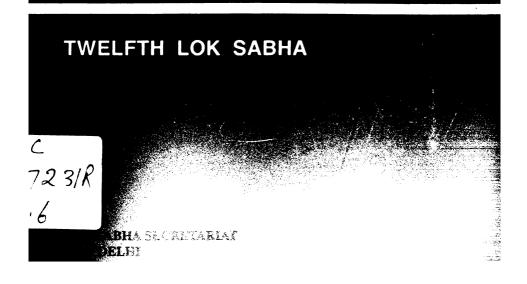
# INFRUCTUOUS EXPENDITURE OF RS. 29 CRORE—COMMUNICATION NETWORK

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### MINISTRY OF EXTERNAL AFFAIRS

PUBLIC ACCOUNTS COMMITTEE 1998-99



### SIXTH REPORT

# PUBLIC ACCOUNTS COMMITTEE (1998-99)

(TWELFTH LOK SABHA)

# INFRUCTUOUS EXPENDITURE OF RS. 29 CRORE —COMMUNICATION NETWORK

### MINISTRY OF EXTERNAL AFFAIRS



Presented to Lok Sabha on: 17-03-1999 Laid in Rajya Sabha on: 17-03-1999

> LOK SABHA SECRETARIAT NEW DELHI

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Corrigenda to the Sixth Report of Public Accounts
Committee (12th Lok Sabha) on Infructuous
expenditure of Rs. 29 crore -Communication Network

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### COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (1998-99)

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- 3. Shri Devender Singh Deputy Secretary
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### INTRODUCTION

- I, the Chairman, Public Accounts Committee having been authorised by the Committee, to present on their behalf, this Sixth Report on Paragraph 4.1 of the Report of the Comptroller and Auditor General of India for the year ended 31 March, 1996, (No. 2 of 1997) Union Government (Civil) relating to "Infructuous expenditure of Rs. 29 crore Communication Network."
- 2. The Report of the C&AG for the year ended 31 March, 1996 (No. 2 of 1997), Union Government (Civil) was laid on the Table of the House on 8 May, 1997.
- 3. The Committee took the evidence of the representatives of the Ministry of External Affairs, Telecommunications Consultants India Ltd. and Videsh Sanchar Nigam Ltd. on the subject at their sitting held on 21 October, 1997. The Committee considered and finalised this Report at their sitting held on 11 March, 1999. Minutes of the sitting form Part-II of the Report.
- 4. 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.
- 5. The Committee would like to express their thanks to the Public Accounts Committee (1997—98) for taking evidence on Paragraph 4.1 and obtaining information thereon.
- 6. The Committee would like to express their thanks to the officers of the Ministry of External Affairs, Telecommunications Consultants India Ltd. and Videsh Sanchar Nigam Ltd. for the cooperation extended by them in furnishing information and tendering evidence before the Committee.
- 7. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

New Delhi; 13 March, 1999 22 Phalguna, 1920 (Saka) MANORANJAN BHAKTA, Chairman, Public Accounts Committee.

#### REPORT

### I. Introductory

The Ministry of External Affairs (MEA) approved a project in August 1988 on an urgent requirement basis at an estimated cost of Rs. 10.50 crore for setting up of a "High Frequency Radio Communication Network (HFRC)" for linking 27 missions located in the countries of strategic importance with New Delhi to facilitate voice and data communication. The Project was to be completed within 15 months. The project consisted of setting up of a control centre along with transmission and receiving centre in New Delhi, a transit station at Accra and communication equipment in 27 missions.

2. This Report is based on Paragraph 4.1 of the Report of C& AG of India for the year ended 31 March 1996 (No. 2 of 1997), Union Government (Civil) relating to Infructuous expenditure of Rs. 29 crore — Communication Network. The Audit Paragraph has been reproduced as Appendix-I. The various aspects arising out of the examination of the Audit Paragraph by the Committee are dealt with in the succeeding sections.

### II. Genesis of the Project

3. The Committee desired to know as to who had initially mooted the proposal for setting up of HFRC and what were the underlying objectives. The Ministry in a post-evidence note stated that the then Minister for External Affairs had given directives for setting up of a modern wireless communication system between MEA and some important Indian missions abroad, in January 1987. He had reportedly mentioned in his note that "many of the foreign missions have the most modern communication systems with their headquarters back home which ensures instantaneous, effective and thorough information channels. However, we continue to be technologically backward in providing modern communication facilities to our missions. It is a matter of regret that we have hardly taken any step to establish and avail of reciprocal facility in our missions abroad."

The proposed objective was stated to be uninterrupted exchange of communications with missions abroad at critical times such as civil war, coup d'etat or natural calamities when the normal public telecommunication systems become ineffective or non-functional or are interrupted due to hostile situation.

### III. Selection of the System

4. The Committee were informed during evidence that the Inter-Departmental Committee comprising representatives from MEA, Videsh Sanchar Nigam Ltd. (VSNL), Cabinet Secretariat and Police Department decided in favour of HFRC. In this connection, the Committee enquired as to how the Ministry arrived at the decision that HFRC was the best suited/best available system for achieving the envisaged objectives. The Ministry in a post-evidence note elaborated:—

"After the Inter-Departmental Committee consisting of representatives from the Wireless Planning & Coordination Wing (Ministry of Communications). Cabinet Secretariat, Videsh Sanchar Nigam Ltd. (Then Overseas Communication Services), Ministry of External Affairs and Police Wireless, had suggested creation of a modern type of High Frequency Radio Network incorporating automatic link establishment, automatic frequency selection, high speed message transmissions and automated routing of messages, Ministry of Communications had suggested that a feasibility report on this be prepared by M/s Telecommunications Consultants India Ltd. (TCIL). While making the report, TCIL had considered various options including satellite communications and had come to the conclusion that the proposed High Frequency Radio Network is the most appropriate solution for MEA's needs. This was also in line with the network set up by the diplomatic missions in many countries including India. In late eighties, the High Frequency Radio Communication was found to be the most suitable network as it provided uninterrupted communication facilities in which the routing of messages are independent of host countries facilities."

### IV. Role of M/s Telecommunications Consultants India Ltd. (TCIL)

5. The MEA had entrusted the task of project management to a Public Sector Undertaking (PSU) viz TCIL for consultancy, procurement, engineering and installation. During evidence, the Committee were informed that TCIL did not have any prior experience in consultancy or installation of HFRC in question. On being asked as to how TCIL was selected to act as the nodal agency for the implementation of the Project, the Ministry in a note inter-alia stated that the External Affairs Minister, who had issued directives to have a modern and reliable wireless communication system between the Ministry and selected Indian missions abroad, had written to the then Minister of Communications on 9-2-1987 seeking his assistance in setting up such facilities in terms of design, installation and commissioning of the system. The Minister of Communications in his reply dated 20-2-1987, stated that after giving due thought to the question, he was suggesting the name of M/s Telecommunications Consultants India Ltd. (TCIL), a PSU of that Ministry, set up for rendering consultancy services of this nature in India & abroad. He further stated that TCIL were already operating in a number of countries with which links were to be established. He requested the EAM to approve the proposal of using the TCIL for setting up of the HFRC after which suitable directions would be issued to them to work out the project.

The MEA had reportedly taken the advice given by the then Minister of Communications and had appointed TCIL to offer consultancy services as well as full project implementation. Thus, according to the Ministry, TCIL became the nodal agency for configuration and implementation of the project through all stages. According to the Ministry, TCIL was to receive Rs. 55 lakhs as consultancy fee and Rs. 1.17 crore for factory inspection, installation and training.

6. During evidence the Committee were informed that Cabinet Secretariat and the Ministry of Defence are also running similar systems and TCIL was not their consultant for installation, commissioning and operation of the system. The systems installed in both the Departments are reportedly reliable.

7. The Committee desired to know whether other PSUs having expertise in the field were also considered for the purpose. The Ministry stated that the question of considering any other PSU for the implementation of the Project did not arise in view of the recommendation given by the then Minister of Communications. The MEA were stated to have accepted the advice rendered by the concerned technical Ministry.

### V. Selection of the Supplier

8. According to the Ministry, TCIL floated global tenders on 12 September 1989 for supply of equipment and services for setting up of the network. In response to this tender, eight bids were received on the due date (in November 1989) three from indidgenous manufacturers and five from foreign companies. A Tender Evaluation Committee (TCE), with representatives from MEA, DOE and TCIL, was constituted to evaluate the shortlisted bids by MEA, on the recommendations of TCIL, and give recommendations for award of contract for supply of equipment and services. The Committee have been informed that the three offers from Indian firms were rejected on technical grounds. Out of the five offers made by foreign companies, three were also rejected on technical grounds. In April 1990, the Tender Evaluation Committee shortlisted two firms, viz. M/s Mackay Co., USA and M/s Harris Corporation, USA whose offers were acceptable from technical considerations. In February 1991, M/s Mackay Co. was selected finally for awarding of contract. According to the Ministry, the following reasons weighed in favour of final selection of Mackay Co. of USA:

"Mackay Co. had quoted (US\$ 5.4 million), substantially lower than Harris Corp. (US\$ 10.6 million). Mackay was willing to further negotiate on the prices and also offered a discount of 1.5 per cent, whereas Harris expressed its inability to reduce the quoted prices. Mackay also agreed to extend the validity of their offer upto 31 May 1991, whereas Harris was not willing to extend the validity of their offer beyond 31 January 1991."

### VI. Status of installation, commissioning and operation of HFRC

9. According to the Audit Paragraph, the project was to be completed within 15 months. The Committee have been informed that a total period of 28 month's time frame was envisaged by the TCIL for implementation of the project from the date of approval of the feasibility report. The feasibility report was approved in August 1989. While most of the equipment were supplied by Mackay Co. during March 1992 to June 1993, the project is yet to be made fully operational. According to Audit, the operational state of the equipment for transmission and message terminals was also poor. Besides, the software for message communication was fund to be deficient in the areas of acknowledgement and alignment memory. In addition, due to deficiency in the software, the message disappear during the reception and error in recording the time and date of message was persistent. From the information made avilable to the Committee, it was seen that equipment were not installed in six Missions (Kuala Lumpur, Accra, Port of Spain, Georgetown, Ottawa and Paramaribo) and that the system was non-functional in 10 Missions (Baharin, Damascus, Kampala, Kuwait,

Dar-es-Salaam, Muscat, Bangkok, Maputo, Lusaka and Jakarta) as of August 1997. Four of the 13 message terminals in the South Block were not functioning because the MEA failed to obtain lines from Mahanagar Telephone Nigam Ltd. (MTNL).

10. The Committee desired to know the latest position about the installation, commissioning and operation of the equipment at Delhi end and other stations. In their post-evidence note furnished to the Committee on 12 November 1998, the Ministry stated:

"The equipment at Delhi end has already been fully installed. The equipment consists of five 10 KW transmitters and five receivers, antenna systems, control room equipment consisting of remote controls, message switch to store and send/receive messages. Equipment at Delhi is located at Transmitting station in Greater Kailash, belonging to VSNL, Chattarpur receiving station belonging to VSNL, and control room at Akbar Bhavan the building housing MEA offices in Chanakyapuri. These three locations are electronically interconnected through a dedicated UHF microwave link. Control room at Akbar Bhavan coordinates the flow of messages between missions and New Delhi. Recently, on checking the transmitting station, it was found out that three transmitters were operational and two were not operational for want of spares. The stock of spares are exhausted and action is on hand to procure fresh spares from the original manufacturers. The antennae at the transmitting station have been aligned properly towards the direction of the missions. Subsequently voice link could be established with eleven missions, namely, Accra, Harare, Kampala, Windhoek, Abu Dhabi, Riyadh, Lusaka, Khartoum, Cairo, Kuwait & Nairobi. Further tests to activate the data mode with these missions are still being held. The software problems in the control room equipment have not yet been solved by Mackay Co., USA. TCIL has been following up with Mackay to resolve these problems.

As regard missions, equipment in 22 missions have already been installed. Among these, ten missions have been identified as having some serious equipment problems which the mission staff have not been able to rectify, even though basic trouble-shooting procedures had been sent to them. These are Jakarta, Bangkok, Dar-es-Salaam, Antananarivo, Muscat, Maputo, Damascus, Bahrain, Lagos & Jeddah. According to TCIL, it is necessary to send their engineer to these missions to set the equipment right as it needs specialised expertise. However, this would be possible only when the system at Delhi responds fully to the tests being conducted with the other partially working stations."

11. In respect of the uninstalled stations, the latest position (November 1998) as given by the Ministry is as under:

"Georgetown: Mission has stated that due to local disturbances in the centre of the city where the chancery is located, it would be necessary to shift the chancery to a safer area. As the mission is trying to locate new premises, they have advised that installation may be postponed for the time being.

Paramaribo: Mission has stated that the present chancery premises is a rented one and its lease is expiring in November 1998. As the premises may be vacated at any time and the sloping roof and high velocity winds at the premises makes installation of the antenna problematic, it would be better to wait till alternative premises are located.

Port-of-Spain: Installation of this station had been delayed on account of delays in commissioning the Accra relay station. The matter is now under active follow-up. Meanwhile TCIL has been requested to puruse the matter of resolving the various software problems at Accra station and at Delhi.

Ottawa: At a recent high level meeting, it has been decided that equipment stored in Ottawa might be diverted to some other needy station as Canada has sufficiently advanced telecommunication facilities and there may be no cause for emergencies.

Kuala Lumpur: As both chancery building and its location cannot support the antenna system, an alternative site has to be found."

- 12. The Committee have been informed that the aggregate value of the equipment which were not installed/commissioned as of November 1998 was US \$ 8,60,098/-
- 13. Asked to elaborate the difficulties experienced during installation of Transit station at Accra and also action taken from time to time to make it operational, the Ministry in a note *inter-alia* stated:

"The Transit Station at Accra was actually installed in March 1994 by Telecommunications Consultants India Ltd. engineers, and link with Delhi was also tested. However, the test was not successful because of electrical interference in the Chhattarpur receiving station at New Delhi, due to high tension electrical lines running over it. Excessive noise was created. Hence Telecommunications Consultants India Ltd. team had to come back without commissioning it. M/s Mackay Co., USA, stated that the spiral cone antenna at Accra should be supplemented with another type of antenna called "Log Periodic Antenna", an additional antenna called "Rhombic Antenna" would have to be fixed at receiving station at Chattarpur. New Antenna at Chhattarpur was installed in January 1995. Additional antenna at Accra could not be installed as the building could not take the load. Besides, propagation conditions for radio waves from Accra to Delhi, were not good and communication link, therefore, could not be established. In various meetings in 1994 and 1995 with Telecommunications Consultants India Ltd. and M/s Mackay representatives, this problem was discussed, but no solution could be found as software bugs had developed in the Delhi equipment which prevented commissioning of Accra equipment. After various trials, the software problems could be identified in April-May 1996, and a list prepared in the presence of Mr. Jim Ablanalp, Mackay's representative. So far, 50% of the listed problems have been sorted out by Mackay. Based on this, Telecommunications Consultants India Ltd. engineer has left for Accra in August 1997, to conduct testing of the equipment jointly with Mackay Co.'s engineer. Another team

should be leaving shortly for commissioning of the three American Continent stations."

14. Asked to explain the unsatisfactory execution of the Project, the Ministry in a post evidence note stated:

"It may be pointed out here that the equipment at Accra is already installed but not yet commissioned. When it was installed in March 1994, communication with Delhi could not be established due to antenna problems and unknown electrical disturbances at the Delhi end. These problems have since been solved and voice link with Accra has been established. However, data mode still remains a problem, perhaps due to software deficiencies. Mackay is being prevalled upon to look into this. The other missions have not been installed due to existing chancery buildings being unsatisfactory in most cases for installation of antenna. Non-commissioning of Accra station has also delayed the commissioning of other stations which are in the American continent.

Out of the ten non-functional missions mentioned in this question, Kampala, Kuwait and Lusaka are partially functional now. The other missions had also been functioning on voice mode at least, earlier. While some of the problems are related to equipment, missions also have major operational problems as staff members who are operating the equipment are only non-technical secretarial staff who have no systematic training in operating such complex equipment. Moreover, they get transferred at regular intervals inaccordance with Ministry's posting policies. Such complex equipment needs well trained cadre of technicians and operators to keep the equipment functioning properly.

MNTL lines have not yet been repaired, despite reminders. The matter is being pursued with them."

- 15. On the question of delay in the execution of the projects, the Ministry stated that the matter was brought to the notice of TCIL from time to time. It has further, been stated that TCIL had not anticipated a number of stages that the project had to go through like Finance Ministry's approval for project expenditure, finalisation of commercial/financial terms with TCIL and global tender procedures. All these stages were stated to have been referred to MEA, where these were discussed jointly with TCIL and processed following all stipulated procedures. In this context, the Committee enquired how can TCIL, being a PSU, claim ignorance of Government's procedures. The Ministry in a note opined that since TCIL were closely associated with the project right from beginning, it could not be argued that they were ignorant of Government's procedures. The Ministry stated that TCIL themselves had mentioned about the various procedures in their feasibility report.
- 16. The Committee have been informed that during September 1994, MEA had expressed their unhappiness to TCIL regarding delay in the Project and suitability of Mackay equipment, who said that at \$ 5.3 million, Mackay Co., USA quotation was the lowest and heace was chosen. According to them, no other company would have

been available at the approved cost. But they reportedly agreed that perhaps Mackay was not a good choice. Further the MEA were stated to have held a series of discussisons with officers of TCIL, representatives of Mackay Co. on the recurring problems in the equipment and their solutions. Ultimately, TCIL expressed that "We should make the best out of whatever is possible at this stage, and the same should be accepted." The MEA reportedly remarked that this was not expected from an organisation like TCIL. According to the Ministry, "accepting whatever was available would be difficult and this was far below our expectations." To a query from the Committee whether the Ministry at any point of time contemplated any specific action against TCIL other than expressing their displeasure, the Ministry in a note stated that no action had been contemplated against them so far.

- 17. From the information made available to the Committee, it is seen that during October 1997, on invitation from MEA; President of Mackay Co., USA visited the Ministry to discuss the completion of the Project and problems in the equipment. President of Mackay was apprised of the recurring equipment problems and was asked by the Ministry whether Mackay would be able to take back the remaining unistalled equipment on buy-back basis. The President of the Company reportedly replied that the equipment was state-of-the-art and as far as they were concerned, there was nothing wrong with the equipment. He further said that it would not be possible to buy-back the equipment as it was made for the Ministry's requirement and would be of no use to them.
- 18. The Ministry's attention was drawn to the element of over-optimism in the assumption based on which it was committed in 1988 that the project would be completed within 15 months. According to the Ministry, in its meetings with MEA, TCIL committed themselves to a period of 15 months from August 1988, when the first financial approval was accorded to the proposal. It has further been stated by the Ministry that since the project was first of its kind, the MEA was guided by the expert advice of TCIL that the project would be completed within 15 months. Responding to a related query, the Foreign Secretary deposed:

"The time of completion committed by the TCIL was 28 months from the date of approval of feasibility report which was in August 1987. So, calculating 28 months on that projection, the project should have been completed in the beginning of 1990. In fact, out of the 27 stations selected for installing this link, in 21 stations, all the equipment and the entire system was fully installed between June 1992 and December 1993. So, actually the time over-run is approximately three years for the complete installation in a majority of the stations. In the remaining six stations, there were some reasons why it could not be done within the stipulated time. It seems that in the beginning the estimate of 28 months and not 15 months was committed and that seems to have been a gross underestimate. It is because we were going in for a system of this sophistication for the first time. It was a mistake. ......We have done our assessment and analysis. The points that we missed are the facts that in setting up a sophisticated system of this kind, these parameters have to be prefigured and judged in advance. If we

did that, of course, the time frame would have been longer. I assume that TCIL itself would have projected much longer time frame."

### VII. Inspection and Certification

19. Since the Ministry expressed displeasure over the choice of equipment, the Committee desired to know as to how the technical competence and track record of Mackay Co., USA was verified before awarding the contract. The Ministry in a note stated:

"The technical competence and track record of Mackay Co. was verified by the Technical Evaluation Committee consisting of MEA and TCIL officials, by obtaining information through India Supply Mission in Washington etc. The report mentions that Mackay has been a worldwide supplier of Marine communication and navigation equipment till 1987. Later, their operations expanded to manufacturing HF radio communication equipment. Its major customers include US defence services, NATO(UK), diplomatic networks of other countries and several armed & police forces among others. The report further mentions that the firm had provided long distance HF systems for a variety of strategic communication services of different countries."

20. On being asked further who made the actual evaluation of the quality of equipment before accepting the technical bid, the Ministry stated that representatives of TCIL had witnessed demonstration on the working and salient features of the equipment in USA during November 1990. Based on the demonstration, TCIL found the equipment of Mackay technically suitable for the proposed network.

### VIII. Liability of the Supplier

21. According to the Audit Paragraph, many transmitters, message terminals, transit centres and communication equipment were either not installed or not commissioned or were not in operational stage. According to the Ministry, the performance warranty was valid upto September 1997. As per agreement with the Company, performance guarantee to the tune of \$5.3 lakh given by the Supplier could be encashed by MEA, if need arose and 5% of the cost of equipment was still to be paid to the suppliers. According to audit, some of the equipment were not operational even after removal of defects by the supplier. In this connection, the Committee desired to know whether the MEA had encashed the amount of the performance warranty before it expiry or the warranty had been got extended. According to the Ministry, they have not encahsed the performance warranty given by M/s Mackay, USA but have got it further extended upto April 1999.

### IX. Liquidated damages

22. As per the agreement, the supply order on M/s Mackay Co. provided for recovery of liquidated damages at 0.25 per cent of the value of the delayed supplies per week subject to maximum of 10 per cent of the total value of the contract. According to Audit, most of the equipment were non-functional for very long time and many suffered from inherent defects imposing limitations on exploitation of the system as a

whole. Since many equipment were not supplied in working condition, the Committee drew the attention of the Ministry that they should have recovered liquidated damages in terms of the supply order until defect free equipment as per the specification were supplied by the firm. The Ministry stated:

"Liquidated damages clause has not been invoked as there was no ground for this. The delay in supply of equipment to four stations including Accra was because the selection of transit station itself was delayed due to local clearances from host Governments and not because of delays on the part of supplier. The supply of equipment has been effected by Mackay & Co. as per the contract and after factory inspection tests were carried out by engineers from TCIL. TCIL had ensured that the equipment was supplied in good condition. The faults had developed later during regular operation. In this context, Mackay have been either taking back the defective parts and repairing and sending them back for a re-fit, or are replacing the parts. Under the warranty, repairs as are necessary are being carried out free of charge by the supplier."

### X. Monitoring of project implementation

- 23. The Committee desired to know the monitoring and review mechanism designed for facilitating timely execution of the Project. The Ministry stated that the TCIL, had constituted a Project Task Force (PTF), consisting of technical personnel which, in concert with representatives from the MEA, held regular meetings to consider various stages of implementation of the project. Once the equipment was in place, regular discussions were held also with the Videsh Sanchar Nigam Limited (VSNL) who are responsible for operation of the system. Such meetings were held almost every other month once the supply order for equipment was placed in June, 1991.
- 24. Since this Project was stated to be of strategic importance and involved a substantial investment, the Committee enquired whether the monitoring of the Project was done at the level of foreign Secretary and whether the External Affairs Minister was apprised of the delay from time to time. According to the Ministry, the project was initiated at the level of the then External Affairs Minister in 1987, and in the initial stages, monitored through his office as well as that of the Foreign Secretary. Papers were referred to them as well as to the Internal Financial Adviser, at the time of obtaining financial sanctions. The Foreign Secretary was consulted when deciding the stations where equipment was to be installed, or when stations were to be changed. In the subsequent years, meetings were held at the level of Addl. Secretary(AD) or Director (CNV), with the technical agencies, i.e., TCIL, VSNL and Mackay Communications, to sort out various problems regarding delays or non-operation of the equipment. Where no meetings were possible, they were apprised of the problems through correspondence.
- 25. The copies of notes furnished by the MEA reveal that the Ministry at the highest level did not review the progress of the Project except in 1991 and 1992 when revision of cost estimates were necessitated. There is nothing on record to show that this professedly vital Project was ever reviewed by or put up to the Minister after 1992.

### XI. Role of the Ministry

26. Since the Project was financed by MEA and they had vital stakes in its early operation, the Committee enquired whether any organisational set-up of maintenance/ technical follow-up of the Project was in existence in the Ministry. The Ministry in a post-evidence note stated as the project is of a purely technical nature, VSNL was entrusted with the task of operation & maintenance of the Delhi end of the communication link with their technical staff manning the control room which has been set up in Akbar Bhavan in Chanakyapuri. The project is handled by an officer of senior rank of Director/Joint Secretary in the Ministry who is assisted by an administrative cell known as Radio Communication Unit (RC Unit). However, no technical or maintenance group has so far been formed within the Ministry. Services as and when required have been obtained from outside specialised agencies, such as TCIL, VSNL etc.. However, TCIL has been requested to make a proposal covering the role, functions, staffing requirements for a technical support group, for ensuring smooth and sustained operation/maintenance of the whole HFRC system.

### XII. Operation and maintenance of the system

- 27. The Committee desired to know the arrangement made by the Ministry for operation and maintenance of the HFRC system. The Ministry stated that at the Delhi end of the HFRC, the operation and maintenance of the system has been handed over to VSNL since 4 October, 1995. An amount of Rs. 27 lakhs per annum is being paid to VSNL for this purpose. Besides, the MEA has set up four Zonal maintenance centres at Hong Kong, Dubai, Harare and PMI New York to provide maintenance support to the equipment in the missions. The Committee desired to know about the strength of each of the four maintenance centres. In a note furnished to the Committee the Ministry stated that these are not separate zonal centres created exclusively for HFRC stations, but are only the Indian missions which are functioning there. These missions already have three posts of one Central Cypher Bureau Technician each who have also been entrusted with the additional duties of repair of HFRC equipment in the designated missions. Thus no additional staff has been deployed in these missions on account of the HFRC operations.
- 28. According to Audit, TCIL was to impart training to three persons in each mission and a technician in the Zonal maintenance centres. Asked whether TCIL had met this obligation, the Ministry in a note stated that TCIL had imparted one-time training to the non-technical secretariat staff in the missions and the Zonal centre technicians in 1992-93. During evidence, the Committee were informed that VSNL maintains a regular training facility. However, the Committee could not be convinced about adequate training arrangements made for operation of the system at different missions.
- 29. The Committee desired to know the cost of the operation and maintenance of the system till November 1998. According to the Ministry, an amount of Rs. 1,11,09,745.00 has already been spent on this account till November 1998. Asked to quantify the total annual recurring cost to be incurred on maintenance of the system

when made fully operational, the Ministry have stated that the total estimated annual recurring cost on various heads would be Rs. 34,26,000.00.

### XII. Total cost of project

- 30. According to the Audit Paragraph, the Project cost was estimated as only Rs. 10.50 crore in August 1988. The Ministry revised the estimated cost to Rs. 17 crore in September 1991 and again to Rs. 31.60 crore in December 1992. The Committee desired to know the reasons for escalation in the cost of the Project. The Ministry have furnished a cost variation analysis of the Project. According to them, the increase in the cost of the Project in 1991 to Rs. 17 crore (including a foreign exchange element of Rs. 9.40 crore) as against the earlier approval of the estimated cost of Rs. 10.5 crore (Rs. 5.88 crores as F.E.component) is mostly due to, (a) change in the rate of exchange between US dollars and rupees and (b) 100% customs duty element. A perusal of the cost variation analysis has revealed the following observation of US (Fin. 1) recorded on 21 March 1991:
  - "(a) the original estimate prepared by the Consultants, TCIL should have taken the duty component, additional components and replacement of imported items by the indigenously manufactured items so as to present a comparable cost base between the original estimate and the escalation
  - (b) Provision for annual recurring cost could have been studied at that stage."
- 31. According to the Ministry, the break-up of further cost increase of Rs. 14.60 crore effected in the revised estimates in 1992 is as follows:

(Rs. in crores)

"(i) Increases in expenditure solely due to devaluation of the Indian Rupee vis-a-vis US Dollar: Rs. 10.93

(ii) Increase in expenditure on account
of refinement in estimates and increase
in prices of some equipment to be
procured in India:

R

procured in India: Rs. 3.61
(iii) Increase in expenditure due to purchase

of new items for the project : Rs. 0.06

Rs. 14.60"

According to the Ministry, there has been only a marginal addition of new items. The bulk of the variation is on account of devaluation.

32. According to the Ministry, the total expenditure incurred on the Project as of November 1998 was Rs. 29,16,30,086. An estimated amount of Rs. 2,43,27,000 is further likely to be expended till the project is fully commissioned.

### XIV. Obsolescence

33. As the pace of development in the area of communications has witnessed a quantum leap in the last decade, the Committee enquired whether the Project, designed to be operational by end of 1989, has not been adversely affected due to technological obsolescence. The Ministry stated:

"While it is true that the pace of development in the area of communications had witnessed a quantum leap in the last decade, wireless communications cannot be stated to have been outdated. The older systems such as High Frequency Radio Communication continue to stand the test of time for communications over long distances, and in difficult condition. The system continues to be used by Military and para-military forces, surveyors in remote areas and other commercial organisations also. It should be kept in mind that this system was configured as a viable and economical alternative to the other channels of communication which are controlled by the host countries where the HFRC stations have been set up. Wireless communications is the only means of communications which is totally independent of any other kind of available communication network. While satellite based systems have evolved rapidly, the control of satellites is in the hands of outside agencies and the system is still vulnerable to breakdown or overload of satellites. This would be the only means of communications available when all other systems have failed in times of emergencies."

### XV. Utility of the System

34. The MEA have cited only two instances until now, where the system was used in cases of emergency. The first one was used for link with Lagos in the case of Liberian disturbance in 1993 and another in 1994 during plague epidemic for monitoring and diverting the Air India flights to Muscat. In both cases there was no breakdown of other means of communication (telephone, fax, telex etc.) and therefore, it cannot be said that the wireless communication was vital and the only means of communication in emergency situations. In this context, the Committee asked the Ministry to justify setting up of the system involving such an incommensurate expenditure. The Ministry explained:

"The HFRC links are installed in generally trouble-prone and politically volatile areas in Africa and West Asia. At present, reliable voice communication is available with eleven missions over the HFRC links which is fully independent of any other systems. This link is therefore available in any emergency. The fact that emergent situations have not occurred so far could not have been foreseen. In future, in trouble-prone regions, emergent situations may occur necessitating the use of HFRC communications. However, the other important objective of HFRC is to exchange data which would otherwise have been sent through other communication channels at substantial cost. With the HFRC capacity at the disposal of the Ministry, savings would be effected in telecommunication costs when the system becomes fully operational."

35. In view of the inherent defects in the system, uncertainty about rectification, unreliability of availability in actual times of need and obsolescence, the Committee enquired whether it would be wise to close the project to salvage whatever is possible and save further cost in its operation and maintenance. The Ministry stated that they are making continuous efforts to activate the system. Although the project has encountered numerous technical problems, it would still be advisable to maintain it, with the capability for voice communications among 22 missions. With some additional efforts, it may be possible to restore data exchange facility. According to the Ministry an evaluation of the project by an independent group of experts is suggested in 1999-2000, based on which a final decision could be reached on the future of the project.

### XVI. Accountability

36. The Committee enquired whom do the Ministry hold responsible for the unsatisfactory execution of this Project which has not only rendered the expenditure largely infructuous but also defeated the underlying objectives of the system. The Ministry in a post-evidence note stated:

"M/s Telecommunications Consultants India Limited (TCIL) had been appointed as both Consultants and executors of the project. They had prepared the feasibility report and were entrusted with the responsibility for executing the project fully with features like full automation ease of operation etc. However, since the projects inception, the Ministry has faced numerous problems and the project has still not reached a reasonable degree of automated operation. Ministry had always been guided by TCIL in all the technical aspects of the system and had depended upon it for giving an efficient and working project. It would therefore appear that TCIL had not designed the project with the required foresight."

37. Recognising the imperative need to introduce an independent communication network, the then Minister of External Affairs had given directives in January 1987 for setting up a modern wireless communication system between MEA and some important missions abroad. In pursuance thereof, an Inter-Departmental Committee consisting of representatives from the Wireless Planning & Coordination Wing (Ministry of Communications), Cabinet Secretariat, Videsh Sanchar Nigam Ltd. (VSNL) (then Overseas Communication Services), Ministry of External Affairs (MEA) and Police Wireless, suggested creation of High Frequency Radio Communication network (HFRC), considered to be the most suitable network available during eighties. Accordingly, the MEA approved a Project in August 1988 on an urgent requirement basis at an estimated cost of Rs. 10.50 crore for setting up of HFRC for linking 27 missions located in the countries of strategic importance with New Delhi to facilitate voice and data communication. The Project consisted of setting up of a control centre alongwith transmission and receiving centre in New Delhi, a transit station at Accra and communication equipment in 27 missions. The proposed objective of creating the system was stated to be uninterrupted exchange of communication with missions abroad at critical times such as civil war, coup d'etat or matural calamities

when the normal public telecommunication system become ineffective or nonfunctional or are interrupted due to hostile situation. The Project was scheduled to be completed within 15 months i.e. by November 1989. However, the Project is yet to be fully completed. The Committee's examination of the Audit Paragraph has revealed several disquieting aspects in the execution of the Project which are narrated in the succeeding paragraphs.

- 38. The Committee note that the MEA entrusted the task of Project management to a Public Sector Undertaking (PSU) viz. Telecommunications Consultants India Ltd. (TCIL) for consultancy, procurement, engineering and installation solely based on the advice tendered by the Ministry of Communications despite the fact that TCIL did not have any prior experience either in consultancy or installation of HFRC in question. It is learnt that similar systems have been in operation in the Cabinet Secretariat and the Ministry of Defence where TCIL was not involved as a consultant. For reasons not known, other PSUs having expertise in the field including those associated with the Cabinet Secretariat and the Ministry of Defence were not considered by the MEA for arriving at a prudent and just selection. The Committee are anguished to note that MEA failed miserably to do proper and sound spade work before rushing to appoint TCIL as its consultant for the project. The Committee deplore lack of caution and foresight on the part of the MEA.
- 39. Based on global tenders floated by TCIL during September 1989 for supply of equipment and services for setting up of HFRC, eight bids were received, three from indigenous manufacturers and five from foreign companies. A Tender Evaluation Committee (TEC), with representatives from MEA, DOE and TCIL was constituted to evaluate the short listed bids by MEA, on the recommendations of TCIL. The Committee have been informed that six companies including three Indian firms were rejected on technical grounds. In April 1990, the TEC shortlisted two firms, viz. M/s Mackay Co. and M/s Harris Corporation, both from USA. In February 1991, M/s Mackay Co. of USA was selected finally for award of contract on the basis of favourable price considerations compared to the price quoted by M/s Harris Corporation, USA. Viewed in the light of the quality of equipment supplied by Mackay Co. and subsequent complication experienced by the Ministry in the overall implementation of the Project, the Committee are constrained to observe that apparently selection of this particular company solely on the consideration of favourable price without adequate prior screening of their capability to install the system was far from conducive to the attainment of the envisaged objectives.
- 40. The Committee are distressed to point out that even after a lapse of ten years of the scheduled date of completion and an expenditure of over Rs. 29 crore incurred on the Project, equipment are yet to be installed in five missions (Georgetown, Paramaribo, Port-of-Spain, Ottawa and Kuala Lumpur), and in 10 misssions (Jakarta, Bangkok, Dar-es-Salam, Antananarivo, Muscat, Maputo, Damascus, Baharin, Lagos & Jeddah) where installed, the system was non

operational. Even where the system is in place, the reliability cannot be guaranteed as many of the equipment remain out of order for considerable periods of time. Two out of five transmitters installed at Delhi end were not operational for want of spares. It is further disquieting to note that (i) four of the 13 message terminals in the South Block were not functioning since the MEA had failed to obtain lines from MTNL, (ii) the software for message communication was found to be dificient in the areas of acknowledgement and alignment memory which put severe limitation in utilisation of the system, and (iii) as of today, voice link could be established only with eleven missions, namely, Accra, Harare, Kampala, Windhoek, Abu Dhabi, Riyadh, Lusaka, Khartoum, Cairo, Kuwait & Nairobi, while data mode with the missions still remains a problem due to software deficiencies. The Committee are shocked to note that equipment worth US \$ 8.60,098/- are yet to be installed/commissioned. From the foregoing, the Committee are inclined to arrive at the inescapable conclusion that the abnormal delay in the execution of the Project has not only rendered the expenditure of over Rs. 29 crore largely infructuous but also defeated the very objective of the Project.

- 41. The Committee observe that when most of the equipment did not perform and many were found to be having inherent defects, MEA expressed their displeasure to TCIL as late as 1994 about the poor state of the equipment and the consequent delay in the execution of the Project. While conceding that mackay Co. was not a good choice, TCIL took the plea that they recommended the Company to supply the equipment as their quotation was the lowest and no other company would have been available at the approved cost. They further added: "We should make the best out of whatever is possible at this stage, and the same should be accepted." The Committee are perturbed over the attitude adopted by TCIL, the nominated nodal agency, at such a critical stage of implementation of the Project. It speaks volumes about their sense of purpose and urgency, project management and attitude towards public funds. While elementary financial prudence warrants that the minimum bid is to be accepted only after assuring or certifying the quality, the Committee would like to be explained under what circumstances sub-standard equipment was allowed to be purchased in the name of the lowest bid which eyentually rendered the entire expenditure infructuous. Since the Project was financed by MEA and they had vital stakes in its early operation, the Committee are unable to comprehend as to how MEA had left the entire project to be implemented by TCIL alone and made a significant omission to include a liability clause while appointing TCIL its nodal agency for consultancy services and for configuration and implementation of the Project through all stages. What is intriguing to note is the fact that other than expressing their mere discontentment over the role of TCIL, no specific action was contemplated by MEA against them to pinpoint the responsibility. The Committee would like to be apprised of the compulsions of the MEA for such inaction on this score.
- 42. The Committee's examination has revealed that notwithstanding the efforts made by the MEA and TCIL in consultation with Mackay Co., serious

equipment problems still exist in ten missions and fifty per cent of software problems are yet to be resolved. The Committee have been informed that during October 1997, the President of mackay Co. was apprised of the recurring equipment problems and was asked to buy back the remaining uninstalled equipment. In response, the President of the Company denied that there was anything wrong in the equipment and stated that it was not possible at their end to buy back the equipment because those would be of no use to them. Considering the stance taken by the Company and the vulnerable position of the MEA, the Committee are least hopeful about expeditious operation of the system.

- 43. The Committee note than an element of over-optimism was amply evident at the Project planning stage itself when a seemingly unrealistic time frame of 15 months was fixed for the completion of such a sophisticated Project. The Foreign Secretary conceded during evidence that the time frame was a gross underestimate and it was a mistake. However, the fact remains that such deficiency in the Project planning is not only indicative of casual attitude of TCIL right from the beginning and lack of seriousness on the part of MEA but also suggestive of lack of urgency of the requirement projected.
- 44. As regards pre-despatch inspection and evaluation of the quality of equipment, the Committee have been informed that TCIL had witnessed demonstration on the working and salient features of the equipment in USA and they found the equipment of Mackay Co, technically suitable for the proposed network. However, the poor material state of most of the equipment, particularly the software is suggestive of insufficient pre-despatch inspection and the contention of the MEA that faults in the equipment had developed later during regular opertation is far from tenable. The apprehension of the Committee about the quality of equipment is further accentuated as TCIL also at a later stage expressed reservations about the quality of equipment supplied by Mackay Co, This is yet another area where the role and competence of TCIL is open to question which in turn, only justifies the reservation of the Committee about the appointment of TCIL as consultant by MEA.
- 45. The Committee are astounded to note sheer lack of advance planning and co-ordination between the MEA & TCIL with regard to identification of the stations where the system was to be installed. In reply to the post-evidence questionnarie, the Ministry stated that in George Town, the system could not be installed due to local disturbances in the central area, where the chancery is located and that the Mission is trying to locate new premises before the system is installed. In Paramarigo the system could not be installed as the lease was due to expire in November, 1998. Moreover, the premises of the chancery were problematic for installation of antenna. Similarly, the chancery at Kaula-lumpur was not found suitable for antenna system and an alternative site was being located. Ottawa was first included in the project Plan but later it was excluded on the ground that Canada has sufficiently advanced communication facilities and there may be no cause for emergency. The Committee would like to caution

the Ministry to take all relevant factors into consideration like cost of shifting the chancery and the need for installing HFRC network before taking a decision in the matter in the best national interest.

46. The Committee find that there was no effective monitoring mechanism designed for technical follow-up of the project with a view to facilitating its timely completion and that the progress of this professedly vital Project was never reviewed at the highest level except in 1991 and 1992 when revision of the cost estimates were necessitated. The Committee note with conserts that the urgency with which the project was approved was never translated into the project management. Evidently, the fate of the Project was left at the mercy of TCIL, betraying a total lack of sense of purpose and seriousness at the higher escheleons of MEA and an abdication of responsibility in monitoring such a professedly vital Project.

47. The Committee note that the operation and maintenance of the HFRC system at the Delhi end has been handed over to VSNL since 4 October 1995. An amount of Rs. 27 lakhs per annum is being paid to VSNL for this purpose. Besides, the MEA has set up four Zonal maintenance centres at Hongkong, Dubai, Harare and PMI, New York to provide maintenance support to the equipment in the missions. However, the Committee find that the arrangements made for maintenance and repair of HFRC equipment in the designated missions was highly inadequate. This is further corroborated by Ministry's own admission that staff members who are operating the equipment at missions are non-technical secretarial staff who have no systematic training in operating such complex equipment and attending to related problems. The Committee consider it very unfortunate that even after incurring an expenditure amounting to over Rs. 1.11 crore, the Ministry are yet to institute adequate training arrangments for operating the system at missions. Expressing their utter displeasure over this poor spectacle of affairs, the Committee recommend that the MEA should address themselves urgently on the issue and initiate steps as to the desirability of creating a suitable technical cadre or mechanism for effective maintenance and proper operation of the system at missions. The Committee may be furnished a status report in this regard within a period of six months.

48. The Committee are concerned to note that the Project cost which was estimated at Rs. 10.50 crore in August 1988 was revised to Rs. 17 crore in September 1991 and again to Rs. 31.60 crore in December 1992. The increase in cost of the Project in 1991 by Rs. 6.50 crore has been attributed to change in the rate of exchange between US dollar and rupee and the element of customs duty involved. A perusal of the cost variation analysis furnished by the MEA indicated that while estimating the original cost of the Project in 1988, TCIL failed to take into account various elements like duty components, provision for annual recurring cost etc. which led to under estimation of cost. Further, cost escalation of Rs. 14.60 crore in the revised estimates in 1992 was mostly attributed to devaluation of Indian rupee vis-a-vis US dollar resulting in a variation of

Rs. 10.93 crore alone. The Committee note that as of November 1998 an expenditure of over Rs. 29 crore had already been incurred in addition to over Rs. 2 crore likely to be spent till the commissioning of the Project fully. Considering the fact that even after spending an amount of over Rs. 29 crore, the operational status of the system is largely unsatisfactory and majority of the problems arising out of equipment and software are yet to be resolved, the Committee recommend that MEA should take urgent necessary steps to activate the HFRC system expeditiously any contain further escalation in the Project cost.

- 49. The examination of the Committee revealed that as of now there were two instances where the system was used in cases of emergency. The first time the system was used for link with Lagos in the case of Liberian disturbance in 1993 and the second instance in 1994 during plague epidemic for monitoring and diverting the Air India flights to Muscat. In both the cases, however, there was no breakdown of other normal means of communication and it cannot be claimed that the wireless communication was vital and the only means of communication during emergencies. The justification adduced by the Ministry in support of HFRC in its present state, does not hold water as out of the twin objectives of HFRC i.e. voice and data communication, only voice communication has been partially established as of now and data communication is yet to materialise. Further, in view of the delay of over ten years in setting up the system and serious doubts/uncertainty about it being fully operational for intended exploitation, the question of its obsolescence cannot be ruled out. The Committee are therefore inclined to conclude that the MEA did not do proper and sound spade work before committing themselves to such a heavy expenditure. This also brings into sharp focus the actual need and urgency of such a system, the availability of other alternative means of communication and their comparative reliability and cost. The Committee hope that the Ministry would evolve suitable procedure to ward off such incidents in future.
- 50. In the light of the inherent defects in the system, uncertainty about their rectification, unreliability of availability in actual times of need and possible obsolescence, the Committee took a view whether it would be wise to close the project, to salvage whatever is possible and save further cost in its operation and maintenance. According to the Ministry, although the Project has encountered numerous technical problems, it would still be advisable to maintain it with the capability for voice communication and with some additional efforts, it might be possible to restore data exchange facility. The Committee refrain from sharing the optimisim of the Ministry at this stage. The Committee have been informed that an evaluation of the Project by an independent group of experts has been suggested by the Ministry in 1999-2000, based on which a final decision could be reached on the future of the Project. The Committee would like to be apprised of the outcome of the proposed review.
- 51. Curiously enough, the Ministry have attempted to shift the blame for the Project to the TCIL. Apparently, the MEA have glossed over the fact that the

ultimate responsibility for Project planning, specifications of the equipment, equality control and supervision rested with them. The Committee emphasise that merely because TCIL, who was their technical consultant and manager of the Project, is a PSU, does not absolve the Ministry of their responsibility. Further TCIL did not have major stake in the Project and it was assured of its remuneration (Rs. 55 lakhs as consultancy fee, Rs. 1.17 crore for factory inspection, installation and training) and above all, they did not have any liability towards wrong judgement in selection of the equipment, incompetent inspection etc. leading to system malfunctioning. While pointing out that an atmosphere of non-accountability was prevalent in the Ministry, the Committee cannot but conclude that the MEA failed miserably to implement the HFRC Project and that the incept handling of the Project by MEA has rendered the expenditure of over Rs. 29 crore questionable, and the basic objective of providing reliable communication network between New Delhi and 27 missions unattainable in the forseeable future.

New Delhi; 13 March, 1999 22 Phalguna, 1920 (Saka) MANORANJAN BHAKTA,

Chairman,

Public Accounts Committee.

#### APPENDIX I

Audit Paragraph 4.1 of the Report of the Comptroller and Auditor General of India for the year ended 31 March, 1996 (No. 2 of 1997), Union Government (Civil) relating to Infructuous expenditure of Rs. 29 crore—communication network

4.1 Infructuous expenditure of Rs. 29 crore—communication network

MEA spent Rs[29 crore to link New Delhi with 27 strategic missions through "High Frequency Wireless Network". The network is not yet operational even though seven years have elapsed after the originally scheduled date of completion. This has not only rendered the expenditure infructuous but also upset the objective of the project.

Ministry of Estimal Affairs approved a project in August 1988 at a cost of Rs. 10.50 crore for satisfie up a "High Frequency Wireless Communication Network" for linking 27 missions located in the countries of strategic importance with New Delhi to facilitate voice and data communication. The Project was to be completed within 15 months. The Ministry revised the estimated cost to Rs. 17 crore in September 1991 and again to Rs. 31.60 crore in December 1992. The project consisted of setting up a control centre along with transmission and receiving centre in New Delhi, a transit station at Accra and communication equipment in 27 missions. Examination of the documents in the Ministry of External Affairs revealed to following status of the project as of November 1996.

Type of equipment	Total number to be installed/ purchased	Number actually installed	Number Commis- sioned	Number in operational state	Remarks
Transmitters at New Delhi	5	5	4	2	Only two out of the five transmitters were operational as of November 1996.
Message terminals at New Delhi	11	5	5	2	Only two of the five message terminals installed were being used occasionally.
Transit Centre at Accra	1	i	Not commis- sioned	Not made operational	The transit station was to provide relay to four missions in the American Continent.
Communication equipment in the missions	27	21 @	19*	7**	Equipment not installed at Port of Spain, Georgetown, Ottawa, Paramaribo, Accra and Kualalumpur.

<sup>\*</sup> The equipment have not been commissioned in two missions at Windhock and Abu Dhabi.

<sup>\*\*</sup>The equipment are not in operational condition in 12 missions Maputo, Lusaka, Khartoum. Antananarivo, Hararc, Bangkok, Kathmandu, Jakarta, Nairobi, Damascus, Kampala and Dar-es-Salam due to fault in them.

The above table includes four missions in American continent where the equipment was not installed due to failure of the Ministry to install the relay equipment at the transit station in Accra. Even out of the 21 installed equipment, two have not been commissioned while 12 others are defective. The combined value of equipment not installed/commissioned/defective at 20 stations aggregated to Rs. 4.50 crore while the value of equipment for transit stations at Accra was 1.40 crore.

The operational state of the equipment for transmission and message terminals was also in poor stage. Besides, the software for message communication was found to be deficient in the areas of acknowledgement and alignment memory. In addition, due to the deficiency in the software the message disappear during the reception and error in recording the time and date of message was persistent.

The project has been delayed at each stage necessitating revision in the cost. The Ministry took about three years after the sanction to award contract for supply of equipment through M/s Mackay Communications in USA. Most of the quipment were supplied during March 1992 to June 1993, yet there has been delay of more than four years in installing and commissioning and operationalising the system. The system, has not become operational and failed to meet the objective for which it was approved as of November 1996.

Thus, the communication system approved, in August 1988, at Rs. 10.50 crore to be completed in 15 months to provide reliable and uninterrupted communications system with missions of strategic importance has not been made operational ever after a lapse of seven years and an expenditure of Rs. 29.16 crore as of March 1996. Not only the installation, commissioning and operationalisation has been delayed, the system supplied is having inherent defects as the communication system installed in 17 out of 27 missions are defective. This has not only rendered the expenditure of over Rs. 29 crore on the cost of equipment and their installation etc. questionable, but the basic objective of providing reliable communication network between Delhi and 27 sensitive important missions remains frustrated.

The matter was referred to the Ministry in November 1996; their reply was awaited as of February 1997.

# APPENDIX II STATEMENT OF CONCLUSIONS/RECOMMENDATIONS

SI. No.	Para No.	Ministry/Deptt. Concerned	Conclusions/Recommendations		
1	2	3	4		
1.	47	Ministry of External Affairs	Recognising the imperative need to introduce and independent communication network, the then Minister of External Affairs had given directives in January 1987 for setting up a modern wireless communication system between MEA and some important missions abroad. In pursuance thereof, an Inter-Departmental Committee consisting of representatives from the Wireless Planning & Coordination Wing (Ministry of Communications), Cabinet Secretariat, Videsh Sanchar Nigam Ltd. (VSNL) (then Overseas Communication Services), Ministry of External Affairs (MEA) and Police Wireless, suggested creation of High Frequency Radio Communication network (HFRC), considered to be the most suitable network available during eighties. Accordingly, the MEA approved a Project in August 1988 on an urgent requirement basis at an estimated cost of Rs. 10.50 crore for setting up of HFRC for linking 27 missions located in the countries of strategic importance with New Delhi to facilitate voice and data communication. The Project consisted of setting up of a control centre along-with transmission and receiving centre in New Delhi, a transit station at Accra and communication equipment in 27 missions. The proposed objective of creating the system was stated to be uninterrupted exchange of communication with missions abroad at critical times such as civil war, coup. d' etat or natural calamities when the normal public telecommunication system become ineffective or non-functional or are interrupted due to hostile situation. The project was scheduled to be completed within 15 months i.e. by November 1989. However, the Project is yet to be fully		

completed. The Committee's examination of the

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Audit Paragraph has revealed several disquieting aspects in the execution of the Project which are narrated in the succeeding paragraphs.

### 2. 38 Ministry of External Affairs

The Committee note that the MEA entrusted the task of project management to a Public Sector Undertaking (PSU) viz. Telecommunications Consultants India Ltd. (TCIL) for consultancy, procurement, engineering and installation solely based on the advice tendered by the Ministry of Communications despite the fact that TCIL did not have any prior experience either in consultancy or installation of HFRC in question. It is learnt that similar systems have been in operation in the Cabinet Secretariat and the Ministry of Defence where TCIL was not involved as a consultant. For reasons not known, other PSUs having expertise in the field including those associated with the Cabinet Secretariat and the Ministry of Defence were not considered by the MEA for arriving at a prudent and just selection. The Committee are anguished to note that MEA failed miserably to do proper and sound spade work before rushing to appoint TCIL as its consultant for the Project. The Committee deplore lack of caution and foresight on the part of the MEA.

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Based on global tenders floated by TCIL during September 1989 for supply of equipment and services for setting up of HFRC, eight bids were received, three from indigenous manufacturers and five from foreign companies. A Tender Committee Evaluation (TEC). representatives from MEA, DOE and TCIL was constituted to evaluate the shortlisted bids by MEA, on the recommendations of TCIL. The Committee have been informed that six companies including three Indian firms were rejected on technical grounds. In April 1990, the TEC shortlisted two firms, viz. M/s Mackey Co. and M/s Harris Corporation, both from USA. In February 1991, M/s Mackay Co. of USA was selected finally for award of contract on the basis

of favourable price considerations compared to the price quoted by M/s Harris Corporation, USA. Viewed in the light of the quality of equipment supplied by Mackay Co. and subsequent complications experienced by the Ministry in the overall implementation of the Project, the Committee are constrained to observe that apparently selection of this particular company solely on the considertation of favourable price without adequate prior screeing of their capability to install the system was far from conducive to the attainment of the envisaged objectives.

### 4. 40 Ministry of External Affairs

The Committee are distressed to point out that even after a lapse of ten years of the scheduled date of completion and an expenditure of over Rs. 29 crore incurred on the Project, equipment are yet to be installed in five missions (Georgetown, Paramaribo, Port-of-Spain, Ottawa and Kuala Lumpur), and in 10 missions (Jakarta, Bangkok, Dar-es-Salam, Antananarivo, Muscat, Maputo, Damascus, Baharin, Lagos & Jeddah) where installed, the system was non operational. Even where the system is in place, the reliability cannot be guaranteed as many of the equipment remain out of order for considerable periods of time. Two out of five transmitters installed at Delhi and were not operational for want of spares. It is further disquieting to note that (i) four of the 13 message terminals in the South Block were not functioning since the MEA had failed to obtain lines from MTNL, (ii) the software for message communication was found to be deficient in the areas of acknowledgement and alignment memory which put servere limitation in utilisation of the system, and (iii) as of today, voice link could be established only with eleven missions, namely, Accra, Harare, Kampala, Windhoek, Abu Dhabi, Riyadh, Lusaka, Khartoum, Cairo, Kuwait & Nairobi, while data mode with the missions still remains a problem due to software deficiencies. The Committee are shocked to note that equipment worth US \$ 8,60,098/- are yet to

be installed/commissioned. From the foregoing, the Committee are inclined to arrive at the inescapable conclusion that the abnormal delay in the execution of the Project has not only rendered the expenditure of over Rs. 29 crore largely infructuous but also defeated the very objective of the Project.

### 5. 41 Ministry of External Affairs

The Committee observe that when most of the equipment did not perform and many were found to be having inherent defects, MEA expressed their displeasure to TCIL as late as 1994 about the poor state of the equipment and the consequent delay in the execution of the Project. While conceding that Mackay Co. was not a good choice, TCIL took the plea that they recommended the Company to supply the equipment as their quotation was the lowest and no other company would have been available at the approved cost. They further added: "We should make the best out of whatever is possible at this atage, and the same should be accepted." The Committee are perturbed over the attitude adopted by TCIL, the nominated nodal agency, at such a critical stage of implementation of the Project. It speaks volumes about their sense of purpose and urgency. project management and attitude towards public funds. While elementary financial prudence warrants that the minimum bid is to be accepted only after assuring or certifying the quality, the Committee would like to be explained under what circumstances sub-standard equipment was allowed to be purchased in the name of the lowest "bid which eventually rendered the entire expenditure infructuous. Since the Project was financed by MEA and they had vital stakes in its early operation, the Committee are unable to comprehend as to how MEA had left the entire project to be implemented by TCIL alone and made a significant omission to include a liability clause while appointing TCIL its nodal agency for consultancy services and for configuration and implementation of the Project through all stages. What is intriguing to note is the fact that other

than expressing their mere discontentment over the role of TCIL, no specific action was contemplated by MEA against them to pinpoint the responsibility. The Committee would like to be apprised of the compulsions of the MEA for such inaction on this score.

### 6. 42 Ministry of External Affairs

The Committee's examination has revealed that notwithstanding the efforts made by the MEA and TCIL in consultation with Mackay Co., serious equipment problems still exist in ten missions and fifty per cent of software problems are yet to be resolved. The Committee have been informed that during October 1997, the President of Mackay Co. was apprised of the recurring equipment problems and was asked to buy back the remaining uninstalled equipment. In response, the President of the Company denied that there was anything wrong in the equipment and stated that it was not possible at their end to buy back the equipment because those would be of no use to them. Considering the stance taken by the Company and the vulnerable position of the MEA, the Committee are least hopeful about expeditious operation of the system.

7. 43 -do-

The Committee note that an element of overoptimism was amply evident at the Project planning stage itself when a seemingly unrealistic time frame of 15 months was fixed for the completion of such a sophisticated Project. The Foreign Secretary conceded during evidence that the time frame was a gross underestimate and it was a mistake. However, the fact remains that such deficiency in the Project planning is not only indicative of casual attitude of TCIL right from the beginning and lack of seriousness on the part of MEA but also suggestive of lack of urgency of the requirement projected.

8. 44 -do-

As regards pre-despatch inspection and evaluation of the quality of equipment, the Committee have been informed that TCIL had witnessed demonstration on the working and salient features

of the equipment in USA and they found the equipment of Mackay Co. technically suitable for the proposed network. However, the poor material state of most of the equipment, particularly the software is suggestive of insufficient predespatch inspection and the contention of the MEA that faults in the equipment had developed later during regular operation is far from tenable. The apprehension of the Committee about the quality of equipment is further accentuated as TCIL also at a later stage expressed reservations about the quality of equipment supplied by Mackay Co. This is yet another area where the role and competence of TCIL is open to question which in turn, only justifies the reservation of the Committee about the appointment of TCIL as consultant by MEA.

### 9. 45 Ministry of External Affairs

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The Committee are astounded to note sheer lack of advance planning and co-ordination between the MEA & TCIL with regard to identification of the stations where the system was to be installed. In reply to the post-evidence questionnaire, the Ministry stated that in George Town, the system could not be installed due to local disturbances in the central area, where the chancery is located and that the mission is trying to locate new premises before the system is installed. In Paramaribo the system could not be installed as the lease was due to expire in November, 1998. Moreover, the premises of the chancery were problematic for installation of antenna. Similarly, the chancery at Kaula-Lumpur was not found suitable for antenna system and an alternative site was being located. Ottawa was first included in the project Plan but later it was excluded on the ground the Canada has sufficiently advanced communication facilities and there may be no cause for emergency. The Committee would like to caution the Ministry to take all relevant factors into consideration like cost of shifting the chancery and the need for installing HFRC network before taking a decision in the matter in the best national interest.

10. 46 Ministry of External Affairs

The Committee find that there was no effective monitoring mechanism designed for technical follow-up of the Project with a view to facilitating its timely completion and that the progress of this professedly vital Project was never reviewed at the highest level except in 1991 and 1992 when revision of the cost estimates were necessitated. The Committee note with concern that the urgency with which the Project was approved was never translated into the project management. Evidently, the fate of the Project was left at the mercy of TCIL, betraying a total lack of sense of purpose and seriousness at the higher eschelons of MEA and an abdication of responsibility in monitoring such a professedly vital Project.

11. 47 -do-

The Committee note that the operation and maintenance of the HFRC system at the Delhi end has been handed over to VSNL since 4 October 1995. An amount of Rs. 27 lakhs per annum is being paid to VSNL for this purpose. Besides, the MEA has set up four Zonal maintenance centres at Hongkong, Dubai, Harare and PMI, New York to provide maintenance support to the equipment in the missions. However, the Committee find that the arrangements made for maintenance and repair of HFRC equipment in the designated missions was highly inadequate. This is further corroborated by Ministry's own admission that staff members who are operating the equipment at missions are non-technical secretarial staff who have no systematic training in operating such complex equipment and attending to related problems. The Committee consider it very unfortunate that even after incurring an expenditure amounting to over Rs. 1.11 crore, the Ministry are yet to institute adequate training arrangements for operating the system at missions. Expressing their utter displeasure over this poor spectacle of affairs, the Committee recommend that the MEA should address themselves urgently on the issue and initiate steps as to the desirability

of creating a suitable technical cadre or mechanism for effective maintenance and proper operation of the system at missions. The Committee may be furnished a status report in this regard within a period of six months.

### 12. 48 Ministry of External Affairs

The Committee are concerned to note that the Project cost which was estimated at Rs. 10.50 crore in August 1988 was revised to Rs. 17 crore in September 1991 and again to Rs. 31.60 crore in December 1992. The increase in cost of the Project in 1991 by Rs. 6.50 crore has been attributed to change in the rate of exchange between US dollar and rupee and the element of customs duty involved. A perusal of the cost variation analysis furnished by the MEA indicated that while estimating the original cost of the Project in 1988, TCIL failed to take into account various elements like duty components, provision for annual recurring cost etc. which led to under estimation of cost. Further, cost escalation of Rs. 14.60 crore in the revised estimates in 1992 was mostly attributed to devaluation of Indian rupee vis-a-vis US dollar resulting in a variation of Rs. 10.93 crore alone. The Committee note that as of November 1998 an expenditure of over Rs. 29 crore had already been incurred in addition to over Rs. 2 crore likely to be spent till the commissioning of the Project fully. Considering the fact that even after spending an amount of over Rs. 29 crore, the operational status of the system is largely unsatisfactory and majority of the problems arising out of equipment and software are yet to be resolved, the Committee recommend that MEA should take urgent necessary steps to activate the HFRC system expeditiously and contain further escalation in the Project cost.

13. 49 -do-

The examination of the Committee revealed that as of now there were two instances where the system was used in cases of emergency. The first time the system was used for link with Lagos in the case of Liberian disturbance in 1993 and the

second instance in 1994 during plague epidemic for monitoring and diverting the Air India flights to Muscat. In both the cases, however, there was no breakdown of other normal means of communication and it cannot be claimed that the wireless communication was vital and the only means of communication during emergencies. The justification adduced by the Ministry in support of HFRC in its present state, does not hold water as out of the twin objectives of HFRC i.e. voice and data communication, only voice communication has been partially established as of now and data communication is vet to materialise. Further, in view of the delay of over ten years in setting up the system and serious doubts/uncertainty about it being fully operational for intended exploitation, the question of its obsolescence cannot be ruled out. The Committee are therefore inclined to conclude that the MEA did not do proper and sound spade work before committing themselves to such a heavy expenditure. This also brings into sharp focus the actual need and urgency of such a system, the availability of other alternative means of communication and their comparative reliability and cost. The Committee hope that the Ministry would evolve suitable procedure to ward off such incidents in future.

14. 50 Ministry of External Affairs

In the light of the inherent defects in the system, uncertainty about their rectification, unreliability of availability in actual times of need and possible obsolescence, the Committee took a view whether it would be wise to close the project, to salvage whatever is possible and save further cost in its operation and maintenance. According to the Ministry, although the Project has encountered numerous technical problems, it would still be advisable to maintain it with the capability for voice communication and with some additional efforts, it might be possible to restore data exchange facility. The Committee refrain from sharing the optimism of the Ministry at this stage.

1 2 3

The Committee have been informed that an evaluation of the Project by an independent group of experts has been suggested by the Ministry in 1999-2000, based on which a final decision could be reached on the future of the Project. The Committee would like to be apprised of the outcome of the proposed review.

### 15. 51 Ministry of External Affairs

Curiously enough, the Ministry have attempted to shift the blame for the Project to the TCIL. Apparently, the MEA have glossed over the fact that the ultimate responsibility for Project planning, specifications of the equipment, quality control and supervision rested with them. The Committee emphasise that merely because TCIL, who was their technical consultant and manager of the Project, is a PSU, does not absolve the Ministry of their responsibility. Further TCIL did not have major stake in the Project and it was assured of its remuneration (Rs. 55 lakhs as consultancy fee, Rs. 1.17 crore for factory inspection, installation and training) and above all, they did not have any liability towards wrong judgement in selection of the equipment, incompetent inspection etc. leading to system malfunctioning. While pointing out that an atmosphere of non-accountability was prevalent in the Ministry, the Committee cannot but conclude that the MEA failed miserably to implement the HFRC Project and that the inept handling of the Project by MEA has rendered the expenditure of over Rs. 29 crore questionable, and the basic objective of providing reliable communication network between New Delhi and 27 missions unattainable in the forseeable future.

### PART II

### MINUTES OF THE FOURTEENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON 21 OCTOBER, 1997

The Committee sat from 1500 hrs to 1815 hrs on 21 October, 1997 in Committee Room "C", Parliament House Annexe.

### PRESENT

Dr. Murli Manohar Joshi — Chairman

### **Members**

### Lok Sabha

- 2. Shri Nirmal Kanti Chatterjee
- 3. Shri Prithviraj D. Chavan
- 4. Prof. Ajit Kumar Mehta
- 5. Shri Suresh Prabhu
- 6. Shri B.L. Shankar
- 7. Shri Ishwar Dayal Swami

### Rajya Sabha

- 8. Shri Ramdas Agarwal
- 9. Shri R.K. Kumar
- 10. Shri Surinder Kumar Singla
- 11. Shri Vayalar Ravi

### SECRETARIAT

Shri P. Sreedharan — Deputy Secretary

### OFFICERS OF THE OFFICE OF C&AG OF INDIA

- 1. Shri I.P. Singh Addl. Dy. C&AG
- 2. Shri K.N. Khandelwal DG of Audit
- 3. Shri A.K. Thakur Pr. Director of Audit (RC)

### Representatives of the Ministry of External Affairs

- 1. Shri K. Raghunath Foreign Secretary
- 2. Shri B.N. Jha Additional Secretary (Financial Adviser)
- 3. Shri B. Jaishankar Joint Secretary (CNV)
- 4. Shri Amit Dasgupta Director (Finance)

### TELECOMMUNICATIONS CONSULTANTS INDIA LTD.

- 1. Shri A.S. Bansal Chairman and Managing Director
- 2. Shri S.K. Tandon Director (Technical)
- 3. Shri A.C. Bahl Group General Manager
- 4. Shri S.K. Mallick Joint General Manager (TP)

### VIDESH SANCHAR NIGAM LTD.

Shri K.K. Kheterpaul — Senior General Manager
 Shri A.C. Arora — General Manager (TSR)

- 2. At the outset, the Officers of the Office of the C&AG of India explained the salient points arising out of paragraph 4.1 of the Report of the C&AG of India for the year ended 31 March 1996, No. 2 of 1997, Union Government (Civil) relating to "Infructuous expenditure of Rs. 29 crore—Communication Network". Thereafter, the representatives of the Minstry of External Affairs, M/s Telecommunications Consultants India Ltd. and M/s Videsh Sanchar Nigam Ltd. were called and the Committee took their evidene on the said Audit Paragraph.
  - 3. A copy of the verbatim proceedings of the sitting has been kept on record.

The Committee then adjourned.

### MINUTES OF THE TWENTY THIRD SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (1998-99) HELD ON 11 MARCH, 1999

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The Committee sat from 150 Room No. "62", Parliament House		o 1600 hrs. on 11 March ,1999 in Comr
	PRE	ESENT
Shri Manoranjan Bhakta	_	Chairman
	Me	EMBERS
	Lok	: Sabha

- 2. Shri Ram Tahal Choudhary
- 3. Shri C. Gopal
- 4. Shri Vijay Kumar Khandelwal
- 5. Shri Rupchand Pal
- Dr. T. Subbarami Reddy 6.
- Shri Prabhat Kumar Samantaray 7.

### Rajya Sabha

- Shri Md. Salim 8.
- 9. Shri J. Chitharanjan
- 10. Shri Jayant Kumar Malhoutra
- 11. Shri Vayalar Ravi

#### SECRETARIAT

1. Deputy Secretary Shri Devender Singh 2. Shri S.C. Kaliraman Assistant Director 3. Shri R.C. Tiwari Committee Officer

### OFFICERS OF THE OFFICE OF C&AG OF INDIA

- 1. Shri D. Swarup DGA (CR) Ms. Sudha Rajagopalan 2. DGA (DS)
- 3. Shri M.M. Arya Pr. Director (Direct Taxes)
  - 2. The Committee took up for consideration the following draft Reports on:
    - (i) "Infructuous expenditure of Rs. 29 crore—Communication Network" on Paragraph 4.1 of the Report of C&AG of India for the year ended 31 March, 1996 (No. 2 of 1997).

(ii) \*\*\* (iii) \*\*\* \*\*\* \*\*\*

3. The Committee deliberated on the Subject matter of the above mentioned draft Reports and adopted the same with certain modifications and amendments as shown in Annexures I, II\* and III\* respectively.

<sup>\*</sup>Not appended.

4. The Committee authorised the Chairman to finalise these draft Reports in the light of verbal and consequential changes arising out of factual verification by Audit and present the same to Parliament.

The Committee then adjourned.

### ANNEXURE I

# Amendments/Modifications made by the Public Accounts Committee in the Draft Report Relating to Infructuous Expenditure of Rs. 29 Crore— Communication Network.

Page	Para	Line	Amendments/Modifications	
24	38	last	Substitute "deplore lack of" for "expected greater"	
24	38	last	Substitute "on the part of" for "from"	
26	40	9	Substitute "shocked" for "pained"	
27	41	6	Substitute "equipment" for "stuff"	
27	41	17	Add after them "to pinpoint the responsibility".	

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