

TWENTY-FIRST REPORT
PUBLIC ACCOUNTS COMMITTEE
(1985-86)

(EIGHTH LOK SABHA)

**LOSS OF REVENUE DUE TO NON-REVISION OF
RENTALS**

**MINISTRY OF COMMUNICATIONS
(DEPARTMENT OF TELECOMMUNICATIONS)**



*Presented in Lok Sabha on 18 December, 1985
Laid in Rajya Sabha on 18 December, 1985*

**LOK SABHA SECRETARIAT
NEW DELHI**

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PUBLIC ACCOUNTS COMMITTEE

(1985-86)

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1. Shri N. N. Mehra—*Joint Secretary.*
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3. Shri R. C. Anand—*Senior Financial Committee Officer.*

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this 21st Report of the Committee on paragraph 14 of the Report of the Comptroller and Auditor General of India for the year 1982-83, Union Government (Posts and Telegraphs) relating to loss of revenue due to non-revision of rentals.

2. The Report of the Comptroller and Auditor General of India for the year 1982-83, Union Government (Posts and Telegraphs) was laid on the Table of the House on 23 March, 1984.

3. The General Manager, Telephones (GMT), Bombay provided two hotel type (extendable) Private Automatic Branch Exchanges (PABXs) of 120+1000 and 120+900 lines capacity to two five star hotels—Taj Mahal Hotel and Oberoi Sheraton Hotel, Bombay in January, 1972 and June 1973 on rent and guarantee basis initially for a period of 5 years, on a rental of Rs. 1.58 lakhs and Rs. 1.89 lakhs per annum respectively. The Committee were informed that as on 1-6-1984 there were 21 PABXs of more than 600 lines capacity in the country. Of these, 13 were electro-mechanical and hotel type (extendable) with capacity ranging between 700 and 2000 lines. Most of these were ordinary PABXs of stronger type. Whereas Rs. 3.50 lakhs were being charged from PWD, Government of West Bengal for a PABX of 800 lines (expanded to this capacity in February 1966) and Rs. 12.29 lakhs from Army Headquarters, Sena Bhavan, New Delhi for an in dialling PABX of 2000 lines (installed on 17-9-1982), Rs. 1.58 lakhs and Rs. 1.89 lakhs only continued to be charged from Taj Mahal and Oberoi Sheraton Hotels, Bombay, for PABXs of 120+1000 and 120+900 lines capacity respectively from January 1972 and June 1973 upto 31 May, 1984. Even though the rent for these two PABXs in Bombay became due for revision on expiry of rent and guarantee period of 5 years in January 1977 and June 1978 when it was to be charged at standard flat rates, it was not revised. Non-revision of the rental at this stage, was stated to be absence of tariff for rentals for boards of this category. The rents, therefore, continued to be charged on capital cost basis. It was further stated that the Directorate was not aware of the existence of switch boards of capacity of more than 600 lines. During this period, the General Manager, Telephones, Calcutta, had revised the

rentals for users of switch boards exceeding 600 lines capacity and the increased rental was almost double that charged for the two Bombay Hotels—The Taj Mahal and Oberoi Sheraton. To suggest that the Bombay circle was not aware of the rates prescribed in Calcutta is to admit that the Directorate was not functioning efficiently for it must be the business of the Directorate to see that rates in different circles in the country are fixed on more or less uniform basis. It is obvious that a system should have been existing which should keep each circle informed of whatever takes place in the other circles particularly in the matter of rentals. The Committee considers that this is not a case of any *bona fide* error of judgement on the part of concerned officers. It is essential that responsibility for the lapses, and the failure to remedy the lapses, when the occurrence of the lapses have been brought to the notice of the Department must be established and a disciplinary action taken against those found to be responsible. The Committee deplores the fact that the question of fixing the standard rentals for exchanges beyond 1200 lines is even now only under consideration and not finalised.

3. The Committee has desired to be apprised of action taken by the Ministry to ensure that the machinery for coordinated functioning of the various circles and branches of its own directorates is thoroughly overhauled, so that it may never again be necessary to plead that one circle was unaware of action taken in any of the other circles. It is essential to ensure that the rentals for the same category of boards are uniform throughout India.

4. The Public Accounts Committee (1984-85) examined this Paragraph and other subjects relating to P&T Department at their sitting held on 10 July, 1984. The Committee (1985-86) considered and finalised this Report at their sitting held on 6 December, 1985. Minutes of these sittings form Part II of the Report.

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

6. The Committee place on record their appreciation of the assistance tendered to them in the examination of this paragraph by the office of the Comptroller and Auditor General of India.

7. The Committee would also like to express their thanks to the officers of the Ministry of Communications (Department of Tele-

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communications) for the cooperation extended by them in giving information to the Committee.

NEW DELHI;
December 11, 1985.
Agrahayana 20, 1907 (S).

E. AYYAPU REDDY,
Chairman,
Public Accounts Committee.

PART I
REPORT

LOSS OF REVENUE DUE TO NON-REVISION OF RENTALS

Audit Paragraph

1.1 In January 1972 and June 1973 respectively the General Manager, Telephones (GMT), Bombay provided two hotel-type (extendable) Private Automatic Branch Exchanges (PABX) of 120+1000 and 120+900 lines capacity to two five-star hotels at Bombay on rent and guarantee basis. The rent was Rs. 1.58 lakhs and Rs. 1.89 lakhs per annum and the guarantee was to run for 5 years. According to the rules then in force the rent was based on capital cost as this gave a higher figure than the standard tariff rates.

1.2 As the guarantee period for these two PAEXs expired in January, 1977 and June 1978 respectively, the rent rate became due for revision. As per departmental rules, when the initial guarantee period is over, rent is to be recovered at standard flat rates where such standard rates are fixed.

1.3 In September, 1980 the Director General, Posts and Telegraphs (DGPT) revised the tariff rates for various types of PBXs and PABXs including hotel type exchanges up to 600 lines capacity. These orders prescribed fixed rentals for PABX of 600 lines capacity at Rs. 3.35 lakhs per annum but did not prescribe standard rates for PABX of higher capacity. It was noticed in audit (December 1981) that rentals in respect of the above hotel type exchanges with 1000 lines and 900 lines continued to be charged at the old rates of Rs. 1.58 lakhs and Rs. 1.89 lakhs respectively, i.e. at much lower rates than the flat rates for 600 lines PABX. On account of the failure of the Department to fix tariff in the orders of September 1980 for such exchanges having capacity beyond 600 lines the Department was deprived of revenue of Rs. 19.06 lakhs up to June 1983.

1.4 The Department stated in April 1983: "Tariff for PABX of extendable type (ordinary/hotel) upto 600 lines have been fixed on flat rate basis with effect from 1st September 1980. It has been decided that when additional 100 lines and more are added to such boards raising their capacity beyond 600 lines, the rentals may be fixed by adding the rental for 100 lines below 600 lines to the rental of 600 lines. However, this decision will not apply to existing

exchanges of capacity over 600 lines for which charges are being levied on capital cost basis."

1.5 The Director General, Posts and Telegraphs, however, stated (August 1983) that to cover cases of a few existing boards of higher capacity (as these two) the Department was taking suitable action.

[Paragraph 14 of the Report of C&AG of India for the year 1982-83, Union Government (Posts & Telegraphs)]

1.6 Details of PABXs over 600 lines capacity including Taj and Oberoi Hotels, Bombay, showing capacity of the exchange, name of the subscriber, type of Board and rent paid prior to 1-6-1984 furnished by the Ministry of Communications are given below:

S. No.	Capacity of the exchange (lines)	Name of the subscriber	Type of Board	Capital cost (Rs. lakhs)	Rent Paid (Rs. lakhs) (Prior to 1-6-84)
2	3	4	5	6	
<i>Electro-mechanical</i>					
1.	800	P.W.D. Govt. of West Bengal Writers Building, Calcutta.	PABX ordinary	3.50	(Date of installation early fifties)
2.	700	Ministry of Food & Agriculture Government of India.	PABX ordinary	3.57	
3.	800	Escorts Limited, Faridabad.	do.	3.61	
4.	800	Air Headquarters (AF Signal Centre) New Delhi.	do.	3.99	
5.	2000	Army Headquarters, Sena Bhawan, New Delhi.	In-dialling PABX ordinary	12.29	(Date of installation 17-9-82) cc
6.	800	Lok Sabha Seett. New Delhi.	PABX ordinary	2.88	
7.	2000	Vikram Sarabhai Space Centre, Trivandrum.	In-dialling PABX ordinary.	7.44	(Date of installation 1-4-80)
8.	800	Western Command Army, Chandigarh	PABX ordinary (MAX-1 Strowger)	17.63	3.35 (October 1976)
9.	700	UP Govt. Secretariat, Lucknow	do.	3.40	
10.	700	Central Command Army, Lucknow	do.	3.40	
11.	700	Gujarat Govt. Seett. Ahmedabad	do.	3.61	
<i>Electronic</i>					
12.	1202	Asian Hotels Ltd., New Delhi	Electronic PABX (Imported)	10.60	

1	2	3	4	5	6
13.	775	Hotel Corporation of India Ltd., Centaur Hotel, New Delhi.	Electronic PABX (Imported)	7 43	
14.	882	ITC Ltd., Hotel Maurya, New Delhi.	do.	8 17	
15.	822	Indian Hotels Co. Ltd., Taj Palace Hotel, New Delhi	PABX (Imported)	7 70	
16.	822	East India Hotels Ltd., Oberoi Intercontinental, New Delhi.	do.	7 70	
17.	822	International Airports Authority of India Ltd., New Delhi.	do.	7 70	
18.	1202	ITDC, Ashoka Hotel, New Delhi.	do.	10 60	
19.	655	Indian Hotels Ltd., Taj Mahal Hotel, New Delhi.	do.	6 86	
20.	120+1000	Hotel type Taj Mahal Hotel, Bombay.	MAX-II strowger	8 32	1 58 (Installed in January, 1972).
21.	120=900	exten- dable PABX Oberoi Sheraton Hotel, Bombay.	do.	9 96	1 89 (Installed in June 1973).

1.7 In regard to electromechanical and hotel type (extendable) PABXs, the Ministry of Communications have furnished following further information:

"(i) List of cases, where Rent and Guarantee periods have expired and where the standard rentals promulgated from 1-6-1984 are applicable:—

<i>Capacity</i>	<i>Name of Subscriber</i>
1000	Taj Mahal Hotel, Bombay
900	Oberoi Sheraton Hotel, Bombay
800	Western Command Army, Chandigarh.

(ii) List of cases where there is no loss to the Department and where the capacity of existing boards have been increased by expansion and where the Rent and Guarantee period for the expansions are yet to expire:—

600+200	W. B. Government Secretariat, Calcutta. (Rent and Guarantee expired)
600+100	U. P. Government Secretariat, Lucknow.
600+100	Central Command Army, Lucknow.
400+300	Gujarat Government Secretariat, Ahmedabad.
600+100	Ministry of Agriculture, Government of India, Delhi.
600+200	Escorts Ltd., Faridabad.
600+200	Air Headquarters, Delhi.

(iii) List of cases where there is no loss to the Department and where boards have been installed on Rent and Guarantee terms and rentals are charged on capital cost basis.

2000	Army Headquarters, Sena Bhawan, Delhi.
2000	Vikram Sarabhai Space Centre, Kerala.
800	Lok Sabha Secretariat, Delhi."

1.8 The Secretary, Communications informed the Committee during evidence that in the case of following subscribers the expansions were allowed on the dates mentioned against each:

1. West Bengal Secretariat—1968 (Installed in 1950).
2. U. P. Government Secretariat—31-3-1983
3. Central Command Army, Lucknow—31-3-1984
4. Gujarat Government Secretariat—10-10-1982
5. Escorts Ltd., Faridabad—March 1983
6. Air Headquarters, Delhi—March 1984

1.9 The rental charged upto 31-5-1984 for 120+1000 and 120+900 lines capacity PABXs provided to Taj Mahal Hotel, Bombay in January 1972 and Oberoi Sheraton Hotel, Bombay in June 1973 was Rs. 1.58 lakhs and Rs. 1.89 lakhs per annum respectively. However, for the same period rental for boards of 800 lines capacity each provided to the Western Command, Army, Chandigarh, and West Bengal Government Secretariat Calcutta was Rs. 3.35 lakhs and Rs. 3.50 lakhs per annum respectively. Asked to specify the reasons for wide variations in rentals for the two sets of boards in spite of the fact that the boards of the Western Command and West Bengal Government Secretariat are of less capacity than that of Taj Hotel, the Ministry of Communications in a note have stated:

“Taj Mahal Hotel PABX of 1000 lines capacity was installed in January 1972. This was a MAX-II Strowger exchange. The capital cost of this exchange was Rs. 8.32 lakhs. The Oberoi Hotel PABX was also a MAX-II Strowger Hotel Type, installed in June 1973. The capital cost was Rs. 9.96 lakhs. The Army Headquarters Western Command Chandigarh PABX of 800 lines capacity was installed in October 1976. This was a MAX-I Strowger type PABX. The capital cost of this in October 1976 was Rs. 17.63 lakhs.

The PABX of 800 lines working for the West Bengal Government Secretariat was installed sometime earlier than 1955 and the actual date of installation is not known at this distant date. However, in 1955-56 this board was expanded to 800 lines in February 1968. As this is a very old board and since the records are not traceable, no further information is available.

The annual rentals for all these boards were calculated on the respective capital costs. The higher capital cost in the case of Western Command PABX explains the higher rentals as compared to the Taj Mahal Hotel PABX and Oberoi Hotel PABX.”

1.10 Referring to the fact that the Department sanctioned lines beyond 600 in 1968 for the West Bengal Secretariat exchange, the Committee enquired whether the question of fixing rates for the increased capacity was considered at that time. The Communications Secretary stated in evidence:

“The General Manager, Calcutta, sanctioned it on the basis of which he has received and he would have sanctioned within his powers and he would have gone ahead.

At that time, the rule was that everything will be on rent and guarantee basis. Only in 1980, we had decided on standard rental as a large number of cases was coming up."

1.11 The witness further stated that Rs. 3.50 lakhs charged from the West Bengal Government Secretariat included for expansion also. It was on the capital cost basis since 1950. In 1980, the rental was revised and added incrementals over standard for 600 and the rental was Rs. 3.50 lakhs.

The Committee enquired as to what was the basis of calculating rentals for 800 lines between 1968 when the expansion was made and 1980 when decision to charge standard rental was taken. The Secretary, Communications stated in evidence:

"We were charging for PABXs at the rate of Rs. 75/- per terminated equipment. As on 10-8-1971, we were charging at the rate of Rs. 75/- per termination which works out to Rs. 45,000/- per annum.

In 1974, it was revised to Rs. 150 per line. Rs. 90,000/- per annum.

The next revision was made in 1980 when this incremental figure was there. The increase has been gradual."

1.12 As would be seen, between 1968 and 1980 there was some basis of calculation in respect of West Bengal Government with a Board of 600+200 lines from whom Rs. 45000/- per annum were charged upto 1973. As a result of revision made in 1974 from Rs. 75/- per line (termination) to Rs. 150/- per line the rent was increased to Rs. 90,000/- per annum and in the next revision made in 1980, Rs. 3.50 lakhs were charged as stated above. The Committee enquired why the same basis was not applied in the case of Taj Mahal Hotel which held 120+1000 lines from the date of providing this exchange in January 1972 and were charged at the uniform rate of Rs. 1.58 lakhs from 1972 to 31-5-1984. The witness deposed:

"What we do is that we calculate it on the basis of capital cost, the rent and guarantee, terms and compare with the standard rent on the basis of terminations and charge the higher of the two for the period of rent and guarantee usually for five years."

1.13 To a specific question why there was vast difference of rentals--Rs. 1.58 lakh in one case and Rs. 3.50 lakhs in other--although both the subscribers were having the same type of equipment viz. stronger, the witness stated:

"This is because in our orders, we did not include a board which would have been bigger than for 600 lines, at that time. It has been expanded in an incremental manner."

Asked whether he agreed that it was inequitable, the witness stated:

"It was not equitable or correct."

1.14 The Committee pointed out that from whatever has been stated above it could be deduced that the General Manager (Telephones) Calcutta was acting in one way and the General Manager (Telephones) Bombay in another way and so there was no coordination between some functionaries of the P&T Department at different places viz. Bombay, Calcutta, Madras etc. and enquired whether there should have been coordination at the Board level. The witness stated:

"I agree there should be coordination. We are thinking of what we should do about it."

1.15 The Committee wanted to know how the figure of Rs. 3.50 lakhs for West Bengal Government Secretariat was arrived at in 1980. The Communications Secretary stated:

"For 1980 and for one year hence, we had decided what would be the approximate cost."

1.16 On the witness agreeing with the Committee's view that the General Manager, Calcutta had calculated the cost on the basis of replacement cost for the West Bengal Government Secretariat while in the case of Taj and Oberoi Hotels the General Manager, Bombay had taken into consideration historical cost, the Committee enquired whether any guidelines were there from the Board to show what capital cost should be taken into account for revising the rates. The Secretary, Communications stated:

"It depends upon the type of equipment."

The Member (Telecom Operation) added:

"For 600 plus 200, they had been charging as per the guidelines at that time. There were no guidelines for a higher size. It was not expanded."

Explaining the capital cost formula, he further stated:

"We amortise the capital cost in five years in straight line basis. On the basis of interest on capital 7 per cent,

maintenance 8 per cent, depreciation 4 per cent and overheads 1.1 per cent work out to about 20.1 per cent. This is for the Board only."

1.17 According to Audit para as per departmental rules when the initial guarantee period is over, rent is to be recovered at standard flat rates where such standard rates are fixed. Since the higher charge formula over and above the capital cost existed from almost inception of such PABXs, the rentals for Taj Mahal and Oberoi Sheraton Hotels should have been fixed at much higher rate when their rent and guarantee period was over in January 1977 and June 1978 respectively. Asked why the same was not done in these two cases, the Secretary, Communications stated:

"As long as the amount charged was higher than the standard one, we continued to charge the same amount which is 1.58 and 1.89 lakh rupees."

He added:

"During the period after it expired, we did not have a standard rental. That is the objection of the Audit."

1.18 Explaining the method of fixation of standard rentals, the Member (P&T Board), stated in evidence:

"The standard rentals are fixed for sizes of Board and not for any particular board. Between 1976-80 the Department had not fixed standard rental for Boards of this category and the rents were being charged on capital cost basis worked out on the basis of the formula which Secretary just now mentioned. In this case the per line charge which was in existence earlier for other sizes of Boards would have worked out to a lesser figure."

He further stated:

"In 1980 when we fixed the standard rental for Boards up to 600 lines, information was not available to us in the Directorate about the bigger size Boards being in existence."

The Secretary, Communications added:

"The first standards in rentals came, as far back as their records go, in July 1967. The next one was August 1971,

the next one was May 1974, then March 1976, then September 1980 and June 1984."

1.19 In a written reply also, the Ministry of Communications has stated that it was true to say that the Directorate was not aware of the existence of higher capacity boards.

In reply to a question whether there was not any system in the P&T Department to inform the Directorate about various developments in the lower formations, the Communications Secretary stated:

"Actually the Circle should have informed us that there is a Board higher than the standard one and it should have brought it to our notice."

1.20 Asked why action was not taken for this failure on the part of the concerned officers in the field formations. The witness stated:

"Because it was an old case."

In view of propriety involved in the issue under reference and to emphasise that it was a conscious decision and not that the Department was not aware of the existence of higher capacity as stated by the Ministry in above reply, the C&AG gave extracts from two letters—one of these dated 12 April, 1983 from Shri..... of the P&T Directorate, New Delhi to the Director, Financial Accounts Bombay Telephones, during evidence as under:

"Tariffs for PABXs of extendable type (ordinary/hotel) up to 600 lines have been fixed on flat rate basis with effect from 1-9-80. It has been decided that when additional hundred lines and more are added to such boards raising their capacity beyond 600 lines, the rentals may be fixed by adding rental for hundred lines below 600 lines to the rental of 600 lines. However, this decision will not apply to the existing exchanges of capacity over 600 lines for which charges are being levied on capital cost basis. Accordingly, the basis for charging of rentals for 1000 lines and 900 lines PABX leased to the Taj Hotel and Hotel Oberoi on capital cost basis is in accordance with the rules and orders issued by the Department. This board will continue to be charged the rentals arrived at on capital cost basis even after the period of

guarantee. Audit may be given a suitable reply accordingly."

1.21 C&AG read out extracts from another letter dated 28 April, 1983 as follows:

"Now, the Directorate have stated that charging of rentals for 1000 lines and 900 lines PABX leased to the Taj Hotel and Hotel Oberoi on capital cost basis is in accordance with the rules and orders issued by the Department and these boards will continue to be charged the rentals arrived at on capital cost basis even after the period of guarantee."

1.22 Saying that this was the reply from the Bombay Telephones to audit, the C&AG quoted another extract:

"The reasons for not fixing standard rentals for type boards beyond 600 lines capacity as well as....were so few in number that the Department felt that there was no need to....".

"The future demand for extendable type board for more than 600 lines capacity is expected to be electronic type for which separate rents may have to be evolved. There are hardly two or three demands from the public for boards of 600 lines. But these have not been executed. Under the circumstances, fixation of the standard rentals for boards of 600 lines capacity was not deemed necessary."

1.23 The Secretary, Communications stated in this regard:

"I would submit that it may not be quite correct to go in for a standard rental where there are not many cases. As on date, there are only 13 boards with more than the size of 600 lines. We did not standardise for 900 or 1000 lines because there are not many cases. We always charge on the capital cost basis. And we have not lost anything in that."

He, however, added:

"There were only one or two cases. We felt that we had to look into them. The cost of a 1000 lines board was less than a board of a smaller size. We felt that for equity sake, it was necessary to raise the tariff and that is why, the tariff increase took place."

1.24 The Committee enquired as to what was the final position in this regard i.e. whether the Directorate was aware of the existence of higher capacity boards or were they ever informed of this fact by the respective Circles/Districts. The Secretary, Ministry of Communications stated in evidence:

"In September 1980, when we revised the tariff of these boards, i.e. up to 600 lines, we were not aware of the existence of these, but it is quite clear that these boards existed and there was no standard rent for them."

1.25 On being pointed out that the correspondence between the Directorate and the Commercial Officer of the Bombay Telephone/District mentioned above clearly indicated that the Directorate was in the know of the whole position, the witness had the following to state:

"As it stood, what the Directorate said was correct. They say that according to the existing orders, they were right. But later on we felt that there was no equity in it and we went back. There is inequity. 600-line board was charged higher than 11000-line board which we felt was not correct and we realised the mistake."

The witness further stated:

"We fully accept that on the basis of the recommendation of the C&AG only we made the change. Since then we have installed only six electronic PABX Boards—665-line, Taj Palace, New Delhi—Rs. 6.76 lakhs, Centaur Hotel 775-line capacity Rs. 7.43 lakhs and Ashoka Hotel, New Delhi, 1200-line Rs. 10.6 lakhs. Because these have come up and there is no demand for larger ones at all at that time. When we looked back, we fully appreciated the views intimated to us by the C&AG and we took action on that."

In reply to another question on this point, the witness stated:

"There is definite feeling that action should have been taken at that time on the same lines."

1.26 In reply to a question as to how it was that the DGP&T was not even aware of the existence of higher capacity Boards, the Ministry of Communications, have in a note, stated that:

"Matters relating to sanction of project estimates, allotment of equipment and fixation of rentals were dealt with by

different sections. The existence of higher capacity boards was apparently lost sight of".

1.27 Asked what was the procedure for providing PABXs of more than 600 lines capacity and whether the General Managers (Telephones) before providing such Boards to subscribers, were not required to take prior approval of the DGP&T or even inform him after such installation, it has been stated by the Ministry that:

- "(i) The procedure for allotment of PABX boards is that the allotment is done by the Directorate after the project estimate is sanctioned. Projects are sanctioned by the General Managers if they fall within their financial powers. Cases of falling outside the sanctioning powers of the General Managers, are sent to Directorate for approval.
- (ii) When once a project estimate is sanctioned and the allotment is made, no further intimation by the General Managers, is considered necessary."

1.28 The Committee enquired whether the Department felt that there should be a system of automatic revision of rentals on the expiry of the initial guarantee periods and if so, what steps have been taken in this regard. The Ministry have stated in this connection that:

"There is already a system of revision as prescribed in para 242 of P&T Manual, Vol. XIV. The anomaly in the rates has since been set right by prescribing standard rates for Boards of higher capacity."

1.29 The Committee wanted to know why the General Manager Telephones (GMT) Bombay, who provided the two PABXs in question, did not bring to the notice of P&T Directorate the fact that the guarantee periods in respect of these two PABXs had expired in January 1977 and June 1978 and that standard rentals in respect of these PABX need be fixed. The Ministry of Communications, in a note, have stated:

- "(a) In accordance with the provisions of para 242 of P&T Manual Vol. XIV, the rental should be resorted to standard flat rates after the expiry of the guarantee

period where such standard rates have been prescribed. In cases where no such rates have been prescribed, the rental will be recovered at old rates till such time the standard rates are fixed. The rule is reproduced below:

After the initial period of guarantee is over, the rental shall be levied on standard flat rates where such standard rates are fixed. In case where no such flat rates have been prescribed, the following procedure shall be adopted.

- (i) As the Capital Cost duly verified by the Telecom Unit is known by the time application for the renewal of the guarantee is received, the rental shall be based on such verified capital cost irrespective of the fact whether it is more or less than the rental charged during the initial period of guarantee.
- (ii) In cases where no such verified capital cost is known, the final rental shall be worked out on the original estimated capital cost plus 15 per cent thereof. However, the revised over-head percentages as applicable at the time of renewal, shall be adopted in working out the estimated capital cost.

In view of the above provisions contained in the P&T Manual it did not occur to the General Manager Telephone, Bombay to bring it to the notice of the Directorate in respect of these two boards."

1.30 The Committee also enquired what were the instructions of the Director General, Posts and Telegraphs in this regard. The Ministry have stated in a note furnished to the Committee that:

"There are no other instructions of the DGP&T in this regard, as the Departmental rule quoted above is quite explicit."

1.31 The Committee enquired whether the Department considered this to be a serious lapse on their part that while the rentals of PABX of 600 line capacity were fixed at Rs. 3.35 lakhs per annum, PABXs of far higher capacity—120+1000 lines and 120+900 lines—continued to be charged at about half the rates—Rs. 1.58 lakhs and Rs. 1.89 lakhs respectively for years together. The Ministry of Communications have stated:—

"The Department admits the lapse."

1.32 When asked if the General Manager (Telephones) Bombay was responsible for violation of the general rules in this regard, what action was proposed to be taken against him. The Communications Secretary stated:

"We have to take action."

1.33 The Committee wanted to know whether responsibility has been fixed on any of the officials responsible for this lapse, the Communications Secretary stated:

"Actually this is a very peculiar case in the sense that we were charging a particular rent based on the capital cost of the asset which we have given to them. We reached the end of the guarantee period. So if you say it from the norms of charging, charging the same amount would not go well. But we have had fixed the rent higher. In other words it is more or less hypothetical. We have not given it for anything less than the amount which we were charging. We continue to charge the same amount."

1.34 The Committee enquired on whom blame for not keeping the Directorate informed of the existence of the higher capacity boards would then be apportioned. The witness stated.

"I think it is to be shared. After all the Directorate has to be kept in touch with the field. I would say that neither the Directorate is to blame nor the Circle or the General Manager (Telephones) is to blame. It is shared by us. The unfortunate thing is that the Directorate did not know that these larger size boards were in existence. But they were being charged on the capital cost basis. It is the basis on which we give various sizes on rent basis."

1.35 During evidence the Secretary, Communications admitted that it was a lapse that GMT Bombay who was directly responsible for the question had not been invited for the evidence.

1.36 According to Audit para, the DGP&T stated (August 1983) that to cover cases of a few existing boards of higher capacity (as the two at Taj Mahal and Oberoi Sheraton Hotels, Bombay), the Department was taking action. Asked what action was taken in this regard, the Ministry of Communications have stated in a note:

"Standard rentals for higher capacity boards beyond 600 lines have been fixed and promulgated through a gazette notification No. 387(E) dated 22-5-84. It takes effect from 1-6-1984...."

The Department expresses its regret for not prescribing standard rentals in 1980 beyond 600 lines capacity to cover a few existing boards. In order to rectify the situation the department prescribed standard rentals effective from June, 1984, through gazette Notification amending the relevant rule in the Indian Telegraph Rules, 1951. Action has already been taken by the Bombay Telephone Distt. to issue supplementary bills for the difference in rentals for these boards from 1-6-1984. In respect of a few other boards of higher capacity mentioned in our earlier reply, action is also being taken by the respective Telephone Distts. to issue revised bills from 1-6-84 for the difference in rental, wherever necessary. Action is also being taken to cover cases of existing boards beyond 1200 lines as well."

1.37 According to Audit Para, on account of failure of the Department to fix tariff in the orders of September 1980 for exchanges having capacity beyond 600 lines, the Department was deprived of revenue of Rs. 19.06 lakhs upto June 1983. Referring to the earlier information furnished by the Ministry of Communications in respect of three PABXs of higher capacity of Taj Mahal Hotel, Bombay, Oberoi Sheraton Hotel, Bombay and Western Command Army, Chandigarh, rentals for which continued to be charged at old rates even after the expiry of R&G periods upto 31-5-84 when standard rentals were promulgated from 1-6-84 for all such boards, the Committee wanted to know the extent of loss of revenue on account of non-revision of rentals in time in all these cases. The Ministry of Communications have, in a note, stated:

"Technically, there is no loss of revenue in these three cases in as much as the rentals have been charged on the basis of the departmental rules. Therefore, any loss in revenue can at best be, only notional."

1.38 Asked to enumerate steps taken to ensure that such lapses do not recur in future, the Ministry of Communications stated that rentals have been fixed for Boards of higher sizes.

1.39 This entire case is illustrative of the general inefficiency of the functioning of the Ministry of Communications and that is the reason why the Committee considers it necessary to set out in a summary form all the facts once again and place on record the explanations of the Ministry for its failure to do what was needed to be done. In this case, substantial sums of money have been lost to the public exchequer through the failure of the officers to discharge their duties in the manner expected of them. And what is deplorable is that even after the facts came to be known to the Ministry, the corrective action was taken with great reluctance and avoidable delay.

1.40 The General Manager, Telephones (GMT), Bombay provided two hotel type (extendable) Private Automatic Branch Exchanges (PABXs) of 120+1000 and 120+900 lines capacity to two five star hotels—Taj Mahal Hotel and Oberoi Sheraton Hotel, Bombay in January 1972 and June 1973 on rent and guarantee basis initially for a period of 5 years, on a rental of Rs. 1.58 lakhs and Rs. 1.89 lakhs per annum respectively. According to the rules then in force the rent based on capital cost was higher than the standard tariff rates which prescribed rentals for exchanges upto capacity of 600 lines only.

1.41 The Committee were informed that as on 1-6-1984 there were 21 PABXs of more than 600 lines capacity in the country. Of these, 13 were electro-mechanical and hotel type (extendable) with capacity ranging between 700 and 2000 lines. Most of these were ordinary PABXs of stronger type. Whereas Rs. 3.50 lakhs were being charged from PWD, Government of West Bengal for a PABX of 800 lines (expanded to this capacity in February 1966), Rs. 3.35 lakhs from Western Command, Army, Chandigarh for a PABX of 800 lines (installed in October 1976), Rs. 7.44 lakhs from Vikram Sarabhai Space Centre, Kerala for a PABX of 2000 lines (installed on 1.4.1980) and Rs. 12.29 lakhs from Army Headquarters, Sena Bhavan, New Delhi for an installed PABX of 2000 lines (installed on 17.9.1982), Rs. 1.58 lakhs and Rs. 1.89 lakhs only continued to be charged from Taj Mahal and Oberoi Sheraton Hotels, Bombay for PABXs of 120+1000 and 120+900 lines capacity respectively from January 1972 and June 1973 upto 31 May, 1984.

1.42 Even though the rent for these two PABXs in Bombay became due for revision on expiry of rent and guarantee period of 5 years in January 1977 and June 1978 when it was to be charged at standard flat rates, it was not revised. The reasons for not revising the rental at this stage are stated to be non-fixation of standard rentals for boards of this category and the rents, therefore, continued to be charged on capital cost basis. If this reason is valid then it is surprising that in September, 1980 when the Department prescribed

standard rental for extendable type switch boards from 100 lines to 600 lines it chose not to prescribe tariff for switch boards beyond 600 lines capacity and the reason for not doing so is even stranger in that the Directorate was not aware of the existence of switch boards of capacity of more than 600 lines. Quite obviously the Directorate must have such information on its record. To say the least it is a clear case of gross negligence on the part of Directorate as well as the General Manager concerned.

1.43 Another interesting feature of this case is that during this period, the General Manager, Telephones, Calcutta has revised the rentals for users of switch boards exceeding 600 lines capacity and the increased rental was almost double that charged for the two Bombay Hotels—The Taj Mahal and Oberoi Sheraton. To suggest that the Bombay circle was not aware of the rates prescribed in Calcutta is to admit that the Directorate was not functioning efficiently for it must be the business of the Directorate to see that rates in different circles in the country are fixed on more or less uniform basis. It is obvious that a system should have been existing which should keep each circle informed of whatever takes place in the other circles particularly in the matter of rentals. The Committee in coming to this conclusion has taken note of the fact that the Audit had brought out the discrepancy in the rates charged for similar boards in different parts of the country. Even after the Audit had pointed out the discrepancy the Department took more than 2½ years to set right the mistake made by them in January, 1977. The Committee considers that this is not a case of any bona fide error of judgement on the part of concerned officer. It is essential that responsibility for the lapses, and the failure to remedy the lapses, when the occurrence of the lapses have been brought to the notice of the Department must be established and a disciplinary action taken against those found to be responsible. The Committee deplores the fact that the question of fixing the standard rentals for exchanges beyond 1200 lines is even now only under consideration and not finalised.

1.44 The Committee would also like to be apprised of action taken by the Ministry to ensure that the machinery for coordinated functioning of the various circles and branches of its own directorates is thoroughly overhauled, so that it may never again be necessary to plead that one circle was unaware of action taken in any of the other circles. It is essential to ensure that the rentals for the same category of boards are uniform throughout India.

NEW DELHI;
December 11, 1985.
Agrahayana 20, 1907 (S)

E. AYYAPU REDDY,
Chairman,
Public Accounts Committee.

APPENDIX

Statement of Observations/Recommendations

Sl. No.	Para No.	Ministry/Dept. Concerned	Observations/Recommendations
1	2	3	4
1	1.39	Ministry of Communications (Deptt. of Telecommunications)	This entire case is illustrative of the general inefficiency of the functioning of the Ministry of Communications and that is the reason why the Committee considers it necessary to set out in a summary form all the facts once again and place on record the explanations of the Ministry for its failure to do what was needed to be done. In this case, substantial sums of money have been lost to the public exchequer through the failure of the officers to discharge their duties in the manner expected of them. And what is deplorable is that even after the facts came to be known to the Ministry, the corrective action was taken with great reluctance and avoidable delay.
2	1.40	-do-	The General Manager, Telephones (GMT), Bombay provided two hotel type (extendable) Private Automatic Branch Exchanges (PABXs) of 120+1000 and 120+900 lines capacity to two five star hotels—Taj Mahal Hotel and Oberoi Sheraton Hotel, Bombay in January 1972 and June 1973 on rent and guarantee basis initially

for a period of 5 years, on a rental of Rs. 1.58 lakhs and Rs. 1.89 lakhs per annum respectively. According to the rules then in force the rent based on capital cost was higher than the standard tariff rates which prescribed rentals for exchanges up to capacity of 600 lines only.

3 1.41 Ministry of Communications
(Dept. of Telecommunications)

The Committee were informed that as on 1-6-1984 there were 21 PABXs of more than 600 lines capacity in the country. Of these, 13 were electro-mechanical and hotel type (extendable) with capacity ranging between 700 and 2000 lines. Most of these were ordinary PABXs of strowger type. Whereas Rs. 3.50 lakhs were being charged from PWD, Government of West Bengal for a PABX of 800 lines (expanded to this capacity in February 1966), Rs. 3.35 lakhs from Western Command, Army, Chandigarh for a PABX of 800 lines (installed in October 1976), Rs. 7.44 lakhs from Vikram Sarabhai Space Centre, Kerala for a PABX of 2000 lines (installed on 1-4-1980) and Rs. 12.29 lakhs from Army Headquarters, Sena Bhavan, New Delhi for an indialling PABX of 2000 lines (installed on 17-9-1982), Rs. 1.58 lakhs and Rs. 1.89 lakhs only continued to be charged from Taj Mahal and Oberoi Sheraton Hotels, Bombay for PABXs of 120+1000 and 120+900 lines capacity respectively from January 1972 and June 1973 up to 31 May, 1984.

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Another interesting feature of this case is that during this period, the General Manager, Telephones, Calcutta has revised the rentals for users of switch boards exceeding 600 lines capacity and the increased rental was almost double that charged for the two Bombay Hotels—The Taj Mahal and Oberoi Sheraton. To suggest that the Bombay circle was not aware of the rates prescribed in Calcutta is to admit that the Directorate was not functioning efficiently for it must be the business of the Directorate to see that rates in different circles in the country are fixed on more or less

uniform basis. It is obvious that a system should have been existing which should keep each circle informed of whatever takes place in the other circles particularly in the matter of rentals. The Committee in coming to this conclusion has taken note of the fact that the Audit had brought out the discrepancy in the rates charged for similar boards in different parts of the country. Even after the Audit had pointed out the discrepancy the Department took more than 2½ years to set right the mistake made by them in January, 1977. The Committee considers that this is not a case of any bona fide error of judgement on the part of concerned officer. It is essential that responsibility for the lapses, and the failure to remedy the lapses, when the occurrence of the lapses have been brought to the notice of the Department must be established and a disciplinary action taken against those found to be responsible. The Committee deplores the fact that the question of fixing the standard rentals for exchanges beyond 1200 lines is even now only under consideration and not finalised.

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