversion of stores received for this work to other works in North Eastern region and delay in receipt of stores in place of diverted stores. It was observed that though the equipped capacity of the exchange was increased by 100 lines, the connectable capacity was restricted to 80 only as the equipment was damaged during transit. No action was taken by the TDE, Dibrugarh to get the damaged equipment repaired/ replaced.

Even after commissioning of the expanded capacity of Doom Dooma exchange in April 1985, measured rate system was not introduced as contemplated in the estimate due to non-availability of meters and the call charges continued to be realised under flat rates till January 1989 when meters were made available which also resulted in loss to the department.

The department conceded the delay in commissioning of the expanded capacity of the exchange and stated, in December 1989, that in the absence of full complement of stores, it was felt that it would be preferable to expand the exchange to the extent of equipment available i.e. 280 lines rather than wait till all the stores became available.

Delay of 11 years in completion of the work suggested defective planning and poor monitoring besides resulting in loss of revenue.

51. Non/under utilisation of expanded capacity of Agartala multiple auto exchange

To meet the growing demands for new telephone connections, General Manager, North Eastern Circle, Shillong sanctioned three projects for expansion of the Agartala multiple auto exchange from 2400 to 2700, 2700 to 3000 and 3000 to 3600 lines in December 1982, April 1983 and May 1986 respectively at an estimated cost of Rs. 91.15 lakhs. The expanded capacities from 2400 to 2700 and from 2700 to 3000 lines were commissioned in July 1985 and January 1986 respectively at a cost of Rs. 60.53 lakhs against the estimated cost of Rs. 35.57 lakhs.

However, the indents for procurement of cables and material were placed between January 1987 and April 1988 with a delay of 18 to 27 months after commissioning the expanded capacities from 2400 to 3000 lines. Cables were received between June 1987 and March 1988 but the cable laying work which was normally being done departmentally was not taken up. The work orders for laying the cable were issued, in February 1988, to contractors with the stipulation to complete the same by March 1988, but the work was completed only in March 1989.

Though provision for laying underground cable was made in all the three project estimates, cable laying plan was not prepared on time. Detailed estimate for laying underground cables for the entire expansion of 2400 to 3000 lines was first submitted by the Sub Divisional Officer, Phones (SDOP), Agartala in May 1988, which was returned by the Telecom District Manager (TDM), Agartala in September 1988 asking the SDOP to resubmit along with the cable plan. The estimate was ultimately sanctioned in October 1988 i.e., about three years after commissioning of the expanded capacities of Agartala MAX-I.

Scrutiny of the records of the exchange from July 1985 to July 1989 revealed that the increased connectable capacity created as a result of expansion of the exchange was not utilised fully even though the applications pending in the waiting list were 532 (July 1985), 584 (January 1986), and 673 (July 1989).

Failure to synchronise the cable laying work with the commissioning of the exchange, resulted not only in non-release of connections but also in loss of potential revenue of Rs. 13.24 lakhs from July 1985 to July 1989.

While admitting the delay in the sanctioning of the component estimate for cable the department stated, in November 1989, that the TDM, Agartala had made attempts to fully exploit the available cable pairs for increasing the capacity which was progressively loaded from 71 per cent in July 1985 to 92.3 per cent in October 1989.

52. Delay in provision of transmitters to Porbandar coastal wireless station

In January 1977, the Department of Posts and Telegraphs decided to replace the existing transmitters at wireless station, Porbandar (Gujarat), by equipment of latest technology. The Ministry of Shipping and Transport agreed to the upgradation in 1977 and accepted the revised guarantee of Rs. 3.42 lakhs per annum quoted by the department as against the rental of Rs. 0.84 lakh per annum for the existing transmitters.

Indents for stores were placed in January 1979 on Bharat Electronics Limited, Bangalore. The equipment was received in August/ October 1979 by the Controller of Telegraph Stores, (CTS), Calcutta as consignee but was not sent to Porbandar or to CTS, Bombay. However, on enquiries made by Divisional Engineer Wireless, Pune, CTS Calcutta intimated that the stores had already been despatched " long ago " to CTS, Bombay. In August 1985, the Divisional Engineer Wireless (DEW), Pune visited Calcutta and physically verified the stores in the godown of CTS Calcutta and found that the transmitters were lying there but the crystals costing Rs. 500 were missing. This equipment was brought to Porbandar in October 1985 and a fresh indent for supply of crystals was placed on Bharat Electronics Limited, Bangalore in December 1985. The crystals were received in November 1986, and the system was commissioned in December 1986 at a cost of Rs. 4.47 lakhs.

Thus, lack of coordination between CTS, Calcutta and DEW, Pune resulted in a delay of more than six years in commissioning of the equipment.

Rental from August 1985 was also not claimed by the department and a sum of Rs. 8.55 lakhs was recovered on this account only in January 1989 after being pointed out by Audit in June 1988.

The department while accepting the facts stated, in November 1989, that there had been some misunderstanding about despatch of stores from CTS, Calcutta and that there was no delay in commissioning the system after receipt of the full complement of stores. Due to lack of coordination, the commissioning of the system had however been delayed for more than six years.

53-58 Delay in provision of telecommunication facilities to defence authorities

Delay in provision of telecommunication facilities to Defence authorities had been commented upon in the Audit Reports (Posts and Telecommunications) of the Comptroller and Auditor General of India as a regular feature since 1984-85.

Departmental instructions issued in August 1979 and reiterated in April 1988 provided that there should not be undue delay in the provision of telecommunication facilities against rent and guarantee work. Further in order to overcome such delays in execution of such work relating to the defence department the following instructions were issued in 1985 to the field units:

- to indicate the time frame for

execution of work while quoting rent and guarantee terms to Defence for acceptance;

- to monitor progress of works at circle level for taking corrective measures where delays were observed to ensure that works were completed within the stipulated period.

Cases of delay in provision of Telecommunication facilities were noticed and a few instances are given below :

53. In November 1981, the Indian Air Force placed a firm demand with the General Manager Telecommunications, North Eastern circle for provision of 19 Kms of 50 pairs 20 lbs cable on " Operational immediate priority " basis. The indent for cable and other material was placed in November 1982, by the Telecommunication District Engineer (TDE). Director General, Posts and Telegraphs allotted 19 Kms of imported cable in June 1983, but the cable was received in instalments starting from May 1985. By December 1986, 5.1 Kms of cables received in the first two instalments were laid . Entire 19 Kms of 50 pairs 20 lbs cable supplied in February 1986 to North East circle were diverted to some other work in April 1986 and a purchase order was placed, in May 1986, with Hindustan Cables Limited. The remaining cable was received in January - February 1988 but the work could not be taken up due to non-receipt of jointing material. Cable laying was taken up again in January 1989 and completed in March 1989 but the complete work could not be handed over to IAF authorities till November 1989.

The department stated, in November 1989, that there was a scarcity of high gauge underground cables of 20/40 lbs in the country. This was not tenable as indigenous sources for supply of cable had already been developed. The delay occurred due to diversion of cable earlier received for this scheme and non-availability of fresh stores in time.

54. In April 1973, the IAF authorities placed a firm demand for providing underground cable from the old exchange building to new exchange building for 200 lines PABX to be installed at IAF station 'B'. Indent for the cables was placed in August 1976 and cable was received during September 1977 to January 1978. Cable laying work was commenced in April 1978 and completed in November 1979 at a cost of Rs. 4.64 lakhs. The work took 22 months against four months after complete receipt of stores as stipulated in the estimate. The delay was attributed by the DET to non-receipt of jointing material. The cable was handed over to the IAF authorities in August 1986 after a delay of seven years on completion of installation work of 200 lines PABX in June 1986 for which firm demand was placed by the IAF authorities in June 1982.

The department stated, in November 1989, that the underground cable could not be handed over immediately after its provision as it was required to extend the external plant from old exchange to new exchange of 200 lines PABX. The installation of 200 lines PABX was delayed due to non-availability of equipment Department not only failed to visualise that the cable could not be terminated unless the PABX was installed simultaneously with the laying of cable but also failed to impress upon the IAF authorities that without the installation of PABX, cable laid would not be useful.

55. The IAF placed a firm demand in January, 1984 for provision of a speech circuit between station 'C' and 'D' for operational purposes on rent and guarantee basis.

The channel allocation was made in January 1985 but the circuit was not provided after its allocation. Revised channel allocation was made again in March 1986 and the circuit was provided in July 1987 resulting in delay of more than two and a half years. The department accepted the facts, in November 1989, and stated that the delay in issue of advice note was attributable to non-acceptance of the rent and guarantee terms by the IAF authorities.

56. On the basis of a firm demand placed by IAF in February 1982, the provision of Pulse Code Modulation (PCM) system, the Director General, Posts and Telegraphs (DGPT) asked the General Manager Telecommunications (GMT), Uttar Pradesh Circle in August 1982 to take necessary action for providing the facility at station° E '.

The GMT, Uttar Pradesh Circle issued instructions, in July 1984, to the Divisional Engineer Phones, that by the time the PCM equipment arrived necessary infrastructure like underground cable measuring 10.6 Kms should be kept ready and properly tested so that time was not wasted in identifying, in laying the cable and rectifying the faults. No action in this regard was taken as the estimate for Rs. 1.61 lakhs was sanctioned only in October 1984. It was noticed in Audit that the indent for cable was placed in November 1984, but not pursued and the survey of the route was completed belatedly in December 84/January 1985.

The PCM system was received from Japan in April 1985 and after clearance from customs authorities was kept in the godown of the Director Gerneral, Supplies and Disposals, Bombay from where it was shifted to site in December 1985. As per the project estimate sanctioned in August 1985, for Rs. 9.74 lakhs, the equipment was to be installed within one month of its receipt but installation work was taken up in March 1986. After the installation of the equipment in IAF exchanges the work had to be discontinued due to non-availability of cable pairs and cable diagrams showing location of loading coils on the route. The construction of underground repeaters was completed in September 1986 but the cable was rejected during acceptance testing as it did not meet the specifications. The acceptance test of the cable was done ultimately in July 1987 and the system commissioned. Thus, commissioning of the system was delayed by about two years.

The project estimate in respect of the equipment component was prepared in August 1985, but this cost was not taken into account at the time of fixing and communicating the provisional rent in July 1985. As a result, the rent for the equipment was quoted less by Rs. 1.48 lakhs per annum.

The Department stated, in November 1989, that the provision of PCM system was delayed as the existing cable was very old and a number of faults occurred. Time was consumed in locating the loading coils resulting in delay in completion of survey and preparation of project estimate. It was further stated that revised rental was being quoted.

57. Firm demands for providing one 30 channel PCM system and 12 Kms of 50 pairs/20 lbs loaded pressurised underground cable between microwave/ coaxial centre and headquarters Central Air Command, Indian Air Force (IAF) on most urgent basis were placed by the IAF authorities in August and September 1983 respectively. The PCM system was to work on the aforesaid cable.

Detailed estimate for provision of underground cable was initiated in November 1983 and finally sanctioned by Telecom District Manager, (TDM), Allahabad, in November 1984, at an estimated cost of Rs. 16.88 lakhs.

In October 1984, engineering details were sent to the Director, Coaxial Cable Project New Delhi for preparing project estimate of the PCM system. The project estimate was prepared in July 1985 after a lapse of about two years of the placement of demand by the IAF and was sanctioned by the TDM in January 1986 at an estimated cost of Rs. 9.74 lakhs.

Indents for cable laying stores were released on departmental telegraph stores depot in November 1984 and these were received in May 1985. The work of laying cable was started in June 1985, but the cable laying party was diverted to another work after laying one Km of cable. The work was resumed in September 1986 and completed in January 1987 and after jointing and acceptance testing handed over to the Air Force authorities in July 1987. The time of 26 months taken after the receipt of stores, was excessive as compared to the anticipated period of three months mentioned in the estimate.

The purchase order for the PCM system was placed on a foreign firm in April 1984 and the equipment valued at Rs. 8.24 lakhs was received from the firm in April 1985. After customs clearance it was stocked in godown of the Director General, Supply and Disposals, Bombay. It was brought to site in May 1986 and was commissioned in February 1989 and made over to IAF authorities in June 1989.

In February 1986, a provisional rental of Rs. 2.37 lakhs per annum with a guarantee period of 10 years was quoted to the IAF authorities which was accepted by IAF in the same month. However, the actual rental, which worked out to Rs. 2.98 lakhs per annum, had not been revised so far (October 1989).

The department stated, in October 1989, that instructions had already been issued to the field units to cut short delays in completion of survey works and revision of rent and guarantee terms on actual cost basis immediately after commissioning of the PCM system. It was further stated that instructions were also being issued to cut short delays in framing and sanctioning of the estimate and to maintain close coordination between different wings of the department as and when required.

58. Between October 1974 and June 1976, Air headquarters placed firm demands for providing seven speech circuits between station E ' to station F' and station F ' to station G ' on rent and guarantee basis.

For commissioning the circuits, it was necessary to lay a new direct line between E and F as the existing alignment was long, unreliable and passed through cross country. An estimate amounting Rs. 12.96 lakhs was sanctioned for erecting a new line in August 1978 for completion of work within 75 days after receipt of stores as no constructional difficulties were anticipated.

The work was, however, completed in February 1985 after a delay of more than six years because of the following :

(i) even though indents for stores were released on defence priority in October 1978, the supply of stores was actually completed in February 1982;

(ii) supplementary indents for stores were placed in January 1984 as provision for all the stores had not been made in the estimate sanctioned in March 1978; and

(iii) it was noticed in May 1984 that some stores already received had been diverted to other works.

Meanwhile some power lines were erected by power authorities which caused power induction on the new alignment. Ultimately in June 1989, three circuits were commissioned.

While accepting the facts, the department stated, in November 1989, that there was delay also on account of piecemeal projection of requirement of circuits by the Air headquarters and non-provision of suitable accommodation by the Air Force authorities. It was further stated that the remaining circuits were ready for commissioning.

59. Delay in communication of rent and guarantee terms

Government of Orissa placed a demand in May 1984 for installation of hot line communication (speech circuits) between the Chief Minister's Office at Bhubaneswar and the Collector's offices in 13 districts of Orissa. The General Manager Telecommunications, Orissa Circle, quoted, in June 1984, an approximate annual rental of Rs. 8 lakhs for all the circuits which was accepted by the State Government in August 1984. Out of the required 13 circuits, 11 were provided between October 1985 and March 1987 and the remaining 2 were found technically not feasible.

Departmental rules require that rent and guarantee terms shall be intimated promptly after receipt of the demand. A review of the subscriber record card (SRC) and files by Audit, in respect of six circuits, revealed that rent and guarantee terms were communicated in September 1985 after a delay of about one year. Even though the State Government deposited a sum of Rs. 3.50 lakhs towards advance rentals and installation fee in October 1985, the advice notes were issued in June 1986 after delay of seven months.

The department stated, in December 1989, that the process involved interaction with various field offices for ascertaining the data required for fixation of rent and guarantee terms. It was further stated that General Manager, Telecommunications, Orissa Circle had been asked to issue instructions to the field units for avoidance of such delays.

The State Government proposed to surrender all the 11 circuits en block in January 1989, and the circuits were closed permanently in March 1989 but compensation for premature surrender due in respect of seven circuits, for which guarantee period had not expired was not claimed and recovered.

The department stated, in December 1989, that General Manager Telecommunications, Orissa Circle had been instructed to recover the compensation due for pre-mature surrender of circuits.

60. Inordinate delay in expansion of a private exchange

The Neyveli Lignite Corporation requested the department, in December 1980, for immediate expansion of their private exchange from 500 to 600 lines as an interim measure pending a further expansion to 800 lines. In July 1981, the Divisional Engineer, Telegraphs (DET) Cuddalore quoted the rent as Rs. 1.62 lakhs per annum for expansion from 500 to 600 lines. In January 1982, the Corporation paid Rs. 1.96 lakhs as rent. After a lapse of 10 months, in November 1982, the DET Cuddalore sanctioned a project estimate for Rs. 4.89 lakhs to carry out the work. Detailed estimates for the work were also sanctioned during 1982-83 and 1983-84.

The equipment for the expansion was stated to be included in the manufacturing programme of Indian Telephone Industries (ITI) for the year 1981-82 and was expected to be received during 1982-83. However, the purchase order was placed for an equipment of a wrong type. Necessary amendments to the purchase order were carried out in June 1986 only. In December 1986, the corporation cancelled the firm demand as the main system itself was proposed to be surrendered by it, before the equipment could be delivered by ITI.

Departmental instructions issued in August 1979, provide that there should not be undue delay in the provision of telecom facility against rent and guarantee works. But in this case the department failed to expand the private exchange by 100 lines even after a lapse of seven years from the date of placement of firm demand. Thus, inordinate delay deprived the Corporation of the communication facilities and the department a rental revenue of Rs. 9.72 lakhs.

The department stated, in December 1989, that the delay in provision of the facility was due to non-supply of equipment by ITI. The reply is not tenable. Apart from the fact that the ITI is under the administrative control of the Department of Telecommunications, there was a delay in sanctioning of the estimate and issue of amendment/clarification to the purchase order resulting in the non-receipt of equipment till December 1986 when the demand itself was cancelled by the Corporation.

61. Non-execution of work owing to non-supply of equipment

The Director General, Doordarshan, New Delhi, placed a firm demand on Director General, Posts and Telegraphs in July 1983 for provision of a two way end link on coaxial cable between the microwave station and the proposed TV studio at Bangalore on rent and guarantee basis.

The General Manager Projects, Madras sanctioned an estimate in December 1983 for Rs. 14.09 lakhs. The Department of Telecommunications placed purchase orders on the Indian Telephone Industries (ITI) in July 1984 and on Hindustan Cables Limited in September 1984 for supply of end link equipment and 4.5 Kms of coaxial cable respectively. The ITI was to complete supply by 31st March 1985 for all items of equipment. The coaxial cable costing Rs. 8.03 lakhs was received in February 1985, but the end link equipment from ITI had not been received (January 1989). As a result, the coaxial cable received, in February 1985, was lying unutilised.

Thus, non-receipt of end link equipment from ITI, resulted in coaxial cable worth Rs. 8.03 lakhs remaining unutilised for over four years after its receipt in February 1985. Since the cables were stocked in the wireless station compound, the possibility of deterioration of cables due to efflux of time cannot be ruled out.

The department stated, in November 1989, that the end link equipment was not likely to be supplied even in the current year. The cable laying work would be taken up immediately on knowing the supply programme of end link equipment.

As the ITI was under the administrative control of the Department of Telecommunications, absence of a firm commitment about the supply of equipment for which order was placed in 1984, indicates lack of effective coordination leading to uncertainty and tardy progress in the execution of the project.

62. Injudicious purchase of a power press

Telecommunication Factory, Jabalpur, had two power presses as one with a capacity of 100 tonnes and another of 75 tonnes to produce two lakh mild steel caps. In October 1981, it was proposed to procure one more power press (100 tonnes) for doubling the existing capacity on a two shift basis, as the demand for caps based on the orders received from General Manager, Telecommunications Stores, Calcutta was estimated to increase to 12.85 lakhs by 1983-84.

Accordingly, an order for supply of a 100 tonne power press was placed on Hindustan Machine Tools Limited, Hyderabad in July 1984. The power press was received in May 1985 and installed in the factory in November 1985. The total cost, including excise duty and sales tax, was Rs.8.43 lakhs.

The power press was handed over to the machine shop in September 1986. Examination of the records of the factory, in September 1988, revealed that instead of an increase in the production of caps as anticipated, production actually declined and was much less than the capacity of two lakh caps which existed before the procurement of the new power press as shown below:

	Production programme	Actual production
	(caps in lakhs)	
1983-84	3.05	1.50
1984-85	3.05	0.88
1985-86	1.00	0.90
1986-87	1.00	0.60
1987-88	Nil	Nil
1988-89	Nil	Nil

The new power press was grossly underutilised and had been operated for a mere 192 hours between September 1986 and September 1987 against 2560 available hours. It had remained idle from October 1987.

Thus, an unrealistic forecast of requirement of caps made in January 1979 and October 1981 by the department resulted in injudicious purchase of an additional power press at a cost of Rs. 8.43 lakhs.

The department admitted that forecast of requirement of caps, made in November 1981, was unrealisitic and stated, in December 1989, that the power press purchased for manufacture of caps was being utilised for the manufacture of components of cable termination and distribution pillar boxes in addition to caps.

However, a scrutiny by Audit about utilisation of the press subsequent to October 1987 revealed that the press continued to remain idle up to may 1988 and even thereafter out of 3050 available hours up to September 1989, the press worked only for 573 hours i.e. 19 per cent of its available capacity.

63. Loss due to payment of higher prices

The Department of Telecommunications (DOT) issued tender enquiries in 1985 and 1986 for supply of various equipment. A tender Evaluation Committee was formed to evaluate the offers received from various firms. The committee recommended placement of orders on a foreign firm and, accordingly, purchase orders valued at Rs.146.65 lakhs were placed on the firm through their Indian agent during June 1986 to January 1987.

The firm had price agreements with the Director General, Supplies and Disposals (DGSD) during this period. According to the terms of the price agreements, five per cent volume discount was allowed by the firm on all its products if indents were placed through DGSD during June 1985 to June 1986 and six per cent during July 1986 to June 1987. The discount was, however, applicable on the international price list of the firm issued on quarterly basis.

DGSD informed the Department of Telecommunications in January 1987, about the provision of volume discount in the price agreement with the firm but it was decided by the department in May 1987 not to cancel the orders placed earlier.

A comparison of the prices, paid for by the department through Indian agent and those mentioned in the price agreements concluded by the DGSD, revealed that the prices paid by the department were higher. A review of five purchase orders placed during June 1986 to January 1987 disclosed that the department had incurred extra expenditure of Rs. 3.38 lakhs. Further that by placing orders direct on the firm, the department could not avail of the volume discount amounting Rs. 7.01 lakhs applicable if the purchases had been made through the DGSD.

The department had stated, in November 1989, that they were not aware that DGSD had rate contracts or price agreements for certain telecommunication stores.

Thus, due to the absence of coordination and the absence of market intelligence between the department and DGSD, the department lost an opportunity of sizeable savings of government funds. There is a need for an arrangement to ensure greater and effective coordination.

64. Excess payment of customs duty

64.1.1 According to a notification issued by Government in March 1985, " Public Telephone Exchange Network Project " was included under the heading 84.66(i) of the First Schedule to the Customs Tariff Act, 1975 and customs duty at the concessional rate of 45 per cent was leviable on such imports. In order to avail of the concessional tariff, the importer was required under the " Project Imports (Registration of Contract) Regulations, 1965 " to register the contract with the customs authorities concerned before clearance of consignment.

However, the concessional tariff was not availed of by Bombay Telephones in respect of certain items imported under the category of "Public Telephone Exchange Network Project" and cleared during April to July 1985 as the contracts were not registered with the customs authorities resulting in excess payment of customs duty of Rs. 3.38 crores.

The department stated, in November 1989, that the concessional tariff in respect of certain items imported under the category of public telephone exchange network and cleared during April/July 1985 could not be availed of as these purchase orders were not registered with the customs authorities before clearance of the consignments. It was further stated that the concession on project imports for Department of Telecommunications was included for the first time in 1985-86 and as such it took some time to know the procedure involved in availing of the benefit.

The reply of the department is not tenable as the detailed instructions regarding the registration of the contracts were already enumerated in the Project Imports (Registration of Contract) Regulations 1965, and the department, being a regular importer of various communication equipment, should have been aware of the provisions of the Customs Tariff Act.

Thus, due to non-observance of the procedural formalities for availing of concessional duty, the department had to make extra payment of customs duty amounting Rs. 3.38 crores.

64.1.2 On the basis of a purchase order placed in July 1983, the department imported training material for optical fibre from a foreign firm for an experimental project of the Telecommunications Research Centre. The training material, received in March 1986, was cleared without payment of customs duty as the same was exempted from customs duty. However, optical fibre cable received subsequently was got cleared in September 1986 on payment of customs duty of Rs. 2.54 lakhs. A claim for refund of custom duty paid was preferred with the customs authorities, Bombay in May 1988 and the refund was still awaited (December 1989).

The department stated that though customs authorities did not levy customs duty on the consignment received in March 1986, yet it was levied on the subsequent consignment received in September 1986 as some relevant documents could not be delivered to the customs authorities to obtain exemption.

64.1.3 30 channel pulse code modulation equipment and other equipment supplied by a foreign firm against a supply order placed in April 1984 were cleared in May 1985 after payment of customs duty. The shipment was covered by insurance under the open cover scheme. As the insurance premium was not known, the same was taken at 1.125 per cent of the FOB value and freight for the purpose of computing the assessable value for customs duty resulting in excess payment of Rs. 1.63 lakhs as customs duty. No claim for refund of excess paid customs duty was preferred.

The department stated, in November 1989, that the CIF value was computed by applying a notional rate of insurance due to non-availability of actual rates of insurance under open cover with field units. This resulted in excess payment of customs duty. To obviate this problem in future, a circular had been issued.

Thus, owing to default on the part of the department, customs duty amounting Rs.3.43 crores in the three cases stated above, was paid in excess.

64.2 According to a notification issued by Government in March 1985, " Public Telephone Exchange Network Project " was included under the heading 84.66(i) of the First Schedule to the Customs Tariff Act 1975 and customs duty at the concessional rate of 45 per cent was leviable on such imports. In order to avail of the concessional tariff, the importer was required to register the contract with the customs authorities concerned before clearance of the consignment.

It was noticed by Audit, in

November 1986 that the General Manager Maintenance (GMM), Bombay had not availed of the concessional tariff in respect of certain equipment imported in three consignments and cleared during January to August 1986 as the contracts for the above imports were not registered with the Bombay Customs authorities, but were registered with the customs authorities, New Delhi in October 1986 i.e. after clearance of the consignments. This resultled in excess payment of customs duty of Rs. 18.66 lakhs.

Claims for refund of excess customs duty preferred between June and September 1986 were rejected by the Assistant Collector of Customs, Bombay between October 1986 and May 1989 on the ground that the contract was not registered with them. In two cases, the department appealed to the Collector, Customs, in March and June 1989 and to the Tribunal in another case in May 1989. The decision was awaited in all the cases (June 1989).

Thus, non-registration of the contracts with the appropriate customs authorities for availing of concessional tariff led to avoidable payment of customs duty of Rs. 18.66 lakhs.

The department stated, in November 1989, that the claim for refund of excess payment was being pursued by field units. Further it was also stated that suitable instructions had been issued to the field units in August 1989 to avoid such excess payments.

64.3 The Department of Telecommunications imported stored programmed controlled (SPC) telex equipment (1750 lines) for installation at Cochin in 1986. Some of the components of the equipment were damaged due to rains and in transit. The stores were ordered afresh and received in June 1988. The cost of replacement amounted to US $132486 for which the department paid customs duty amounting Rs.32.86 lakhs (basic duty of 100 to 110 per cent plus auxiliary duty of 45 per cent plus additional duty of 15 per cent).

As per the Customs Act, 1962 and notifications thereunder, the import of the components involved payment of customs duty of Rs.17.90 lakhs only (basic duty of 55 per cent plus auxiliary duty of 45 per cent).

Thus, due to application of incorrect rates of customs duty and failure of the department to verify the correctness of the rates, customs duty amounting Rs. 14.96 lakhs was paid in excess.

The department stated, in November 1989, that when the case of excess payment of customs duty came to notice, refund claims had been lodged with the customs authorities which were pending.

64.4 The Director General Posts and Telegraphs placed a purchase order; in March 1984, on a foreign firm for supply of telecommunication equipment to be utilised by the General Manager, Southern Telecommunication Projects, Madras.

The equipment received in two consignments was cleared from Madras port in May 1985 and January 1986 after payment of Rs. 4.16 lakhs as customs duty.

According to a notification issued by Government in March 1985, Public Telephone Exchange Network Project ' was included under the heading 84.66(i) of the First Schedule to the Customs Tariff Act, 1975, and customs duty at the concessional rate of 45 per cent (25 per cent basic duty plus 20 per cent auxiliary duty) was leviable on such imports. In order to avail of the concessional tariff, the importer was required under the Project Imports (Registration of contract) Regulations, 1965, to register the contract with the Customs authority concerned before clearance of the consignment. As the contract was not so registered, customs duty was levied at varying rates instead of the concessional rate resulting in excess payment of customs duty of Rs. 2.37 lakhs.

Claims for refund of customs duty paid in excess were preferred by the Director, Coaxial Cable Project, Madras, in October 1985 and February 1986, but were rejected by the customs authorities, in October 1986 and July 1987, on the ground that the equipment imported under Public Telephone Network Project ' was not registered with the Customs authority for availing of the benefit of concessional tariff before clearance of the goods. Appeals preferred with the Special Bench of the Customs, Appellate Tribunal, New Delhi, in January 1987 and August 1987, were pending (February 1989).

Thus, failure on the part of the department to get the contract registered with the Customs authority, before the clearance of consignment resulted in payment of excess duty of Rs. 2.37 lakhs.

The department stated, in November 1989, that in the absence of the registration of the contract with the Customs authority the payment of customs duty at the normal rates was unavoidable.

64.5 The Director General, Posts and Telegraphs (DGPT) now Department of Telecommunications (DOT) placed a purchase order on a foreign firm for supply of low noise amplifier system for the Kulu earth station for Rs. 28.21 lakhs in February 1983. Four packing cases containing the equipment were got cleared in August 1983 after making payment of Rs. 3.76 lakhs as customs duty, in July 1983, at the rate of 60 per cent ad valorem though as per clause 85.15 of notification of 2nd August 1976, as amended in July 1978, customs duty at 45 per cent was leviable on ' Insat Project ' imports. This resulted in an excess payment of customs duty of Rs. 0.94 lakh.

Department while accepting the facts and figures stated, in November 1989, that instructions had been issued to the field units to ensure that customs duty is paid at correct rates in future.

65. Non-recovery of liquidated damages

During the course of audit of purchase orders vis-a-vis supply position, during June 1983 to June 1985, it was noticed that no liquidated damages, as contemplated in the contracts, had been levied in four cases, even though the supplies had been made after the scheduled delivery dates. On being pointed out by Audit, the Department reviewed the cases during July 1984 to September 1988 and ordered the recovery of liquidated damages amounting Rs. 9.83 lakhs.

Though the recoveries were ordered in 1984 (Rs. 1.38 lakhs), 1985 (Rs. 7.92 lakhs) and in 1988 (Rs. 0.53 lakh), the liquidated damages had not been recovered.

The department stated, in October 1989, that action had already been initiated by the field units for the recovery of liquidated damages. It was further stated that in case the units failed to recover the same, action was being taken to recover them from the several bank guarantees submitted by the suppliers against " set off " clause stipulated in the purchase orders.

The fact remains that no recovery had been affected so far. It was seen that in the four cases bank guarantees had expired by the time notices for liquidated damages were issued.

Delhi
The 16 March 1990

(V. SRIKANTAN)
Principal Director of Audit
Posts and Telecommunications

Countersigned

NEW DELHI
The [illegible] March 1990

(T.N. CHATURVEDI)
Comptroller and Auditor General of India

APPENDIX-I

(Refers to paragraph 1.3.1)

Estimates of revenue and net working expenses and corresponding actuals of the Department of Posts during the last five years.

Year	Revenue			Working expenses			Deficit(-)	
	Estimates (Rs.in crores)	Actuals (Rs.in crores)	Percentage variation increase(+)/ decrease (-)	Estimates (Rs.in crores)	Actuals (Rs.in crores)	Percentage variation increase(+)/ decrease (-)	Estimates (Rs. in crores)	Actuals (Rs. in crores)
1984-85	495.00	444.41	(-)10.22	626.53	568.66	(-) 9.24	(-)131.53	(-)124.25
1985-86	520.00	476.84	(-)8.30	706.78	640.39	(-)9.39	(-)186.78	(-)163.55
1986-87	550.00	557.50	(+) 1.36	875.50	773.93	(-)11.60	(-)325.50	(-)216.43
1987-88	744.00	642.98	(-)13.58	877.00	833.85	(-)4.92	(-)133.00	(-)190.87
1988-89	774.17	741.80	(-)4.18	863.01	911.53	(+)5.62	(-)88.84	(-)169.73

APPENDIX-II

(Refers to paragraph 7.11.5)

Details of cases of savings

Head of Account	Provision	Exdpenditure	Savings with Percentage in brackets	Main reasons for savings
Revenue Section		(Rs. in lakhs)		
1. A-General Administration A-1 Direction and Administration A-1(1) Directorate	829.65	581.53	248.12 (29.90)	Less expenditure under salaries, Dearness allowances, Travelling allowance and office expenses.
2. A-2(1) Circle offices	2048.01	1831.58	216.43 (10.56)	Less expenditure under salaries, travel expenses, office expenses, rent, rates and taxes, machinery and equipments.
3. B-Operation B-1 operational Training B-1(1) Operational Training	61.30	51.06	10.24 (16.70)	Less expenditure
4. B-3 Telephone revenue accounts	2807.85	2495.55	312.30 (11.12)	Less expenditure on the salaries.
5. B-4(1) Telegraphs	10364.86	9266.51	1098.35 (10.59)	Less expenditure on the salaries, Dearness allowance-rent, rates and taxes.
6. B-5 Radio	327.90	249.95	77.95 (23.77)	Less expenditue under salaries Dearness allowance and office expenses.
7. C-3 Factories C-3(1) Control and supervision.	16.68	10.59	6.09 (36.51)	Less expenditure under salaries and dearness allowance.
8. C-3(4) Telecom Factory, Bombay	427.30	382.25	45.05 (10.54)	Less expenditure under salaries and dearness allowance and other charges.

9. C-3(5) Telecom Factory, Bhilai	51.40	40.47	10.93 (21.26)	Less expenditure unoer salaries and dearness allowance and other charges.
10. C-4 Miscellaneous expenditure	400.00	0.84	399.16 (99.79)	Unanticipated adjustment of rate revision and stock adjustments.
11. D-Research & Development D-1 Telecommunication Research	376.50	303.58	72.92 (19.36)	Less expenditure under salaries Dearness allowance and travel expenses.
12. E-Engineering E-1 Training (Engineering)	1818.01	1242.60	575.35 (31.64)	Less expenditure under machinery and equipments, Salaries, Dearness allowance and office expenses.
13. E-2 Maintenance E-2-1 Buildings	1500.00	1170.93	329.07 (21.93)	Less expenditure on Building Maintenance.
14. E-2(4) Establishment on maintenance	36197.94	30274.35	5923.59 (16.36)	Less expenditure under salaries and Dearness allowance.
15. E-3 Construction (Civil Wing) E-3(1) Civil Engineering Establishment	1812.37	1506.08	306.29 (16.90)	Less expenditure under salaries and Dearness alowance.
16. E-4 Petty works E-4(1) Telegraphs and Telecom	450.00	267.80	182.20 (40.48)	Less expenditure due to less petty works under lines and and wires, Apparatus & plant.
17. E-4(2) Local exchanges	3000.00	2452.93	547.07 (18.23)	--do--
18. E-4(3) Trunk exchanges	450.00	359.59	90.41 (20.09)	--do--
19. E-4(4) Transmission system	415.00	369.67	45.33 (10.92)	--do--
20. E-4(6) Telecommuni-cation Training Centre	1090.00	319.50	770.50 (70.68)	Less procurement of training equipment.
21. E-4(7) Technical & Development Circle	16.00	4.81	11.19 (69.93)	Less expenditure on testing equipment.

22. E-4(9) Telecommunication factories	30.00	14.39	15.61 (52.03)	Less petty works.
23. E-4(10) Other Telecommunication buildings	325.00	169.00	156.00 (48.0)	Less building works.
24. E-5 Construction (Engineering works) E-5(1) Establishment for Telephones	2506.14	1948.54	557.60 (22.24)	Less expenditure under salaries and partly under Dearness allowance.
25. E-5(2) Establishment for Telephones	1157.03	809.60	347.43 (30.02)	--do--
26. E-5(3) Establishment for project installation	804.97	677.76	127.21 (15.80)	--do--
27. E-6 Technical and Development circle	1324.23	727.88	596.35 (45.03)	--do--
28. F- Accounts & Audit F-2 Accounts F-2(2) Divisional Offices (Telegraphs)	142.71	108.10	34.61 (24.25)	Less expenditure under salaries and partly under Dearness allowance
29. F-2(3) Districts & Divisional Offices(Telephones)	172.85	145.68	27.17 (15.71)	--do--
30. I-Stationery & Printing I-1(1) Stationery and Printing	1400.00	608.59	791.41 (56.52)	Less expenditure under Direct supply of paper from Director General Supplies and Disposals rate contract and cost of printing of forms at private presses.
31. J-other expenses J-1 Depreciation J-1(3) Depreciated value of Assets . abandoned/dismantled etc.	139.00	2.37	136.63 (98.29)	Less adjustments.

32. J-1(5) Dedutivalue of stores recovered and returned to stores	(-)14.00	(-)46.50	(-)32.50 (232.14)	Due to recovery and return to stock of more stores.
33. J-3 Interest on Bonds	13100.00	8046.00	5054.00 (38.58)	Less amount of bonds raised than anticipated during 1987-88.
Capital Section				
34. AA-1 Telegraph system AA-1(1) Telegraph offices	1076.00	963.69	112.31 (10.43)	Slow progress in finalisation of land acquisition and slow progress in construction of buildings.
35. AA-1(2) Telex system	3924.00	1594.90	2329.10 (59.35)	Less receipt of Apparatus & Plant material & slow progress in finalisation of land acquisition and construction of buildings.
36. AA-3 Long distance Switching system AA-3(3) Manual Trunk exchange	2142.10	1233.54	908.56 (42.41)	--do--
37. AA-4 Transmission system AA-4(1) coaxial cable system	13132.70	8290.68	4842.02 (36.86)	Less receipt of cables, Apparatus and plant material
38. AA-4(2) Other trunk cable system	2595.00	1233.01	1361.99 (52.48)	--do--
39. AA-4(3) Microwave Radio Relay system	12141.00	6532.69	5609.31 (46.19)	--do--
40. AA-4(4) UHF and VHF Relay system	8031.70	2544.20	5487.50 (68.32)	Less receipt of Apparatus and Plant Mast Aerial cable material.
41. AA-4(5) Openwire and carrier system	6219.30	4954.60	1264.70 (20.33)	Less receipt of Apparatus and Plant material.
42. AA-4(7) Voice frequency telegraphy	541.50	329.62	211.88 (39.12).	Less receipt of Apparatus and Plant material.

43. AA-4(8) Satellite system	6101.00	1894.80	4206.20 (68.94)	--do--
44. AA-5 Ancilliary system AA-5(1) Telecommunication Research centre	300.00	20.35	279.65 (93.21)	Less receipt of Apparatus and plant, material and slow progress in construction work.
45. AA-5(2) Training Centre	833.00	472.01	360.99 (43.33)	--do--
46. AA-5(3) Technical and Development Circles.	348.50	7.72	340.78 (97.78)	--do--
47. AA-5(4) Stores Depots	718.00	72.24	645.76 (89.93)	Less receipt of apparatus and plant materials.
48. AA-5(5) Telecommunication factories	1039.00	319.17	719.83 (69.28)	--do--
49. AA-5(8) Telecommunication computer system.	800.00	417.53	382.47 (47.80)	Less receipt of apparatus and plant materials.
50. AA-5(9) Quality Assurance	251.50	50.71	200.79 (79.83)	Slow progress in construction of building and less receipt apparatus and plant materials.
51. AA-6 Other land and Buildings AA-6(2) Staff fQuarters.	3500.00	1854.50	1645.50 (47.01)	Slow progress in land acquisition land construction of building works.
52. AA-7 General AA-7(1) Store Suspense Accounts	12649.00	9440.39	3208.61 (25.36)	More issues of stores to Capital works partly off-set by more procurement.
53. AA-7(2) Manufacture suspense accounts.	2500.00	1358.48	1141.52 (45.66)	Less raw materials drawn from stores.

GLOSSARY

Analogue	An electrical signal which is analogous to changing physical quantity measured
Baud	A measure of speed in telegraph operation
Coaxial Cable	A cable basically consisting of a single wire in the centre of a cylindrical conductor used for carrying a large number of telephone channels
Cross bar Exchange	A telephone exchange with common control elements; the crosspoints in the switch are made by the operation of two bars - horizontal and vertical
C.B.M	Central Battery Multiple
DEL	Direct Exchange Lines
Digital Exchange	Unlike the conventional exchanges, whether electro-mechanical or electronic where the calling and called subscribers are connected together over an individual pair of wires for the total duration of the call,they timeshare a speech highway with several other conversations in the digital exchange. This is possible since only a small proportion of the total connection time is actually utilised for conveying the message. Speech signals are regularly sampled and the amplitude of samples is converted into a digital code and transmitted on the line. Between two digital signals of the same conversations, signals of other conversations are interleaved. The digital

	exchange suitably directs the different signals coming on the same highway. The new technique could be of interest in local switching in rural areas
Digital Signal	A signal which carries the information in the form of on/off pulses
Earth Station	Antennas and related equipment on the ground that are in contact with a satellite
Erlang	Unit of traffic load named after A.K.Erlang of Denmark
Giga Hertz	Billion Hertz
Hertz	For cycles per second, named after Henrich Hertz
INTELSAT	International Telecommunication Satellite Organisation
LDPT	Long Distance Public Telephones
Microwave	Radiowave above 1000 MHz which travel straight as lightwaves, used for transmission of telecommunication signals
MARR	Multi Access Rural Radio
MAX	Multiple Automatic Exchange
Multiplexing	A method by which several circuits are combined for transmission over a common transmission path
Optical Fibre	Extremely thin and pure glass fibres which are used to guide lightwaves without loss in transmission
P.A.X.	Private Automatic Exchange

P.A.B.X.	Private Automatic Branch Exchange
P.C.O.	Public Call Office
P.C.Q.L.Cable	Paper Core Quad Local Cable
Pulse Code Modulation	A method of modulation, where the amplitude of the (P.C.M.) original (speech) wave is sampled and the values of the samples are converted into 1's and 0's, positive and negative pulses, for transmission
RAX	Rural Automatic Exchange
Repeater	The signals carried by the coaxial cable need boosting at regular intervals, so repeaters are installed to boost the signals
STD	Subscriber Trunk Dialling
Strowger Exchange	Telephone exchange named after its inventor, Almond Strowger, which sets up the calls on a step-by-step basis
TAX	Trunk Automatic Exchange
Teleprinter	A teleprinter is a printing telegraph apparatus to transmit and receive messages
Telex	Teleprinter exchange
Terminal	Common names for the end equipment like telephones, TV and data display panels
UHF	Ultra High Frequency radio link in the range of 300-3000 MHz (generally used on low traffic routes till regular microwave stations come up)

VHF	Very High Frequency links, set up by radiowaves in the range of 30-300 MHz, ideally used for mobile communications
Voice Frequency (VFT)	The range of frequency used in telephone viz 300-3400 Hz
Waveguides	A hollow cylindrical conductor which guides microwave