

FORTY-FOURTH REPORT
PUBLIC ACCOUNTS COMMITTEE
(2002-2003)

(THIRTEENTH LOK SABHA)

PROCUREMENT OF 2 GHz
MICROWAVE SYSTEM

MINISTRY OF COMMUNICATIONS
& INFORMATION TECHNOLOGY
(DEPARTMENT OF TELECOMMUNICATIONS)

[Action Taken on 7th Report of Public Accounts Committee
(13th Lok Sabha)]



Presented to Lok Sabha on 3 March, 2003

Laid in Rajya Sabha on 3 March, 2003

LOK SABHA SECRETARIAT
NEW DELHI

March, 2003/Phalguna, 1924 (Saka)

CONTENTS

PAGE	
(iii)	COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2002-2003).
(v)	INTRODUCTION
.....	CHAPTER I Report
5	CHAPTER II Recommendations/Observations which have been accepted by the Government
13	CHAPTER III Recommendations/Observations which the Committee do not desire to pursue in the light of the replies received from Government
14	CHAPTER IV Recommendations/Observations replies to which have not been accepted by the Committee and which require reiteration
18	CHAPTER V Recommendations/Observations in respect of which Government have furnished interim replies
19	Conclusions and Recommendations
19	APPENDIX
20	PART II
20	Minutes of the sittings of Public Accounts Committee held on 25.02.2003

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2002-2003)

Sardar Buta Singh — *Chairman*

**MEMBERS
*Lok Sabha***

2. Shri Haribhai Chaudhary
3. Shri M.O.H. Farook
4. Dr. Madan Prasad Jaiswal
5. Shri Bhartruhari Mahtab
6. Dr. K. Malaisamy
7. Dr. M.V.V.S. Murthy
8. Shri Rupchand Pal
9. Shri Prakash Paranjpe
10. Shri Ramsagar Rawat
11. Shri N. Janardhana Reddy
- *12. Vacant
13. Shri Kirit Somaiya
14. Shri Chinmayanand Swami
- **15. Shri Brij Bhushan Sharan Singh

Rajya Sabha

16. Shri S. Agniraj
17. Shri Santosh Bagrodia
18. Shri Prasanta Chatterjee
19. Shri K. Rahman Khan
20. Shri Bachani Lekhraj
21. Dr. Alladi P. Rajkumar
22. Prof. Ram Gopal Yadav

SECRETARIAT

- | | |
|------------------------|-----------------------------|
| 2. Shri P.D.T. Achary | <i>Additional Secretary</i> |
| 3. Shri K.V. Rao | <i>Joint Secretary</i> |
| 4. Shri Devender Singh | <i>Deputy Secretary</i> |
| 4. Shri R.C. Kakkar | <i>Under Secretary</i> |

* Shri Chhattarpal Singh ceased to be Member of the Committee consequent upon his appointment as Minister on 29 January, 2003.

** Elected on 7.8.2002 *vice* Dr. Sahib Singh Verma ceased to be Member of the Committee consequent upon his appointment as Minister on 1.7.2002.

INTRODUCTION

I, the Chairman, Public Accounts Committee having been authorised by the Committee to present the Report on their behalf, do present this Forty-fourth Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their 7th Report (13th Lok Sabha) on Procurement of 2 Giga Hertz Microwave System.

2. This Report was considered and adopted by the Public Accounts Committee at their sitting held on 25th February, 2003. Minutes of the sittings form *Part II* of the Report.

3. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in *Appendix* to the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in a matter by the Office of the Comptroller and Auditor General of India.

NEW DELHI;
27 February, 2003

8 Phalgun, 1924 (Saka)

SARDAR BUTA SINGH,
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by the Government on the observations/recommendations of the Public Accounts Committee (2000-2001) contained in their Seventh Report (Thirteenth Lok Sabha) on paragraph 8.1 of the Report of C&AG of India for the year ended 31 March, 1996 (No. 6 of 1997) Union Government (Post and Telecommunications) relating to "Procurement of 2 Giga Hertz Digital Microwave System".

2. The Seventh Report which was presented to Lok Sabha on 25 August, 2000 contained eight recommendations/observations. Action Taken Notes on all these recommendations/observations have been received from the Ministry of Communications (Department of Telecommunications) and categorised as follows:

- (i) Recommendations and observations which have been accepted by Government:

Sl. Nos. 1, 5, 6, 7 and 8

[Paragraph Nos. 28, 32, 33, 34, and 35]

- (ii) Recommendations and observations which the Committee do not desire to pursue in view of the replies received from Government:

—NIL—

- (iii) Recommendations and observations in respect of which replies of Government have not been accepted by the Committee and which require reiteration:

Sl. Nos. 2, 3 & 4 [Paragraph Nos. 29, 30 and 31]

- (iv) Recommendations and observations in respect of which Government have furnished interim replies:

—NIL—

3. On examination of the subject the Committee had found that Department of Telecommunications (DoT) decided in November, 1991 to procure 3500 MW terminals for different telecom Circles for providing STD connectivity to Sub-divisional/taluka headquarters, without conducting any route survey and without preparing any project report prior to introduction of 2 GHz MW system in DoT's network. This faulty decision of the DoT proved later on to be a major delaying factor in the installation of the MW system. The Committee had, therefore, expressed their serious concern over lack of planning by DoT before placing the order for supply of MW system.

4. The Committee had also found other disquieting aspects including failure in planning, procurement and installation of the 2 GHz MW system and failure in execu-

tion of their plan in a professional manner. The Committee, therefore, had *inter alia* desired the Department of Telecommunications to draw proper lessons from this experience and take adequate and effective steps to strengthen the planning machinery of the DoT as well as the institutional mechanisms to obviate the possibility of such aberrations occurring in the future.

5. The observations/recommendations made by the Committee and the Action Taken Notes furnished by the Department of Telecommunications thereon have been reproduced appropriately in the subsequent Chapters of this Report. The Committee will now deal with the action taken by the Government on some of their recommendations.

Unnecessary supply order on inconsistent criterion

[Sl. Nos. 2, 3 & 4, Paragraph 29, 30 & 31]

6. The Committee in their earlier report had expressed their concern over the fact that DoT did not take into account, while placing orders for 1500 terminals on 3 firms, the position of supply against previous orders, status of their utilisation and the capacity of the DoT to utilise them. Further the Committee had also endorsed the observation of Audit that the professed urgency of procuring 1500 terminals did not exist as placing of supply orders on these firms took another 3 months after the MOS(C) ordered the same. The Committee after scrutinising the chronology of events had concluded that DoT's decision to procure 1500 terminals was based neither on demand nor requirement but to show rank favour to HTL *i.e.* one of the 3 firms which requested MOS(C) for supply orders on the plea that it was facing closure in absence of orders. The Committee had further found that the supply orders for 3194 terminals were placed on 13 firms in 1993-94 on validation basis. However, DoT changed its policy and placed supply order for 1500 terminals on 3 typed approved firms in June 1995 who got the type approval only during April-June 1995 although other 10 firms had successfully passed validation by DoT. DoT did not maintain consistency in its stand and changed its policy in September 1995 while supply orders for 306 terminals were placed on 12 firms who had validation and supplied the terminals against original orders. The Committee had, therefore, desired to know the reasons for frequent changes in the criteria for suppliers.

7. In their action taken replies the DoT has informed that the position of supply against various previous orders, status of their utilisation and capacity of field units to utilise them were taken into consideration and additional procurement of 1500 terminals was reviewed by the Hon'ble Minister of State (Communications) and approved. According to DoT the orders were placed for supply of 2 GHz MW systems in 1993-94 and 1995-96 as per the tender conditions and the requirement of the Department. Based on supply position which was reviewed at higher level during May & June, 1995 by the competent authority and approval of MOS(C) the Supply Orders were placed for 1500 terminals. It was decided on the recommendations of Telecom Commission to purchase 1000 terminals of 2 GHz 30 Chl (1+0) & 500 terminals of 120 Chl (1+0) without inviting tender to meet the requirement for the year 1995-96. The approval was given by the then MOS(C). It was also directed by the then MOS(C) that as per norms orders shall be placed on type approved vendors as on date at provisional prices and the final

prices shall be finalised through Price Negotiation Committee. Hence no favourism was showed to HTL. As regards the criteria for placement of orders on suppliers, the DoT has stated that there was no specific criteria for placement of orders on the number of vendors which was mentioned in the tender document being the first tender. However, it is intimated that at present number of vendors on whom orders are to be placed is indicated in all tender document clearly.

8. The Committee note that the Department of Telecom have repeated the facts in the action taken notes what they had submitted earlier to the Committee. The Committee is not satisfied with the replies of the DoT. In view of the haste with which these firms were given type approvals, the Committee do not accept the plea of the Department that 1500 terminals were placed on three firms by the competent authority. The Committee would like the Ministry of Communications and Information Technology to have a comprehensive look at the structure and composition of the Department so as to ensure its independence and the unassailable integrity of the decision-making process on a vital matter like procurements.

Excess payment made to suppliers

[Sl. No. 6, Paragraph No. 33]

9. The Committee were informed that the customs duty on Import contents of MW equipment were reduced from 50 per cent in 1994-95 and 40 to 25 per cent during 1995-96. Accordingly, DoT revised the rates downward in respect of supplies made after the prescribed delivery schedule and issued instructions in April, 1995 and December, 1995 to the telecom circles to regulate the payments to the suppliers accordingly and adjust excess payment. The Committee were shocked to find that five telecom circles namely Bihar, Gujarat, Kerala, Punjab and Tamil Nadu flouted the instructions of DoT in April & December 1995 resulting in excess payment of Rs. 22.23 lakh. The DoT have, however, recovered only Rs. 209.40 lakh. The Committee had expressed their concern over the manner in which DoT's instructions were flouted by these five circles. The Committee had, therefore, desired the DoT to fix individual responsibility in these cases so that its control over such defiant Circles is strengthened and recurrence of such cases could be avoided in future. The Committee further desired the DoT to apprise them of the recovery position of the balance amount.

10. In their Action Taken reply the Ministry of Communications (DoT) have informed that with the recovery of Rs. 16.83 lakh from the suppliers, the entire amount of over payment has since been recovered. The Ministry however, further informed that even before this (Audit observation about non-recovery of excess payment in respect of five Circle) DoT reviewed the case with all the Circles *vide* their letters dated 19.4.95 and 20.12.95 and as a result of that, case of excess payment in respect of one more circle *viz* Karnataka came to light and the entire excess payment has since been recovered from all the circles. As regards the action taken against the individual officials for excess payment made to suppliers, the Department stated that 'since the entire amount of excess payment has been recovered, the competent authority has not considered to take any action against any of the officials in this matter'. It is further stated that the 'over payment was not made intentionally by these officials'. DoT has also issued instructions to all Circles/Maintenance Regions/Telecom Projects Circles for the re-

instructions to all Circles/Maintenance Regions/Telecom Projects Circles for the recovery of excess payment made to firms in July in 1999.

11. The Committee note that some concrete steps have been taken by the Department of Telecommunications for streamlining the procurement mechanism of equipment and their timely utilisation by constant monitoring and also for providing adequate infrastructure at the time of delivery of equipment in pursuance of their recommendations. The Committee also note that though the entire amount of over payment has since been recovered by the defaulter Circles but Department has failed to fix individual responsibility for such over payments on the ground that "the entire amount of excess payment has been recovered". The Committee would like to caution the Department that inability on their part to fix responsibility for flouting Government instructions by the Circles may lead to financial indiscipline and chaos.

CHAPTER II

RECOMMENDATIONS/OBSERVATION THAT HAVE BEEN ACCEPTED BY GOVERNMENT

MINISTRY OF COMMUNICATIONS/DEPARTMENT OF TELECOMMUNICATIONS

Recommendations

The Committee find that DoT decided in November, 1991 to procure 3500 MW terminals for different telecom circles without conducting any route survey and without preparing any project prior to introduction of 2 GHz MW system in DoT's network. For the installation of these equipment other pre-requisites were SACFA clearance for frequency and siting, availability of land and building to house the equipment and tower to mount antenna, availability of equipment and availability of manpower to carry out the installation and commissioning. Though DoT visualised the constraints with regard to large scale introduction of such a system in rural network in the absence of infrastructure at most of the locations, procurement of the equipment was decided without conducting any route survey or preparing any project report. This faulty decision of the DoT proved later on to be a major factor in the delay in the installation of the MW systems and grant of extension of time to suppliers of the equipment without levying liquidated damaged which resulted in loss to the Government Exchequer. The Committee express their serious concern over lack of proper planning by DoT before placing the order for supply of MW system.

[Sl. No. 1, Para 28 of 7th Report of PAC (13th LS)]

Action Taken

The Bharat Sanchar Nigam Ltd. erstwhile DoT has taken a note on the observations of the Committee and had in fact already taken a number of steps so as to ensure that there should be effective and time bound utilization of all equipments procured/being procured. Some of these steps are:

- (i) ensuring availability of the fund by sanctioning the project estimate in advance;
- (ii) ensuring technical feasibility including the SACFA clearance for frequency and siting, if required.
- (iii) ensuring availability of required infrastructure at the time of the delivery of the equipment at the site etc.

In order to ensure time bound utilisation of equipment informations are being collected regularly. These are not mere collection of statistical information as observed by the DG Audit. This office is continuously monitoring utilisation of 2 GHz digital microwave equipment and wherever it is found that the equipment is lying with the circle no further allotment is made to that circle.

Recommendations

The Committee note that equipment worth Rs. 16 crore were yet to be installed as of December 1998 which was indicative of the fact that the pace of commissioning of terminals was tardy for want of preparatory ground work like land acquisition and construction of civil works. The fact that DoT could not utilise all the terminals even two to four years after the placements of orders exposes their effective planning, inept handling, lack of coordination and speaks volumes of their concern and ability to prevent scandalous waste of public funds. The Committee would like to know what guidelines, if any have been laid down to prevent recurrence of such irregularities in future.

[S. No. 5, Para 32 of 7th Report of PAC (13th LS)]

Action Taken

In subsequent procurement details *viz* (i) Route (ii) Frequency pair (iii) Sanction particulars (iv) Consignee and (v) Paying Authority are obtained from the Telecom Circles in advance before placement of purchase Order to avoid recurrence of surplus equipment with the field units for unreasonable long period. Further, monthly monitoring of utilisation of the equipment is done by the TCHO.

As regard pending equipment worth Rs. 16 crores as of December, 1998 it is intimated that these equipments have since been utilised. Further procurement has also been made subsequently for 2374 Tmls. 2 MB 2 GHz digital microwave equipment and 778 Tmls. 8 MB 2GHz digital microwave equipment.

Circle-wise installation particulars as on 31.3.2000 is annexed at Annex (Not appended). It may kindly be seen that there were only 66 Tmls. of 30 Chl. and 160 Tmls. of 120 Chls. available with the circles as on 1.4.1999. The availability of these terminals are mainly due to the supplies made in Feb./March, 1999.

In view of above, the pending equipment worth Rs. crore as of Dec., 1998 may be taken as fully utilised.

Director General Audit has desired to know whether as indicated in our reply that balance 66/160 Tmls. as on 1st April, 1999 were mainly due to supplies made in Feb./March, 2000 or in March, 1999. It is clarified that Feb./March, 2000 may kindly be read as Feb./March, 1999. Typo error is regretted.

It is very difficult to intimate as to when the balance 66/160 Tmls. were ultimately utilised. As the equipment is supplied to circles on the basis of pending POs, it may not be possible for them to indicate whether balance quantity received earlier is utilised before utilising fresh equipment. Sometimes due to urgency equipment is diverted to other place also. From the opening balance and the No. of terminals commissioned as shown in Annexure D, it may kindly be inferred that the quantity of 66 terminals has also been utilised in full and no terminal is lying idle out of the procurement in question.

Recommendations

The Committee find that there were reductions in the customs duty on import contents of MW equipment from 50 per cent in 1994-95 and 40 to 25 per cent during 1995-96. DoT revised the rates downward in respect of supplies made after the prescribed delivery schedule and issued instructions in April, 1995 and December, 1995 to the Telecom Circles to regulate the payment to the suppliers accordingly and adjust excess payment, if any. The Committee are shocked that five Telecom circles namely Bihar, Gujarat, Kerala, Punjab and Tamil Nadu, which were test checked by Audit, flouted the instructions of DoT in April and December, 1995 resulting in excess payment of Rs. 226.23 lakh. Though after having been pointed out by Audit, DoT have recovered Rs. 209-40 lakh, balance amount was yet to be recovered. The Committee view with grave concern the impunity with which DoT's instructions were flouted by the five circles and would, therefore, like the DoT to fix individual responsibility so as to strengthen its control over such defiant circles and toward off pecuniary losses in future. The Committee would also like to be informed of the latest position of the recovery of the balance amount.

[S. No. 6 Para 33 of 7th Report of PAL (13th LS)]

Action Taken

The balance of Rs. 16.83 lakh shown in the above para has also since been recovered from the suppliers and thus, the entire amount of over payments pointed out by Audit stands recovered as on date. (Details as per enclosed Annexure).

Audit pointed out non-recovery of excess payment in respect of 5 circles in Jan. 98. But even before this, we reviewed their case with all the circles *vide* our letters dated 19.4.95 and 20.12.95 and as a result of which, cases of excess payment in respect of one more circle *viz.* Karnataka came to light and the entire excess payment has since been recovered from all the circles. It is, therefore, confirmed that the review has been made in respect of all the circles and there is no excess payment as on date pending any recovery.

Since the entire amount of excess payment stands recovered as of now, the competent authority has not considered any action against any of the officials in this matter.

Director General Audit has desired to know the action taken against the officials at fault at page 18/n.

In this regard it is reiterated that the entire amount of excess payment has since been recovered, the competent authority has not considered to take any action against any of the officials in this matter. Further, the over payment was not found made intentionally by these officials.

Instructions issued to all Circles/Maintenance Regions/Telecom project Circles for the recovery of excess payment made to firms are enclosed at Annex. I.

BHARAT SANCHAR NIGAM LIMITED
(A Government of India Enterprise)
Sanchar Bhavan, 20 Ashoka Road
New Delhi-110001

No. 210-26/AP-05/96-TPL (UHF) Pt.I/KW dt. the 16th Nov., 2000

To

The Asstt. Director General (PF-II)
Department of Telecom,
Room No. 511, Dak Bhavan,
New Delhi. .

Sub: Pending action on assurances given to the PAC or on directions received from PAC.

Ref: O.M. No. 27-10/99-2000/B-II dated 17.1.2000.

Kindly find enclosed herewith final report on the above subject.

(K.K. BHATNAGAR)
ASSISTANT DIRECTOR GENERAL (UHF)
TELE. No. 3032488

Encl: As above.

Copy to:

1. Shri S. Naik, ADG (MT), BSNL, New Delhi.
2. The ADG (CX), BSNL, New Delhi.
3. Shri J.K. Gupta, Director (TAI) with reference to U.O. No. 27-10/99-2000/B.II dated 25.5.2000 and 05.07.2000.

(K.K. BHATNAGAR)

Name of the Section TPL (TX. CELL)
Month ending PO II 2000

Report on Assurances given to PAC or Directions of PAC on which Action is incomplete or pending

C&AG's Report		Subject of the Paragraph	Gist of the Assurance (given to PAC) and/ or Direction (ofPAC)	Present Status
No. & year	Para No.			
No. 6 of 1977	8.1	Procure- ment of 2GHz digital Mic- rowave system.	No Specific Assurance was given during the meeting held on 16.12.98. How- ever, it was mentioned dur- ing the meeting by a PAC Member that excess pay- ment to the tune of Rs. 2.28 crores was made by 5 different circles (Kerala, Gujarat, Punjab, Bihar and Tamil Nadu) as the benefit of custom duty reduction was not realised by the Department. After pointing out the same by the Audit, Rs. 1.32 crores were recovered. The balance amount is yet to be recovered."	The latest status on re- covery of ex- cess paid amount is as per attached Annexure.

ANNEXURE

Sl. No.	Name of Circle	Amount printed out by Audit (In lakhs)	Amount referred by circle (In lakhs)	Amount recovered	Amount pending	DOT's Action
1	2	3	4	5	6	7
	Bihar	12.42	12.42	12.42	—	
2.	Gujarat	36.93*	36.93	36.93	—	
3.	Kerala	32.36*	32.36	32.36		The C GM, J&K Circle has recovered the amount from the pending bills of M/s Nera against P. O. No. MT/PO/ 033 99-2000 dt. 16.6.1999
4.	Punjab	36.05	61.47	61.47	Nil	
	Karnataka	122.28	88.00	88.00	Nil	
6.	Tamil Nadu	108.47	108.47	108.47	Nil	

* Amount amended as per CAG Para 21 of CAG Report No. 6 of 1999.

Govt. of India
Department of Telecommunications
Sanchar Bhavan, 20-Ashoka Road, New Delhi-110 001

No. 40-24/98-MMC/738

Dated 26th July, 1999

To

1. The Chief General Managers,
All Telecom Circles.
2. The Chief General Managers (Mtnce.)
STR Chennai/ETR Calcutta/WTR Mumbai.
3. Chief General Manager (P), WTP, Mumbai.
ETP Calcutta/STP Chennai/NTP, New Delhi.
4. CGM North Eastern Task Force, Guwahati.

of Sub:—Recovery of Excess payment made to firms-case of revision of prices
2 GHz Digital M/W Equipments.

Ref:— (i) This Office letter Nos. 33-610/92-MMC dated 19.4.95 and
letter No. 33-610/92-MMC/Vol. III/568 dt. 20/21.12.95

(ii) This office letter No. 40-24/98-MMC/655 dt. 8.7.99.

With reference to the correspondence mentioned above the following information
may please be sent to this office immediately:—

1. Whether payments for the supplies of 2 GHz Digital M/W equipments effected
against the Purchase Orders mentioned in this office's letter dated 20/21.12.95 have
been made at rates mentioned in the letter dated 20/21.12.95.
2. Whether any excess payments have been made to firms? If so, what action taken
to recover the excess payment? Details of excess payment and recovery thereof may
kindly be intimated to this office within 10 days from the date of issue of this letter.

Sd/-
(S. NAYAK)
Asstt. Director General (MT)

Copy to:- File No. 40-12/98-MMC

Recommendation

The Committee note that as per the agreement the supplier were to be charged liquidated damage at 0.5 per cent of the value of late supply subject to a maximum of 5 per cent. However, the failure of DOT to provide frequency details to the suppliers in time gave them an alibi to seek grant of extension of delivery period by six months without liquidated damages leading to remission of Rs. 13.04 crore. The Committee take a serious note of the fact that the Department again failed miserably in safeguarding its interest for want of proper project planning and foresight.

[Sl.No. 7, Para 34 of 7th Report of PAC (13th LS)]

Action Taken

There was provision in the tender that bidders could supply the equipment within four months subsequent to be allocation of the frequency and also as the Department was trying to introduce totally new systems i.e. Digital microwave systems in the rural network the delay in allocation of frequencies could not be avoided. This is why liquidated damages were not charged.

The case for delay in submission of frequencies has now been taken care of and the frequencies as well as the sanction particulars are being supplied along with the material list which is an integral & essential part of the purchase orders.

Recommendations

In sum, the Committee cannot but express their concern over the DOT's failure in the planning procurement and installation of the 2 GHz M/W systems, undoubtedly, the intention to introduce 2 GHz M/W system in its network in order to give better services to the people was laudable. However, the DOT failed to execute their plans in a professional manner due to lack of proper planning, foresight and management. The Committee hope that DOT will draw proper lessons from this experience and take adequate and effective steps to strengthen the planning machinery of the DOT as well as the institutional mechanisms to obviate the possibility of such aberrations occurring in the future.

[Sl.No. 8, Para 35 of 7th Report of PAC (13th LS)]

Action Taken

Recommendations noted for future guidance. This issues with the approval of Member (Service) DoT.

CHAPTER III

**RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT
DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES RECEIVED FROM
GOVERNMENT**

— NIL —

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation

The Committee further note that when suppliers requested for extension of delivery schedule, the then DDG(TX) while recommending extension of delivery period without liquidated damages upto 30 June, 1995 categorically stated in his note that extension of time would not affect the target in view of sufficient equipment in stock. However, on receipt of the letter from one of the firms HTL, Solan in May 1995 who appealed MOS(C) to place supply order for at least 1000 terminals on the plea that their factory was facing closure in the absence of supply order, the same DDG(TX) reversed his opinion within four months and emphasised the need for further procurement of another 1500 terminals on the ground of urgency. The Committee are perturbed to note that DOT did not take into account while placing orders for 1500 terminals on 3 firms, the position of supply against previous orders, status of their utilisation and the capacity of the DOT to utilise them.

[S.No. 2, Para 29 of 7th Report of PAC (13th LS)]

Action Taken

The supply position was reviewed at higher level during May & June, 1995 by competent authority. It was observed that the procurement of these equipment which were so vital for providing Telecom facilities to rural areas should not have been delayed. It was decided on the recommendations of Telecom Commission to purchase 1000 Tmls. of 2 GHz 30 Chl. (1+0) and 500 Tmls. of 120 Chl. (1+0) without inviting tenders to meet the requirement for the year 1995-96. This proposal was approved by the MOS(C).

It is intimated that the position of supply against various previous orders, status of their utilisation and capacity of field units to utilise them were taken into consideration and additional procurement of 1500 terminals was reviewed by the Hon'ble Minister of State (Communications) and approved.

Recommendation

The Committee observed that against 922 MW systems lying unutilised in stock at the end of June, 1995, DDG(TX) recommended for the procurement of 1500 terminals particularly when the pace of installation was very slow except in April, 1995 when 272 such terminals were stated to have been installed. The decision to place repeat order for supply of 956 terminals on HTL, which could not adhere to the previous delivery schedule in the past, seems to have been guided by extraneous consideration particularly because the pace of installation of the MW system contained to remain slow even in the subsequent months with the result that even more than 35 percent of the equipment available in June, 1995 could not be utilised till the end of 1995-96. In

view of the fact that the MOS(C) ordered placing of supply orders on three firms due to perceived urgency in June, 1995, DOT took another three months to issue supply orders on them. The Committee agree with the Audit observation that the professed urgency of procuring terminals did not exist. The scrutiny of the chronology of events by the Committee establishes beyond any shadow of doubt that DOT's decision to procure 1500 additional terminals was based neither on demand not requirement but to show rank favour to HTL.

[Sl.No. 3, Para 30 of 7th Report of PAC (13th LS)]

Action Taken

The procurement of 1500 terminals of additional digital microwave equipment was done their review of supply positions in May-June, 1995 and observing the fact that the procurement of the equipments were so vital, to avoid any delay in providing telecom facilities in rural areas, it was decided on the recommendations of the Telecom Commission to purchase 1000 terminals of 2 GHz 30 Chl (1+0) & 500 terminals of 120 Chl. (1+0) without inviting tender, to meet the requirement for the year 1995-96. The above proposal was approved by the then MOS(C).

Further it was also directed by the then MOS(C) as per norms, orders shall be placed on type approved vendors as on date, at provisional prices and the firm prices shall be finalised through Price Negotiation Committee. Thus there is no favour given to a particular vendor in procurement of the approved items.

Hon'ble Minister of State (Communications) has also gone through the office note annexed at Annex. E and has recommended purchase of 1500 terminals to meet URGENT requirement for providing reliable connectivity for rural areas. Non-procurement of these additional terminals would have affected target for 1995-96.

Further it has been observed by the DG, Audit that the ATN is vague and not to the point. In this connection it may kindly be noted that purchase of 1500 Tmls. to meet urgent requirement for providing reliable connectivity to rural area was made as per approval of Hon'ble MOS(C). The reason for under utilisation of equipment during 1995-96 has already been explained earlier (copy at Flag 'E') which has no relation with the procurement of these 1500 Tmls.

This has been vetted by D.G. Audit (P&T) *vide* their U.O. No. RRI/2(d) 5288/495 dated 7.2.2002 subject to the following observation:—

"The ATN is vague and not to the point. The Committee in its recommendations proved that the decision of Ministry to procure 1500 terminals were not based on demand as the Department could use only 592 terminals during 1995-96 out of supplies received against PO of 12/93-3/94, not as per requirement."

Recommendation

The Committee find that supply orders for 3194 terminals were placed on 13 firms in 1993-94 on validaiton basis. DOT, however changed its policy and placed supply orders for 1500 terminals only on 3 firms in June, 1995 on type approved firms although all other 10 firms had successfully passed validation by DOT. Interestingly, these three

firms got their type approval during April-June 1995 only. DOT did not maintain consistency in its stand and changed it in September 1995 while supply orders for remaining 306 terminals (3500-3194) were placed on 12 firms who had validation and supplied the terminals against the original orders on the plea that since it was a left out quantity of the tender, criteria of ordering was the same as per earlier orders. The Committee, therefore, come to the inescapable conclusion that the main object of DOT was to favour HTL. The Committee would like to know the reasons for frequent changes in the criteria for suppliers and also like to know the policy being implemented for placement of orders in such cases.

[Sl. No. 4, Para 31 of 7th Report of PAC (13th LS)]

Action Taken

1. This para refers to placement of orders for 1500 Tmils. of 2GHz M/w systems on 3 vendors during 1995-96.
2. In this connection, it is submitted that as per the tender conditions in the bid document no specific criteria had been prescribed for placement of orders on certain number of vendors. It was decided by the competent authority to place orders on the suppliers who obtained validation certificate in case of tender for the procurement of 3500 Tmils. of 2GHz M/w equipment. Accordingly 3194 Tmils. were ordered on 13 suppliers for the year 1994-95. The supply of the equipment was not adequate during the year.

The supply position was reviewed at higher level during May & June, 95 by competent authority. It was observed that the procurement of these equipment which were so vital for providing Telecom facilities to rural areas should not have been delayed. It was decided on the recommendation of Telecom Commission to purchase 1000 Tmils. of 2GHz 30 Chl. (1+0) and 500 Tmils. of 120 Chl. (1+0) without inviting tenders to meet the requirements for the year 1995-96. This proposal was approved by the MOS(C).

Further it was also directed by MOS(C) that as per norms, orders shall be placed on type approved vendors as on date at provisional prices and the same shall be finalised through PNC.

M/s HTL (HFCL), M/s Shyam Telecom and M/s Fujitsu Optel had obtained type approval of the above configuration of equipment by that time. Accordingly orders had been placed on these 3 suppliers. Moreover, it is submitted that M/s HTL (HFCL) had quoted the lowest rates in the tender for 3500 Tmils. and completed supplies of the ordered quantity placed against the tender.

There was no other firm except these three having type approval at that time of placement of order. The orders were placed in the same ratio as done against the earlier tender. The rates offered were as recommended by PMC. The Committee had recommended prices based on the reduced custom duty structure without giving any advantage to the suppliers of the escalation the prices due to inflation during the last 2 years. Incidentally, it may be mentioned here that the prices approved against this purchase were lower than that approved in the earlier tender.

In view of the above, placement orders of M/s HTL does not show favourism to HTL (HFCL).

There was no specific criteria for placement of orders on the number of vendors which was mentioned in the tender documents being the first tender. However, it is intimated that as present number of vendors on whom orders are to be placed is indicated in all tender document clearly.

In conclusion, it is stated that it is correct that order for 3194 Tmils. were placed on 13 firms during 1993-94 after completion of validation. However, the order for additional 1500 Tmils. was placed as per decision of Telecom Commission that type approved vendors only to be considered. In June, 1995 there were only 3 vendors who had obtained type approval. As such order placed on them and other suppliers whose equipment was validated earlier were not considered for placement of order. Guidelines issued by Telecom Commission and further reiterated by Chairman (TC) are annexed at Annex. F.

Further it has been observed by the DG, Audit that while issuing purchase order for 306 Tmils. in Sept. 1995 the decision of Telecom Commission that type approved vendors only to be considered has not been taken into account. In this regard this is to intimate that a decision was taken during June, 1995 to order 306 left out Tmils. out of the first lot of 3500 Tmils. on all those firms who had accepted earlier order. Since it was a left out quantity of the tender, criteria of ordering to be followed was the same as per earlier orders. The letter of intent was issued during July, 1994 at provisional prices subject to ordering prices to be finalised by PNC. The condition of type approval could not be applied in July, 1994 while issuing the letters of intent as these guidelines had been issued by the Department only in December, 1994. The report of the PNC was received in Jan., 1995 but before the same could be approved, there was reduction in custom duty in 1995-96 Budget. Another PNC was constituted on 7.7.1995 whose report was approved on 19.9.1995 and APOs were issued on 29.9.1995.

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

— NIL —

NEW DELHI;
27 February, 2003
08 Phalguna, 1924 (Saka)

SARDAR BUTA SINGH,
Chairman,
Public Accounts Committee.

APPENDIX
CONCLUSIONS AND RECOMMENDATIONS

Sl. No.	Para No.	Ministry Dept. Concerned	Conclusions/Recommendations
1	2	3	4
1.	8	Ministry of Communications and I.T. (Dept. of Telecom.)	<p>The Committee note that the Department of Telecom have repeated the facts in the action taken notes what they had submitted earlier to the Committee. The Committee is not satisfied with the replies of the DOT. In view of the haste with which these firms were given type approvals, the Committee do not accept the plea of the Department that 1500 terminals were placed on three firms by the competent authority. The Committee would like the Ministry of Communications and Information Technology to have a comprehensive look at the structure and composition of the Department so as to ensure its independence and the unassailable integrity of the decision-making process on a vital matter like procurements.</p>
2.	11	-do-	<p>The Committee note that some concrete steps have been taken by the Department of Telecommunications for streamlining the procurement mechanism of equipment and their timely utilisation by constant monitoring and also for providing adequate infrastructure at the time of delivery of equipment in pursuance of their recommendations. The Committee also note that though the entire amount of over payment has since been recovered by the defaulter Circles but Department has failed to fix individuals responsibility for such over payments on the ground that "the entire amount of excess payment has been recovered". The Committee would like to caution the Department that inability on their part to fix responsibility for flouting Government instructions by the Circles may lead to financial indiscipline and chaos.</p>

PART II

MINUTES OF THE TWENTIETH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2002-2003) HELD ON 25TH FEBRUARY, 2003

The Committee sat from 1600 hrs. to 1630 hrs. on 25th February, 2003 in Committee Room "B", Parliament House Annex, New Delhi.

PRESENT

Shri N. Janardhana Reddy — *in the chair*

MEMBERS

Lok Sabha

Shri M.O.H. Farook

3. Dr. M.V.V.S. Murthi
4. Shri Rupchand Pal
5. Shri Kirit Somaiya

Rajya Sabha

6. Shri Santosh Bagrodia
7. Shri Prasanta Chatterjee
8. Shri K. Rahman Khan
9. Shri Bachani Lekhraj

SECRETARIAT

1. Shri P.D.T. Achary — *Additional Secretary*
2. Shri Devender Singh — *Deputy Secretary*
3. Shri R.C. Kakkar — *Under Secretary*
4. Shri B.S. Dahiya — *Under Secretary*

2. In the absence of Chairman, the Committee chose Shri N. Janardhana Reddy to act as Chairman for the sitting under Rule 258(3) of Rules of Procedure of Conduct of Business in the House.

3. The Committee then took up for consideration the following draft reports:

- | | | |
|--|------|------|
| (i) **** | **** | **** |
| (ii) Action Taken on the recommendations contained in 7th Report of PAC (13th Lok Sabha) relating to "Procurement of 2GHz Microwave System." | | |
| (iii) **** | **** | **** |

4. The Secretariat briefed the Committee on the draft Reports. The Committee adopted the Report without any modifications and amendments.

5. The Committee also authorised the Chairman to finalise these draft Reports in the light of verbal and consequential changes, if any, arising out of factual verification by Audit and present the same to the Houses in the current session of Parliament.

The Committee then adjourned.