P.A.C. No. 122

PUBLIC ACCOUNTS COMMITTEE (1965-66)

FORTY-THIRD REPORT

(THIRD LOK SABHA)

[Appropriation Accounts (P&T), 1963-64 and Audit Report (P&T), 1965]

LOK SABHA SECRETARIAT
NEW DELHI
February, 1966
Magha 1887 (S)
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CORRIGENDA TO FORTY-THIRD REPORT OF PAC. 1965-66)
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Page	Para	Line	For	Read
Contents (i)		18	he	the
		24	Rs 90,000	Rs 90,00,000
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10	1.19	2	cointributions	contributions
11		1	Appropriations, Audit	Appropriation Audit
16	2.13	28	appraised	apprised
21	3.10	4	my	any
22	3.12	8	procedure of delays	procedural delays
30	3.32	4	work	worked
		9	renewal	renewed
38	4.6	2	severage	sewerage
47	4.32	6	purpose	purposes
48	4.36	5	operative,the	operative.The
52	4.51	17	an unintended receipt	an unintended benefit
	4.55	2	levy	long
74	foot-note	4	lakes	lakhs
79	7.12	3	defeat	defeated
131	App.XV (2)	3	87	57
156	App.XVIII (5)	6	thre	there
162	Col.4	22	appraised	apprised
165	-do-	23	procedure of delays	procedural delays
176	-do-	9	unintended receipt	unintended benefit
		15	levy	long
183	-do-	3	defeat	defeated

CONTENTS

PART II-PROCEEDINGS*

Proceedings of the 29th Sitting held on 8-10-1965.

Proceedings of the 31st Sitting held on 11-10-1965.

Proceedings of the 33rd Sitting held on 12-10-1965.

Proceedings of the 35th Sitting held on 13-10-1965.

Proceedings of the 77th Sitting held on 22-1-1966.

PART III*

Statements/notes showing action taken on the recommendations of the PAC contained in their earlier Reports on P. & T. Accounts.

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(1965-66)

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SECRETARIAT

Shri H. N. Trivedi—*Deputy Secretary.*

Shri R. M. Bhargava—*Under Secretary.*

INTRODUCTION

1. the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Forty third Report on Appropriation Accounts (P. & T.), 1963-64 and Audit Report (P. & T.), 1965.

2. The Appropriation Accounts (P&T) 1963-64 and Audit Report (P&T), 1965 were laid on the Table of the House on the 31st March, 1965. The Committee examined these at their sittings held on 8th, 11th, 12th and 13th October, 1965. A brief record of the proceedings of each sitting has been maintained and forms part of the Report (Part II*).

3. The Committee considered and finalised the Report at their sitting held on 22nd January, 1966.

4. A statement showing the summary of the main conclusions/recommendations of the Committee is appended to the Report (Appendix XX). For facility of reference these have been printed in thick type in the body of the Report.

5. The Committee also considered the replies of the P. & T. Board/Department indicating action taken or proposed to be taken on the earlier recommendations of the Committee which are included in Part III* of this Report. Their comments on a few selected items are contained in Chapter VIII of the Report.

6. The Committee place on record their appreciation of the assistance rendered to them in their examination of these accounts by the Comptroller & Auditor General of India.

They would also like to express their thanks to the officers of the P. & T. Board and Ministries of Finance and Industry and Supply (Department of Supply and Technical Development) & (Deptt. of Industry) for the co-operation extended by them in giving information to the Committee during the course of evidence.

NEW DELHI;
February 1, 1966.
Magha 12, 1887 (*S*).

R. R. MORARKA,
Chairman,
Public Accounts Committee.

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I

POSTS AND TELEGRAPHS DEPARTMENT

Revenue Position, para 1, *page* 1.

The total revenue receipts of the Posts and Telegraphs Department as budgeted for and realised during the five years ending with 1963-64 are given below:

Years	Budget	Actuals	Excess	Percentage of excess
	(In crores of rupees)			
1959-60	69·24	70·40	1·16	1·7
1960-61	75·40	77·14	1·74	2·3
1961-62	81·00	87·89	6·89	8·5
1962-63	89·22	97·87	8·65	9·7
1963-64	107·51	109·70	2·19	2·0

The variation from the budget during 1963-64 was substantially less than in the two preceding years.

The budget estimates of 1963-64 and the actual receipts under the main heads of revenue are compared below:

Main heads of revenue	1963-64		
	Budget estimates	Actuals	Variation
	(In Crores of rupees)		
(*i*) Sale of ordinary stamps (including post cards)	34·56	36·36	+1·80
(*ii*) Sale of service stamps	8·73	8·50	—0·23
(*iii*) Postage realised in cash	6·35	6·77	+0·42
(*iv*) Receipts on account of money orders, Indian postal orders, etc.	6·15	6·60	+0·45
(*v*) Telegraph charges realised in cash . .	6·90	7·41	+0·51
(*vi*) Rent of wires and instruments leased to railways, canals, etc.	2·30	1·80	—0·50
(*vii*) Telephone revenue on account of rents and local and trunk call fees, etc.	38·85	37·10	—1·75
(*viii*) Advance rentals under 'Own Your Telephone' scheme	1·30	2·12	+0·82
(*ix*) Other receipts (net)	2·37	3·04	+0·67
TOTAL	107·51	109·70	+2·19

1.2. Asked why the actuals were invariably higher than the estimates during the last five years, the witness stated that the traffic had been growing repidly and the rate of growth varied. At the time of framing the estimates the available figures did not pertain to the whole year and the estimate was about 12 to 18 months behind. Efforts were made by the Deptt. to make a best guess depending on previous performances and anticipation of increase in traffic and this time the assumptions were nearer the mark than in the previous years. He further added that the telephone revenue had been slightly over-estimated and realisation of revenue was less than expected. As against an expected increase of 15 per cent in the revenue the increase actually effected was of the order of 13 per cent only. There had been an increase in the arrears also. Three months old outstandings on 1st July, 1963 were of the order of about Rs. 3·2 crores and the similar outstanding on 1st July, 1964 was of the order of about Rs. 4·5 crores. He further added that if more arrears could have been realised the total excess would have been more.

1.3. The Committee are glad to note that the variation from the budget during 1963-64 was substantially less than in the two preceding years. They hope that the P. & T. Department would maintain a greater degree of approximation between the budget estimates and actuals in future years.

Growth of Revenue for the five years ending 1963-64, *para* 2, *pages* 2-3

1.4. The growth of revenue for the five years ending 1963-64 is indicated in the table below:—

Main heads of revenue	1959-60	1960-61	1961-62	1962-63	1963-64	Increase during the five year period	
						Amount	Percentage
						(Amounts in crores of rupees)	
(i) Sale of ordinary stamps . . .	26·04	26·55	29·06	31·08	36·36	10·32	39·6
(ii) Sale of service stamps . . .	7·69	7·73	7·96	8·20	8·50	0·81	10·5
(iii) Postage realised in cash . . .	4·19	4·49	5·15	5·67	6·77	2·58	61·6
(iv) Receipts on account of money orders, Indian Postal orders, etc. . . .	4·80	5·14	5·51	5·84	6·60	1·80	37·5
(v) Telegraph charges realised in cash .	3·95	4·28	4·79	6·17	7·41	3·46	87·6
(vi) Rent of wires and instruments leased to railways, canals, etc. . . .	1·14	1·76	2·04	2·24	1·80	0·66	57·9

Main heads of revenue	1959-60	1960-61	1961-62	1962-63	1963-64	Increase during the five year period	
						Amount	Percentage
						(Amounts in crores of rupees)	
(vii) Telephone revenue on account of rents and local and trunk cal fees, etc. . .	21·00	25·29	29·15	33·29	37·10	16·10	76·7
(viii) Advance rentals under 'Own Your Telephone' scheme	0·71	0·86	1·62	1·58	2·12	1·41	198·6
(ix) Other receipts (net)	0·88	1·04	2·61	3·80	3·04	2·16	245·5
TOTAL . .	70·40	77·14	87·89	97·87	109·70	39·30	55·8

The major increases were in the sales of stamps and telephone revenue.

1.5. In reply to a question the witness stated that 'other receipts' referred to in item (ix) included rent, some realisations from other postal administrations, guarantees realised, interest on Telephone Development Fund and also a sum of about Rs. 80 lakhs which was the commission that the Department got on account of the issue of radio licences. During the last two or three years there were some arrears by way of agency commission for doing the savings bank work which was being realised from the Ministry of Finance. In 1963-64, the figures had come down as the arrears were liquidated. He further added that 10 lakhs more wireless licences were issued during that year and every year the Deptt. got a commission of Rs. 2 per licence. Explaining how the figure of commission was arrived at, the witness stated that the charges were for two items of work—issue of licences at the rate of annas eight per licence and for doing antipiracy work on behalf of the Ministry of Information and Broadcasting for detecting unlicenced radios. The Committee were further informed that the Deptt. were examining the question of revision of the Commission rate to find out whether there was any justification for an increase or decrease in this rate after the Deptt. had introduced a new procedure of licensing in book form by which the Departmental work was expected to be reduced.

1.6. At the instance of the Committee, the P. & T. Board have furnished details about the increase in Revenue under other receipts (Net) during the years 1963-64 as compared to 1959-60. (Appendix I*).

*Not vetted by Audit.

1.7. The Committee find from the statement that receipts on account of fees for Broadcasting Receiver Licences had increased from Rs. 43·88 lakhs in 1959-60 to Rs. 70·36 lakhs in 1963-64. They also note that the question of increasing or decreasing the rate of commission in view of the introduction of licensing in book form which was expected to reduce the departmental work, was under consideration. The Committee feel that the commission of Rs. 2 per licence charged by the P. & T. Department is somewhat on the high side. The Committee would like this question to be decided early.

Growth of revenue in the four branches of the Department—para 3, pages 3-4.

1.8. The growth of revenue in the four branches of the Department as compared with the increase in expenditure (inclusive of interest/dividend paid to general revenues but excluding contributions/appropriations to the Renewals Reserve Fund) during the five years ending 1963-64 is indicated below:

Years	Revenue	Expenditure	Percentage of expenditure to revenue
			(In crores of rupees)
Postal Branch :			
1959-60	39·22	38·22	97·5
1960-61	40·78	41·55	101·9
1961-62	45·62	43·29	94·9
1962-63	50·95	50·06	98·3
1963-64	56·62	53·02	93·6
Telegraph Branch :			
1959-60	9·10	7·99	87·8
1960-61	9·85	9·83	99·8
1961-62	11·06	9·92	89·7
1962-63	11·55	11·43	99·0
1963-64	12·82	12·75	99·5
Telephone Branch :			
1959-60	21·96	14·11	64.3
1960-61	26·38	17·66	66.9
1961-62	31·06	21·99	70.8
1962-63	35·08	26·29	74.9
1963-64	40·12	31·42	78.3
Radio Branch :			
1959-60	0·12	0·31	258·3
1960-61	0·14	0·24	171·4
1961-62	0·15	0·33	220·0
1962-63	0·29	0·14	48·3
1963-64	0·14	0·19	135·7

Years	Revenue	Expenditure	Percentage of expenditure to revenue
Total (Department as a whole) :			(In crores of rupees)
1959-60	70·40	60·63	86·1
1960-61	77·14	69·28	89·8
1961-62	87·89	75·53	85·9
1962-63	97·87	87·92	89·8
1963-64	109·70	97·38	88·8

The revenue of the Radio branch is derived from (a) meteorological messages (b) services rendered for communications between ships and shore and (c) provision of wireless communications on request from other Governments or parties. The wireless stations are used also for monitoring and training purposes and provide a standby link to the normal channels of communications provided by the Department; the portion of the expenditure allocable to these purposes is borne by the Radio branch. Since no revenue is derived from them, the Radio branch discloses a loss. Further, the annual revenue and expenditure of the Radio Branch shown above included substantial adjustments relating to other years. If those adjustments are included in the figures of the years to which they relate, the figures for the three years ending 1963-64 would be as follows:

1961-62	0·18	0·26	144·4
1962-63	0·21	0·31	147·6
1963-64	0·22	0·26	118·2

The percentage of expenditure to revenue in the Telephone Branch, unlike in the Postal and Telegraph branches, is consistently increasing over the years. The percentage which the expenditure of the Department as a whole bore to its total revenue has tended to remain, more or less, constant.

1.9. Asked to explain the reasons for constant increase in the percentage of expenditure to revenue in the Telephone Branch, unlike the other Branches from 64·3 per cent in 1959-60 to 78·3 per cent in 1963-64, the witness stated that even though an increase was shown on paper there was actually no increase. At present the Deptt. were debiting petty and other works directly to revenue but hey were of a capital nature and the amount spent under this head was increasing from year to year *viz.*, from Rs. 77 lakhs in 1957-58 it rose to Rs. 698 lakhs in 1963-64. Expenditure on works of capital nature on telephone service had to be deducted. If the amount was deducted it would give the correct position. In spite of a rise in the wages and other expenditure there had been really no increase in the percentage of working expenses to Revenue. He further added that expenses on 'petty and other works' did not include the portion of the cost of maintenance. Explaining further the witness added that expenditure on construction of a building costing Rs. 50,000 or even Rs. 2 lakhs or erecting lines which should have been a part of capital expenditure was charged directly to the revenue in the telephone system and shown under the 'petty and other works'. Even though the work was of a capital nature, it was not charged to capital account, but to revenue account. The limits upto which petty and other works could be debited direct to revenue had also been raised. He further added that the cost of running the telephone system included maintenance staff, depreciation etc. and not the 'petty works'. The Deptt. wanted that the expenses ratio of running the system remained either constant or showed a fall and on the whole it had remained more or less constant. The Chairman, P. & T. Board added that the percentage of working expenses to revenue was more or less constant. The Deptt. wanted more funds for capital works over and above what was provided by the Planning Commission. The petty works included works which were genuinely petty like providing wire costing Rs. 100 or Rs. 200. But the limit of expenditure for items under this head was raised to Rs. 25,000 during the year 1960-61 which was subseqnently raised to Rs. 50,000 for equipment and Rs. 2 lakhs for building and this was the reason why expenditure on petty works had increased. He urged that in order to get a correct picture of expenditure, this fact had to be taken into account and that is why in the statement at page 28 of the Appropriation Accounts comparison has been made in the table in three different forms. He added that even if only petty works were excluded the ratio would be more or less constant.

1.10. In reply to a question the witness stated that the procedure of debiting of petty expenses to revenue was about 30 years old and the limit of expense was first increased in 1960-61 and in 1964-65 for the second time. The change in the limit made in 1960 was reflected in the figure of revenue expenditure for 1960-61. The witness further added that the change in procedure was one of the causes for increase in expenditure and since the number of telephones had also increased substantially, the petty and other works connected with it had also increased. In 1960-61, the total number of telephones was 4·63 lakhs while in 1963-64 it was 6·65 lakhs. When the Committee wanted to know whether for an increase of 40 per cent in the number of telephones an increase of 300 per cent in petty works was technically justified, the witness stated that they were satisfied about it because apart from new connections the Deptt. had added quite a number of PAX and PBX connections.

1.11. At the instance of the Committee, the P. & T. Board have furnished a statement* stating the increased expenditure under petty works debitable to revenue during the year 1959-60 to 1963-64 and the reasons therefor (Appendix II).

1.12. Asked what would happen if the same method was applied to the Postal Branch, the witness stated that there were very few petty and other works in Postal Branch except small postal buildings and the increase under the head was because the Deptt. was trying to build more and more postal buildings. He further added that the difference in the percentage of expenditure in the two cases was different because on the postal side there was very little mechanisation and it was all manpower while on the telephone side the man-power was limited and there was more of capital outlay, more of equipment and mechanisation. The Committee desired to know whether because of mechanisation, expenses were reduced or they were constant. The witness stated that in spite of the rise in wages and costs, expenses were about the same or if at all, they were slightly less. It could be achieved only by means of automation. Apart from this the Deptt. were able to provide better service. In installing an automatic exchange the capital cost would be more than what it would be for a manual exchange and more of depreciation but at the same time the automatic exchange provided better service than a manual exchange would and it provided other facilities also. The witness continued that with the introduction of subscriber-trunk-dialling system, the subscriber could dial from his own telephone and it had cut out the operators completely. As and when the scheme was implemented further, which the Deptt. proposed to do during the Fourth Plan, the cost would be further reduced. As at present, it was more costly to provide a short distance call than the revenue earned therefrom. With the automatic system the cost would come down and there might be some margin of profit even on short distance calls. The subscriber trunk dialling system existed between Delhi-Jaipur, Delhi-Agra, Delhi-Kanpur, Delhi-Patna, and Kanpur-Lucknow and when it was introduced on longer distance, the cost on service would substantially go down. The Committee recalled that on an earlier occasion it was stated in evidence that because of the subscriber trunk dialling system the revenue on the line between Kanpur and Lucknow had increased many times and desired to know whether the system which was increasing day by day helped to decrease the expenditure. The witness shared the feeling of the Committee that the expenditure should have decreased but added that during 1964 there had been an increase in dearness allowance and in the rate which was paid to Government for borrowed capital. Also owing to more cost of building there was more depreciation.

*Not vetted by Audit.

1.13. At the instance of the Committee the P. & T. Board have furnished comparable figures of pre and post S.T.D. traffic and revenue in respect of certain routes where automatic system had been introduced. (*Appendix III).

1.14. From the statement the Committee find that because of the introduction of the automatic system there had been a tremendous increase in the number of calls (ranging from 31 times to 75 times) and that the revenue has increased between 4 to 10 times in different routes. The Committee welcome this trend. They hope that as more routes under subscribers trunk dialling system are put into operation there would be increase in revenue and decrease in expenditure gradually as a result of automatisation.

Renewals Reserve Fund—para 4, *page* 5:

1.15. It was mentioned in paragraph 4 of the Audit Report, 1964 that there was a deficit of Rs. 22 crores (as estimated by audit) in the balance of the Renewals Reserve Fund at the end of 1962-63. The Posts and Telegraphs Deptt. has since estimated that the deficit in the balance of the Fund at the end of 1963-64 was Rs. 23 crores. The Deptt. has decided that in 1964-65, besides the normal annual contribution, an additional contribution of Rs. 2 crores would be made for reducing the deficit.

1.16. The Committee pointed out that while the deficit in the balance of the fund at the end of 1963-64 was Rs. 23 crores, no provision was made in the revised estimates for 1964-65 for reducing the deficit and even the budget estimates for 1965-66 envisaged a provision of Rs. 33·83 lakhs only towards it. The Committee desired to know how in this manner the Deptt. proposed to reduce the large deficit in a few years. The witness explained that the understanding was that the arrears would be paid off as and when surpluses were available and there was no set period for clearing these arrears. The Deptt. had estimated certain surplus in 1964-65 and a provision of Rs. 2 crores was made but due to the increase in dearness allowance and other factors the surplus was a little less than the estimate and the actual appropriation was likely to be of the order of Rs. 82 lakhs. He further added that with increase in revenue more lines and cross bar equipments would be installed and Deptt. would be in a position to provide for more surpluses and to make greater contribution towards the arrears. The deficit of Rs. 23 crores had started from 1925-26. Even though some contributions were being made prior to 1960-61 on some *ad-hoc* basis, in 1963-64 a formula was evolved in consultation with the Auditor General according to which in respect of assets constructed upto 1950-51 (*i.e.* from 1925-26 to 1950-51) double the book value should be assumed "as the present

*Not vetted by Audit.

capital cost" for the purpose of working out depreciation. In respect of assets constructed from 1951-52 to 1959-60 one and half times the book value should be taken as the "present capital cost" and in respect of assets constructed from 1960-61 onwards the actual book value should be taken as the present capital cost for purposes of working out depreciation. Again in consultation with the Auditor General the depreciation percentages were fixed which were as follows:

(*i*) All Telecommunications assets, other than buildings and Telegraph lines and wires .	4%	of the present capital cost.
(*ii*) Telegraph Lines and wires . . .	2%	—Do—
(*iii*) Telecommunication buildings . .	2%	—Do—
(*iv*) Postal buildings	1%	of book value
(*v*) RMS vans	3%	" "
(*vi*) Motor vehicles and A & P of the postal Branch	13%	" "

After working it out on the basis of this formula arrears of Rs. 23 crores were found.

1.17. In reply to a question the witness explained that whether there was a profit or a loss, the contributions to the fund, assessed according to the formula which was a definite charge on the expenses of that year, had to be provided for. As there had been tremendous expansion in the Posts and Telegraphs, particularly on the telecommunication side, the capital assets had grown rapidly in recent years and depreciation had to provide for. Although the fund had been rising and there were sufficient balances in the Fund to meet the current replacements the new formula envisaged that the balance in the Fund should be more. The shortfall of Rs. 23 crores had to be made up from the surpluses of the Deptt. from year to year as was possible and convenient from the side of the exchequer and from the side of P. & T. Deptt. The Committee desired to know why there was a shortfall in contributions to Renewals Reserve Fund in the Postal Branch from Rs. 45 lakhs in 1957-58 to Rs. 15 lakhs in 1963-64 when in the Telephone and Telegraph Branches the contributions had increased, the witness stated that Rs. 45 lakhs was calculated on an *ad hoc* basis and Rs. 15 lakhs *must have been* arrived at on the basis of the new formula. Through a note furnished subsequently the Committee have been informed that prior to 1960-61, contribution to Renewals Reserve Fund was made on an *ad hoc* basis. The total contribution was allocated between the four branches (Postal, Telegraphs, Telephones and Radios) taking into account the balance in the fund and the withdrawals likely therefrom relating to each branch. The balance at the credit of the Postal Branch in the Renewals Reserve Fund at the end of 1956-57 was Rs. (—) 4.5 lakhs. The budget provision for the withdrawals from the Fund during 1957-58 was Rs. 35·86 lakhs but it was fixed at Rs. 45 lakhs to cover the deficit as well as the budgetted withdrawal and also to leave a small balance against that branch.

1.18. The Contribution in 1956-57 to that branch was Rs. 3 lakhs. During 1963-64 the contribution of Rs. 15·34 lakhs was made to the Postal Branch on the basis of the formula evolved as a result of a recommendation of the Public Accounts Committee.

1.19. The Committee feel that with the introduction of a set formula the cointributions to the Renewals Reserve Fund would now be steady. They further feel that even though no time limit has been fixed to liquidate the arrears, it is desirable that the Department attaches a sense of importance to this question and prepare a phased programme to liquidate the arrears within a reasonable period of time.

II

GENERAL RESULTS OF APPROPRIATIONS, AUDIT AND CONTROL OVER EXPENDITURE

Excess requiring regularisation—para 6, *pages* 6-7:

The excess over the following grant requires to be regularised under Article 115 of the Constitution:—

Number and name of Grant	Amount of Grant	Expenditure	Excess	Percentage
	Rs.	Rs.	Rs.	
143—Capital Outlay on Posts and Telegraphs (not met from revenue)	42,98,30,000	43,39,91,504	41,61,504	1

An excess occurred under this grant even after a supplementary grant of Rs. 4·27 crores had been obtained in March, 1964. This was mainly due to the inadequacy of the provision made under the following heads:—

(i) 134—A-Capital outlay on new assets—I—Postal-Land and Buildings.

(ii) 134—Stores and Manufacture Suspense Account—I—Stores Suspense Account-General Stores.

The provision under these two heads was short by Rs. 261·65 lakhs. The Department covered Rs. 72·95 lakhs of this excess by reappropriation from other heads, thus leaving a net uncovered excess of Rs. 188·70 lakhs. In addition, there were uncovered excesses aggregating Rs. 106·67 lakhs under other heads counterbalanced by savings amounting to Rs. 253·75 lakhs under some other heads, thus leaving a net uncovered excess of Rs. 41·62 lakhs.

2.2. Referring to the excess of Rs. 41,61,504 shown under Grant No. 143, the witness stated that actually there was no excess of expenditure. There had been double adjustment of Rs. 83,52,280·06 in the accounts of 1963-64 and if this was taken into account there would have been a saving and as such no regularisation by Parliament was necessary in terms of para 7 of 16th Report of P.A.C. (First Lok Sabha).

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2.3. Explaining how the double adjustment occurred, the representative of the P. & T. Board explained that there was some change in the accounting procedure about debits from foreign countries and on account of this a double debit had occurred by mistake. Giving details of the case the C. & A. G. stated that telegraph wires were imported by the P. & T. Deptt. under U.S. Loan Agreement in 1963-64. Till then the accounting procedure of this loan was not decided and pending finalisation of the procedure the AG Commerce, Works and Miscellaneous dealing with the Ministry of Steel raised the debit which was approved by the P. & T. Deptt. Later on according to accounting procedure prescribed subsequently, the AGCR who dealt with the loan agreement raised another debit which was accepted by the Calcutta Office of the P. & T. The mistake was detected at a later stage when the excess under the grant was investigated. The delay in detecting the case was due to the fact that the accounting procedure had not been prescribed earlier.

2.4. Asked whether payments were made by the Ministry of Steel and Mines or the Posts and Telegraphs direct or to the firm concerned which had supplied the equipment or whether payments were made by the Indian Embassy at Washington, the Chairman, P. & T. Board stated that under the "new procedure disbursements were made by the Agency for International Development under advice of payments received from the India Supply Mission, Washington." The C. & A. G. stated that ISM made the payment and the amount was debited to the various departments concerned in India. The Committee desired to know why two debits were raised because intimation regarding payment must have been received by one party only. The C. & A. G. explained that when the first debit was sent the accounting procedure was not finalised. Later on it was decided that it should not be treated as transaction of steel but as transaction relating to loan agreement which had to be accounted for by another Accountant General. Meanwhile more steel wires were received. The A.G. while raising the debit included not only the later supplies but also the earlier supplies and the same was accepted by mistake.

2.5. In reply to a question the C. & A. G. informed the Committee that neither the Accounts Deptt. nor the P. & T. Deptt. knew about the debit at the time of preparing the supplementary estimates, as the debits were raised against P.&.T. Deptt. after the close of the financial year only in August 1964. The debits were raised after the subsequent accounting procedure which was finalised in December, 1963. So when the Supplementary Demands were granted in January/February, 1964, it was not known to anybody.

2.6. The Committee find that due to double adjustment in the accounts for the year 1963-64 under a misapprehension, an excess of

Rs. 41,61,504 was shown under Grant No. 143. The Committee hope that suitable steps would be taken by Government in consultation with C.&.A.G. to avoid such a situation, wherein the debit could be raised twice for the same item of stores.

In view of the recommendation of the Public Account Committee contained in para 7 of their 16th Report (First Lok Sabha) this amount shown as 'excess' does not need regularisation under Article 115 of the Constitution.

Advance from the Contingency Fund of India—para 7, page 7:

2.7. An advance of Rs. 90 lakhs was sanctioned from the Contingency Fund on 31st March, 1964 for meeting additional expenditure on purchase of copperweld wire from abroad, but the actual expenditure amounted to Rs. 25,48,843 only. This amount was reimbursed to the Contingency Fund in 1964-65.

2.8. Asked why major portion of the sum of Rs. 90 lakhs advanced from Contingency Fund remained unutilised, the witness stated that at the time of seeking advance from the Contingency Fund, it was found that provision had to be made for 14.20 metric tonnes of copper weld wire costing about Rs. 68 lakhs which had been shipped *between April-December, 1963 and for the customs duty amounting approximately to Rs. 22 lakhs. The arrangement was that 100 per cent of the value was to be paid by ISM Washington on shipment. The Deptt. expected that the payments would be made before the end of the financial year and would be debited to the Deptt. through book adjustments later, before the accounts were closed, but actually the part payment was made only on 6th April, 1964. According to information available with the Deptt. the payment was to be made within the year but actually it was delayed by six days. He added that unless the advance was drawn there would have been no money to make the adjustments. The Committee were informed that in the budget of that year a cut of Rs. 5 crores had been imposed as an anti-inflationary measure, but the Ministry of Finance had assured the P. & T. Deptt. that if they were able to spend the money for development and telecommunications, additional money would be found by the Ministry of Finance. It was because of this that a sum of Rs. 4·27 crores was included in the revised budget. But at the last moment when the accounts were adjusted it was found that there would be a little excess. The Deptt., therefore, asked for Rs. 90 lakhs. As the amount could not be provided through the normal procedure of budgeting it was provided from the contingency fund.

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*According to Audit orders were placed between April-December, 1963.

2.9. The Committee wanted to know when it was known to the Deptt. that by January the shipping would be completed, why the payments could not be made before 31st March, and why a provision was not made in the supplementary estimates in February for that portion of the goods in respect of which shipping was completed in January. The witness explained that the supplementary budget was framed not merely on one or two consignments but it was framed taking the overall position in view. An overall view was taken in January and after that the position remained fluid though a day to day watch was kept. When final calculations were made in March, the Deptt. found that there would be a shortage and this contingency advance was sanctioned on 31st March. In reply to a question the witness promised to find out when the shipping papers reached them.

2.10. The witness further added that the controlling units of supply submit their supplementary estimates which were then processed in the Directorate. Savings were adjusted against any excess any where and the supplementary grant figures were arrived at. At the time of preparing supplementary demands the Deptt. expected a saving of one crore of rupees on Capital Works programme but subsequently it did not materialise. The last examination regarding the emergent advance was done on 21st March and it was found that the Deptt. would require Rs. 90 lakhs on the basis of information which was then available with the Deptt. Asked how the Deptt. considered the payment to be emergent, the witness stated the payment was emergent in the sense that the Deptt. had a reasonable anticipation that the amount had appeared in the books of ISM., Washington and it had to be cleared in that particular year. The Committee pointed out that even if the Deptt. had the notice of 4-5 months for a payment to be made in a particular year, it could not be considered as emergency payment. The witness further stated that in this case a supplementary demand was raised as provided under the rules at the first opportunity in May or June, 1964. At the instance of the Committee the P. & T. Board have furnished a note* giving information regarding the shipments made. (Appendix IV).

2.11. The Committee then referred to clause (1) of Art. 267 of the Constitution which stipulated that advances were to be made from the Contingency Fund 'for the purposes of meeting unforeseen expenditure' and desired to know how the Deptt. could consider the payment as being unforeseen.

The witness stated that it was unforeseen in the sense that the Deptt. were likely to exceed the grant already sanctioned and if the

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*Not vetted by Audit.

contingency grant was not taken the grant would have been exceeded. It was an unforeseen expenditure because it could not be provided for when the revised estimates were put up. The Committee pointed out that in case it was known to the Deptt. that goods had been shipped, intimation was received and payment was to be made it could not be considered as 'unforeseen'. The witness explained that the amount was to be paid for from the Stores grant which was included in the budget and the Deptt. were authorised to purchase stores upto a sanctioned amount. Orders that were pending at any one time were far in excess of the amount to be spent in that year. Purchase orders were phased because, some items were recieved in two years, some in 18 months and some in 3 months. Therefore, the orders that were in the pipe line were very much in excess of the grant that was voted by Parliament. This made it necessary for the Deptt. to keep a periodic check as to how much was likely to arrive and how much was not. As this item was expected to arrive at the last minute this would have resulted in the grant being exceeded. With the prevailing practice in the Government of India, the witness added, it was usual under such circumstances to use the provision of the Constitution for contingency. The witness further stated that on the 28th March, an application was received in the Ministry of Finance from the Member Incharge of operations of the P. & T. Board where the reason given for this advance was that it was mainly due to materialisation of supplies earlier than anticipated on certain indents placed through the D.G.S.&D. for procurement of copper-weld wires required for the P. & T. Works. It was also stated in that application that the expenditure was intended to be met from saving which was considered likely in other portions of the grant, and this was why the demand was not included in the Supplementary Demands. The anticipation, however, did not materialise in February-March. Therefore, it became an unforeseen expenditure and this was why the Deptt. had to take advance from the Contingency Fund. At the instance of the Committee the P. & T. Board have furnished a note* explaining why the Contingency Fund was resorted to for this payment. (Appendix IV).

2.12. From the information placed before them, the Committee find that the drawal of the advance from the Contingency Fund of India, was resorted to because it was the expectation of the Deptt. that the payment would be made before 31st March 1964, and because the expected saving of rupees one crore from other capital works did not materialise which prevented any provision being made in the Supplementary Demand.

*Not vetted by Audit.

It has been contended by the Deptt. that the expenditure was unforeseen in the sense that if the advance was not taken the sanctioned grant would have been exceeded.

2.13. From the note* at Appendix IV the Committee find that for the shipment of first instalment of cargo against one indent intimation was received in November, 1963 and intimation of the first instalment of payment was received from ISM, Washington on 25th January, 1964. As regards the shipmnet against the other indent, intimation was received on 25th February, 1964 while intimation about payment was received on 11th May, 1964.

The Committee feel that intimation regarding payment of the first instalment having reached in January, 1964 and intimation of shipment against the other order having been received on 25th February, 1964 it would not be quite appropriate to classify the expenditure as 'unforeseen'.

The Committee would, in this connection, like to refer to Article 267 of the Constitution which states that the Contingency Fund shall be placed at the disposal of the President to enable advances to be made by him out of such fund for the purposes for meeting unforeseen expenditure by Parliament by law under Article 115 or Article 116'. The Committee are doubtful whether the interpretation of the Department regarding the expenditure being unforeseen can be fully justified in the present case on the basis of facts placed before the Committee. They find that the goods had been shipped and the intimation regarding the shipment of the first instalment was received by C.C.T.S. in November, 1963 and all along the Department were seized with the matter as well as of expenditure that it would involve. Since the Department are already examining in consultation with the Ministries of Finance and Law whether in this case the circumstances fully justified the withdrawal of the advance from the Contingency Fund of India, the Committee would like to be appraised of the result.

The Committee regret to find that the expectation of the Department to meet the expenses out of an expected saving of Rs. 1 Crore did not finally materialise. This only shows that the expectation was not based on proper and correct assessment.

2.14. The Committee further find that there is no proper coordination between the authorities (I.S.M., Washington) arranging supplies at Washington and those receiving them in India. In this connection the Committee would like to invite the attention of the Department

*Not vetted by Audit.

to the following recommendation of the P.A.C. contained in para 5 of the 15th Report (Second Lok Sabha):

> **"They feel that if the purchasing organisations abroad furnished such reports (regarding Stores and shipment) to the indenting Ministries every fortnight from the end of January and weekly reports in the month of March, it would keep the indenting Ministries informed of the latest supply position and enable them to estimate their financial commitments more precisely."**

The Committee feel that if the above recommendation of the Committee is properly implemented, the situation like the one that arose in the present case can be avoided.

III

REVENUE

Arrears of Telephone Revenue—para 8, pages 8-9.

(i) The arrears in collection of telephone revenue as on 1st July, 1964 in respect of bills issued upto 31st March, 1964 were Rs. 4·36 crores as indicated below:

	Amount (In crores of rupees)
Government subscribers	2·45
Other subscribers	1·91

Out of the total amount, Rs. 1·88 crores related to bills issued upto 31st March, 1963. The year-wise analysis of the arrears is given in Appendix V.

(ii) The percentage of the uncollected arrears on 1st July, 1964 to the total amount collected during the year ending with the preceding March and the corresponding percentages in the three preceding years are given below:

Year	Amount collected during the year	Amount which remained uncollected on 1st July following the year (including amount outstanding against bills issued in the preceding years)	Percentage of uncollected arrears to the amount collected during the year
	(In lakhs of rupees)		
1960-61 . . .	25,29	2,15	8·5
1961-62 . . .	29,15	2,57	8·8
1962-63 . . .	33,29	3,21	9·6
1963-64 . . .	37,10	4,36	11·8

(iii) The percentage of arrears was particularly high in the following Telephone revenue accounts offices:

	Percentage of arrears remaining uncollected on 1st July out of the total amount billed for during the year ending with the preceding March			
	1961	1962	1963	1964
Orissa	16·3	11·8	16·7	15·1*
Shillong	12·7	13·5	26·3	26·7
Delhi Telephone District . . .	9·3	10·9	16·2	22·6

(iv) Delays of three months and more in issue of telephone bills generally occurred in the following offices:

Name of Telephone revenue accounting office	Number of exchanges in which delay occurred	Delay ranging
West Bengal (for trunk call bills) . .	All exchanges	Upto five months
Orissa (for trunk call bills) . .	Do.	Do.

(v) In the Delhi Telephone District, telephone connections were disconnected for non-payment of bills after delays ranging between 1-2 years in the case of 23 subscribers and between 2—8 years in the case of 20 subscribers. Under the departmental rules, this should have been done if the bills were not paid within about a month of the issue of the bills.

The amount still to be collected from these 43 subscribers is more than Rs. 1 lakh. Most of them are private persons and from five of them the amount due exceeds Rs. 5,000 each.

Twenty-seven subscribers in that District have not paid their bills for one to four years, the outstanding amount due from them being Rs. 1·17 lakhs for varying periods prior to October, 1964. Their telephones have not yet (November 1964) been disconnected. Most of them are private subscribers. In the case of five of them, the amount outstanding exceeded Rs. 5,000 each.

*Revised figure 17·6 pointed out by Deptt. after printing of the Audit Report.

3.2. The Committee were informed by Audit that the correct position of the figures indicated in the para, which became known subsequent to the printing of the Audit Report, was as follows:

The arrears in collection of telephone revenue on 1st July, 1964 in respect of bills issued upto 31st March, 1964 were Rs. 4·52 crores as indicated:

Government subscribers	Rs. 2·57 crores
Other subscribers	Rs. 1·95 crores

Out of the above amount Rs. 1·96 crores related to bills issued upto 31st March, 1963.

The revised percentage of the uncollected arrears on 1st July, 1964 to the total amount collected during the year ending with the preceding March came to 12·2.

The percentage of the arrears to the amount collected had been increasing steadily, *i.e.*, from 8:5 in 1960-61 to 12:2 in 1963-64. The increase during 1963-64 was particularly steep.

3.3. The Committee desired to know the reasons for the increase in the arrears. The witness stated that the telephone connections had also been increasing and inspite of the best efforts there were certain unrealised amounts and the arrears had gone up steeply. The Deptt. were not happy about this and they were taking action to ensure that they were brought down as much as possible.

3.4. The Committee regret to find that a very heavy sum of Rs. 4·52 crores of telephone revenue as on 1st July, 1964 has fallen into arrears. What is more regrettable in this case is that during the last four years the percentage of uncollected arrears to the amount collected has increased steadily from 8·5 in 1960-61 to 12·2 in 1963-64.

3·5 Enumerating the difficulties experienced in making realisation from the Government Deptts., the witness stated that there was a tendency to a question each and every bill and each and every trunk call. However, instructions had been issued in consultation with the Government Departments that bills should be paid first and discrepancies could be settled later on. He also agreed that delay in the issue of bills itself caused further delay in checking them but stated that in almost every revenue accounting unit the position had almost become upto date. When pointed out by the Committee that a sum of Rs. 10,503 was due from the Ministry of Transport and Communications the witness assured that if the bills were pending and telephones were working the Ministry might lose their connections shortly.

3.6. It is regrettable that huge arrears of Rs. 2·57 crores have been allowed to pile up with Government Departments over years. From a note furnished at their instance the Committee find that a sum of Rs. 1,417.52 has been lying unrecovered from Government Departments since 1946-47 while the total arrears more than six months old as on 1st June, 1965 come to Rs. 3,94,18,000.

The Committee find this position very unsatisfactory and desire that all out efforts should be made for speedy liquidation of the arrears. Amounts which are considered unrecoverable should be written off.

3.7. The Committee fail to understand why the arrears from Government Departments amounting to Rs. 2·57 crores are not cleared. They desire that action should be taken immediately to reduce all these arrears and if necessary the procedure may be revised to expedite the payment of Government Bills.

3.8. Asked why some of the revenue accounting offices of some circles were located in Delhi instead of keeping them in those circles, the witness stated that the telephone revenue accounting offices of Baroda and Punjab were located in Delhi. The Department wanted to shift them. When pointed out by the Committee that nothing had been done with regard to shifting of the Baroda Unit from Delhi, the witness stated that it was a gradual process and it was their intention to shift it either to Baroda or to the Divisional Headquarters. In reply to a question the witness stated that so far as the arrears were concerned the location of the offices in Delhi did not make any difference.

3.9. The Committee are constrained to note that it had taken the department quite a long time to take a final decision in regard to the question of decentralisation of Accounts Offices. They are not at all happy to note that the Accounts Office of such a far off place as Baroda continues to function in Delhi. They are not convinced with the argument of the Department that location of the office does not lead to the accumulation of arrears.

3.10. In the course of evidence, the Comittee were informed that even when payments of telephone bills were made, sometimes, it took a long time before they were brought into account as payments could be made in my post office and it took a long time before the accounts were received and adjusted. In this connection the Committee would suggest that the work of decentralisation should be carried out as early as possible because they find that it takes a long time for the Deptt. to get intimation regarding the payments of tele-

phone bills and then to make final entries in the account books. Under these circumstances it was but natural that the list of unpaid bills would present a somewhat distorted picture.

3.11. The witness stated that arreas were increasing in every office, Delhi being the worst defaulter. He added that some special steps had been taken in this regard and it was hoped that these arrears would be reduced. The Delhi Telephone District were instructed that while they should be prompt in disconnecting in respect of arrears they should be a little more cautious about the current bills. In order to centralise the points of payment in big cities the number of post offices at which Bills could be paid would be restricted. In Calcutta and Delhi the number of such post offices were restricted to 28 and 25 respectively. In rural areas payments could be made at the head post office or the largest post office where the exchange was situated. By this the Deptt. hoped that it would be easier to bring the payments into account.

3.12. It is very unfortunate that Delhi, where the supervision of the Deptt. is supposed to be constant and efficient, accounted for fifty per cent of unpaid bills. The Committee are, however, glad to note that steps have been taken to reorganise the Delhi office and they trust that the current bills will not be allowed to fall into arrears while strenuous efforts would be made to liquidate the back log. They further hope that care would be taken to ensure that no part of arrears become unrecoverable due to procedure of delays.

3.13. Referring to instances where bills for trunk calls for 1957 were charged in 1965, the Committee desired to know the system of preferring trunk call bills. The Chairman of the P. & T. Board stated:

> "I admit straightaway that the position in our telephone revenue offices is extremely unsatisfactory. . . . The defects are that there are considerable delays in submitting the bills, even after the bills are sent sometimes they are not received by the person to whom they are sent, then the issue of reminders is rather irregular, and even when payments have been made, sometimes, it takes a long time before they are brought into accounts. For instance a man from Delhi is allowed to pay in Jaipur in any post office, and by the time those accounts are received and adjusted and the next month's balances are worked out, it takes a long time . . . . Our difficulty is that arrears of telephone revenue cannot be realised as arrears of land revenue."

The procedure for realisation of bills after disconnection was very elaborate. A suit had to be filed or the method of arbitration had to be resorted to and it caused a lot of difficulty. The witness stated that the power to disconnect was brought into play in respect of bills which had been issued and had not been paid. He further added that procedure for issuing reminders before disconnection had been changed and at present defaulters were reminded over the telephone and disconnections were effected after 7 days of the reminder. He further furnished the following all India figures of telephones disconnected between 1962-65:—

	Telephones
1962-63	28,000
1963-64	32,000
1964-65	35,000

3.14. The Committee referred to item (v) sub-para 3 of the Audit para and desired to know the reasons for not disconnecting telephones in the case of 27 subscribers, most of them being private subscribers, who did not pay their bills for one to four years. The witness stated that the actual number was only 25 because two telephone numbers had been repeated twice and three of them were P. & T. service connections for which no payments was to be made. Out of 22 outstandings, 13 subscribers had cleared their dues amounting to Rs. 0.42 lakhs, Telephones had been disconnected in respect of 8 subscribers against whon there were outstandings of Rs. 0·31 lakhs and steps were being take against defaulters. The only case where the telephone was allowed to work was Hotel Janpath (Rs. 0·28 lakhs. The case was taken up with the Estate Office, who were running it earlier.

3.15. The Committee desired to know the criterion followed in disconnecting telephones because the Committee found that in the case of 43 defaulting subscribers the connections were disconnected while in respect of 27 defaulting subscribers connections were not disconnected. The Committee further pointed out that in the case of India-China Friendship Association, even though, there were outstandings the telephone was not disconnected. The witness stated that in this particular case according to his information the telephone was disconnected on 6th November, 1962 and out of the total outstanding of Rs. 5,700 a sum of Rs. 4,543 had been adjusted. He, however, agreed to verify the facts further. He further added that the basic criterion followed in such cases was that if some one did not pay within 15 days the telephone had to be cut off. The Department had a heavy defaulters' list. In respect of cases where the arrears were huge and the subscribers agreed to pay in 3 or 4 instalments or before a particular date, the Department agreed to keep the connections. Disconnection was the ultimate step. At the instance of the Committee the P. & T. Board have furnished two statements—one giving details about the 70 cases of telephone defaulters and another showing the details of defaulters whose telephones had not been disconnected.

3.16. From the two statements the Committee find that out of the 43 cases, full adjustment of outstanding was made in respect of the 14 cases only while action was being taken to recover the arrears from 29 defaulters. There were 27 cases where telephone connections were not disconnected for a very long time even though the subscribers were in arrears. There were three instances (Trade Agent J. & K. Govt., Janpath Hotel and Ashoka Hotel) where arrears were not settled promptly even though the subscribers were Govt./semi-Govt. agencies. The Committee desire that the Deptt. should take adequate steps to ensure that all these cases are not allowed to linger on any longer and are settled forthwith.

3.17 In reply to a question the witness furnished details of the five subscribers referred to in the last sentence of para 8 of the Audit Report in whose cases, the amount of outstandings exceeded Rs. 5,000 each. He stated that full adjustments had been made in three cases. Telephone was disconnected in one case where the balance outstanding was Rs. 5,435 and a demand note was issued to the party. In regard to the last case (India-China Friendship Association) the witness agreed to check up the position. The Committee have been subsequently informed that the General Secretary of the India-China Friendship Association, one of the defaulters, had been approached to settle the dues.

3.18. The Committee cannot appreciate the failure of the Deptt. to recover such huge amount of arrears and at the same time their reluctance to discontinue the telephone facilities to the defaulters. In the absence of any reason advanced by the Deptt. in these cases, as to why the telephones were not disconnected even though the subscribers were heavily in arrears they are inclined to infer that some deliberate relaxations have been given to these subscribers which were contrary to all rules. The Committee would like the Deptt. to investigate all these cases and fix responsibility on officials who failed to enforce the rules properly.

3.19. In reply to a question as to who decided that a particular connection should be disconnected, if no payment was made, the witness stated that in the Delhi Telephone District, the General Manager himself decided the matter on the basis of the data placed before him. In other far off places a defaulters' list was sent by the telephone revenue office to the exchange concerned who would ring up the subscriber to find out if the payment was made and case of a default the telephone was disconnected. The Committee pointed out that at least in Govt. Deptts. there must be some definite basis which should apply to all citizens because from the evidence the Committee could find that in the cases of some subscribers telephones were allowed to be continued without any justification for 6, 7 or 8 years even though they were in default for larger amount whereas in other cases telephones were cut off for the default of a month or so. The witness stated that they would look into the five cases if there was any special justification for not disconnecting the telephones though generally speaking if the Deptt. found that there was any likelihood of getting the money back from the subscriber the telephones were allowed to continue. The Committee desired to know whether the P. & T. Board had issued instructions to the General Managers that in certain circumstances they could let the telephone continue even though they were in arrears while in other circumstances they should be disconnected. The witness stated that there were no specific instructions but the local officers were given considerable discretion in the matter particularly where senior officers were posted. Asked whether any favouritism was shown towards the five subscribers while granting telephone connections and whether leniency was shown in not disconnecting the telephones, the witness stated that according to para 66 of the P. & T. manuel Volume XII officers above the rank of Divisional Engineers were given the power to exercise discretion in the matter of disconnecting the telephones of important subscribers and that this power should be exercised by them whenever necessary. He however admitted that the five cases could not be covered by this provision of the manual. At the instance of the Committee the witness agreed to furnish a statement of all India subscribers in whose cases the dues exceeding Rs. 1,000 had been written off during the year 1963-64.

3.20. Referring to the arrears of Rs. 4·52 crores (Appendix I of the Audit Report) the witness explained that nearly Rs. 48 lakhs pertained to the people whose telephones had been disconnected. There were cases where the old subscribers were either dead or not traceable and after detailed enquiries by the officers the amount which had to be written off were as follows:

(In Rupees)

1962-63	1,34,000
1963-64	2,15,000
1964-65	1,44,000

He added that orders had been issued that detailed inquiry should be made in each individual case and the general managers (telephones) were empowered to write off bills upto Rs. 2,000 where it was proved that it could not be realised.

3.21. Asked to explain the procedure followed for writing off amounts which could not be realised, the witness stated that first of all the telephone was disconnected. The telephone inspector, then found out whether it would be worthwhile having a case against the defaulter or whether any property could be attached. The revenue authorities and the local Governments were also consulted about the capability of the defaulter to pay. The matter was referred to a high powered Committee presided over by the head of the circle. Dues from Government departments were not written off. Strict orders were issued that if bills were not paid promptly by the Government Departments disconnections should be resorted to. The Ministry of Communications had also written letters to Chief Ministers and Ministers at the Centre requesting them to ensure that their departments paid the bills regularly. He further added that in Calcutta because of machinsation the delay in issuing the bills had been reduced and the number of complaints had gone down. If this experiment at Calcutta was successful, mechanisation would be introduced in other places.

3.22. From a note* furnished subsequently by the P. & T. Board, the Committee find that in as many as ten cases the Department had to write off telephone revenue ranging between Rs. 1,122 to Rs. 5,992 (totalling Rs. 21,080) as being irrecoverable during 1963-64. **The Committee feel that if the Department were little more vigilant this loss of revenue could have been avoided.**

3.23. From the evidence the Committee find that the procedure of preferring bills and maintenance of records, is beset with multiple drawbacks viz., there are considerable delays in submitting the bills, some times the bills are not received by the addressees, issue of reminders is irregular and it takes a long time to effect final entries into account books. They were however informed during evidence that because of mechanisation and the method of making payments in cash, the delay in issuing of bills and also the procedural delays have been cut down considerably. The Committee hope that these steps would result in reducing the arrears of telephone dues. They would like to watch the results through future Audit Reports.

3.24. They further find that over a period of three years (1962-65) a sum of Rs. 4,93,000 had to be written off because the subscribers were either dead or not traceable. They are further astonished to learn that legal provisions for the recovery of arrears are not very satisfactory as a result of which unscrupulous defaulters can well escape payment. The Committee feel that the Department should re-examine the whole question from a legal angle and initiate necessary action to make suitable provision so that defaulters are not able to avoid payment.

*Not vetted by Audit.

3.25. As regards effecting disconnections the Committee are unhappy to note that no uniform procedure is being followed at present. Not only is there a distinction between Government users and the private users but also even among the private users the treatment varies from individual to individual. The Committee suggest that uniform criteria should be laid down, indicating the circumstances under which the telephone connections would be disconnected for failure to pay the telephone dues and these should be rigidly observed.

3.26. The Committee however, would like to point out that disconnection of telephones for failure on the part of subscribers to pay the charges in time would be justified if and only if the Department can ensure that the bills prepared are correct the amount has been properly charged and there has been no delay in presenting the bills to the appropriate person or authority. The Department should therefore, set its own house in order before resorting to the drastic step of disconnecting the telephones of subscribers.

Delay in finalisation of guarantee amounts—para 9—pages 9-10:

3.27. In certain cases where the Posts and Telegraphs Department provide certain facilities at the request of State Governments, public or private parties, as the case may be, the parties requiring the facilities offer suitable guarantees.

The following table indicates that in a number of cases where the Posts and Telegraphs Department have provided certain facilities on the basis of guarantees given by various parties, there has been undue delay in working out the actual amounts to be recovered from the parties . In most of these cases, recoveries have been made on a provisional basis for a number of years.

Nature of guarantee	Number of offices where final guarantee is not fixed and reasons therefor
1. Opening of telegraph sections in Post Offices.	
The revenue deficit is required to be guaranteed. For this purpose, an estimate of the working expenses is prepared including interest, depreciation and maintenance charges at prescribed percentages of the capital cost. The working expenses are provisionally worked out with reference to the estimated capital cost and are to be revised when the actuals are known. The amount of working expenses thus fixed is reduced by the actual revenue realised each year to determine the amount to be recovered in fulfilment of the guarantee.	Working expenses provisionally fixed during the period 1951-61 on the basis of the estimated cost have not been revised with reference to the actual cost of the Telegraph sections of 6 post offices in the Bombay Circle, 11 in the Gujarat Circle and 19 in the Central Circle.

Nature of guarantee	Number of offices where final guarantee is not fixed and reasons therefor.
2. *Lease of teleprinter circuits*	
Certain flat rates of rent have been laid down and these are required to be guaranteed for a period of years determined by dividing the estimated capital cost by the annual rent. Where this period exceeds ten years, the rent will be fixed at 15 per cent of the capital cost.	In respect of 6 teleprinter circuits leased during the period 1955-62, provisional annual rent of Rs. 65,200 is being collected the final amount based on the actual capital cost has not yet been determined.
3. *Long distance telephone connections, non-exchange lines, P.B.X., etc.*	
The rental at a prescribed flat rate or at a prescribed percentage of the capital cost, whichever is more, is required to be guaranteed for a pescribed number of years. (The rates and the period of guarantee differ according to the type of facility provided).	In 17 and 87 cases pertaining to Gujarat and Central Circles respectively, the guarantee amounts provisionally fixed during the period 1947-63 have not so far (October 1964) been revised with reference to the actual expenditure incurred in providing the facilities.
4. *Opening of public telephone call offices other than at private premises.*	
The parties are required to guarantee for varying periods revenue equal to rent of the line, plus working expenses plus interest, depreciation and maintenance charges at rescribed percentages of the capital cost of apparatus and plant.	The records showing the inward and outward telephone calls of 23 public call offices in Ahmedabad Engineering Division are not available for different periods as shown below and the amounts, if any to be recovered have not yet been determined for these offices—
The deficit in revenue to be made good by the guarantors is worked out from records showing the inward and outward telephone calls pertaining to each call office furnished to the Telephone revenue accounting offices.	(*i*) 10 offices for 1 to 6 years. (*ii*) 8 offices for 7 to 10 years. (*iii*) 5 offices for a number of years the exact period is not known.

3.28. The Committee pointed out that in January, 1965 the Department had informed Audit that the delay in finalisation of guarantee amount was mainly due to delay in submission of completion reports. In this connection, the Committee drew attention to the facts that in August 1959 certain relaxations were allowed in the procedure regarding the release of completion reports and that certain proposals emanating from Heads of Circles conference held in 1960, for granting further relaxation in the existing rules as a regular measure were still under consideration. The Committee, therefore, desired to know the reasons why it had taken the Deptt. five years to take a decision on the proposals of the aforesaid conference and whether a final decision had been taken. The representative of the P. & T. Board stated that final decision had been taken in the matter and orders were under issue. Explaining the causes for delay, he stated that the conference was held in October, 1960, the minutes were finalised early in 1961 and after that the recommendations were going backwards and forwards as they required detailed examination in AG's Office in the Finance Wing of P.&.T. Department and in the P. & T. Department itself. It was also partly due to the emergency which arose in 1962. He further added that the guarantee figures had been quoted on a provisional basis and guarantee amounts had also been paid. The question with the Deptt. was of the finalisation of the guarantee amount and it did not imply that the Deptt's money was blocked up. Referring to the first case in regard to opening of Telegraph Sections in Post Offices, the witness stated that the guarantee figures were quoted to the guaranters and recoveries were being made when the gurantee amount was not coming upto the mark. When the revenue from the combined offices was not upto the guarantee amount, recoveries were being made on the basis of the provisional guarantee. In the final figure, in some cases, it was more (plus) while in some other case it was less (minus). The Committee were further informed that out of the item No. 1, 2, and 3 mentioned in the Audit para, in the first and second items, completion reports had been finalised in 26 cases, in consultation with Audit, five had been sent for verification by Audit and seven were under preparation. In respect of item No. 3 of the Audit para which involved 104 offices, finalised guarantee figures had been worked out in sixteen cases and ten cases had been referred to Audit for verification.

3.29. Explaining the three stage operation involved before bills were finally submitted, the witness stated that first of all the completion reports were prepared which were then sent to Audit for verification. After the Audit had verified them, the reports were sent to the Divisional Engineer who prepared the finalised guarantee figure on the basis of those reports. These figures were again sent to Audit for verification and after they were verified by Audit, bills were submitted by Accounts Officer, Telephone Revenues. The Committee enquired whether separate statistics were maintained in regard to services which were purely of private nature (i.e. lease of teleprinter circuits etc.) and those which were for public use and whether any special emphasis was given for the recovery of dues in respect of services which were of a private nature. The witness explained that statistics were maintained separately by the very nature of the service and the Deptt. had first to check up whether the provisional rental asked from the private parties was the same as the actual.

3.30. From the evidence tendered the Committee find that delay in the submission of completion reports have been mainly responsible for the delay in finalising the guarantee amounts with the result that out of 36 telegraph sections of post offices (mentioned in the Audit Report) completion reports could not be finalised in respect of 10 cases even though they pertained to the period 1951-61 and out of 104 cases pertaining to the Gujarat and Central Circles the actual expenditure incurred for providing the facilities could be settled in 16 cases only even though the provisional guarantee amounts ever fixed during 1947—63.

3.31. They further note with regret that the Deptt. had taken nearly five years to take a final decision on certain proposals emanating from the Heads of Circles conference for the expeditious finalisations of completion reports. The Committee cannot but deprecate such inordinate delays.

3.32. The Committee are inclined to feel that the pace of the work of finalisation of the amounts can be accelerated if instead of following the present combrous procedure, the Deptt., are able to fix some *ad hoc* figure work out on the basis of past experience and the estimated cost, and make it applicable on an experimental basis instead of charging provisional amount of guarantee. After the system has worked favourably for some time, it may be possible for the Deptt. to devise a formula which would be fair and equitable and which could be renewal after every three or four years.

3.33. Asked why in respect of cases referred to in item 2 of Audit para (lease of teleprinter circuits) final amounts were not determined till 1965, even though the circuits were opened in 1965, the witness stated that only in one case the completion report was under verfication and in the rest of the cases final amounts had been determined. There was only one case (Calcutta-Kumardhubi) which pertained to the year 1955.

3.34. The Committee were further informed that no distinction were made between recovery from a private individual and the public. In fact the Department were experiencing difficulty in making recoveries from guaranteed combined offices which were meant for public service. The private parties on the other hand were respectable big parties who paid their Bills, as otherwise their circuits could be disconnected. The witness connected that the delay of the ten years was not justifiable and the main reason for it was the delay in the finalisation of the completion reports.

3.35 From a statement furnished by the Deptt. at the instance of the Committee they find that the question of finalisation of rent in this case was referred to the P. &. T. Directorate on 19-1-65 and the Directorate had intimated the Accounts Officer, Telephone Revenue, Nagpur on 18-2-65 that the provisional rental should be treated as final.

3.36. The Committee are amazed that the Deptt. should have taken 10 years to finalise the rental in the Calcutta-Kumardhubi case. The Committee desire that the Deptt. should scrutinse the different stages through which this case had passed to find out to what extent the delay was caused because of defective office procedure, and due to the negligence of the officials. The Deptt. should also take immediate steps to plug the procedural loop holes, if any, which had caused this delay and initiate suitable disciplinary action against the delinquent officials.

3.37. As regards the fourth case "opening of public telephone call offices other than at private premises", the witness added that the public call offices were guaranteed PCOs. The Post Master Generals in charge of them sent the booked tickets which were valued in the Accounts Officer Telephone Revenue, office who would set off the amount against the guaranteed amount and the guarantor had to pay the difference. These tickets were valued at ACTR's office where they were kept for six months and then destroyed. The witness conceded that in this case the fault lay with the Deptt. because the registers in which the trunk call tickets had been calculated were lost in the process of shifting of records from one office of the ACTR to another. However, on the basis of past records and on the basis of average earning of these PCOs, bills amounting to Rs. 6266·35 in respect of 6 PCOs out of 23 had been sent.

3.38. In respect of eight PCOs, the guarantee was by the ex-Baroda State and the amount was Rs. 1,24,514. It was expected to be covered by the amount deposited with the Deptt. The Committee pointed out that the practice adopted was not fair because the Department had to recover the actual difference between the guaranteed amount and the actual realisation and in these cases the figures of actual realisation could not be known because of the loss of records. The Chairman of the Board admitted that the method was neither precise nor correct but in the absence of records *ad hoc* method had been adopted which was based on the examination of all collateral evidence available either with the party or in Post Office and on the basis of average of the period before and after that period for which record was missing. The Committee inquired why amounts were not recovered every year. The witness stated that the circle offices were responsible for this work and the lapse was due to human failure. The committee were informed that the period of guarantee varied and out of 23 cases, the guarantee periods in respect of 16 cases had expired 8 cases related to the private parties and 8 cases were guaranteed by the ex-Baroda State. Except two cases, all others had been worked out on an *ad hoc* basis and deficit bills amounting to Rs. 7873 had been issued and were pending collection. In reply to a question the Committee were informed that the Deptt. did not know how much profit was earned from the PCOs which they had set up.

3.39. The Committee find that because of the loss of records the Deptt. had to resort to an *ad hoc* method of calculating the bills of the Public Call Offices on the basis of their average earnings. The Committee feel, that this method would not give correct results, as the period for which the records were missing was ten years and it would be unrealistic to relate the figures of the first year with those of the tenth year. Even with this method, the Committee find that all the pending cases have not been cleared up. The Committee would, therefore, urge that the remaining cases should be processed quickly and every effort should be made to ensure that no such stalemate resulting from the loss of important official documents recurs.

3.40. The Committee fail to understand why collections were not made from year to year but they were allowed to remain unrealised for nearly ten years and in the mean time the arrears continued to accumulate. The Committee would like to know the reasons for this lacuna. If, as stated in evidence, it was a lapse on the part of the circle offices, they would like to konw what effective control the directorate exercised over the circles and why in this case the control was slackened.

Delay in recovery of Water charges for the quarters at Allahabad Head Post Office, para 11, *page* 11:

3.41. There are 29 residential quarters (one Postmaster's quarter, four type II and twentyfour type 1 quarters) in the compound of the Allahabad Head Post Office. The four type II quarters are in occupation since January, 1953 and the others prior to October 1945. Of the 32 water taps provided in these premises, 20 are in the residential quarters and 12 are in the office buildings.

During the period October 1945 to March 1964 the post office paid over Rs. 33,000 to the Municipal Corporation as water charges for all the buildings. It was pointed out by audit in 1956-57 and in subsequent years that no recovery for water consumed in the residential quarters was being made from the tenants. Orders were issued by the Postmaster General only in September, 1964 that water charges at the provisional rates of Rs. 3·50 per month for the Postmaster's quarter Rs. 2·00 per month for each type II quarter and Rs. 1·50 per month for each type I quarter should be recovered. On the basis of these rates a sum of Rs. 9,800 is recoverable from the Government servants for the past period. Water charges at the prescribed rates are being recovered only from September, 1964 onwards.

3.42. The Committee desired to know the circumstances which had prevented the Department from recovering the water charges from tenants for such a long period, even when Audit had brought the facts to light in 1956-57. The witness stated that a sum of Rs. 0·62 per quarter for the 24 type I quarters were being realised from 1st April, 1945 as service charges for a common dry latrine which was attached to these quarters. Subsequently the latrine had been converted into a flush type and the charges had been raised to Rs. 1·50 per quarter from 1964. He, however, conceded that recovery of water charges in respect of 24 quarters was not made till 1964 when the rates were enhanced and furnished the following chronology of the case to explain how delay had occurred:

November 1959: Circle office took up the case with Audit.

January 1960: DET wrote to SPO, Kanpur.

March 1960: DET intimated the water charges.

April 1960: Suptd. of Post Office went up to the circle office.

September 1964 Senior Supdt. of Post Offices intimated the Central Office.

When the witness stated that the Department was not clear whether anything was to be charged from the class IV staff and that the local office should have asked the circle office and the Circle Office in their turn should have sought clarification from the head office about the doubts, the Committee pointed out that the clarification could have been obtained from Audit and if the Audit objection was not reasonable the Department could have explained the matter, but there was no justification for not taking action since 1956-57. The witness stated that action would be taken against persons for ignoring audit objections.

3.43. In reply to a question, the witness stated that they had to break-up to show how much water was consumed by the residents in the quarters and how much was used by office. There was only one meter for all the connections. A reasonable assumption of the water used in the office was made and the balance was more or less equally distributed on the basis of the number of taps in each residence. Answering a query as to why the Department should pay on the basis of average of the water consumed in residential quarters, the witness, stated that there was one meter both for the post office as well as for 29 residential quarters in the post office permises. The witness added that a letter was written in July, 1965 to all Heads of Circles so that such things might not recur.

3.44. The Committee regret to note the light hearted manner in which the question of recovery of water charges was dealt with by the department in this case. In spite of the fact that the lapses were brought to light by Audit in 1956-57, the circle office took two years to take up the matter with the Audit in 1959. Even then the matter was not pursued vigorously and between 1960 and 1964 it was allowed to stagnate in the circle office. The Committee hope that suitable instructions will be issued to ensure that prompt and adequate action is taken on the Audit objections. The Committee further find that tenants of the quarters are being charged on the basis of average of the water consumed only because there happens to be only one water meter for 32 taps 20 for residential quarters and 12 for office buildings. The Committee feel that the Department should take up the question of providing separate water meters to the tenants, with the local authorities immediately, not only at Allahabad but in respect of all other places where similar situation might still exist.

IV

WORKS EXPENDITURE

Quarters lying vacant due to delay in providing electric installations, water supply, etc.—para 13, *page* 12:

According to departmental orders internal water supply works should be completed simultaneously with the building work, while electric installations should be completed within one month after completion of the building work. However, due to delay in providing electric installations, water supply and drainage facilities, 452 quarters constructed during September 1959 to *September 1963 in Jullundur, Ludhiana, Kanpur and Madras at a cost of Rs. 34 lakhs remained vacant for periods ranging from **11 to 28 months after completion of the building portions as shown in Appendix VI.

The approximate total loss to Government (in the shape of house-rent allowance paid to the staff and non-recovery of house-rent) resulting from the quarters remaining vacant was Rs. 1·7 lakhs.

Further, about Rs. 5,500 were spent on watch and ward of the vacant quarters.

4.2. The Committee pointed out that the Department had stated in April, 1965 that the following proposals were under the consideration of the P. & T. Board:

(i) Inviting of composite tenders for bigger work also, so that the building work and services are executed by a single agency and loss of time due to lack of coordination etc. is avoided.

(ii) Responsibility for obtaining service connections is proposed to be transferred to the local (P. & T.) administrative officers, who by virtue of their status and local contacts are in a better position to pursue the Municipal/Corporation authorities for expediting service connections.

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*Revised date February, 1964.

**Revised figure 8.

(iii) Setting up of a committee in the Directorate/Circle Offices for reviewing and ensuring simultaneous completion of services and building work.

The Committee desired to know if any decision was taken on those proposals. The Committee were informed that a decision had been taken that for works costing below Rs. 40,000 which were within the power of the Executive Engineer to execute, composite tenders would be called for and orders to that effect had already been issued. It had been decided to extend the same principle to other works also and for works costing above Rs. 5 lakhs, orders were yet to be issued entrusting the CPWD to issue instructions for calling composite tenders. As regards the proposal referred to in item (ii) above, orders had already been issued, as a result of which it was the responsibility of the local officers to contact the local authorities to ensure that there was no avoidable delay in providing the external services. As regards the third proposal, the proposed Committee had not been formed yet. However, instructions had been issued in writing to all the inspecting officers to ensure that there was proper coordination and work was not held up on any account. In the Directorate, the additional Chief Engineer personally supervised the large works and it was hoped that with these arrangements the past defects would not recur.

4.3. The witness also added that all the quarters referred to in the Audit Report had since been allotted. Asked why the first decision to undertake electric installations in the quarters at Jullundur departmentally was changed and why the C.P.W.D. was asked to do it; the witness stated that the first decision was based on the instructions contained in the old rules where all electric installations were to be done by the Department. When the Jullundur Division complained that they would not be able to take up the work being busy with other works, the C.P.W.D. was offered the job. The delay involved in the case was due to the fact that towards the end of 1960, the Department was forming the C.P.W.D. Wing in P. & T. Board which was formed with effect from October, 1960, and staff for the electrical works was not posted to the Wing till June-July, 1961. In the initial stages, the C.P.W.D. provided all the staff but most of the time it was not sufficient and since 1964, the Department were recruiting their own men. He further added that the building were ready in October, 1960 and the decision to entrust the work to C.P.W.D. was taken in August, 1960. He however, conceded that the decision should have been taken early. The Committee were further informed that the change of decision *viz.*, entrusting the work to C.P.W.D. instead of doing it departmentally, had contributed to the delay to some extent. In July-August, 1961 when the particular work was executed the Wing was under the control of C.P.W.D. Explaining the cases of delay for non allotment of quarters at Kanpur (*vide* item—(iii) of Appendix VI), the witness stated that it was due to some lack of co-ordination. Originally the Board had prepared an estimate for tubewell and the Executive Engineer, Allahabad Division of C.P.W.D. had contacted several tubewell firms but none agreed to undertake the work. As such, in April, 1959 the matter was taken up with the State Government who prepared the estimate and asked for an over head of 50 per cent. This was considered to be too high and references were made to the Finance Wing of the Board and the Ministry of Works and Housing. It had taken quite some time in trying to persuade the State Government to reduce the percentage but as they did not agree to it, the work was given to them at their figures. Yet another reason for the delay was that the original estimate to bore 200 feet for the tubewell had to be revised at the instance of the local Executive Engineer of the State P.W.D. to 300 feet and a revised estimate had to be sanctioned. In reply to a question as to why the question of sinking of this tubewell was not taken up along with the construction of the quarters, the witness stated that the building was sanctioned in 1957 and detailed estimates had to be prepared and when tenders were invited, it was found that no one was forthcoming. Asked whether the Board was satisfied with the time of two years which C.P.W.D. had taken to communicate about the non-availability of a private contractor, the witness stated that they were not satisfied and that was why they had taken over the building wing. He, however, assured the Committee, that action had been taken to ensure that there was no delay in future. The Committee were also informed that the Board were recruiting their own engineers, and the C.P.W.D. Staff would be sent back when their own engineers were recruited. He further added that he was confident that the experiment of getting the work done by their own engineers, would be successful because experience had shown that with practically the same staff more work was done, than when the wing was under the C.P.W.D. There was not only better control but better Co-ordination also. In reply to a question the Committee were informed that the expenditure of Rs. 5,500 on watch and ward had borne by the P. & T. Department.

4.4. The Committee note that the change of decision viz., doing the work departmentally, had contributed to the delay in this case to some extent. The Committee are unhappy that the C.P.W.D. took two years to communicate about the non-availability of a private contractor which only shows negligence. They are, however, glad to be told that there was now improvement in the situation owing to

the work being done by the Engineers of the Department and hope that such cases would not recur in future.

4.5. The Committee desired to be furnished with a note explaining whether there were other quarters of similar type as mentioned in the Audit Report still vacant and whether there was any delay in their allotment and if so, what action had been taken by the P. & T. Board to expedite utilisation etc. From the note furnished the Committee find that in the first case all the quarters referred to in the Audit para have been allotted and occupied. However, at present 952 type II(a) quarters in the neighbourhood of Sector VI of Ramakrishnapuram, Delhi though completed in April-September, 1965 could not be allotted because of non-availability of water and electric supply. At Poona 144 type II quarters were also lying vacant for the want of electric service connections.

4.6. In this connection the Committee would like to stress that the question of providing ancillary services like water, electricity severage etc. should invariably be taken up along with the construction of the quarters so that there may not be any time lag between the completion of the quarters and in providing these facilities as a result of which the quarters may remain vacant and Government put to financial loss. The Committee would like to be informed of the dates when 952 type II(a) quarters at Ramakrishnapuram and 144 type II quarters at Poona are allotted the period for which they remained vacant and the loss suffered as a result thereof.

Bombay-Delhi-Calcutta co-axial cable project—para 14—pages 12-13.

4.7. In paragraph 7 of the Thirty-first Report of the Public Accounts Committee (1960-61) (Second Lok Sabha), reference was made to the scheme undertaken by the Posts and Telegraphs Department (sanctioned in August, 1956) to lay co-axial cables at a cost of about Rs. 8 crores on the route, Bombay-New Delhi-Calcutta with provision for installation of carrier equipments and for repeater stations over the entire route at suitable distances. The Committee noted that, although the progress of the project had been delayed owing to shortage of foreign exchange, it was hoped to complete the scheme by 1963, using cables manufactured in India by Hindustan Cables Limited from September 1960 onwards. The Department also reported to the Committee in October 1961 that an annual gross revenue of Rs. 6.74 crores was expected to be realised on completion of the scheme.

The progress of expenditure and work upto 31st March 1964 is given below:—

(Amounts in rupees lakhs)

	Sanctioned cost (inclusive of overheads)	Expenditure and liabilities incurred upto 31st March 1964 (inclusive of overheads)	Expenditure percentage (2) to (1)	Percentage of work done
	1	2	3	4
Land	9·66	1·19	12	About 100
Buildings . . .	13·34	9·33	70	About 56
Cables . . .	582·30	526·85	90	About 62
Apparatus and Plant .	189·61	217·67	115	From 27 to 60 for different apparatus and plant.

According to the financial stock taking report for the period ending 31st March, 1964 the sanctioned estimated cost of the project was likely to be exceeded by about 25 per cent. A part of this increase was due to the higher cost of cables purchased from Hindustan Cables Limited as compared with the cost of cables provided in the project estimate.

4.8. For setting up the Hindustan Cables factory in West Bengal, an agreement was entered into in 1949 between the Government of India and Standard Telephone and Cables Limited of the United Kingdom. In the terms for remunerating the latter for their services, it was laid down that 25 per cent of the cables required by the Government of India and not manufactured by the Hindustan Cables factory was to be purchased from Standard Telephone and Cables Limited at British Post Office price plus 2½ per cent F.O.B. 132 miles of co-axial cables were accordingly purchased from that company between May 1958 and March 1959 at a price 26 per cent higher than that of the cables purchased subsequently from Siemens Company Limited and 48 per cent higher than that of the cables purchased from Ericsson of Sweden as shown below:—

Name of firm	Period of supply and quantity	Price per mile	Remarks
1	2	3	4
		Rs.	
Standard Telephone and Cables Limited, (U.K.).	May 1958 to March 1959 —132 Miles of two-tube cables.	21,539	The price is inclusive of freight, insurance and landing charges at 15 per cent of F.O.B. price, and exclusive of customs duty.
Siemens Company Limited.	April 1959 to July 1960—186 miles of two-tube cables.	17,144	Contract executed in March 1957. The price is inclusive of sea freight 15 per cent and axclusive of customs duty 37 ½ per cent.
Ericsson of Sweden	June 1960 to December 1960—222 miles of two-tube cables.	14,552	Contract executed in May 1959. The price is inclusive of sea freight Rs. 1,113 and exclusive of customs duty 40 per cent.

4.9. The Committee enquired about the reasons for the delay in completion of the Bombay-Delhi-Calcutta co-axial Cables Project and the probable date of its completion. The representative of the P. & T. Board stated that the execution of the entire project except for some small tube cables would be completed by March or April, 1966.

4.10. As regards the reasons for delay, the witness stated that firstly the Department had no experience in this type of work. Secondly, the Department did not get the supplies of cables and other materials as anticipated. Some foreign exchange was released in November, 1956 for purchase of the co-axial equipment required for carrying out the works, from Delhi to Kanpur and Varanasi to Kanpur. Again, as the work of the railway electrifications was started, it became necessary, that the open wires must be removed far away from the railway track and put underground. In May, 1959 Asansol—Varanasi section was sanctioned. The Hindustan Cables started the first supplies of cables to P. & T. Department in 1960-61 and gave only 43 KM length of the cables. In 1961-62 they gave 184 KM length of the cables. Thereafter, they established the production and gave about 600 KM length of cables. Even that was not sufficient. When the P. & T. Department got a credit from the International Development Association some cables were imported under that credit agreement. The result was that during the year 1964-65, 866 KM of cables could be laid.

4.11. In reply to a question, the witness stated that it could be taken that the Department had lost Rs. 40 crores of gross revenue as a result of this delay; on the other hand, as and when the Department laid cables, they started using it. The Subscribers' Trunk Dialling was not originally envisaged in the plan that was drawn up by the British Experts. For that, a lesser number of circuits were required. But as against that, the Department hoped to give subscribers trunk dialling over the entire cable route. This was established between Delhi and Agra in July, 1959. The same was established for Delhi-Jaipur in September, 1964 but for Delhi-Kanpur, Agra-Kanpur, Delhi-Patna, and New Delhi-Lucknow, it was introduced during the course of the current year. As a result, the Department had been utilising whatever cables they had laid. It was true that if the Department had laid the entire length of the cables they could have started earning more than what they really did. The witness added that against a gross revenue of Rs. 6·74 crores which was expected to be earned, the Department had been getting a gross revenue of Rs. 3·46 crores at present. Once the Delhi-Ahmedabad section and the Delhi-Bombay section was completed, then as a result of this, the Department would be able to establish over the co-axial cables subscribers' Trunk Dialing System from Bombay to Calcutta also. At that time, the increase in revenue should be much more. It was expected that the figure of revenue provided in the estimate would be reached.

4.12. The Committee desired to know about the latest estimate of gross revenue in view of the experience over the different sectors. The witness stated that the estimated revenue would be nearly Rs. 8 crores. It might be even higher because the traffic was going up considerably on certain sections of this project between Ahmedabad and Bombay and Bombay and Poona. Four tube co-axial cable instead of two tube co-axial cable had been laid and it would take a much heavier traffic. The Bombay-Ahmedabad section was generally the busiest section. Therefore the estimated revenue of Rs. 8 crores was on the lowside only.

4.13. At the instance of the Committee, P. & T. Board have furnished a note (Appendix VII) showing the revenue earned before the co-axial cables came into operation and after they came into operation.

The Committee find from the note that whereas the annual revenue earned prior to commencement of the co-axial cables were Rs. 84·64 lakhs, the revenue had gone upto Rs. 377·23 lakhs in 1965 after the co-axial cables came into operation.

4.14. The Committee also observe that the Cable Project was expected to be completed by 1963 but it was stated in evidence that the execution of the entire project would now be completed by March or April, 1966 only. Had the entire project been completed by the target time viz., 1963, the P. & T. Department would have started earning a gross revenue of Rs. 6·74 crores per annum against the anticipated gross revenue of Rs. 3·77 crores during 1965. The Committee trust atleast now the project will be completed by March-April, 1966, the revised target.

4.15. The Committee desired to know what were the original and revised estimates of this cable project. The witness stated that the original estimate was Rs. 7·95 crores and the revised estimate was Rs. 9·66 crores. So, there was an increase of about 25 per cent. One reason for this increase was that during the course of work, it was decided that instead of having a two-tube co-axial cable between Ahmedabad-Poona *via* Bombay, a four-tube co-axial cable would be put. The difference between the cost of a four-tube co-axial cable and a two-tube co-axial cable was about 20 per cent. and the cost of laying a second cable was saved. The other reason was that the Department had to purchase cable at a rate higher than what had been provided in the original estimate.

4.16. At the instance of the Committee P. & T. Board have furnished a note giving the latest figures of expenditure as against the provisions in the estimates of the Bombay-Delhi-Calcutta co-axial project under the heads—land, buildings, cables and apparatus and plant (Appendix VIII).

4.17. The Committee would in this connection like to refer to paras 7, 8 and 9 of the 31st Report of P.A.C. (1960-61) according to which the project was to be completed by 1963, whereas according to the note furnished, the revised date for the completion of the whole work is December, 1966 (Jaipur-Ahmedabad-Bombay route is expected to be completed by April, 1966 and the spur route Jodhpur-Beawar by December, 1966). The Committee feel that as a result of this delay, there has been loss of revenue and some increase in the cost of the project.

4.18. The Committee enquired what were the estimated cost and actual cost of the cables and the reasons for its increase. The witness stated that the Department estimated that the cost of cables would be Rs. 23,580 per mile. When Hindustan Cables supplied the cables during 1960-61, 1961-62 and part of 1962-63 it was at a rate lower than the estimated cost i.e. Rs. 22,207; after that, it was at a higher rate i.e. Rs. 26,573. Most of the supplies were at the higher rate.

4.19. Explaining the reasons for increase in cost of cables, the Managing Director of the Hindustan Cables Ltd. stated that Hindustan Cables Ltd. started manufacturing these two tube co-axial cables first in 1960-61 and so far the earlier periods of trial were concerned, the prices provisionally fixed in the project estimates at that time were taken. Then it was found that the Hindustan Cables Ltd. was working at a loss because in the meantime the prices of the basic raw materials viz., copper, lead and the special imported items for the co-axial cables—had gone up very substantially. The exact final price had not yet been fixed and the Hindustan Cables Ltd. was working on provisional prices given by the D.G.S.&D. The Hindustan Cables Ltd. made a rough calculation based on experience gained in 1961-62 and part of 1962-63 and they realised that they were underselling. So, they approached D.G.S.&D. for a provisional increase till the final prices were fixed. The present price was Rs. 26,573 per mile. Recently a costing investigation had been made and it was estimated that the price would come down in the final figure to Rs. 25,600 per mile.

4.20. Asked a question, the witness stated that the element of profit would be hardly 10 per cent. He further stated that imported prices of the cables were always less when compared with the cost of cables manufactured by the Hindustan Cables Ltd. It appeared that there was some sort of export subsidy that the foreign firms got in this regard. The witness added that after paying duty etc. the material cost 70 per cent. of the selling price and if 10 per cent. was allowed for profit there was hardly 20 per cent for conversion charges and other expenses which according to the witness was certainly not high for a cable making industry.

4.21. The Committee enquired whether Indian prices were competitive as compared to international manufacturers without the subsidy element. The witness stated that about 2½ or 3 years ago D.G.S.&D. called for global tenders for dry cases cables and out of 26 items, Indian manufactured items in 16 to 17 cases were cheaper.

In a subsequent note,* the Managing Director of the Hindustan Cables Ltd. has clarified the position as under:—

"Our quotations were 'cheaper than U.K. Ring prices' in 20 cases altogether and, incidentally, in six cases we were the

*Not vetted by Audit.

cheapest amongst global tenders. A/T was issued to us for 26 items out of which we were cheaper than U.K. Ring Prices in 16 cases".

4.22. The Committee enquired what percentage of Hindustan Cables Ltd. products and Indian Telephone Industries products were bought by the P. & T. Department. The witness stated that 80 to 85 per cent. of the products of I.T.I. and 99 per cent. of H.C.L. products were purchased by the Department.

4.23. The Committee pointed out that Indian Telephone Industry supplied stores to P. & T. Department at 10 per cent. above their cost, whereas the profit given to Hindustan Cables was 10 per cent. of the Capital employed, and enquired why the P. & T. Department could not purchase their requirements from Hindustan Cables Ltd. direct, instead of through D.G.S.&D. as they did with Indian Telephone Industries. The Committee also desired to know why the Ministry treated these two units differently when both were functioning more or less exclusively for the P. & T. Department. The witness, giving the background, stated that (I.T.I.) 'Indian Telephone Industry', since its very inception, has been controlled by the Communications Ministry which also controls the P. & T. Department. So, a certain amount of liaison has, developed or certain conventions have developed. Hindustan Cables Ltd. had always been under the Industry Ministry and therefore some new set of conventions have developed there. He added that the P. & T. Department had been discussing this matter with the Industry Department and certain proposals were being formulated. He further added that, in the course of 3 or 4 months, it was hoped to have some arrangement by which the difference appearing now between P. & T. dealings with I.T.I. and Hindustan Cables Ltd. would be narrowed down.

4.24. The Committee are unable to appreciate the differences that exist, in the methods of dealings with I.T.I. and H.C.L., despite the fact that major percentage of their products are purchased by the P. & T. Department. They note, however, that this matter was being discussed with the Department of Industry and certain proposals were being formulated. The Committee hope that a decision in the matter will be taken early so that a better and more efficient procedure of dealings could be devised. The Committee also suggest that question of the P. & T. Department placing their orders directly on the H.C.L. Ltd. instead of through the D.G.S.&D. as is the case with I.T.I. may be examined from the point of view of reducing unnecessary time and efforts.

4.25. The Committee enquired whether there were any comparative figures available to find out how Ericsson of Sweden were able to supply cable at Rs. 20,000 even after the customs duty and what the labour charges were. The Managing Director H.C.L. stated that in the export market foreign supplies were usually at a little less price. Secondly, larger cable making industries in Europe were able to buy copper at a less rate. They got part of the consignment at what was called producers' rate, whereas, H.C.L., bought at London Metal Market price which was higher. Asked a question why H.C.L. could not buy at other than London Metal Market rate, the witness stated that the main trouble about costing of cable was that a very high percentage of the raw materials had got to be imported. Copper, lead and insulating paper were to be imported. These raw materials accounted for nearly 70 per cent. of the final cost. In adjusting market price, all countries had a policy where they exported materials which were in the nature of raw materials because they did not want the products to be compared favourably with their own products. The prices in international markets were therefore so regulated that India was at a disadvantage. Secondly, copper was a monopoly of certain countries. Copper was in short supply in the whole world and the prices of copper was going up. All the major cable companies bought shares in the copper mining companies. Having bought these shares, they were able to control prices and they got copper at the producers' price which was less than the London Metal Market price. India had to buy copper in open market at a higher price. As India did not produce enough copper, it was always at a disadvantage in this regard. This question could be tackled by (i) reducing the quantity of copper element by reducing the size of wire (ii) by reducing the lead or steel contents by using more aluminium if possible. All these were technical matters which were under examination.

4.26. The Committee pointed out that as against the purchase of raw materials which were costlier for India, India had got one advantage viz., lower labour charges. The witness stated that cable making was fairly well mechanized and man-power requirement was relatively small. In India the whole wage bill came hardly to 12 per cent. of the cost of the finalised product. Really the money was tied up in materials on whose prices India had no control. He added that the price of copper had gone up from £250 to £480, moreover there is a duty on copper bar at Rs. 1,500 per metric tonne plus 10 per cent. regulatory duty.

4.27. The Committee enquired why orders were placed with Siemens Company when their prices were higher compared with the price of Ericsson. The witness stated that all these items were imported on a world tender basis and it happened that the lowest tender at one time was that of Siemens and at another time it was of Ericsson.

4.28. The Committee enquired whether H.C.L. was running to full capacity and whether it was in a position to meet the full requirements of P. & T. Department. The Managing Director, H.C.L. stated that in respect of co-axial cables, the capacity of the Company was expanded from 600 to 750 miles per annum and the job had just been completed. For a half year about 480 KMs. (300 miles) were produced and it was hoped that by the end of the year 900 Kms. (560 miles) to 1000 KMs. (600 miles) would be reached. He added that there might not be any more imports except perhaps the four-tube co-axial cables which might be necessary for certain works but trial production of this also had been started. The witness stated further that they imported only those cables which were not manufactured in India.

4.29. The representative of D.G.S.&D. further explained that efforts were made to procure copper wire at producers' price about a year and half back, just as other countries were able to do. But there were no offers at all, inspite of two or three efforts made India had to go back again to purchase at L.M.E. price. Actually the D.G.S.&D. through their agencies in London and Washington tried to contact the producer countries to enter into some sort of supply arrangements with India but they were not successful. However, they were still pursuing the matter. The witness added that the countries that were contracted were Chile, U.S.A., Canada and Rhodesia. They had already some long term arrangements for their suppliers and they said that they must off-load certain quantities in the market for the middle man. That was the only quantity that India could lay hands on. He added that when they became aware of the vast difference between producer's price and the L.M.E. price they made efforts to purchase copper both for cable industry and for the other indenters like D.G.O.F. where thousands of tons of copper were wanted, but without any success.

4.30. The Committee enquired if D.G.S.&D. agencies knew whether copper market was a controlled market or not. The witness stated that through India Supply Missions, D.G.S.&D. made contacts with producer countries and were told that they were already booked and could not spare any copper.

4.31. The Committee desired to be furnished with the copies of correspondence carried on between the D.G.S.&D. and India Supply Missions at London and Washington for entering into long term contracts with producer countries for procurement of copper required for the Indian Cable Industry, etc.

4.32. The information has been furnished and is at Appendix* IX. The Committee note with regret that the efforts made to obtain copper at producers' prices had not met with success. Since there was a world shortage of copper and India needed copper not only for meeting the requirements of P. & T. Department but also for D.G.O.F. and other purpose which could not be met from indigenous sources, the Committee would like Government to give this problem their serious consideration so that some satisfactory arrangements could be made for obtaining regularly copper at producers' price from abroad. Simultaneously efforts should be made through technical organisations to find out how the use of copper could be reduced in the manufacture of items required by the P. & T. Department and the Director General of Ordnance Factories.

Agreement with Standard Telephone and Cables Ltd. (U.K.):

4.33. The Committee desired to know the latest position about the agreement with the Standard Telephone and Cables Ltd. for purchase of cables. The representative of the Ministry of Industry and Supply (Department of Supply and Technical Development) stated that upto 1959, the prices at which the S.T.C. were able to supply were not very much different so as to lower the other quotations that were being received by D.G.S.&D. It was only after 1959 that it was noticed that the S.T.C. prices were considerably higher than the offers that had been received by D.G.S.&D. against the global tenders. In 1961, Ministry of Industry took up the matter with S.T.C. After a great deal of negotiations, in 1962 S.T.C. had come down with regard to the co-axial cables on which they would give a reduction of 5 per cent. and on dry core cables about 10 per cent. There were other concessions also which the Ministry of Industry were trying to get out of them. This contract was entered into in October, 1949 for a period of 20 years. The concessions which the S.T.C. had conceded were now almost on the point of being finalised. These lower prices were applicable since 1962.

4.34. The Committee desired to be furnished with a note showing the total amount spent by Government for the purchase of cables or other materials from S.T.C. under the agreement. The Committee further desired that the comparable prices from other countries for the same type of material might also be indicated in the note.

4.35. From the note furnished by the P. & T. Department in this connection, the Committee find that D.G.S.&D. who were requested

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*Not vetted by Audit.

by the P. & T. Department to furnish the information asked for, has stated as under:—

> "At this distant date D.G.S.&D. are not in a position to submit a correct Comparative Statement of prices quoted by the various firms against this tender for want of complete files."

The P. & T. Board have also stated in this connection that "as all orders on M/s. Standard Telephones and Cables Ltd. for underground cables under the agreement were placed through the Director General of Supplies and Disposals, they were requested to furnish the requisite information. The D.G.S.&D. however, indicated that orders on M/s. Standard Telephones and Cables Ltd., (U.K.) were generally placed by the Director General, India Supply Mission London against cross mandates issued by the Director General of Supplies and Disposals from time to time. The required information could not therefore be collected so far."

4.36. The Committee are surprised to find that neither D.G.S.&D. nor P. & T. Department could make available the information regarding the total amount spent by Government for the purchase of cables or other materials from the Standard Telephone and Cables Ltd. under the agreement which is still operative, the Committee would like to be assured that complete papers, documents and files relating to the agreements with this firm are actually available with the Departments. They would like to be furnished with full information. In this connection the Committee would also like the Ministry of Finance to issue suitable instructions to all Ministries etc. that files, papers, and documents relating to current agreements and contracts should be carefully preserved until such time as all matters pertaining thereto are finally settled. The Committee further suggest that in such cases a constant watch should be kept on the prices paid under the contracts vis-a-vis the world prices prevalent from time to time.

4.37. To a question, the witness stated that price paid by India was the British Post Office price plus 2½ per cent. and this price was certified by D.G.I.S.M. London through the B.P.O.

4.38. The Committee pointed out that in 1959, when the tenders were invited, the agreement price was Rs. 110·83 lakhs while the competitive tender rate was Rs. 102·67 lakhs and enquired whether B.P.O. was paying a higher price.

4.39. The representative of the Ministry of Industry and Supply (D.G.S.&D.) stated that B.P.O. had not been paying higher prices. The S.T.C. had quoted outside the agreement price slightly lower for only these types of cables which were not in common use by B.P.O.

He added that agreement prices had always been slightly higher than the competitive prices. Asked if Government satisfied themselves through sources, other than D.G.I.S.M., London, that these prices were actually paid by the B.P.O., the witness admitted that they had not adopted any other method to verify the prices. He added however, that sometimes the export prices were even subsidized and the actual price in their own country for supply to the B.P.O. might be higher still. It was known that there were certain type of cables which were quite new to the B.P.O. and which were being purchased in India and therefore, a certification in clear words to the effect that the B.P.O. would have paid those prices was perhaps not available.

4.40. Asked whether the metal price on the basis of which the certificate was given, was L.M.E. price or the British price, the witness stated that it was the L.M.E. price and it was the part of the agreement.

4.41. The Committee pointed out that earlier it was stated that other big producers were able to get the metal at the producer's price while India had not been able to negotiate those contracts and enquired why, while paying the S.T.C. did D.G.S.&D. assume that their metal prices were the L.M.E. prices. The witness stated that prices were quoted on L.M.E. prices for comparison. They said that these were the prices which they would have quoted on those L.M.E. prices to B.P.O. That was the certification that D.G.S.&D. wanted through D.G.I.S.M.

4.42. In reply to a question, the representative of D.G.S.&D. stated that from 1960, D.G.S.&D. had not agreed to pay them the B.P.O. price plus 2½ per cent.; D.G.S.&D. had been trying to negotiate. It was true that D.G.S.&D. had not tried to find any other channel to got a certification of the fact that the B.P.O. price plus 2½ per cent. which they had quoted under the agreement were really based on B.P.O. price.

4.43. The Committee desired to be furnished with a note explaining on what basis the D.G.S.&D. had certified the metal prices.

The Committee also desired to be furnished with a comprehensive note in regard to the procedure adopted for obtaining from S.T.C. a price certificate to the effect that the British Post Office would have paid these prices and the reasons for its adoption. All this information has been furnished and is at Appendix* IX.

*Not vetted by Audit

4.44. The Committee are surprised to note that no efforts were made to check up through other sources as to what were the actual B.P.O. prices and whether the prices actually certified were the B.P.O. prices. The need for ascertaining the correct B.P.O. price assumes importance if it is borne in mind that when the tenders were invited in 1959 while the agreement price was Rs. 110.83 lakhs the competitive tender rate was Rs. 102.67 lakhs only.

4.45. In the course of evidence the Committee enquired why, while paying the S.T.C. did D.G.S.&D. assume that their metal prices were the L.M.E. prices. The witness stated that prices were quoted on L.M.E. prices for comparison. They said that these were the prices which they would have quoted on those L.M.E. prices to B.P.O. That was the certification that D.G.S.&D. wanted through D.G.I.S.M. The Committee are unable to understand why the D.G.S.&D. did not follow the normal procedure and ask the S.T.C. to produce a clear certificate from the B.P.O.

4.46. In the opinion of the Committee, these lapses could have been avoided if proper thought was given to the agreement and all its pros and cons examined properly beforehand.

4.47. The Committee enquired on what basis did P. & T. Department fix the terms of the royalty in the agreement. The witness stated that royalty was fixed on the basis of H.C.L's total production. He added that when the Hindustan Cables agreement was signed in 1949, it was expected that the Hindustan Cables Ltd. would be able to manufacture about 460 to 470 miles of cables and the requirements of the country at that time were thought to be about the same. So with the 25 per cent. of the imports going to S.T.C., it was thought that this would not mean undue advantage to S.T.C. But now the requirement of the country had gone up so much, that S.T.C. were getting an unexpected bounty.

4.48. Explaining the position of royalty the representative of the Ministry of Industry and Supply stated that according to the original agreement, royalty was payable at the rate of 2 per cent. on the selling price. With effect from 1st April, 1962, royalty was payable on a graded scale 2 per cent. on the first £2 million, 1 per cent. on the next £3 million and ½ per cent. in excess of £5 millions. Also, previously it was to be paid on the actual sales value. Now it was only on the "adjusted sales" which excluded the taxes and duties levied directly on sales, the net profit and the cost of imported finished and semi-finished products manufactured by S.T.C. and incorporated in goods sold.

4.49. The Committee pointed out that whereas the original production of the factory was 470 miles, it had gone up to about 1600 miles in 1962-63 but the rate of royalty @ 2 per cent. remained the same. Since 2 per cent. of selling price in 1949 was quite different from 2 per cent. of selling price in 1965, Government gained nothing. The witness stated that by bringing in 'adjusted sales" formula which included elimination of all duties and other things on certain portion of imported components in the revised terms, Government had avoided paying more. Asked whether the terms could not be revised more realistically so that Government could get benefit, the witness stated that they tried their best and got the revised terms. Since the agreement was valid for four more years, it was not desirable to have a break as they were still looking for certain other technical 'Know-how'.

4.50. Asked a question how this agreement was entered into in 1949, without considering the requirements of the country, the Chairman, P. & T. Board stated that a certain amount of requirement was anticipated at that time. Events since then had shown that the actual requirements and demands were very much more. As a result what was envisaged in the agreement at that time had not materialised and it had turned into a form in which S.T.C. were getting a much greater benefit than they should have got. Having realised this, the Ministry of Industry nd Supply took up this point and negotiated afresh. This was a very difficult negotiation as Government had no bargaining power. The agreement had already been signed and S.T.C. could insist on their pound of flesh. Therefore, Government had to accept the next best. They were able to pursuade the S.T.C. to a certain extent. Even now the S.T.C. were getting benefits, which, legitimately, if Government were to negotiate an agreement to-day Government would not have agreed to. Government would not agree to bind the country to a period of 20 years. The witness further conceded that even this 25 per cent purchase was abnormal arrangement, and Government would not have agreed to such an agreement to-day.

4.51. The Committee are not able to understand how the original agreement could be signed without knowing the requirements of the country thus committing the country for 20 years. There must be some rationale behind such an agreement. 25 per cent of the country's requirements were tied down to this firm for the coming 20 years from 1949 and this placed the Government in a disadvantageous position, particularly by underestimating the projected needs of the country. It passes their comprehension how anybody could have imagined in 1949 in the P. & T. Department that the country's

requirements for the cables and the production would remain the same for 20 years.

The Committee doubt if there would be any other case where Government have agreed to pay a royalty for 20 years at the rate fixed on the production which was rather small at that time, without taking into consideration that production would be increasing manifold in the course of 20 years and thus giving the collaborators an unintended receipt which is not justifiable.

4.52. The Committee have been informed in a written note that a royalty of about Rs. 35 lakhs has already been paid to the Standard Telephones and Cables Ltd. of U.K. from the beginning of the agreement to date.

4.53. The Committee need hardly point out that because of this agreement the Company are deriving very large amounts by way of unintended bounty and to that extent the Public exchequer is suffering financial loss which was by no means unavoidable.

4.54. In reply to a question the witness stated that there was a clause in the agreement under which originally on any expansion schemes they were charging as commission 6 per cent of the total capital cost. Now this has been brought down to 4 per cent in the proposed revised agreement. Certain Civil works and other works which were done by H.C.L. would be excluded. The witness further added that there was another clause in the original agreement to the effect that India should not set up another factory to manufacture telephone cables. He further stated that there was no review clause in the Agreement.

4.55. The Committee are surprised to learn, that even though the agreement was to remain in operation for a levy period of 20 years, no review clause had been incorporated therein. The Committee would also like the P. & T. Department to make a reference to the Ministry of Law to ascertain whether the Agreement precluded the Government from setting up another cable factory without attracting payment of royalty.

4.56. Clause 8(2) of the agreement with the Standard Telephone Company Ltd., provided:—

> "Until the factory produces all of the Government's requirements of the products within the field of this Agreement 25 per cent of the requirements of Government of such products which it does not itself manufacture shall be purchased from S.T.C. f.o.b. at the same prices as are

> acceptable to the British Post Office plus 2½ per cent subject to the quantity and delivery dates offered by S.T.C. being acceptable to Government. If a Government decides to purchase all or any portion of the balance of 75 per cent of such requirements from S.T.C. it shall enter into a rate contract with S.T.C. for such terms as may mutually be agreed upon."

The Committee referred to this provision and pointed out that in the present case they had to buy from a particular party and they had to determine the price according to fixed formula. The representative of the Department of Supply and Technical Development stated in the 1950-51 when the tenders were invited for P. & T. cables for the first time, it was found that the STC prices based on the formula agreed to under the agreement was very much higher than the competitive price received from other sources. In reply to another question the Committee were informed that orders were never placed on the S.T.C. straight away for 25 per cent. But when large quantities were being purchased, the difference in price became very great and in 1959 the issue was forced and D.G.S.&D. were authorised to negotiate. Owing to circumstances then obtaining, the discussion took place in 1962 and they had been able to save some percentage out of the money which under the agreement they would continue to pay.

4.57. The Chairman P. & T. Board also stated "Even this 25 per cent purchase is an abnormal arrangement. We would not have agreed to such an arrangement today."

4.58. The Committee feel unhappy to note that orders for 25 per cent of the requirements of the Government have to be placed with the Company for 20 years irrespective of the prices that may be charged by the Company, which is often much higher than the competitive rates.

4.59. The Committee enquired whether 25 per cent which were being bought from S.T.C. was only of the new items which were not made by H.C.L. or also 25 per cent of those made by H.C.L. The witness stated it included the latter also.

4.60. When it was pointed out that sub-clause (2) of clause 8 of the agreement provided "25 per cent of the requirements of Government of such products which it does not itself manufacture . . ." and co-axial cables were being manufactured by H.C.L., the representative of the P. & T. Board stated that the way it had been interpreted was that if the requirement of P. & T. Department, type of cable it might be, either of the type or the quantity could not be met by

HCL, then they had to get 25 per cent of their demand from STC. The Committee then pointed out that once production was established in the factory, they were under no obligation to buy from STC. The Member (Finance), P&T Board felt that the interpretation depended on the meaning of the word "which", whether it applied to "requirements" or "products", and he felt that, advice of the Law Ministry, ought to be taken.

4.61. The Committee enquired whether any orders had been placed with STC above this 25 per cent. The representative of the Ministry of Industry and Supply (DGS & D) stated that on no occasion STC had received orders exceeding 25 per cent. In fact in some cases STC got less than 25 per cent to which they did not object. The witness further stated that STC got the order only when DGS & D found that the price difference on the agreement basis and the minimum price acceptable was really minimum. Only in respect of those items and only on those occasions, DGS & D placed the orders with STC so as to keep the price difference at the lowest level.

4.62. The Committee desire that the advice of the Law Ministry should be taken regarding the interpretation on the meaning of the sub-clause (2) of clause 8 of the agreement immediately so that the correct position may be known. It appears to the Committee that Government should buy 25 per cent of only such products from STC. which are not produced in their factory.

4.63. The only redeeming feature of the case is that the Government have though somewhat belatedly decided to enter into a supplementary agreement to modify at least partially, some of the clauses of the original agreement. The Committee would like to be furnished with a copy of this supplementary agreement, when finalised.

Acceptance of tenders at high rates—para 15, *pages* 14-15:

4.64. The departmental rules (applicable to the Central Public Works Department and followed in the Civil Engineering wing of the Posts and Telegraphs Department) provide that if the response to tenders from contractors of the appropriate class is poor the tenders may be thrown open to contractors of the next below class.* Advantage was not taken of this special provision in certain cases as shown below:—

(i) Tenders were opened on 11th April, 1963 by the Executive Engineer, Central Public Works Department, Posts and Telegraphs Division, for construction of three groups of type II quarters—groups

*Class I contractors are those who are registered with the Central Public Works Dept. as approved for execution of works costing more than Rs. 5 lakhs. Those approved for works below this limit are classified as class II.

A, B and C—making up a total of 292 quarters for the Posts and Telegraphs staff in New Delhi (Ramakrishnapuram area). Only two tenderers had responded to the call as shown below:—

	No. of quarters	Estimated cost	Remarks
		(Rs. in lakhs)	
Group A	96	5·41	Only two tenders were received for each of these groups. The quotations were 21·73 per cent and 27·76 per cent above the estimated cost for group A and 21·71 per cent and 27·18 per cent above estimated cost for group B. The lower of the two tenders in each case was accepted.
Group B	100	5·61	
Group C	96	5·39	No tender was received.
Groups A, B & C treated as one lot—Group D	292	16·41	Do.

Only class I contractors had been allowed to tender in this case. Quotations were not invited from class II contractors for groups A, B and C even though the value of the work in these groups was not much above the limit for class II contractors. The response from class I contractors was poor.

4.65. In inviting fresh tenders for the 96 quarters belonging to Group C a decision was taken that, in order to secure better competition, the tenders should be thrown open to class II contractors. Three tenders were received and opened on 19th July 1963—all the tenders were from class II contractors at rates 18·22 per cent 17·62 per cent and 14·88 per cent above the estimated cost and the lowest quotation was accepted.

4.66. (ii) For two other batches of 312 and 348 type II quarters in the same locality tenders were invited and opened on 6th September 1963. On this occasion the tenders were not thrown open to class II contractors on the ground that this was the first occasion on which tenders were being invited for these quarters and the magnitude of the tenders was large enough to attract class I contractors. Only two tenderers had responded to this call as indicated below:—

No. of Quarters	Estimated cost	Remarks
	(Rs. in lakhs)	
(i) 312 quarters—		
Group A 112	6·56	No tenders received.
Group B 100	5·86	
Group C 100	5·86	
Group D 312 (Total of groups A, B and C).	18·28	Two tenders were received—30·02 per cent and 21·64 per cent above the estimated cost. The lower quotation was accepted.
(ii) 348 quarters—		
Group A 112	6·54	No tenders received.
Group B 112	6·54	
Group C 124	7·24	
Group D 348 (Total of groups A, B and C).	20·32	Two tenders were received—29·84 per cent and 21·40 per cent above the estimated cost. The lower quotation was accepted.

4.67. It will be seen from the above that, there were very few offers from class I contractors for these two batches of quarters and that the rates were appreciably higher than those obtained when tenders had been thrown open to class II contractors also.

4.68. It may be mentioned in this connection that, in the Central Public Works Department Construction Divisions Nos. I & IV, the rates for groups of (a) 64 type I, (b) 24 type II and (c) 12 type III quarters in the same area (Ramakrishnapuram) were settled by negotiation during January and June 1963 at 17 per cent over the estimated rates with (a) a class II contractor, (b) a contractor not registered with the Central Public Works Department and (c) the National Building Construction Corporation respectively.

4.69. The Committee pointed out that the Department was already aware that for the 96 and 100 quarters belonging to groups A & B respectively, the competition among class I contractors was small and that for 96 quarters belonging to Group C no class I contractor had tendered, which clearly showed lack of competition among the class I contractors in Delhi. The Committee desired to know why in view of this experience the tenders for the groups of 312 and 348 quarters were not thrown open to class II contractors and why the groups were not made smaller to bring their estimated cost down to Rs. 5 lakhs or less so that class II contractors could be eligible to tender under the departmental rules. The Committee also desired to know whether the Department had any arrangement with the CPWD to know periodically the rates at which they got their work done. The witness stated that under the rules applicable to CPWD, a class I contractor was expected to have a whole time engineer and an office, while a class II contractor could undertake a work by employing persons in overseers' grade for the time being. In this case the contractors were given the option to quote, if they so liked, for the entire number of quarters and there was no intention of splitting up the works. If one contractor did not come forward for doing all the works even then the Department wanted a class I contractor so that the work done might be of a proper standard and could be better supervised. Wherever large number of quarters were involved, the CPWD also assigned the job to class I contractors and in the present case though the quarters formed independent units, they were of very large blocks of double storeyed buildings. In the first 2 cases the CPWD had decided about the tenders because at that time this was a wing of the CPWD and the tenders were accepted at 21·73 and 21·71 per cent above the estimated cost. Subsequently when tenders were thrown open, and tenders received at 21·64 per cent and 21·40 per cent above the estimated cost which were slightly less than the rates accepted by CPWD.

4.70. There was another fact also. While calculating the estimates certain cost of steel and cement was assumed which was supplied by the Department. If the two tenders were compared and allowance was made for the issue rate the percentage came down to a certain extent. The Deptt. therefore considered the offer to be reasonable and accepted it. The Committee were told that according to the conditions laid down by CPWD a contractor if he is himself an Engineer should have executed at least 5 works individually costing not less than Rs. 2 lakhs each and firms should have executed 5 works costing not less than Rs. 10 lakhs each, for enlistment as class I contractor. In reply to a question as to why the Deptt. was following the rates blindly instead of testing the market properly, the witness stated that the market was tested and tenders were invited particularly from Semi-Government organisations like the NBCC who had quoted higher rates than the private contractors. The witness added that on a verification it was found that the rates allowed by the Board were reasonable as compared to the rates given by CPWD for works from April, 1963. In reply to a question why it was not possible to split up the number of quarters into groups of quarters and give it to various contractors, the witness stated that they apprehended that if the work was assigned to lower category of contractors the standard of work might not be as good as compared to that done by the class I contractors.

4.71. The Committee are unable to appreciate the arguments advanced for allotting work of construction of groups of 312 and 348 quarters to class I contractors only even though, earlier, no class I contractor had quoted for 96 quarters of group C and competition amongst class I contractors in Delhi was very small. Since the officers of C.P.W.D. themselves have to supervise the work of the contractors in addition to the supervision by the staff of contractors, the plea of better supervision of work in the case of class I contractors would not have much force. The Committee would, therefore, suggest that in suitable and appropriate cases as visualised in the departmental rules class II contractors should also be given opportunity to tender for building works, especially when the response from class I contractors is poor.

4.72. The Committee would also like the Government to review whether the limit of Rs. 5 lakhs fixed for awarding the work to class I contractors needs upward revision due to large scale "increase in costs" in recent years.

Delay in utilisation of newly constructed buildings, para 16 *page* 15.

4.73. For shifting the wireless receiving and transmitting stations at Mangalore which were functioning in rented buildings, sanction was accorded in July 1958 for construction of buildings and lines and wires works at an estimated cost of Rs. 3.42 lakhs. The building work was commenced after one year and eight months in March 1960 and completed in September 1961. The sanitary and electric installations were, however, completed only between December, 1962 and November 1963; it has been stated that the works had to be done by or in co-ordination with, the State Electricity Department and the municipal administration. The aerials, etc., also could not be erected as a proposal to take the national highway through the compound of the new building became known to the department in May 1962. The State Government has agreed to give an alternative site for erection of aerials.

The wireless receiving and transmitting stations are still (October 1964) in the rented buildings.

4.74. The Committee referred to the following factors which were responsible for the wireless receiving and transmitting stations at

Mangalore continuing to be in rented accommodation even though the building work was completed in September, 1961:—

(i) There was delay of 20 months in the commencement of the construction work which was started only in March, 1960.

(ii) Though the building was completed in September, 1961 the sanitary and electric installations were completed only between December, 1962 and November, 1963 and;

(iii) In May, 1962 the Department was informed by the Mysore State PWD that they proposed to take the West Coast National Highway through the compound of the P. & T. Wireless Transmitting station. Though the Department wanted that the alignment of the National Highway be kept off the P. & T. site yet in 1963, the Minister of Transport and Shipping decided not to alter the alignment of the Highway and the P. & T. Deptt. was not allowed to put up any structure on that portion of the site which fell within the Highway alignment. The Deptt. was, therefore, not able to put up aerials at the transmitting station and since the shifting of the receiving Station was also linked up with the transmitting Station, the wireless receiving and transmitting stations continued to be housed in rented buildings.

4.75. The Committee desired to know the reasons for the delay of 20 months in the commencement of the construction work, why sanitary and electric installations could not be completed along with the buildings; whether alternative site for erecting the aerial was secured and the total annual rent paid for the buildings. The witness stated that there was some delay in acquiring the land. The scheme for the project was sanctioned in 1958 and the land for the receiving station was taken over on 28th December 1959 and that for the transmission station on 17th April 1959. Tenders for the work regarding sanitary and electric installations had to be called for four time because of poor response and the work was finally awarded in November, 1961. The work which should have been completed in April, 1962 was completed only in February, 1963 and the CPWD had recovered a sum of Rs. 1,803 as compensation from the contractor for the delay.

4.76. As regards the allotment of alternative site for the aerials, the witness added that after the land for the construction of aerials had been given to the P. & T. Deptt. the National Highway Plan was made out and in May, 1962 and the Department came to know that the National Highway was to pass through the aerial system. After it was finally decided in May, 1963 by the then Minister of Transport and Shipping that the road must run as originally planned, the Mysore Govt. was approached for the allotment of an alternative site on the 20th August, 1963.

The witness added that it had since been agreed upon that the Mysore Government would give a site adjacent to the buildings but on the other side of the National Highway where the aerial system would be shifted. The site had not yet been allotted and acquisition proceedings had been started. The witness further stated that he had no information as to whether there was any objection at the time of acquiring the land on which the aerial system was erected nor was he aware of the principles on which Highways were planned. The Committee were further told that the buildings were being fully utilised and a rent of Rs. 50 and Rs. 125 per month were being paid for the transmitting station and the receiving station respectively.

4.77. Asked why a building costing Rs. 3·42 lakhs was needed when the Deptt. had to spend only Rs. 175 per month as rent for housing the Mangalore Station, the witness stated that the Service Station was being expanded and there were further plans of expansion in the Fourth Five Year Plan. First opened for coastal service, the station had been provided with radio-telephone circuits and further, there were plans for ship-to-shore tele-communication.

4.78. From the information given in evidence, the Committee find that even though sanctions for the construction of the new building were accorded in 1958, it could be completed only in 1961 because there had been delays in acquiring land and there had been a further delay in installing electric connections because of the poor response from the tenderers. The Committee would suggest that in order to ensure that a building after it is constructed does not remain vacant, issue of tenders for other allied installations should synchronise with the construction of the building. The Committee feel that with a better coordination between the Ministries of Communications and Transport the whole matter could have been better planned and much of the present difficulty could have been avoided. They trust that the alternative site will soon be acquired and the work of installing the aerial undertaken, without delay.

Delay in dismantling and disposal of surplus equipments—para 18 (*a*), *page* 17:

4.79. A four channel telegraph carrier system was installed between Bombay and Karachi in August, 1941 at a cost of about Rs. 52,000. On introduction of built-up circuits between Bombay and Karachi in April, 1953 the original system had become unnecessary, and the Director General, Posts and Telegraphs, ordered in November 1953 that an estimate for dismantlement should be prepared and sanction of the competent authority obtained. Instructions for the disposal of the dismantled equipment were solicited from the Directorate in December 1955. These instructions were received after more than four years in April 1960. Estimates for dismantling the equipment were sanctioned in October 1960, *i.e.*, 7 years after receipt of the Director General's order of 1953. By the time it was dismantled in December, 1961 it had outlived most of its useful life estimated at 25 years. It has been declared obsolete and unserviceable and is awaiting disposal by auction.

4.80. The Committee desired to know the reasons why the portion of the carrier system which was lying in India and which was not used after 1953, was not dismantled and disposed of by auction earlier. The witness conceded that there was no justification for the inordinate delay and the equipment should have been dismantled and disposed of earlier. He added, however, that there was no loss because the equipments were of no use to any body and it was sold only for Rs. 50. Asked why the reasons for the delay were not known to the Department, the witness stated that it was a very trivial case because the sale proceeds showed that it fetched Rs. 50 only and somehow people had lost sight of it.

4.81. The Committee have been informed in a written note furnished subsequently that a sum of Rs. 523.96 was spent on dismantlement of the carrier system.

4.82. The Committee are constrained to note that it had taken nearly seven years to carry out a departmental order. Even though the carrier system was declared unnecessary in November, 1953, instructions for disposal of dismantled equipment were solicited in December, 1955 (i.e. after two years) and the Directorate had taken more than 4 years to take a decision which was conveyed in April, 1960. Estimates for dismantling equipment were approved in October, 1960 and the dismantling was effected in December, 1961 i.e., after nearly seven years from the date of the issuance of the first order. It is all the more regrettable that even though the Directorate itself was a party to this collosal delay, they were not able to find out the causes for it. The Department's plea that it was not possible to locate the delay because 'it was a very trivial case as the sale proceeds showed that it fetched Rs. 50 only' is not acceptable to the Committee, as it is possible that Rs. 50 only was realised because of the delay and deterioration.

4.83. It is undesirable for a Government Department first to show negligence in carrying out an order and then trying to justify the delay on the ground of triviality of the matter. The Committee hope

that such inexplicable delays in the implementation of orders would be avoided in future.

Delay in the disposal of three channel carrier equipment—para **18(b),** *page* 17:

4.84. A three channel carrier equipment costing Rs. 7,620 was installed at the Gwalior Railway Station Telegraph Office in about 1951 and was leased to press agencies in 1952. After the closure of the office of the press agencies the equipment became surplus in 1956. It was dismantled in 1958 and was returned to the Stores depot in October 1961, *i.e.*, after three years, anticipating a credit of Rs. 5,715. This credit could not be realised as it was noticed in September, 1962 that a large number of components were missing or faulty. After test and technical survey in October 1963 the Stores organisation scrapped the equipment.

4.85. The Committee desired to know why the Department had taken two years for dismantling the equipment and another three years in returning it to the Stores Depot. The witness stated that the equipment was sent through the Controller General of Telegraph Stores on 28th November 1961 and after some tests the Technical Survey Committee recommended its disposal on 7th June 1963. The equipment was ultimately disposed of on the 8th July 1965 for Rs. 275.

4.86. The Committee desired to know whether any responsibility was fixed on the persons concerned for not carrying out the instruction as the Deptt. had realised only Rs. 275 against Rs. 5,700 expected out of the sale of the equipment. The witness stated that the equipment was becoming obsolete so fast that there was really no possibility of getting any figure near that amount and the estimate was based on the life of the equipment and on the assumption that 75 per cent would be the remaining value. As regards the missing parts, the witness stated that the missing parts could have been used only on some other working system. He added that it was the general practice that if there was any surplus equipment, and the Department had some other equipment of some other type for which parts were not available because the equipment had become obsolete, then parts from the equipment which was lying idle were taken out to make the existing equipment work. In the case of coaxial cables also, parts from the stand by equipment, were removed and put on the working equipment. Asked whether any record was maintained of the parts that were removed from the equipment and used in another, the witness stated that records were maintained for the complete equipment, and it was not necessary to keep records for small items. Maintenance of records would be necessary in respect of things which had a market value. In this case it was copper wire which even a radio repair shop would not buy. He added that the sale proceeds only represented the scrap value. The Committee pointed out that the system of valuing the obsolete material at a flat rate created a wrong impression, for according to the rules the worth of the machinery was Rs. 5,715, but its actual value was Rs. 275. The witness stated that the Deptt. had issued orders in February, 1964, regarding the disposal of old equipments but he agreed that the old yard stick could not be made applicable to such transmission equipment where techniques were changing fast. He conceded that there should be a separate formula for evaluation and agreed to modify the rules. He further stated that there had been delays in this case and added "I must plead guilty.......... There was no reason why it should have been delayed to this extent. It was just a case of oversight or something like that. But it did not certainly require more than about five minutes to dismantle the equipment, and the rest of the work was only in packing it." The delays had occurred because the prescribed procedure had to be followed. According to the rules the equipments should have been declared surplus, should have been considered by the Technical Survey Committee and sold to the best advantage. In this case the dismantlement was supported by SDO, Gwalior in 1958 and sanctioned by the Distt. Engineer, Telephone, Indore in July, 1961.

4.87. The Committee pointed out that assuming that the equipment was obsolete and of no economic value, certain instructions were not carried out for 6 or 7 years and desired to know to what extent the delay was due to the negligence of the person concerned and the action the Deptt. had taken against the guilty officers. The witness stated that in this particular case no explanation had been called for because it was felt by the Deptt. that the equipment was of no use to any one and added that it would now be called for. In a statement furnished subsequently the Committee were informed that the Post Master General, Madhya Pradesh Circle, Bhopal had already been addressed for fixing the responsibility for the delay in dismantlement of the three channel equipment at Gwalior Railway Station, Telegraph Office and also for the components found missing.

4.88. In this case too, the Committee note with regret that the Department had taken nearly 9 years from the date when the three channel carrier equipment was declared surplus (1956) and the time when it was finally disposed of (1965). It has been stated in evidence that the delay was because of the prescribed procedure

which had to be followed. Since the Department have already issued instructions to examine the matter with a view to fixing responsibility in this case, the Committee would like to stress that human failure alone cannot be the sole contributing factor for this inordinate delay and as such the Department should also examine the existing procedure critically so as to ensure that delays do not occur in future because of faulty procedure. The Committee are further of the opinion that the present procedure of evaluating obsolete material is defective as it gives an exaggerated picture of the cost of the machinery compared to the actual value which it fetches on sale. Further with the increasing use of more sophisticated machinery it is desirable that the formula for determining the sale value of obsolete material should also be adjusted suitably.

V

WORKSHOPS

General-para 20 (*a*), *pages* 19-20.

5.1. The Posts and Telegraphs Department has three workshops. The book value of the capital invested in the land, buildings and plant and machinery in the three workshops upto the end of 1963-64 is Rs. 1.70 crores. Certain data about their working during 1963-64 and the two preceding years are given below:—

	Calcutta			Jabalpur			Bombay		
	1961-62	1962-63	1963-64	1961-62	1962-63	1963-64	1961-62	1962-63	1963-64
1	2	3	4	5	6	7	8	9	10
1. Outlay Direct Material.	60·63	69·39	76·38	66·38	94·27	118·40	14·35	25·21	31·90
Direct Labour.	24·34	25·75	27·34	11·86	14·95	15·80	12·35	17·50	15·94
Overheads .	50·50	56·39	58·63	30·74	39·37	41·01	38·17	45·11	45·58
TOTAL	135·47	151·53	162·35	108·98	148·59	175·21	64·87	87·83	93·42
2. Percentage of overheads to total outlay . .	37	7	36	28	26	23	59	51	49
3. Percentage of direct labour to total outlay . .	18	17	17	11	10	9	19	20	17

The Department informed the Public Accounts Committee in July 1963, *vide* paragraph 29 of the Fourteenth Report of the Public Accounts Committee (1963-64) (Third Lok Sabha), that steps had been taken to expand and modernise the workshops but because of limited resources at the disposal of the Department it would take some years before these could be converted into modern factories.

From 1961-62 upto August 1964 purchase of new plant and machinery worth Rs. 15·47 lakhs was sanctioned but plant and machinery worth Rs. 4·02 lakhs only were received upto August 1964.

Modernisation of the Calcutta workshop, which was stated in 1959 to be under consideration (of paragraph 38 of the Twenty-second Report of the Public Accounts Committee—Second Lok Sabha), has not yet been taken up.

5.2. (ii) In order to step up production, an incentive scheme was introduced in June-August 1962 in some of the shops of the three workshops. As it did not prove successful, the scheme was revised from May 1963 whereby direct workers and indirect workers were to earn, for 100 per cent increase in production, approximately 75 per cent and 37½ per cent respectively of their minimum pay. (The rates of incentive payment were revised in July 1963 to 87 per cent and 43 per cent respectively with retrospective effect from May 1963.) The incentive scheme has so far (October 1964) been introduced in certain shops for certain operations only. The Department informed the Public Accounts Committee in October 1964 that the incentive scheme had not worked very well so far and that when it worked well the labour cost per unit would come down. The response of labour to the incentive scheme in the Calcutta workshop had been very poor.

5.3. The following statement brings out that, while the incentive scheme had made some impact in the Jabalpur workshop, there was no appreciable improvement in the Bombay and Calcutta workshops upto June 1964 even after liberalisation of the rates of incentive payment in July 1963:—

	Jabalpur workshop	Bombay workshop	Calcutta workshop
(1) Strength of industrial establishment on 31st March 1964	1,652	1,480	2,359
(2) Number of workers who earned incentive pay in June 1964	443	186	101
(3) *Extra production in terms of standard* hours during the period from September 1963 to June 1964	2,78,288	55,870	9,464
(4) Amount of incentive pay earned by workers during the period from September 1963 to June 1964	Rs.1,52,151	Rs. 37,865	Rs. 3,791
(5) Total expenditure on pay and allowances of industrial establishment in 1963-64 .	Rs. 29·59 lakhs	Rs. 33·46 lakhs	Rs. 50·59 lakhs

5.4. The Committee desired to know the reasons for the delay in receipt of the plant and machinery and the value of the plant and machinery which was proposed to be imported. The witness stated that the delay was due to the plant and machinery mostly being of foreign origin. Foreign Exchange was required, global tenders had to be called for and only then the orders were placed. The present position was that out of Rs. 15·47 lakhs of plant and machinery, they had already got machinery worth Rs. 6·57 lakhs. The remaining machinery was expected by March 1966. The Chairman P.&.T. Board added that the delay of two years from 1962 to 1964 was in issuing the sanction which was done in August 1964.

5.5. The representative of P. & T. Board stated further that firstly delay was in D.G.S. & D.'s office and secondly there was longer delivery period for some machinery and lastly there was delay in getting supplies.

5.6. The Committee desired to be furnished with a statement giving reasons for the delays in procurement of plant and machinery for replacement in the P. & T. Workshops.

5.7. In a note *(Appendix X) furnished by P. & T. Board, it has been stated: "It will be seen that from the date of the sanction of the estimate to the date of placement of indents, there is hardly any delay other than those of a routine nature involved in making of formal reference to the authorities concerned. The time taken from the date of placement of indents to the date of receipt of the machines, on an average, works out to about 19 months and that from the date of finalisation of the A/T to the date of receipt of the machines to about 12 months."

5.8. The Committee would like to stress in this connection that in order to avoid delay in the case of indents placed on D.G.S.&D. the indenting Ministry/Department should on their part always complete all the preliminaries and details (*e.g.* sanction, specification, foreign exchange clearance etc.) before placing the indents so that the D.G.S. & D. are not required to enter into correspondence for clarifications, etc. later on, which contributes partly to the delay.

5.9. Asked about the latest position about the modernisation of the Calcutta Workshop, the witness stated that it had been finally decided that the office of the Controller of Telegraph Stores would be moved from Workshops to a place in the Port Commissioner's area and the area vacated by the stores yard would be utilised for

*Not vetted by Audit.

setting up a modern streamlined factory. The General Manager, Workshops was busy working out the layouts, which would be finished in about 5 months. After that the estimates etc. would be prepared. This was being provided in the Fourth Plan. He admitted that there had been delays in this case.

5.10. The Committee note that there was considerable delay in the modernisation of Calcutta Workshops. They hope that this work would now be taken up expeditiously.

5.11. Asked about the steps taken with regard to the production of those items in the workshops which were available at cheaper rates in the market, the witness stated that a detailed scrutiny was made in November, 1963, in July, 1964 and in July, 1965. Lists have been prepared where in some cases manufacture would be given up after supply from outside market had been stabilised and manufacture of items would be increased where cost of outside market was higher.

5.12. The Committee desired to be furnished with a note explaining the steps taken not to manufacture those items the cost of which was higher and to increase the manufacture of those which were more economical to manufacture in these workshops.

5.13. From the note *(Appendix X) furnished by the P. & T. Department the Committee are glad to find that it will be possible to manufacture small castings at cheaper rates in the workshops and it has been decided to partially mechanise the Foundry which was expected to bring down the cost of manufacture. The Committee are also glad to be informed that production of as many as 45 items the cost of which was higher has been completely or partially stopped during 1964-65.

5.14. The Committee hope that the P. & T. Department would keep a constant watch on the production in these workshops with a view to ensuring that their capacity is utilised for the production of those items where they can produce more efficiently and economically.

5.15. The Committee enquired as to the present position of the incentive scheme. The witness stated that the position had since shown an improvement. The present position upto June 1965 was that the number of workers who earned incentive pay in Jabalpur was 664 against the figure of 443 in the Audit Report. In Calcutta, as against 101, the figure was 1076 and in Bombay as against 186 it was 580.

5.16. The Committee would like to watch the progress of the Incentive Scheme through future Audit Reports.

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*Not vetted by Audit.

Departmental manufacture of stores available at cheaper rates in market—para 20 *(b)*, *pages* 20-21.

5.17. (i) In paragraph 28 of the Fourteenth Report of the Public Accounts Committee (Third Lok Sabha) the Committee, while commenting upon the uneconomic manufacture of certain items in departmental workshops, asked the Posts and Telegraphs Board to examine the existing capacity both in the private sector and the public sector before undertaking manufacture of any new item and suggested that the workshops should concentrate on items which were not available economically from the market.

The Department had informed the Public Accounts Committee in October 1964 (paragraph 44 of the Thirtieth Report of the Public Accounts Committee—1964-65—Third Lok Sabha) that as a result of a review the production of quite a few items, which were readily available from the market at lower prices, had been given up. Instances are given in Appendix XI of certain items (other than those commented upon in the Audit Reports 1961 and 1963) on the production of which an extra expenditure of Rs. 5.92 lakhs was incurred in 1963-64. No decision has yet been taken for discontinuance of production of these items in the workshops although they are available at cheaper rates in the market.

5.18. The Committee enquired as to the reasons for producing certain items as shown in Appendix 3 of the Audit Report (P&T) 1965 at such higher rates. The witness stated that in the case of certain items, like screws, when the supplies did not materialise or they did not come at the right time, then in order to keep the production lines going, the Department had to manufacture them, even though their prices were lower in the open market. Now it had been given up.

5.19. As regards iron frame for trunk line commutators in 1963-64, only ten numbers of Iron frames were supplied by an outside firm. So, the Department had to manufacture about 96 numbers themselves. The manufacture of this item in the workshops had been completely stopped now because the supply had been stabilised now.

5.20. The witness stated that there was delay in supply of label coin slot box decimal coinage by an outside firm consequent on which the Manager had to manufacture labels in the workshops for continuity of production, against earlier work orders. The witness added that this was an interim period when the Department switched over from uneconomic production of certain items in P. & T. Workshops to ordering it outside. On the basis of the revised procedure now adopted it was hoped that the items which the Department had to manufacture at high cost would be on the whole very few.

5.21. The Committee would like to watch the position in this respect through future Audit Reports.

Un-economic purchase due to inadequate production in the workshops—para 20(*d*), *page* 21.

5.22. The stalk-making machines in the Calcutta workshop were stated to be in a wornout condition. The present production, even by working more than one shift, was much less than the total requirements of the Department, and the production in the departmental workshops had to be supplemented by purchases from outside. The prices at which orders for stalks were placed during the period 1961-62 to 1963-64 were in many cases about 22 to 45 per cent higher than the cost of manufacture in the Departmental workshops. Thus the purchase orders placed in 1961-62. 1962-63 and 1963-64 involved an extra expenditure of about Rs. 13.3 lakhs as shown in Appendix XII.

A proposal to obtain a modern machine from which the entire needs of the Department could be met was stated to be under consideration (December 1964).

5.23. In reply to a question the witness stated that the stalk making machines had not been included in their list of machines requiring replacement.

5.24. The Committee then wanted to know why in their modernisation programme the stalk making machines had not been included when P. & T. Board had been spending every year about Rs. 14 lakhs or more for replacements and modernization was under their consideration. The witness stated that the reason for these delays was, that in the middle of 1963, P. & T. Department wanted to have information from the British Post Offices, whose overhead alignments were more or less similar to those of P. & T. Department. P. & T. Department had no information as to the modernisation method in keeping with Indian overhead line practices. So, the P. & T. Department approached the British Post offices in 1963. It was found that their designs were different. So global inquiries were made on 31st October, 1964 for a modern stalk making plant.

5.25. Asked why P. & T. Department waited till the middle of 1963 when it should have come to their notice in early 1962 that these

things were available outside at cheaper rates, the witness replied that while reviewing the production programme in 1962-63 it came to the notice of the Workshop Board that the price of stalks in the outside market was cheaper than the cost at which P. & T. Workshops were manufacturing them. The capacity of the workshop in all the 3 shifts was 16 lakhs (stalks) per year and equal quantity was required from outside market. So the Manager was asked to see how to increase the production capacity. The question as to what type of machines should be used to replace old machines cropped up and information was sought from BPO. The witness added that they were alive to the delay of these years and they fully realised that their requirements of stalks were going to increase by leaps and bounds and unless the project was sanctioned quickly, the losses would increase.

5.26. In reply to a question the witness stated that the foreign exchange component of the capital investment of Rs. 24.12 lakhs was Rs. 15.05 lakhs. It was hoped to meet it from the third loan out of IDA grant. If the things could be finalised within the next three months the machines could be commissioned by about two years later after that.

5.27. The Committee hope that now that the P. & T. Department are alive to the delay that has already occurred in this case and have realised its implications, they would make every effort to see that the project is finalised and the machines commissioned as early as possible.

VI

STORES

Delay in disposal of obsolete stores—para 22, page 22.

In the Bombay Stores Depot certain stores valued at Rs. 4.69 lakhs which had been lying unused in stock for 7 to 22 years and were declared surplus by the Surplus Stores Committee in September 1961 have not been disposed of so far (December 1964). The stores were partly taken over from the ex-Bombay Telephone Company in 1943 (Rs. 2.50 lakhs) and partly ordered from Indian Telephone Industries Limited (Rs. 2.19 lakhs) during 1949—52 for use with an old type of telephone equipment which was gradually replaced by a new type after 1949.

6.2. The question whether certain other stores of the value of Rs. 2.83 lakhs taken over from the ex-Bombay Telephone Company and for which there is no present demand should also be declared obsolete and disposed of is under consideration. These stores also have been lying unused in the Bombay Stores Depot for over 20 years.

6.3. The Committee enquired why the Deptt. had taken more than 3 years in the disposal of stores, after they were declared surplus by the Surplus Stores Committee. The representative of the P. & T. Board stated that the Stores which P. & T. Deptt. took over, when the Bombay Telephone Company was taken over, were of the order of about Rs. 36 lakhs for this type of equipment and when the audit para was written that figure had come down to Rs. 4.69 lakhs. The disposal of balance of stores would be over when the Deptt. were in a position to replace the old 15,000 'life expired' lines which were still in Bombay. After the audit para was written, the Deptt. had replaced 5,000 of these lines only recently. The Deptt. was hoping to replace the balance by the end of next year but unfortunately quite a lot of equipment was held up in Karachi.

6.4. The Committee enquired whether P. &. T. Deptt. had examined the stock of all the stores lying with them and come to any conclusion as to how much of it was obsolete. The witness stated that there were 643 items of surplus stores to be disposed of. The Surplus Stores Committee appointed in 1961 consisting of the General Manager (Workshops), the Chief Controller of Telegraph Stores and the Chief Accounts Officer, had recommended in September, 1961 that stores in the list could be disposed of after exploring the possibility of utilising items of large value included in the list. The Committee circulated the list to all the users. The users were consulted and as a result of this consultation the surplus stores which were of the order of Rs. 5.09 lakhs were reduced to Rs. 4.69 lakhs. In other words Rs. 40,000 worth of stores could be used by other users. For the remaining stores (579 items) sanction for the disposal was accorded in November, 1963. After issue of formal sanction, auction list was prepared and verification by local Audit was completed in April, 1964. The stores were declared surplus on 31st July, 1964 and had to be sold through D. G. S. & D. These surplus stores were disposed of by D.G.S.& D. by public auction on 11th March, 1965. The sale proceeds were Rs. 18,200.

6.5. In reply to a question, the Chairman, P. &. T. Board stated that these stores known as 'Insurance spares', were kept in case they were suddenly required. They were not moving-continuously used item of stores because the main equipment was obsolete and some old stores were available and instead of disposing them in hurry, they preferred to keep them as "insurance stores" not knowing what accident might take place and which particular thing might be required. Some of the present equipments although obsolete would be still in use. The correct position was that as soon as the stores became surplus the Deptt. took action to dispose them of; but in that process they had to make references, had to get them checked and then had to depend on other agencies. Therefore some loss of time was inevitable.

6.6 Asked a question as to the system followed in regard to disposal of surplus stores, the witness stated that annual balance return of all items of stores was submitted to the Controller Telegraph Stores. Every year after 31st March, Surplus Stores Committee went through that list, checked on the list of items which were slow moving, which were not disposed of for 2 or 3 years etc. It went through it and took various points into consideration. In 1961 only, the Committee came to the conclusion that it was surplus. At that time the Deptt. had high hopes that these old equipments would be replaced.

6.7. The Committee view with concern the slow progress in survey and sanctioning the disposal of surplus stores and their actual disposal. It is surprising that stores worth Rs. 4.69 lakhs, which had been lying unused in stock for 7 to 22 years, were declared surplus in 1961 and were actually disposed of for Rs. 18,200 only in March, 1965. If these stores were disposed of earlier not only a

better price could have been obtained but also loss to Government due to attendant risk of their deterioration besides expenditure on their care and custody and interests on capital unnecessarily locked up, could have been avoided.

6.8. The Committee fail to understand why there was so much delay in the final disposal of the stores, if the Surplus Stores Committee checks up the list of such stores every year. The Committee therefore desire that the matter of disposal of unserviceable stores should receive more serious attention of the Department so as to avoid unnecessary delays that are even now taking place.

Loss of Stores—para 23, page 22.

6.9. The figures of losses of stores in 1961-62, 1962-63 and 1963-64 are given below:

(Amounts in lakhs of rupees)

Year	Number of cases of losses of stores	Amount involved	Copper wire thefts included in columns 2 and 3	
			Number	Amount
1961-62	5801	15·07	5376	12·19
1962-63	5873	13·94	5591	12·56
1963-64	5356*	12·06*	5160*	10.24
*Revised figures	5368	12·03	5161	

An analysis of the losses by main categories and the agencies responsible is given in Appendix XIII.

6.10. The Committee enquired whether the Department had investigated the reasons for the losses and fixed responsibility therefor. The Chairman, P. & T. Board stated that the total amount of losses in 1962-63 was about Rs. 13* lakhs against Rs. 11† lakhs in 1963-64. Out of this, the bulk of losses amounting to nearly Rs. 10.26,000‡ was accounted for by losses from existing alignments as items 1(b) and 2(b) and 3(b) indicated at page 32 of the Audit Report (P. & T.) 1965. Rs. 10.14 lakhs was due to loss of copper wire thefts. For the rest there were some losses on alignment which were pure thefts. The losses due to other reasons i.e. other than theft of copper wire, were of the order of Rs. 1@ lakh or so.

* Rs. 14 lakhs (According to Audit).
† Rs. 12 lakhs (—do—)
‡ Rs. 10,30,000 (—do—)
@Rs. 2 lakes (—do—)

6.11. The Committee enquired what action was taken against departmental employees who were responsible for some losses from stock. The representative of P. & T. Board stated that in all cases where thefts occurred, they were reported to the police and if it was possible, disciplinary action was taken.

6.12. Asked about specific steps taken with regard to the large number of copper wire thefts involving large sums of money, the representative of the P. & T. Board stated that specific steps were taken as a result of which the figure of copper wire theft cases had been gradually coming down. Copper wires were being progressively replaced with copper-weld wires particularly in areas where thieves had been very active. Although it involved foreign exchange, still, to the extent possible. it was being done. The State Government and Police were helpful to the extent possible. P. & T. Department, in order to give them additional help, had put up electronic carrier sets in a number of places so that where the copper wires were cut indications thereof came into the carrier sets and they could ring up the police people. By and large, all P. & T. local authorities were maintaining good liaison with police.

6.13. In reply to a question, whether P. & T. Department had taken adequate steps to see that the thefts were not committed by their own lines-men, the witness stated that this was law and order problem. The police were alive to that aspect and they took that into consideration. The Chairman, P & T. Board added that active employees of the Department were very seldom involved in this. Inactive employees of the Department viz., people dismissed or removed from the Department who knew some thing about electricity and how to handle wires were involved in these thefts to some extent. But quite a large number of thefts were organised by professional people who marketed them and they employed these people to go and cut it for them. There had been a lot of co-operation with the State Governments and the P. & T. Department had also brought to their notice a law which was already on the statute book. Actually theft need not be proved in a court of law. Mere possession of telegraph quality wire was an offence. Further, P. & T. Department was trying to see whether that law could be further tightened by making it a cognizable offence. At present it was not.

6.14. At the instance of the Committee, P. & T. Board has furnished a note* wherein it has been stated that the figures of losses

*Not vetted by Audit.

of copper wire through theft year-wise are as under:

Year	Value (Rs. in lakhs)	Quantity (Kgms)
1961-62	12·19	2,29,784·86
1962-63	12·56	2,43,902·62
1963-64	10·14	1,98,737·58
1964-65	15·66	2,82,999·53

6.15. The Committee note with concern that in spite of the various steps taken by P. & T. Department a total quantity of 2,83,000 Kgms. of copper wire valued at Rs. 15.66 lakhs was lost due to theft during 1964-65. The Committee hope that greater efforts would be made by P. & T. Department with the help of the State Governments and police authorities to bring to book the guilty in this regard.

VII

OTHER TOPICS OF INTEREST

Excessive printing of commemorative stamps—para 24, page 23:

Commemorative stamps are normally issued in small denominations which can be used for inland as well as foreign mails and the total number printed on each occasion does not generally exceed 10 millions. In the instance mentioned below, however, there was excessive printing and restricted use owing to its utility for foreign mails only.

7.2. The air mail postage from India to certain countries in Europe was Rs. 1.03 paise and prior to 1960-61 there was no single stamp corresponding to that amount. To have a single stamp and in memory of the poet Kalidasa 14.57 million commemorative two-colour stamps of Rs. 1.03 paise denomination were printed and released for sale on 22nd June 1960. In August 1960 the Controller of Stamps, Nasik, intimated to the Posts and Telegraphs Directorate that sale of the stamps was very small and asked for instruction for disposal of the unsold stock of 12.67 million stamps lying in the Central Stamp Store.

7.3. It was decided by the Posts and Telegraphs Department that the denomination of the stamps should. by overprinting, be brought down to Re. 1.

7.4. The denomination of 118.1 lakh stamps has thus been overprinted at a cost of about Rs. 17,000. In that process 15.7 lakh stamps, the printing of which had cost about Rs. 9.000, became waste and were destroyed. 2.2 lakh stamps are awaiting overprinting (October 1964).

7.5. The original printing of the (commemorative) two-colour air-mail stamps in this case had cost the Department Rs. 68,700 more than the cost of printing an equivalent number of ordinary (one-colour) stamps.

7.6. The Committee enquired whether the Deptt. had taken steps to ensure that commemorative stamps were not printed in large numbers in such denominations as could not be used over a reasonable period of time. The witness stated that the Deptt. did take care to see that the stamps were printed in only such quantities as would meet the demands of the public. As regards the present case, P. &. T. Deptt. had been receiving a lot of very pressing demands from various quarters that some stamps should be brought out in honour of the great Sanskrit poet Kalidas. The matter was discussed in the Philatelic Advisory Committee in 1959 and it was decided that two stamps should be brought out in popular denominations. One was of the denomination of 15 paise for the inland mail and that was called Meghdoot stamp and the number brought out was 30 million which were sold in due course. The other was Shakuntala stamp. As the air-mail postage rate for most of the European countries at that time was Rs. 1.03 it was decided to bring out Shakuntala stamp of one rupee three paise denomination. Not only were these stamps used on postal articles but also there was demand for them from philatelists. By the time 9,73,000 stamps were sold (out of 14.57 million printed), on 1st February, 1961 the ounces were changed into grammes with the result that the postage rates for certain parts of Europe came down from Rs. 1.03 to Re 1.00. Naturally the Master of Security Press was rather concerned about the large number which was held in stock. It was thought that the best thing would be to over-print them. This over-printing, apart from the sale of the original issue, brought the P. &. T. Deptt. a fair amount of money in philatelic sales. Rs. 2,57.000 worth of original stamps and Rs. 1,90,000 worth of overprinted stamps were sold through Philatelic Bureau.

7.7. The Committee desired to know at what level and how decisions were taken about the issue of commemoration stamps, their design, colour etc. The witness stated that the decision to have two stamps was taken by the Philatelic Advisory Committee in consultation with Security Press. One stamp was primarily for use within the country and another stamp primarily for use in foreign mail. Because the foreign postage happened to be Rs. 1.03, it was printed for Rs. 1.03. The Philatelic Advisory Committee did not specifically state that the stamp should have this particular denomination of Rs. 1.03.

7.8. In reply to a question the Chairman P. & T. Board stated that if P. & T. Department were to print similar stamps now, they could not have advised an old denomination. They would have advised some denomination which was currently in use and was a multiple, in this case, perhaps one rupee. He however, added that the old denomination relating to a particular postage charge was some thing not unknown in practice in Post Offices. In the Indian series, there was a stamp of 15 annas; in 1957, on Childrens' Day, a stamp of 90 nP. was issued. There was a photograph of an Australian stamp for 1 sh. ½ d. It was quite a normal practice to co-relate the value of the stamp with the charge which was common. The other point was, even granting that this was a mistake it had not resulted in any loss because the philatelic sales of the original stamps were Rs. 2,57,000 and by overprinting it had become a new stamp from the philatelic point of view. Therefore, further sales of Rs. 1,90,000 had taken place. So nearly Rs. 4 lakhs worth had been realised although the printing cost was very much less than that. Since these stamps were sold to philatelists, P. & T. Department did not render any service for that.

7.9. The Committee enquired whether the recommendations of the Philatelic Advisory Committee were scrutinised in the Department or they were automatically accepted. The witness stated that the philatelic Advisory Committee was a recommendatory body. The ultimate decision was taken by Government.

7.10. Asked a question, the witness stated the philatelic officer had taken this decision to bring the denomination of Rs. 1·03. Later, at various stages the files were put up to the Senior Deputy Director General and that way all were aware of the fact that the stamp in the denomination of Rs. 1.03 was being brought out. The number of stamps to be printed was decided jointly by the Master of the Security Press and Philatelic Officer. The Master of the Security Press came into the picture as he could sometimes say whether he had the capacity to bring out such a large number of stamps. It had now been decided not to bring out stamps in such large numbers generally.

7.11. In reply to a question, the witness stated that in the process of overprinting of 118·1 lakh stamps, 15·7 lakh of stamps were destroyed. Later on there might have been some more destruction in the process of overprinting. He added that out of 2·2 lakhs of overprinted stamps which had remained in stock, 1·86 lakhs had since been issued.

7.12. In the opinion of the Committee the selection of this particular denomination of the stamp which could be used only for postage to particular European countries limited its use and thereby defeat the purpose of issuing a commemorative stamp, to a great extent. Moreover, when it was known that the stamp could be used only in restricted cases and not in wider circles, the printing of the stamp in such a large number was not justified.

7.13. The Committee would like to emphasise that while printing commemorative stamps it is essential to ensure that it has the widest possible publicity both within India and abroad and for that purpose the denomination should be in popular rates currently in use. The number of such stamps to be printed should also be fixed after a careful appraisal of the requirements of the general public and the philatelists.

7.14. The Committee suggest therefore that suitable instructions should be issued by P. & T. Department to ensure that the commemorative stamps are not printed excessively in large number and in such denominations as cannot be used over a reasonable period of time.

Idle printing machines—para 25, *page* 23:

7.15. (i) A Rominar offset printing machine purchased in the Andhra Circle in December, 1961 for Rs. 4,235 is lying idle (October 1964) since May, 1963 as there is no suitable machine operator for running the machine.

(ii) For replacing two old uneconomic printing machines (with an outturn of 5,000 impressions per day) a Rominar offset printing machine (expected to give 22,500 impressions per day) was purchased for the press of the Postmaster General, Bombay, in December, 1961 at a cost of Rs. 5,120. As the Rominar machine went out of order twice upto the end of October, 1962 it could be worked for only about a fortnight in July, 1962. After it was set right the operator worked on it on a few occasions and in September 1963 expressed his inability to operate it. Since then the machine was not in use upto October, 1964 for want of a trained operator. The machine thus remained idle practically for two and a half years after it was purchased. The old uneconomic printing machines are also being used, incurring establishment expenditure of about Rs. 1,700 per month in working them.

7.16. The Committee desired to know the reasons for the long time taken to find out and recruit a suitable operator and for deciding that the machine should be transferred to the PMG, Nagpur. The witness stated that the machine had been transferred to Nagpur and it had been put to use from early this month because there was some difficulty about accommodation. There was difficulty in finding suitable operators in Hyderabad and therefore, it was decided that the machine should be transferred to Nagpur.

7.17. The Committee enquired whether the machine was purchased on any request from the Andhra Circle. The witness stated that the question of providing these machines was discussed in the P. & T. Board. The Heads of circles were not consulted at that time. In the PMG's Conference, difficulties were expressed about procuring sufficient number of forms. In order to supplement the demands of the Circles, in February, 1961 P. & T. Board decided to go in for the purchase of Rominar machines. The Heads of the circles were given advance information but at that time, none expressed the view that there would be any difficulty in making use of them. When the machines were installed, there was a lot of difficulty to get a suitable operator.

7.18. In reply to a question the witness stated that there was an operator at Nagpur and the machine was working. The Department tried two different persons in Hyderabad after training them but they failed to do the job. The Committee were further informed that the impression that these machines were comparatively simple to operate turned out to be incorrect as certain amount of technical knowledge was also required.

Sub-para 25 (*ii*):

7.19. The Committee enquired why so much time was taken to repair the machine when it had gone out of order and why did it take so much time to recruit another operator. The witness stated that here also the problem was about getting suitable operators. Since the operators appointed by PMG Bombay were not suitable the machines could not be utilised for a long time. Since this machine was not giving satisfactory service, PMG had to keep his old Press to meet the requirements of the Department. Now things had stabilised. The old Press had been shut down and the machine which had been provided to the Bombay circle was now working satisfactorily.

7.20. In reply to a question, the witness stated that the Department consulted the National Physical Laboratory also where these machines had been provided, and they also informed that they were very simple to operate. But actually when the machines arrived, the Department found that an intensive type of training was required for the operation of these machines. That was known by experience.

7.21. The Committee note that in both these cases the machines were found later on to be not as simple to operate as was given out with the result that trained personnel were required to operate them. They suggest that in these circumstances the P. & T. Department would do well in future to ascertain well in advance about the working of the machines they proposed to purchase and then plan properly in advance about the staff and other matters connected with the

working of the machine so that there is no delay in putting them into operation after they are purchased.

Defalcation or loss of public money—para 26, page 24:

7.22. In 1963-64, 1,380* cases of loss of public money entailing a total loss of Rs. 11·58† lakhs came to light. These cases have been analysed in the statement given in Appendix XIV according to more important categories and the agencies responsible therefor.

The employees of the Department were responsible for about 66 per cent. of the amount of loss reported during the year. In 154 cases amounting to Rs. 1·70 lakhs (15 per cent. of the loss) responsibility could not be fixed or was not fixed till the time of report (December, 1964).

7.23. The Committee enquired the present position regarding cases of Defalcation or loss of Public Money. The witness stated that the responsibility still remained to be fixed in 87 cases with a total of Rs. 1·34 lakhs. For the rest it had been fixed. There were a large number of cases where responsibility could not be fixed. All such cases were reported to police who reported these as 'untraced'.

7.24. The Committee pointed out that the total number of cases of defalcation, fraud etc. was on the increase. Whatever little improvement was shown in theft of copper wire cases had been more than offset in other cases. The witness stated that there was definitely an increase in the total number of frauds etc. but its percentage to total traffic handled had gone down from 0·0067 to 0·0065. He urged that the number of Branch Post Offices doing saving Bank work had increased from 4,000 in 1947 to 35,000 and the extent of possibilities of fraud being committed had thus increased. The Chairman P. & T. Board stated that they had been urging before the Committee from time to time that the quantity of cash and money handled was so large that the losses were perhaps insignificant. Admitting, however, that they could not ignore this, he explained that Public Accounts Committee pointed out last year and specifically charged P. & T. Board to examine this matter further. Since then, so far as money orders were concerned, P. & T. Board had issued some specific orders in the third quarter of 1964. The effect of that would be known in two years. About other cases the Board had taken up a more detailed study which was not undertaken in the past. About the fixing of responsibility, it might be direct or it might be negligence of somebody or some lacuna in the Rules. There was a very large number of savings bank fraud cases and fraud cases in respect of insured articles. He added that "In the case of insured articles, it

*Revised figure 1379
† ised figure 11·85

was very difficult to find the culprits because very often than not the bags were one cut."

7.25. The Member (Saving Bank), P. & T. Board added that the last measure taken was the appointment of about 75 inspectors for supervising the working of savings banks especially in the villages where the expansion had been considerable. Further out of the total amount of Rs. 11.56 lakhs a good portion would be recovered by the Department and it was not an entire loss to the Department. Therefore, the total amount of loss was not what was given in the Audit Report. They would in future give a better picture by splitting the item into two portions.

7.26. In the course of evidence, the Committee were informed that there was still a very large number of savings bank fraud cases (144) and fraud cases in respect of insured articles (143) during 1963-64. About these cases the Board had taken up a more detailed study which had not been undertaken in the past. The Committee would like to be informed of the further steps contemplated to be taken in this regard and the improvements made in this matter.

Disposal of Audit Objections—Para 27, page 24:

7.27. The total number of objections raised upto 1962-63 and remaining unsettled at the end of August 1964 was 44,643 involving an amount of Rs. 4.93 crores. The numbers and amounts of the more important classes of objections are given below:—

Class of objection	Number	Amount (in lakhs of rupees)
(a) Want of sanctions to establishment . . .	1,967	11
(b) Want of sanctions to payments	1,162	32
(c) Want of vouchers	14,264	46
(d) Recoverable advances not being recovered and adjusted	3,721	5

.28. The Committee enquired the latest position of outstanding Audit objections. The witness stated that the number of pending audit objections had come down now to 18,894 from 44,643 and the value had come down from Rs. 4.93 crores to Rs. 2.24 crores. Regarding the remaining objections, the witness stated that P. & T. Board had appointed certain *ad hoc* committees for the circles where there was a large number of pending audit objections. They started functioning only 3 or 4 months back. It was hoped that the situation would considerably improve.

7.29. The Committee hope that with the appointment of certain *ad hoc* Committees for the circles where there was a large number of pending audit objections, it will be possible to settle all the remaining cases at an early date and accumulation of such objections also would be avoided.

Disposal of inspection Reports—para 28, page 24:

7.30. The total number of inspection reports on Posts and Telegraphs offices issued by the Audit offices upto 31st March, 1963 and the number of irregularities mentioned therein still outstanding at the end of August, 1964 were 1,316 and 7,750 respectively.

The following are some common types of irregularities noticed during inspections in 1963-64:—

(a) Errors in computing periods of leave and duty	29 offices (196 cases).
(b) Stock register of receipt books not maintained	31 offices.
(c) Security bonds not obtained or not renewed or not kept on record	67 offices (4,150 cases).
(d) Specimen signatures of the officers of treasury or bank not obtained and kept on record	22 offices.
(e) Annual physical verification of stock not done	48 offices

7.31. The Committee were informed in evidence that the number of pending reports had come down from 1316 to 942 and the number of irregularities from 7750 to 4098. The earliest inspection reports related to the year 1950-51. It was hoped that the units which were formed would apply their mind to the old cases particularly and settle them as quickly as possible.

7.32. The Committee regard this position as unsatisfactory and hope that the units which have been formed would take suitable steps to clear the old cases as early as possible.

Postal Life Insurance Organisation—para 29, pages 24-25:

7.33. The financial review of the Post Office Insurance Fund for 1963-64 prepared by the Director, Postal Life Insurance, has been included in the separate compilation containing the Appropriation Accounts of the Department.

The increasing trend in the number of policies in force and the amount covered by them has continued as indicated below:—

At the end of	Number of policies in force	Amount (in lakhs of rupees)
1961-62	1,58,862	36,36
1962-63	1,62,031	37,57
1963-64	1,67,423	39,19

Compared to 1962-63, the percentage of expenses to the premium income in 1963-64 in the Civil Wing showed a decrease but in the Military Wing it showed a slight increase as below:—

Year	Civil Wing	Military Wing
1962-63	8·53	2·18
1963-64	8·06	2·22

7.34. The Committee enquired whether the funds of the Military and Civil Wings of the P.L.I. Organisation had been amalgamated and if so, why? The representative of the P. & T. Board stated that the two funds were amalgamated from 1st April, 1964. The Report of the Controller of Insurance regarding the merger of the Civil and Military Wings of P.L.I. was received in October, 1964 and a decision was taken in November, 1964. Orders were actually issued on 1st February, 1965 merging the funds with effect from 1st April, 1964. When the Military Wing policies were introduced in 1949, it was thought that those lives might carry a greater risk and there were certain differences in the terms and conditions also as P. & T. Department had to recover extra premium from the Defence Ministry and keep separate accounts thereof. That was the reason for these two funds being kept separate, so that a watch could be kept on the performance of the Military Wing Fund. The terms and conditions of the policies were the same for Civil and Military personnel now, except that the limit for defence personnel was only Rs. 20,000 instead of Rs. 30,000 as for the Civil Wing. The limits were different because the Controller of Insurance was of the opinion that the fund should not take greater risks by insuring upto the extent of Rs. 30,000 instead of Rs. 20,000.

7.35. The Committee pointed out that if the P. & T. Department did not want to take greater risk, then they might increase the premium rate. The witness stated that the P. & T. Department had been trying to raise it to Rs. 30,000 but the question arose whether the Defence Ministry would also bear the extra risk which they now bore on the lives of the defence personnel. The witness added that L.I.C. charged extra premium for the war risks from the insurant, whereas in P.L.I., the Defence Ministry paid to the extent of the actual extra risk in the case of Defence Personnel. The jawans and officers were getting these extra benefits at the same rates at which civilians were insured in respect of Postal Life Insurance. It was a concession to the Defence Personnel who were insured with P.L.I.

7.36. The Committee enquired the reason for this distinction between P.L.I. and L.I.C. in respect of Extra Premium for Defence Personnel and pointed out that Government as such were distinguishing between Insurance offered through its Commercial Departments *i.e.*, L.I.C. and P.L.I. Government had given P.L.I. an advantage which was denied to another corporation *viz.*, L.I.C. The witness explained that in the case of L.I.C. also, Defence Ministry had now introduced a 'Bounty' for the air force officers insured with L.I.C. and it was subsidised by Government in Defence Ministry. However, there was distinction between L.I.C. and P.L.I. In the case of P.L.I., they bore only the actual duty risk. On each L.I.C. policy they subsidised, they would have to pay extra premium irrespective of the risk. In the case of P.L.I. it would not be done.

7.37. In reply to a question. the witness stated that the P.L.I., every month, charged an extra premium from the Defence Ministry and kept it as a separate fund—Extra Premium Account Fund. To that account was debited only such duty risks, the balance standing to the credit of the Defence Ministry. After every valuation, the amount was determined. The extra amount recovered from the Defence Ministry remained a part of P.L.I. funds on which interest was received. When the fund became too much, no extra payment was charged from the Defence Ministry. At the time of the next evaluation, P.L.I. would take out something from the fund and credit it to the ordinary premium account.

7.38. At the instance of the Committee, P. & T. Board have furnished a note* (Appendix XV) explaining the concessions given to the Defence personnel in the matter of insurance both in the P.L.I. and in the L.I.C. and the principles involved therein.

*Not vetted by Audit

7.39. The Committee find from the note that as a result of the inter-departmental meeting held on 11th January, 1963 decisions were taken which amounted to an undertaking by the Ministry of Defence to bear the entire burden of the P.L.I. fund in respect of extra risks (both peace-time and war-risks) on the lives of Defence Services personnel. The Controller of Insurance, therefore, recommended in his valuation Report for the triennium 1960—63 that there would be no need to maintain the account of Defence Wing separately. So the Civil and Military Wings were amalgamated with effect from 1st April, 1964. It has also been decided that from 1st April, 1965 extra premium need not be paid in each individual case. The Committee hope that by the introduction of the new system there would be simplification of procedure all round, resulting in some economies.

7.40. The Committee enquired why the P.L.I. funds were not invested outside Government. The representative of the Finance Ministry stated that these were funds of a department run by the Government and it was not known whether it was constitutionally valid for a Government agency to invest its funds outside Government.

7.41. Chairman, P. & T. Board pointed out that there was also a Provident Fund for Government servants and the rate of interest paid on the provident fund was slightly higher than the rate of interest on the P.L.I. Fund.

7.42. The representative of the Ministry of Finance stated that there was distinction between the P.L.I. and the Provident Fund. The Provident Fund was traditionally provided by the employees and it was treated as an amenity. The same concession could not be extended to the P.L.I. also.

7.43. The Committee desired to know why the P. & T. Board should not pay to the P.L.I. Fund four and a quarter per cent. interest which was allowed at present to the provident fund. The Member (Finance) P. & T. Board stated that there was a slight difference. The provident fund interest was 4.25 per cent. for deposits made in this year and on the balance accumulated over several years. For earlier years the rates were lower.

7.44. The Committee pointed out that the rate of interest given by Banks had increased. The prevailing market rate had also gone up. Hence, if the P.L.I. funds were to be invested outside they would get a much better return.

7.45. The Member (Finance) P. & T. Board stated that much could be said on both sides as to whether the P.L.I. Fund should be invested outside or with the Government. Purely from the point of view of insurance, it could be argued that the fund should be invested in Commercial securities; alternately, Government was raising resources for the development plans and P.L.I. funds could also be invested with the Government. In this fund, it was giving the insurers no less than what they could get anywhere else in the country.

7.46. The Representative of the P. & T. Board stated that Government did not allow the funds to be invested in its own department. Renewal Reserve Fund was not allowed to be invested for development purposes.

7.47. The Committee pointed out that the policy holders should get higher bonus and/or lower rates of premium than what they were getting at present and from that point of view only, last year, the P.A.C. had made a recommendation as under in para 60 (S. No. 57) of the 30th Report (Third Lok Sabha):—

> " . . . About the P.L.I. Fund the Committee feel that as the return for the investment is not adequate the P. & T. Board should examine the feasibility of investing the P.L.I. Fund on the same pattern as the L.I.C. fund, consistent with the security and safety of the fund."

The reply, given by the P. & T. Board to that, which was seen by the Ministry of Finance, was:—

> "The matter has been carefully considered by the Government. The Postal Life Insurance scheme is run by Government and the Postal Life Insurance Fund represents Government money. There is no question of investing it on the same pattern of the Life Insurance Corporation's Fund. Interest is however allowed on the balance of the fund at three and a half per cent. per annum, at present, primarily on the basis of the average cost of borrowing."

7.48. In reply to a question the representative of the P. & T. Board stated that the recommendation of P.A.C. contained at S. No. 57 (Para 60) of the 30th Report (Third Lok Sabha) relating to investment of P.L.I. Fund was sent to the Ministry of Finance and the Finance Ministry replied that this could not be agreed to. After that note, there was hardly any time before the P.A.C. met. The reply was sent to the Committee only on 7th October, 1965.

7.49. At the instance of the Committee, the P. & T. Board have furnished a note (Appendix XV) giving details of the stages at which the recommendation of the P.A.C. was considered, leading to the reply to the P.A.C. sent on 7th October, 1965. From this note the

Committee find that the case was discussed at the meeting of the Minister with the P. & T. Board on 1st June, 1965, wherein the Minister had desired that the case should be taken up with the Finance again and that at least the Provident Fund rate of interest should be pressed for; and, before taking up with Finance, it should be thoroughly discussed between Member (B. & I.), Secretary (Communications), and Member (Finance). The proposed discussion was held on the 2nd July, 1965. The Secretary felt that in view of the stand taken by the Ministry of Finance and in view of the fact that Finance Minister had seen the case, it would not be appropriate to take up the case at his level. However, the Secretary (Communications) desired that a full comprehensive note may be prepared, when the case could be reopened at an appropriate level.

7.50. A comprehensive note was accordingly prepared and it was intended to discuss the matter with the Minister again at a suitable opportunity which, unfortunately, did not come on account of the absence of the Minister abroad and subsequent outbreak of hostilities with Pakistan.

7.51. It is, therefore, clear that the examination of the point raised by the P.A.C. had not yet been finally completed and therefore the reply given by the P. & T. Board that the Committee's recommendation had been carefully considered and as a result of the careful consideration it had not been able to accept it, was not quite correct.

7.52. The Committee regret to note the manner in which the recommendation of P.A.C. contained in Para 60 of their 30th Report (Third Lok Sabha) had been dealt with. The Committee expect that their recommendations shall be given the full and proper consideration at the highest level, before Government indicate their inability to accept them. In case delay is anticipated in taking the final decision in the matter, an interim reply stating the reasons for delay should be furnished to the Committee. They desire that the Ministry of Finance should issue suitable instructions in the matter.

7.53. The Committee had also desired to be furnished with a final note after thorough examination at the appropriate level, of their recommendation contained in Para 60 of their 30th Report (Third Lok Sabha) relating to the investment of P.L.I. Funds.

7.54. In a note (Appendix XV) furnished by the P. & T. Board, it has been stated that the general question of investment of the P.L.I. Fund, which raises large question of policy was being comprehensively re-examined by the Ministry of Finance (Department of Economic Affairs Budget Division), and that the decision taken would be communicated later. **The Committee desire that the final action**

taken on their recommendation referred to above may be communicated to them at an early date.

7.55. The Committee desired to know where the premia received by P.L.I. were invested and what was the rate of interest earned and whether there was any revision of the rate after the revision of the bank interest. The witness stated that the entire premium remained deposited as part of the unfunded debt of the Government and the rate of interest allowed was 3·5 per cent. P. & T. Department had been representing that this rate should be increased but Ministry of Finance had not agreed so far.

7.56. The Committee desired to know whether Ministry of Finance had given any reasons for this reply. The representative of the Ministry of Finance stated that this question had been considered at the highest level and the view taken in the Finance Ministry was that this was a commercial scheme because it was available not only to Government servants but to other parties such as servants of semi-Government bodies and so on. There could be no subsidy but there was a concession available that the premium could be deducted from their pay bills and that itself involved a lot of expenditure. There were 1·67 lakhs of policies which involved about 20 lakhs at 8 annas per transaction. On a balance of Rs. 20 crores, this would amount to half a per cent. If this was taken into account, the rate of interest would be 4 per cent. So the present rate of 3·5 per cent. was not very low. The policy holders were getting benefits also such as lower rates of premium and higher bonuses than in the case of L.I.C. There was no reason why higher rate of interest should be paid.

7.57. The Committee desired to know whether Ministry of Finance would reconsider the rate of interest in case the Accounts Department charged for the cost of collection and passed on the revenue to the P.L.I. The representative of the Ministry of Finance stated that if a value could be put on this, it could be considered. The representative of the P. & T. Board stated that this facility of collection involved considerable expenditure to the Fund because as against half-yearly, quarterly, or yearly premium paid in the L.I.C., the P.L.I. Fund had to maintain monthly accounts from very incomplete records received from various drawing, disbursing and accounting offices. The fund did not gain anything by it. The cost of collection which L.I.C. paid to the banks was 1/8 per cent. and not ½ or 1 per cent.

7.58. The Committee enquired whether in view of the fact that the Ministry of Finance themselves fixed this rate of interest, it would not be possible for that Ministry at their own level to agree that the higher rate of interest might be given. The representative of the Ministry of Finance stated that the question of rate of interest had been considered at the highest level on more than one occasion and there was a remarkable unanimity at the highest level on this question. Three different Finance Ministers had taken this decision. The other point regarding investment had not been seen at the highest level and it would be examined again.

7.59. The Member (Finance) P. & T. Board stated that instead of investing P.L.I. Funds outside, the same object could be achieved, if the rate of interest could be raised and the return increased. So the question of rate of interest might also be re-examined particularly in view of the various developments that had taken place since the last examination, which had raised the interest rates. Personally speaking, the witness added, the rate of interest should be raised to the same level as was being paid on Provident Fund balances because Government servants saved partly through provident fund and partly through Insurance. The Provident Fund was paying 4·25 per cent. whereas the P.L.I. Fund was getting 3·5 per cent. The correct solution of this problem was to consider the revision of the rate of interest rather than the other recommendation of investing the funds outside.

7.60. The representative of the Ministry of Finance stated that if a decision was taken to invest outside, it would raise rather substantially ways and means problems for Government because of Rs. 20 crores to be taken out and invested outside.

7.61. The Committee pointed out that if the total return of this fund was only $3\frac{1}{2}$ per cent., then the question as to how this return should be augmented by investing part of these funds outside, consistent with Life Insurance aim or safety of funds, should be examined.

7.62. The Member (Finance) P. & T. Board stated that if by increasing the rate of interest the return to the funds was reasonably increased, that would be better method of achieving the object which the Committee had, rather than the P. & T. Board setting up an Investment Committee and having an investment portfolio. The P. & T. Board was not equipped for this purpose whereas L.I.C. was equipped with Investment Committee with people from business life and they had a very big staff of share brokers and all that sort of thing. P & T. Board was not equipped to go in for that sort of activity.

7.63. The Committee pointed out that the rate of interest which the P. & T. Board wanted was only 4·25 which they allowed on the

Provident Fund balance. That would not be adequate. The witness stated that the rate itself would go on rising. The Provident Fund rate was not stationary. It was linked up with the other rates of interest. This question of the rate of interest was considered three times at the highest level in the Finance Ministry but the decision was that it should be 3½ per cent. only.

7.64. Asked what was the reason for this decision, the representative of the Ministry of Finance stated that the reasons were the cost of collection and various other concessions such as non-charging of income-tax and so on.

7.65. As regards the investment of P.L.I. Funds, the representative of P. & T. Board stated that even 100 per cent. might be kept with Government in the form of securities which would yield better results. But if the rate of interest was raised and the premium rates reduced further, the intake of business and consequent funds collected for Government would definitely increase. It would again benefit the Government's resources.

7.66. In reply to a question the representative of the P. & T. Board stated that during the last few years alone the number of policies collected by P.L.I. had gone up. It had been raised from 4,500 to about 11,000 during the current year. However, the field of P.L.I. was limited. While the L.I.C. could come and compete in the P.L.I. field of jurisdiction, P.L.I. could not go and compete with outsiders. P.L.I. were not allowed full competition even among Government servants. But the bargaining position of P.L.I. would definitely improve if P.L.I. rates were further lowered. He further stated that they did not pay any commission to any agent. At present about 16 inspectors were employed for canvassing purposes.

7.67. The Member (Finance) P. & T. Board again urged that his suggestion for solving the problem was to pursue it on the lines of rates of interest and not to invest outside because Rs. 20 crores were involved and the National Interest was also involved.

7.68. At the instance of the Committee the Ministry of Finance have furnished a note (Appendix XVI) relating to the Interest on P.L.I Fund.

7.69. From the note the Committee observe that the Ministry of Finance have not so far agreed to increase the rate of interest on the P.L.I. Fund. The Committee would like the Ministry of Finance

to re-examine the question of raising the rate of interest on P.L.I. Fund at least to the extent of the rate given to the deposits in the Provident Fund. They would also like the question of the rate of interest on the Provident Fund amounts being made applicable to the P.L.I. Fund from year to year to be examined.

7.70. As regards investment of P.L.I. Fund, the Committee observe that there is some confusion about the implication of the recommendation of P.A.C. Even when the P.L.I. Funds are invested, according to the pattern of the L.I.C. only about 20 per cent. of that fund will be permitted to be invested outside, and not the entire fund. 80 per cent of that fund would still remain with Government or in Government securities. Whatever can be taken out ultimately can be only Rs. 4 crores or Rs. 5 crores *i.e.* 20 per cent of Rs. 20 crores and therefore the arguments advanced by the representative of the P. & T. Board against this suggestion would lose much of their force. However, the Committee feel that the suggestion made in the previous para would meet the requirement just as well.

VIII

OUTSTANDING RECOMMENDATIONS

The Committee now proceed to deal with some of the more important items outstanding from their previous reports on Posts and Telegraphs Accounts. Replies received from Posts and Telegraphs Board and other Ministries/Departments concerned showing the action taken or proposed to be taken on the recommendations of the Committee contained in Appendix XXXI to their 30th Report (Third Lok Sabha) have been included in Part III of this Report. Notes ètc. indicating action taken have been received in the case of all the 67 items.

8.2. **The Committee are glad to note that notes pursuant to "action taken" on all the recommendations of the Committee contained in their 30th Report (Third Lok Sabha) have been furnished by the P. & T. Board.**

8.3. From the notes submitted by the P. & T. Board, the Committee observe that replies furnished in respect of the items at the following S. Nos. of Appendix XXXI to the 30th Report (Third Lok Sabha) are of interim nature:—

S. Nos. 1(iii), 6, 9, 14, 42. 48. 54, 61, 64 and 66.

8.4. **The Committee would like to be apprised of the final position in these cases.**

Extra Expenditure on Purchase of Tubes due to insufficient supply from Workshops S. Nos. 28, 30—32, 34-35 & 37—39—Appendix XXXI of 30th Report (Third Lok Sabha).

8.5. The Committee (1964-65) made various recommendations in connection with the failure of the P. & T. Department in the matter of ensuring adequate supplies of steel sheets for the P. & T. Workshops as a result of which a loss of Rs. 118 lakhs to Exchequer occurred.

8.6. The Committee have been informed in a note (Appendix XVII) showing action taken that in so far as the question of ensuring adequate supplies of controlled categories of steel is concerned, it has been decided in consultation with the Department of Iron and Steel that the P. & T. Workshops will hereafter get the quota of M.S. Sheets for the workshops direct from the Iron and Steel Controller instead of from the Director General Technical Development.

8.7. With regard to the import of zinc required during 1965-66 foreign exchange has been released from the 2nd I.D.A. Credit. Requirements of subsequent years are expected to be met from the 3rd I.D.A. Credit being negotiated by the P. & T. Board and similar future arrangements.

8.8. It has further been stated that at a meeting of the P. & T. Departments concerned held on 25th January, 1965 a proposal for setting up of a Modern Tube-making plant with a capacity of 10 lakh tubes per annum was considered. It was explained at the meeting that even by working two or more shifts (in the existing workshop) it will not be possible to meet more than about half of the departments' total requirements. The capacity could, of course, be increased under the current method of production but the number of men employed would have to be increased three fold and in addition, a large number of low capacity machines would have to be procured and non-productive ancillary staff in the shape of clerks and supervisory officials would have to be employed. On the other hand if the project for the modern plant is executed, about the same number of men as employed now would give the required out-turn and the cost of production would then be much lower than what it now is. A further meeting was held on 1st June, 1965. In accordance with the decisions taken at this meeting, action is being taken to decide the process of manufacture to be adopted in the new plant and to prepare a project report. For this purpose, quotations have been invited through the Indian Trade Journal.

8.9. **The Committee are glad to note that certain actions have already been initiated for procurement of steel and zinc, that action was being taken to decide the process of manufacture to be adopted in the proposed new plant and that the project report is under preparation. The Committee would like the P. & T. Board to take expeditious action in the matter and intimate the progress made in the setting up of the new plant. In the meantime, the existing plant and machinery should be fully utilised by introducing multiple shifts working to avoid, as far as possible, purchase of tubes from private parties at comparatively higher rates.**

Savings Bank Account—S. No. 61 (*Para* 64) *of Appendix XXXI to 30th Report (Third Lok Sabha).*

8.10. In Para 64 of their 30th Report (Third Lok Sabha) the Public Accounts Committee had suggested that the P. & T. Board might consider the feasibility of instructing all the Post Office authorities to make efforts on their own initiative to trace out the clients of "dead accounts" or their legal successors as the case may be and inform them of the position.

8.11. The Committee also recommend that a column should be provided in the account opening form to include the name of the successor.

8.12. The Committee further suggested that information relating to dormant and dead accounts should be published in the Annual Report of the P. & T. Department.

8.13. In a note furnished to the Committee (Appendix XVIII) regarding dead accounts in the Postal Savings Bank Accounts, it has been stated that—

(1) With a view to assess the quantum of work involved and the results achieved, an experiment was carried out at New Delhi Head Post Office in respect of 134 accounts treated as dead in recent years, *i.e.*, 1956-57 and 1959-60. Eleven depositors could not be addressed as their addresses noted in Post office records were quite insufficient. 123 depositors were addressed by Registered Post to present their pass books. 30 letters were delivered and 93 were received back undelivered. None of the 30 depositors have so far presented their pass books.

(2) During the course of taking over of some of the accounting functions of audit, it has been observed that post office and audit office records in respect of dead accounts reopened and closed were not complete. By sending notices to the depositors of all such accounts which have been treated as dead, there is a risk of double payment in some cases.

(3) On account of the stupendous work involved as compared to the results expected to be achieved, the Government do not consider it feasible to accept this recommendation of the Committee. It is, however, considered that the object the Committee has in view, will be served better if an intimation were issued to every depositor in the enclosed form, if there is no transaction in his account for a period of 2 years and not treat the account as dead. The question of adopting this procedure is under active consideration.

(4) Action is being taken to amend the application card for opening a Savings Bank account to provide for nomination. A specimen of the new application card has been attached. Instructions are also being issued that the counter clerk should draw attention of the depositor to the provision in the card for making a nomination in his own interest.

(5) In view of the fact that it is not proposed to treat the accounts as dead in future the question of publication of the information in respect of dead accounts should not arise except in respect of those already treated as dead. Arrangements will, however, be made to publish the information in respect of silent accounts and the amount involved in the annual report of the Department.

8.14. The Committee desire that since most of the accounts, especially in rural areas represent the hard-earned income of the people with meagre means, P. & T. Board should conduct the experiment in rural areas and small towns before arriving at any final conclusion, on the basis of experiments made at New Delhi Head Post Office only.

8.15. The Committee note that it would not be feasible to send intimation to and to try to trace out as many as 45 lakh depositors, whose accounts have been dead for several years. But they feel that in rural areas, where the population is not mobile as in the case of big cities, it may be possible to trace out the depositors or their legal successors more easily. The Committee feel that it should be possible to adopt this course, at least in a limited number of cases, where the amount to the credit of the party exceeds Rs. 100.00.

8.16. They would also like to be informed about the results of the experiments conducted in rural areas.

Loss of ferrous scraps in a workshop—S. No. 66 (Para 35 of 14th Report of PAC—Third Lok Sabha) of Appendix XXXI—30th Report (Third Lok Sabha).

8.17. In para 69 of their 30th Report (Third Lok Sabha) the Committee had referred to the case dealt with in para 35 of their 14th Report (Third Lok Sabha) and commented upon the delay of six years and a further delay of one year in taking departmental and legal action.

8.18. In a note furnished to the Committee (Appendix XIX) it has been stated that the firm of Iron and Steel Dealers, who removed the excess scrap were given a legal notice calling upon them to pay the cost of the excess material unauthorisedly taken away by them. The firm has refused to accept any liability in this regard and the case was referred to Law Ministry, who advised that before a suit for recovering the cost of scrap is filed, the Central Bureau of Investigation should once again see the case. The matter stands referred to the Bureau at present.

8.19. The Committee note that after a great deal of delay Departmental action has now been completed and the matter (relating to recovery from the firm) stands referred to the C.B.I. (Central Bureau of Investigation).

8.20. The Committee hope that investigation by the Central Bureau of Investigation would be expedited. The Committee would like to be apprised of the result of the C.B.I. Investigation and further action taken to file a suit for recovering the cost of scrap.

NEW DELHI;
February 1, 1966.
Magha 12, 1887 (*Saka*).

R. R. MORARKA,
Chairman,
Public Accounts Committee.

APPENDICES

APPENDIX I

(*Reference* Para 1.6 of the Report)

No. 4-24/64-B/Pt-II

GOVERNMENT OF INDIA

DEPARTMENT OF COMMUNICATIONS

(P & T BOARD)

Dated New Delhi, the 12th October, 1965.

While examining para 2 of the Audit Report, P & T 1965 the Public Accounts Committee wanted a note regarding increase in Revenue under other Receipts (Net) during the year 1963-64 as compared to 1959-60.

Revenue under 'Other Receipts (Net)' was 88 lakhs in 1959-60 and 3,04 lakhs in 1963-64 as shown in para 2 (ix) of the Audit Report (P&T), 1965. The increase was 2,16 lakhs. 'Other Receipts (Net)' comprise of several items of receipts of revenue and refunds as given in pages 20-23 of the Demands for Grants of the P&T Department 1965-66 after excluding the major items mentioned at (i) to (viii) of the above mentioned audit para. A statement showing the details is enclosed—Annxure. 'A' The increase revenue was mainly due to increases in receipts under the following major heads:—

(Amounts in lakhs of Rs.)

Heads	Actuals 1959-60	Actuals 1963-64	Increase
Net receipts from other postal Administrations	1,04·93	1,60·19	55·26
Fees and other receipts Postal	57·95	83·85	25·90
Do. Fees for BRL (Net)	43·88	70·36	26·48
Do. Telegraphs	76·40	1,15·41	39·01
Do. Telephones	33·69	96·33	62·64

The head "Fees and Other Receipts" comprise of Miscellaneous receipts *e.g.* receipts for window delivery tickets, Recovery of Rates

& Taxes from occupants of building, Sale of publications, Advertisement receipts, Fees for upkeep of deposit account for sending telegrams without payment etc.

(S. K. KANJILAL)
Member (Telecom Operations), P & T Board.

To

The Lok Sabha Secretariat
(PAC Branch, New Delhi).

ANNEXURE 'A'

Details of "Other Receipts (Net)" under P & T Revenue

(In lakhs of rupees)

	1959-60	1963-64	Difference
Receipts from other Postal Admn.	1,04·93	1,60·19	55·16
Receipts from other Telegraph Admn.	5·41	4·42	(—) ·99
Receipts from other Radio Co.	3·43	3·94	·61
Fees & Other receipts Joint (Net)	3·89	5·21	1·32
Fees & Other Receipts Postal	57·95	83·85	25·90
BRL Fees (Net)	43·88	70·36	26·48
Recoveries from Guarantors Telegraphs	1·21	2·15	·94
Radio	1·30	4·22	2·92
Fees & Other Receipts Telegraphs	76·40	1,15·41	39·01
Radio	3·92	·84	(—) 3·08
Royalties on Private telephone lines	1·90	2·53	·63
Recoveries from guarantors Telephone	·18	·04	(—) ·14
Fees & Other Receipts Telephone	33·69	96·33	62·6
Interest on Telephone Dev. Fund	9·44	19·20	9·76
Loss or gain on conversion	1·26	3·09	1·83
Payments to Other Postal Admn.	(—) 64·78	(—) 46·82	17·96
Payments to Telegraph Admn.	(—)1,47·04	(—)1,34·69	12·35
Radio Co.	(—) ·48	(—) ·58	(—) ·05
Refund of sale of Stamps	(—) ·17	(—) ·37	·20
Refund of Postage	(—) ·87	(—) ·68	·19
Refund of Overcharge Telegraphs	(—) 19·65	(—)22·07	(—)2·42
Refund of M. Os.	(—) ·25	(—) ·54	(—) ·29
Misc. Postal Refunds	(—) 4·87	(—)19·21	(—) 14·34
Misc. Telegraph Refunds	(—) ·48	(—) 12·33	(—)11·85
Misc. Telephones Refunds	(—) 22·42	(—)30·20	(—)7·78
TOTAL	87·78	3,04·34	2,16·56

APPENDIX II

(*Reference* Para 1.11 of the Report)

No. 27-23/65-B

GOVERNMENT OF INDIA

DEPARTMENT OF COMMUNICATIONS

(P & T BOARD)

Dated New Delhi the 15*th October,* 1965

SUBJECT:—*Increased Expenditure under Petty Works debitable to Revenue during various years.*

While discussing para 3 of the Audit Report (P&T) 1965 the Public Accounts Committee desired to know the expenditure on Petty Works debitable to Revenue during the financial years 1959-60 to 1963-64.

The information is funished below:

Financial Year	Expenditure (in Lakhs of Rs.)
1959-60	98
1960-61	212
1961-62	365
1962-63	474
1963-64	698

The increase in expenditure under petty works is due to (i) revised allocation rules; and (ii) increased tempo of work.

2. The new allocation rules were introduced from 1st April, 1960 and applied to estimates or components of projects sanctioned after that date. Since in case of major projects, it takes 3 to 4 years for the work to be completed, the effect of the allocation rules has only been felt gradually and not immediately. For example to a project sanctioned in 1959-60 but which continued through the years 1960-61 and 1961-62 the old allocation rules applied.

3.1. Before the revised allocation rules were introduced, the expenditure that could be debited to revenue on any lines and wires or apparatus and plant work (except for telephone instruments which was always to be capitalised) was Rs. 5,000. This was increased to Rs. 25,000 on 1st April, 1960.

3.2. Further, it was also decided that the cost of telephone instruments as well as of all installations in subscribers' premises, irrespective of any monetary limit would be charged to working expenses. Thus, all new estimates for installation of PBXs, PABXs etc. though in some individual cases the cost has been of the order even of a lakh of rupees, have been debited to working expenses.

3.3. According to pre-1960 allocation rules, the cost of subscribers' lines and wires, leading-in-cables and fitting in subs. A & P, if done as a part of a major work, was capitalised. It was decided in the 1960 rules that it will be invariably debited to Working Expenses, whether done as an independent work or as a part of a major project. The increased expenditure under petty works is considerable on this account alone.

4. The following figures will show the increasing tempo of expansion of telephone facilities.

Increase during	No. of Exchanges	Supplies of SAXs PABXs & PAXs by ITI in No. of lines	Number of telephones	No. of tackable channels
1960-61	112	2,215	38,576	172
1061-62	252	4,660	58,120	183
1962-63	256	1,2565	60,489	332
1963-64	262	17,375	84,076	350

This has contributed to some extent to increased debit under petty works.

5. Thus, the increased expenditure under Petty and Other Works from 1960-61 has been mainly due to the following reasons:

(i) rules were made applicable to sanctions issued after 1st April, 1960.

(ii) telephones, PBXs and PABXs irrespective of value were to be charged to Working Expenses.

(iii) Cost of subscribers lines and wires etc. was also to be charged to working expenses even if it were a part of a major work.

(JAGDEESH PRASAD)
Member (Telecommunication Development)
P & T Board.

To

The Lok Sabha Secretariat,
New Delhi.

APPENDIX III

(*Reference* Para 1.13 of the Report)

Statement furnished by the P. and T. Board on 13th October, 1965, regarding Pre-and Post-S.T.D. Traffic and Revenue

STD Route and Date of Cut-over	Distance	Pre-S.T.D. (Note 1)			Post-S.T.D. (Note 1)				Increase in number of calls	Increase in Revenue
		No. of Calls per day	Charge for an ordinary call of 3 min. duration	Revenue per day (Note 2)	No. of calls per day		Charge for a call of 3 min. duration (Note 3)	Revenue per day		
	Kms.		Rs.	Rs.			Rs.	Rs.		
Lucknow-Kanpur (Nov. 1960)	75	440	1·00	598	27,200		0·75	5150	62 times	9 times
Delhi-Agra (July 1962)	200	500	3·00	804	28,100	Delhi Agra	1·80 1·50	8017	56 times	10 times
Delhi-Jaipur (Sept. 1964)	430	400	3·00	1805	21,860	Delhi Jaipur	3·60 3·00	11230	55 times	6 times
Delhi-Kanpur (Jan. 1965)	500	550	4·00	1892	25,650	Delhi Kanpur	3·60 3·00	14000	47 times	7 times
Kanpur-Agra (Feb. 1965)	300	200	3·00	656	6,159		3·00	3772	31 times	6 times
Delhi-Patna (July 1965)	1090	65	8·00	792	4,850	Delhi Patna	7·20 6·00	5182	75 times	7 times
Delhi-Lucknow (August 1965)	575	415	4·00	2274	17,337	Delhi Lucknow	3·60 3·00	9752	42 times	4 times

NOTES:

1. All Post-S.T.D. data is for different months between May and August 1965. Pre-S.T.D. data is for the period just preceding Cut-over of S.T.D.
2. In calculation of revenue account has been taken of urgent and priority calls, concessional tariffs etc.
3. STD calls are charged only for the duration of conversation and NOT in units of 3 minutes as for non-STD calls. Difference in charges on STD calls in two directions is due to difference in local call charges at terminating stations (12 Paise per call at Delhi, 10 Paise per call at other stations).

APPENDIX IV

(*Reference* Paras 2.10, 2.11 and 2.13 of the Report)

No. 28-50/64-B

GOVERNMENT OF INDIA

DEPARTMENT OF COMMUNICATION

(P & T BOARD)

Dated, New Delhi the 17th November 1965.

SUBJECT:—*Para 7—Page 7 of Audit Report (P&T)*, 1965 *regarding Advance from the Contingency Fund of India.*

In their O.M. No.2|VIII|65|PAC dated the 21st October, 1965, Lok Sabha Secretariat have called for information on the following points relating to para 7 of Audit Report (P&T), 1965:—

"(i) A note indicating when P&T Department first received intimation from Washington that the goods had been shipped and payment had to be made, may be furnished.

(ii) A note explaining why taking advance from the Contingency Fund was resorted to for the payment of Rs. 90,00,000 particularly when this is not permitted by Article 115 of the Constitution or by the Rules framed by the Ministry of Finance."

2. *Regarding* (i): The advance was obtained to meet the payments in respect of purchase of copper weld wire against the following A.Ts entered into by the D.G. S&D:—

(a) A.T. No. SE-3|7208-M|7465-N|12018-P|II Ericson|7384 dated 29-4-63; and

(b) A.T. No. SE-3|12019-P|11|7788 dated 3-12-1963.

Regarding A.T. dated 29-4-63, first intimation of shipment from the shippers was received by the C.C.T.S. in the first week of November, 1963 and the intimation of first instalment of payment was received from the I.S.M. Washington on 25-1-64 for $343,311.

As regards A.T. dated 3-12-63, the first intimation of shipment from the shippers was received by C.C.T.S. on 25-2-64 and the intimation of first instalment of payment was received from I.S.M. Washington on 11-5-1964 for $6,212 that this amount will be passed on through accounts for March, 1964.

Regarding (ii): A review of funds requirements was made in January, 1964 and an additional provision of Rs. 5,19,39,000 was estimated. As however, a saving of about Rs. 1,00 lakhs was anticipated under the works portion of the grant, a supplementary grant of Rs. 4,26,69,000 only was obtained in February, 1964. Subsequent to this another review was made in March 1964 which indicated that the savings in the works portion of the grant anticipated earlier would not actually materialise. This was on 23-3-1964 when it was too late to go in for another Supplementary grant. There being no other alternative, it was proposed to obtain an advance of Rs. 90 lakhs from the Contingency Fund of India with a view to avoid unauthorised excess over the sanctioned grant. However, the point raised by the P.A.C. regarding admissibility of obtaining the advance from the Contingency Fund in such circumstances is under examination in consultation with the Ministry of Finance and Ministry of Law and a further communication thereon will be sent shortly.

The remarks of the Accountant General, P. & T., Simla will be communicated separately.

SD/—.

(S. K. KANJILAL),

Member (Telecom. Operations),

P & T Board.

To

The Lok Sabha Secretariat,

New Delhi.

APPENDIX V

(*Reference* Para 3.1 of the Report)

Year-wise analysis of telephone revenue arrears as on 1st July 1964 in respect of Bills issued upto cvst March 1964.

Year	Rent and local calls	Trunk calls	Total
1	2	3	4
1946-47	1,421	3,023	4,444
1947-48	8,384	30,860	39,244
1948-49	27,166	54,603	81,769
1949-50	29,092	33,152	62,244
1950-51	35,969	20,133	56,102
1951-52	30,165	18,836	49,001
1952-53	49,143	22,667	71,810
1953-54	47,157	36,234	83,391
1954-55	66,846	1,12,692	1,79,538
1955-56	1,16,242	2,26,125	3,42,367
1956-57	1,54,044	2,46,669	4,00,713
1957-58	2,04,611	3,25,209	5,29,820
1958-59	5,01,544	3,81,603	8,83,147
1959-60	6,66,083	5,31,787	11,97,870
1960-61	19,94,042	9,56,433	29,50,475
1961-62	30,52,854	14,57,297	45,10,151
1962-63	47,52,505	25,70,064	73,22,569
1963-64	1,72,36,082	76,44,683	2,48,80,765
TOTAL . .	2,89,73,350	1,46,72,070	4,36,45,420

APPENDIX VI

(*Reference* Para 4.1 of the Report)

Quarters which remained vacant due to delay in providing electric installations, water supply, etc.

Location	Number and type of quarter	Date of completion of building works	Period during which remained vacant	Approximate loss (House rent not recovered *plus* house rent allowance paid)	Brief reasons for the quarters remaining vacant
1	2	3	4	5	6
				Rs.	
Jullundur . .	4 type III	October 1960	21 months	4,500	Originally the Posts and Telegraphs Department was to undertake the electric installation works, but it was decided in 1960 to entrust them to the Central Public Works Department. The contracts for electric installations were awarded in October 1961 and February 1962 for completion within one to four months. There was, however delay of 6-1/2 to 11 months in completion of the electric installations by the contractors. The question of levying penalty for the delay in completing the electric installations in 108 quarters is still under consideration (October 1964). For the other quarters extension of time was given without any penalty.
	132 type II	July 1961	12 months	27,600	
	48 type I	August 1961	11 months	6,300	
Total .	184 quarters			Total 38,400	
Kanpur . .	56 type II(*a*)	September 1959	28 months	28,800	The work of sinking a tube-well (which had been envisaged in the original estimate) was sanctioned only in August 1960. The State Government to whom the work was entrusted in September 1960 commenced the work in April 1961 and completed it in January 1962. The quarters were allotted to the staff in February, 1962.
	16 type II(*b*)	December 1960	13 months	7,900	
Total .	72 quarters			Total 36,700	

1	2	3	4	5	6
				Rs.	
Ludhiana . .	60 type II(*a*) 16 type I	April 1961 March 1961	22 months 23 months	28,700	The pressure in the water main was not sufficient and consequently provision of a tube-well, an overhead tank, a pump house and a pumping set was considered necessary in August, 1961. The revised estimates were sanctioned in October, 1964. These additional works were completed towards the end of 1962, and the quarters were handed over by the Central Public Works Department in March 1963 to the Posts and Telegraphs Department.
Total	76 quarters				
Madras (Teynampet)	60 type II(*a*)	January 1963	21 months (October 1964—still vacant)	45,900	All the quarters are still lying vacant (October 1964). The 96 quarters at Teynampet could not be occupied due to delay in construction of an underground drain by the Madras Corporation on private land which has been objected to by the owners.
Do. . .	36 type I	December 1962	22 months (October 1964—still vacant)	12,600	
Madras (Mambalam)	12 type II(*a*)	February 1963	20 months (October, 1964—still vacant)	8,700	
Do. . .	12 type I	September 1963	13 months (October 1964—still vacant)	2,500	
Total .	120 quarters		Total	69,700	

APPENDIX VII

(*Reference* Para 4.12 of the Report)

DEPTT. OF COMMUNICATIONS

(P & T BOARD)

O.M. No. 39-26|64 TPL dt. 3-12-1965

Statement showing the annual revenue before and after commissioning of Co-axial Cable System.

The Coaxial Cable System is being brought into operation in stages. The New Delhi—Agra Section was commissioned in July, 1959, Agra—Kanpur in July, 1960 and Varanasi—Assansol in June, 1962. The New Delhi—Calcutta section was brought into service in April, 1963 with no additional circuits and additional circuits were provided in June, 1965. According to the present system of accounting for telephone revenue, all the trunk call receipts are credited together and there are no separate records indicating the revenue for individual routes. However, the revenue has been computed from the traffic data available so as to furnish the information required by the Public Accounts Committee.

As stated above, the Coaxial Cable system started functioning as early as 1959. Therefore the computed revenue figures have been workd out on the basis of traffic prior to commissioning of the Coaxial Cable System and in 1965.

i. Annual Revenue prior to commissioning of Coaxial Cable system Rs. 84.64 lakhs.

ii. Annual Revenue in 1965 Rs. 377.23 lakhs.

APPENDIX VIII

(*Reference* Para 4.16 of the Report

MINISTRY OF COMMUNICATIONS

(P.&T. BOARD)

No. 39-26/64-*TPL.*

New Delhi, the 12*th October,* 1965.

SUBJECT:—*Explanatory note regarding the Para No.* 14 *of Audit Report, P&T* 1965—*Bombay-Delhi-Calcutta Coaxial Cable Project.*

During the discussions on the above Para in the P.A.C. meeting held on the 12th October, 1965 the Chairman desired to know the latest figures of expenditure as against the provisions in the estimates. The position is given below.

2. The actual expenditure figures are available up to the 31st March, 1965. The figures for the original sanctioned estimate, the revised sanctioned estimate and the expenditure upto 31st March, 1965 are given below:

	Original Estimate sanctioned on 20-8-65	Revised Estimate sanctioned on 6-8-65	Actual expenditure upto 31-3-65
Land	9,66,000	1,54,500	1,18,000
Buildings	13,34,000	17,12,716	10,11,000
Cables	5,82,30,000	6,60,75,429	6,22,74,000
A & P.	1,89,60,879	2,41,11,186	2,25,18,000
General Administration		44,98,000	36,31,000
TOTAL	7,94,90,879	9,65,51,831	8,95,52,000
Say	7,94,91,000	9,65,52,000	

3. As per the present indications, the actual expenditure is expected to be nearly equal to the revised sanction cost.

4. The position regarding the physical progress of the project is indicated below:

	As required in the scheme	Position on 31-3-65	Position on 30-9-65
Land . . .	Acquisition of land for 306 unattended stations and 5 main stations.	Land for all unattended stations and for 4 out of 5 main stations already acquired. The fifth one is Bilara on Jodhpur-Beawar Small Tube Coaxial route which is expected to be commissioned in December,' 66.	Same as on 31-3-65.
Buildings . .	Construction of 306 unattended stations and 11 main stations.	All buildings completed except three main stations where work is in progress and one main station where land is to be acquired.	Construction of building at one more main station completed. Work at Bulsar and Jodhpur in progress. Work at Bilara is pending acquisition of land.
Cable . . .	Total length 3150 kms. approx.	Cable laid 2900 kms. approximately.	Cable laid 2950 kms. leaving a balance of 40 kms. on Ahmedabad-Bombay route and 160 kms. of small tube Coaxial for Jodhpur-Beawar spur.
Equipt. Installation	Equipment to be installed at 306 unattended and 24 attended stations.	Installed at 247 unattended and 17 main stations.	Installed at 259 unattended and 19 main stations leaving 47 unattended and 3 main stations on Ahmedabad-Bombay route and 2 main stations on Jodhpur-Beawar spur.

5. The work is now remaining to be completed on the route Jaipur-Ahmedabad-Bombay and the spur route Jodhpur-Beawar. The main route Jaipur-Ahmedabad-Bombay is expected to be completed by April '66 and the spur route Jodhpur-Beawar by December, 1966. Payment has already been made for the cable and equipment to be installed on the main route.

(JAGDEESH PRASAD)

Member (Telecom. Development)

P. & T. Board.

APPENDIX IX

(*Reference* Paras 4.32 and 4.43 of the Report)

MINISTRY OF INDUSTRY & SUPPLY

(DEPARTMENT OF SUPPLY & TECH. DEVELOPMENT)

(Central Sectt., North Block)

Note for the Public Accounts Committee persuant to the further information desired to be furnished at their sitting on the 12*th October,* 1965, *with Reference to the Appropriation Accounts (P&T)* 1963-64 *and Audit Report (P&T)* 1965.

Ref: Lok Sabha Secretariat O.M. No. 2/VIII/65/PAC dated the 21st October, 1965.

The Public Accounts Committee have asked for information on the following points:

(1) Correspondence carried between the DGS&D and India Supply Missions, London and Washington for entering into long-term contracts with producer countries for procurement of copper required for the Indian cable industry, may be supplied.

(2) A note may be furnished, explaining on what basis the D.G., I.S.M. has quoted the metal prices when they get the certificate.

(3) A comprehensive note may be furnished in regard to the procedure adopted for obtaining a price certificate to the effect that the British Post Office would have paid these prices and the reasons for its adoption.

2. The D.G.S.&D. have been purchasing non-ferrous materials, including copper electrolytic, on the basis of advertised or limited tenders. The contracts are placed on the lowest acceptable quotation and prices have been linked to the prices obtaining in the London Metal Market Exchange. In January, 1964 it was noticed by the DGS&D that the London Market Bulletin and Daily Commercial Report published from London, indicated the existence of producer's price separate from the L.M.E. rate. A statement showing the average prices of copper prevailing throughout the year 1964 and upto end of July, 1965 is attached. It will be observed from this statement that

the difference between the producer's price and the L.M.E. price became pronounced in March, 1964. The L.M.E. prices, however, declined in May, June 1964, though the producer's price remained static during the period April, to July, 1964. There was a rise in prices from July, 1964, particularly in the transactions on the basis of I.M.E. rates. The D.G.S.&.D., however, were not aware of the manner in which the transactions were being concluded on the producer's price. A letter was addressed to the I.S.M., London on 25-7-1964 and to I.S.M., Washington on 29-7-1964. In this letter, it was stated that enquiries made with the Indian agents who were the past suppliers, revealed that main producers would give this rate only to the regular customers who guaranteed a fixed off-take over a given period of time irrespective of the I.M.E. rate. The Missions were requested to make enquiries and indicate the prevailing practice in obtaining supplies at the producer's rates. Telegraphic reminders were sent to the Missions, and it was stated that the reply should reach the D.G.S.&.D by the 7th August, 1965 when tenders for a large quantity of copper were being opened. The Directors General of the two Supply Missions were reminded on the 6th August, 1964. The D.G. of the London Mission stated that on contacting the producers, they were given to understand that the main producers would not stipulate any condition such as fixed off-take over a given period for quoting the rate but they would quote their rate so long as the material was available with them which could be supplied directly from their Works or their recognised distributors. They advised that the Indian agents should be asked to approach the Main producers to persuade them to quote the world producer's prices, especially as they would be offering material direct from the producers. The producers, however, would quote only if they had any material available with them.

3. The question of effecting purchase of nonferrous metals at the most economical prices, was further examined in consultation with the Department of Defence Production and the Ministry of Finance in Feb., 1965. Since the Indian agents were not in a position to obtain any offers from the producers or submit quotations at producer's price, it was decided that the tender enquiry should be issued and producers should be asked to quote, and copies of the tender enquiry were sent to the I.S.M.'s London and Washington and also to our Embassies in copper producing areas. In the tender enquiry the annual requirements of copper were indicated, with a view to attract the producers to quote for supply at producers' rate spread over a period of one year. The tenderers were also asked to submit their quotation on the following basis:

Prices:

Tenderers may submit their quotations on any one or more of the following basis:

(i) F.O.B./FAS Por of Shipment

(ii) C.I.F. Indian Port(s).

(iii) F.O.R. Station of despatch and destination in India. The quotations may be based on:

Fixed or variable prices. Fixed prices may be quoted for both immediate and or forward shipments. In case they submit quotations on variable basis, the rates may be linked with:

(1) Producer's price.

OR

(2) L.M.E. average settlement price for the month previous to the month of shipment;

OR

(3) LME average forward delivery price based on the average of forward I.M.E. quotations three months prior to the month of shipment;

OR

(4) Any other basis of tenderers choice.

The tender enquiry was sent to our Embassy in Congo and Trade Commissioner in Rhodesia. The Trade Commissioner, Rhodesia advised the D.G.S. & D. to contact the International Metal London through the High Commission. The I.S.M., Washington stated that they had informed all the principal suppliers to quote. The Indian Embassy in Leopoldville (Congo) advised that they had apprised the producers, M/s. Union Miniere Haut, Katanga, the sole producers of copper, to quote. They had also contracted their commercial offices in Brussel. The I.S.M., London confirmed that tenders were issued to all producers and sellers known to them. Tenders were received on the 23rd March, 1965. The D.G.S.&.D. did not get even a single offer, linked with the producer's price or from the producers.

4. The Secretary of the Department of Supply & Technical Development paid a visit to East Africa, including Zambia. He made enquiries from the Zambian Government about the possibility of their entering into a long-term arrangement for the supply of copper to meet Government of India's requirements. He was informed that the producers had already made commitments in respect of their

entire existing output and that the Zambian Government would be undertaking mining of new areas and that it would take 2 to 3 years before they would commence production. They would, however, consider at that time the request of the Government of India for entering into a long-term commitment.

5. Enquiries were, however, made in May-June, 1965 by contacting the three largest producers in U.S.A. They all regretted that they had already made commitments in respect of their existing available stocks as well as future output.

6. *Points* (2) *and* (3): The procedure followed by the D.G., L.S.M., London to verify the prices included in the contracts placed by the D.G.S.&.D. on M/s Standard Telephone Co. of London is as follows:

A statement showing the exact type of cables for which contract is placed is furnished to the B.P.O. It also indicates the price per mile quoted by the S.T.C., price of copper or lead upon which the quotation is based, weight per mile, of copper and lead furnished by the S.T.C. The British Post Office certifies (a) correctness of the weights per mile, and (b) whether the prices quoted are the same which they would have had to pay in similar circumstances. The producer's rate of copper came to be known in January, 1964. Contracts in question, which are the subject matter of the Audit Para, were placed from 1955 to 1959. At that point of time the producer's price did not exist separately. The contracts therefore, provided that price of copper and lead would be based I.M.E. rate and that variation according to the I.M.E. would be allowed. It is the practice of the BPO also to incorporate in the contracts placed by them variation clause for metal price fluctuation. The producers price came into existence only in Feb., 1964. Thereafter the BPO based variation either on I.M.E. rate or producer's rate which ever is lower. If the suppliers are unable to obtain copper at producer's rate, the prices were based by the BPO on the I.M.E. rate. Before Feb., 1964, in respet of contracts placed by the BPO the variation of price was based on IME rates only.

7. M/s. Standard Telephone Cables have also agreed to allow facilities for verification of their records, and accept the prices based on the actual cost of copper etc. paid by them i.e. either I.M.E. or producers' prices. The new agreement with S.T.C. is being modified to provide for this.

8. The verification of price in the contracts placed on the S.T.C. was being undertaken through the suppliers. Subsequently in 1955, the B.P.O. indicated to the I.S.M. London that they would prefer to

receive reference for verification of prices direct from the High Commission instead of through the suppliers. Hence the verification has been undertaken with the assistance of the D.G., I.S.M., London.

9. Five copies of the Note are enclosed. The files and a copy of the Note has also been sent to the Accountant General, C.W.&.M., for vetting.

(N. R. BANSOD)
Joint Secretary.

File No. 43/16/65-PI.
New Delhi, dated the 10.1.1966.

Monthly Average Prices of Copper Wire Bars
(Based on L. M. E. prices)

(In £ per long ton).

Year/Month		Cash £	s	d	Settlement £	s	d	Producers £	s	d
1964	January	237	13	5	237	18	2	236	0	0
	February	251	10	2	251	15	6	236	0	0
	March	270	1	6	270	8	0	241	0	0
	April	312	4	4	312	13	2	244	0	0
	May	299	19	9	300	11	6	244	0	0
	June	292	17	1	293	7	9	244	0	0
	July	309	16	4	310	5	8	244	0	0
	August	361	16	0	362	13	0	251	0	0
	September	420	0	11	421	13	8	260	0	0
	October	491	6	2	492	18	2	260	0	0
	November	506	14	1	508	3	4	260	0	0
	December	458	16	2	460	11	10	260	0	0
1965	January	362	7	3	363	2	6	260	0	0
	February	425	18	9	428	2	6	260	0	0
	March	447	11	9	448	19	7	260	0	0
	April	488	3	3	489	5	0	260	0	0
	May	498	14	9	500	4	9	285	0	0
	June	473	12	7	474	19	1	288	0	0
	July	410	10	0	411	10	5	283	0	0

APPENDIX X

(*Reference* Paras 5.7 and 5.13 of the Report)

No. 15-20/65-WK

GOVERNMENT OF INDIA

DEPARTMENT OF COMMUNICATIONS

(P. & T. BOARD)

PARLIAMENT STREET,

New Delhi-1, Dated the 3rd Dec., 1965.

SUB:—*Public Accounts Committee—Consideration of para 20 of Audit Report, P. & T. 1965—Workshops.*

Ref: Lok Sabha Sectt. O.M. No. 2|VIII|65|PAC, dated the 21st October, 1965.

Lok Sabha Sectt. may kindly refer to the following items of the list of points on which further information was called for by the Public Accounts Committee at their sitting held on the 12th October, 1965:

Item 10—A statement may be furnished giving the reasons for the delays in procurement of plant and machinery for replacement of old machinery in the P&T Workshops.

Item 11—A note may be furnished explaining the steps taken not to manufacture those items the cost of which is higher and to increase the manufacture of those which are more economical to manufacture in these Workshops.

2.—The information is furnished below:—

Item 10—Action for procurement of machines is taken by the Managers of the Posts & Telegraphs Workshops concerned or the General Manager (Workshops) according as the estimated cost of the Plant and Machinery is within their power of sanction. * * *

It will be seen that from the date of the sanction of the estimate to the date of placement of indents, there is hardly any delay other than those of a routine nature involved in making of formal reference to the authorities concerned. The time taken from the date of placement of indents to the date of receipt of the machines, on an average, works out to about 19 months and that from the date of finalisation of the A/T to the date of receipt of the machines to about 12 months. * * *

Item 11—The question of ensuring economic efficiency in the Workshops is constantly under review. Following steps have been taken in this connection:—

(1) *Stopping manufacture of those items the cost of which is higher in the Workshops.*

In respect of Foundry items, experiments carried out show that with the help of Moulding Machines, cheaper raw material and improvement in the method of manufacture, it would be possible to manufacture small castings at cheaper rates in the Workshops. The Workshops would, therefore, undertake the manufacture of all types of small castings and give up the manufacture of Sockets. The manufacture of Sockets 'E' and 'F', however, will have to be continued because sufficient response has not been received from the outside sources. It has also been decided to partially mechanise the Foundry which is expected to bring down the cost of manufacture. Machinery worth Rs. 1.68 lakhs without involving any foreign exchange components has been sanctioned.

As regards other items, production of 45 items has been completely or partially stopped during 1964-65.

(2) *Increasing the manufacture of those items which are more economical to manufacture in the workshops.*

More important of these items are Hamilton Tubes and Stalks. In so far as the production of tubes is concerned, agreeably with the directive of the Public Accounts Committee *vide* serial No. 39 of Appendix XXXI to the 30th Report (Third Lok Sabha) of the Public Accounts Committee, 1964-65, inter-departmental discussions are continuing about the Project to set up a modern tube making plant. In the meantime budgetary quotations for such a plant have been invited and received.

As regards Stalks, a project for installation of fast-working machines which would give much higher production than can be had from the existing machines, is under active consideration of the Posts & Telegraphs Board.

3.—Comments of the Accountant-General, Posts and Telegraphs, will be furnished separately.

(S. K. KANJILAL)

Member (Telecom. Operations)

To

The Lok Sabha Sectt.
Parliament House,
New Delhi-1.

APPENDIX XI

(*Reference* Para 5.17 of the Report)

Departmental Manufacture of Stores available at Cheaper Rates in the Market

Stores	Year of manufacture	Unit cost of a manufacture	Total quantity manufactured	Unit cost of purchase	Total extra cost
1	2	3	4	5	6
		Rs.		Rs.	Rs.
1. Brass screw 2 Bach. 1/4"	1963-64	·15	1,03,000	·02	13,020
2. Brass screw 2 Bach. 7/16"	Do.	·59	61,840	·02	34,880
3. Anchor for strays	Do.	4·47	1,61,000	2·75	2,76,920
4. Sole Plate B & C	Do.	4·45	37,500	2·25	82,500
5. Sounder Dubern	Do.	147·21	1,341	89·75	77,050
6. Iron Frame for T.L.C.	Do.	565·24	175	260·94	53,250
7. Sole Plate 'D'	Do.	6·36	3,500	4·40	6,860
8. M.D.F. Verticals 60 lines	Do.	198·56	300	87·20	33,410
9. Assemble Hand set Telephone HM 3 Way	Do.	22·22	750	15·33	5,170
10. P. No. 23 Insulating Bush 7 Pt. Jack Strip	Do.	·12	21,500	·06	1,230
11. Wooden base with strips for Tag Black 20 lines	Do.	3·67	1,000	·63	3,040
12. Ring distribution square	Do.	1·33 1·47	1·013 3,001	1·01	1,720
13. Lable coin slot box decimal coinage	Do.	17·31	200	3·09	2,840
				Total	5,91,890

APPENDIX XII

(Reference Para 5.22 of the Report)

Extra Expenditure in purchase of Stalks

Serial Number	Date of order	Type of stalks	Unit cost of purchase	Quantity ordered in the purchase order	Unit average cost of manufacture during 1961-62 to 1963-64	Total extra expenditure (column 4 minus column 6 multiplied by column 5)	Percentage by which purchase price (column 4) is higher than the manufacturing cost (column 6)
1	2	3	4	5	6	7	8
			Rs.		Rs.	Rs.	
1	27-2-1962 (amended on 30-4-1962 and 30-7-1962)	5-¾″ Telephones .	·51	5,00,000	·50	5,370	2
2	15-3-1963 (amended on 30-3-1963) . .	Do. . .	·52	10,00,000	·50	20,740	4
3	3-1-1964	Do. . .	·53	2,00,000	·50	6,150	6
4	28-11-1962	6¼″ Transposition	·92	2,00,000	·70	44,020	31
5	4-3-1963	Do. . .	·92	10,00,000	·70	2,20,080	31
6	20-3-1963	Do. . .	·92	5,00,000	·70	1,10,040	31
7	17-4-1963	Do. . .	·92	1,60,000	·70	35,210	31
8	16-5-1963	Do. . .	·79	20,000	·70	1,800	13
9	27-2-1962 (amended on 30-4-1962 and 30-7-1962)	6⅜″) Telegraphs .	·83	1,50,000	·59	36,270	41
10	19-5-1962	Do.	·81	1,50,000	·59	33,270	38

1	2	3	4	5	6	7	8
11	30-10-1962 (amended on 22-2-1963)	Do.	·84	10,00,000	·59	2,51,810	43
12	27-11-1962	Do.	·72	50,000	·59	6,590	22
13	15-3-1963 (amended on 30-3-1963)	Do.	·84	15,00,000	·59	3,77,710	43
14	26-12-1963	Do.	·72	1,00,000	·59	13,180	22
15	3-1-1964	Do.	·85	6,00,000	·59	1,57,080	45
16	12-3-1964	Do.	·86	50,000	·59	13,590	46
					Total	13,32,910	

APPENDIX XIII

(*Reference* Para 6.9 of the Report)

Losses of Stores in 1963-64

Persons responsible for the loss	Losses due to theft		Losses due to accidents (fire, flood, etc.)		Losses due to other reasons		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1	2	3	4	5	6	7	8	9
		Rs.		Rs.		Rs.		Rs.
1. Persons unconnected with the Department—								
(*a*) Loss from stock . . .	14	12,360	1	1,654	1	3,870	16	17,884
(*b*) Loss from existing alignment, etc.	1,954	4,25,827	1	48	..	..	1,955	4,25,875
(*c*) Loss in transit . . .	..	..	..	..	37	40,446	37	40,446
2. Departmental Employees—								
(*a*) Loss from stock . .	[illegible]	321	..	..	..	..	2	321
(*b*) Loss from existing alignment, etc.	3	239	..	..	1	1,451	4	1,690
(*c*) Loss in transit . . .	..	..	..	..	1	2	1	2

1	2	3	4	5	6	7	8	9
3. Responsibility not fixed or could not be fixed—								
(a) Loss from stock . .	29	99,614	..	..	..	..	29	99,614
(b) Loss from existing alignment, etc.	3,232	6,01,768	..	..	3	343	3,235	6,02,111
(c) Loss in transit . . .	3	5,203	..	..	74	12,682	77	17,885
Total 1963-64 . . .	5,237	11,45,332	2	1,702	117	58,794	5356	12,05,828
Total 1962-63 . . .	5,767	13,63,049	9	3,077	97	87,569	5,873	13,93,695

N.B.—The figures shown under "loss from existing alignment, etc." include 5,160 cases of theft of copper wire from existing alignments involving Rs. 10·14 lakhs.

APPENDIX XIV

(*Reference* Para. 7.22 of the Report)

(*Department of Supply & Tech. Development*)

Persons responsible for the loss	Savings Bank frauds		Post Office Certificate frauds		Money order (including telegraphic and value payable money orders) frauds		Insured articles frauds and losses		Miscellaneous frauds and losses		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1	2	3	4	5	6	7	8	9	10	11	12	13
		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.
1. Persons unconnected with the Department	17	18,078	2	24,511	43	23,228	19	22,711	193	1,30,462	274	2,18,990
2. Departmental Employees—												
(*i*) Departmental Postmasters (including sub and branch postmasters) .	49	1,44,966	2	510	15	11,695	11	2,717	97	65,334	174	2,25,222
(*ii*) Extra-departmental agents (including those in charge of sub and branch post offices) .	45	1,15,436	2	3,200	215	1,31,908	17	8,319	157	44,174	436	3,03,037
(*iii*) Clerks .	15	12, 77	1	2,400	35	22,500	14	15,574	76	20,312	141	73,563
(*iv*) Postmen and village postmen .	..	..	..	..	99	43,819	9	2,335	23	10,284	131	56,438

1	2	3	4	5	6	7	8	9	10	11	12	13
(v) Peons and other class IV servants .	1	10,750	..	..	7	2,016	5	7,087	15	7,909	28	27,762
(vi) Others .	..	..	..	..	..	..	4	5,763	25	76,068	29	81,831
3. Mail contractors' agents . . .	..	..	..	..	..	..	..	..	12	1,300	12	1,300
4. Responsibility not fixed or could not be fixed . . .	17	18,214	..	..	17	8,023	64	56,700	57	86,582	155	1,69,519
Total 1963-64 .	144	3,20,221	7	30,621	431	2,43,189	143	1,21,206	655	4,42,425	1,380	11,57,662
Total 1962-63 .	116	3,57,971	8	25,151	407	1,92,073	212	3,20,130	531	2,03,070	1,274	10,98,395

APPENDIX XV

(*Reference* Paras 7.38, 7.49 and 7.54 of the Report)

GOVERNMENT OF INDIA

DEPARTMENT OF COMMUNICATIONS

(P. & T. BOARD)

No. 26|16|65-LI|Pt. I

Dated New Delhi-1, the 30th November, 1965.

SUBJECT:—*Public Accounts Committee—Consideration of Audit Report (P&T),* 1965, *para* 29—*Postal Life Insurance Organisation.*

Lok Sabha Secretariat may kindly refer to their O.M. No. 2|VIII|65|PAC, dated 21|10|65, in which they desired the following notes to be submitted by the 6|11|65:—

(1) A consolidated note may be furnished by the P&T Board in consultation with the Ministries of Defence and Finance, explaining the concessions given to the Defence personnel in the matter of Insurance in the two Organisations (PLI and LIC) and on what principles.

(2) A final note may be furnished, after thorough examination at the appropriate level, on the recommendation of P.A.C., contained at serial No. 87 (para 60) of the 30th Report (Third Lok Sabha), relating to Postal Life Insurance Organisation.

(3) A note prepared in consultation with the Ministry of Finance, showing the action taken and the correspondence that took place with the Ministry of Finance in connection with the P.A.C. recommendation at serial No. 57 (para 60) of the 30th Report (Third Lok Sabha), together with the relevant file, may be furnished.

In their Memorandum No. 2|VIII|65|PAC, dated 17|11|65, they had agreed to extend the date to 30|11|65.

2. *Reg.* (1) *above:*—A consolidated note in respect of item (1) above is appended herewith as Annexure I.

Reg. (2) *above*:—The general question of investment of the PLI Fund, which raises large questions of policy, is being comprehensively re-examined by the Ministry of Finance (Deptt. of Economic Affairs—Budget Division). It will, however, take some time before the matter is finalised and orders of the Finance Minister are obtained. The decision, when taken, will be communicated.

Reg. (3) *above*:—The required Note is appended hereto as Annexure II. The relevant files are also linked thereunder.

Comments of the AGP&T will be furnished separately.

(S. C. JAIN)
Member (Banking & Insurance),
P. & T. Board.

To

The Lok Sabha Secretariat
New Delhi-1.

Enclosures: As above.

ANNEXURE I

(Concessions given to the Defence personnel in the matter of Insurance in the two Organisations—PLI & LIC)

1. With effect from 1-7-1947 a new pay code was introduced for officers and other ranks in the Indian Armed Forces. The new pay structure, which was based broadly on the recommendations of the Central Pay Commission in respect of Gazetted and non-Gazetted civilian personnel, resulted in conditions of service of Service Personel, being equalised with those of Similar Categories of civilian person nel, as far as possible. Serice Personnel, however, were at a disadvantage as compared with their civilian colleagues with regard to insurance. Insurance companies required them to pay extra premia to cover war risks or flying risks and they were not eligible to take out policies under the PLI Scheme. In April, 1948, the Ministry of Defence proposed that Armed Forces Personnel should be allowed to take out PLI policies at the same rates of premia as are payable by their civilian colleagues. The question was discussed in an inter-departmental meeting held on 28-7-1948, which was attended by representatives of the Ministry of Communications, Ministry of Commerce, Ministry of Defence and the Ministry of Finance (Communications) and (Defence). It was recognised that the admission of Service Personnel to the benefits of PLI would throw a heavy burden on the PLI Fund which in turn would mean an increase in the rates of premia. It was suggested that this increase in premia could be made applicable to civilians also and since it would be a very small amount, it would not lead to any protest from the civilians. This, however, was considered unfair to the civilians and the alternative viz. the additional burden being met by subvention from the Central Revenues was also considered. It was decided in this meeting that Defence Services Personnel should be admitted to the benefits of PLI Fund and the Ministry of Defence would decide whether the incidence of extra burden would be borne by the Government or by the policy-holders themselves, after making an estimate in consultation with the Superintendent of Insurance. The matter was further discussed in an informal inter-departmental meeting on 6-9-1948, and it was decided by the Ministry of Defence that the extra premium chargeable from the Defence Services Personnel, to cover the extra risk, would be met from the Defence Services Estimates as a lump-sum payment to the PLI Fund.

2. In pursuance of this decision, Defence Services Personnel were admitted to the Fund with effect from 1-1-1949. For assessing accurately the extra risk that will be borne by the Fund, separate accounts were maintained in respect of the Fund pertaining to Defence Wing policies. A statement showing the rates at which extra premia were to be paid by the Defence Ministry for different categories of Service Personnel is appended herewith. These rates were decided upon after detailed consultations with the Controller of Insurance and were agreed to by the Ministry of Defence. The amount of extra premium payable each year in each individual case was worked out in the office of the Director (PLI), Calcutta, and intimated to the Controller of Defence Accounts, who then effected the payments due. A separate Extra Premium Fund was maintained and the extra premia realised were credited to this fund. The extra premia paid were to cover the peace-time duty risks and war risks. At the time of each valuation, the effect of these extra risks covered in respect of claims relating to the Defence Wing was assessed by the Actuary and a lumpsum to cover this was transferred from the Extra Premium Fund to the Defence Wing Fund, as decided by him.

3. At the time of extending the scope of PLI to the Defence Services Personnel, the object was that they should also enjoy similar facilities as their civilian colleagues and to enable this being done, the Defence Ministry had agreed to meet the extra burden the Fund had to bear. At that time the practice of Insurance Companies was to charge "extras" for occupational risks from all categories of Defence Services Personnel. Uniform "extras" applicable to different categories were determined by the Indian Life Insurance Offices Association. This association had laid down that an occupational extra amounting to Rs. 5 per thousand sum assured per annum would be payable for 5 years in respect of ordinary personnel in the Army and the Navy. If such personnel did not wish to pay this extra, policies were issued to them covering war risk within India Nepal and Bhutan only and excluding war risks outside India. At a time when such personnel were required to proceed to zones of military operation or war-like operations outside the specified area, they could secure war risk cover on payment of extra premia at the rate to be determined in the light of conditions then prevailing. When the Life Insurance Corporation of India was formed in 1956, the extra rates prescribed by the I.L.A.O.A as detailed above were adopted by it without any modifications. In February, 1957, the Corporation decided that in the case of ordinary Army and Naval personnel, full cover against military and war risks would be provided without charging any extra premium. It was also decided that at the same time extras payable by such personnel under existing policies as well as war

risks restrictions applicable thereto should be waived. Extras however continued to be charged from those categories of personnel who are exposed to special hazards such as Paratroopers, Gliders, Naval, Air Wing personnel etc. and various categories of Air Force personnel. In March, 1958, the Ministry of Defence proposed that the PLI should re-examine the question of payment of extra premia in the light of the decision of the LIC and decide whether they would be prepared to issue policies unconditionally and without any extra premia in the case of Defence Services Personnel, from whom the LIC would not be charging extras. This matter was examined in detail in consultation with the Controller of Insurance. Defence policies, though they constitute a separate wing, are allowed to share the total surplus at the same rates of bonus as allotted to the Civil Wing, as far as possible, in view of the fact that the extra risks to which the Defence Wing policies are exposed on account of peace-time duty risks and war risks are met by payment of extra premia from Defence Estimates. An independent investigation made by the Government Actuary in the PLI on the mortality experience of the Defence Wing indicated that after the exclusion of aviation deaths of Air Force personnel and deaths arising in performance of military duties of the entire Defence Personnel, the mortality experience was of the same order as that of the civilians. It was also found that even if only duty deaths were included, aviation deaths being excluded, the mortality experience of Defence personnel came out to be much heavier than that of civilians. The bulk of extra premium collected was due to the extra risks of Air Force Personnel and others engaged in aviation. There was no question therefore of waiving the extras in respect of these categories. It was opined by the Actuary that even the Army and Navy sections of the Defence Wing would require extra premium if they were to be made comparable with the Civil Wing in respect of bonus earning power since the peace-time duty risks would by themselves bring about an "excess death strain" on the Fund. It was however suggested by him that if the Government undertook to bear the war risk whenever it arose and make payment for the extra death strain in respect of war casualties when they occur, there would be a case for examining the waival of a portion of the extra premium charged. This position was explained to the Ministry of Defence while communicating our inability to accept their suggestion. It was, however, suggested that if the Ministry of Defence could guarantee to cover extra death strain resulting from war risk, regular payment of that portion of the extra premium may not be necessary.

4. As the Ministry of Defence did not complete their examination of the suggestion made as above, extra premium continued to be paid at the same rates. In the year 1962, during the emergency

resulting from Chinese aggression, the question of payment of further extra premium on new policies issued to Defence Personnel during the emergency was taken up with the Ministry of Defence. This question was discussed at an inter-departmental meeting held on 11-1-1963, and the following decisions were taken:—

(i) Instead of paying an extra premium during peace time and paying a higher rate of additional premium during hostilities or war, the Defence Services Estimates would take over the entire burden cast on the PLI Fund by the anticipated extra risk on the lives of Defence Services personnel because of the more hazardous life led by them (The Defence Services Estimates would be liable only to cover risks arising out of Defence Service conditions and not the normal variations in mortality rates).

(ii) The extra premia being paid by the Defence Services Estimates would continue until the results of the next valuation are known in 1966 these payments would however be treated as advances "on account". On review at a later date, if it is found that the balance of this amount is inadequate, the Defence Services Estimates would either pay a lump sum grant or increase the annual amounts as may be considered necessary. On the other hand, if the balance is found to be greater, the necessary extra premium being paid would be reduced or suspended. This would apply with retrospective effect and the existing balance in the account would also be treated as an advance payment.

(iii) The Controller of Insurance would decide the amounts to be transferred from time to time from the extra premium fund to the general fund. The extra premia fund will not otherwise be drawn upon either for transfer to the general fund or for distribution to policy holders as bonuses.

(iv) The Ministry of Defence would also cover the extra risks on the lives of even the existing insurants, so that the extra premium fund as a whole could be utilised by the PLI for the extra risk of the Defence Services personnel insurants, irrespective of whether these extra risk occur during peace time or in war provided that they are directly attributable to the fact that insurants belonged to the Defence Services.

5. These decisions amounted to an undertaking by the Ministry of Defence to bear the entire burden on the PLI Fund in respect of extra risks (both peace-time and war-risks) on the lives of Defence Services Personnel. The Controller of Insurance, therefore, recommended in his Valuation Report for the triennium 1960-63, that there

would be no need to maintain the accounts of the Defence Wing separately. Orders were issued amalgamating the Civil and Defence Wings of the Fund with effect from 1-4-1964. It was also felt that on account of this undertaking, there would be no necessity to recover extra premia in respect of each individual insurant in the Defence Wing. It has since been decided, in consultation with the Controller of Insurance and the Ministry of Defence, that extra premium need not be paid in each individual case as hitherto, with effect from 1-4-1965 and formal orders to this effect have been issued. The position consequent on the issue of these orders is that the entire burden on the PLI Fund on account of the extra risks will be borne by the Defence Services Estimates from out of the balance at credit of the Extra Premium Fund, (which stood at Rs. 91,97,308 on 31-3-1965) as assessed by the Actuary at the time of each valuation, the advance being recouped from the Defence Services Estimates if and when necessary.

6. In the LIC, war risk on the lives of Indian Defence Personnel engaged in the Army and Navy, either in combatant or non-combatant capacity but excluding those who have—

(i) an intention or liability to engage in aviation, gliding or parachuting;

(ii) undergoing training as paratrooper or glider, or

(iii) already been selected for being engaged in aviation or for being trained as paratrooper or glider,

is covered without charging any extra premium not only in respect of duty involving military operations in India but anywhere in the world. Policies are issued on the lives of aviation personnel either covering risks of aviation or war by charging a combined extra premium for both risks, payable throughout the duration of the policy, or at ordinary rates, risks of aviation or war being excluded by a suitable clause. The extra premium charged for covering aviation and war risks are payable whether the claim in respect of such a policy arises due to normal death or "duty death", whereas in the PLI the charge is made on the Defence Services Estimates only to cover the extra risk involved in the case of duty deaths of such personnel. While considering the question of grant of flying bounty to the air crew in the Defence Services as a permanent measure and the enhancement of the rates at which the bounty was to be paid, the Ministry of Defence had taken into consideration the obligation of these personnel for paying aviation and war extras in respect of insurance policies taken out by them. In the final orders issued in 1960, making the grant of flying bounty a permanent measure and at an enhanced rate the following condition was imposed for eligibility to draw the bounty:—

"An officer of the G.D. Branch of the Air Force, commissioned on or after the 1st December, 1959, and an officer of the Aviation Branch of the Navy qualifying as Pilot or Observer on or after the 1st December, 1959, on becoming eligible for flying bounty, will be required to take out, and keep alive, an endowment assurance policy for a 10-year term or longer, or alternatively a convertible life policy with definite conversion into endowment, with the Life Insurance Corporation, the sum assured being not less than Rs. 10,000 and the average premium payable during the first 10 years of commissioned service or service after becoming eligible for flying bounty as the case may be, being not less than Rs. 100 per mensem. His eligibility for flying bounty for the first 10 years of his commissioned service or 10 years services after becoming eligible for flying bounty, as the case may be, will be subjected to the fulfilment of this requirement."

The enhancement of the amount of flying bounty enabled such personnel to go in for further insurance at no extra cost to themselves. Apart from this, no other concession has been given by the Ministry of Defence to the Defence Services Personnel in respect of insuring themselves with the LIC.

7. The principles on which the extras have to be charged by the PLI from the Defence Services Estimates are fully enunciated in the notings of the Ministry of Finance (E.A. Department), Insurance Branch, recorded while considering the proposal of the Ministry of Defence to the effect that PLI should also issue policies to Army and Navy personnel without extras being charged and referred to in para 3 above, which is quoted below:—

"........it is worth recording that the practice of insurers in India, even before Nationalization, was (by and large) to cover free of charge service hazards, unconnected with war. Even in respect of war hazards, those arising from within India, Nepal and Bhutan were covered free of charge. The extra premium charged was intended to cover only hazard of war incurred outside India. The LIC now covers the latter also.

"Furthermore, in the case of the LIC, the proportion of assurances on the lives of Army and Navy personnel to the total assurances in the fund is a very small one. Thus the Fund can afford to take the extra risk without undue hardship being caused to it. It has also to be remembered that whereas the PLI fund caters to a very special and limited class (Government employees), the LIC caters to the whole of India. This fact explains the PLI's drawing up its normal-rates class in such a way as to make it very sensitive to hazards which are already covered by the LIC's normal-rates class. Those funds which maintain the highest standards of selection mostly draw their business from a limited range of the populations. PLI is such a fund. But LIC has to draw its business from India as a whole and cannot maintain so high-pitched a standard of selection. This, in part, explains why the LIC can take over the type of policy in question within the ambit of its normal-rates class more easily than the PLI can."

8. The Life Insurance Corporation covers a very large number of civilians engaged in hazardous occupation by charging suitable extra premium. In most of these cases, the extra risk is small and the number seeking insurance is also small. Each of these extra risks taken singly is perhaps much smaller than the Defence section and yet the insurance principle being that each of the hazardous occupation must support itself. each is charged an extra premium. Recently, when we were considering the question of extension of the scope of PLI to the industrial workers in the P & T Department, the Controller of Insurance desired that the extra risk arising out of duty deaths of such of the workers as are engaged in hazardous occupation should be borne by the P. & T. Department. This was agreed to by the P. & T. Department. While discussing the proposal of the Ministry of Defence referred to in paragraph 3 above, the Controller of Insurance stated:—

"......when indepedent, the military section bears its risks and foregoes bonuses either in part or wholly as a first line of defence before any remedial measures can be taken. If it works in association with the Civil Wing, the latter too may have to share the loss of bonuses before any remedial measures can be taken. Obviously, this cannot be allowed. When the peace-time extra is paid, such a risk for the Civil Wing is considerably minimised."

It will thus be clear that PLI. which is a very small fund in comparison with the LIC and where the Defence Wing policies form 6 per cent of the total number of policies in force and where the average value of a Defence policy is Rs. 6,500 against Rs. 2,100 in the Civilian Wing, it will be necessary to charge extras to cover the peace-time portion of the risk for maintaining the same rate of bonus in the Defence Wing as payable to the insurants of the Civil Wing, which has been the case in the PLI so far.

9. Coming now to the war risks, it would be relevant to quote from the notings by the Controller of Insurance on this subject:—

"It is being increasingly realised in countries like U.K. that the future war, if at all it takes place, will be a total war and is likely to cause annihilation of the civil population as much as that of the forces. It is, therefore, argued that so far as risks arising out of major wars are concerned, there is no justification for making any distinction between the civilian policies and the Defence policies. It is not known how far India would be involved in such a war, but it can be held that if a few of the forces are involved, big cities which provide the bulk of the civil policies will certainly be affected. So far, therefore, as risks of a major war are concerned. no distinction need be made between the civil policies and certain of the Defence policies, where no flying is involved."

"......when indepent. the *military section bears its risks* and foregoes bonuses either in part or wholly as a first line of defence before any remedial measures can be taken. If it works in association with the Civil Wing, the latter too may have to share the loss of bonuses before any remedial measurers can be taken. Obviously, this cannot be allowed. When the peace-time extra is paid, such a risk for the Civil Wing is considerably minimised."

"Unless, therefore, we hold that war-risk has ceased to be real, there is no escape from somebody meeting the cost of war-risk. It is possible that the Corporation banks on the Government's meeting that cost; it is not an impossible view in the case of the modern warfare. It is, therefore, necessary that the PLI should pursue this aspect of the question at a proper level. It should be added that the war-cost need not necessarily be borne by a continuous payment now; it can be met whenever any war deaths occur. What is required is an undertaking by the Government to meet it."

It would be relevant also to point out in this connection, that the LIC issued a Circular on 17-9-1965, introducing a war clause in respect of all new policies, to Civilians as well as members of the Armed

Forces, issued after 20-9-1965. The effect of the war clause was that if the death of the life assured occurred while employed in the Armed Forces and as a result of or from any cause arising out of war or war-like operation or hostilities of any kind, the amount payable on the policy shall be limited to either—

"(i) a sum equal to the total amount of premiums (exclusive of extra premiums) paid under the policy, without interest, less any sums paid by the Corporation in respect of bonuses in cash, portions of sum assured or surrender value or otherwise, or

(ii) surrender value of the policy, whichever shall be the greater, but shall not exceed in any case the amount which would otherwise have been payable at death."

This circular was however withdrawn with retrospective effect by the LIC on 22-9-1965, on account of the cessation of hostilities and the consequent improvement in the situation on the border. A proposal to the following effect is under active consideration of the Government. In future a "war clause" (that is excluding death by enemy action while on active service) would be imposed by the LIC only after approval by Government. Even after such clause is imposed, claims on new policies would be met to the extent the sum assured on those new policies together with the sum assured on any old policies, the policy holder might have, does not exceed Rs. 25,000 in the case of Captains or equivalent or below and Rs. 50,000 in respect or higher ranks, old policies issued without the war clause being completely unaffected.

75 per cent of the "death strain" due to this concession is to be borne by Government leaving the balance to be borne by the L.I.C.

10. In conclusion, it may be stated that in respect of all insurants in the PLI who are Defence Services Personnel, the extra risks (both peace-time and war), are met from the Defence Services Estimates to ensure that these personnel can take out policies at the same rates of premia applicable to civilians and have the added benefit of paying premia by deduction from their monthly pay bills. The effect of this concession is, however, limited by the fact that the maximum amount for which a policy is issued to Defence Services Personnel is Rs. 20,000. In the case of LIC, Defence Personnel who are engaged in flying and who are subject to the payment of aviation extras can meet the cost of extra insurance without any extra burden to themselves on account of the payment of flying bounty at enhanced rates as detailed in para 6 above.

11. This has been seen and concurred in by the Ministry of Defence and the Ministry of Finance [Department of Expenditure (Communications Division) and Department of Company Law Affairs and Insurance.]

S. C. JAIN,
Member (Banking & Insurance),
P. & T. Board.

Enclosure

Postal Life Insurance—

Rates of Extras per thousand sum assured per annum.

Categories of Defence Services Personnel	For the first year or till successful completion of training, whichever is longer	Balance of eight years	9th year and subsequent yrs. as long as premia are to be paid
1. Flying Personnel of Air Force 2. Naval Officers, belonging to Naval Aviation Branch.	Rs. 80/-	Rs. 40/-*	Rs. 5/-
		*If transferred to ground duties due to medical grounds—Rs. 15/-	
3. Signallers of Air Force, and Naval Aviation Branch.	Rs. 40/- for first eight years		Rs. 5/- there-after as long as premium is recoverable.
4. (*a*) Ground personnel of Air Force; (*b*) Officers of General Duties Branch of Air Force (on administrative duties).	Rs. 15/- for 8 years.		Rs. 5/- thereafter as long as premium is recoverable.
5. All others	Rs. 5/-.		

ANNEXURE II

[*Action taken by the P. & T. Board on the recommendations of the P.A.C. at Serial 57 (para 60) of the 30th report (Third Lok Sabha).*]

1. In serial No. 57 (para 60) of their 30th Report (Third Lok Sabha), the Public Accounts Committee had recommended as follows:—

> "The Committee were informed that the Postal Life Insurance Fund, which stood at Rs. 19 crores, was invested with Government at an interest of 3½ per cent per annum. About the PLI Fund, the Committee feel that as the return for the investment is not adequate, the P. & T. Board should examine the feasibility of investing the PLI Fund on the same pattern as the LIC fund, consistent with the security and safety of the fund. This would enable them to reduce their rates of premia further or to give larger bonuses to the policy holders."

2. On receipt of these recommendations, in this office in the month of January, 1965, it was thought that the recommendation to examine the feasibility of investing the PLI Fund on the same pattern as the LIC was based on the conclusion that the return for the investment was not adequate. As the question of increase in the rate of interest was at that time under consideration of the P. & T. Board, it was thought that if the Ministry of Finance could be persuaded to give a higher rate of interest on the PLI funds, there may perhaps be no need to examine the feasibility of investing the PLI fund on the same pattern as the LIC. Further, a proposal similar to the one made by the Committee had been considered twice in the years 1937 and 1962. On both these occasions, the proposal was originally made by the P. & T. Board and concurred in by the Ministry of Finance, but ultimately shelved. Hence, as an alternative, consideration of the question of increase in the rate of interest was resumed. When the matter could not be settled at the Secretariat level, it was put up to the Minister on the 6th April, 1965, who decided that "the case should be discussed with Finance by Secretary (Communications) and Member (B. & I). If there continues to be any difficulty, the Minister would take it up at a higher level."

3. Soon after this, Member (B. & I.) happened to discuss the question informally with the Joint Secretary (Budget) and since the Secretary (Communications) was on deputation abroad at the time, he sent the case to Joint Secretary (Budget) for obtaining in the meanwhile the opinion of the Reserve Bank of India in the matter. The Finance Ministry did not consider it necessary to refer the matter to the Reserve Bank, but instead, they obtained the orders of the Finance Minister for not accepting our proposal. The case was again submitted to the Minister on the 26th May, 1965, who ordered on the 28th May that it should be put up at the next meeting of the Minister with the Members of the P. & T. Board. Accordingly, the case was discussed with the Minister on the 1st June. The Minister desired that the case should be taken up with Finance again and that at least the Provident Fund rate of interest should be pressed for; and, before taking up with Finance, it should be thoroughly discussed between Member (B & I), Secretary (Communications), and Member (Finance). The proposed discussion was held on the 2nd July, 1965. The Secretary felt that in view of the stand taken by the Ministry of Finance and in view of the fact that Finance Minister had seen the case, it would not be appropriate to take up the case at his level. However, Secretary (Communications) desired that a full comprehensive note may be prepared, when the case could be reopened at an appropriate level.

4. A comprehensive note was accordingly prepared and it was intended to discuss the matter with the Minister again at a suitable opportunity which, unfortunately, did not come on account of the absence of the Minister abroad and subsequent outbreak of hostilities with Pakistan.

5. As a reply had to be sent to the Public Accounts Committee and as by that time no final decision on the rate of interest had been taken, an interim reply was sent on the 10th June, 1965. As the interim reply had inadvertently been issued without showing it to the Ministry of Finance, it was got cancelled on the 11th August, 1965, and a revised draft reply was prepared and sent to the Ministry of Finance for concurrence on the 17th August, 1965. The Ministry of Finance however felt that the suggestion to increase the rate of interest had been considered from time to time and Finance Minister's orders also obtained. They, therefore, desired that the factual position together with the reasons for not agreeing to the suggestion should be indicated. Accordingly, they suggested a revised draft reply. Member (B & I) was not satisfied with the reply proposed by the Ministry of Finance. He discussed the matter with the Joint Secretary (Budget) and pointed out to him that it was not necessary to repeat the reasons given by the Finance Ministry for not agreeing

to the proposal to increase the interest rate, as these had been explained to the Committee. He, therefore, suggested a shorter draft which was accepted by the Ministry of Finance and sent it to the A.G., P. & T. on the 28th September 1965 for concurrence. An advance copy of this was sent to the P.A.C. on the 7th October, 1965, since the file had not been received back from the A.G., P. & T. till then and as the P.A.C. was to meet from the 8th October, 1965. A.G., P. &. T. has since suggested that it may be revised in the light of the discussions in the P.A.C. meeting on the 3th October, 1965. This has been taken up with the Ministry of Finance separately.

6. This has been seen and concurred in by the Ministry of Finance.

S. C. JAIN

Member (B & I), P. & T. Board.

APPENDIX XVI

(Reference Para 7.68 of the Report.)

MINISTRY OF FINANCE

(DEPARTMENT OF ECONOMIC AFFAIRS)

O.M. No. F. 14(40)-*B*/64 *dated* 30-11-1965

SUBJECT: *Interest on Postal Life Insurance Fund*

When the question of the investment of the Postal Life Insurance Fund was discussed at the sitting of the Public Accounts Committee on the 13th October, 1965 the Committee desired that a note should be sent to them indicating the reasons and arguments which had led the Finance Minister to take the view that no increase in the rate of interest of 3½ per cent per annum should be given on the P.L.I. balances.

2. The Postal Life Insurance Scheme has been managed departmentally by the Government of India. Ever since its inception in 1883 the balances in the Fund, which represent the account of the premia and other receipts as well as the claims and other payments under the Scheme, are treated as deposited with the Government and accounted for as the Unfunded Debt of the Government of India. The rate of interest on the balances in the Fund was initially fixed at 3½ per cent, having regard to the then borrowing rate of Government which was about 4 per cent. This rate of interest continued unchanged till 1940 notwithstanding higher borrowing rates. A review was undertaken in 1940 owing to the appreciable fall in the Central Government's borrowing rates immediately before the Second World War. In view of the fact that the rate of interest on the gilt-edged securities was below 3½ per cent, the interest on the balances in the Fund in respect of policies issued on or after 1-4-1940 was reduced to 3 per cent. The portion of the Fund relating to the policies issued upto 31-3-1940 was however allowed to continue to earn interest at 3½ per cent on grounds of moral obligation.

3. Proposals for increasing the rate of interest had been periodically received from the P. & T. Department and examined on a number of occasions during the last decade. In 1953 the basis for the regulation of the interest rate on the P.L.I. Fund was gone into in some detail. In his reply to the then Deputy Minister for Communi-

cations, the then Finance Minister (Shri C. D. Deshmukh) emphasised that the following considerations were relevant for the purpose:

(i) The P.L.I. Scheme has to be viewed from a somewhat commercial angle and there is little justification for subsidising it at the cost of the general taxpayer.

(ii) The Scheme gets the benefit of cheap cost of administration, facilities for the collection of premia by deduction from pay bills and the interest paid on the balances of the Fund is not subject to income tax.

(iii) The only benefit which the P.L.I. deposits with Government secures to the General Revenues is that they save the Government from borrowing to an equivalent extent.

(iv) In the case of commercial departments like Railways and P. & T. whose reserves are deposited with Government, interest is paid at the rate which Government's interest charges bear to the total debt. This would work out to a little over 3 per cent and this is all that can be paid on the P.L.I. Fund. Pre-1940 policies would of course continue to earn interest at 3¼ per cent.

(v) It would not be possible to accept the proposition that the accumulation in the Fund should be treated in the same manner as Small Savings or Provident Funds for purposes of interest.

4. In December, 1955 a proposal for fixing the rate of interest at 3¼ per cent for a period of 10 years in respect of both pre-1940 and post-1940 policies was received. The view taken was that the considerations urged in 1953 in examining the interest rate continued to be valid. Nevertheless, having regard to the then borrowing rates which were likely to be sustained over the next 5 years and possibly even 10 years, it was decided with the approval of the then Finance Minister (Shri C. D. Deshmukh) to allow a uniform rate of interest of 3¼ per cent both in respect of pre-1940 and post-1940 policies. The rate of interest of 3¼ per cent was agreed to for a period of five years with effect from 1-4-1956 on the understanding that the Fund would have no right to ask for an increase in this rate if the general rates of interest went up in the next five years.

5. In 1960 the P. & T. Department came up with a proposal that interest at 3¼ per cent should be guaranteed to the Fund for an indefinite period without which it would be difficult for them to revise on a long term basis the existing rates of premia. The proposal was considered and it was decided that while it would not be realistic to

fix a rate for an indefinite period, the interest at 3½ per cent for a further period of five years might be allowed.

6. In 1961 the P. & T. Department again took up the question of rate of interest on the P.L.I. Fund. This time they suggested that interest should be allowed at the average rate of interest on 15 years' Government securities plus half per cent or 4 per cent, whichever is less, the argument being that the Fund is firmly invested with the Government and also that L.I.C. earned a net return of 4.08 per cent during the preceding year. This suggestion was not accepted as the monies held in the Fund are no more than deposits made with Government and would not be entitled to interest at a rate higher than the average cost to Government to its public debt. Further, the interest allowed on the Fund was invariably less than the average cost of borrowing due to certain concessions such as exemption from income tax, facility of collection of premia through pay bills etc., enjoyed by the P.L.I.

During discussion an alternative method for allowing interest was considered. This envisaged that the present accumulation might be allowed interest on the basis of the average cost of borrowing during the last 15 years and the net accretion each year, allowed interest at the prevailing rates for a 15-year loan, in either case due allowance being made on account of the absence of income tax, facility of collection through pay bills etc. While this method appeared to be more logical, it was recognised that it would involve various difficulties. The rate of interest on accumulations during a year would have to be calculated afresh each year and also separate account kept for each year's accumulation. It was, therefore, decided not to pursue this alternative.

Having regard to all the circumstances and the then average cost of borrowing which was about 3.59 per cent, it was decided with the approval of the then Finance Minister (Shri Morarji Desai) to allow interest at the rate of 3½ per cent on the balances in the P.L.I. Fund on a more or less indefinite basis. It was, however, stipulated that the rate would be reviewed if at any time there was a major development which seriously affected the interest rates. In that event, the policies taken out before that date were to continue to earn interest at 3½ per cent. Further a periodical review would be made every ten years to see how the arrangement was working.

7. The decision to allow interest at 3½ per cent on an indefinite basis would ordinarily have come up for review only in 1971. However, in 1964 the P. & T. Department again came up with a proposal that the rate of interest allowed on the P.L.I. Fund should be increas-

ed to 4 per cent. The rates of interest allowed on the various Small Savings Schemes and the Provident Funds, as also the return earned by the L.I.C. on its investments were cited in this connection. The proposal was considered by the three Finance Secretaries. Apart from the considerations which had always been taken into account in determining the interest on the P.L.I. Fund in the past, the view taken was that the justification for increasing the interest rate would be either that the results compared unfavourably with those available from the L.I.C. or that the volume of business was dropping off and that without an improvement further growth would not be possible. Neither of these seemed to be the case as was evident from the statistics furnished by the P.&T. Department. The premia rates of the P.L.I. were considerably lower than those of the L.I.C. and the bonuses declared by the former also higher. Having regard to all these considerations, it was decided that the decision taken in 1961 that the existing rate of interest of 3½ per cent would continue on an indefinite basis did not call for any modification.

8. The P. & T. Department with the approval of their Minister came up for a re-consideration of the decision in April 1965. The interest allowed on the various Small Savings Schemes was again cited as an argument. The matter was again considered carefully and it was decided with the approval of the Finance Minister that there was hardly any case for increasing the rate of interest on the P.L.I. Fund at any rate at this stage. It was explained to the P. & T. Department that the P.L.I. is a commercial activity and the rate of interest to be allowed on the P.L.I. Fund could only be determined with reference to the average cost of accumulated borrowings. Considering the concessions enjoyed by the P.L.I. Scheme, the existing rate of interest of 3½ per cent was by no means unreasonable. Nevertheless, it was indicated that the matter could be reconsidered, if necessary, if the L.I.C. lowers its premia rates and the average cost of borrowing with reference to the total outstanding debt also moves up.

9. In Sepember, 1965 a draft of a note on Para 60 of the 30th Report of the P.A.C. proposed to be sent by the P. & T. Department was received in the Ministry of Finance for concurrence. As a decision on the question of the interest rate on the P.L.I. Fund had been taken only four months earlier with the approval of the Finance Minister, it was not considered necessary to put up the papers again to him for orders. A revised draft which explained the reasons for the decision was however suggested. The Member (B. &. I.) P. &. T. Board did not think it necessary to repeat the reasons for not giving higher interest and proposed a shorter draft which was agreed to.

10. It would be observed that the question of the rate of interest on the P.L.I. Fund had been considered on a number of occasions and the Finance Minister's orders obtained in 1953, 1956, 1961 and 1965. The view taken was that the balances in the Fund represent the accumulation over a period of years. Even if each year's net accretion had been invested in Government securities, the average rate of interest earned by the Fund would have been more or less the same as the average cost of borrowing which is worked out as the ratio of interest charges to the total outstanding debt. Some allowance had to be made for the concessions enjoyed by the Scheme such as exemption from income tax and facility of collection of premia by deduction from salary bills, which involved an indirect subsidy from the General Revenues. The present average cost of borrowing is about 3.90 per cent and it was on this basis that it was decided in May, 1965 with the approval of the Finance Minister that the interest of 3½ per cent allowed on the P.L.I. was reasonable. Nevertheless, as desired by the Committee, the entire question of the investment of the moneys in the P.L.I. Fund is being examined.

A. R. SHIRALI
Joint Secretary to the Government of India.

APPENDIX XVII

(*Reference Para* 8.6 *of the Report*)

No. 15-22/65-WK

GOVERNMENT OF INDIA

DEPARTMENT OF COMMUNICATIONS

(P. & T. BOARD)

Dated New Delhi the 23rd September, 1965.

SUBJECT:—*P.A.C.'s 30th Report,* 1964-65 (*Third Lok Sabha*) *Serial No.* 28, 30-32, 34-35 *and* 37-39 *of Appendix XXXI—Extra expenditure on purchase of tubes.*

In serial No. 28, 30-32, 34-35 and 37-39 of Appendix XXXI of their 30th Report 1964-65 (Third Lok Sabha), the P.A.C., while arriving at certain conclusions in regard to the failure of the P. & T. Department in the matter of ensuring adequate supplies of sheets for the P. & T. Workshops, made the following observations:—

> "The Committee would only like to recommend in conclusion that in order to stop further drainage of public funds, the P. & T. Department should even now wake up to the situation to ensure that all the future requirements of galvanised tubes are met by the P. & T. Workshops itself and not by purchasing them from the market at much higher rates.
>
> The Committee would, in this connection, strongly recommend that the Chairman of the P. & T. Board should arrange a meeting with the Secretary, Ministry of Steel and Mines, and the Secretary, Finance (and other Authorities like Development Wing, etc....) to plan out regular and adequate supply of steel sheets and obtain release of foreign exchange needed for the import of zinc and take all necessary steps to increase the production of galvanised tubes by introducing two or more shifts, as may be needed, so that all the requirements of the Department of galvanised tubes are met by the P. & T. Workshops itself."

2. In so far as the question of ensuring adequate supplies of controlled categories of steel is concerned, it has been decided in consultation with the Department of Iron and Steel, that the P. & T.

Workshops will hereafter get the quota of M.S. sheets for the Workshops direct from the Iron and Steel Controller instead of from the Director-General, Technical Development. Necessary instructions have been issued to the General Manager P. & T. Workshops and he would send the consolidated demand of the Workshops to the Iron and Steel Controller. The foreign exchange for the import of zinc required during 1965-66 has been released from the 2nd I.D.A. credit. Requirements of subsequent years are expected to be met from the 3rd I.D.A. credit being negotiated by the P. & T. Board and similar future arrangements.

3. As recommended by the Committee, the Chairman P. & T. Board arranged a meeting of the Departments concerned on the 25th January, 1965. A proposal for setting up of a Modern Tube-making Plant with a capacity of 10 lakh tubes per annum was considered at this meeting. In the note placed before the meeting, it was explained that even by working two or more shifts it will not be possible to meet more than about half of the departments' total requirements. The capacity could, of course, be increased under the current method of production but the number of men employed would have to be increased three-fold and, in addition, a large number of low capacity machines would have to be procured and non-productive ancillary staff in the shape of clerks and supervisory officials would have to be employed. On the other hand, if the project for the modern plant is executed, about the same number of men as employed now would give the required outurn and the cost of production would then be much lower than what it now is. A further meeting was held on the 1st June, 1965. In accordance with the decisions taken at these meetings, action is being taken to decide the process of manufacture to be adopted in the new plant and to prepare a Project report. For this purpose, quotations have been invited through the Indian Trade Journal.

4. Accountant General, Posts and Telegraphs, Simla has seen this Memo.

Sd/- (S. K. KANJILAL),
Member (Telecom. Operations),
P. & T. Board.

To

The Chairman and All Members of
the Public Accounts Committee.

APPENDIX XVIII

(*Reference* Para 8.13 of the Report)

No. 109/1/65-F

GOVERNMENT OF INDIA

DEPARTMENT OF COMMUNICATIONS

(P. & T. BOARD)

Dated, New Delhi, the 6th September, 1965.

Public Accounts Committee Thirtieth Report for 1964-65—*Dead Accounts.*

In serial No. 61 to Appendix XXXI—Paragraph 64 of their 30th Report, the public Accounts Committee have observed as follows:—

"(i) Incidentally, while dealing with the P. & T. accounts, the Committee would like to state that in reply to Unstarred Question No. 409 in Lok Sabha, it was stated on 16th August, 1958 that as on 31st March, 1958, the number of Post Office Savings Bank accounts in respect of which no transactions had taken place for 4 years was 38,73,681 and the total amount on deposit in dead accounts on that date was Rs. 8,02,98,813. The Committee feel that in the case of money in the dead accounts it is possible that the clients or their legal successors in case of death, might not be aware that their money is locked up. Since most of the accounts, especially in rural areas, represent the hardearned income of the people of meagre means, the Committee suggest that P. & T. Board might consider the feasibility of instructing all the post office authorities to make efforts on their own initiative to trace out the clients or their legal successors, as the case may be, and inform them of the position. They also recommend that a special column should be provided in the account opening form to include the name of the successor of the account holder to whom the money may go in the event of his death.

(ii) The Committee further suggest that the information about (a) the number of dormant accounts (b) the number of dead accounts, and (c) the amounts involved in (b) on the last date of the financial year should be included in the Annual Report of the P. & T. Board."

2. (1) The following comments are offered:—

The number of dead accounts at the end of 1963-64 stands at 45 lakhs and the amount involved at Rs. 10·8 crores. These accounts have been treated as dead from year to year since the very inception of the Bank. The oldest ledgers in the head offices will have to be consulted to know the addresses of the depositors before intimations are sent.

(2) With a view to assess the quantum of work involved and the result achieved, an experiment was carried out at New Delhi Head Post Office in respect of 134 accounts treated as dead in recent years, *viz.*, 1956-57 and 1959-60. Eleven depositors could not be addressed as their addresses as noted in the post office records were quite insufficient. The rest of the 123 depositors were addressed by registered post to present their pass books as early as possible. Thirty letters were delivered and 93 were received back undelivered. The reasons for non-delivery of the articles in most cases were: Either (i) "addresses not known", or (ii) "Incomplete address." The percentage of depositors who could not be contacted at all works out to about 75. This percentage will be much higher in the case of accounts treated as dead during earlier years. About eight hours clerical work was involved in preparing notices and sending them to 123 depositors. None of the 30 depositors to whom the notices were delivered have so far sent their pass books to the Head Post Office.

(3) The response to the intimations is also expected to be very poor as most of the accounts have a balance of less than Rs. 25. A review of 13861 accounts of New Delhi H.O. treated as dead in 1962-63 was made and the classification according to the balances is as follows:

(i) No. of accounts with balance of Rs. 5 and below.	6111
(ii) No. of accounts with balance of Rs. 5 and up to Rs. 25.	5512
(iii) No. of accounts with balance of above Rs. 25 and up to Rs. 100.	1082
(iv) No. of accounts with balance of above Rs. 100.	1156

The percentage of the number of accounts with a balance not exceeding Rs. 25 is 84.

(4) During the course of taking over of some of the accounting functions of audit, it has been observed that post office and audit office records in respect of dead accounts reopened and closed were not complete. By sending notices to the depositors of all such accounts which have been treated as dead, there is a risk of double payment in some cases.

(5) On account of the stupendous work involved as compared to the results expected to be achieved the Government do not consider it feasible to accept this recommendation of the Committee. It is, however, considered that the object the Committee has in view will be served better if an intimation were issued to every depositor in the enclosed form, if thre is no transaction in his account for a period of 2 years and not treat the account as dead. The question of adopting this procedure is under active consideration.

(6) (i) Action is being taken to amend the application card for opening a Savings Bank account to provide for nomination. A specimen of the new application card is attached. Instructions are also being issued that the counter clerk should draw attention of the depositor to the provision in the card for making a nomination in his own interest.

(ii) In view of the fact that it is not proposed to treat the accounts as dead in future the question of publication of the information in respect of dead accounts should not arise except in respect of those already treated as dead. Arrangements will, however, be made to publish the information in respect of silent accounts and the amount involved in the annual report of the Department.

3. This has been seen by the A. G. P. & T., Simla. He has observed that the experiment of sending notices to the depositors whose accounts have been treated as dead was conducted at New Delhi Head Post Office only and no conclusions could be drawn from it as most of the depositors were government servants who might have gone on promotion, transfer, retirement, etc. He wants that the experiment should be conducted in rural areas and small towns, before arriving at any conclusion. As suggested by the A.G.P.&.T. the experiment will be tried again in some small towns and in some offices in the rural area. However, the fact would still remain that it would not be feasible to send intimation to and to try to trace out as many as 45 lakhs depositors whose accounts have been dead for several years.

S. C. JAIN,
Member (Banking & Insurance)
P. & T. Board.

To

The Chairman and Members of the
Public Accounts Committee,
Lok Sabha Secretariat,
New Delhi.

No. ....

Dated.........

To

Shri /Shrimati...........................

....

....

SUBJECT:—Post Office Savings Bank Account No.........................standing at...................................Post Office.

Dear Sir/Madam/Kumari,

We find from the records of this office that there have been no transactions in your account standing at...................................Office during the last 2 years. The balance to the credit of your account today stands at Rs..................... Kindly let us know if this is due to any short-coming on our part so that we may be able to render better service to you.

Assuring of our best services,

Yours faithfully,

POST MASTER.

INDIAN POSTS & TELEGRAPHS DEPARTMENT

Application for Opening a S.B./C.T.D. Account.

To

. The Postmaster ....

I/We tender herewith Rs......................(in words)...................
only for opening a savings Bank/5-year/10 year/15 year/C.T.D. Account of the denomination of Rs............................in the name(s) of.......................

....

S/o, d/o, w/o ....

address...

....

*If the account is to be opened on behalf of a minor
- Date of birth of minor ....
- Date of majority ....
- Relationship with guardian ....

*Strike out which is not applicable.

I/We hereby agree to abide by the Post Office Savings Bank Rules/Cumulative Time Deposits Rules, 1959 and any amendments issued thereto from time to time.

Reverse.

Account No..................

Signature of depositor(s)

I hereby nominate the person/persons mentioned below to whom in the event of my death the amount standing to the credit of my account at the time of my death shall be payable.

Serial No.	Name of the nominee	Full address	Date of birth of nominee in case of minor.

Signature of depositor.

ORDER OF THE HEAD POST MASTER

The account has been opened on................for Rs......................
under Account No. ....and nomination has been registered.

Date Stamp

Signature of Head Postmaster.

APPENDIX XIX

(*Reference* Para 8.18 of the Report)

DEPARTMENT OF COMMUNICATIONS

(P. & T. BOARD)

O.M. No. 27-16/65B

Dated, New Delhi, the 12*th August,* 1965 *refers*

Recommendation of the Committee

The Committee regret to observe that the report called for by them regarding the departmental action taken in this case has not yet been submitted. The Committee are of the view that this case has been avoidably delayed for about six years from the date of detection and for more than one year even after the Committee recommended expeditious finalisation. They would like the P & T Board to take expeditious action in the matter and intimate the result, both regarding the departmental action as also legal action, if any, proposed to be taken against the firm.

(*Serial No.* 66 *of Appendix XXXI to* 30*th Report*)

(*Serial No.* 30 *of Appendix VIII to* 14*th Report*)

Action taken by Government

In so far as the Departmental action is concerned three Gazetted Officers and three non-gazetted staff were charge-sheeted. Of the three gazetted officers, one was censured, the other was warned and displeasure of Government was communicated to the third. As regards the non-gazetted staff, one was exonerated, the second was reduced by one stage for a period of six months in his time-scale and the third was compulsorily retired from service.

The firm of Iron and Steel Dealers, who removed the excess scrap were given a legal notice calling upon them to pay the cost of the excess material unauthorisedly taken away by them. The firm has refused to accept any liability in this regard and the case was referred to law Ministry, who advised that before a suit for recovering the cost of scrap is filed, the Central Bureau of Investigation should once again see the case. The matter stands referred to that Bureau at present. The final result will be communicated to the Public Accounts Committee in due course.

APPENDIX XX

Summary of Main Conclusions/Recommendations

Serial No.	Para No. of Report	Ministry/ Deptt. concerned	Conclusion/recommendation
1	2	3	4
1	1.3	P & T Board	The Committee are glad to note that the variation from the budget during 1963-64 was substantially less than in the two preceding years. They hope that the P. & T. Deptt. would maintain a greater degree of close approximation between the budget estimates and actuals in future years.
2	1.7	P & T Board / Inf. & Broadcasting	The Committee find from the statement that receipts on account of fees for Broadcasting Receiver Licences had increased from Rs. 43·88 lakhs in 1959-60 to Rs. 70·36 lakhs in 1963-64. They also note that the question of increasing or decreasing the rate of commission in view of the introduction of licensing in book form which was expected to reduce the departmental work, was under consideration. The Committee feel that the commission of Rs. 2 per licence charged by the P. & T. Deptt. is somewhat on the high side. The Committee would like this question to be decided early.

3	1.14	P & T Board	From the statement the Committee find that because of the introduction of the automatic system there had been a tremendous increase in the number of calls (ranging from 31 times to 75 times) and that the revenue has increased between 4 to 10 times in different routes. The Committee welcome this trend. They hope that as more routes under subscribers trunk dialling system are put into operation there would be increase in revenue and decrease in expenditure gradually as a result of automatisation.
4	1.19	Do.	The Committee feel that with the introduction of a set formula the contributions to the Renewals Reserve Fund would now be steady. They further feel that even though no time limit has been fixed to liquidate the arrears, it is desirable that the Deptt. attaches a sense of importance to this question and prepare a phased programme to liquidate the arrears within a reasonable period of time.
5	2.6	Do.	The Committee find that due to double adjustment in the accounts for the year 1963-64 under a misapprehnsion, an excess of Rs. 41, 61, 504 was shown under Grant No. 143. The Committee hope that suitable steps would be taken by Government in consultation with C. & A.G. to avoid such a situation, wherein the debit could be raised twice for the same item of stores. In view of the recommendation of the Public Accounts Committee contained in para 7 of their 16th Report (First Lok Sabha) this amount shown as 'excess' does not need regularisation under Article 115 of the Constitution.

1	2	3	4
6	2.13	P & T Board Finance.	The Committee feel that intimation regarding payment of the first instalment having reached in January, 1964 and intimation of shipment against the other order having been received on 25.2.64 it would not be quite appropriate to classify the expenditure as 'unforeseen'. The Committee would in this connection, like to refer to Article 267 of the Constitution which states that the Contingency Fund 'shall be placed at the disposal of the President to enable advances to be made by him out of such fund for the purposes for meeting unforeseen expenditure by Parliament by law under Article 115 or Article 116. The Committee are doubtful whether the interpretation of the Deptt. regarding the expenditure being unforeseen can be fully justified in the present case on the basis of facts placed before the Committee. They find that the goods had been shipped and the intimation regarding the shipment of the first instalment was received by C.C.T.S. in November, 1963 and all along the Department were seized with the matter as well as of expenditure that it would involve. Since the Deptts. are already examining in consultation with the Ministries of Finance and Law whether in this case the circumstances fully justified the withdrawal of the advance from the Contingency Fund of India, the Committee would like to be appraised of the result.

			The Committee regret to find that the expectation of the Deptt. to meet the expenses out of an expected saving of Rs. 1 crore did not finally materialise. This only shows that the expectation was not based on proper and correct assessment.
7	2.14	P & T Board Industry & Supply	The Committee further find that there is no proper co-ordination between the authorities (ISM, Washington) arranging supplies at Washington and those receiving them in India. In this connection the Committee would like to invite the attention of the Deptt. to the following recommendation of the PAC contained in para 5 of the 15th Report (Second Lok Sabha):— "They feel that if the purchasing organisations abroad furnished such reports (regarding Stores and shipment) to the indenting Ministries every fortnight from the end of January and weekly reports in the month of March, it would keep the indenting Ministries informed of the latest supply position and enable them to estimate their financial commitments more precisely." The Committee feel that if the above recommendation of the Committee is properly implemented, the situation like the one that arose in the present case can be avoided.
8	3·4	P & T Board	The Committee regret to find that a very heavy sum of Rs. 4·52 crores of telephone revenue as on 1st July, 1964 has fallen into arrears. What is more regrettable in this case as that during the

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			last four years the percentage of uncollected arrears to the amount collected has increased steadily from 8·5 in 1960-61 to 12·2 in 1963-64.
9	3·6	P & T Board / All Ministries	It is regrettable that huge arrears of Rs. 2·57 crores have been allowed to pile up with Government Departments over years. From a note furnished at their instance, the Committee find that a sum of Rs. 1,417·52 has been lying unrecovered from Government Departments since 1946-47 while the total arrears more than six months old as on 1st June, 1965 come to Rs. 3,94,18,000. The Committee find this position very unsatisfactory and desire that all out efforts should be made for speedy liquidation of the arrears. Amounts which are considered unrecoverable should be written off.
10	3·7	Do.	The Committee fail to understand why the arrears from Govt. Deptts. amounting to Rs. 2·57 crores are not cleared. They desire that action should be taken immediately to reduce all these arrears and if necessary the procedure may be revised to expedite the payment of Govt. Bills.
11	3·9	P & T Board	The Committee are constrained to note that it had taken the Department quite a long time to take a final decision in regard to the question of the decentralisation of Accounts Offices. They are not at

			all happy to note that the Accounts Office of such a far off place as Baroda continues to function in Delhi. They are not convinced with the argument of the Deptt. that location of the office does not lead to the accumulation of arrears.
12	3.10	P & T Board	In the course of evidence, the Committee were informed that even when payments of telephone bills were made, sometimes, it took a long time before they were brought into account as payments could be made in any post office and it took a long time before the accounts were received and adjusted. In this connection the Committee would suggest that the work of decentralisation should be carried out as early as possible because they find that it takes a long time for the Deptt. to get intimation regarding the payments of telephone bills and then to make final entries in the account books. Under these circumstances it was but natural that the list of unpaid bills would present a somewhat distorted picture.
13	3.12	Do.	It is very unfortunate that Delhi, where the supervision of the Deptt. is supposed to be constant and efficient accounted for fifty per cent of unpaid bills. The Committee are, however, glad to note that steps have been taken to reorganise the Delhi office and they trust that the current bills will not be allowed to fall into arrears while strenuous efforts would be made to liquidate the back log. They further hope that care would be taken to ensure that no part of the arrears become unrecoverable due to procedure of delays.

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14	3.16	P & T Board	From the two statements the Committee find that out of the 43 cases, full adjustment of outstanding was made in respect of the 14 cases only while action was being taken to recover the arrears from 29 defaulters. There were 27 cases where telephone connections were not disconnected for a very long time even though the subscribers were in arrears. There were three instances (Trade Agent J. & K. Govt., Janpath Hotel and Asoka Hotel) where arrears were not settled promptly even though the subscribers were Govt./semi-Govt. agencies. The Committee desire that the Deptt. should take adequate steps to ensure that all these cases are not allowed to linger on any longer and are settled forthwith.
15	3.18	Do.	The Committee cannot appreciate the failure of the Deptt. to recover such huge amount of arrears and at the same time their reluctance to discontinue the telephone facilities to the defaulters In the absence of any reason advanced by the Deptt. in these cases, as to why the telephones were not disconnected even though the subscribers were heavily in arrears they are inclined to infer that some deliberate relaxations have been given to these subscribers which were contrary to all rules. The Committee would like the Deptt. to investigate all these cases and fix responsibility on officials who failed to enforce the rules properly.
16	3.22	Do.	The Committee feel that if the Department were little more vigilant this loss of revenue could have been avoided.

17	3.23	Do.	From the evidence the Committee find that the procedure of preferring bills and maintenance of records, is beset with multiple drawbacks, *viz.*, there are considerable delays in submitting the bills, some times the bills are not received by the addressees, issue of reminders is irregular and it takes a long time to effect final entries into account books. They were however informed during evidence that because of mechanisation and the method of making payments in cash, the delay in issuing of bills and also the procedural delays have been cut down considerably. The Committee hope that these steps would result in reducing the arrears of telephone dues. They would like to watch the results through future Audit Reports.
18	3.24	Do.	They further find that over a period of three years (1962—65) a sum of Rs. 4,93,000 had to be written off because the subscribers were either dead or not traceable. They are further astonished to learn that legal provisions for the recovery of arrears are not very satisfactory as a result of which unscrupulous defaulters can well escape payment. The Committee feel that the Department should re-examine the whole question from a legal angle and initiate necessary action to make suitable provision so that defaulters are not able to avoid payment.
19	3.25	Do.	As regards effecting disconnections the Committee are unhappy to note that no uniform procedure is being followed at present. Not only is there a distinction between Government users and the private users but also even among the private users the treatment

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			varies from individual to individual. The Committee suggest that uniform criteria should be laid down, indicating the circumstances under which the telephone connections would be disconnected for failure to pay the telephone dues and these should be rigidly observed.
20	3.26	P & T Board	The Committee however, would like to point out that disconnection of telephones for failure on the part of subscribers to pay the charges in time would be justified if and only if the Department can ensure that the bills prepared are correct the amount has been properly charged and there has been no delay in presenting the bills to the appropriate person or authority. The Department should therefore, set its own house in order before resorting to the drastic step of disconnecting the telephones of subscribers.
21	3.30	Do.	From the evidence tendered, the Committee find that delay in the submission of completion reports have been mainly responsible for the delay in finalising the guarantee amounts with the result that out of 36 telegraph sections of post offices (mentioned in the Audit Report) completion reports could not be finalised in respect of 10 cases even though they pertained to the period 1951—61 and out of 104 cases pertaining to the Gujarat and Central Circles the actual expenditure incurred for providing the facilities could be settled in 16 cases only even though the provisional guarantee amounts were fixed during 1947—63.

22	3·31	Do.	They further note with regret that the Department had taken nearly five years to take a final decision on certain proposals emanating from the Heads of Circles conference for the expeditious finalisations of completion reports. The Committee cannot but deprecate such inordinate delays.
23	3·32	Do.	The Committee are inclined to feel that the pace of the work of finalisation of the amounts can be accelerated if instead of following the present cumbrous procedure, the Department are able to fix some *ad hoc* figure worked out on the basis of past experience and the estimated cost, and make it applicable on an experimental basis instead of charging privisional amount of guarantee. After the system has worked favourably for some time, it may be possible for the Department to devise a formula which would be fair and equitable and which could be renewed after every two or four years.
24	3·36	Do.	The Committee are amazed that the Department should have taken 10 years to finalise the rental in the Calcutta-Kumardhubi case. The Committee desire that the Department should scrutinise the different stages through which this case had passed to findout to what extent the delay was caused because of defective office procedure, and due to the neglience of the officials. The Deptt. should also take immediate steps to plug the procedural loopholes, if any, which had caused this delay and initiate suitable disciplinary action against the delinquent officials.
25	3·39	Do.	The Committee find that because of the loss of records the Department had to resort to an *ad hoc* method of calculating the bills of

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			the Public Call Offices on the basis of their average earnings. The Committee feel that this method would not give correct results, as the period for which the records were missing was ten years and it would be unrealistic to relate the figures of the first year with those of the tenth year. Even with this method, the Committee find that all the pending cases have not been cleared up. The Committee would, therefore, urge that the remaining cases should be processed quickly and every effort should be made to ensure that no such stalemate resulting from the loss of important official documents recurs.
26	3·40	P & T Board	The Committee fail to understand why collections were not made from year to year but they were allowed to remain unrealised for nearly ten years and in the mean time the arrears continued to accumulate. The Committee would like to know the reasons for this lacuna. If, as stated in evidence, it was a lapse on the part of the circle offices, they would like to know what effective control the directorate exercised over the circles and why in this case the control was slackened.
27	3·44	Do.	The Committee regret to note the light-hearted manner in which the question of recovery of water charges was dealt with by the department in this case. In spite of the fact that the lapses were brought to light by Audit in 1956-57, the circle office took two years

			to take up the matter with the Audit. Even then the matter was not pursued vigorously and between 1960 and 1964 it was allowed to stagnate in the circle office. The Committee hope that suitable instructions will be issued to ensure that prompt and adequate action is taken on the Audit objections. The Committee further find that tenants of the quarters are being charged on the basis of average of the water consumed only because there happens to be only one water meter for 32 taps—20 for residential quarters and 12 for office buildings. The Committee feel that the Department should take up the question of providing separate water meters to the tenants with the local authorities immediately, not only at Allahabad but in respect of all other places where similar situation might still exist.
28	4.4	Do.	The Committee note that the change of decision *viz.*, doing the work departmentally, had contributed to the delay in this case to some extent. The Committee are unhappy that the CPWD took two years to communicate about the non-availability of a private contractor which only shows negligence. They are, however, glad to be told that there was now improvement in the situation owing to the work being done by the Engineers of the Department and hope that such cases would not recur in future.
29	4.6	Do.	In this connection the Committee would like to stress that the question of providing ancillary services like water, electricity, sewerage etc. should invariably be taken up along with the construction of the quarters so that there may not be any time lag between the

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			completion of the quarters and in providing these facilities as a result of which the quarters may remain vacant and Government put to financial loss. The Committee would like to be informed of the dates when 952 type II(a) quarters at Ramakrishnapuram and 144 type II quarters at Poona are allotted, the period for which they remained vacant and the loss suffered as a result thereof.
30	4.13	P. & T. Board	The Committee find from the note that whereas the annual revenue earned prior to commencement of the co-axial cables were Rs. 84·64 lakhs, the revenue had gone upto Rs. 377·23 lakhs in 1965 after the co-axial cables came into operation.
31	4.14	Do.	The Committee also observe that the Cable Project was expected to be completed by 1963 but it was stated in evidence that the execution of the entire project would now be completed by March or April, 1966 only. Had the entire project been completed by the target time *viz.*, 1963, the P. & T. Department would have started earning a gross of Rs. 6.74 crores per annum against the anticipated gross revenue of Rs. 3·77 crores during 1965. The Committee trust atleast now the project will be completed by March-April, 1966, the revised target.
32	4.17	Do.	The Committee would in this connection like to refer to paras 7, 8 and 9 of the 31st Report of P.A.C., (1960-61) according to which the project was to be completed by 1963, whereas according to the

			note furnished, the revised date for the completion of the whole work is December, 1966 (Jaipur-Ahmedabad-Bombay route is expected to be completed by April, 1966 and the spur route Jodhpur-Beawar by December, 1966). The Committee feel that as a result of this delay, there has been loss of revenue and some increase in the cost of the project.
33	4·24	P. & T. Board Industry & Supply	The Committee are unable to appreciate the differences that exist, in the methods of dealings with I.T.I. and H.C.L., despite the fact that major percentage of their products are purchased by the P. & T. Department. They note, however, that this matter was being discussed with the Department of Industry and certain proposals were being formulated. The Committee hope that a decision in the matter will be taken early so that a better and more efficient procedure of dealings could be devised. The Committee also suggest that question of the P. & T. Department placing their orders directly on the H.C.L. Ltd., instead of through the D.G.S. & D. as is the case with the I.T.I. may be examined from the point of view of reducing unnecessary time and efforts.
34	4·32	P. & T. Board Defence Industry & Supply	The Committee note with regret that the efforts made to obtain copper at producers' prices had not met with success. Since there was a world shortage of copper and India needed copper not only for meeting the requirements of P. & T. Department but also for D.G.O.F. and other purpose which could not be met from indigenous sources, the Committee would like Government to give this problem their serious consideration so that some satisfactory arrangements could be made for obtaining regularly copper at producers price from

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			abroad. Simultaneously efforts should be made through technical organisations to find out how the use of copper could be reduced in the manufacture of items required by the P. & T. Department and the Director General of Ordnance Factories.
35	4.36	P. & T. Board Finance Industry & Supply	The Committee are surprised to find that neither DGS&D nor P. & T. Department could make available the information regarding the total amount spent by Government for the purchase of cables or other materials from the Standard Telephone & Cables Ltd., under the agreement which is still operative: the Committee would like to be assured that complete papers, documents and files relating to the agreements with this firm are actually available with the Departments. They would like to be furnished with full information. In this connection the Committee would also like the Ministry of Finance to issue suitable instructions to all Ministries etc. that files, papers, and documents relating to current agreements and contracts should be carefully preserved until such time as all matters pertaining thereto are finally settled. The Committee further suggest that in such cases a constant watch should be kept on the prices paid under the contracts *vis-a-vis;* the world prices prevalent from time to time.
36	4.44	P. & T. Board	The Committee are surprised to note that no efforts were made to check up through other sources as to what were the actual BPO

			prices and whether the prices actually certified were the BPO prices. The need for ascertaining the correct BPO price assumes importance if it is borne in mind that when the tenders were invited in 1959 while the agreement price was Rs. 110·83 lakhs the competitive tender rate was Rs. 102·67 lakhs only.
37	4·45	P & T Board Industry & Supply	In the course of evidence the Committee enquired why while paying the STC did DGS&D assume that their metal prices were the LME prices. The witness stated that prices were quoted on LME prices for comparison. They said that these were the prices which they would have quoted on those LME prices to BPO. That was the certification that DGS&D wanted through DGISM. The Committee are unable to understand why the DGS&D did not follow the normal procedure and ask the STC to produce a clear certificate from the B.P.O.
38	4·46	P & T Board	In the opinion of the Committee, these lapses could have been avoided if proper thought was given to the agreement and all its pros and cons examined properly beforehand.
39	4·51	P & T Board Industry & Supply	The Committee are not able to understand how the original agreement could be signed without knowing the requirements of the country thus committing the country for 20 years. There must be some rationale behind such an agreement. 25% of the country's requirements were tied down to this firm for the coming 20 years from 1949 and this placed the Government in a disadvantageous position, particularly by underestimating the projected needs of the country. It passes their comprehension how anybody could

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			have imagined in 1949 in the P. & T. Department that the country's requirements for the cables and the production would remain the same for 20 years.
			The Committee doubt if there would be any other case where Government have agreed to pay a royalty for 20 years at the rate fixed on the production which was rather small at that time, without taking into consideration that production would be increasing manifold in the course of 20 years and thus giving the collaborators an unintended receipt which is not justifiable.
40	4·53	P & T Board	The Committee need hardly point out that because of this agreement the Company are deriving very large amounts by way of unintended bounty and to that extent the Public exchequer is suffering financial loss which was by no means unavoidable.
41	4·55	P & T Board Law	The Committee are surprised to learn, that even though the agreement was to remain in operation for a levy period of 20 years, no review clause had been incorporated therein. The Committee would also like the P. & T. Department to make a reference to the Ministry of Law to ascertain whether the Agreement precluded the Government from setting up another cable factory without attracting payment of royalty.

42	4.58	P & T Board	The Committee feel unhappy to note that orders for 25% of the requirements of the Government have to be placed with the Company for 20 years irrespective of the prices that may be charged by the Company, which is often much higher than the competitive rates.
43	4.62	P & T Board Law	The Committee desire that the advice of the Law Ministry should be taken regarding the interpretation on the meaning of sub-clause (2) of clause 8 of the agreement immediately so that the correct position may be known. It appears to the Committee that Government should buy 25 per cent. of only such products from STC, which are not produced in their factory.
44	4.63	P & T Board	The Only redeeming feature of the case is that the Government have though somewhat belatedly; decided to enter into a supplementary agreement to modify at least partially, some of the clauses of the original agreement. The Committee would like to be furnished with a copy of this supplementary agreement, when finalised.
45	4.71	P & T Board Works & Housing	The Committee are unable to appreciate the arguments advanced for allotting work of construction of groups of 312 and 348 quarters to class I contractors only even though, earlier, no class I contractor had quoted for 96 quarters of group C and competition amongst class I contractors in Delhi was very small. Since the officers of CPWD themselves have to supervise the work of the contractors in addition to the supervision by the staff of contractors, the plea of better supervision of work in the case of class I contractors would not

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			have much force. The Committee would, therefore, suggest that in suitable and appropriate cases as visualised in the departmental rules class II contractors should also be given opportunity to tender for building works, especially when the response from class I contractors is poor.
46	4.72	P. & T. Board Works and Housing	The Committee would also like the Government to review whether the limit of Rs. 5 lakhs fixed for awarding the work to Class I contractors needs upward revision due to large scale "increase in costs" in recent years.
47	4.78	P & T Board	From the information given in evidence, the Committee find that even though sanctions for the construction of the new building were accorded in 1958, it could be completed only in 1961 because there had been delays in acquiring land and there had been a further delay in installing electric connections because of the poor response from the tenderers. The Committee would suggest that in order to ensure that a building after it is constructed does not remain vacant, issue of tenders for other allied installations should synchronise with the construction of the building. The Committee feel that with a better coordination between the Ministries of Communications and Transport the whole matter could have been better planned and much of the present difficulty could have been avoided. They trust that the alternative site will soon be acquired and the work of installing the aerial undertaken, without delay.

48	4.82	Do.	The Committee are constrained to note that it had taken nearly seven years to carry out a departmental order. Even though the carrier system was declared unnecessary in November, 1953, instructions for disposal of dismantled equipment were solicited in December, 1955 (*i.e.* after two years) and the Directorate had taken more than 4 years to take a decision which was conveyed in April, 1960. Estimates for dismantling equipment were approved in October, 1960 and the dismantling was effected in December, 1961 *i.e.*, after nearly seven years from the date of the issuance of the first order. It is all the more regrettable that even though the Directorate itself was a party to this collosal delay, they were not able to find out the causes for it. The Deptt.'s plea that it was not possible to locate the delay because 'it was a very trivial case as the sale proceeds showed that it fetched Rs. 50 only' is not acceptable to the Committee, as it is possible that Rs. 50 only was realised because of the delay and deterioration.
49	4.83	Do.	It is undesirable for a Govt. Deptt. first to show negligence in carrying out an order and then trying to justify the delay on the ground of triviality of the matter. The Committee hope that such inexplicable delays in the implementation of orders would be avoided in future.
50	4.88	Do.	In this case too, the Committee note with regret that the Department had taken nearly 9 years from the date when the three channel carrier equipment was declared surplus (1956) and the time when it was finally disposed of (1965). It has been stated in evidence that

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			the delay was because of the prescribed procedure which had to be followed. Since the Deptt. have already issued instructions to examine the matter with a view to fixing responsibility in this case, the Committee would like to stress that human failure alone cannot be the sole contributing factor for this inordinate delay and as such the Department should also examine the existing procedure critically so as to ensure that delays do not occur in future because of faulty procedure. The Committee are further of the opinion that the present procedure of evaluating obsolete material is defective as it gives an exaggerated picture of the cost of the machinery compared to the actual value which it fetches on sale. Further with the increasing use of more sophisticated machinery it is desirable that the formula for determining the sale value of obsolete material should also be adjusted suitably.
51	5.8	P & T Board All Ministries, Industry, Supply	The Committee would like to stress in this connection that in order to avoid delay in the case of indents placed on D.G.S.&D., the indenting Ministry/Department should on their part always complete all the preliminaries and details (*e.g.* sanction, specification, foreign exchange clearance etc.) before placing the indents so that the D.G.S.&D. are not required to enter into correspondence for clarifications, etc. later on, which contributes partly to the delay.

52	5.10	P & T Board	The Committee note that there was considerable delay in the modernisation of Calcutta Workshops. They hope that this work would now be taken up expeditiously.
53	5.13	Do.	From the note (Appendix X) furnished by the P.&T. Department the Committee are glad to find that it will be possible to manufacture small castings at cheaper rates in the workshops and it has been decided to partially mechanise the Foundry which was expected to bring down the cost of manufacture. The Committee are also glad to be informed that production of as many as 45 items the cost of manufacture of which was higher has been completely or partially stopped during 1964-65.
54	5.14	Do.	The Committee hope that the P.&T. Department would keep a constant watch on the production in these workshops with a view to ensuring that their capacity is utilised for the production of those items where they can produce more efficiently and economically.
55	5.16	Do.	The Committee would like to watch the progress of the Incentive Scheme through future Audit Reports.
56	5.21	Do.	The Committee would like to watch the position in this respect through future Audit Reports.
57	5.27	Do.	The Committee hope that now that the P.&T. Department are alive to the delay that has already occurred in this case and have realised its implications, they would make every effort to see that the project is finalised and the machines commissioned as early as possible.

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58	6.7	P & T Board	The Committee view with concern the slow progress in survey and sanctioning the disposal of surplus stores and their actual disposal. It is surprising that stores worth Rs. 4·69 lakhs, which had been lying unused stock for 7 to 22 years, were declared surplus in 1961 and were actually disposed off for Rs. 18,200 only in March, 1965. If these stores were disposed off earlier not only a better price could have been obtained but also loss to Government due to attendant risk of their deterioration besides expenditure on their care and custody and interest on capital unnecessarily locked up, could have been avoided.
59	6.8	Do.	The Committee fail to understand why there was so much delay in the final disposal of the stores, if the Surplus Stores Committee checks up the list of such stores every year. The Committee therefore desire that the matter of disposal of unserviceable stores should receive more serious attention of the Deptt. so as to avoid unnecessary delays that are even now taking place.
60	6.15	Do.	The Committee note with concern that inspite of the various steps taken by P.&T. Department a total quantity of 2,83,000 Kgms. of copper wire valued at Rs. 15·66 lakhs was lost due to theft during 1964-65. The Committee hope that greater efforts would be made by P.&T. Department with the help of the State Governments and police authorities to bring to book the guilty in this regard.

61	7.12	Do.	In the opinion of the Committee the selection of this particular denomination of the stamp which could be used only for postage to particular European countries limited its use and thereby defeat the purpose of issuing a commemorative stamp, to a great extent. Moreover, when it was known that the stamp could be used only in restricted cases and not in wider circles, the printing of the stamp in such a large number was not justified.
62	7.13	Do.	The Committee would like to emphasize that while printing commemorative stamps it is essential to ensure that it has the widest possible publicity both within India and abroad and for that purpose the denomination should be in popular rates currently in use. The number of such stamps to be printed should also be fixed after a careful appraisal of the requirements of the general public and the philatelists.
63	7.14	Do.	The Committee suggest therefore that suitable instructions should be issued by P&T Deptt. to ensure that the commemorative stamps are not printed excessively in large number and in such denominations as cannot be used over a reasonable period of time.
64	7.21	Do.	The Committee note that in both these cases the machines were found later on to be not as simple to operate as was given out with the result that trained personnel were required to operate them. They suggest that in these circumstances the P&T Department would do well in future to ascertain well in advance about the working of the machines they proposed to purchase and then plan properly in

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			advance about the staff and other matters connected with the working of the machine so that there is no delay in putting them into operation after they are purchased.
65	7.26	P. & T. Board	In the course of evidence, the Committee were informed that there was still a very large number of savings bank fraud cases (144) and fraud cases in respect of insured articles (143) during 1963-64. About these cases the Board had taken up a more detailed study which had not been undertaken in the past. The Committee would like to be informed of the further steps contemplated to be taken in this regard and the improvements made in this matter.
66	7.29	Do.	The Committee hope that with the appointment of certain *ad hoc* Committees for the circles where there was a large number of pending audit objections, it will be possible to settle all the remaining cases at an early date and accumulation of such objections also would be avoided.
67	7.32	Do.	The Committee regard this position as unsatisfactory and hope that the units which have been formed would take suitable steps to clear the old cases as early as possible.
68	7.39	Do.	The Committee find from the note that as a result of the inter-departmental meeting held on 11-1-1963 decisions were taken which

			amounted to an undertaking by the Ministry of Defence to bear the entire burden of the P.L.I. fund in respect of extra risks (both peace-time and war-risks) on the lives of Defence Services personnel. The Controller of Insurance, therefore, recommended in his valuation Report for the triennium 1960—63 that there would be no need to maintain the account of Defence Wing separately. So the Civil and Military Wings were amalgamated with effect from 1-4-1964. It has also been decided that from 1-4-1965 extra premium need not be paid in each individual case. The Committee hope that by the introduction of the new system there would be simplification of procedure all round, resulting in some economies.
69	7.51	Do.	It is, therefore, clear that the examination of the point raised by the P.A.C. had not yet been finally completed and therefore the reply given by the P. & T. Board that the Committee's recommendation had been carefully considered and as a result of the careful consideration it had not been able to accept it, was not quite correct.
70	7.52	P. & T. Board Min. of Finance	The Committee regret to note the manner in which the recommendation of P.A.C. contained in Para 60 of their 30th Report (Third Lok Sabha) had been dealt with. The Committee expect that their recommendations shall be given the full and proper consideration at the highest level, before Government indicate their inability to accept them. In case delay is anticipated in taking the final decision in the matter, an interim reply stating the reasons for delay should be furnished to the Committee. They desire that the Ministry of Finance should issue suitable instructions in the matter.

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71	7.54	P. & T. Board	The Committee desire that the final action taken on their recommendation referred to above may be communicated to them at an early date.
72	7.69	P. & T. Board Finance	From the note the Committee observe that Ministry of the Finance have not so far agreed to increase the rate of interest on the PLI Fund. The Committee would like the Ministry of Finance to re-examine the question of raising the rate of interest on PLI Fund at least to the extent of the rate given to the deposits in the Provident Fund. They would also like the question of the rate of interest on the Provident Fund amounts being made applicable to the PLI Fund from year to year to be examined.
73	7.70	Do.	As regards investment of PLI Fund, the Committee observe that there is some confusion about the implication of the recommendation of P.A.C. Even when the PLI Funds are invested, according to the pattern of the LIC, only about 20 per cent of that fund will be permitted to be invested outside, and not the entire fund. 80 per cent of that fund would still remain with Govt. or in Govt. securities. Whatever can be taken out ultimately can be only Rs. 4 crores or Rs. 5 crores i.e. 20 per cent of Rs. 20 crores and therefore the arguments advanced by the representative of the P. & T. Board against this suggestion would lose much of their force. However,

			the Committee feel that the suggestion made in the previous para would meet the requirement just as well.
74	8.2	P. & T. Board	The Committee are glad to note that notes pursuant to "action taken" on all the recommendations of the Committee contained in their 30th Report (Third Lok Sabha) have been furnished by the P. & T. Board.
75	8.4	Do.	The Committee would like to be apprised of the final position in the cases referred to in the Report.
76	8.9	Do.	The Committee are glad to note that certain actions have already been initiated for procurement of steel and zinc, that action was being taken to decide the process of manufacture to be adopted in the proposed new plant and that the project report is under preparation. The Committee would like the P. & T. Board to take expeditious action in the matter and intimate the progress made in the setting up of the new plant. In the meantime the existing plant and the machinery should be fully utilised by introducing multiple shifts working to avoid as far as possible purchase of tubes from private parties at comparatively higher rates.
77	8.14	Do.	The Committe desire that since most of the accounts, especially in rural areas represent the hard-earned income of the people with meagre means, P. & T. Board should conduct the experiment in rural areas and small towns before arriving at any final conclusion. On the basis of experiments made at New Delhi Head Post Office only.

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78	8.15	P. & T. Board	The Committee note that it would not be feasible to send intimation to and to try to trace out as may as 45 lakhs depositers, whose accounts have been dead for several years. But they feel that in rural areas, where the population is not mobile as in the case of big cities, it may be possible to trace out the depositors or their legal successors more easily. The Committee feel that it should be possible to adopt this course, at least in a limited number of cases, where the amount to the credit of the party exceeds Rs. 100.
79	8.16	Do.	They would also like to be informed about the results of the experiments conducted in rural areas.
80	8.19	Do.	The Committee note that after a great deal of delay Departmental action has now been completed and the matter (relating to recovery from the firm) stands referred to the C.B.I. (Central Bureau of Investigation).
81	8.20	Do. Home Affairs	The Committee hope that investigation by the Central Bureau of Investigation would be expedited. The Committee would like to be apprised of the result of the C.B.I. Investigation and further action taken to file a suit for recovering the cost of scrap.

GMGIPND—LS I—2268 (Aii) LS—14-2-66—1180.

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
27.	Bahree Brothers, 188, Lajpatrai Market, Delhi-6.	27	33.	Bookwell, 4, Sant Narankari Colony, Kingsway Camp, Delhi-9.	96
28.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.	66		**MANIPUR**	
29.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi.	68	34.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School annexe, Imphal.	77
30.	People's Publishing House, Rani Jhansi Road, New Delhi.	76		**AGENTS IN FOREIGN COUNTRIES**	
31.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88	35.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, London, W.C. 2.	
32.	Hind Book House, 82, Janpath, New Delhi.	95			

Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Fifth Edition) and printed by the General Manager, Government of India Press, Minto Road, New Delhi.