

**HUNDRED AND NINETY-SIXTH  
REPORT**

**PUBLIC ACCOUNTS COMMITTEE  
(1983-84)**

(SEVENTH LOK SABHA)

**DELAY IN THE INSTALLATION CONTINUOUS  
CHANNEL TESTING BAYS (CCTB) AND THEIR  
UNSATISFACTORY PERFORMANCE, IRREGULAR  
PURCHASE OF TELEPHONES, INVENTORY  
CONTROL AND RESEARCH, DEVELOPMENT  
AND PRODUCTION.**

**MINISTRY OF COMMUNICATION  
(P & T BOARD)**

*Presented in Lok Sabha on...*

*Laid in Rajya Sabha on.....*

**LOK SABHA SECRETARIAT  
NEW DELHI**

*April, 1984 / Chaitra, 1906 (S)*

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Minutes of the Sitzings of the Public Accounts Committee held on . . . . .

- (i) 6 September, 1983 (AN)
- (ii) 7 September, 1983 (FN)
- (iii) 28 March, 1984.

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(1983-84)

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(v)

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1. **Shri T. R. Krishnamachari—*Joint Secretary.***
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## INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Hundred and Ninty-Sixth Report of the Committee on paragraphs 28 and 33 of the Report of the Comptroller and Auditor General of India for the year 1981-82 Union Government (Posts and Telegraphs) relating to delay in the installation of continuous channel testing bays (CCTB) and irregular purchase of telephones and some other matters concerning the functioning of the P&T Department, viz. Inventory Control and Research, Development and Production.

2. The Report of the Comptroller and Auditor General of India for the year 1981-82, Union Government (Posts and Telegraphs) was laid on the Table of the House on 26 April, 1983.

3. In this Report, the Committee have expressed unhappiness over the manner in which the DGP&T had acted in regard to procurement of 275 Continuous Channel Testing Bays (CCTB) costing about a crore of rupees. The Committee have observed that although the equipment was required for immediate operational purposes, out of 275 bays ordered for in October 1973 and received in 1976, only 46 were installed upto July 1978. i.e., about four and a half years after the placement of the order, and 59 bays have not been installed. Further, even the installed bays had hardly served any purpose as due to technical snags the STD channels, to which the CCTBs were connected resulted in excess metering and caused wrong numbers on dialling digits higher than seven. The problem had not yet been solved. Only 22 circuits could be made operational by the Southern Region after seven years of trial and error, but even there, the Ministry are "not sure about their continuous stable working". As regards the remaining COTBs, the Ministry have come to the conclusion that "as the modifications required are extensive and the equipment will not be of much use in today's technology", it has been decided to scrap the equipment. Thus, the entire amount of nearly a crore of rupees spent by the Department on the purchase of the bays had practically proved a total loss and the operational purpose for which the equipment was immediately needed has also not been served. The Committee have hoped that the Ministry will draw lessons from their experience in this case and in future not venture to place orders for bulk purchase without first conducting successful field trials.

4. In 1974, the P&T Directorate issued instructions to all its field units that indents for telephone instruments and spares, etc. should be placed on the ITI centrally through the P&T Directorate and the supplies would be made to the individual units concerned direct by the manufacturers on the basis of allotment orders issued by the Directorate. These instructions were reiterated by the P&T Directorate in January 1978 and August 1979 and again in March, 1980. However, the Divisional Engineer, Telecommunications (DET), Tirupathi, purchased telephone instruments worth Rs. 52.63 lakhs direct from the ITI during the period 1978-79 to 1980-81. The Committee have considered it incomprehensible that an officer of the level of Divisional Engineer could continue to violate with impunity the standing instructions of the P&T Directorate, which were repeatedly reiterated. He had made direct purchases not only for his own Division but also for other neighbouring Divisions in the Andhra Pradesh Circle. The more reprehensible aspect is that a senior officer of the level of General Manager, Andhra Pradesh Circle, who should have ensured that the instructions issued by the Directorate were faithfully complied with by the field units, had himself "instructed" the DET Tirupathi to make direct purchases for the "whole Circle". What is still more surprising is that the P&T Directorate at the Centre should have been so powerless and ineffective as not to have been able to stop the General Manager, Andhra Circle from open violation of their instructions. The Committee have pointed out that indiscipline, particularly at a high level, if unchecked, has a snowballing effect and there is, therefore no alternative but to handle it with firmness.

5. While not belittling the research and development efforts made in the country in the field of telecommunications, the Committee have felt that we have still a long, long way to go. The telephone instrument mostly under production in the country (called '671') was developed by the ITI indigenously in 1961 on the basis of strowger equipment with ATE of the U.K. in 1948. However, the indigenous instrument has been found to be highly deficient. There are defects in three vital parts—transmitter, dial and receiver. However, the irony is that the production of even this instrument, highly deficient as it is, lags behind the demand. With inadequate production of even highly deficient instruments, and the around outmoded telecommunication technology, the Committee are not surprised at the admission made by the Secretary, Ministry of Communications during evidence, "I do not think that we have given our subscribers the quality of service which those (developed) countries are giving for more than 30 years".

6. The Public Accounts Committee (1983-84) examined these paragraphs and other subjects relating to P&T Department at their

sittings held on 6 September, 1983 (A.N.) and 7 September, 1983 (F.N). The Committee considered and finalised this report at their sitting held on 28 March, 1984. Minutes of these sittings form Part II\* of the Report.

7. A statement containing observations and recommendations of the Committee is appended to this Report (Appendix ). For facility of reference, these have been printed in thick type in the body of the Report.

8. The Committee place on record their appreciation of the assistance rendered to them in the examination of these paragraphs by the office of the Comptroller and Auditor General of India.

9. The Committee would also like to express their thanks to the officers of the Ministry of Communications (P and T Board) for the cooperation extended by them in giving information to the Committee.

NEW DELHI;  
April 9, 1984.

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Chaitra 20, 1906 (Saka).

SUNIL MAITRA,  
Chairman,  
Public Accounts Committee.

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## **REPORT**

### **CHAPTER I**

#### **Delay in the installation of continuous channel testing bays (CCTB) and their unsatisfactory performance.**

##### *Audit Paragraph*

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

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

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

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

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

Unit	No. of CCTB received in 1976 and cost	No. of CCT bays installed	Period during which installed and commissioned	Cost in lakhs of rupees	Period of delay in installation	Yet to be installed and commissioned
1	2	3	4	5	6	7
GMM Madras	58 (cost : Rs 20.85 lakhs)	46	Between March 1978 and July 1978	16.14 lakhs	2 years	
		4	July 1979 to November 1979	1.51 lakhs	3 years	
		3	March 1980 to June 1980	1.08 lakhs	4 years	
		5	March 1981 to July 1981	2.12 lakhs	5 years	
		TOTAL		58		20.85 lakhs
Calcutta	52 (cost: Rs 18.30 lakhs)	18	Upto March 1980	7.08 lakhs	3 to 4 years	34 (cost: Rs 11.27 lakhs)
New Delhi	38 (cost: Rs 27.03 lakhs)	47	Between November 1979 and February 1980	10.41 lakhs	3 years	8
		31	Between February 1980 and April 1980	13.86 lakhs	4 years	(cost: Rs 2.76 lakhs)
TOTAL		80		24.27 lakhs		
Bombay	77 (cost: Rs 26.96 lakhs)	45	But not commissioned (September 1982)	14.85 lakhs	6 years	32 (cost: Rs 12.11 lakhs)

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

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

Sumaning up:—

- bulk order for CCT bays was placed (cost: Rs. 93.14 lakhs) on ITI without ensuring their satisfactory performance by conducting successful field trials and manufacture/supplies were not stopped even when the defects were intimated to the DGPT;
- the CCT bays (even those installed and commissioned) were not used for the purpose for which they were intended, even after a lapse of 6 years of their receipt by the field units;

- the Department could not perfect the equipment in all respects specially when the GMM Bombay/Madras had expressed reservations about their functioning even at the time of initial trial;
- due to lack of planning and proper care in executing the work, equipment worth Rs. 93.14 lakhs remained idle for periods ranging from 2 to 6 years;
- the cost of equipment was paid without sanction of the regular estimate; and
- 74 bays (cost; Rs. 26.09 lakhs) were yet to be installed.

[Paragraph 28 of the Report of the Comptroller and Auditor General of India for the year 1981-82, Union Government (Posts and Telegraphs)]

1.8 The Committee referred to a note furnished by the Ministry of Communications in which it was stated that after the placement of the order for supply of 275 CCT Bays on the Indian Telephone Industries in October 1973, the Telecommunication maintenance regions were instructed in November, 1973 to make provision of funds for these equipments. It was also stated in the note that the cost of equipment in the instant case was paid centrally by the Cost Check Unit of the P&T Department and debits were passed on to the respective consignees for adjustment against the relevant estimates sanctioned/to be sanctioned by them. The Committee enquired whether the procedure followed by the P&T Department in the present case was correct. The Member (TD) P&T Board stated in evidence:

“Purely within that circle for maintenance, yes. For maintenance equipments, we do give them advance orders.”

The Member (Finance) further explained:

“The order was placed by the headquarters and the field unit was asked to give the sanction. The headquarters also directed how much equipment was to go to a particular field unit. That has been the practice particularly in regard to maintenance circle. According to their budget estimate, the field units issue the covering sanction.”

1.9 The Secretary, Ministry of Communications, added:

“I think this is not a healthy system. But what was stated earlier that supply order precedes formal sanction, it is not often done in actual practice. You can not call it a regularity.”

1.10 When asked whether he agreed that the present practice of placement of orders by a central unit preceding sanction by local units should be discontinued, the witness deposed:

“This comment could be taken note of and a discussion will be held to do something about it.”

1.11 Referring to the information furnished the Ministry of Communications that in the present case, a few estimates were sanctioned in 1973-74 by two maintenance regions and the remaining estimates were sanctioned between 1976 and 1979 i.e. 3 to 6 years after the placement of the order in October 1973, the Committee desired to know whether sanctioning of estimates three to six years after the placement of the order was not unusual. The Ministry of Communications have stated in a note:

“Maintenance aids such as instruments, tools, etc. are generally treated as revenue expenditure. However, in the case of the channel testing bays, as the expenditure involved was heavy i.e. more than Rs. 2500 in each case it was treated as of capital nature and the concerned maintenance regions were asked to sanction the estimates at the time the orders were placed on M/s. ITI for the manufacture and supply of the equipment.

In this case because the equipment could not be installed immediately there was delay in the sanction of the estimates. Suitable instructions have been issued to all the maintenance regions to ensure that there is no delay in sanctioning estimates.”

1.12 The Audit para points out that the order for CCT Bays was placed on the ITI with an understanding that bulk manufacture and supply would take place only after satisfactory performance of the prototype of CCTB by, conducting successful trials. A prototype of CCTB designed to test the continuity of single line operator dialling/multiple line operator dialling (SLOD/MLOD) channels was received by GMM, Madras from ITI Naini in March 1974 and was put on field trial between Madras and Bombay during October 1974 to February 1975. The GMM Bombay/Madras after trials informed the DGTP (June 1975/July 1975) that the CCTB would not add to or improve upon the existing maintenance efforts and that the performance of the bays was unsatisfactory, the behaviour of the pulse generation was erratic in the transmitter units and wrong numbers were obtained in SLOD circuits. Besides, it posed problems in wiring up the monitoring circuits to the working channels and their installation.

All the 275 bays ordered on ITI were supplied by them to the General Managers (Maintenance) (GMM), Madras, Calcutta, New Delhi and Bombay between February and December 1976. The GMM Bombay requested the DGP&T to review the suitability of the equipment before standardisation and installation on a large scale. Even though the supplies were not made to the field units by that time, the DGPT did not take any action to stop the manufacture|supply of the CCT bays. Asked why the order for bulk supply was placed in 1973 without successful field trials, the Ministry of Communications have stated in a note:

“Normally, M/s. ITI supplies any equipment after undertaking the development work in a period of about 5 to 7 years. This equipment was required for immediate operational purposes. Therefore, it had been decided to expedite its supply by taking advance action. Based on TRC's design M/s. I.T.I. completed the development work and offered the equipment for evaluation early in 1973. This was evaluated and certain deficiencies were pointed out. Subsequently, in October 1973, ITI again indicated that the defects which were noticed earlier had been corrected and that all the tests had been carried out in the laboratory by simulating field conditions. This was checked by TRC also. In view of this, it was decided that the bulk order may be placed on ITI so that the supply of the equipment could be expedited. M/s. ITI also normally give assistance for any modifications if required at a later date after field trial. Therefore, the order was placed in October 1973 after completion of the limited trials and simulation tests in the laboratory, with the understanding that field trials would be carried out before bulk supplies are made.”

1.13. On being enquired why the DGP&T did not take any action to stop the manufacture/supply of the bays when the GMM, Bombay/Madras had informed the Department (June|July 1975) that the performance of the bays was unsatisfactory, the Ministry of Communications have explained in a note:

“On receipt of the reports from the GMM Bombay/Madras. Directorate took action to stop the manufacture of 2 ways CCT equipment and order for it was also cancelled. However, the production of one way CCT equipment was already under-way and it was, therefore, possible only to stop its production beyond 300 bays. ITI has actually supplied only 275 bays for which they had started production on the basis of the PCC minutes.”

1.14 The Ministry of Communications have further stated:

“The P&T agreed to take the equipment as the design of the equipment was given by P&T and it was anticipated at that time that problems would be overcome as had been done in other cases.

In as much as ITI had already procured material for manufacturing 300 bays, it was not possible to cancel the order. Besides, the manufacture of bays was already in different stages of production and ITI felt that cancelling the order at that stage would create problems. However, they agreed for stopping the production beyond 300 bays.”

1.15 The Secretary, Ministry of Communications, explained during evidence:

“At that time we did not have a healthy system for giving bulk clearance for production to ITI or of any other equipment. But subsequently, now thereafter, after some years we developed a system that incorporated new equipment evolved through R&D efforts and in collaboration with TRC etc. First there have to be adequate field trials before bulk clearance for production is given.”

1.16 Asked whether no field trials were held in this case the witness stated that “there were a few trials, but not adequate field trials” and added:

“.....Preliminary field trials were started between Bombay and Madras in January 1974. There was some deficiency and ITI suggested certain modifications. These modifications were approved by the Telecommunication Research Centre, which is a Government organisation. After these modifications were carried out between 1-1-1974 and 1-10-1974 both Bombay Telephones and Madras Telephones gave satisfactory reports regarding the performance of the equipment.”

In reply to another question, he stated:

“We received a report from the ITI that the defects which were found in the laboratory tests were rectified by them.....”

He, however, clarified:

“The field trials were not undertaken before the placement of the order.”

1.17 The Committee referred to the note furnished by the Ministry of Communications (*vide* Para 1.12) wherein it had been stated that the order for CCT bays was placed on ITI in October 1973 after completion of the limited trials and simulation tests in the laboratory, with the understanding that field trials would be carried out before bulk supplies were made and the revelation made during evidence that in the Production Coordination Committee meeting held on 3-2-1975 it was indicated that ‘the field trials for this equipment have been successfully carried out and the equipment found fit for manufacture’. Asked to reconcile these two statements, the Ministry of Communications have stated:

“The field trials were carried out jointly by M/s. ITI and the P&T Engineers on Bombay and Madras route. These trials were first conducted during the period from January 1974 to March 1974 and thereafter it had been repeated after modifications during October 1974. The result was found satisfactory during the last period of observation of ten days. Thereafter production was stated. However, when the same equipment was independently observed for further period, it revealed unsatisfactory results. In this context, the words ‘limited field trials’ have been used. The information was given on the basis of the minutes of the 3rd PCC meeting held at Bangalore on 3rd February, 1975. This meeting was attended by a number of senior officers both from the P&T and the ITI. The Minutes contain the gist of the discussions. It is not possible at this distant date to know what stand was taken by each representative during the PCC meeting. The officers who participated in the PCC meeting presumably felt that on the basis of the trials carried out during the period stated above the field trials had been successful and the equipment was fit for manufacture.”

1.18 To a question whether judging the whole thing in retrospect, the Department agreed that it was wrong on their part to have placed the bulk order without first carrying out successful field trials, the Ministry of Communications have replied in the affirmative and added:

“In retrospect it is agreed that it would have been better if a longer field trial could have been carried out before placing order.”

1.19 To another question whether responsibility for this lapse has been fixed, the Ministry of Communications have stated in a note:

“No. As explained above, the result of the laboratory test as well as limited field trials showed that the equipment was likely to be successful. If this expectation had materialised, then, in the conditions then prevailing, it would have been very useful as maintenance aid.”

1.20 In another note, the Ministry have stated:

“Problem of this nature is not unknown when development of new equipment is undertaken for the first time, and no lapse of responsibility on any single agency could therefore be clearly fixed.”

1.21 The Committee desired to know whether these bays were inspected in the ITI Factory by the Department Officials before despatch to General Managers (Maintenance), the Ministry of Communications have stated in a written reply:

“The equipment were inspected by Technical and Development Circle of P&T in ITI factory. They did point out one design deficiency but the equipment was cleared after the case was referred to TRC for their comments. They had suggested that equipment can be cleared and modifications could be carried out later in the field.”

1.22 The Committee referred to the ‘understanding’ between the DGP&T and the ITI about the bulk manufacture and supply of bays only after successful field trials and enquired why it was not recorded or incorporated in the supply order placed on ITI. The Ministry of Communications have stated in a note:

“P&T & M/s. ITI has the pricing agreement. This agreement provides the mutually agreed supply schedules. The said “Understanding” is not explicitly recorded though intent is recorded in the PCC minutes held on 1-2-1974 as reproduced below:

#### **CONTINUOUS CHANNEL TESTING EQUIPMENT FOR ONE WAY CIRCUIT**

The prototype bays equipped for 20 circuits each have been installed between Bombay & Madras for field trials during December 1973. After the successful completion of the field trials, which may extend over a month

or so, production action will be initiated. ITI had already taken procurement action for getting the required materials and components. Efforts will be made to produce some bays during this financial year. However, ITI plans to produce 200 bays in the year 1974-75.

The development of continuous channel testing equipment for both way circuits has also been completed. The equipment is being installed at Delhi, Allahabad & Calcutta for monitoring some circuits during this month. The production action will be initiated after the successful completion of this trial."

1.23 The Committee referred to a note furnished by the Ministry (*Vide* para 1.12 above) wherein the reasons given for placement of order for bulk supply of the equipment in 1973 without successful field trials was that this equipment was required for 'immediate operational purposes'. The Committee enquired how the immediate operational purposes for which the CCT bays were required were fulfilled when some were installed after several years and 59 were yet to be installed. The Secretary, Ministry of Communications stated in evidence:

"The fact is that these were needed immediately but they proved to be dud."

1.24 The General Manager (Maintenance), Madras, added:

"These equipments were designed some time in late 60's and early 70's. The need or the facility which they were intended to fulfil definitely existed at that time as a fairly immediate need. At that time most of our trunk calls were being put through by operators dialling from one city to the subscriber of the far city. The mode of operation in existence earlier was that most of the trunk calls were put through by manual operations. Earlier, manual system required two operators. For example, for a call from Delhi to Bombay, the Delhi operator will dial the Delhi subscriber's number and the Bombay operator will dial the Bombay subscriber's number. We eliminated the need of two operators. We introduced the LOD (Subscriber Link Operator Dialling) and MLOD (Multi-Link Operator Dialling). When this was done, we wanted to have some means of constantly monitoring whether the circuit (say between Delhi and Bombay) is in working order or

it has gone out of order. Otherwise, the operator will try the call and if he finds that he is not able to get the call, he will make a complaint to the Engineering Department. We wanted to have a facility to monitor all channels continuously. There were hundreds of channels at that time, so the facility was urgently required. To fulfil this requirement attempts were made to design and develop the equipment. That was developed by our research centre, *i.e.* R&D Department. In those days the relationship between ITI and P&T was that they would like to know in advance from the P&T Department as to what things we needed so that they could procure the components in advance and supply the equipments in time to us. In this way even more sophisticated equipment was designed and produced in less time. I shall now focus on whether the equipment was successful or not. One set of this continuous channel monitoring equipment was brought and tried out between Madras and Bombay. For a period of ten days it was kept under observation and during that period of ten days it appears to have worked reasonably well. Based on that they took a decision to proceed with the manufacture. Later on, around February 1975 we found that this equipment itself showed a tendency to develop certain faults, the equipment was found to be not quite satisfactory. Then we started a series of experiments to find out what could be causing these defects and rectified them. This was done more as an internal effort. Because this was a subsidiary equipment, this was conceived as a maintenance aid. Many attempts were made at different times during this long period of 6-7 years, to rectify the defects as and when they arose. Ultimately, today fortunately in southern region, we have been able to modify 22 circuits. Even here we are not satisfied that this will continue to work 100 per cent satisfactorily all the time. Meanwhile, something else has happened. During this period of 10-12 years, or whatever it is, the pattern of our working has changed. The facility which is provided in the CCT bays is very limited. It only tests the signalling part of an SLOD channel. So, we suggested that if we find an equipment for monitoring STD and TAX channel also, that will be much better. If these modifications which have been tried out in the Madras region and which I repeat are not yet 100 per cent sure, are carried out all over India, it might help. But the technology has changed now. With today's technology we can get much better equipment. The shortcomings.

in the present equipment are that this equipment which is designed as a maintenance aid (it is supposed to monitor a channel), is built on the same technology as the main equipment itself. Therefore, its own fault liability is as bad as that of the equipment which it is supposed to monitor. Today we have got much better technology. So, today this is not of much use to us. Secondly, when this equipment develop a fault, it can also interfere with the normal working of the channel itself. Thirdly, it occupies space. The space is almost of a comparable order to the equipment. So, with all these kinds of shortcomings and with the changed operational requirements of today, we do not recommend the commissioning of this equipment."

1.25 In written note furnished to the Committee, the Ministry of Communications have stated:

"It was considered that the CCT equipment will give state of channels by continuous and automatic monitoring and will help in reducing the down time. The purpose has not been achieved as the equipment did not function properly."

1.26. On being asked why the Department had gone for a facility on urgent basis for which proper technology was not available, the General Manager (Maintenance) Madras stated in evidence:

"I did not say that the technology was not available at that time. We wanted to improve upon whatever technology was available at that time. Unfortunately, this case has misfired. But there are many other cases where we have succeeded."

In reply to another question, the witness stated:

"Since the period when ITI started producing transmission equipment, which was somewhere in the early 'sixties, upto the mid-70's, the methods of operation and working between the P&T and ITI were less formal and much more flexible than now and they were not on these specific terms. This sort of rigid system had not been evolved at that time. They were evolved subsequently, after 1975. Coming to your question, the total equipment produced by ITI and utilized successfully in telecommunication would be of the value of hundreds of crores of rupees. This is one case where we slipped."

1.27 The Audit Para points out that in May 1976 i.e. 11 months after the GMM Bombay/Madras had informed the DGPT that the performance of the CCT bays was unsatisfactory the Department decided that the equipment meant for one way circuit should also be used to monitor the performance of subscribers trunk dialling (STD) channels on the various routes instead of testing the continuity of SLOD/MLOD channels alone for which they were originally designed. The Committee enquired why the equipment was put on STD channels. The Member (TO), P&T Board stated:

“... the growth in STD has been phenomenal and subscriber dialled trunk calls came into the picture. This necessitated a large number of circuits of the order of 100,200 working on the broad band transmission system. So when we reached that stage it was found that this testing equipment was not fully meeting the requirements of STD routes and that SLOD and MLOD circuits could be testing manually also. A decision was then taken to try and utilise the test equipment on the STD circuits which were more important once required at that point of time . . . That was the reason for the change over of the utilisation of the testing equipment.”

1.28 Referring to the information furnished by the Ministry of Communications that the one way equipment originally meant for SLOD/MLOD circuits were considered for STD circuits on the suggestion (July 1975) of the Southern Region, the Committee desired to know whether that Region had itself tested its technical feasibility on STD circuits. In reply, the Ministry of Communications have stated:

“Originally the CCT equipment were meant for SLOD/MLOD circuits which are operator dialling circuits. Therefore, it was thought that STD being auto dialling circuit, this will be equally suitable for use as on SLOD/MLOD circuits some sort of monitoring was already available. As such it was decided to use the equipment on STD circuits.”

1.29 The Committee were informed (November 1983) that out of 275 CCT bays supplied by the ITI, 59 were still to be installed. To a question by when all the bays were expected to be installed, the Ministry of Communications stated:

“As it has been decided to scrap the equipment, the question of installing the bays does not arise.”

1.30 As to the extent of utilisation of the equipment already installed, the Member (TD), P&T Board stated in evidence:

“We could utilise only 22 circuits with a lot of effort. The Southern region has been able to make it operational after 7 years of trial and error. It is working but we are not sure about its continuous stable working. Under the circumstances . . . this large amount of work to carry out the modification for the limited purpose of the manual or SLOD circuits may not be advisable.”

1.31 The Ministry of Communications have further stated in a note:

“As the modification required are extensive and the equipment will not be of much use in today’s technology, it has been decided to scrap this equipment.”

1.32. To a question whether any instructions have been issued by the Department to obviate the recurrence of the cases of the present type, the Ministry of Communications have stated:

“The detailed instruction to avoid such recurrence are already under examination and will be issued after finalisation.”

1.33. The Committee desired to know whether any research was being carried out to devise any better and more successful device for the purpose, i.e for automatic fault control and for continuous monitoring of the performance of outgoing and incoming dialling circuits in Carrier|Co-axial|Ultra high frequency microwave stations and if so, what was the present position. The Ministry of Communications have stated:

“Better and more successful devices are at present available for transmission testing purposes which have been tried at Delhi, Bombay and Madras for monitoring the performance of the various transmission circuits. The monitoring has helped to identify the various faults in a very short time so that corrective action could be taken. The above experimentation is only a field trial project and based on the results that will be obtained as a result of these trials further action would be taken to instal suitable surveillance systems for the transmission media.”

1.34. According to the Audit paragraph, the receiving field units in Madras and Delhi had found that some of the parts of the CCT bays were badly damaged and in some cases power supply panels

were either badly damaged or were missing. Besides, certain accessories like 6 second pulse generator, 40 contact relay and 50 volt battery eliminator were found wanting. The Committee enquired for how long these equipments were lying packed on receipt by the GMMs concerned and when the damages|short supplies|faculty supplies were noticed by them. The Ministry of Communications have stated in a note:

“The equipments were consigned to different stations. The precise demtails regarding how long these were laying packed on receipt by GMs Maintenance concerned are not immediately available. The equipments were received during 1976-77. The damages and short supplies were noticed during the same period.”

1.35 In reply to another question whether any investigation into the damages|short supplies had been made and responsibility fixed, the Ministry have stated as under:

“No, since many of the damaged|missing parts were replaced by ITL.”

1.36 The Committee are unhappy over the maner in which the DGP&T had all along acted in regard to procurement of 275 Continuous Channel Testing Bays (CCTB) costing about a crore of rupees. Time and again, the Public Accounts Committee have stressed that orders for bulk production of new equipment should be placed only after conducting successful field trials. It is not clear to the Committee why the DGP&T should not have followed the off-repeated recommendations of the Committee in the instant case. The explanation given by the Ministry for this was that the equipment was required for immediate operational purposes. However, as the Committee observe, out of 275 bays ordered for in October 1973 and received in 1976, only 46 were installed upto July 1978, i.e. about four and a half years after the placement of the order, and 59 bays have not yet been installed. Further, even the installed bays had hardly served any purpose as due to technical snags the STD channels, to which the CCTBs were connected, resulted in excess metering and caused wrong numbers on dialling digits higher than seven. Even though the matter was taken up by the GMM, Madras as far back as June 1978, the problem of the equipment not responding correctly to digits higher than seven had not been solved. In the case of Single Line Operator Dialling (SLOD) circuits, the equipment was not able to give a single hour's satisfactory service since its installation. Only 22 cricuits could be made operational by the Southern Region after seven

years of trial and error, but even there the Ministry are "not sure about their continuous stable working". As regards the remaining CCTBs, the Ministry have come to the conclusion that "as the modifications required are extensive and the equipment will not be of much use in today's technology", it has been decided to scrap the equipment. Thus, the entire amount of nearly a crore of rupees spent by the Department on the purchases of the bays had practically proved a total loss and the operational purpose for which the equipment was immediately needed has also not been served. The Committee trust that the Ministry will draw lessons from their experience in this case and in future not venture to place orders for bulk purchase without first conducting successful field trials.

1.37 Even if the initial error could be condoned, the Committee fail to understand why the DGP&T had not taken any action to stop the bulk manufacture/supply of CCTBs when the GMM, Bombay/Madras after trial of the prototype had informed (June-July, 1975) that the performance of the bays was unsatisfactory and the GMM, Bombay had specifically requested him to review the suitability of the equipment before standardisation and installation on a large scale. As no supplies had been made by the ITI to the field units by that time, much of the loss caused to the Department could have been avoided if the DGP&T, in accordance with his understanding with the ITI, had taken necessary action to stop the bulk manufacture/supply of the CCTBs by that time. It has been argued by the Ministry that in as much as the ITI had already procured material for manufacturing 300 bays, it was not possible to cancel the order at that stage. The Committee are surprised at this explanation in view of the DGP&T's clear understanding with the ITI that the bulk manufacture and supply would take place only after successful performance of the prototype in the field. As the Committee observe, the failure of the DGP&T to make the ITI, Naini, stop the bulk manufacture of the equipment when the prototype was found to have given unsatisfactory performance had resulted in not only avoidable huge loss to the Department but also avoidable wastage of manpower and material. The Committee consider this lapse on the part of the DGP&T inexcusable, and desire that responsibility should be fixed therefor.

1.38 From the material furnished by the Ministry, the Committee observe that after the placement of the order for supply of 275 CCTBs on the ITI in October 1973, cost of equipment was paid centrally by the Cost Check Unit of the P&T Department and debits were passed on to the respective consignees for adjustment

against the relevant estimates sanctioned/to be sanctioned by them. A few estimates were sanctioned during 1973-74 and 1974-75 by the Regions, while the remaining estimates were sanctioned between 1976 and 1979 i.e. after a delay of 3 to 6 years. When questioned in evidence, the Members (TD) and (Finance), P&T Board, stated that according to the practice followed by the Board, for maintenance equipment, orders were usually placed in advance and covering sanction was issued subsequently by the field units. In the instant case, because the equipment could not be installed immediately, there was a delay in the sanction of estimates. According to the view expressed by the Secretary, Ministry of Communications, the practice of supply order preceding formal sanction could not be considered as "healthy" and 'regular'. He promised to consider whether the existing practice could not be discontinued or suitably revised. The Committee would like the Ministry of Communications to take an early decision in the matter and communicate to the Committee the result thereof.

1.39 The Committee are informed that the main shortcoming in the present equipment is that it is built on the same technology as the main equipment itself and, therefore, its own fault liability is as bad as that of the main equipment which it is designed to monitor. Another shortcoming is that when this equipment develops a fault, it can interfere with the normal working of the channel itself. As such, it is not of much use in today's technology and it has been decided to scarp it. In its place, better and more useful devices have been tried at Delhi, Bombay and Madras for monitoring the performance of various transmission circuits. The monitoring has helped to identify the various faults in a very short time. This experimentation is only a field trial project and, based on its results, further action would be taken to instal suitable surveillance system for the transmission media. The Committee would like to be informed of the further progress made in the matter.

## CHAPTER II

### IRREGULAR PURCHASE OF TELEPHONES

#### *Audit Paragraph*

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

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

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

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

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

[Para 33 of the Report of the Controller and Auditor General of India for the year 1981-82, Union Government (Post and Telegraphs)].

2.6 During evidence, the Committee enquired whether instructions had been issued to all the Divisions and Circles to send indents for centrally controlled items direct to the Directorate. The Secretary, Ministry of Communications stated that there is standing instruction to this effect. He added ' . . . . . allotment against indents submitted b'y vari-

ous G.Ms is controlled centrally. They can't just place indent on ITI and get supply. . . . instructions have been issued to manufacturers saying how much they should allot to each unit."

2.7 If so, the Committee enquired how the D.E.T., Tirupathi had placed orders direct with I.T.I. The Secretary, Ministry of Communications stated:

"It was a case of failure to obey the instruction and his explanation was called for. He was acting at the instance of the General Manager (Andhra Circle)."

2.8 In reply to a question, the witness stated that the D.E.T. Tirupathi had been placing direct orders on the I.T.I. since 1978 onwards "not for his Division only but for use in neighbouring Divisions also."

2.9 Asked how the D.E.T., Tirupathi was allowed to place orders independently of the Directorate for years together, the Secretary, Ministry of Communications stated :

" . . . . . on our part, we have no explanation to offer. These standing instructions were issued originally in 1974 and reiterated 3 times."

In a written reply, the Ministry have stated:

"This is a violation of the instructions issued by DGP&T. According to the General Manager, Telecom., Andhra Pradesh Circle, this was resorted to bridge the gap of short supply of equipment and spares by M/s. ITI to meet urgent requirement of Andhra Pradesh Circle. . . ."

2.10 In reply to a specific question whether the fact of urgency was brought to the notice of the Directorate, the Ministry have stated, "This fact of urgency was not brought to the notice of DGP&T, New Delhi."

2.11 Further asked when it first came to their notice that the D.E.T. Tirupathi was violating their orders, the witness stated:

"In 1980, the excess payment made for the instrument was brought to our notice by audit."

2.12. The Committee enquired whether any other Circles had also made direct purchases from the I.T.I., the Secretary, Ministry of Communications stated:

"Yes, we have come to know that these purchases are going on elsewhere but not on such a large scale as was done in this District."

2.13 In a written reply, the Ministry have given the following information:

“The following six units also purchased telephone instruments directly from M/s. I.T.I during March 1983. These instruments were purchased against the allotment issued by DGP&T and payment was also made on P&T rates. Thus there is no excess payment to I.T.I. on this account:

Name of the Unit	No. of telephone instruments purchased
Bangalore Telephone District . . . . .	1500
Ernakulam Telephone District . . . . .	450
Madras Telephone District . . . . .	300
Karnataka Circle . . . . .	4170
Kerala Circle . . . . .	3400
Tamil Nadu Circle . . . . .	9360

2.14 The Committee enquired whether it was a fact that from 1978 onwards this Circle as also other Circles were making direct purchases not only from the ITI but from other parties also. The Secretary, Ministry of Communications stated:

“I agree; this is done to maintain the services. If a spare is not available in stock to repair a telephone he makes a purchase from the open market. That is in violation of our instructions, but in certain cases we ratify the action ex-post-facto. We ratify them in an emergency.”

2.15 Asked what were the precise circumstances in which the other five Circles had made direct purchases, the Member (TD) stated :

“In these five cases, the exchanges were ready, but connections were kept pending because of non-availability of instruments.”

2.16 In reply to a question, the Secretary, Ministry of Communications stated :

“We want to make a distinction between new connections, repairs and existing faulty exchanges.”

2.17 As to the action taken in these cases, the Secretary, Ministry of Communications stated :

“We have called for explanation from them. At the present moment we have no explanation to offer. Sometimes, after taking into account the urgency of the need, these were ratified by *ex-post facto* sanction, but not in regard to the purchases made by the DET, Tirupathi.”

2.18 In reply to a question as to what action has been taken against the officer who ignored the instructions and subjected the Department to heavy losses, the Ministry in their note have stated :

“The officer was suitably instructed at Secretary (C)’s level not to repeat such violations in future.”

2.19 The Secretary, Ministry of Communications added in evidence :

“That is why when the matter came to my notice, I wrote a strongly worded d.o. letter to the General Manager concerned drawing his attention to the instructions already issued. The DET had not only placed orders for those instruments in violation of the instructions but they were purchased at higher rates. So, there were two improprieties.”

In reply to a question, he stated :

“I have received letters from subscribers and also from others that this man did this wrong thing and when I questioned him and asked to follow the instructions, he replied ‘Go to Delhi with those instructions.’”

In reply to a question, he added :

“We do not feel shy of taking action. But we do not have the manpower necessary to start disciplinary action in a very large number of cases.”

In reply to a further question, he added :

“We have vigilance and where a vigilance angle is involved for violations of codal formality, which is part of this sort of thing, we do take disciplinary action. But that is not adequate. Then we will have to take disciplinary action in a very large number of cases.”

2.20 The Committee desired to know whether in emergencies, the units could make direct purchases and if so, to what extent and subject to what conditions. The Secretary, Ministry of Communications stated :

“There are allowed to do it upto a limit of Rs. 1 lakh worth of spares per year, i.e. items which have to be in stock, according to our general instructions.... During an emergency, if they want additional supplies beyond what has been allotted, they can come to us. There have been occasions when we have given them additional allotments.”

2.21 In reply to a question, he stated :

“Even in the Tirupathi case, they say there was urgency. But we are not convinced, as we were in the other few cases where we ratified purchases *ex-post facto* that all these purchases made by DET Tirupathi were really to meet urgent needs.”

2.22 The Committee enquired whether there were instructions, oral or in writing that whenever there is an emergency, the units can go ahead with direct purchases. The Secretary, Ministry of Communications stated :

“These stores which they purchased, were not meant for repairs of existing telephones, but for new exchanges. That is why we have not ratified the purchases *ex-post facto*.”

2.23 The Committee enquired why the direct purchases were not stopped even after the matter was brought to the notice of the General Manager, Telecom., Hyderabad by the Cost Check Unit, Bangalore, the Ministry of Communications in their note have stated :

“These purchases were continued to be made by General Manager Telecom, Andhra who considered that the efficiency of service may suffer if such purchases were not made.”

2.24 Asked why the Directorate did not check up whether the instructions issued by them were being adhered to or not, the Secretary, Ministry of Communications replied :

“If all our instructions are obeyed and followed in the field, the country would have got much better telephone system than it has got now.”

2.25. As to what remedial measures are contemplated by the Department to avoid recurrence of such instance, the Ministry in their note have stated :

“Instructions issued earlier will be reiterated with a stipulation that any lapse in future will be seriously viewed.”

2.26. In reply to another question as to what is the machinery in the Directorate to enforce compliance with the instructions issued by it, the Ministry of Communications in their note have stated as under:

“The concerned section in DGP&T (when it comes to know of such lapses) reiterates instructions to field units for strict compliance.”

In their note the Ministry have further stated :

“In addition to reiteration, the case is taken up with its concerned Head of Circle at the level of Member (TD) Secretary.

All Heads of Circles have again been addressed demi-officially by Member (TD) not to resort to direct purchases from ITI and that Heads of Circles will be held personally responsible for any such violations in future.”

2.27. The Committee desired to know why the DET, Tirupathi did not insist on making payment in accordance with P&T rates which were substantially lower. In a written reply, the Ministry of Communications (P&T Board) have stated as under :

“ITI took a decision to charge the non-P&T rates for such direct purchase w.e.f. 15-1-1980 unilaterally as they felt that the advantage of the escalation factor and bulk adjustments were not available for these sales to P&T field units. DET Tirupathi, GMT Andhra Pradesh, therefore, did not consider negotiating with ITI for making payments at the P&T rates.”

2.28. Asked whether the P&T Directorate had taken up the matter with ITI to persuade it to accept the P&T rates, the Ministry of Communications in their note have stated as under:—

“When this matter came to the notice of the P&T Directorate, DGP&T took up with ITI asking them to charge at P&T rates only and refund the excess amount paid for such purchases. At present a sum of Rs. 15.76 lakhs is

being recovered provisionally on pro-rata basis from ITI against the excess payments involved which are exactly being worked out for final adjustment."

2.29. The Committee enquired whether the ITI had agreed to treat the orders placed by the DET, Tirupathi as part of the order of the P&T Department and charge concessional rate. The Secretary, Ministry of Communications replied in the affirmative.

In a written reply the Ministry have stated:

"Rs. 15.76 lakhs have been recovered on 27-7-83. Case for final settlement is in progress." 1

2.30. The Committee enquired whether they had any system of checking the rates paid by the units to the ITI, the DDG (Finance) stated:

"When the equipment is purchased by the units directly, i.e. when they purchase their equipment not through the central organisation, the units pass them. But when the purchases are made through our central organisation, then all the bills pass through the cost check unit and the cost check units checks and passes them. In this particular case the DET Tirupathi purchased this equipment from out of non-P&T quota which the ITI had earmarked."

2.31. The Committee desired to know the details of the agency in the Directorate which dealt with Central Procurement. The Secretary, Ministry of Communications stated:

"That is done by a Cell called material management Cell in the Directorate which centrally monitors it. They do the paper work."

2.32. Keeping in view the gap between the demand and supply of telephone instruments, the Committee enquired whether it was the responsibility of the Central agency to arrange for the instruments and distribute them. The Secretary, Ministry of Communications replied:—

"Whether they are able to adequately discharge their responsibility or not is a different matter, but it is supposed to be there."

2.33. To a question whether they did not have any monitoring system to ascertain what Divisional Engineers were doing, the Secretary, Ministry of Communications replied:

"I won't say that there was no monitoring system on anything. But in this matter there was no monitoring system. There was no adequate monitoring system."

2.34. The Committee enquired whether the Central procurement agency monitored the supplies from the ITI. The Secretary, Ministry of Communications stated:

"We monitor them in the quarterly review. (But) At that time, the quarterly review was not done. The Government instructions were not issued about the quarterly review performance."

2.35 To another question, whether the Directorate had cross checked the quantity supplied to the Directorate by the ITI with reference to their total production so as to ascertain the balance quantity and its disposal, his reply was, "That was not done." In reply to a question whether the ITI indicated to the Directorate in advance as to what would be the supply schedule for different months, the Secretary, Ministry of Communications stated:

"That is not exact. In the initial months of the year, the supplies are very small. In the first quarter, they supply usually 10—15 per cent, in the second quarter, it will be higher and the bulk will come in the last quarter."

2.36. Asked why the ITI had not supplied their entire production to the P&T Directorate, the Member (TD) stated, "ITI keeps a certain percentage of its production for non-P&T customers. They have got a non-P&T market." Further asked as to why the P&T Directorate, keeping in view their own shortage, had allowed the ITI's production to be marketed to other organisations, the Secretary, Ministry of Communications stated, "They have to serve government departments, public sector and others." In reply to a question, the Member (TD) added:

"There is no agreement about what should be reserved for P&T demand, but, by and large, ITI supplies 80 to 85 per cent of its production to meet P&T demand."

2.37 In a note furnished by the Ministry, the annual requirements of (i) P&T and (ii) other Government Departments|Public Undertakings for telephone equipment and the actual supplies made by ITI to them during the last 3 years, have been indicated as follows:

The demands of P&T as assessed by P&T and non-P&T demands as assessed by ITI for telephone instruments are as follows: (in lakh numbers).

Year	P&T	Non-P&T	Total
1980-81	3.98	1.51	5.49
1981-82	4.73	1.66	6.39
1982-83	5.81	1.83	7.64
1983-84	7.12	2.01	9.13
1984-85	8.38	2.20	10.58

The actual supplies during the last three years are as follows:

Year	P&T	Non-P&T	Total
1980-81	2,34,592	27,016	2,61,548
1981-82	3,07,073	52,388	4,18,994
1982-83	4,15,231	10,389	4,61,583

2.38 The Committee enquired whether because of long delays in supply of equipment by the Central Organisation, General Managers had to resort to direct purchases in order to run the services efficiently. The Secretary, Ministry of Communications stated:

"This is what they say (But) that may not be always correct."

2.39. Asked whether it was a fact that the system of providing material through the centralised system of procurement to units had failed, firstly, because the procurement was not done in time and secondly, because the procured things remained in the stock and not supplied to the units, the Secretary, Ministry of Communications stated:

"With the second point, I do not agree."

2.40. Asked what they were doing to meet the gap between demand and supply, the witness stated:

"The only one way of meeting the shortfall is through imports. It is not easy for us to get permission for import."

In reply to another question, he stated:

“We moved the authority concerned in the government to expand production capacity in the country and that permission we got recently.”

2.41. In reply to a further question whether the gap had been continuing for a number of years, he conceded:

“They failed to make an adequate supply.”

2.42 In 1974, the P&T Directorate issued instructions to all its field units that indents for telephone instruments and spares, etc. should be placed on the III centrally through the P&T Directorate and the supplies would be made to the individual units concerned direct by the manufacturers on the basis of allotment orders issued by the Directorate. The purpose was to enable the Directorate to make the best use of the available scarce supplies. These instructions were reiterated by the P&T Directorate in January 1978 and August 1979 and again in March 1980. However, the Divisional Engineer, Telecommunications (DET), Tirupathi, purchased telephone instruments worth Rs. 22.63 lakhs direct from the ITI during the period 1978-79 to 1980-81 and also made direct payments to the ITI. The direct purchases resulted in heavy extra expenditure to the Department as the ITI, which was offering concessional rates to the P&T Department, decided to charge with effect from 15-1-1980 non-P&T rates for all direct purchases which were considerably higher than the rates as per rate list of 1976 normally charged from the P&T Department. The Committee would like to know how differential rates for supplies to the Department could be charged by the public undertaking.

2.43 It passes the comprehension of the Committee how an officer of the level of Divisional Engineer could continue to violate with impunity the standing instructions of the P&T Directorate, which were repeatedly reiterated. He had made direct purchases not only for his own Division but also for other neighbouring Divisions in the Andhra Pradesh Circle. The more reprehensible aspect is that a senior officer of the level of General Manager, Andhra Pradesh Circle, who should have ensured that the instructions issued by the Directorate were faithfully complied with by the field units, had himself “encouraged” the DET Tirupathi to make direct purchases for the “whole Circle”. Even after the Chief Accounts Officer, Cost Check Unit, Bangalore, had brought the irregularity to the notice of the General Manager, Telecommunications, Hyderabad in December 1979 and asked him to instruct the DET Tirupathi not to indent telephone instruments or other stores without the knowledge and approval of the Directorate, the direct purchases continued to be made till March 1981. What is still more

surprising is that the P&T Directorate at the Centre should have been so powerless and ineffective as not to have been able to stop the General Manager, Andhra Circle from open violation of their instructions. In the opinion of the Committee, for this state of utter indiscipline, the P&T Directorate is as much to blame as the General Manager, Telecommunications, Andhra Pradesh Circle. After issuing the instructions and then repeatedly reiterating them, the P&T Directorate should have had the will to see that these were faithfully complied with by the lower formations. When asked what machinery existed in the Directorate to enforce compliance with their instructions, the Ministry have stated that "the concerned Section in the DGP&T (when it comes to know of such lapses) reiterates instructions to field units for strict compliance". In reply to a specific question as to what remedial measures are now contemplated by the Department to avoid recurrence of such instances, the Ministry have stated that "instructions issued earlier will be reiterated with a stipulation that any lapses in future will be seriously viewed". From the evidence deposed by the Secretary, Ministry of Communications, the Committee received an unmistakable impression that the Departmental officers in field formations could defy the P&T Board without any risk of their being brought to book. How widespread is the malady of indiscipline in the Telephone Department is clear from the remark of the Secretary, "we do not feel shy of taking action. But we do not have the manpower necessary to start disciplinary action in a very large number of cases . . .". The Committee are unable to accept this explanation. They need hardly point out that indiscipline, particularly at a high level, if unchecked has a snowballing effect and there is, therefore, no alternative but to handle it with firmness. To quote the Secretary, Ministry of Communications again, "if our instructions are obeyed and followed in the field, the country would have got much better telephone system than it has got now." This expression of helplessness on the part of the head of the Department astonishes the Committee. They feel strongly that such persons ought not be at the helm of affairs. The Ministry of Communications should be in a position to ensure that all their decisions, particularly policy decisions, are faithfully complied with by the field units both in letter and spirit, and no officer in a field unit, howsoever high in rank, should have an impression that he can flout the directions of the Directorate and escape the consequences. The Committee trust that effective steps will now be taken by the Ministry of Communications to this end.

2.44 The Committee note that according to the explanation given by the General Manager, Telecommunications, Andhra Pradesh Circle, direct purchases were "resorted to bridge the gap of short supply of equipment and spares by M/s. ITI to meet urgent requirements of Andhra Pradesh Circle." However, according to the evidence given by the Secretary, Ministry of Communications before the Committee, the requirements of the Andhra Pradesh Circle in respect of which direct purchases were made by the DET Tirupathi, were not considered to be urgent by the Ministry as these were needed not for repairs of existing telephones but for new exchanges. In view of this, the plea of urgency advanced by the General Manager, Telecommunications, Andhra Pradesh Circle, for his violation of the Departmental instructions, is totally untenable. Even if it be agreed, for argument's sake, that the requirements of Andhra Pradesh Circle were indeed very urgent, the proper course for the General Manager, Telecommunications, Andhra Pradesh Circle, was to bring the fact of urgency to the notice of the Directorate. This he did not do; but, instead, he instructed the DET Tirupathi, to resort to direct purchases in utter violation of the instructions issued by the P&T Directorate. The Committee feel that the General Manager, Andhra Pradesh Circle, should have borne in mind that the requirements of some other Circles could have been equally pressing or even more pressing and if the other Circle Managers also started emulating his example, there would not be any semblance of Central planning left. The Committee would like the Ministry of Communications to take effective steps to ensure that so long as shortage of telephone instruments and spares continues, the Circles get only the quantities allocated by the P&T Directorate. With this end in view, the Committee would like the Ministry of Communications to consider the feasibility of issuing a directive to the ITI not to supply any quantities direct to the Circles other than those authorised by the P&T Directorate, whether specifically or generally. They would also like the Ministry to initiate disciplinary action against those who had flouted the Directorate's instructions.

2.45 The Committee were informed in evidence that to meet emergent situations, field units are allowed to make direct purchase of spares upto a ceiling of Rupees one lakh a year. For supplies beyond this amount, the field units have to approach the Directorate. The Committee would like the Ministry to examine whether in the interest of efficient maintenance of telephone service, which, by all accounts, is highly fault-prone, and in view of the all round increase in cost, the limit of Rupees one lakh per year should not

be raised. The P&T Directorate should also, on their part, ensure that they do not sit over the urgent requests of field units, and the decisions taken by them are reasonable and prompt.

2.46 The Committee observe that although the DET Tirupathi had been making direct purchases right from 1978, the lapse did not come to the notice of the Ministry of Communications till 1981 when Audit pointed it out. This indicates that there was no monitoring in the P&T Directorate to see whether the instructions issued by them were being complied with by the field units. While the Committee deplore the lack of any arrangement in this regard, they would like the Ministry of Communications to speedily evolve some sort of monitoring system to see that the instructions issued by the Directorate, particularly those having a bearing on utilisation of scarce resources, are in fact being carried out by the field units. The Committee would like to be informed of the action taken in the matter.

2.47 The Committee note that for the direct purchases made by the DET, Tirupathi since 15-1-1980, the TTI had charged non-P&T rates which were considerably higher than P&T rates. According to a note furnished by the Ministry, the exact excess payment on this account was being worked out. In the meanwhile, the Chief Accounts Officer, Cost Check Unit, had, under instructions from the Directorate recovered Rs. 15.76 lakhs on pro rata basis, on 27-7-1983, pending final settlement. The Committee desire that the matter should be settled at an early date.

## CHAPTER III

### INVENTORY CONTROL

3.1. The Committee desired to know the system of Inventory Control obtaining in the Telephone Department. The Secretary Ministry of Communications' stated as follows:

"Broadly, we have a system under which indents are made from two sources—one concerns items which are in critically short supply; in respect of them the indents are centralised, that is, indents are placed, i.e. allocations are made to various General Managers centrally taking into account the total availability from indigenous sources and also from imports so as to optimise the utilisation of whatever is available. The indents are placed by them to the Central P&T Directorate which takes into account the likely availability from indigenous and imported sources, and then make allocations. But, for items of equipment including stores which are not in short supply, indents are placed directly by the General Managers. The system of inventory control as it is understood in management is not really effective because with so many items—the number of items of stores runs into well over 10,000—this cannot be managed effectively from the inventory control point of view, through manual operations. We have come to the conclusion that this has to be computerised, so that indenting, examining the indents when they are routed through the centre, and supplies made to the various authorities are all computerised. Then only we can do really effective inventory control. Now, the General Manager, Telegraph Stores has his headquarters in Calcutta and he has subordinate units of his organisation outside Calcutta. In some of these stores items of equipment of other stores may be lying unutilised for too long a period while some part of that Circle or district or some other district may be suffering very much for want of those particular stores because we do not have a really effective system of inventory control. We are trying to modernise it. As you might recall, at a hearing of the PAC more than two years ago, this problem came

up in connection with an item of stores known as barrecor lamps where there was over-indenting. So we said at that time that we did consult some experts in the field of material management and we had decided that it should be computerised, but we have not yet been able to computerise it."

The Member (TD) added:

"On ITI, Hindustan Cables and Hindustan Teleprinters, the orders are placed centrally, on the basis of the production plans of these factories and also demand from different circles.

Indents on G.M. Telecom Stores are placed by the field units. Most of these are centrally controlled. The P&T Directorate may place orders on the ITI or GMTs may place orders on the private parties but the issues are controlled centrally; rationing is done from the Directorate. Even though the consignees may be receiving stores directly from the ITI or GMTs instructions are given from the Directorate."

3.2 In reply to a question from the Committee whether it was possible for the Telephone Department to say that on a given date so many telephones were in their possession the Member (TD) stated:

"We can give so far as these are in our Central and Regional stores. But once it is issued against a specific project or work, whether these have been utilised immediately or whether they are lying waiting for utilisation, we can collect the information but it will take a long time."

3.3. In reply to a question, the Secretary, Ministry of Communication conceded that ".....there was inventory control but the system was inadequate."

3.4. To a query from the Committee as to when the Department first thought of computerisation, the Secretary, Ministry of Communications stated that it was in 1974. Asked why it had not been possible for the Department to computerise in the last nine years, the witness stated:

"We have come to the decision but we have not been able to computerise."

3.5 Explaining the reasons for delay in computerising inventory control, the Ministry of Communications (P&T Board) have stated in a note as under:

"P&T Board in its meeting held on 13-8-73 decided that the question of obtaining services of a suitable consultants to go into the present and future needs and to advise the Department about the procurement of computers for Bombay, Madras and establishing E.D.P. Centres should be examined and proposal put up to the Board. As a result of this decision M's. Ferguson & Company, Bombay were appointed consultants vide No. 48-67/73-TR, dated 26-10-74 to undertake the feasibility study of the computer requirements of the Department. They submitted their report on 14-2-1976 and listed out the areas which deserved to be considered for computerisation on highest priority. A Committee was constituted vide P&T Board Memo. No. 48-10/76-TR, dated 7-6-76 to have a detailed and critical review of the feasibility report by M's. Ferguson & Company for practical consideration. The terms of reference of the committee were: (i) to study the feasibility report of the consultants with a view to pin-point the areas where computerisation may be introduced as a matter of priority and (ii) to suggest the method that should be followed to achieve the results.

This Committee submitted its final report in September 1976.

P&T Board Memo., examining the recommendations of the Committee, was submitted under No. 10-1/76MIS. In the P&T Board meeting held on 15-11-1976 the Board broadly agreed for establishing in house facilities of computerisation for the 4 areas of (a) Telephone Billing, (b) Inventory control, (c) cable and commercial records and (d) Telephone Directory in major telephone Districts. Computer co-ordinating Group was constituted in September 1979 and in its second meeting held in November 1979 it was decided that the responsibility for development of inventory control system should be given to Calcutta Telephones. This decision was taken in view of the fact that it would be necessary to co-ordinate very frequently with General Manager, Telecom. Stores, Calcutta for the system development work. As a part of inventory control stores accounting system developed by

the Computer Cell of Calcutta Telephones and it was handed over to GMTs Calcutta on 18-9-1982. The system is being run on the computer of Jadavpur University with hired computer time.

In the meantime proposal for import of computers for the in house computer project was submitted to Public Investment Bureau in May/June 1980. Approval for import of computers for P&T was accorded by P.I.B. on 20th March, 1981. The memo. for the Cabinet was prepared under No. 5-4/79-Computer dated 30-6-1981.

Cabinet Committee on Economic Affairs in its meeting held on 23-7-1981 approved the installation of in house computer system for improvement of local telephone service at Metropolitan telephone districts of Delhi, Bombay, Calcutta and Madras as contained in the Cabinet Memo. floated by Department of Electronics on 21-11-1981 and tenders were opened on 25-11-1982. Internal Evaluation Committee (P&T) was formed on 28-1-1982 and it submitted its report to D.O.B. on 1-3-1982. The matter is still under consideration of the Technical Evaluation Committee, constituted by Department of Electronics."

3.6. In reply to a question, the Secretary, Ministry of Communications, stated that "those in house four computers will also do local inventory control partially but not the over-all control of the entire thing." In reply to another question he stated that the computers would be in operation "hopefully, sometime by the end of the next year."

The Member (TD) added:

"We started on the soft-ware. Four computers are in the metropolitan cities. We will see the result."

3.7. Asked whether for inventory control alone they wanted a separate computer system, the Secretary, Ministry of Communications stated:

"That will have to be decided by appointing a Committee of Experts and they will study different aspects."

3.8 In reply to another question whether they had some programme for inventory control all over the country, the Member (TD) stated:

"We are initially going in for computerisation in the metropolitan cities the four regional depots only. Then we will be extending it to the Circle Depots. We will extend terminals after the trial with the metro city computers. First we will do in the Regional Depots and then in the circle depots."

3.9 The Committee observe that the existing system of material management in the P&T Department is out-of-date, highly deficient and unable to cope with the requirements of the Department. The General Manager, Telegraph Stores, has its headquarters in Calcutta, with the subordinate units all over the country. According to the admission made by the Secretary, Ministry of Communications before the Committee, while in some of these units considerable stores may be lying un-utilised for pretty long periods, in some other Circles/Districts or some other parts of those very Circles/Districts, service may be suffering badly for want of those very stores. In the words of the Secretary, Ministry of Communications, "the system of inventory control is not really effective because with the number of stores running into well over 10,000 this cannot be managed effectively from the inventory control point of view, through manual operations."

3.10 A more distressing aspect is that although the Department had come to the conclusion in 1974 that there was no alternative but to computerise the material management system over such a vast net work, the Department had not yet been able to computerise. A private company of Bombay appointed by the P&T Department as consultants had, in their feasibility report, submitted as far back as February 1976, listed inventory control as one of the areas deserving computerisation on highest priority. As mentioned in 191st Report (7th Lok Sabha), although eight years have elapsed since the consultants gave their report, the Department is still lost in procedural formalities. Even though tenders for computers were opened in January 1982, the matter is still at consideration stage. The lack-advisical manner in which the Telephone Department had acted in this case hardly redounds to the credit of the Department which is supposed to be run on commercial lines and be businesslike in its operations. The Committee desire that, in the interest of efficient material management, the matter should be finalised without any further delay.

## CHAPTER IV

### RESEARCH, DEVELOPMENT AND PRODUCTION

4.1. The Committee enquired about the development of indigenous technology in the field of telecommunications. The Secretary, Ministry of Communications setated:

".....When we started automatisation, we imported the strowger equipment knowhow, but now it is entirely indigenously produced."

4.2. Asked whether that technology had not by now become obsolete, the witness stated:

"Even advance countries like U.K. are still using stronger equipment."

4.3. In reply to a question as to how far Research and Development Wing of the Department has so far progressed to indigenise technology in the field of telecommunications, specially the telephone system, instruments as well as cables and other items needed therefor, the Ministry of Communications have in a written reply stated as under:

"The main objective of Telecommunications Research Centre is to keep abreast of the advances in Telecommunication technology to:

- (i) Provide the necessary expertise for the formulation and implementation of policies for introduction of technological advances relevant to the telecommunication services in India.
- (ii) Carry out the necessary design and development projects.
- (ii) Conduct specific technical investigation into problems of the telecommunication services of the P&T.
- (iv) Tender technical advice to the executive branches.

The tempo of R&D activities in TRC has been kept up and a large number of equipment designs developed and eva-

ulated for indigenous production. Details of projects cleared for production during last three years (1980-81, 1981-82 and 1982-83) are listed in annexure (not enclosed).

Apart from these TRC is actively in absorption of new technologies involved in manufacture of Electronic Exchanges under collaboration agreements with M/s. CTT ALCATEL of France.

It can thus be seen that indigenous know-how is available for majority of the equipment and cable required for telecommunication."

4.4 In reply to a question as to what were the terms and conditions of the agreement entered into with the United Kingdom in 1948 regarding transmission equipments, in particular, whether there was any stipulation that the U.K. will provide the latest know-how and technology to be developed in that country, the Ministry have in their note stated:

"ITI had entered into an agreement with M/s. ATE of U.K. mainly for setting up of indigenous manufacture of the strowger system of automatic telephone switching equipments. This agreement expired by the 3rd May, 1963. This agreement expired by 3rd May, 1963. Vide clause 6(i) of the agreement, ATE had agreed to give all information regarding development arising out of the research, whether adopted for use or not, relating to telephone equipment, which term included some carrier Transmission Equipment in vogue then and related Test Equipment."

4.5 Giving progressive developments since the agreement was entered into by ITI with M/s. ATE of U.K., the Ministry have in a subsequent note stated:

"The agreement was in force up to 3rd May, 1963. ITI has been manufacturing Strowger Equipment since the agreement was entered into and even to date continues to manufacture Strowger Equipment in its Bangalore Complex and the Rae Bareli Unit. The question of phasing out manufacture of Strowger Equipment with the induction

of ESS manufacture based on the agreement entered into in July, 1982 with M/s. CIT ALCATEL of France for the manufacture of Digital Electronic Switching Equipment is under consideration of ITI. The carrier transmission equipment, for which know-how was obtained from M/s. ATE is no more under production in ITI. With knowledge gained from know-how obtained for telephone instruments and transmission equipment, improved versions developed by ITI R&D have been and are under production in the Bangalore and Naini Units of ITI."

4.6 Asked how far the indigenous technology developed by the R&D Wing was reflected in the overall performance of the Telephone Department, the Secretary, Ministry of Communications stated:

"Even with the best of equipment, good performance calls for two things, the quality of equipment and the human factor. If both the things are not there, the best of equipment cannot lead to good performance."

In reply to a question, he stated:

". . . . We are . . . . trying to become self-reliant but we have not been fully successful and this is a field where many countries are unable to become self-reliant. They have not become self-reliant."

4.7 The Committee enquired whether the imports are being made even though the equipment could be produced in the country. The Secretary, Ministry of Communications stated:

"We do not have a machine capacity."

The Member (TD), however, stated:

"We do not have the know-how for electronic or digital exchange equipment and production of electro-mechanical equipment from present factories is much below demand. The production capacity for electronic exchanges is being set up during this Plan."

The Secretary, Ministry of Communications added:

"In the next Plan also, while we will be starting production for modern switching transmission and digital equipment in the country, in the initial phases of these factories, we

will be importing finished equipment and semi-finished equipment."

4.8 In reply to another question whether he was satisfied with the progress so far made by the R & D Wing, he stated:

"The progress is not to the extent desirable. We imported cross bar switching technology in the Sixties. But we have in this country, on the basis of local knowledge, made improvements because what we had imported was inadequate for our system, for our calling rate, etc. Even if we are self-sufficient in some particular fields, in the matter of designing, in the matter of converting those designs into production, it is still inadequate."

4.9 The Committee then enquired about the manufacture of telephone instruments by the ITI. The Secretary, Ministry of Communications stated:

"We do manufacture them. But there are some inadequacies in the instruments that we are manufacturing there. One is that the transmitter is not up to the mark and the receiver also is not up to the mark."

In reply to a question, he added:

"In consultation with all our experts including the ITI, we decided that we do not possess the knowledge in the country to manufacture telephones up to the specifications which are required for proper performance."

In reply to another question, he added:

"We made indigenous design of a telephone instrument in 1961 which is the one mostly manufactured now and it is very defective."

In reply to a further question, he stated:

"At least 25 per cent of our telephones are not perfect. They have defects in the transmitter, in the dial and/or in the receiver. These three primary defects have been there."

4.10 In reply to a question, the Secretary, Ministry of Communication conceded:

"I do not think that we have given our subscribers the quality of service which those countries are giving for more than 30 years."

4.11 As to the demand and supply of telephone instruments in the country, the witness stated that India's production of telephone instruments last year was 3.9 lakhs as against the demand of 5 lakhs.

4.12 In reply to a question seeking information regarding annual requirements of (i) P & T and (ii) other Government Departments/ Public Undertakings for telephone equipment and the actual supplies made by ITI to them during the last 3 years, the Ministry of Communications have furnished the following information:

"The demands of P & T as assessed by P & T and non-P & T demands as assessed by ITI for telephone instruments are as follows:

(in lakh numbers)

Year	P&T	Non-P&T	Total
1980-81 . . . . .	3.98	1.51	5.49
1981-82 . . . . .	4.73	1.66	6.39
1982-83 . . . . .	5.81	1.83	7.64
1983-84 . . . . .	7.12	2.01	9.13
1984-85 . . . . .	8.38	2.20	10.58

The actual supplies during the last three years are as follows:

Year	P&T	Non-P&T	Total
1980-81 . . . . .	2,34,502	27,046	2,61,548
1981-82 . . . . .	3,66,613	52,381	4,18,994
1982-83 . . . . .	4,15,203	40,380	4,64,583

4.13 The Committee enquired about the extent to which the telephone equipments were being imported because they could not be manufactured indigenously. The Member (TD) stated:

"Out of an allocation of about Rs. 2340 crores in the 1980-81 Plan, the import content is of about Rs. 400 crores."

4.14 Asked whether the import trend was rising, the witness stated:

“In terms of this Plan it is a rise whereas in the earlier five Plans it was declining. This is because we were permitted to plan for 14 lakh telephones in this 1980—85 Plan compared to much smaller increase (say 6 lakhs) in earlier plans.”

In reply to another question, he clarified:

“Our policy is not to import indefinitely all the equipment . . . We will import the know-how once paying royalty and then we will manufacture the instruments in our country on the basis of the imported know-how.”

4.15 The Committee then enquired about the collaboration agreements with foreign countries for import of foreign technology in the field of telecommunications. The Secretary, Ministry of Communications and the Member (TD) stated that the country had entered into the first agreement in 1948. It was with the U.K. The country had not entered into any other agreement thereafter. A new technology was now being procured from an Italian firm for a complete telephone instrument. As to the need for this, the Member (TD) stated:

“After 1948 import of know-how, the ITI itself designed a new telephone instrument called 671 in the early sixties and it is still in very large scale production. Out of the three vital components mentioned by the Secretary, dial was the one which was giving the maximum trouble and we were not also able to step up the production of the locally designed type 61 dial, as they call it, which goes into 671 instrument. We had imported some dials. We felt that instead of continuously importing it, we will get the knowhow and manufacture it. It is all plastic and a fairly modern equipment of the early seventy vintage, which is now being manufactured at Bangalore and taken up for assembly in Naini. Out of the three vital components, this is the most difficult thing or the one which gives the maximum trouble. To obviate all the three problem areas and also to incorporate a new technology in telephone instrument at lower cost collaboration has also been entered into . . . for a family of complete telephone instruments.”

4.16 As regards the terms and conditions of the agreement entered into with M/s. FACE of Italy and the financial involvement of the Government of India, the Ministry of Communications have, in a note given the following information:

“FACE (Italy) grants to ITI exclusive licence for manufacture of telephone instruments on which FACE will supply all technology necessary including documents, technical assistance and training of Indian personnel. FACE will also supply Industrial Equipment for the proposed and SDK/SKD/CKD components for initial assembly of telephones.

Investments etc. envisaged in the agreement with FACE is for manufacture of 5 lakh telephones and 2.5 lakh critical parts of dials, transmitters and receivers at each of ITI Units at Bangalore and Naini respectively. Collaboration proposal is primarily with a view to expand to large scale of production together with induction of updated manufacturing technology for productivity and achieving consistent quality. Apart from the desk instrument with rotary dials, FACE will provide technology for push button dials also. There is a provision for joint development and subsequent transfer of know-how for Electronic Telephones. The agreement with FACE is currently with the Government for taking on record.

Investment approvals have been accorded by Government for manufacture of telephones as per agreement above for Rs. 18.44 crores with FE content of Rs. 10.89 crores. Out at Bangalore and Naini units of ITI with foreign collaborator is Rs. 1.79 crores (FE).”

4.17. In answer to Unstarred Question No. 1586 regarding manufacture of telephone apparatus in collaboration with FACE Standard, an Italian firm, the Minister of Communications has stated in Lok Sabha on 6 March, 1984:

“Government have approved a capital investment of Rs. 18.33 crores for manufacture of 5 lakh telephone instruments and 7.5 lakh critical components thereof, per annum, each at Bangalore and Naini units of ITI with foreign collaboration. The production will commence after 12 months from the effective date of agreement and rated capacity

of production will be achieved in the fifth year of the project.”

4.18 Asked whether after 10 years India could hope to have the same advanced technology that is in operation today in developed countries, the witness replied in the affirmative. The Committee desired to know the quantum of indigenous production of underground cable *vis-a-vis* its demand. The Secretary, Ministry of Communications state:

“46 lakhs CKM is the overall requirement this year for the entire country ... The indigenous supply is 28 lakhs CKMs ...”

4.19 Asked whether the gap of 18 lakhs CKMs was proposed to be met by imports, he replied:

“We are not yet in the process of importing. We are assessing how much to import.”

4.20 Asked whether the shortage of cables was not one of the reasons for delay in rectification of telephone faults, the witness replied in the affirmative. In reply to another question, he stated:

“In most cables, we are self-reliant.”

4.21 In reply to a question as to the requirement of underground cables for each of Metropolitan cities for the year 1980-81, 1981-82 and 1982-83 and the quantity of indigenous supply as well as imported one during the last three years for each Metropolitan city, the Ministry have in a note stated as under:

(i) Requirements of underground cables for four Metropolitan Districts.

Metro District	Year			
	1980-81 LCKM	1981-82 LCKM	1982-83 LCKM	1983-84 (upto Sept. 1983)
Delhi . . . . .	3.23	10.16	11.31	0.45
Bombay . . . . .	6.17	9.73	10.55	7.76
Calcutta . . . . .	1.76	1.82	4.88	..
Madras . . . . .	0.19	1.00	1.08	2.72

(ii) Total supplies of cables to the Districts as per our record.

Metro District	Year			
	1980-81	1981-82	1982-83	1-4-83 to 31-8-83
Delhi . . . . .	0.82	5.00	2.26	1.63
Bombay . . . . .	6.28	4.64	8.03	2.08
Calcutta . . . . .	0.62	1.69	4.12	0.40
Madras . . . . .	0.42	0.97	1.22	0.26

4.22 While not belittling the research and development efforts made in the country in the field of telecommunications, the Committee feel that we have still a long, long way to go. The telephone instrument mostly under production in the country (called '671') was developed by the ITI indigenously in 1961 on the basis of strowger equipment know-how imported under a collaboration agreement with ATE of the U.K. in 1948. However, the indigenous instrument has been found to be highly deficient. In the words of the Secretary, Ministry of Communications Member (TD), "At least 25 per cent of our telephones are not perfect. They have defects in the transmitter, in the dial and/or in the receiver. These three primary defects have been there". (Of these), "dial was the one which was giving the maximum trouble." However, the irony is that the production of even this instrument, highly deficient it is, lags behind the demand. As against the total requirement of 5.49 lakh instruments (both P&T and non-P&T), the total supply in 1980-81 was about 2.62 lakhs. The position improved somewhat in 1981-82 when as against the aggregate demand of 6.39 lakh instruments, the supply was 4.19 lakhs. The position deteriorated in 1982-83 when as against the total demand of 7.64 lakh instruments, the total supply was about 4.65 lakhs only. With inadequate production of even highly deficient instruments, and the around outmoded telecommunication technology, the Committee are not surprised at the admission made by the Secretary, Ministry of Communications during evidence, "I do not think that we have given our subscribers the quality of service which those (developed) countries are giving for more than 30 years."

4.23 The Committee have been informed that for induction of updated technology as also expansion of production of telephone

instruments Government have approved collaboration proposal with M/s. FACE of Italy. Government have already approved a capital investment of Rs. 18.33 crores for manufacture of 5 lakh telephone instruments and 2.5 lakh critical components each for Units at Bangalore and Naini thereof per annum under this agreement. The production would commence after 12 months from the effective date of agreement and rated capacity of production would be achieved in the fifth year of the production. Apart from the desk instrument with rotary dials, FACE would provide technology for push button dials also. There is also a provision for joint development and subsequent transfer of know-how for electronic telephones. The question of phasing out manufacture of strowger equipment with the induction of Electronic Switching System, manufacture based on the agreement entered into in July 1982 with M/s. CIT ALCATEL of France for the manufacture of Digital Electronic Switching Equipment is also under consideration of ITI. The Committee trust that Government would take all steps necessary not only to update the telecommunication technology in the country but also to expand the production of telephone instruments to meet the long pent-up demand for new telephones. They also hope that the Ministry would draw up a long-term perspective plan for the purpose at a very early date.

4.24. Another area which vitally affects the telephone service in the country is acute shortage of underground cable. According to the figures given during evidence, as against the over all requirement of 46 lakh CKMs, the indigenous supply is only 28 lakh CKMs. leaving a gap of 18 lakh CKMs. Amongst the metropolitan cities, the position is particularly bad in Delhi where as against the demand of 3.23 LCKMs, 10.16 LCKMs and 11.31 LCKMs the supplies were only 0.32 LCKMs, 5.00 LCKMs and 2.261 CKMs, during the years 1980-81, 1981-82 and 1982-83, respectively. The Committee need hardly point out that the shortage of underground cable not only affects the programme of setting up new telephone exchanges but also causes delay in rectification of telephone faults. The Committee, therefore, desire that effective steps should be taken to meet the gap between the demand and supply of cable at a very early date.

NEW DELHI;  
 April 9, 1984  
 Chitra 20, 1906 (Saka)

SUNIL MAITRA  
 Chairman,  
 Public Accounts Committee.

## APPENDIX

### Statement of observations and Recommendations

S. No.	Para No.	Ministry/Department Concerned	Observation/Recommendation
1	2	3	4
1	1.36	Ministry of Communications (P&T Board)	<p>The Committee are unhappy over the manner in which the DGP &amp; T had all along acted in regard to procurement of 275 Continuous Channel Testing Bays (CCTB) costing about a crore of rupees. Time and again, the Public Accounts Committee have stressed that orders for bulk production of new equipment should be placed only after conducting successful field trials. It is not clear to the Committee why the DGP &amp; T should not have followed the oft-repeated recommendation of the Committee in the instant case. The explanation given by the Ministry for this was that the equipment was required for immediate operational purposes. However, as the Committee observe, out of 275 bays ordered for in October 1973 and received in 1976, only 46 were installed upto July 1978, i.e. about four and a half years after the placement of the order, and 59 bays have not yet been installed. Further, even the installed bays had hardly served any purpose as due to technical snags the STD channels, to which the CCTBs were connected, resulted in excess metering and caused wrong numbers on dialling digits higher than seven. Even though the matter was taken up by the GMM, Madras as far back as June 1978, the problem of the equipment not responding correctly to digits higher than seven had not been solved. In the case of Single Line Operator</p>

Dialling (SLOD) circuits, the equipment was not able to give a single hour's satisfactory service since its installation. Only 22 circuits could be made operational by the Southern Region after seven years of trial and error, but even there, the Ministry are "not sure about their continuous stable working". As regards the remaining CCTBs, the Ministry have come to the conclusion that "as the modifications required are extensive and the equipment will not be of much use in today's technology", it has been decided to scrap the equipment. Thus, the entire amount of nearly a crore of rupees spent by the Department on the purchase of the bays had practically proved a total loss and the operational purpose for which the equipment was immediately needed has also not been served. The Committee trust that the Ministry will draw lessons from their experience in this case and in future not venture to place orders for bulk purchase without first conducting successful field trials.

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Even if the initial error could be condoned, the Committee fail to understand why the DGP & T had not taken any action to stop the bulk manufacture|supply of CCTBs when the GMM, Bombay|Madras after trial of the prototype had informed (June-July, 1975) that the performance of the bays was unsatisfactory and the GMM, Bombay had specifically requested him to review the suitability of the equipment before standardisation and installation on a large scale. As no supplies had been made by the ITI to the field units by that time, much of the loss caused to the Department could have been avoided if the DGP & T, in accordance with his understanding with the ITI, had

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taken necessary action to stop the bulk manufacture|supply of the CCTBs by that time. It has been argued by the Ministry that in as much as the ITI had already procured material for manufacturing 300 bays, it was not possible to cancel the order at that stage. The Committee are surprised at this explanation in view of the DGP & T's clear understanding with the ITI that the bulk manufacture and supply would take place only after successful performance of the prototype in the field. As the Committee observe, the failure of the DGP & T to make the ITI, Naini, stop the bulk manufacture of the equipment when the prototype was found to have given unsatisfactory performance had resulted in not only avoidable huge loss to the Department but also avoidable wastage of manpower and material. The Committee consider this lapse on the part of the DGP & T inexcusable, and desire that responsibility should be fixed therefor.

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3 1.38

Ministry of Communications  
(P&T Board)

From the material furnished by the Ministry, the Committee observe that after the placement of the order for supply of 275 CCTBs on the ITI in October 1973, cost of equipment was paid centrally by the Cost Check Unit of the P & T Department and debits were passed on to the respective consignees for adjustment against the relevant estimates sanctioned|to be sanctioned by them. A few estimates were sanctioned during 1973-74 and 1974-75 by the Regions, while the remaining estimates were sanctioned between 1976 and 1979 i.e. after a delay of 3 to 6 years. When questioned in evidence, the

Members (TD) and (Finance), P & T Board, stated that according to the practice followed by the Board, for maintenance equipment, orders were usually placed in advance and covering sanction was issued subsequently by the field units. In the instant case, because the equipment could not be installed immediately, there was a delay in the sanction of estimates. According to the view expressed by the Secretary, Ministry of Communications, the practice of supply order preceding formal sanction could not be considered as "healthy" and "regular". He promised to consider whether the existing practice could not be discontinued or suitably revised. The Committee would like the Ministry of Communications to take an early decision in the matter.

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4 1.39

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The Committee are informed that the main shortcoming in the present equipment is that it is build on the same technology as the main equipment itself and, therefore, its own fault liability is as bad as that of the main equipment which it is designed to monitor. Another shortcoming is that when this equipment develops a fault, it can interfere with the normal working of the channel itself. As such, it is not of much use in today's technology and it has been decided to scrap it. In its place, better and more useful devices have been tried at Delhi, Bombay and Madras for monitoring the performance of various transmission circuits. The monitors had helped to identify the various faults in a very short time. This experimentation is only a field trial

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project and, based on its results, further action would be taken to instal suitable surveillance system for the transmission media. The Committee would like to be informed of the further progress made in the matter.

5 2.42

Ministry to Communications  
(P&T Board)

In 1974, the P&T Directorate issued instructions to all its field units that indents for telephone instruments and spares, etc. should be placed on the ITI centrally through the P&T Directorate and the supplies would be made to the individual units concerned direct by the manufacturers on the basis of allotment orders issued by the Directorate. The purpose was to enable the Directorate to make the best use of the available scarce supplies. These instructions were reiterated by the P&T Directorate in January 1978 and August 1979 and again in March 1980. However, the Divisional Engineer, Telecommunications (DET), Tirupathi, purchased telephone instruments worth Rs. 52.63 lakhs direct from the ITI during the period 1978-79 to 1980-81 and also made direct payments to the ITI. The direct purchases resulted in heavy extra expenditure to the Department as the ITI, which was offering concessional rates to the P&T Department, decided to charge with effect from 15-1-1980 non-P&T rates for all direct purchases which were considerably higher than the rates as per rate list of 1976 normally charged from the P&T Department. The Committee would like to know how differential rates for supplies to the Department could be charged by the public undertaking.

It passes the comprehension of the Committee how an officer of the level of Divisional Engineer could continue to violate with impunity the standing instructions of the P&T Directorate, which were repeatedly reiterated. He had made direct purchases not only for his own Division but also for other neighbouring Divisions in the Andhra Pradesh Circle. The more reprehensible aspect is that a senior officer of the level of General Manager, Andhra Pradesh Circle, who should have ensured that the instructions issued by the Directorate were faithfully complied with by the field units, had himself "instructed" the DET Tirupathi to make direct purchases for the "whole Circle". Even after the Chief Accounts Officer, Cost Check Unit, Bangalore, had brought the irregularity to the notice of the General Manager, Telecommunications, Hyderabad in December 1979 and asked him to instruct the DET Tirupathi not to indent telephone instruments or other stores without the knowledge and approval of the Directorate, the direct purchases continued to be made till March 1981. What is still more surprising is that the P&T Directorate at the Centre should have been so powerless and ineffective as not to have been able to stop the General Manager, Andhra Circle from open violation of their instructions. In the opinion of the Committee, for this state of utter indiscipline, the P&T Directorate is as much to blame as the General Manager, Telecommunications, Andhra Pradesh Circle. After issuing the instructions and then repeatedly reiterating them, the P&T Directorate should have had the will to see that these were faithfully complied with by the lower formations. When asked what machinery existed in the Directorate to enforce compliance with their instructions, the Ministry have stated

that "the concerned Section in the DGP&T (when it comes to know of such lapses) reiterates instructions to field units for strict compliance". In reply to a specific question as to what remedial measures are now contemplated by the Department to avoid recurrence of such instances, the Ministry have stated that "instructions issue earlier will be reiterated with a stipulation that any lapses in future will be seriously viewed". From the evidence deposed by the Secretary, Ministry of Communications, the Committee received an unmistakable impression that the Departmental officers in field formations could defy the P&T Board without any risk of their being brought to book. How widespread is the malady of indiscipline in the Telephone Department is clear from the remark of the Secretary, "we do not feel shy of taking action. But we do not have the manpower necessary to start disciplinary action in a very large number of cases...". The Committee are unable to accept this explanation. They need hardly point out that indiscipline, particularly at a high level, if unchecked, has a snowballing effect and there is, therefore, no alternative but to handle it with firmness. To quote the Secretary, Ministry of Communications again, "if our instructions are obeyed and followed in the field, the country would have got much better telephone system than it has got now." This expression of helplessness on the part of the head of the Department astonishes the Committee. They feel strongly that such persons ought not be at the helm of affairs. The Ministry of Communications should be in a position to ensure that all their decisions, particularly policy decisions, are faithfully complied with by the field units both in letter and spirit,

and no officer in a field unit, howsoever high in rank, should have an impression that he can flout the directions of the Directorate and escape the consequences. The Committee trust that effective steps will now be taken by the Ministry of Communications to this end.

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The Committee note that according to the explanation given by the General Manager, Telecommunications, Andhra Pradesh Circle, direct purchases were "resorted to bridge the gap of short supply of equipment and spares by M/s. ITI to meet urgent requirements of Andhra Pradesh Circle." However, according to the evidence given by the Secretary, Ministry of Communications before the Committee, the requirements of the Andhra Pradesh Circle in respect of which direct purchases were made by the DET Tirupathi, were not considered to be urgent by the Ministry as these were needed not for repairs of existing telephones but for new exchanges. In view of this, the plea of urgency advanced by the General Manager, Telecommunications, Andhra Pradesh Circle, for his violation of the Departmental instructions, is totally untenable. Even if it be agreed, for argument's sake, that the requirements of Andhra Pradesh Circle were indeed very urgent, the proper course for the General Manager, Telecommunications, Andhra Pradesh Circle, was to bring the fact of urgency to the notice of the Directorate. This he did not do; but instead, he instructed the DET Tirupathi, to resort to direct purchases in utter violation of the instructions issued by the P&T Directorate. The Committee feel that the General Manager, Andhra Pradesh Circle, should have borne in mind that the require-

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ments of some other Circle could have been equally pressing or even more pressing and if the other Circle Managers also started emulating his example there would not be any semblance of Central planning left. The Committee would like the Ministry of Communications to take effective steps to ensure that so long as shortage of telephone instruments and spares continues, the Circles get only the quantities allocated by the P&T Directorate. With this end in view, the Committee would like the Ministry of Communications to consider the feasibility of issuing a directive to the ITI not to supply any quantities direct to the Circle other than those authorised by the P&T Directorate whether specifically or generally. They would also like the Ministry to initiate disciplinary action against those who had flouted the Directorate's instructions.

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The Committee were informed in evidence that to meet emergent situations, field units are allowed to make direct purchase of spares upto a ceiling of Rupees one lakh a year. For supplies beyond this amount, the field units have to approach the Directorate. The Committee would like the Ministry to examine whether in the interest of efficient maintenance of telephone service, which, by all accounts, is highly fault-prone, and in view of the all round increase in cost, the limit of Rupees one lakh per year should not be raised. The P&T Directorate should also, on their part, ensure that they do not sit over the urgent requests of field units, and the decisions taken by them are reasonable and prompt.

- 9            2.46            -do-
- The Committee observe that although the DET Tirupathi had been making direct purchases right from 1978, the lapse did not come to the notice of the Ministry of Communications till 1981 when Audit pointed it out. This indicates that there was no monitoring in the P&T Directorate to see whether the instructions issued by them were being complied with by the field units. While the Committee deplore the lack of any arrangement in this regard, they would like the Ministry of Communications to speedily evolve some sort of monitoring system to see that the instructions issued by the Directorate, particularly those having a bearing on utilisation of scarce resources, are in fact being carried out by the field units. The Committee would like to be informed of the action taken in the matter.
- 10           2.47            -do-
- The Committee note that for the direct purchases made by the DET, Tirupathi since 15-1-1980, the ITI had charged non P&T rates which were considerably higher than P&T rates. According to a note furnished by the Ministry, the exact excess payment on this account was being worked out. In the meanwhile, the Chief Accounts Officer, Cost Check Unit, had, under instructions from the Directorate recovered Rs. 15.76 lakhs on pro-rata basis on 27-7-1983, pending final settlement. The Committee desire that the matter should be settled at an early date.
- 11           3.9                -do-
- The Committee observe that the existing system of material management in the P&T Department is out-of-date, highly deficient and unable to cope with the requirements of the Department. The Gene-
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ral Manager, Telegraph Stores, has its headquarters in Calcutta, with the subordinate units all over the country. According to the admission made by the Secretary, Ministry of Communications before the Committee, while in some of these units considerable stores may be lying un-utilised for pretty long periods, in some other Circles|Districts or some other parts of those very Circles/Districts, service may be suffering badly for want of those very stores. In the words of the Secretary, Ministry of Communications, "the system in inventory control is not really effective because with the number of stores running into well over 10,000 this cannot be managed effectively from the inventory control point of view, through manual operations."

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A more distressing aspect is that although the Department had come to the conclusion in 1974 that there was no alternative but to computerise the material management system over such a vast network, the Department had not yet been able to computerise. A private company of Bombay appointed by the P&T Department as consultants had, in their feasibility report, submitted as far back as February 1976, listed inventory control as one of the areas deserving computerisation on highest priority. As mentioned in 191st Report (7th Lok Sabha), although eight years have elapsed since the consultants gave their report, the Department is still lost in procedural formalities. Even though tenders for computers were opened in January 1982, the matter is still at consideration stage. The lackadaisical man-

ner in which the Telephone Department had acted in this case hardly redounds to the credit of the Department which is supposed to be run on commercial lines and be business like in its operations. The Committee desire that, in the interest of efficient material management, the matter should be finalised without any further delay.

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While not belittling the research and development efforts made in the country in the field of telecommunications, the Committee feel that we have still a long, long way to go. The telephone instrument mostly under production in this country (called '671') was developed by the ITI indigenously in 1961 on the basis of strowger equipment know-how imported under a collaboration agreement with ATE of the U.K. in 1948. However, the indigenous instrument has been found to be highly deficient. In the words of the Secretary, Ministry of Communications|Member (TD), "At least 25 per cent of our telephones are not perfect. They have defects in the transmitter, in the dial and| or in the receiver. These three primary defects have been there". (Of there), "dial was the one which was giving the maximum trouble." However, the irony is that the production of even this instrument, highly deficient as it is, lags behind the demand. As against the total requirement of 5.49 lakh instruments (both P&T and non-P&T), the total supply in 1980-81 was about 2.62 lakhs. The position improved somewhat in 1981-82 when as against the aggregate demand of 6.39 lakh instruments, the supply was 4.19 lakhs. The position deteriorated in 1982-83 when as against the total demand of 7.64 lakh instruments, the total supply was about 4.65 lakhs only. With inadequate

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Another area which vitally affects the telephone service in the country is acute shortage of underground cable. According to the figures given during evidence, as against the overall requirement of 46 lakh CKMs, the indigenous supply is only 28 lakh CKMs, leaving a gap of 18 lakh CKMs. Amongst the metropolitan cities, the position is particularly bad in Delhi where as against the demand of 3.23 LCKMs, 10.16 LCKMs and 11.31 LCKMs, the supplies were only 0.82 LCKMs, 5.00 LCKMs and 2.261 CKMs, during the years 1980-81, 1981-82 and 1982-83, respectively. The Committee need hardly point out that the shortage of underground cable not only affects the programme of setting up new telephone exchanges but also causes delay in rectification of telephone faults. The Committee, therefore, desire that effective steps should be taken to meet the gap between the demand and supply of cable at a very early date.

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