

**STANDING COMMITTEE ON
INFORMATION TECHNOLOGY
(2004-2005)**

FOURTEENTH LOK SABHA

**MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY
(DEPARTMENT OF POSTS)**

**DEMANDS FOR GRANTS
(2004-2005)**

SECOND REPORT

**Presented in Lok Sabha on 23.08.2004
Laid in Rajya Sabha on 24.8.2004**

**LOK SABHA SECRETARIAT
NEW DELHI**

AUGUST, 2004/AGRAHAYANA, 1925 (Saka)

CONTENTS

	<u>PAGE</u>
COMPOSITION OF THE COMMITTEE	(i)
INTRODUCTION.	(iii)
REPORT	1

ANNEXURES

Annexure – I -- Minutes of the second sitting held on 10 August, 2004.....

Annexure – II -- Minutes of the fifth sitting held on 18 August, 2004

COMPOSITION OF THE
STANDING COMMITTEE ON INFORMATION TECHNOLOGY
(2004-2005)

Shri M.M. Pallam Raju

-

CHAIRMAN

MEMBERS – LOK SABHA

2. Shri Nikhil Chaudhary, M.P
3. Shri Mani Cherenam, M.P.
4. Shri Sanjay Dhotre, M.P.
5. Kunwar Jitin Prasad, M.P.
6. Shri Kailash Joshi, M.P.
7. Shri P. Karunakaran, M.P.
8. Dr. P.P. Koya, M.P.
9. Shri Bhartruhari Mahtab, M.P.
10. Shri Ajay Maken, M.P.
11. Smt. Nivedita S. Mane, M.P.
12. Smt. P. Jayaprada Nahata, M.P.
13. Col. G. Nizamuddin, M.P.
14. Shri Sohan Potai, M.P.
15. Shri Ashok Kumar Rawat, M.P.
16. Shri Chander Shekhar Sahu, M.P.
17. Shri Vishnu Sai, M.P.
18. Shri Tathagat Satpathy, M.P.
19. Shri K.V. Thangka Balu, M.P.
20. Shri P.C. Thomas, M.P.
21. Shri Ram Kripal Yadav, M.P.

RAJYA SABHA

22. Shri Vijay J. Darda, M.P.
23. Shri Ashwani Kumar, M.P.
24. Dr. Akhilesh Das, M.P.
25. Shri Balbir K. Punj, M.P.
26. Shri Dara Singh, M.P.

27. Smt. Sarla Maheshwari, M.P.
28. Shri N.R. Govindraj, M.P.
29. Shri K. Rama Mohana Rao, M.P.
30. Shri Motiur Rahman, M.P.
31. Shri Sanjay Nirupam, M.P.

SECRETARIAT

- | | | |
|----------------------------|------|--------------------------|
| 1. Shri P.D.T. Achary | ---- | Additional Secretary (P) |
| 2. Shri S.K. Sharma | ---- | Joint Secretary (SK) |
| 3. Shri Raj Shekhar Sharma | ---- | Deputy Secretary |
| 4. Shri K.L. Arora | ---- | Under Secretary |
| 5. Shri D.R. Shekhar | ---- | Assistant Director |

INTRODUCTION

I, the Chairman Standing Committee on Information Technology (2004-2005) having been authorized by the Committee to submit the Report on its behalf, present this Second Report on Demands for Grants (2004-2005) relating to the Ministry of Communication and Information Technology, Department of Posts.

2. The Standing Committee on Information Technology (2004-2005) was constituted on 5 August, 2004. One of the functions of the Standing Committee, as laid down in Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha, is to consider Demands for Grants of the concerned Ministry/Department and make a Report on the same to the House.

3. The Committee considered the Demands for Grants pertaining to the Ministry of Communications and Information Technology (Department of Posts) for the current year *i.e.* 2004-2005 which were laid on the Table of the House on 21 July, 2004. The Committee took evidence of the representatives of the Department of Posts on 10 August, 2004 about the Demands for Grants (2004-2005) pertaining to their Department.

4. The Report was considered and adopted by the Committee at its sitting held on 18 August, 2004.

5. The Committee wishes to express its thanks to the Officers of the Department of Posts for appearing before the Committee and for furnishing the information, that the Committee desired in connection with the examination of the subject.

6. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in Part-II of the Report.

New Delhi
19 August, 2004
28 Sravana, 1926 (Saka)

**M. M. PALLAM RAJU,
CHAIRMAN,
STANDING COMMITTEE ON
INFORMATION TECHNOLOGY**

PART - I

REPORT

Introduction

The Department of Posts (DoP) is committed to provide universal access to basic postal services in the country at an affordable price. Its objectives are to ensure availability of basic postal services in all parts of the country, including tribal, hilly and remote areas and the role of Post office is undergoing transformation the world over, as electronic mail and new technologies supplement traditional postal activities. Everywhere, the Post Offices are increasingly adopting new businesses that help to optimize its retailing strength, by providing a range of public utilities and new financial services that are relevant to the socio-economic needs of each country. It is also simultaneously under process of upgrading traditional services through induction of technology, and introducing new products and services in order to meet the challenges of providing faster, more reliable, and more responsive service to the customer in the face of increasing competition from the private courier industry and continuing advances in communication industry. As on March, 2003, India Post was stated to be having a network of 1,55,618 of which 1,29,452 (83%) are Extra-Departmental Branch Offices which work for a minimum of 3 hrs. and maximum of five hours a day catering exclusively to the Rural and Semi-rural areas and 26,166 (17%) are Departmental (full time).

2. The Department of Posts has presented Demand No. 14 for Grants to Parliament for the year 2004-2005 on 21 July, 2004 as under:-

Postal Service- Demand No.14

(In thousands of Rupees)

		Revenue	Capital	Total
Voted	Plan	20,21,00	169,83,00	1,900,400
		3,06,000*	690,00*	99,600*
	Non-Plan	6007,08,00	2,01,00	60,09,09,00
	Total	6030,35,00	178,74,00	6209,0900
Charged	Plan	---	---	---
	Non-Plan	2,00	---	2,00
	Total	6030,3700	178,74,00	6209,1100
* Allocation of North-Eastern Region				

3. It is observed that out of the proposed Annual outlay for the year 2004-2005 of Rs. 6209.11 crores, Plan outlay is Rs. 200 crores, and Rs. 6009.09 crores is Non-Plan outlay.

4. The Summary of Demands for Grants 2004-05 as submitted by the Department of Posts are given in the following table:-

(Rupees in crore)

	2002-03	2003-04	2003-04	2004-05	of Col.5 over	of Col.5 over
	Actuals	B.E.	R.E.	B.E.	Col.2	col.4
1	2	3	4	5	6	7
Revenue Section						
Gross Expenditure	5476.15	5594.01	5804.79	6027.31	10.06%	3.83%
Deduct: Recoveries	102.10	85.50	96.80	98.60	-3.43%	1.86%
Net Expenditure	5374.05	5508.51	5707.99	5928.71	10.32%	3.87%
Postal Receipts	4009.65	4200.00	4353.50	4554.00	13.58%	4.61%
Deficit	1364.40	1308.51	1354.49	1374.71	0.76%	1.49%
Provision for North East						
Region under M. Head 2552	0.00	1.34	1.92	3.06		59.38%
Capital Section						
Gross Expenditure	42.25	121.53	52.38	171.84	306.72%	228.06%
Deduct: Recoveries	0.00	0.00	0.00	0.00	0.00%	
Net Expenditure	42.25	121.53	52.38	171.84	306.72%	228.06%
Provision for North East						
Region under M. Head 4552	0.00	7.64	5.21	6.90		32.44%

Revenue Section:-

Gross Expenditure [Working Expenses]

5. It is observed from the above table that the proposed gross expenditure for 2004-05 is Rs.6027.31 crore, an increase of about Rs 222.52 crore, constituting 3.83% over RE 2003-04. According to the Ministry, the increase in provision will mainly cater to the Non-Plan heads viz. salaries, pensions, office expenses, rents, rates and taxes etc. Under Non-Plan head 3201 Postal services (Revenue Expenditure) has been increasing year after year i.e. Rs 5476.15 crore in 2002-03, Rs 5804.79 crore in 2003-04 and Rs. 6027.31 crore in 2004-05.

6. When asked about the reasons for increasing Non-Plan expenditure especially in the age of Globalization and development in Information Technology, the Department in their written reply have stated that the Department of Posts is a labour intensive Department where about three-lakh regular and equal number of Extra-Departmental employees are employed. The major portion of expenditure (about 88% to 90%) constitutes 'Staff Costs' and Pensionary Charges alone, and, if expenses such as transportation of mail, cost of printing of stamps, Postcards etc. are added then the overall fixed nature expenditure would be 90% to 95 % of total expenditure. The major reasons for increase in Non-Plan expenditure is stated to be increase in Dearness Allowance and Dearness Relief sanctioned from time to time and increments earned by employees.

7. On a further clarification to the rising Non-Plan expenditure the Department during evidence stated as under:-

“Our expenditure profile is also unique amongst all Central Government Departments, because we are perhaps the only Department which has the pension payments made to postal pensioners accounted as the working expenses of the Department. In the case of all other Central Government Departments, the pension payments made to the retired employees are booked to a common head of account whereas in the case of the Department of Posts, the pension payments made are treated as operating working expenses of the Department. This may have been done because the Department of Posts was visualized as a commercial Department and our services were supposed to have a tariff which do not only pay for the salaries, but also for the pensionary liabilities.”

8. On being asked about the steps taken to check the growing tendency of non-plan expenditure, the Department in their reply stated that, “the Department has been observing economy measures strictly on the basis of guidelines issued by Ministry of Finance from time to time. Besides, the status of Expenditure of the Department is also being reviewed and monitored monthly at the level of Secretary (Posts).”

REVENUE EARNINGS

9. The earnings of the Department are in the form of ‘Recoveries’ and ‘Revenues’. The item ‘Recoveries’ represents the amount of commission earned by the Department for agency functions done on behalf of other Departments and Organizations i.e Military Pension, Payment of Coal

Mines and EPF/Family Pension, Payment of Railway Pension, Postal Life Insurance, Custom duty realization, Mahila Samridhi Yojna, Commission on A/c of International Money Transfer-Western Union Scheme, Telegraph share of combined offices & others. 'Revenue' is stated to be on account of sale of postal articles, commission on money orders and Indian postal orders, receipts from other premium services, remuneration from saving bank and saving certificates work etc.

10. Giving clarification during evidence the Department stated that in the year 1999-2000 the postal operation segment provided 63% of their total revenue earnings whereas the remaining agency services including savings bank, provided 37%.

REVENUE DEFICIT

11. The table below indicates the Revenue Deficit of the Department of Posts in the Xth Plan:

	(Rs. In crore)
2002-03	1364.40 (actuals)
2003-04	1386.80 (Estimates)
2004-05	1377.77 (Projected for B.E.)

It is observed from the above table that the Departments revenue deficit has increased from Rs. 1364.40 crores in 2002-03 to Rs. 1377.77 in 2004-05 (projected). Hence, the revenue receipt of the Department is on the lower side in comparison to the working expenses incurred.

12. When asked by the Committee about the reasons for increasing trend of revenue deficit from the year 2002-03 to 2004-05, the Department informed that the Department's revenue deficit for Financial Year 2002-03 was Rs.1364.40 crore. The accounts for Financial Year 2003-04 have not yet been closed, however, the deficit is estimated to be Rs. 1386.80 crore (2nd supplementary). Further, the Department provides Saving Bank/ Saving certificate (SB/SC) agency function on behalf of Ministry of Finance (MOF) on cost recovery basis. The remuneration is accounted for Rs. 1,577 crore during Financial Year 2002-03. The Department has further submitted that as per the agreed formula, Ministry of Finance is required to enhance the per account / per certificate remuneration by 10% every year. However, it is stated that this enhancement was unilaterally restricted to 2.36% by Ministry of Finance for Financial Year 2003-04, which does not even provide for mandatory increase in salaries, pension & wages. This unilateral action of Ministry of Finance has also resulted in the increased Department's revenue deficit by Rs.267.33 crores in FY 2003-04. The Department further informed that in case remuneration was provided as per agreement, the revenue deficit would have been Rs. 1119.47 crore. For Financial Year 2004-05 also, Ministry of Finance is stated to have restricted the remuneration rate to 3.5 %, which will increase Department's revenue deficit by Rs. 465.13 Crore during FY 2004-05.

13. The Department further clarified during evidence that if they were religiously getting 10% increase every year on the number of accounts

with the post office and with the cash certificates issued, the deficit in 2002-2003 would have actually been Rs.1205 crore, in 2003-2004 it would have been Rs. 1119 crore and in 2004-2005 it would come down to three digits at Rs. 913 crore.

Budgetary allocation for North East

14. The Committee observed that the budgetary provisions for North East for the years 2002-03, 2003-04 has not been optimally utilized and desired to know the reasons for making an allocation of Rs.3.06 crore for 2004-05, where no expenditure was made during the earlier years. The Department, in their reply, have stated that Budgetary allocation for North East for the years 2002-03 and 2003-04 was Rs.15.00 crore and Rs.8.98 crore respectively as against Rs.9.96 crore in 2004-05. Rs.3.06 crore constitutes only the allocation made under Revenue Heads of accounts in 2004-05. The balance allocation is stated to have been made under the Capital Heads of accounts. In 2002-03 Rs.2.53 crore was utilized in the N.E. while in 2003-04 Rs.3.04 crore (approx) have been utilised. According to the Department of Posts, the reduced level of utilization in the first two years of the Plan is due to the delay in securing approvals for the various plan schemes, whereby the total utilization of plan funds by the Department has been much lesser than the total allocation received.

15. The Committee further enquired about the steps taken or proposed to be taken by the Ministry to ensure that budgetary allocation provided

for the head would be utilized fully for the purpose it was meant for. The Department, in their reply have stated that Plan allocations for the North East are made keeping in view specific activities identified for implementation in that region. Therefore, once a scheme is taken up for implementation, its constituent elements, including those targeted for the North East, are implemented as per parameters approved by the competent authority. The Department have also informed that it is required to spend 10% of its plan outlay in the North East region and every effort is made to identify areas where investment under plan can be made. These activities are also stated to be closely monitored by the Department, the Planning Commission and the Department of Development of NE region

Tenth Five Year Plan

16. The Postal Department has to fulfill the Government's Universal Service Obligation in terms of providing basic postal services throughout the country, irrespective of terrain, at an affordable price. Further with the continuing advances in Communication technology and increasing competition from the private couriers industry, the Postal Department has to gear up with the challenges and provide faster, more reliable, more responsive, viable and cost effective services to the customers.

17. In this context, the Committee enquired about the amount proposed by the Department for the Tenth Plan and the actual amount approved by the Planning Commission. In reply, the Department have

stated that the Working Group set up by the Planning Commission for the Department of Posts proposed an amount of Rs. 3616 crore for 8 Plan schemes as per details given below:

	(in crores)
1. Infrastructure Development (Expansion of Postal Network) –	Rs. 41.25
2. Computerization and connectivity –	Rs. 2033.99
3. Automation and ergonomics –	Rs. 335.49
4. Business Development –	Rs. 93.85
5. Financial Services –	Rs. 411.00
6. Human resource Development –	Rs. 103.93
7. Estates Development –	Rs. 585 .00
8. Philately –	Rs. 11.55
TOTAL	Rs.3616.00

18. In response to the proposed Schemes by the Department the Details of the 20 Plan schemes* approved by the Planning Commission along with their outlays as furnished by the Department are given below:

		(in crores)
Sl. No.	Plan/Scheme	Outlay
1	Expansion of postal network	32.435
2	Computerisation of post offices (installation of MPCMs), Accounts and Administrative offices and software Development	836.27
3	Computerisation and networking of Mail Offices	25.37
4	Upgradation of Customer Care Centre	11.57
5	Modernization & upgradation of VSAT system	3
6	Modernization of operative / working systems(improving ergonomics)	48.50
7	AMPCs	71.05
8	Mechanisation/Modernization of mail movement	21
9	Modernization / upgradation of premium products	41.09
10	Upgradation and promotion of philately	7.31
11	Training	61.30
12	Construction of buildings	115.40
13	Modernisation of circle stamp depots	2.52
14	Computerisation of International Mail Processing	3.33
15	National data center	10

16	Research and development / studies / surveys	4
17	Establishment of express parcel post centers	7.02
18	e-Post	5
19	e-BillPost	5
20	New products and services including Development of financial products and services	34
21	Improvement in Quality of Services (Externally Aided Project)	4.835
Grand Total		1350

** One additional scheme "Improvement of Quality of Service" has been included in 2004-05 for an outlay of Rs.4.835 crores by diversion of funds from the Plan scheme "Expansion of Postal Network". Therefore, the outlay in "Expansion of Postal Network" has been reduced to Rs.32.435 crores.*

19. In this connection, the Committee enquired as to whether any schemes were sacrificed from the original proposal of the Tenth Plan due to the lack of funds. In reply, the Department submitted that there was no one-to-one co-relation between the schemes proposed to the Planning Commission and approved by them as some of the elements have been bifurcated from the original proposals, to form separate schemes in the approved Plan for convenience in implementation. Year-wise break up of outlays was not available for each scheme as this phasing was subsequently recommended by the SFC/EFC etc. and approved by the competent authority. With the reduction in Plan outlay, the scope of many schemes were reduced proportionately. These were primarily in the areas of computerization of post offices, improving ergonomics, Financial Services, Human Resource Development (training) and Estates Development (construction of buildings). The reduction in outlay also took into account the capacity of the Department to realistically absorb the funds within the existing infrastructure, and the system and

processes that have to be complied with in this regard, and also policy directives contained in the Xth Plan.

Computerization of Post Offices

20. The total outlay approved for Computerization of Post Offices (Installation of MPCMs) Accounts and Administrative Offices and Software Development in the Tenth Five Year Plan is stated to be Rs 836.27 crores. Year wise break up of Financial targets as furnished by Department are given below:

(in crores)

Activities	2002-03	2003-04	2004-05	2005-06	2006-07	Fin.outlay (Rs.) In crores
Post Offices	Nil	110.40	205.57	151.17	263.78	730.92
Postal Accounts Offices (PAOs)	Nil	2.04	1.63	Nil	0.41	4.08
Administrative Offices	Nil	5.63	13.52	5.58	6.14	30.87
Consumables	Nil	4.72	13.55	19.82	19.82	57.91
Annual Maintenance Contracts	Nil	Nil	Nil	Nil	3.84	3.84
Spillover Payments	Nil	Nil	Nil	Nil	Nil	8.65
Total	Nil	122.79	234.27	176.57	293.99	836.27

21. The Physical targets of computerization of Post Offices to be achieved during the Plan period based on estimates approved by Cabinet Committee on Economic Affairs CCEA are given below:

Sl. No.	Category of Offices	Number of Offices proposed for computerization and networking	Number of offices proposed for only networking *
1.	Head Post Offices	339	506
2.	Departmental sub-Post Offices	5010	1266
3.	Circle Administrative Offices	3	19
4.	Regional Administrative offices	37	0
5.	Divisional Administrative Offices	205	0
6.	Postal Accounts Offices	22	0

* These offices were computerized up to 9th Plan.

22. Table showing comparative Budget allocation of four schemes for the previous year and this year is as under:-

Sl No.	Plan scheme/Activity	Tenth Plan	Annual Plan 2003-04 (BE)	Annual Plan 2004-05 (BE)
1	Computerisation of Post Offices	804.68	50.0	137.37
2	Setting up of computerised registration centres	20.30	0.01	3.82
3	Upgradation of Track & Trace (Speed Net)	3.50	0.80	1.00
4	Computerisation of speed post delivery/Booking offices	7.09	1.50	2.02

23. The Committee was informed that the Department has a network of 1,55,837 post offices as on 31.03.2004, including Head Offices and Sub-Offices. They further noted that the installation of PC based Multi Purpose Counter Machines (MPCMs) in post offices was taken up in the Seventh and Eighth plans to improve counter operations. Priority was given to counter operations, to improve customer service in terms of efficiency and speed, and over the last two Five year plan periods, 1772 post offices, including 506 Head offices, have been fully or partly computerized.

24. The Committee, enquired whether the physical target of 5616 for the scheme relating to Computerization and networking was adequate considering the huge network of Postal Department and the exact assessment in regard to the requirement of computerization. The Department in their reply have stated that ideally, the requirement would be to computerize the entire network of Post Offices so that its capacity to render both efficient and value added services is enhanced. However, given the vast size of the network it becomes necessary to prioritize them for the purposes of computerization. Accordingly, all HOs and most of the larger Post Offices, i.e., having more than 2 hands are proposed to be covered under the current Plan. It has further been added that in case funds are available due to reduction in cost of hardware, efforts will be made to computerize all SOs having more than 2 hands and SOs having 2 hands in the NE region.

25. On a specific query of the Committee regarding reduction of proposed Xth Plan outlay and reasons for short fall in physical and financial targets, the Department in their reply stated that out of Rs.836.27 crore proposed for Xth Plan, Rs. 238.18 crore was approved by Planning Commission during 2002-03 to 2004-05 whereas the actual expenditure incurred in 2002-03 & 2003-04 was only Rs. 8.755 crore. In this regard, it has been stated that after the approval of the CCEA was obtained on January 15, 2004, orders for computer hardware were placed in the month of March 2004 for 26 HPOs, 31 Regional Administrative Offices, 2 Circle Administrative Offices and 19 Director of Accounts (Postal) offices. Therefore, the reasons for shortfall in financial and physical terms are stated to be primarily due to the paucity of processing time to book the expenditure and limitation in funds available for the scheme at the R.E. stage respectively.

26. With regard to the computerization work for rest of the POs, the Committee were informed that the Plan scheme "Computerization of Post Offices" could not be taken up for implementation pending approval of the competent authority for the scheme which is stated to be approved only on 15.01.04. The Plan outlay for this scheme included a provision to meet certain spill over expenditures to the extent of Rs.8.65 crore. Hence, the expenditure incurred under this scheme during the first two years of the Plan pertained to this spill over expenditure.

27. The Department have also stated that they will strive to cover all three handed or more Post Offices during the current 5-Year Plan period, subject to availability of resources. Efforts are also being made to cover 2 handed SOs in the North East region during the current 5-Year Plan period. The rest of the Post Offices will have to be covered either under the next 5-Year Plan or by synergising the efforts made to provide connectivity in rural areas, either through the Provision of Urban Amenities in Rural Areas (PURA) initiative or using the Universal Service Obligation (USO) funds, through the Post Offices so that they become the one stop centre for all communication facilities in rural areas and thereby enhance their viability also. The suggestion is stated to have made to the Planning Commission for consideration.

Computerization of International Mail Processing

28. The objective of the scheme is to upgrade the quality of service in respect of International mail received both by air and by surface. Rs 1.93 crore has been received as grant from the Quality Service Fund of the Universal Postal Union (UPU). The Foreign Post Offices at Chennai and Kolkata are to be upgraded under the scheme. The scheme was expected to be completed by 2003-04. Targets for computerisation of four International Airmail Centres and a foreign post office/ sub post offices were completed except in Kolkata where there was a delay in undertaking the site preparation. Funds to the extent of Rs 0.77 crore for procuring hardware of Kolkata and Chennai is to be considered at the time of the

mid term review if the rest of the work is completed by then. Hence the matter is proposed to be taken up at the time of the mid term review.

29. On being asked by the Committee about the underutilization of the allocated budgetary fund, the Department stated that a sum of Rs 2.07 crore was allocated in 2003-04, which was raised, to Rs 2.23. crore due to excess demand. However only Rs 1.52 crore could be spent. When asked the reasons for excess demand when the final expenditure was less than the original allocation of Rs 2.07 crore it has been stated that the target was to complete the implementation of the scheme for computerization of International Mail Processing by the end of 2003-04. Accordingly the balance funds available for this project was fully sought at the RE stage. Since the work in Kolkata could not be completed within the stipulated time, the level of fund utilization was lesser than the originally projected amount.

RENT, RATES AND TAX (OBJECT HEAD)

30. The Committee were informed that under this head, budgetary allocation have been increasing since 2002-03. When the Committee enquired about the reasons for increasing allocation continuously from Rs.46.17 crore in the year 2002-03 to Rs.51.51 crore during the year 2003-04 and further to Rs. 52.00 crore during the year 2004-05 i.e. 8.58% more than the year 2002-03, the Department in their written reply stated that Allocation is being increased marginally every year to

take care of rent revision and tax revision of those hired buildings where the rent revision is due/demanded by the landlords. The Committee further queried as to how many buildings were on rent with the Department of Posts and details of rent paid for its offices situated throughout India. In reply, the Department stated that efforts were made from time to time to shift the offices from rented to departmental buildings wherever possible. Further, the Committee was informed that 22,610 buildings were on rent with the Department of Posts and Rs.45 crores approximately were being paid towards rent every year. In order to save the rent being paid by the Department for rented buildings, they were constructing buildings on vacant plots on priority in a phased manner subject to availability of funds under Plan head 'Construction of buildings'.

EXPANSION OF POSTAL NETWORK

31. The Committee have been informed that the Department of Posts has a huge network of 155837 Post offices. When asked to furnish break-up of 155837 Post Offices and details of Head P.O.s, Branch Post Offices and Extra-departmental Branch Offices, etc, the Department in their written reply stated that as on 31.03.04, the Postal network in India comprises of 846 HOs, 25,340 SOs, 2586 Extra-departmental SOs and 1,27,065 Extra-departmental Branch Offices.

32. Considering the huge network the Committee desired to know the break up of the number of POs, BPOs, Extra-departmental Branch

Offices running at a loss and making profits, also necessary steps being taken to revamp the loss making POs. The Department in its written reply stated that, “the entire rural network is provided subsidy to the extent of 66-2/3% for all Branch Offices located in normal rural areas and 85% in remote, tribal, hilly and desert areas. In the case of Departmental Sub Offices located in normal rural areas, an annual loss of Rs.2400/- per year per office is permissible while the permissible loss in remote, hilly, tribal and desert areas is Rs.4,800/- per year per office. However, every Post Office located in urban area is expected to be financially self-sufficient at the time of its opening and earn 5% over cost at the time of the first annual review to be retained.”

33. The Department further added that value returns are taken in respect of Post Offices in rural areas and many of the Post Offices are incurring losses far beyond the permissible levels. In fact, over 97% of the Branch Offices are stated to have less than the minimum prescribed workload of 3 hours. Even in urban areas, a study of single and double handed Post Offices conducted in 16 circles revealed that 60.9% of single handed Post Offices and 53.93% of double handed Post Offices are running at a loss. However, there is no procedure prescribed to assess the profitability of Post Offices on a regular basis. The workload in Post Offices is estimated on a triennial basis and since workload is a criterion for assessing the status of these offices, this assessment is being done as per fixed periodicity. When workload is found to be lesser than the prescribed norm, action is taken to re-deploy manpower to needy offices

or even to reduce the status of the office. Over the last 4 years all new Post Offices have been opened under Plan only through such redeployment of manpower.

34. On a specific query by the Committee regarding the reasons for shortfall in achieving the target for opening Extra-Departmental Branch Offices the Department stated that it was due to non-availability of proposals that fulfil all the three norms for opening Post Offices. In case of PSSKs, it was also the reluctance on the part of Panchayats to accept Panchayat Sanchar Sewa Yojana (PSSK) to provide the necessary infrastructure and supervision for its functioning.

35. When asked about the details of the number of proposals pending, the Committee have been informed that there are approximately 74 proposals pending for opening Departmental Sub Offices and 174 proposals pending for opening Extra-departmental Branch Offices in the country, which justify all norms fixed in this regard.

36. When asked about the survey done by the Department to assess the need of opening Extra-departmental Branch Offices in the country, the Department informed that normally assessment of the justification for opening a Post Office is done after the targets are received, taking into account the requests received, and also those eligible among the number of GP villages fulfilling distance and population norms which do not have post office facilities. In September 2003, there were 3752 Gram

Panchayat villages which fulfilled distance and population norms that did not have a Post Office.

37. During evidence, when the Committee enquired about the plan schemes for Expansion of Postal Network, the representatives of the Department stated that plan scheme for Expansion of Postal Network was placed before the Expenditure Finance Committee (EFC) and in reply ERC gave a direction that for first two years they will approve the targets and then for the remaining three years do the review of the whole scheme. Therefore, the Department is presently in the process of just placing the strategy for next three years before EFC.

Speed Post

38. The Committee were informed that Speed Post services were introduced in 1986, linking seven metro cities, with a view to provide fast and time-bound delivery services. As on date, Speed Post has a large network linking 156 major cities/towns in India on the national network and 97 countries in the international network. In addition, 773 towns and district headquarters are linked on the State Speed Post network, from where speed post articles can be booked for national and international destinations.

39. In response to a query by the Committee regarding share of total volume of speed post services handled, the Department in its written reply submitted that the estimated express market segment for the year

2003-04 is Rs. 2920* crores and the revenue earned by speed post services during 2003-04 is Rs. 298.35 crores, which is approximately 10.21% of estimated market share.

40. When asked, whether the share of the market in speed post satisfied the Department and what steps were being taken to compete with the private couriers, the Department in its reply stated that the share of speed post in express mail market segment has been continuously increasing over the years.

Market Share of Speed Post in Total Express Market during the years.

<i>(Rs. in crores)</i>							
Year	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04
*Total estimated Express Market	1010.00	1225.00	1485.00	1800.00	2115.00	2485.00	2920.00
Speed Post Revenue	77.95	91.36	126.17	151.44	196.53	243.01	298.35
Market Share of Speed Post in Express Market (%)	7.71	7.45	8.49	8.41	9.29	9.7	10.21

* Source: Kurt Salmon and Associates Report on "Market Survey on Express Market" – December 2001.

41. The Department further stated that business approach to extend speed post facility based on commercial and operational parameters is taken up and more and more outlets for the booking of speed post in all the existing locations is being provided. Further, extended hours of business for booking speed post in

metro cities and large towns / cities whenever there is a demand is also being provided.

42. Innovative schemes like time bound guaranteed delivery, money back provision for delayed delivery, free pick up service, extended hours of booking facility in metro cities and big towns/cities are being introduced to improve productivity and increase efficiency in the segment.

43. When asked about the constraints and difficulties being encountered in the functioning and remedial steps being taken, the department informed that the following constraints and difficulties were noticed in the functioning of speed post:-

- (i) Non availability of dedicated transport for carrying of speed post bags. Speed Post service is dependant on Indian Airlines, other private Airways and Railways for conveyance of bags. There are occasions when the speed post bags are offloaded by the Indian Airlines due to load constraints.
- (ii) Speed post functioning under the rules and regulations applicable to Government Departments cannot provide the flexibility required for operations in a competitive market. Speed Post should operate in an environment, which will allow flexibility in operations as per market situation.
- (iii) Speed Post costing based on the cost of Departmental employees, departmental mail motor services etc do not permit a competitive rate structure in competition to private couriers.

44. The Committee, therefore, asked about the remedial steps taken to overcome the constraints. In reply, the Department have stated that

steps have been taken to induct business approach in the operations, in providing a computerized Track & Trace System for tracking both domestic and international articles, and efforts are on to computerize the booking and delivery offices, monitor the delivery of Speed Post articles on daily basis and focus is given on the needs of customers for servicing them through marketing executives.

45. The Department has further added that a new strategy of National Accounts Management has been introduced which provides for a single window solution for major customers with large business volume.

46. When asked about the product-wise revenue growth development data for the year 2003 and 2004, the department submitted as under: -

(Rs in million)

Product	Revenue in 2002-03	Revenue in 2003-04	% growth
Speed Post	2430.1	2983.5	22.77
Business Post	2768.6	3651.1	31.87
Media Post	59.7	57.5	-3.68
Express Post	261.0	314.5	20.49
Retail Post	78.7	336.5	327.57
Greeting Post	3.8	4.0	5.26
Other Business Services	34.2	125.4	266.67
Total	5636.4	7472.5	32.57

47. Giving the targets for 2004-2005, the Department stated that an ambitious target has been fixed to motivate the staff to put their best in marketing efforts and exploring the market.

(Rs. in millions)

Speed Post	Business Post	EPP	Retail Post	Greeting Post	Media Post	e-bill Post	S.P. Passport	Bill Mail Service	New Business Packages	Total
5142.	5201.255	540.9	531.45	19.51	129.1	4.85	13.9	122.935	23.2	11730.0

TRAINING

48. With the induction of Technology and the launch of new value added services training has become necessary to train the existing manpower to handle the new requirements. The Department has also kept training in the thrust area and has allocated Rs.61.30 crore for Xth Plan. During the year 2002-03, Rs.6.65 crore was allocated and Rs. 2.37 crore was actually incurred. For 2003-04 out of proposed amount 13.75 crore Rs.11.28 crore was approved by the Planning Commission whereas actual expenditure was approximately Rs.7.07 crore. For 2004-05 the proposed amount of Rs. 13.35 crore has been reduced to Rs. 9.85 crore. The Committee, therefore, asked the reason for the reduction and underutilization of the outlay in the budgetary fund for the year 2002-03, 2003-04.

49. The Department in their written reply have stated that the reduced outlay has not really hampered the training programmes. Though they have admitted that there was shortfall in achievement of targets only in respect of work place training which happened because of lack of adequate facility in the existing workplace training centers to meet the targets fixed for the purpose. The Department have further stated that shortfall in financial terms is due to certain building projects in training institutions failing to take off.

50. The Committee further desired to know whether the training of staff helped in the smooth functioning of the department. In reply, the Department have stated that the training of the staff in computer, refresher and financial services have certainly helped to hone up their

skills while inputs given on customer handling, motivation etc., have helped not only the staff in post offices but even delivery staff like postmen to improve their handling of customers. The Department has proposed to train 40,000 GDS Mail Deliverers on customer handling. Important training programmes are being conducted in training institutions which are focused on Business Development and Marketing, Financial Services, Settlement of Savings Claims, Customer Care, Management of Philatelic Bureau and Marketing of Philately, Training of Trainers and Computer Training.

51. On being asked about the infrastructure available like software, hardware, space, uninterrupted power supply, provision for welfare of staff and officers attending the training etc., at the training centers the Department stated that the upgradation of facilities in training centers is an ongoing activity for which provisions are made in every Plan to the extent of funds available. While facilities for computer training, back up for uninterrupted power supply and basic amenities including welfare measures are provided in all the training institutes, efforts are being made to upgrade them. In the current Five Year Plan, the activities that have been taken up includes construction of Ladies Hostel/Staff Quarters/Technology Center at PTC Mysore, Gents Hostel/Indoor Stadium at PTC Vadodara and Ladies Hostel at Saharanpur. A New building for PTC is also proposed to be constructed at Guwahati to cater to the needs of the employees of the North East Region. Further six more

workplace computer training centers are also proposed to be set up in the North East Region during the X Plan period.

Financial Receipts

52. On a specific query of the Committee in regard to services running at loss and making profits alongwith details of subsidy given to various articles under the head postal department the Committee were informed that out of 38 services only 8 services recover full cost whereas remaining were running at loss. The subsidy as per 2002-03 was stated to be from 0.44% in respect of "Speed Post" to 95.86% in respect of Registered News Paper single.

53. Details of these services as given by the Department are furnished in the table below.

STATEMENT SHOWING PERCENTAGE OF SUBSIDY 2002-2003 (Projection)					
S. No.	Service	Unit Cost	Subsidy per unit	% age of Subsidy	Total Subsidy
1.	Post Card	720.42	-670.42	-93.06	-129.59
2.	Printed Post Card	722.85	-172.85	-23.91	-16.16
3.	Comp. Post Card	504.77	411.90	81.60	2.89
4.	Letter Card	720.18	-478.51	-66.44	-157.66
5.	Letter	786.64	93.57	11.90	50.56
6.	Business Post	394.28	58.54	14.85	21.50
7.	Satellite Post	3116.46	-13.83	-0.44	-0.0001
8.	Greeting Post	1287.62	212.38	16.49	0.0035
	REGD. NEWS PAPERS				
9.	Single	891.08	-854.22	-95.86	-62.44
10.	Bundle	1524.93	-1439.49	-94.40	-26.00

	BOOK POST				
11.	Book P.& S. Pkts.	890.50	-130.64	-14.67	-9.13
12.	Printed Books	1379.54	-1043.85	-75.67	-27.03
13.	Other Periodicals	1241.20	-484.48	-39.03	-9.05
14.	Parcel	5892.21	-336.73	-5.71	-21.65
15.	Express Parcel	18432.06	-13917.16	-75.51	-59.54
16.	Registration	3593.48	-1893.48	-52.69	-371.28
17.	Speed Post	3949.63	-232.85	-5.90	-12.30
18.	Value Payable Post	2297.84	-1887.11	-82.13	-17.52
19.	Insurance	4593.18	2003.49	43.62	17.68
20.	Money Order	5399.31	-2961.16	-54.84	-316.05
21.	Satellite M.O.	4756.56	-2318.41	-48.74	-7.41
22.	T M O	6834.87	-4163.48	-60.92	-0.58
23.	I.P.O.	1954.91	-1799.29	-92.04	-76.37
24.	Foreign Post	2062.89	325.24	15.77	19.39
25.	Acknowledgement	646.48	-346.48	-53.60	-11.24
	Total Subsidy				-1218.98
	Agency Services				
26.	Savings Bank	2254.13	-26.36	-1.17	-16.51
27.	M.S.Y. Per A/C	0.00	0.00	0.00	0.00
28.	S.C. & K.V,P.	3870.70	-852.53	-22.03	-64.40
29.	I.V,P.	1182.27	-380.57	-32.19	-5.70
30.	Military Pension	4138.13	-111.13	-2.69	-0.02
31.	Railway Pension	5762.89	-3512.89	-60.96	-6.87
32.	Coal Mines Pension	5792.63	-1765.63	-30.48	-1.20
33.	PLI per Transaction	947.48	0.00	0.00	0.00
34.	Pass Port Forms	918.86	-618.86	-67.35	-0.43
35.	UPSC Forms	919.50	-219.50	-23.87	-0.31
36.	WUMTS	8112.71	25120.16	309.64	1.30
37.	ICICI	6219.88	8280.12	133.12	0.01
38.	TRC	1457.23	-957.23	-65.69	-0.02
	Total Subsidy Agency				-94.15
	Gross Subsidy				-1313.13

54. Similarly, according to the Department in the financial year 2003 – 04 projection containing 35 services, of which 11 services are in surplus and remaining 24 services in deficit. Details of which are given as in the table below as under:-

STATEMENT SHOWING PERCENTAGE OF SUBSIDY					
2003 - 04 (Projection)					
Sl. No.	Name of Service	Av. unit Cost (in paise)	Subsidy per unit	%age of Subsidy	Total Subsidy (In crores of Rs.)
A	Traditional Services				
1.	Post Card	663.81	-613.81	-92.47	-156.59
2.	Printed Post Card	666.41	-66.41	-9.97	-2.90
3.	Comp. Post Card	472.14	527.86	111.80	1.70
4.	Letter Card	663.38	-413.38	-62.31	-135.37
5.	Letter	733.87	212.49	28.95	103.47
	REGD. NEWS PAPERS				
6.	Single	825.49	-786.49	-95.28	-46.60
7.	Bundle	1302.66	-1214.66	-93.24	-43.63
	BOOK POST				
8.	Book P.& S. Pkts.	825.29	-58.52	-7.09	-3.92
9.	Printed Books	1303.13	-917.91	-70.44	-23.30
10.	Other Periodicals	1305.49	109.76	8.41	2.86
11.	Parcel	6736.33	-1208.42	-17.94	-64.54
12.	Registration	3302.85	-1602.85	-48.53	-357.92
13.	Value Payable Post	2042.54	-1644.08	-80.49	-31.22
14.	Insurance	4408.86	938.43	21.28	9.11
15.	Foreign Post	1391.58	849.94	61.08	72.45
16.	Acknowledgement	584.88	-284.88	-48.71	-8.87
17.	TRC	1506.49	-1006.49	-66.81	-74.48
	Total				-759.74
B	Premium Products				
18.	Business Post	360.62	178.81	49.58	114.52
19.	Satellite Post	3243.72	-1214.98	-37.46	-0.02
20.	Greeting Post	1140.42	359.58	31.53	0.05
21.	Express Parcel	12235.30	-7633.72	-62.39	-49.82
22.	Speed Post	4460.46	-896.48	-20.10	-71.39
	Total				-6.66

C	Financial Services				
23.	Money Order	5380.00	-2845.22	-52.89	-331.47
24.	Satellite M.O.	4723.26	-2188.49	-46.33	-7.85
25.	T M O	7027.99	-4293.21	-61.09	-1.08
26.	I.P.O.	2162.59	-2026.12	-93.69	-73.00
27.	Savings Bank	11403.98	358.66	3.15	42.50
28.	S.C. & K.V,P.	4045.35	-725.36	-17.93	-49.19
29.	I.V,P.	1250.30	-368.43	-29.47	-4.95
30.	Military/ Assam Rif.	4321.72	107.98	2.50	0.01
31.	Railways pension	6010.35	-3760.35	-62.56	-6.69
32.	Coal Mines Pension	6041.76	-1612.06	-26.68	-1.46
33.	PLI per Transaction	1004.27	-104.67	-10.42	-7.45
34.	WUMTS	8197.27	19249.54	234.83	2.71
35.	ICICI	6243.02	7300.98	116.95	0.27
	Total				-437.63
	Grand Total				-1204.03

PART – II

RECOMMENDATIONS/OBSERVATIONS

Recommendation No. 1

GROSS EXPENDITURE

The Committee note that the gross expenditure under the revenue section has been increasing year after year i.e. Rs.5476.15 crore in the year 2002-03, Rs. 5804.79 crore in the year 2003-04 and budgeted Rs. 6027.31 crore in the year 2004-05. This has risen mainly due to the profile of work force in the Department which is labour intensive. The increase relates to the increase in Dearness Allowance and Dearness Relief sanctioned to them from time to time. The other factor that is responsible is the pension payments that are made to postal pensioners. This pension is charged to operating working expenses of the Department, whereas in other Ministries/Department it is charged to a common head of account.

Whereas the Committee appreciate the universal service obligation being performed by the Department and its efforts to minimize the expenditure, they are surprised at the step-motherly treatment being meted out to the Department by charging payments to pensioners towards operational working expenses of the Department.

The working expenses for the year 2003-2004 were Rs. 5747.72 crore out of which approximately 1/5th i.e. Rs.1107.22 crore was spent on Pensions. Again in the year 2004-2005, the working expenses are projected to be Rs.6030.37 crore out of which Rs.1215.00 crore are being spent on pensions (again about 1/5th).

The Committee, therefore, strongly recommend that the Department should take up the matter with the Ministry of Finance and the Planning Commission to treat pension payments as a separate common head as in the case of other Ministries which would then substantially reduce their working expenses.

Recommendation No. 2

Revenue Earnings

Revenue earnings which come through recoveries towards commission from other departments for agency functions done on behalf of these departments and organization by the Department of Posts accounted for Rs. 103.99 crore in the year 2003-2004 and which is projected to be Rs. 98.60 (BE) in the year 2004-2005.

Revenue earnings also come form revenue receipts from the sale of postage stamps, postage realized in cash, MO/IPO commission, SB/CC and miscellaneous receipts accounted for Rs. 4256.93 crore in 2003-2004 and is projected to be Rs. 4544.00 crore (BE) in 2004-2005.

The Committee note that whereas the earnings from recoveries is going down, the earnings from direct sale of products is going up. This apparently is because the department is rendering services at a minimal charge on cost to cost basis, without any profit motive. Further, it is also attributed to the fact that people go in for insurance from private fund managers which are more attractive than the insurance policies of the Department of Posts. In view of such a scenario, the Committee recommend that the Department of Posts should now come out of the euphoria of total universal obligation and begin looking at some practical solutions, namely insurance wherein it can reduce its deficits by generating healthier revenue by working on commercial lines. One of the areas could be selling non-competing products through post offices. The Commission thus earned will add to the revenue of the Department. The Committee also recommends that adequate awareness campaign have to be done by the DoP for popularizing insurance schemes for the common man.

Recommendation No. 3

Revenue Deficit

The revenue deficit of the Department has increased from Rs.1364.40 crore in 2002-2003 to Rs. 1386.80 crore in 2003-2004 and now it is expected to come down to Rs.1377.77 crore in 2004-

2005. The huge deficit is generated through high expenditure and low revenues through the years.

Whereas, main factor for high expenditure is the large base of employees whose salaries, pensions, DA etc. have to be met by low revenue earning through subsidized rates of products and services which are provided through the universal obligation of the Department.

Another factor responsible for the low generation of revenue is the unilateral restriction of commission towards agency function carried out by the Department on behalf of the Ministry of Finance. As per agreement the Ministry of Finance is required to enhance the per account/per certificate remuneration by 10% every year. However, this enhancement was unilaterally restricted to 2.36% by the Ministry for the year 2003-2004 and 3.5% for 2004-2005 thereby increasing the deficit of the Department by Rs.267.33 crore in 2003-2004 and Rs. 465.13 crore during FY 2004-2005 (BE).

The Committee feel that the Ministry of Finance is doing great injustice to the Department, which is already serving the nation by not functioning on commercial lines without a profit motive. The Committee, therefore, impress upon the Ministry of Finance to abide by its terms of agreement and enhance the per account/per

certificate remuneration by 10% every year to reduce the huge deficit of the Department of Post to a reasonable level.

Recommendation No. 4

BUDGETARY ALLOCATION FOR NORTH-EAST

The Committee note that as per the instructions of the Government it is mandatory for the Department to spend 10% of its outlay for North-East Region. However, the Committee are perturbed to observe that out of Rs. 15 crore allotted in 2002-03 only Rs.2.53 crore could be utilized and for the period 2003-04 again out of Rs. 8.98 crore budgetary funds allocated only Rs. 3.04 crore could be utilized. The Committee are not inclined to accept the reasons explained by the Department that due to delay in securing approvals for the various plans, budgetary allocations could not be utilized. From the reply, the Committee feel that no serious efforts were made by the Department to get the schemes approved by the Planning Commission in time, which resulted in gross underutilization of the budgetary allocations provided for the development of the North-East Region. The Committee, desire that utmost attention should be given to the North-East areas in terms of getting the schemes approved in time and actual utilization of funds allocated therefor. The Committee also desire that in order to fulfill the aspiration of the people of the North-Eastern Region, every effort should be made to identify the areas where investment under the plan could be made. The Committee hope that the DoP will take

suitable measures to fulfill the demands of NE region. They should also explore the possibility of locating Post Offices in the newly constructed Community Information Centres (CICs) of Department of Information Technology.

Recommendation No. 5

X FIVE YEAR PLAN

The Committee note that the working group set up by the Planning Commission for the Department of Posts, proposed an amount of Rs.3616 crore for 8 Plan schemes, which include Infrastructure Development, Computerization and connections, Business development, financial services, HRD, Estate development, automation & ergonomics & philately. The Committee are however, surprised to note that the Planning Commission, not only reduced the proposed outlay from Rs. 3616 crore to Rs. 1350 crore but also increased the number of schemes from 8 to 20 at the time of approval. There is no one-to-one co-relation between the schemes proposed to the Planning Commission and approved by them as some of the elements have been bifurcated from the original proposals to form separate schemes in the approved plan for convenience in implementation. This however, proportionately reduced the scope of many schemes, which were in the area of computerization of Post Offices, improving ergonomics, financial

services, Human Resource Development (training) and Estates Development (Construction of buildings).

The Committee have been informed that the plan schemes are envisaged by the Department keeping in view the basic requirement of Postal network and demand of the costumers. Moreover, bifurcation of original proposals of the Department in the Planning Commission will also create problem for the Department in implementing and allocating funds for the restructured schemes. However, in spite of all the constraints the capacity of the Department to realistically absorb the funds within the existing infrastructure has also to be looked into.

In view of the above and also in view of the fact that the Department's main objective is to modernize, computerize and facelift itself during the X Plan, the Committee feel that the Department would do well by absorbing Rs. 1350 crore and achieving its objectives. The Committee also impresses upon the Planning Commission to agree to give to the Department the desired funds if they are approached for the same.

Recommendation No. 6

COMPUTERIZATION OF POST OFFICES

Computerization of Post Offices, Sub-Post Offices, Circle Administrative Offices, Regional Administrative Offices, Divisional

Administrative Offices and Postal Accounts Offices and networking is on the anvil of the Department of Posts during the Xth Plan. Out of 1,55,837 such offices in the country, 1772 Post Offices including 506 Head Offices have been fully or partly computerized during the last two Five year Plan periods.

An amount of Rs.836.27 crore has been provided by the Planning commission to computerize 5616 Post Offices and other offices during the Xth Plan. However, since the scheme was approved by the Cabinet Committee on Economic Affairs in January, 2004 an amount of Rs. 8.38 crores and Rs. 0.375 crore could be utilized on this project during the first two years of the Xth Plan thereby computerizing 26 POs, 31 ROs and 3 COs.

The Committee are highly perturbed over the fate of this important project. They are apprehensive about the possibility of the Department to absorb approximately Rs. 828.00 crore during three years 2004-2005, 2005-2006 and 2006-2007 and achieve the gigantic target of computerizing 5616 POs. In the opinion of the Committee, the funds do not pose any problem as such but the will to perform should be there to capitalize gains as much as possible.

The Committee are dismayed to note that Department is not serious enough to execute its vital and important schemes of computerization, which will not only facilitate effective networking

of postal services but also be helpful in increasing efficiency, downsizing of huge non-plan expenditure and for generation of more and more revenue by providing efficient consumer friendly service to the customer. Keeping in view the vital importance of the scheme, the Committee, therefore desire that Department should explore all ways and means to implement its scheme of computerization, in a uniform manner, so that not only urban areas but also rural/semi rural areas too can be networked and its vital consequential benefits could accrue to the Department of Posts and the consumer at large. The deployment of computers should be optimized according to the realistic necessity of each location. The Committee would like to be apprised about the detailed time bound programme chalked out by the Department for execution of its computerization scheme in an judicious, efficacious and fruitful manner. The DoP should also improve efficiency of the internal processes of Post Offices through appropriate computerization and effective training of personnel.

Recommendation No.7

Computerization of International Mail Processing

The Committee are informed that the upgradation of the Chennai and Kolkatta Post Offices under the scheme is complete. The Computerization of four International Airmail Centres and a foreign post office has also been completed except for Kolkatta which was delayed due to site preparation. Hardware to the extent

of Rs. 0.77 crore will be procured after the mid term review of the project. The Committee, therefore, desire that the computerization of International Mail processing in Kolkata post office should be taken up on priority basis to complete the remaining work before the time of mid term review so that the computerization process could be taken up for completion in a time bound manner.

Recommendation No. 8

Rent, Rates and Tax

The Committee note that under the head “the rent, rates and tax” the budgetary allocation have been increasing since 2002-2003 on account of rent revision and revision of hired buildings where the rent revision is due. The Committee further note that for 22,610 buildings on rent with Department of Post, a substantial amount i.e Rs. 45 crores approximately are being paid toward rent every year.

The Committee are of the opinion that in case rent being paid by the Department for rented building is saved, by constructing its own buildings on vacant plots on priority basis and in a phased manner, the substantial amount saved on rent can be diverted for implementation of important plan schemes, which are lagging behind on account of shortage of fund.

The Committee, therefore, desire that the Department of Post should chalk out its detailed policy, for construction of its own buildings on vacant plots or land offered by the Panchayats or other organizations on priority basis in a phased manner and save the huge rent paid on hired buildings. With regard to the location of smaller post offices in urban areas the necessity of creating assets should be dispensed with, which would result in saving of capital expenditure. The option of renting out may be exercised in order to have a flexibility of shifting operations to wherever business is anticipated. The Committee would like to know about the detailed plan of the Ministry along with availability of land and estimates of total expenditure to be incurred thereon.

Recommendation No. 9

Expansion of Postal Network

The Committee note that Department of Posts has a huge network of 155,837 Post Offices comprising of 846 HOs, 25340 SOs, 2586 Extra-Departmental Sub-Offices and 1,27,065 Extra-Departmental Branch Offices. The Committee further note that entire rural network is provided with the subsidy to the extent of 66-2/3% for all Branch Offices located in normal rural areas and 85% in remote, tribal, hilly and desert areas. The Committee have been informed that an annual loss of Rs.2400/- per year per office is permissible, in case of Department sub-office in normal areas, while

it is Rs.4800/- per year per office in remote, hilly, tribal and desert areas, however, every post office located in urban areas are expected to be financially self-sufficient and earn 5% over cost at the time of the first annual review.

The Committee, note with concern that approximately 74 proposals are pending irrespective of the prescribed norms for opening Departmental Sub Offices and 174 proposals with prescribed norm, pending for opening Extra-Departmental Branch Offices.

The Committee also note that post offices are not necessarily opened on the basis of prudent norms but sometimes on extraneous pressures and consideration beyond the control of the Department. Such post offices may tend to go into losses. The other major factor for post offices going into losses is the universal service obligation which the Department has to fulfill being a member of the Universal Postal Union. Such cases are, therefore, in the opinion of the Committee, justified.

The Committee, therefore, are of the considered opinion that location and density of post offices plays a vital role in revenue generations which should not necessarily be profit-making. The main aim of the Post Offices should be to serve the people at large. According to the Committee, the Post Offices should be located at

bus stations, railway stations etc. They should not alter their fundamental nature, which is reliability. In a bid to attain these objectives, the Committee desires that the department should exercise utmost care and caution for expansion of its network in the urban areas.

Recommendation No. 10

Speed Post

The Committee are happy to note that the share of speed post in express mail market segment has been constantly increasing from Rs. 77.95 crore in 1997-98 to Rs. 298.35 crore in 2003-04, but in percentage terms, this is only 10% of the EMS which is quite disappointing. The major chunk i.e. 90% still rests with the private courier or express industry market etc. Keeping in view, the huge potential and ample scope of the expansion of speed post in the express market and in order to expand revenue share in the market, the Committee feel that the Department of Post should adopt a commercial approach based on commercial operational parameters, fresh induction of technology, improve efficiency and innovative business skills with effective monitoring mechanism. In order to do so, it has to overcome the constraints like dependency on transport system, railways and airlines. In the opinion of the Committee, the DoP should have flexibility in operation of speed post with regard to the application of rules and regulation and also fixing costs etc.

Recommendation No. 11

Training

The Committee note that the Department have kept the training in the thrust area and had allocated Rs. 61.30 crore for Xth Plan. They also note that there has been underutilization of budgetary allocation under the head. The Department was unable to utilize the funds allocated to it as during the year 2002-03 out of Rs 6.65 crore allocated, an amount of Rs. 2.37 crore could be utilized and further in 2003-04 out of Rs.11.28 crore allocated Rs.7.07 crore could be utilized. Lack of adequate facilities in the existing workplace training centers and certain building projects in training institutions failing to take off are stated to be the reasons for shortfall in achievement of targets.

The Committee are of the considered opinion that in order to bring efficiency and improvement in quality of work, imparting proper and qualitative training to more and more employees is imperative. However, wherever possible, training of the employees by outside sources could be explored to reduce overheads and to make the training more effective Refresher courses should also be organized to enthuse employees in their assignments. The Committee, therefore, keeping in view importance of the training, desire that the Department should not only enhance their training

resources including building projects in training institutions but also devise efficient mechanisms for effective implementation of the plan schemes so that actual utilization of the budgetary allocation is as near as possible.

Recommendation No. 12

Financial Receipts

The Committee note with serious concern that for the year 2002-2003, out of 38 services of the Postal Department only 8 services generated surplus, whereas the remaining services were running in losses. Further, for the year 2003-04 out of 35 services of the postal department, only 11 services were in surplus and remaining 24 were in deficit. The Committee are of the opinion that in the era of severe competition and high expectations of customers from postal services and its products, the postal Department should rethink and reassess its working in order to identify reasons for incurring losses and formulate an efficacious strategy to get rid of its services from running into losses year after year. In such a situation, the Committee feel that Department will have to be always dependant on grant/rebate for running its postal network. The Committee, therefore would like to know the reasons for its services running into losses and desire that effective steps should be taken by the Department to overcome the recurring losses. They suggest that the DoP should have a relook at their range of products

**and services offered by them and optimize the bouquet of services/
products depending upon the location of Post Offices.**

**New Delhi
19 August, 2004
28 Sravana, 1926 (Saka)**

**M. M. PALLAM RAJU,
CHAIRMAN,
STANDING COMMITTEE ON
INFORMATION TECHNOLOGY**

**MINUTES OF THE SECOND SITTING OF THE
STANDING COMMITTEE ON INFORMATION TECHNOLOGY
(2004-2005)**

The Committee sat on Tuesday, 10 August, 2004 from 1500 hours to 1645 hours in Committee Room '53', Parliament House, New Delhi.

PRESENT

Shri M.M. Pallam Raju -- Chairman

MEMBERS

LOK SABHA

2. Shri Nikhil Chaudhary, M.P.
3. Shri Mani Cherenam, M.P.
4. Shri Sanjay Dhotre, M.P.
5. Shri P. Karunakaran, M.P.
6. Shri Ajay Maken, M.P.
7. Shri Col. G. Nizamuddin, M.P.
8. Shri Ashok Kumar Rawat, M.P.
9. Shri Chander Shekhar Sahu, M.P.
10. Shri Ram Kripal Yadav, M.P.

RAJYA SABHA

11. Smt. Sarla Maheshwari, M.P.
12. Shri N.R. Govindarajar, M.P.
13. Shri K. Rama Mohana Rao, M.P.
14. Shri Motiur Rahman, M.P.

SECRETARIAT

- | | | | |
|----|-------------------------|----|--------------------|
| 1. | Shri S.K. Sharma | -- | Joint Secretary |
| 2. | Shri Raj Shekhar Sharma | -- | Deputy Secretary |
| 3. | Shri K. L. Arora | -- | Under Secretary |
| 4. | Shri D.R. Shekhar | -- | Assistant Director |

Representatives of the Department of Posts (DoP)

1.	Shri Vijay Bhushan	Secretary (Posts)
2.	Shri R. Ganesan	Member (O)
3.	Shri Mohan Kumar	Member (P)
4.	Dr. Srinivasa Raghavan	Member (D)
5.	Smt. Rekha Gupta	JS & FA
6.	Shri I.M.G. Khan	CMG (BD)
7.	Shri S.C. Sarma	CGM (PLI)
8.	Smt. Anju Dasgupta	Sr.DG (PO&I)
9.	Smt. T.K. Aryavir	DDG (PG)
10.	Smt. Devika Kumar	DDG (M&TS)
11.	Smt. Rameshwari Handa	DDG (Estates)
12.	Shri P.D. Tshering	Director (Tech.)
13.	Smt. Padmini Gopinath	DDG (FS)
14.	Smt. Kaveri Banerjee	DDG (Phil)
15.	Smt. Shoba Koshy	DDG (CP)
16.	Smt. Divya Malhotra	DDG (PAF)

2. At the outset, the Chairman welcomed the Secretary, Department of Posts and other officers accompanying him to the sitting of the Committee.

3. Thereafter, the Secretary, Department of Posts highlighted the salient features of the Demands for Grants (2004-05) which was followed by a brief presentation on the same.

4. The Members sought certain clarifications on the issues relating to Demands for Grants (2004-05) of the Department of Posts. The representatives of the Department responded to the same.

...3...

5. The Chairman thanked the witnesses for appearing before the Committee and furnishing valuable information, in connection with the Demands for Grants (2004-05) of the Department of Posts.

A verbatim record of the sitting has been kept separately.

The Committee, then, adjourned.

**MINUTES OF THE FIFTH SITTING OF THE
STANDING COMMITTEE ON INFORMATION TECHNOLOGY
(2004-05)**

The Committee sat on Wednesday, 18 August, 2004 from 1500 hours to 1745 hours in Committee Room No. G074, K-Block, Parliament Library Building, New Delhi.

PRESENT

Shri M. M. Pallam Raju -- Chairman

MEMBERS

LOK SABHA

2. Shri Mani Cherennamei
3. Shri P. Karunakaran
4. Shri Bhartruhari Mahtab
5. Smt. Nivedita S. Mane
6. Shri Sohan Potai
7. Shri Ashok Kumar Rawat
8. Shri Chander Shekhar Sahu
9. Shri K.V. Thangka Balu
10. Shri Ram Kripal Yadav

RAJYA SABHA

11. Shri Ashwani Kumar
12. Shri Balbir K. Punj
13. Shri Dara Singh
14. Shri N.R. Govindarajar
15. Shri K. Rama Mohana Rao

SECRETARIAT

- | | | | |
|----|-------------------------|----|----------------------|
| 1. | Shri P.D.T. Achary | -- | Additional Secretary |
| 2. | Shri Raj Shekhar Sharma | -- | Deputy Secretary |
| 3. | Shri K.L.Arora | -- | Under Secretary |
| 4. | Shri D.R. Shekhar | -- | Assistant Director |

At the outset, the Chairman welcomed the Members to the sitting of the Committee. The Committee then took up for consideration the following Draft Reports and adopted the same with some modifications:-

(i) Draft Report on Demands for Grants (2004-2005) relating to the Department of Posts.

(ii) XXX XXX XXX

The Committee, then, authorized the Chairman to finalize and present the above mentioned Reports to the House after factual verification by the Department concerned on a date and time convenient to him.

The Committee, then, adjourned