15

**STANDING COMMITTEE ON
INFORMATION TECHNOLOGY
(2010-11)**

FIFTEENTH LOK SABHA

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

MODERNISATION OF POST OFFICES

FIFTEENTH REPORT

**LOK SABHA SECRETARIAT
NEW DELHI**

October, 2010/Kartika, 1932 (Saka)

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MODERNISATION OF POST OFFICES

*Presented to Lok Sabha on <u>23.11.2010</u>
Laid in Rajya Sabha on <u>23.11.2010</u>*

**LOK SABHA SECRETARIAT
NEW DELHI**

November, 2010/ Kartika, 1932 (Saka)

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(2010-2011)

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31.   Shri Jesudasu Seelam

SECRETARIAT

1.   Shri T.K. Mukherjee   -   Joint Secretary
2.   Smt. Sudesh Luthra   -   Director
3.   Dr. Yumnam Arun Kumar   -   Under Secretary

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*   Nominated to the Committee w.e.f. 21st September, 2010.

INTRODUCTION

I, the Chairman, Standing Committee on Information Technology (2010-11) having been authorized by the Committee to submit the Report on their behalf, present this Fifteenth Report on 'Modernisation of Post Offices' relating to the Ministry of Communications and Information Technology (Department of Posts).

2.	The Committee took oral evidence of the representatives of the Ministry of Communications and Information Technology (Department of Posts) at their sitting held on 10 August, 2010. Besides, the Committee took oral evidence of the aforesaid Ministry along with the Ministry of Rural Development (Department of Rural Development) at their sitting held on 18 August, 2010. The Committee also received memoranda from two Experts containing their suggestions on the subject.

3.	The Report was considered and adopted by the Committee at their sitting held on 27 October, 2010.

4.	The Committee wish to express their thanks to the Officers of the Ministry of Communications and Information Technology (Department of Posts) and the Ministry of Rural Development (Department of Rural Development) for appearing before the Committee and the Experts for furnishing information in connection with the examination of the subject.

5.	For facility of reference and convenience, the Recommendations/Observations of the committee have been printed in bold in Part-II of the Report.

New Delhi   **RAO INDERJIT SINGH**
15 November, 2010   **Chairman**
24 Kartika, 1932 (Saka)   **Standing Committee on**
                                                                                Information Technology

Report

Part-I

Introductory

An efficient and reliable communication network is the lifeline of a country and plays crucial role in socio-economic development. It also acts as a medium for integration of a nation. For more than a century and half, the Indian Postal system has been the main component of the communications infrastructure for the country. Today, India has a postal network of 1,55,035 (25,538 Departmental Post Offices and 1,29,497 Extra Departmental Post Offices) out of which 15,862 (10.23 per cent) Post Offices are located in urban areas and the rest 1,39,173 (89.77 per cent) are in rural areas.

2.   As a consequence of liberalization and globalization, the Indian economy has grown tremendously in the last two decades resulting in the increase in the needs and demands of the people especially in the areas which require to be serviced. To cater the growing needs and demands of the people, it is inevitable on the part of the Department of Posts to improve and modernize the various services offered by them. There are four services which are provided by India Posts viz. the Communication services (letters, post cards etc.), the Transportation services (parcels, logistics etc.), the Financial services (savings bank, money orders, foreign money transfers, insurance etc.) and the Premium value added services (speed post, Business post etc.).

3.   According to the Department of Posts, modernisation means upgradation of the physical infrastructure and human resource potential of the Department by providing IT support for performing postal operations so as to meet the requirements of customer and making office systems more efficient and productive. The focus areas that have been identified by the Department to achieve modernisation of Post Offices during the last three years include spreading and strengthening of IT infrastructure, modernizing mail transmission, improving service delivery levels, training of manpower, increasing awareness of the people about the services rendered through Post Offices and providing the right ambience to customers in Post Offices.

II.   Classification of Post Offices

4.   As per the Department, there are following type of Post Offices: (i) General Post Office (ii) Head Post Office (iii) Sub Post Office. Sub Post Offices are further classified into the following categories: (a) Higher Selection Grade I (HSG I) (b) Higher Selection Grade II (HSG II) (c) Lower Selection Grade (LSG) (d) Class A Sub Post Office or Triple Handed Post Office (e) Class B Sub Post office or Double Handed Post Office (f) Class C

Sub Post office or Single Handed Post Office. Besides the General Post Offices, Head Post Offices and Sub Post Offices, there is another category called the Branch Post Offices which are also known as Extra Departmental (Gramin Dak Sewak) Post Offices

5.   The Committee have been informed that on an average, a Post Office in rural areas serves about 5683 persons and an average urban Post Office caters to a population of approximately, 20,251 persons.

III.   Technology Upgradation and Modernisation

6.   The computerisation in the Post Offices was initiated in a limited way in the Eighth Plan. This was continued in the Ninth Plan by induction of 'Meghdoot' and 'Sanchay Post' software for postal and banking operations. Induction of technology was scaled up in a big way in the Tenth Plan. During Eleventh Plan, IT modernisation vision has been envisaged by the Department of Posts in two phases. The Phase-I was implemented from 2008-09 to 2009-10 and the Phase-II would be implemented during the Financial Years 2010-11, 2011-12 and 2012-13 (upto September, 2012).

(i)   Financial Outlays and Achievements under various programme related to Modernisation of Post Offices from Eighth to Tenth Plan (upto 2009-10).

7.   The Committee have been informed that during the Eighth Plan an Outlay of Rs. 211.96 crore was provided for the modernisation of Post Offices. However, the Department could utilize only Rs. 144.23 crore, the percentage of utilisation being 68.05 per cent. In the Ninth and Tenth Plan the financial outlays were Rs. 311.54 and Rs. 1040.28 crore respectively.   During the said period, the utilisation was only Rs. 234.10 crore for the Ninth Plan i.e. 75.14 per cent and for the Tenth Plan utilisation outlay was to the tune of Rs. 707.50 crore i.e. 68.01 per cent.

(ii)   Financial Outlays and Achievements for Modernisation of Post Offices during Eleventh Plan (upto 2009-10)

8.   The Committee have been informed that during the Eleventh Plan (upto 2009-10) out of the allocation of Rs. 1187.73 crore, the achievement was Rs. 732.86 crore i.e. 61.70 per cent. As per the Department, some of the major activities of modernisation of Post Offices include Mail Operations, Banking and Money Transfer Operations, Insurance Operations, IT Induction-Postal Operations, Marketing, Research and Product Development and Quality Management.

9.   The year-wise breakup of allocation and utilisation are given as under:-

(Rs. in crore)

Sl No.	Activity	2007-08		2008-09		2009-10		2010-11
		Allocation	Exp.	Allocation	Exp.	Allocation	Exp.	Allocation
1	Mail Operations	17.67	26.56	70.00	13.92	71.00	90.28	125.00
2	Banking and Money Transfer Operations	20.50	1.05	15.00	5.49	14.50	2.74	6.00
3	Insurance Operations	7.00	2.45	7.00	4.71	7.00	2.23	5.00
4	IT Induction – Postal Operations	174.10	65.36	360.00	228.51	358.50	251.55	475.00
5	Marketing, Research and Product Development	11.61	5.03	24.00	19.28	21.70	13.18	10.00
6	Quality Management	6.65	0.21	1.00	0.31	0.50	0	0.25
	Total	**237.53**	**100.66**	**477.00**	**272.22**	**473.2**	**359.98**	**621.25**

(iii)   Physical Targets and Achievements under various programme related to Modernisation of Post Offices from Eighth to Eleventh Plan (upto 2009-10).

(a)   Eighth Plan

10.   The Committee have been informed that during the Eighth Plan, the Department could not achieve the physical target of supplying of all 5000 MPCMs as the achievement made was only 2660 MPCMs. In case of computerisation of accounting and inventory Functions-MIS(at Circles) the achievement made was only in 6 cases out of the target of 19. The Department also did not achieve the target regarding transport service as only 284 Mail Motor Service Vans could be procured out of the target of 560 Mail Motor Service Vans.

(b)   Plan

11.   The Committee have been informed that during Ninth Plan, there was underachievement of physical targets in installation of ESMOs under the scheme of upgradation of Technology. Out of a target of 1732, the achievement made was 1450.

(c)   Tenth Plan

12.   The Department has informed that the underachievement of physical targets during Tenth Plan include computerisation of Divisional Offices. Out of the target of 305, the achievement made was only in 205 cases. Regarding Track and Trace system for accountable object, the achievement was nil out of a target of 44.

(d)   Eleventh Plan (upto 2009-10)

13.   During the Eleventh Plan (upto 2009-10) underachievement was reported in case of extending instant money order services. Out of the target of 5650, the achievement made was only 2029. Under the IT induction, there was underachievement in computerisation and modernisation of Post Offices as out of a physical target of 11670 Post Offices, the achievement made was only in 6235 Post Offices. Another area of underachievement was seen under the Scheme of Marketing Research and Product Development as out of the 50 Parcel Post hubs, the Department could achieve only 12.

IV.   Status of computerisation of Post Offices

14.   The Department has informed that in each successive Plan the ambit of computerisation has been increased and today as on 31st March, 2010, the Department has been able to computerize 12,604 Post Offices out of a total of 25538 Departmental Post Offices (excluding the 1,29,497 extra Departmental Post Offices) and provide number of e-services to customers. The percentage of achievement is thus only 49.35. The status of computerisation category-wise is as under :-

Sl. No.	Category of Post Office	Number
1.	Head Post Offices	839
2.	Above Double-handed Sub Post Offices	6,671
3.	Double-handed Sub Post Offices	4,498
4.	Single-handed Sub Post Offices	596
	Total	**12,604**

15.   The status of computerisation Circle-wise has been given in the Appendix-I. The analysis of the data indicates that the achievement is excellent in Assam, North-East, and Kerala. In Assam, 100 per cent of the Post Offices have been computerized. In Kerala, 1070 Post Offices out of 1503 Post Offices have been computerized. Similarly, in North-East 303 Post Offices out of 335 Post Offices have been computerized. In Circles viz. Andhra Pradesh, Bihar, Chhatisgarh, Jharkhand, Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh the achievement is less than the national average i.e. 49.35 per cent.

V.   Broadband Connectivity

16.   While expanding the Postal network, the policy of India Post is not only to provide physical access to the people, but also to bridge the digital divide. As a step in

this direction, India Post has plan to connect the entire population to the electronic network.

17. The Committee have been informed that Central Server based system have already been established at NIC, Delhi and PTC Mysore. As on date, 1305 number of locations have been connected through 2 Mbps leased line and another 8177 computerised Post Offices are using dial-up/broadband connectivity. The remaining computerized Post Offices have been asked to get broadband connections through BSNL or any other service provider.

18. The Committee have also been informed that the Department of Posts have not entered into any contract with any service provider for providing broadband services. However, Circles have been given freedom to purchase broadband services from the service providers depending upon local conditions. Nevertheless, close liaison is being maintained with BSNL at all levels to get the broadband connectivity for all computerized Post Offices.

19. Regarding the basic infrastructure that a Post Office must have to achieve broadband connectivity, the Department has informed that at least computers, printers, emergency power supply systems, proper earthing and adequate space are the essential components to provide broadband connectivity to a Post Office. The details of the 9483 Post Offices having broadband/dial-up connectivity are as follows:-

Sl. No.	Name of the Circle	Total Post Offices in the Circle*	Total Post Offices having broadband/dial-up connectivity	% of broadband/dial-up connectivity vis-a vis the total Post Office in the Circle
1	Andhra Pradesh	2437	556	22.81
2	Assam	623	256	41.09
3	Bihar	1043	153	14.67
4	Chhattisgarh	333	97	29.12
5	Delhi	422	299	70.83
6	Gujarat	1318	672	50.99
7	Haryana	487	250	51.33
8	Himachal Pradesh	461	173	37.53
9	Jammu & Kashmir	258	73	28.29
10	Jharkhand	448	133	27.54
11	Karnataka	1788	791	44.24
12	Kerala	1503	818	54.42
13	Madhya Pradesh	1057	373	35.29
14	Maharashtra	2224	962	43.26
15	North-East	335	105	31.34
16	Orissa	1192	258	21.64
17	Punjab	809	318	39.31
18	Rajasthan	1333	339	25.43
19	Tamil Nadu	2789	1424	51.06

20	Uttar Pradesh	2540	882	34.72
21	Uttrakhand	384	166	43.23
22	West Bengal	1754	385	21.95
	Total	**25538**	**9483**	**37.13**

* It does not include 1,29,497 Extra Departmental Post Offices.

20.   When asked how the Department would meet the challenge of networking of all the Post Offices, particularly when there is no broadband connectivity in the far-flung and difficult areas, the Committee have informed that the IT modernization project envisages electronic networking of all the Post Offices by use of available connectivity options like Broadband, GPRS and other wireless technologies whichever is available and economical. In far flung and difficult areas where there is no connectivity option, the system can work in an offline manner and encrypted data can be uplinked from the nearest Post Offices having appropriate connectivity.

21.   Regarding the measures taken to achieve broadband connectivity in the far flung areas like North-East and Andaman and Nicobar Island, the Department has stated that close liaison is being maintained with BSNL to provide connectivity to all computerized Post Offices of North East and Andaman and Nicobar Islands. The possibility of providing connectivity through VSAT is also being explored.

VI.   IT-Induction-Postal Operations

22.   The Committee have been informed that initially Rs. 2700 crore was allocated for technology upgradation of Post Offices for the entire Eleventh Plan. However, while framing the EFC memos, the requirement of the funds was restricted at Rs. 2572.60 crore. The EFC-I for Rs. 978.52 crore was approved. Out of this, Rs. 628.66 crore is for IT Project Phase-I, Rs. 210.80 crore for Automatic Mail Processing Centres and the remaining Rs. 139 crore is for the Project Arrow. The EFC-II for the remaining Outlay has already been submitted and is under consideration.

23.   The proposed allocation, Budget Estimates, Revised Estimates and Actual Expenditure for the years 2007-08, 2008-09, 2009-10 and proposed allocation, Budget Estimates for the year 2010-11 are given as under:-

(Rs. in Crore)

Sl. No.	Year	Proposed allocation	Budget Estimates	Revised Estimates	Actual Expenditure
1.	2007-08	174.10	174.10	139.57	65.36
2.	2008-09	940.31	360.00	221.05	216.51
3.	2009-10	1500.05	358.50	220.00	164.60 (Upto January, 2010)
	Total	2614.46	892.50	580.52	446.47

For the year 2010-11, the proposed allocation is Rs. 600.66 crore whereas the Outlay at BE stage is Rs. 475 crore.

(i)   IT Project Phase – I

24.   With regard to the financial outlay, the Committee have been informed that during the Phase I covering the period from 2008-09 and 2009-10, an outlay of Rs. 628.66 crore was made for the Department for covering 5143 double handed Post Offices.

25.   The Department informed that during the year 2008-09, the process commenced to obtain the approval of Expenditure Finance Committee for the Phase–I which was received in January, 2009 and therefore, the Cabinet Committee's Approval was obtained in February, 2009 and the schemes could be implemented in full swing from 2009-10 only.

26.   Regarding the financial performance during 2008-09, 2009-10, the Committee have been informed as under:-

(Rs. in crore)

Scheme	2008-09			2009-10		
	BE	RE	Actuals	BE	RE	Actuals (upto March 2010)
Computerisation & Networking of Post Offices	240	142.50	137.73	255.00	118.01	152.70
Upgradation & Modernisation of Software Centre at Postal Training Centre	3.00	0.6	0.68	3.00	0.50	0.06
Annual Maintenance Contract	-	-	-	27.00	17.00	20.34
Consultancy for Comprehensive Technology	-	-	-	-	-	-

Plan & Strategy						
Upgradation & Modernisation of PAOs	4.00	0.47	0.303	2.00	1.90	1.77
Computerisation of Administrative Offices	4.00	0.5	0.43	13.72	13.39	15.14
Project Management Unit	-	-	-	7.00	4.58	2.03
Total	**251.00**	**144.07**	**139.14**	**307.72**	**155.38**	**192.04**

27.   The Department also informed the Committee that it was due to non-availability of sufficient funds as per EFC approval, target proposed could not be achieved.

Achievement in IT Project Phase-I

28.   The Committee have been informed that some of the highlighting achievements of EFC Phase-I includes achievement of computerisation of 2,920 Double-handed Post Offices out of the target of 5,143 Post Offices. In case of Single handed Post Offices, the achievement made was only in 554 Post Offices out of the target of 11497 Post Offices. However, Department could not computerize any extra Departmental Post Offices during Phase-I.

29.   Regarding upgradation of hardware, the Department informed that they have been able to achieve in 1,939 Post Offices out of target 1,772 Post Offices and in case of supply of laptops to Sub-Divisions, the achievement made was for 1,914 Post Offices out of target 1,916 Post Offices. As far as supply to computers to Divisional Offices, the achievement made has been only 156 Post Offices out of the stipulated target of 305 Post Offices. Elaborating on the issue, the Department of Posts also informed that the progress of the work under the project was inhibited due to lack of adequate allocation of funds during the years 2008-09 & 2009-10.

30.   As far as electronic linkages during Phase-I, the Department informed that computerization which has been implemented till date focused on supply of hardware to bigger Post Offices in a LAN (Local Area Network). The major software for postal operations (Meghdoot) and for Banking operations (Sanchay Post) were of standalone mode working within the Post Offices in a LAN connectivity. Therefore, the electronic linkages could not be completed.

(ii)   IT Project Phase - II

31.   The IT Project Phase - II envisages building up of a comprehensive IT solution for all the operations viz. Postal, Banking, Insurance, Retail operations and the required

infrastructure for the computerization and networking of all the Post Offices in the country. It also envisages deployment of integrated modular software for all the Postal and Financial Services operations as well as establishment of the data centre and disaster recovery centre.

(a)   Financial Outlay for Phase – II

32.   The Committee have been informed that the Department has proposed for approval of its IT Project Phase-II with an overall outlay of Rs. 1877.2 crores to be incurred in the Financial Years 2010-11, 2011-12 and 2012-13 (upto September 2012).

33.   The Department have also informed that they have been advised by the Expenditure Finance Committee (EFC) to phase out the proposed expenditure under the project appropriately so that a part of the project cost can be borne from the first year of the Twelfth Plan and accordingly, the proposal has been modified and will be completed by September, 2012. The total number of Post Offices to be covered under EFC Phase-II is 1,40,394 Post Offices.

34.   Elaborating on the issue, the Department informed that the proposal for IT project phase-II has been recommended by EFC on 28th June 2010 and is under process for obtaining approval of the competent authority. The funds for the current year   (2010-11) under the relevant head allotted has been taken into account. For the next two years the requirement of funds has been indicated in the proposal which has been recommended by the EFC and will be projected to the Department of Expenditure at appropriate time.

(b)   Key drivers for IT Modernisation in Phase II

35.   The project objectives for Phase II are as follows:
- (i)   Robust IT solution including infrastructure and applications;
- (ii)   Multiple channels of access - Point of Sale (POS), ICT, Call Centre, Web, Mobile;
- (iii)   Integrated customer support;
- (iv)   High service delivery standards
- (v)   Technology platform for inducting new services and products

36.   With regard to the initiative taken by the Department to ensure the achievement of the objectives of Phase – II, the Department have informed that in anticipation of the approval by the competent Authority, the RFPs are kept in a state of readiness to be issued after approval of the project. Further, the Department have proposed that the project may be monitored by Inter-Ministerial and Steering Committee for ensuring the implementation of the project in a time bound manner,

(c)   Challenges of IT Project Phase-II

37.   The Department have informed that some of the challenges for the India Post during Phase II would include the external factors such as rising customer expectations, stagnating mail volumes, advent of e-commerce and increasing competition and the internal factors which include 56 varied siloed applications, connectivity in limited number of cities, large manual processes and limited channels for delivery.

(d)   Software for IT Project Phase-II

38.   The Department have informed that for the Phase II, integrated modular software will be developed which will replace/assimilate old legacy software which operate in standalone/LAN mode and don't talk to each other. Some of the legacy software will be customized for use in a centralized architecture. Other legacy applications will be replaced by appropriate Customized Off The Shelf (COTS) solutions such as Banking, Enterprise Resource Planning (ERP) solutions for Accounts, Finance and Human Resources, etc.

(e)   Comments of Departments of Expenditure, Information Technology, Telecommunications and Planning Commission on IT Project Phase - II

39.   When asked about the comments of the various Ministries viz. Department of Expenditure, Department of Information Technology, Department of Telecommunications and the Planning Commission on the draft EFC, the Department have stated as under:-

> "Some of the observations from Department of Expenditure and Planning commission related to scaling down the proposal to the extent of availability of the funds and therefore, the Department was advised to opt for the outsource model for some of the components. After the observations of Nodal Ministries and meeting held with Expenditure Finance Committee, the observations were incorporated into the Project proposal. The other salient observations were:
>   (i)   The Department of Posts should test the robustness of Rural ICT devices before induction into the Post Offices,
>   (ii) The project Internal Rate of Return (IRR) is predicted on very high revenue generation figures.
>   (iii) The targets as well as the requirements of funds need to be realistically phased out, keeping in mind the absorption capacity.
>   (iv) Provision of 10% estimated costs towards 'Contingencies' is excessive and may be rationalized.
>   (v)   There is no indication about the continuity of present software applications.

40.   The Committee have also been informed that all the queries raised by nodal Ministries were addressed and suitably incorporated into EFC.

41.   The Expenditure Finance Committee, while recommending the proposal has also directed to examine in consultation with the Department of Information Technology whether the requirements of its data can be met by the Department of Information Technology (DIT) before the proposal is submitted to the CCEA for approval. Accordingly, the Department has requested the DIT for their considered views on the matter.

(f)   Establishment of Project Management Unit for Phase II

42.   The Committee have been informed a Project Management Unit (PMU) has been established to execute the second phase of the project. The PMU would ensure availability of the following skill sets to the project:

(i)   Strategic Planning to conceptualize the Mission
(ii)   Project Development
(iii)   Domain expertise in IT-Software, hardware, networking etc.
(iv)   Project Management
(v)   Project Finance
(vi)   Business Process re-engineering
(vii)   Change Management
(viii) Contracting and Contract Management

43.   The responsibilities of the PMU would include conceptualization, planning and management of the project. Further, the Committee have also been apprised that to monitor the project three Committees namely Steering Committee, Working Committee and Functional Teams have been formed. The Steering Committee has been set up under the Chairmanship of Secretary Posts to monitor the timely implementation of the project. The Working Committee review the IT Modernization Project under the Chairmanship of Member (Technology). The Functional Teams oversee the requirements of each of the Solutions of the IT Modernization project and it is looked after by middle management.

44.   With regard to the periodical meetings of these Committees, the Department have informed that the Steering Committee meets once in a month while the Working Committee and the Functional Teams meet once in a week.

(g)   Consultations of M/s Accenture Services Pvt. Ltd. for IT Projects

45.   The Department have informed that they have entered into agreement with M/s Accenture Services Private Limited for providing consultancy for IT modernization of the Department of Posts in order to accomplish DoP's aggressive growth and profit targets.

46.   The assignment consist of two tracks. Track I for providing consultancy services and Track II for monitoring of Programme Implementation. Track 1 is to be completed

in 12 Months from the date of kick off of the Project.   Track 2 for the implementation of the project is envisaged to be completed in 2.5 years (maximum period of 36 Months) after the completion of the Track 1 consultancy phase.

47.   M/s Accenture Services Pvt. Ltd. has submitted 16 reports. They are (i) Benchmarking Report, (ii) AS-IS and TO-BE Processes, (iii) Feasibility Report for implementation of CBS, (iv) Feasibility Report for implementation of ERP. (v) Feasibility Report for implementation of Advanced Financial Services, (vi) Feasibility Report for implementation of ICT solutions in Rural Mobile Technologies, (vii) Integrated Application Software Development and Maintenance Plan, (viii) Networking Infrastructure, Network Security and Information Security Development Plan, (ix) Hardware Purchase, Deployment and Maintenance Plan, (x) Data Center and Business Continuity Specifications, (xi) Change Management and Capacity Building Plan, (xii) Implementation Roadmap, Business Models and Programme Management Plan, (xiii) Detailed Project Report, (xiv) Inception Report, (xv) Current State Assessment Report and (xvi) Project Conceptualisation Report.

48.   The Committee have been apprised that out of the sixteen reports, ten reports have been accepted by the Department whereas the other six are in process of acceptance.

(h)   Findings of M/s. Accenture Services Pvt. Ltd. on IT Projects

49.   The Committee have been informed that Current State Assessment Report had findings in six areas, namely Mails, Banking, PLI, Finance & Accounts, HR and Technology. The general findings are:-

(i)   majority of work and processes are manual. There are multiple siloed applications deployed that do not integrate resulting in duplication of work efforts;
(ii)   the network, IT security and data centre infrastructure were insufficient to support the requirements of the Department.

50.   The Department informed that the Project Conceptualization Report provided the initial solution blueprint and costing. This included all facets of the IT Modernization Project for all Business verticals and Enterprise enablers across Applications, Hardware, Connectivity, Data Center, Rural ICT, Training and Change Management.

51.   With regard to the acceptance of the findings of the consultant by the Department of Posts, the Committee have been informed that based on the findings of

the consultant, further action as a part of consultancy assignments are being undertaken under the IT Modernisation Project.

VII. Project Arrow

52.   To provide new technology enabled services to the common man, the Department of Posts had launched a scheme "Project Arrow" in April, 2008 with the objective of providing a new outlook to Post Offices by modernizing exterior and interior designs of the Post Office, upgrading the infrastructure and enhancing core operation including IT enabled services and processes. The project aims at making Post Office as a 'Window to the World for the Common Man' both in rural and urban areas. The project has two components:

(i) Upgrading and enhancing the quality of services in 'Core Areas' viz. Mail Delivery, Remittances, Savings Bank and upgrading 'Office Service Levels' in Post Offices identified under Project Arrow;

(ii) Improving the 'Look and Feel' of Post Offices with focus on Branding, IT induction, Human Resource Development and Infrastructure improvement in Post Offices identified under Project Arrow.

53.   When asked about the parameters/norms that have been identified to ensure that the objectives that have been set under each of the identified core areas are achieved as per time and costs, the Department explained to the Committee that the core operational areas of Project Arrow i.e. mail delivery, remittance, Savings Bank operations and office Service level are maintained on a day-to-day basis through a network and on-line system. The daily and periodic performance of the Post Offices is measured through Key Performance Indicators (KPIs) for mail and savings bank operations. There are 19 KPIs through which the performance of Post Offices are assessed which include percentage of mail delivered on the day of receipt in Post Office (Speed Post, Regd. Parcels, Regd. Letters, Money Orders and e-MO).

(i)   Utilisation of Outlays for Project Arrow

54.   Project Arrow was introduced during the second year of Eleventh Plan and as such no separate funds was earmarked. As on date, the Department have been able to spend Rs. 151 crore on 1000 Post Offices under Project Arrow in three phases. However, the Committee have been informed that constraint of funds was faced by the Department while implementing the scheme due to which the number of offices to be modernized was restricted to 50 POs in Phase-I, 450 POs in Phase-II, 500 POs in Phase-III.

55. The Committee have also been informed that 500 Post Offices were identified for "Project Arrow Phase-IV" in the Financial Year 2010-11 for which Rs. 86 crore was approved. During BE 2010-11 Rs. 60 crore was allocated for the scheme therefore funds has been released for modernizing 371 Post Offices. Funds to the tune of Rs. 24 crore have been sought for first batch of supplementary grant. On the receipt of the same the remaining 129 offices would be modernized.

56. As per the Department, a total of 4,500 Post Offices were to be covered under the scheme with the requirement of funds of Rs. 887 crore during the Eleventh Plan. The Department have stated that they would be able to spent Rs. 325 crore on Technology from the Plan allocation. However, for the remaining Rs. 562 crore, it is not possible for them to finance the said amount from the existing Eleventh Plan allocation and outlay. Therefore, they had taken up the matter with the Planning Commission and the Ministry of Finance. However, the Ministry of Finance have not approved the further allocation of outlay for the Project.

57. The Committee have been informed that the Department is optimistic of getting more funds for the project as the Minister of Finance in his Budget Speech (2009-10) under Para No. 26(iv) has assured that the Project Arrow will receive full Government support as it will enhance the service offered to masses and would lay the foundation for a vibrant delivery mechanism for many social sector schemes such as pension & MNREGS.

58. The Committee have been informed that Project Arrow has covered 1,000 Post Offices from 22 Postal Circles in three phases where 'Look and Feel' portion has been completed as detailed below:-

Phase	Number of offices covered	Circles covered
I	50	Andhra Pradesh, Rajasthan, UP, Jharkhand, Tamil Nadu, Uttarakhand, Orissa, Maharashtra, Madhya Pradesh & North East **(10 Circles)**
II	450	Andhra Pradesh, Rajasthan, UP, Jharkhand, Tamil Nadu, Uttarakhand, Orissa, Maharashtra, Madhya Pradesh, North East, Bihar and Gujarat **(12 Circles)**
III	500	Andhra Pradesh, Assam, Chhattisgarh, Delhi, Haryana, Himachal Pradesh, J&K, Karnataka, Kerala, Punjab, Rajasthan, UP, Jharkhand, Tamil Nadu, Uttarakhand, Orissa, Maharashtra, Madhya Pradesh, North East, Bihar, Gujarat and West Bengal **(22 Circles)**

59. Regarding the achievement made under the different Phases of Project Arrow, the Committee have been apprised that the performance and the achievements made

are constantly monitored through periodic video conferences and data extraction tool. The phase-wise achievements of Project Arrow Post Offices are as under:

(ii)   Phase I

    (i)   Same day delivery of Speed Post received in Project Arrow Post Offices has increased from 93% (August 2008) to 98% (December 2009)

    (ii)   Same day delivery of Registered Letters received in Project Arrow Post Offices has increased from 87.5% (August 2008) to 98% (December 2009)

    (iii)   Same day delivery of Money Orders received in Project Arrow Post Offices has increased from 75% (August 2008) to 97% (December 2009)

(iii)   Phase II

    (i)   Same day delivery of Speed Post received in Project Arrow Post Offices has increased from 97% (March 2009) to 98% (December 2009)

    (ii)   Same day delivery of Registered Letters received in Project Arrow Post Offices has increased from 85% (March 2009) to 99% (December 2009)

    (iii)   Same day delivery of Money Orders received in Project Arrow Post Offices has increased from 81% (March 2009) to 98% (December 2009)

(iv)   Phase III

    (i)   Same day delivery of Speed Post received in Project Arrow Post Offices has increased from 87.5% (October 2009) to 95.4% (December 2009)

    (ii)   Same day delivery of Registered Letters received in Project Arrow Post Offices has increased from 84% (October 2009) to 95% (December 2009)

    (iii)   Same day delivery of Money Orders received in Project Arrow Post Offices has increased from 87.5% (October 2009) to 95.5% (December 2009)

    (iv)   Percentage of Savings Bank accounts where signature scanning is complete has increased from 62% (October 2009) to 99% (December 2009)

60.   Elaborating on the achievement, the Department have further informed that Project Arrow has resulted in substantial improvement in quality of services in the identified Post Offices by improving the delivery performance, upgradation and standardized facilities for customers and introduction of web based services such as i-MO, e-MO, e-Payment, e-Post etc. The Department have also informed that infrastructure has been made available at all Project Arrow offices to provide various e-enabled services viz i-MO, e-MO, e-Payment, e-Post. The Department have added that the continuous training in technology and soft skills, proper reward and reorganization system for the performers in Project Arrow Post Offices, standardized and improved facilities for the staff like better chairs, cupboards, proper lighting etc. have boosted the morale of staff working in Project Arrow Post Offices. However, there is intermittent

broadband failure in Post Offices of North East Circle which results in non-reporting of data by Post Offices occasionally.

61.   Regarding tangible and noteworthy difference that has been made in Post Offices through Project Arrow, the Secretary, Department of Posts during evidence deposed as under:-

> "……making a visible, tangible and noteworthy difference in Post Offices, this applies to our project Arrow Post Offices where the Post Offices under project Arrow throughout the country, presently 1500 of them, look absolutely alike. They have all been upgraded. They have the same colour scheme. They have the same interiors. That is the difference. Also, the staff members in the Post Offices have been given specialized training and the workers are monitored on a daily basis where information is actually extracted from the system and is reviewed through a videoconferencing at my level every fortnight so much so that we know exactly when an article is received from delivery and when it is actually delivered. That is the kind of monitoring that is going on the these 1500 Post Offices. So it has a big impact. In fact, I can say that our revenue has actually gone up in these 1500 Post Offices. This data we collect directly from the Post Offices."

62.   The Committee have been informed that Department of Posts had appointed TUV India Post Limited to conduct audits/customer and staff satisfaction survey in 50 Project Arrow-Phase –I Post Offices to evaluate performance of Post Offices in 18 parameters Major findings of the External Audit are as under:

- Same day delivery registered letters was 99 per cent.

- Same day delivery of Speed post articles ranged between 98 per cent to 99 per cent.

- 90 to 92 per cent of the test letters posted during three rounds of audit were received back from the auditors with same day delivery performance ranging from 94 per cent to 100 per cent.

- Performance of computerized Banking operations (data digitization and signature scanning) increased from 72 per cent to 81 per cent during the course of the audit.

- All 50 Post Offices were found to be having adequate infrastructure including computer hardware and other facilities.

- Average Customer satisfaction score was found to be 9.52 on a scale of 10.

- Employees were found to be motivated and satisfied in general. The score of average Staff satisfaction level was observed to be 5.8 on a scale of 6.

63.   The Department has decided to conduct External Audit for Post Offices under Phase II and Phase III as well. The Request for Proposal for external audit of Project Arrow. Post Offices Phase II and III is under preparation.

VIII. Mail Operations

(i)   Setting up of Automatic Mail Processing Centres (AMPCs)

64.   During the Eleventh Plan period, the Department has undertaken new initiatives to improve the quality of mail operations. One of the major initiative of the Department include setting up of the Automatic Mail Processing Centres (AMPCs). This scheme seeks to address the problems in processing segment by mechanizing the mail processing capacity which is at present largely manual.

65.   During the year 2009-10, the Department had placed the orders for setting up of AMPCs at Delhi and Kolkata and the system will be installed during 2010-11. It also involves replacement of existing AMPCs at Mumbai and Chennai. Besides, the Department has plan to set up AMPC at Bengaluru and Hyderabad. The average speed of sorting of manual sorter is 1000 articles per hour. The speed of sorting of a letter sorting machine is 36,000 articles/hour. The Department has informed that they have placed order to the selected vendor for installation and commissioning of the AMPCs in Delhi and Kolkata. Action has also been initiated for preparation of Request for Proposal (RFP) with respect to setting up of AMPCs in four other metro cities and the Department would make all efforts to achieve the plan target in this respect.

(ii)   Redesigning of Pin Code

66.   The Committee have been informed that the Department has introduced a numeric code, the PIN, way back on 15th August, 1972 to coincide with 25th Anniversary of India's Independence.

67.   The Department has informed Committee have been informed that a new Plan programme to carry out a publicity campaign for a redesigned Pin Code is under implementation. The objectives of this scheme is to improve delivery efficiency by redesigning the Pin Code for specific delivery beats to take care of present and future requirements of digits addressing, taking advantage of the current and evolving technologies.

68.   Regarding the features of the redesigned Pin Code, the Department stated as under:-

> "While there is no change in the characteristics of the Pin Code being used at present, the Pin Code has been redesigned as a pin plus code for providing better services to the customers. A pin plus code consists of 6+2 digits. The first 6 digits refer to the Pin Code of the Delivery Post office while the additional 2 digits refer to the postman beat code. By incorporating the beat code along with the Pin Code at the original point itself, it becomes very easy to sort the mail for each beat. This saves lot of time at the Delivery Post Office. The Postman Beat Code has already been

implemented in mails being posted by certain large mailers like telephones. A further improvement on this 6+2 digit Pin Code is the 6+2+3 Pin Code. The last 3 digits is the Delivery Point Identification (DPI). This scheme has not yet been implemented since it is felt that this stage should get implemented only after the 6+2 pin plus gets accepted well."

(iii) Mail Business Centres

69.   Mail Business Centre (MBC) was conceptualized by Department of Posts in 2006 as a key component of the New Paradigm for Mail Management, which seeks to change the way, mail management has been traditionally looked at. In the new context of expanding Courier, Express and Parcel market in India, MBCs are envisioned as frontline business wings of India Post offering one-stop solution for varied mailing needs of the customers. MBCs have been designed as an integrated mail business hub undertaking the task of collection processing and delivery of (Bulk) mail. MBCs are equipped with technology and modern mailing tools in order to enable them to become a complete mail business hub. Delivery of mail for bulk addresses will be undertaken by MBCs, while individual mail will continue to be delivered by the Post Offices. MBCs are expected to gradually become profit centres in an environment where personal communication is fast being replaced by B2B and B2C segment of mail, and where parcel and logistics are new areas of growth. In these MBCs, all the mail business services are provided under one roof. These MBCs are equipped with all facilities from pre-mailing activities to delivery to bulk customers.

70.   Under the Eleventh Plan, the existing MBCs as well as new MBCs are envisaged to be restructured with a view to streamline core mail operations and develop them as integrated mail business entities. At present, 142 Mail Business Centres are functioning in the country. The plan scheme relating to Setting up of Mail Business Centres involved redesign of the existing Mail Business Centres/Mail Offices and optimizing the countrywide mail network of the Department which includes 412 mail offices.

IX.   Modernisation of Financial Services

71.   The Post Office Saving Bank (POSB) is the oldest and largest Banking institution in the Country. It operates more than 206 million saving accounts as on 31.03.2009. The Post Office Savings Bank provides an avenue to people all over the country to deposit their savings in various Schemes. Its reach and service is unparalleled by any other banking agency in the country. In the future, it is possible to envision a role for the India Posts as a provider of payments system functions.

72.   When asked as to what extent the Department of Posts have been able to provide financial services in the country, the Department has submitted as under:

> "With the reach, network and reliability on its side for more than 100 years, Department of Posts is spreading financial services to every nook and corner of the country including unbanked and under banked areas. Life of every citizen is touched by Post Office by fulfilling his financial services needs. Services like savings, money remittance and insurance are age-old financial services available at the doorstep of the customer including rural populace. This strength of the Department has also been acknowledged by RBI and declared that Post Office could be one of the potential institution to meet objectives of financial inclusion. Currently, Department of Posts is offering financial services through three categories of products i.e. regular departmental schemes (Savings, Money Order and PLI), social security schemes (National Rural Employment Guarantee Schemes (NREGS), Old Age Pension, etc.) and products of other banks (SBI, NABARD, etc.). India Post enjoys advantages such as network of more than1.5 lakh Post Offices, reach to every part of the country, more than 100 years of experience in handling savings bank work, huge mobilization in savings schemes (Rs. 5.47 trillion), large customer base (22 crore accounts), nearly 40% manpower engaged in savings work and trust and reliability".

73.   With regard to the total number of Post Offices which have computerized banking facilities, the Committee have been informed that there are 12571 Post Offices with computerized banking using Sanchay Post software as on 27.01.2010,

(i)   Core Banking Solutions

74.   The scheme Core Banking Solution (CBS) i.e. Anywhere, Anytime Banking for Post Office Small Savings schemes has been included in the Eleventh Five Year Plan. The scheme envisages setting up of 4000 CBS Branches during the plan period. Number of steps have been taken to implement the scheme include appointment of Technology and Banking Consultants, setting up of Project Management Unit (PMU) to oversee and monitor the implementation of Core Banking Solution (CBS), identification of 4000 Post Offices. However, the Committee have been apprised that the project is dependent on setting up the technology platform upon which the software will be installed for which separate EFC is prepared and necessary approvals are sought. Pre implementation activities of data cleansing and authentication of Post Office Saving Bank data, training of staff are ongoing in circles.

(ii)   Feasibility Report For Implementation Of Core Banking Solution By Technology Consultants

75.   The Committee have been informed that Technology consultants have submitted a feasibility report for implementation of Core Banking Solutions where the following solutions are proposed (i) India Post requires an integrated core banking solution which will enable real time processing capability, multi channel integration, flexibility to launch

new products and services, interface with internal and external applications, strong MIS capability and superior data management and security functionalities and (ii) Core Banking Service will be acquired from the Open Market from an established vendor - customized to the needs of Department of Posts. Initially the solution will be implemented in 4000 identified branches having high volumes and gradually extended to cover the entire network through various technology led solutions – offline capabilities, multiple channels, mobile handheld devices (rural ICT), cards, and centralized data centre.

(iii)   Interaction with Banks and Technology Providers for introduction of Core Banking Solution

76.   The Committee have been informed that detailed discussion and interactions which have been held by the Department of Post with some of the major banks include State Bank of India, Punjab National Bank, National Institute of Bank Management, Pune to draw a roadmap for implementing Core Banking Solutions. In this regard, the Department have informed that these discussions have led to putting in place a pre data migration strategy for cleansing the existing data which is needed for effective migration to CBS environment.

77.   The Department have also stated that they also had interactions with the Technology Providers such as Infosys Technology, Oracle and Tata Communications for implementation of Core Banking Solution.

(iv)   Comparison of Financial Services provided by Banks and by the Department of Posts

78.   It is said that despite the many advantages of the financial services provided by the Department of Posts, the public, particularly in urban areas prefer commercial banks for the following reasons:

   (i)   Better connectivity i.e. unlike Post Offices, banks are networked for ATM withdrawal, deposits, withdrawal etc.
   (ii)   Liquidity and service;
   (iii)   Dematerialization (Post Office Savings instruments like Kisan Vikas Patra and National Savings Certificate don't have the dematerialization facility)
   (iv)   Market determined interest rates;
   (v)   Availability of credit for customers of banks based on their deposits and credit history.

79.   When asked whether the Department of Posts intend to initiate any steps/measures to compete with the services that are being provided by the various commercial banks, it was informed as under:-

> "Department of Posts is operating Small Savings Schemes of Government of India as an operating agent. These schemes are owned by Ministry of Finance, Department of Economic Affairs on behalf of Central Government under Government Savings Bank Act, 1873,

Government Savings Certificates Act, 1959 and Public Provident Fund Act 1968. All major policy changes like ceilings on investments, eligible criteria of investment, interest rates etc. are initiated by Ministry of Finance (Department of Economic Affairs) and Department of Posts makes its procedural rules accordingly. Issue of certificates in demat form was initiated by the Department but had to be stopped due to lack of demand from customers. Department of Posts on its own initiative has sent proposals to Ministry of Finance (Department of Economic Affairs) for grant of loans against deposits, removal of ceiling in retaining balance in saving account to enable its customers to enjoy some of the services which are provided by the commercial banks. Department is providing appropriate technology in major Post Offices to give better services to its customers. So far about 12,000 Post Offices are working in Local Area Network based technology. Department has initiated a project for providing anywhere-anytime banking through Central Server based technology (CBS) in major 4000 Post Offices. This will provide a platform to give services to the customers which are being provided by the various commercial banks."

80.   With regard to the postal banking, the Secretary, Department of Posts during the evidence stated they are now asking a private consultancy for helping them to develop a roadmap for opening postal banks.

81.   When inquired about the issue regarding licence for the postal banks, the representative from the Department of Posts during evidence deposed as under:-

"This is at present under the National Saving Banks Act. This is administered by the Ministry of Finance. We are the agents of the Ministry of Finance to collect savings on their behalf. We do not give other products because we are not bank in a proper sense. But we have some aspirations to become postal bank, like the Japan Post Bank, etc. so, we are appointing a consultant to look at the feasibility and to prepare a roadmap for that. Once we receive that consultancy report and the roadmap, we will go back to the Government.

(v)   Introduction of Accrual Accounting System

82.   The Committee have been informed that the Twelfth Finance Commission had recommended an operational framework and detailed roadmap for implementation of accrual accounting. In this regard, Department of Posts has signed an MoU on 25th June 2009 with ICAI-ARF for implementing accrual accounting system in two identified Head Post Offices in New Delhi. The consulting team of ICAI-ARF has undertaken a diagnostic review of the As-Is situation in the two identified HPOs primarily with the objective of identifying the gaps in the existing system and the new changes which might be required so as to enable identification of strategies and measures to achieve reform objectives.

83.   Regarding the diagnostic review of the As-Is situation in the two identified Head Post Offices the Committee have been informed that Pilot Study in Delhi Circle viz. New Delhi Head Office (NDHO) and Nariana Industrial Estate Head Office (NIEHO) is being undertaken by the ICAI-ARF. The ICAI-ARF has finalized Concept Papers on most of the deliverables relating to the Pilot Study and are under examination with the Department. The comprehensive Scope Evaluation Report (CSER) submitted by the ICAI-ARF on Pilot Study is under consideration with the Department.

X.   Modernisation in Service Delivery Levels with regard to financial services

(i)   Introduction of i-MO

84.   The Department have informed that during 2010-11, the service has been extended to 6361 Post Offices. The service offers an instant online domestic money transmission service intended for a market clientele requiring instant money remittance.   Under this service, a person can send amount from Rs. 1000/- up to Rs. 50,000/- in one transaction. Money is disbursed to the payee at any of the i-MO Post Offices in India other than the office of booking on presentation of 16 digit i-MO number and photo identity proof.

(ii)   Introduction of e-MO

85.   The Committee have been informed that the Department of Posts has launched e-MO on 10.10.08. This system facilitates remittance of MOs electronically, however, Post Offices should have connectivity by WAN/Broadband.

(iii)   Introduction of MO-Videsh

86.   Eurogiro is a network connecting Post Offices, banks and financial institutions. This network is available in more than 50 countries. Almost all modern postal administrations use the Eurogiro network for international money remittances.   In India, Eurogiro network is used by India Post under the name MO-Videsh for outward and inwards international money remittance.

(iv)   Operation of International Money Transfer Service

87.   The Committee have been informed that this service, operated in association with a multinational company – Western Union Financial Services International, provides the customers the facility of receiving remittances from 205 countries and territories on a real time basis. Department is reviewing the business generated through Western Union in the identified Post Offices.

88.   The Committee have also been apprised that service is being withdrawn from the dormant locations and simultaneously new locations are being identified to generate more business. Department has a plan to introduce IMTS through MoneyGram in 500 Post Offices during 2010-11.

(v)   Electronic Clearance Service

89.   The Committee have been informed that the Scheme is in operation at 15 centres where Reserve Bank of India manages clearing Houses and 50 other centres where State Bank of India, Punjab National Bank etc. are managing Electronic Clearance Service on behalf of Reserve Bank of India. Electronic Clearing Service is being offered in the Department of Posts at all the 15 locations of Reserve Bank of India & 21 locations of State Bank of India in connection with payment of monthly interest under "Monthly Income Scheme" (MIS). More than 5 lakh depositors are using this facility.

XI.   Rural ICT Devices

90.   The Committee have been informed that the thrust of India Post Rural ICT initiative would enable rural branches (BOs) to offer financial services to the 'unbanked" rural population and develop strong operational capability. The proposed solution would be an integrated banking and insurance solution and will offer various financial services through the Mobile handled devices. The proposed solution will bring complete automation of rural Post Offices.

91.   The Committee have been informed that for modernization and computerization of Extra Departmental Post Offices, Rural Information & Communication Technology solution (Rural ICT) has been designed in consultation with the IT consultant and has been incorporated in the draft EFC-II which has been circulated. The proposed solution envisages that each of the rural office will have a mobile hand held device which will have the ability to perform all the transactions of the Post Offices. A data centre is also proposed to be set up with which these devices can exchange date based on available connectivity options such as GPRS, Encrypted SMS, broadband etc. The device will be able to connect with central server and perform synchronously or asynchronously depending upon the available connectivity. Rolling out of the rural ICT solution in all Branch Post Offices will be done in a phased manner in the financial year 2010-11 and 2011-12 after the approval of the project.

92.   The Department have also informed that they have obtained the authorization from EFC to issue Requests for Proposals (RFPs) for rural ICT devices and application in anticipation of the project approval which is under process of finalization. The EFC has also authorized the Department to initiate action for supply of hardware to the single handed Post Office in anticipation of the project approval. The Department have also informed that action is being taken to initiate the supply of hardware to the single handed Post Offices.

93.   Regarding the rural ICT, the Secretary, Department of Posts during evidence deposed as under:-

> "We have set up a Committee for rural ICT. They are coming to the conclusion that it will be better to lease and outsource the hand device rather than purchase it outright. So, this question of obsolescence and also of maintenance will be taken care of by the company that will be outsourcing and leasing this hand device to us."

94.   The Secretary further added that:-

> "Regarding the mobile devices, we still have to finalise it. We will be issuing a tender and we will be asking for solutions from operators who have supplied the devices to business correspondents, to banks, to various other people who are actually using this. We still have to decide on the best solution for us as to what we will do. When we talk about new products and services, when we computerize, many things will be available throughout the country which is not available now. For one thing, the 1,49,000 Post Offices are being completely networked. It means that there is a source of delivery from a central point to any point at these 1,49,000 Post Offices. Anything can go through these services – it can be social welfare, it can be pensions, it can be even e-Commerce. A person living in North East can order through these Post Offices to any shop that has e-Commerce website or to which we link up. That kind of delivery will become very possible. It is so in many countries and it can become so in this country also. These are some of the examples, but there are many more."

XII.   Support for Mahatma National Rural Employment Guarantee Scheme (MNREGS)

95.   The Committee during the course of examination of Demands for Grants (2010-11) have been informed that the total number of MNREGS accounts opened till February, 2010 are 4.07 crore. In their subsequent note, the Department has stated that the number of MGNREGS accounts as on 01.06.2010 as 4.41 crore.

96.   The Committee have been informed by the Department of Rural Development that in the year 2009-10. Out of a total amount of Rs. 21625.18 crore disbursed as wages to unskilled labourer through Post Offices/bank accounts, an amount of Rs. 8864.98 crore was disbursed through Post Offices and Rs. 12760.20 crore was disbursed through bank accounts.

97.   The Committee have also been informed that from the feedback received from the labourers, it reveals that some of the problems regarding disbursement of wages to the labourers under MNREGA are limited outreach, inadequate manpower and infrastructure.

98.   Regarding the bottlenecks for timely disbursement of wages to labourers under MNREGA by India Posts, the Department of Rural Development in their written reply stated as under:-

> "One of the main bottleneck in timely disbursement of wages is delay in payment of wages to Mahatma Gandhi NREGA workers through post offices

even after timely issuance of payment advise to sub post offices due to shortage of manpower and infrastructure. Other problems are limited cash handling capacity, shortage of manpower at Branch Post Office level, non-availability of any post office in some Gram Panchayat areas, there is no proper building for use as Post Office in many of the interior villages and the residential buildings of the Branch Post Master are used as post offices in which it is not safe to keep wages money, proper security cannot be arranged in all the villages due to lack of police personnel in the State, Head Post Office is a cash dealing office of the Postal Department. Sometimes one Head Post Office covers more than one district which results in delay in cash transfer to Sub-Post offices. Bottlenecks reported on the part of State governments are delay in submission of wage list to post offices, mistakes in preparation of wage lists, problems related to clearance of cheques, non- availability of rolling funds in every district and bulk submission of wage list/pay orders at one go."

99.   With regard to addressing the problem of poor infrastructure and outreach, the Department of Rural Development informed that the role of Business Correspondent Model with ICT enabled innovations has been thought of. Business correspondent/facilitator model, hand held devices, smart cards, biometrics, mobile banking to encourage target branch expansion in the identified have been some measures for initiation. The States have been requested to identify unserved areas where the BC model may be required and discuss with banks the possibility of extending BC model in these areas. The possibility of using Self Help Groups in this regard may also be examined.

100.   The Department of Rural Development also proposes to use ICT devices, especially Biometrics and integration with UIDAI to introduce bio-metric attendance on site and to improve the overall delivery system in the implementation of the MNREGA by capturing all the processes right from registration, demand of work, issue of dated receipt, allocation of work, attendance at worksite with GPS coordinates, measurement of work and wage payments.

101.   The Committee have also been informed by the Department of Posts that they are taking initiatives to introduce IT infrastructure to bring rural handheld devices providing all services at rural doorsteps and application support for MNREGS and e-MO application and all the other postal, financial services on the rural device.

102.   When asked whether any deadline for rural ICT has been fixed, the Department of Posts stated as under:-

"Yes the deadlines have been set to achieve ICT solution in the rural Post Offices. After six months of approval of the project, the rural devices platform would be ready, and the 1st pilot would be rolled out in the seventh month. The First phase of roll out would be made after successful testing of the pilots, and the solution in all the Rural Post Offices in six selected circles would be implemented. The final roll out would commence after fourteen months and would cover all the remaining circles to be completed by September 2012."

103.   Regarding disbursement of wages of MNREGS workers through Department of Posts, the Secretary, Department of Posts during evidence stated as under:-

> "In the first place we do not do independent work as far as NREGA is concerned. We are totally dependent on the State Government. The State Government draws the funds and passes them on to the Post Offices along with the Muster Rolls of all the persons who have done work. So, it depends on two things when we make the payment. One is that the Muster Roll should reach us on time and the second is that the cash reaches us on time from the Stage Government. We are supposed to pay within three days of receiving the cash. Sometimes the Muster rolls do not reach us in time or the State Government delays giving us the cash which is why the payments get delayed. I do not think it is possible for us to draw directly from Reserve bank of India because it is completely dependent on the work carried out and the measurement that is taken by the State Government authorities and the Muster Roll that reaches of the people who are to be given the payment. It is completely dependent on these activities. We pay out only as per the rules that are given to us."

104.   When asked whether the Department of Posts pay faster than the banks, the Secretary, Department of Posts during the evidence deposed as under:-

> "We definitely pay faster because we have a much simpler system. We normally ask the State Governments to give us an advance or kind of a rolling fund against which we keep adjusting it. We have sensitized our Branch Post Master to such an extent that even though he just works three hours a day, during the period when payments are to be made we make more persons there available at the village to help him. They sit there throughout the day making the payments. It is not that he works for two hours and goes away. He remains till the whole payment is made out."

105.   Explaining the advantage of banks over Post Offices with regard to disbursement of wages to labourers under MNREGA, the Secretary, Department of Rural Development during evidence stated as under:-

> "As I have mentioned earlier, the banks have a certain advantage. So, it has been found that the number of accounts that they are handling is much larger as compared to the Post Offices, though they are numerically inferior. The number of accounts that they are handling is larger and also their payment as some of the studies suggest is better. I would refer to the study by Dreze and Khera in which they have analysed in four of these States the working of banks and post offices. They found that the payment of banks to be better and they also found that the complaints of their clients was less. But that is again an academic article and that is not a study commissioned by the Ministry."

106.   With regard to the preference of choosing between the Department of Post and Banks by the State Government in connection with disbursement of wages to labourers under MNREGA, the Secretary, Department of Posts during evidence deposed as under:-

> "The point is that the State Governments have been given the option to either use post offices or banks. So, many of them prefer to use banks rather than post offices. "

XIII. Training of Manpower

107. Regarding training of manpower, the Department have stated that they have conceptualized the IT modernization project to enable IT in all its Post Offices which can deliver the highest level of performance, efficiency and also to modernize all its products and services. In this endeavour, Department of Posts is drawing upon the expertise of the private sector not only for implementation of its plan but also for its human resource related initiatives.

(i)   Human Resource Development Initiatives

108. In connection with human resource related initiatives, the Department has stated that to train the work force of the Department a comprehensive scheme has been prepared as the Plan Project for the Eleventh Plan with and outlay of Rs. 130.66 crore. This scheme includes imparting of institutional in service training, technology training, business orientation programmes, capacity building and development of infrastructure.

109. Elaborating on the issue, the Department informed that the Group 'A' and 'B' Officers are trained at Postal Staff college of India (PSCI) which is the apex institute of the Department. In addition to induction training for Group 'A' and 'B; Officers, PSCI also organizes in service training on computerization, insurance and related issues. Technology training is an essential component of induction training for both Group 'A' and 'B' Officers. There are six Postal Training Centres which impart induction training to Inspectors of Post Offices, Postal Assistants and Sorting Assistants. The PTCs also organize in service training programme for Postmasters and Assistant Superintendent of Post Offices (ASPOs) on departmental matters and technology. The training on technology is an essential part of the induction training.

110. With regard to the training centres that have been set up for imparting technical and computer education to the employees, the Department have stated as under:

"In order to keep pace with technology implementation, local training facilities are being developed to supplement the training provided by Postal Training Centres, Accordingly, two types of training facilities are being set up-Workplace Computer Training Centre (WCTC) and Divisional Level Training Centre (DTCs). The Workplace Computer Training Centres, which are mainly set up in regions, impart training for departmental software to the Supervisors and Postal Assistants. The Divisional Level Training Centres (DTCs) are set up at Divisional level. The Divisional Level Training Centres (DTCs) impart basic computer training to the employees who are not familiar with working on computers Training facilities have been set up for the Accounts Personnel in the Circles. Five Zonal Training Centres have been set up at the Postal Accounts Offices located at Chennai, Delhi, Lucknow, Nagpur and Kolkata and fifteen Divisional Level Training Centres have been set up at the remaining Postal Accounts Offices. The Zonal Training Centres impart training on accounting as well as accounting software. Divisional Level Centres provide training on accounting software. The computer training capacity of the Postal Training Centres has also been increased to cope up

with the need for induction training for the newly recruited Postal Assistants".

111.   With regard to key areas that have been identified for the improvement of human resource development, the Committee have been informed that specific training packages are being devised to cater to specialized Plan projects so that the staff can be trained depending on the requirements of the specific activities involved. For this, Xavier Institute of Management Bhubaneswar, Indian Institutes of Management and Ecole Polytechnique Federale de Lausanne, Switzerland have been approached to assist the Department of Post.

112.   When asked about the steps that have been taken by the Department to ensure that manpower planning are undertaken by considering the inevitable role of specialists in the modernisation of Post Offices, the Committee have been informed as under:-

> "With modernization there is a requirement to have personnel to use software, maintain hardware and train personnel in new procedures. Training Division of Dept of Posts has slated special training programmes for System Administrators, Hardware troubleshooters and Software Trainers."

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Part-II

OBSERVATIONS/RECOMMENDATIONS

1.   India Posts is in the process of modernisation to keep pace with the emergence of several significant changes that have been brought by liberalization and globalization as well as by the demographic shift towards urbanization. As per the Department, modernisation of Post Offices means spreading and strengthening of IT infrastructure, modernizing the mail transmission, improving service delivery levels, training of manpower, increasing awareness of the people regarding the services provided by the Post Offices and giving the right ambience to customers . A number of steps have been initiated by India Posts since the Eighth Five Year Plan and the Department is quite optimistic that by September, 2012, it would be able to create a platform for automated delivery of Postal Transportation, Financial, and Premium Value Added Services to all the Post Offices in the Country. The Committee are of the opinion that to achieve   the mission of modernization of Post Offices, technology has to play a vital role by building the last mile infrastructure in the rural areas . In addition to this, India Posts needs to unlock the various obstacles in the urban areas. In the succeeding paragraphs, the Committee have dealt at length how far India Posts has been able to achieve the objectives of being a technology-enabled service covering urban, rural and remote areas, increased market share and revenue, improved service delivery as well as motivating and improving the skills of the workforce.

Overview of Modernisation of Post Offices from Eighth to Eleventh Five Year Plan (upto 2009-10)

2.   The Modernisation of Post Offices took its root during the Eighth Five Year Plan with the initiation of computerisation in the Post Offices in a limited way and continued in the Ninth Five Year Plan with the induction of 'Meghdoot' and 'Sanchay Post' software for postal and

banking operations. With the induction of IT in its modernisation vision, the Department has intensified its efforts during the Tenth and Eleventh Plan. However, the analysis of the progress made by India Posts with regard to its vision of having technology enabled Post Offices reveals several areas of concern. The Committee note that over the years, India Posts has not been able to optimally achieve its financial and physical targets. This observation can be substantiated by the fact that during Eighth and Ninth Plans the financial achievement was 68.70 and 75.14 per cent respectively. The trend of underutilization of Outlay continued during the Tenth Plan too, as it was again 68.01 per cent and during the Eleventh Plan (upto 2009-10) it was 61.70 per cent. In terms of physical achievement too, the Department under-performed. During Eighth Plan, the Department could not supply 2340 MPCMs. Similarly under achievement has been witnessed in case of computerisation of accounting and inventory function–MIS (at Circles). In case of procurement of Mail Motor Service Vans, the achievement was only 13 out of the target of procuring 19 vans. Underachievement of the physical targets continued during Ninth Plan also as out of 1730 targeted ESMOs, only 282 ESMOs could be installed. In Tenth Plan, underachievement is seen under-performance relating to providing computerisation facilities to 100 Divisional Offices. The trend of underachievement of physical targets persisted even in Eleventh Plan (upto 2009-10) as the Department could not extend the instant money order service in the targeted 3621 Post Offices. In case of IT induction, the achievement could be made only in 6233 Post Offices out of a physical target of 11670 Post Offices. From the foregoing, the

Committee cannot but conclude that a lot needs to be done by the Department in its mission to modernize its Post Offices. In this regard, the Committee are of the opinion that the Department besides fulfilling its Universal Service Obligation to provide basic facilities throughout the country at an affordable price, the foremost task before them is to have inter-connectivity of its Post Offices and this can only be achieved if all the Post offices in the country are computerized. However, with the trend of under performance of the Department both financially and physically over the years, there are big challenges for the Department especially taking into account the increasing penetration by private sectors into logistic and parcel delivery as well as reduction in the dependence of the people on communication services of India Posts with the emerging technological changes brought by e-mail, mobile telephony etc. Nevertheless, the Committee recommend that the Department should conduct a SWOT (Strength, Weaknesses, Opportunity and Threats) analysis to identify the Department's internal strength and weaknesses and explore the opportunities and threats facing the Department externally and take corrective measures accordingly. The Committee feel that the Department should use its advantage of having a wider outreach to capture the market throughout the country. The Committee feel that the absence of a comprehensive IT network covering all the Post Offices would entail non-fulfillment of its automation plan which in turn would affect the service delivery system. Therefore, the Committee emphasize that the speedy electronic linkages of all the Post Offices should be taken up by the Department at the earliest.

Status of Computerisation of Post Offices

3.   The process of computerisation or transformation from physical to digital network of Post Offices was initiated in Eighth Five Year Plan and as per the Department the ambit of computerisation has increased in each of the successive Plans and as on 31st March, 2010, there are a total of 12,604 Departmental Post Offices which have been computerized out of the total 25,538 Departmental Post Offices, the percentage of achievement being only 49.35 per cent. Most of the work of Post Offices is carried out by the Extra Departmental Post Offices and at present out of total 1,55,035 Post Offices 1,29,497 are Extra Departmental Post Offices. If the number of Extra Departmental Post Offices is also taken into consideration, the percentage of computerization of Post Offices comes to just 8.13 per cent.   The Committee note that the Department has big plans with regard to enlarging their savings and insurance activities.   The Department proposes to set up Post Bank of India. The Committee note that the aforesaid ambitious plans of the Department cannot be achieved without networking of the Post Offices.   The Department claims to achieve the 100 per cent computerization of Post Offices by September, 2012. With the existing status of computerization the details of which have been given above, the Committee have doubts about the achievement of the targets by the stipulated timeframe i. e. by September, 2012.   The aforesaid apprehension of the Committee is further reinforced by the fact that the Department cannot computerize even a single Post Office during the financial year 2009-10 as status of computerization of Post Offices remained static during the aforesaid

period. The Committee cannot but express their unhappiness over the status of computerization of Post Offices. The Committee exhort the Department to take the desired initiatives at least now so as to step up the pace of computerization of Post Offices in the country.

Broadband Connectivity

4.   From the information provided by the Department, the Committee note that out of 12,604 Departmental Post Offices computerized so far, the broadband/dial-up connectivity could be provided to just 9483 Post Offices i.e. 37.13 per cent. The detailed information provided by the Department further indicates that 1305 locations have been connected through 2 Mbps leased line and another 8177 computerized Post Offices are using dial-up connectivity. The Committee observe that the purpose of computerization is achieved only when the broadband connectivity is provided. Moreover, the availability of adequate and efficient broadband service is the prerequisite to achieve the objective of networking of Post Offices. The coverage of only 37.13 per cent of the Departmental Post Offices in the country having broadband connectivity is not a satisfactory position. Moreover, the aforesaid position does not cover the Extra Departmental Post Offices which are handling the major work of the Posts as indicated in the earlier part of the Report. The Committee again emphasize that the challenges before the Department are going to increase manifold with the rapidly evolving technology and to face this, the Department has to put in place an effective networking system by having electronic linkages of all the Post Offices in the country and this can only be achieved by providing

the broadband connectivity to all the Post Offices. Otherwise, the vision of the Department such as 'Anywhere, Anytime Banking', Speed-Net Service, Upgradation of Customer Call Centres, Project Arrow etc. would always remain a mission yet to see their successful and complete implementation. In view of this, the Committee strongly recommend to take all the initiatives so that the broadband connectivity is provided to all the computerized Post Offices.

5.   The Post Offices are located in every nook and corner of the country. As such providing broadband connectivity to far-flung and difficult areas is the biggest challenge before the Posts so far as the issue of broadband connectivity is concerned. The Department has informed that the steps have been taken to ensure that the system can work in offline manner and the encrypted data can be uplinked from the nearest Post Office having appropriate connectivity. The Committee have also been informed that the Department is exploring of having the connectivity through VSAT in North-East and Andaman and Nicobar Island. The Committee note that all the steps are in the right direction and need to be continued. Besides, the Committee also emphasize that the Department should take up the issue of providing broadband connectivity in the far-flung and difficult areas with BSNL. Proper coordination with BSNL would help the Department in finding solution to the problem of connectivity in such difficult areas. The desired initiatives on the suggested lines should be taken by the Department and the Committee informed accordingly.

6.   The analysis of Circle-wise data with regard to computerization as well as broadband connectivity of Post Offices as furnished by the

Department indicates that achievement with regard to computerization is outstanding in Assam, North-East and Kerala. In Assam, the achievement is 100 per cent, in North-East and Kerala the achievement is 90.45 and 71.19 per cent respectively. The national average in this regard is 49.35 per cent. The under-performing Circles where the achievement is lesser than the average are Andhra Pradesh, Bihar, Chhattisgarh, Rajasthan and Uttar Pradesh. With regard to broadband connectivity, the data furnished by the Department indicates that connectivity is maximum in Delhi i.e. 70.83 per cent followed by Kerala, Haryana, Gujarat and Tamil Nadu which have 54.42, 51.33, 50.99 and 51.06 per cent connectivity respectively. In all the remaining Circles, the connectivity is less than 50 per cent. It is surprising to note that in Delhi which has very good broadband penetration, 30 per cent of Post Offices computerized so far could not be provided broadband connectivity. More disturbing is the fact that Assam and North-East which have achieved 100 per cent and 90.45 per cent of the computerization have only 41.09 per cent and 31.34 per cent of the broadband connectivity respectively. As such, the purpose of providing 100 per cent computerisation to such Circles is defeated. From the aforesaid position, the Committee conclude that the adequate measures have not been taken by the Department to provide broadband connectivity to the computers already installed in various Post Offices. The Committee exhort the Department to take all the desired initiatives which include taking up the issue with BSNL i.e. the Government telecommunication service provider for providing broadband connectivity to the computers in all the Circles.

<u>**IT Induction – Postal Operations during Eleventh Plan**</u>

7.   The Committee find that the Department has ambitious plans with regard to upgradation of various services viz. Communications Services, Transport Services, Financial Services and Value Added Services. To achieve the objective, Rs. 2700 crore was allocated by the Ministry of Finance during the Eleventh Plan. The aforesaid allocation was reduced to Rs. 2572.60 crore while framing EFC Memo. Out of Rs. 2572.60 crore, the Cabinet Committee's approval could be obtained for only Rs. 978.52 crore and that too in February, 2009 whereas Eleventh Plan commenced on 1 April, 2007. Out of this, Rs. 628.66 crore was for IT Project Phase-I, Rs. 210.86 crore was for Automatic Mail Processing Centres and the remaining 139.00 crore was for Project Arrow. Due to late approvals of the schemes, there were huge gaps between the projected outlay, allocation made at BE Stage, RE Stage and the actual expenditure during each of the year. Out of total allocation of Rs. 2572.60 crore Rs. 446.47 could only be utilized during first three years of the Eleventh Plan, the percentage utilization being just Rs. 17.35 per cent. The Committee have consistently been raising serious concern over the whole planning process in the Reports on Demands for Grants of the last three years. In spite of that the approval of the various programmes is being badly delayed resulting into huge shortfall in the financial as well as physical achievements, particularly the IT Induction Programme of the Department. The Committee disapprove the way the schemes are being proposed and approvals made whereby almost full three years of the Plan were lost in getting approvals. Even when the fourth year of the Plan is going to expire approvals for the substantial

allocation for Phase-II are still awaited. The Committee again emphasize that the Department need to relook its procedure for getting approvals for the different schemes and a specific time limit for getting approval at each of the stage should be fixed. Since the approvals for Phase-I are now in place, the Committee exhort the Department to take all the initiatives so that the allocations provided are meaningfully utilized.

Financial and physical achievements under IT Project Phase-I

8. From the data made available by the Department, the Committee note that there are huge shortfall in financial and physical achievements during each year of the Eleventh Plan under different programmes of IT Induction. The major part of the allocation is made for computerization and networking at BE stage. During the year 2008-09, Rs. 240 were allocated for the aforesaid programme. The allocation was reduced to Rs. 142.50 crore at RE stage. The Department could not ensure full utilization of even the reduced outlay and there was shortfall of Rs. 4.77 crore. Similarly, during the year 2009-10 even when the major approvals were in place, the allocation at BE stage was Rs. 255 crore which was reduced to Rs. 118.01 crore at RE stage. The actual expenditure during the year 2009-10 has been indicated as Rs. 152.70 crore. Similarly, huge reduction at RE Stage under the other Programmes of IT Induction like Upgradation and Modernization of Software Centre at Postal Training Centre, Annual Maintenance Contract, Consultancy for Comprehensive Technology Plan and Strategy, Upgradation and Modernization of Postal Accounts Offices, Computerisation of Administrative Offices and Project

Management Unit was made. With regard to physical achievements, the Committee again note the huge shortfalls. Out of the target of computerisation of 5,143 Double-handed Post Offices, the achievement was 2920 Post Offices. In case of Single-handed Post Offices the achievement was further worse. Out of the target of 11497 Post Offices, the achievement was just 554 Post Offices. So far as supply of computers to Divisional Sub-Post Offices is concerned, the achievement was just 156 out of the target of 305. Even where the computerisation had been done, the electronic linkages could not be completed. The reasons in this regard as indicated by the Department are that the computerization which has been implemented till date focused on supply of hardware to bigger Post Offices in a LAN (Local Area Network). The major software for postal operations (Meghdoot) and for Banking operations (Sanchay Post) were of standalone mode working within the Post Offices in a LAN connectivity.   The Committee conclude from the aforesaid scenario that there are serious problems in implementation of various IT Projects. The Department has tried to justify the shortfalls by stating that approvals were in place only in the year 2009 i.e. after passing of almost three years of the Eleventh Plan. On one hand, it has been stated that due to inadequate allocation during Eleventh Plan, there were shortfall in achievement of targets. On the other hand, the allocation made are being reduced at RE stage and there is still under spending during each of the year as explained above.   With the present pace of IT Induction Programme, the Committee feel that it would take more decades to get the 100 per cent Post Offices computerized. While expressing serious concern over this,

the Committee exhort the Department to take all the initiatives so that at least now progress are made in various activities related to IT Induction in Postal Operations.

IT Project Phase II

9.   The Committee note that the Department has ambitious plans under IT project Phase II which envisages building up of a comprehensive IT solution for all the operations viz postal banking insurance and retail operations. The project objectives as informed to the Committee are Robust IT solution including infrastructure and applications, multiple channels of access – POS ICT Call centres, web mobile, Integrated customer support, High service delivery standards, Technology platform for inducting new services and products. In this connection, the Department has proposed an overall outlay of Rs. 1877.20 crore to be incurred in the financial years 2010-11, 2011-12 and 2012-13 (upto September, 2010). As regards the status of approval of EFC phase II, the Committee have been informed that the proposal for IT project phase II was recommended by EFC on 28 June, 2010 and is under process for obtaining approval of the competent authority. The detailed information provided by the Department further indicates that Department of Expenditure and Planning Commission recommended for scaling down the proposal to the extent of availability of funds and the Department was advised to opt for the outsourced model for some of the components. As such the total outlay has been scaled down to Rs. 187720 crore and the project has been phased to be rolled out in the financial year 2010-11, 2011-12 and 2012-13. The year 2010-11 is the fourth year of the Eleventh Plan and half of the year has already passed

and the Department is still to obtain the approvals for the Phase II. Further Phase II is in continuation of the phase I and envisages computerization of all the Post Offices in the country. Various modernized services like mobile banking integrated customer support ATM facility etc. can only be provided when there is complete networking of the Post Offices. In view of this, the Committee strongly recommend that earnest action should be taken to complete the computerization process and make the computers broad band enabled so that the modernized facility could be provided to the customers as envisaged under phase II of the project. All the procedural difficulties should be sorted out with the various Ministries so that the approval of phase II are in place and the programme is implemented with full swing.

Establishment of Project Management Unit
10.   The Committee have been informed that a Project Management Unit (PMU) has been established. The PMU would ensure availability of skills for strategic planning to conceptualize the mission, project development, project management, project finance etc. Besides, three Committee viz. Steering Committee, Working Committee and Functional Teams have been formed to monitor the project. The Committee have also been informed that the Steering Committee meets once in a month while the Working Committee meets once in a week. The Functional Teams meet at least once in a week. While appreciating the aforesaid mechanisms to monitor the implementation of Phase-II of the project, the Committee strongly emphasize that various procedural hurdles should be addressed so that clearance for IT Project Phase-II are

obtained and project is implemented under the supervision of various monitoring mechanisms.

Consultancy service from M/s Accenture Service Private Limited

11.   The Committee have been informed that M/s Accenture Services Pvt. Ltd., the consultant engaged for IT modernisation of the Department to accomplish its aggressive growth and profit targets has submitted 16 Reports. Out of which, 10 Reports have been accepted by the Department and the remaining are in the process for acceptance. The Committee note that the Current State Assessment Report has highlighted that in six areas of operations, namely Mails, Banking, Postal Life Insurance, Finance and Accounts, Human Resource and Technology carried out by the Department, the majority of the work are being carried out manually.   Besides, there are multiple siloed application deployed which do not integrate resulting in duplication of work efforts carried out by the Department. Further, the Report has highlighted that the network, IT security and Data Centre infrastructure are insufficient. The Committee feel that each of the observations made by the M/s Accenture Services Pvt. Ltd. are very significant and the Department needs to address each of the issue at the earliest. The concrete action in this regard should be taken and the Committee informed accordingly.

Project Arrow

12.   The Committee note that the Department of Posts has launched a scheme 'Project Arrow' in April, 2008 with the objective of providing a new outlook to Post Offices by modernizing exterior and interior designs of the Post Offices, upgrading the infrastructure and enhancing

core operations including IT enabled services and processes. No separate allocation was made for Project Arrow. The Department spent Rs. 151 crore on 1000 Post Offices i.e. 50 Post Offices in Phase-I, 450 Post Offices in Phase-II and 500 Post Offices in Phase-III. During the year 2010-11 another 500 Post Offices were identified to be covered under Project Arrow for which Rs. 86 crore were approved. However, Rs. 60 crore were allocated and as such funds have been released for modernizing only 371 Post Offices in Phase-IV. The Department has also informed that funds to the tune of Rs. 24 crore have been sought for first batch of Supplementary Grants and on the receipt of the same, the remaining 129 Post Offices would be covered. As regards, the plans of the Department during Eleventh Plan, the Committee have been informed that a total of 4,500 Post Offices were to be covered during Eleventh Plan with the outlay of Rs. 887 crore. The Department was able to spend Rs. 325 crore and for the remaining 562 crore, the Department has taken up the matter with the Planning Commission and the Ministry of Finance for further allocation of outlay. Further, the Committee have been informed that the Project Arrow has a big impact and revenue has actually gone up in 1,500 Post Offices covered by the Project Arrow. The Committee are unable to comprehend the reasons for not allocating outlay for the 'Project Arrow' particularly when the Finance Minister in the Budget Speech (2009-10) has assured that the 'Project Arrow' would receive full Government support. Moreover, there has been huge shortfall in expenditure earmarked for IT-Induction projects of the Department due to late approval of the programme. As such, the outlay approved for the Eleventh Plan could have been

earmarked for 'Project Arrow' which according to the Department has been a success. As such, the Committee strongly recommend that the initial plan of extending facilities by Project Arrow to 4,500 Post Offices should be maintained and the Ministry of Finance and Planning Commission should be pursued to give the desired allocation for the Programme. The concerns of the Committee in this regard should be duly communicated to the Ministry of Finance and Planning Commission.

13. The Committee have been informed that the Department of Posts had appointed TUV India Posts Limited to conduct audit/customers' and staff satisfaction survey in 50 Project Arrow Phase-I Post Offices to evaluate performance of Post Offices in 18 parameters. As per the findings of the aforesaid survey, there is remarkable improvement in the services offered by the Post Offices. Besides, the average customer satisfaction as well as employees' satisfaction is also good in the aforesaid Post Offices. The Committee have further been informed that the Department has decided to conduct external audit for Post Offices under Phase-II and Phase-III as well and the Request for Proposal for external audit is under preparation. The Committee appreciate the efforts being made by the Department to monitor the performance of the Post Offices covered under Project Arrow. The Committee emphasize that external audit for Post Offices covered under Phase-II and Phase-III should be expedited and the findings communicated to them. Besides, the Committee also emphasize that the findings of the survey which indicate great improvement in the various services should be publicized by the Department so that the public at large is aware of

the efficient services being provided by these Post Offices. This would certainly help the Department in increasing their customer base and enhance revenue generation of the Post Offices.

Mail Operation

Automatic Mail Processing Centres

14.	The Committee note that the Department as an initiative to modernize mail operations proposes to set up Automatic Mail Processing Centres (AMPCs) during the Eleventh Plan. While it is possible to sort only 100 articles per hour manually, the AMPCs can sort 36,000 articles per hour. In this direction, the Department has initiated the process for setting up of AMPCs in Delhi and Kolkata and orders have been placed to the selected vendors for supply, installation and commissioning of the AMPCs in these cities. Further action has also been initiated for preparation of Request for Proposals with respect to setting up of AMPCs in four other metro cities. The Committee observe that setting up of AMPCs would help in quicker delivery of mail articles in the country. Moreover, setting up of these Processing Centres is urgently required keeping in view the fact that private sector has entered into the domain of mail services in the country and the Department has to provide competitive service to the customers As such, the Committee strongly recommend that all the efforts should be made to set up these Centres expeditiously in various metro cities.

Redesigning of Pin Code

15.	The Department had introduced six digit numeric code way back in 15th August, 1972. The first three digits denote the sorting unit, while the last three digits denote the delivery Post Office. Now, it has been

decided that Pin Code should be redesigned to be able to take care of present and future requirements of digits addressing, taking advantage of the current and evolving technologies. As such it has been decided to re-design the Pin code and introduce Pin Plus, a numeric code combining 6 digits of the current Pin Code with an additional 5 digit – the first 2 digits would denote the Postman beat and the other 3 digits would denote delivery point on the beat. The Committee have further been informed that the Postman Beat Code has already been implemented in mails being posted by certain large mailers like telephones. A further improvement on this 6+2 digit Pin Code is the 6+2+3 Pin Code. The last 3 digits is the Delivery Point Identification (DPI). This scheme has not yet been implemented since it is felt that at this stage it should be implemented only after the 6+2 pin plus gets accepted. The Committee find that it has been mentioned in the Outcome Budget 2010-11 that the Department has embarked upon a comprehensive plan for popularization of Pin Codes through various media during the Eleventh Plan period to improve delivery efficiency by redesigning the PIN Code for specific delivery beats. In this regard, the Committee would like to be apprised about the initiatives taken by the Department for popularization of the redesigned Pin Code. The Committee would also like to be apprised about the feedback of implementation of the Postman Beat Code based on which 8 digit Pin Code would be fully operational by the Department. The Committee hope that the aforesaid initiatives would certainly improve the delivery of mails.

Mail Business Centres

16.   The Committee note that the initiative taken by the Department to provide efficient mail business services under one roof was the setting up of Mail Business Centres. At present 142 Mail Business Centres are functioning in the country. During Eleventh Plan, the Department proposed to implement a plan scheme relating to Setting up of Mail Business Centres that involved redesign of the existing Mail Business Centres/Mail Offices and optimizing the countrywide mail network of the Department which includes 412 mail offices. Under the aforesaid scheme the existing MBCs as well as new MBCs are envisaged to be restructured with a view to streamline core mail operations and develop them as integrated mail business entities. During the year 2009-10, the physical target for setting up of 150 MBCs was reduced to 50 only. The Department in this regard has informed the Committee that now the process for selection of consultant for the project has been completed and the roadmap for implementation of the project is being prepared with the help of the consultant. The Committee express serious concern over the way important schemes are being implemented by the Department. Even when the scheme related to Mail Business Centre is operational and the three and a half precious year of Eleventh Plan have already been over, the Department now has decided for selection of the consultant for the project. The Committee are of the firm view that the process of consultation should be undertaken before the project is started and not in the middle of the implementation of the project. Since personal communication is fast being replaced by B2B and B2C segment of mail, and where parcel and logistics are new areas of growth, the Committee emphasize that all the initiatives should be

taken for the targeted setting up of Mail Business Centres as well as restructuring of the existing MBCs. The concrete action taken in this regard should be communicated to the Committee.

<u>Modernisation of Financial Services</u>

17.   The Post Office Savings Bank (POSB) with 206 million savings account (as on 31.03.2009) and having 100 years of experience in handling savings bank work is the oldest and largest banking institution in the country. Inspite of un-paralelled reach of Post Bank as compared to any other banking agency in the country, the preference of the customer today particularly in urban areas is commercial banks as acknowledged by the Department. Better connectivity, network for ATM, liquidity, dematerialization, market determined interest rates and availability of credit are the main factors for choice of commercial banks as compared to posts. Inspite of the various initiatives taken by the Department with the huge allocations made out of government funding the IT-Induction programme has not been to the desired level. The detailed analysis of which have been given in the previous part of the Report. While the Department has the network of 1.5 lakh Post Offices only 12571 Post Offices have the computerized banking system using 'Sanchay Post Software' and are working in local area network based technology. The scheme Core Banking Solution CBS) i.e. 'Anytime Anywhere Banking' for post office small savings have been included in the Eleventh Five Year Plan. Technology consultant have submitted the Feasibility Report for implementation of Core Banking Solutions. As per the Report, India Posts require an integrated Core Banking Solution which would enable real time processing capability, multi channel

integration, flexibility to launch new products and services, interface with internal and external applications, strong MIS capability and superior data management and security functionalities. The Department propose to provide Core Banking Solution initially in 4000 identified branches which would gradually extend to cover the entire network through various technology led solutions-offline capabilities, multiple channels, mobile hand held devices (rural ICT), cards, and centralized data centre. The Department is having detailed discussions and interactions with various commercial banks and technology providers such as Infosys Technology, Oracle and Tata Communications for implementation of Core Banking Solution. The Committee conclude from the aforesaid position that now when more than three and a half years of the Plan period have already been passed, there is no headway on the scheme. The Committee again emphasize that computerization and networking of Post Offices is the prerequisite for providing Core Banking Solutions which would provide the customer various modern facilities as at present are available to the customer from the commercial banks and other private sector banks and organizations. As such, the Department has to work on a mission mode to ensure the computerization of Post Offices followed by implementation of Core Banking Solution. The consultations with the various commercial banks and other technology providers should follow the concrete action on the part of the Department so that the Core Banking Solutions become reality in the Eleventh Plan.

Accrual Accounting System

18.   As informed by the Department, the Twelfth Finance Commission had recommended an operational framework and a detailed roadmap for its implementation.   Accordingly, the Department of Posts has signed an MoU on 25th June, 2009 with ICAI-ARF in two indentified Head Post Offices in New Delhi viz. New Delhi Head Office and Naraina Industrial Estate Head Office. The Committee have also been informed that Comprehensive Scope Evaluation Report (CSER) submitted by the ICAI-ARF on Pilot Study is under consideration with the Department. The Committee feel that the introduction of Accrual Accounting System is one of the basic requirements for the introduction of Core Banking Solution and since the Department has an ambitious plan of introducing it in 4000 identified Post Offices in the Eleventh Plan, the Committee expect that the Comprehensive Scope Evaluation Report (CSER) submitted by the ICAI-ARF on Pilot Study are examined expeditiously so that Accrual Accounting System could be introduced in the various Post Offices in the country at the earliest.

Modernization in Service Delivery Levels with regard to financial services

19.   The Committee observe that various initiatives have been taken by the Department to facilitate expeditious remittance of money. Such initiatives include introduction of i-MO facility in 6361 Post Offices under which a person can send money from Rs. 1000 to Rs. 50,000 in one transaction, introduction of e-MO which has been introduced *w.e.f.* 10.10.2008 and it facilitates remittance of MOs electronically. The limitation of this facility that Post Offices should have connectivity by

WAN/Broadband. Another facility is introduction of MO-Videsh in Eurogiro network is used by India Posts under the name MO Videsh for outward and inwards international money remittance. Operation of International Money Transfer Service is another service provided by Posts in association with a multinational company – Western Union Financial Services International which provide the customer the facility of receiving remittances from 205 countries and territories on a real time basis. The Committee note that all these initiatives are steps in the right direction. However, these facilities need to be expanded to more number of Post Offices so that these facilities are available in every nook and corner of the country. The Department should prepare the concrete proposals in this regard.

Electronic Clearance Service

20.   The Committee find that Electronic Clearance Service is in operation at 15 centres where Reserve Bank of India manages clearing Houses and 50 other centres where State Bank of India, Punjab National bank etc. are managing Electronic Clearance Service on behalf of Reserve bank of India. Electronic Clearing Service is being offered in the Department of Posts at all the 15 locations of Reserve Bank of India and 21 locations of State Bank of India in connection with payment of monthly interest under 'Monthly Income Scheme' (MIS). The Committee further note that the aforesaid facility is available to only 5 lakh depositors whereas the customer base is 22 crore accounts. The Committee exhort the Department to take the desired action so that the

Electronic Clearance Service is available to every depositor of Posts in the country.

Rural ICT Devices

21. **Most of the work of Post Offices is carried by the extra Departmental Post offices and at present out of total 155035 Post Offices 129497 are extra Departmental Post Offices. The Committee have been informed that for modernization and computerization of Extra Departmental Post Offices, Rural Information and Communication Technology solution (Rural ICT) has been designed in consultation with the IT consultant and has been incorporated in the draft EFC which has been circulated. The proposed solution envisages that each of the rural office will have a mobile hand held device which will have the ability to perform all the transactions of the Post Offices. A data centre is also proposed to be set up with which these devices can exchange data based on available connectivity options such as GPRS, Encrypted SMS, broadband etc. The device will be able to connect with central server and perform synchronously or asynchronously depending upon the available connectivity. The Department propose to roll out first pilot in the seventh month after the approval of the project followed by roll out of first phase in six selected circles. The final roll out would commence after fourteen months and would cover all the remaining circles to be completed by September, 2012. The detailed examination has further revealed that one of the query made by the Department of Expenditure and Planning Commission on the draft EFC was that the Department of Posts should test the robustness of Rural ICT devices before induction in the Post Offices. Not only that the availability of power, internet**

connectivity and training of the 'Grameen Dak Sewaks' who would be using such devices are the big challenges before the Department. In view of this, the Committee strongly recommend the concerns of the Department of Expenditure and Planning Commission should be properly addressed before the roll out of the project. Besides, there is an urgent need to take advance action for the training of Grameen Dak Sewaks who will use the device so that the system becomes functional after the roll out. The Committee again reemphasize that unless the extra Departmental Post Offices are covered by the modernization programme, complete IT solution for the different services cannot be found. As such, the Department should address to the procedural issues with regard to clearance of the project and take all the desired initiatives for the successful implementation of the project.

Technological initiatives to make the disbursement of wages under MNREGA effective-financial inclusion for the unbanked rural masses

22.   The Committee observed that disbursement of wages to laborers under Mahatama Gandhi National Rural Employment Guarantee Act (MNREGA) is being made by Post Offices and commercial banks. State Government have been given the option to either use Post Offices or the banks for the aforesaid purpose. The Committee find that whereas the number of bank branches in the country are 72156 as compared to 1.55 lakh branches of Post Offices, the share of banks in this regard is more than the Post Offices. With regard to the amount of wages disbursed during the year 2009-10, the Committee have been informed that out of total amount of Rs. 21625.18 crore, an amount of Rs. 8864.98 crore was disbursed through Post Offices and Rs. 1276.02

crore was disbursed through bank accounts. The detailed deliberations with the representatives of the Department of Rural Department has indicated that there are certain bottlenecks regarding disbursement of wages by Posts which include delay in submission of wage list to Post Offices by State Government, mistakes in preparation of wage list, problems relating to clearance of cheques, non-availability of rolling funds in every districts, lack of proper security to keep wages money, bulk submission of wage list/pay orders at one go etc. Moreover, a study done by Dreze and Khera has revealed that payment by banks is better than Post Offices. The Secretary, Posts, during the course of deliberations have acknowledged that many labourers preferred to use banks rather than Post Offices. Keeping in view the various problems being faced in the disbursement of wages under MNREGA, the Committee have decided to undertake detailed examination by selecting the subject in this regard. In the context of use of technology for the effective disbursement of wages under MNREGA, the Committee would like to emphasize that the preference of banks over Post Offices even in disbursement of wages under MNREGA is obviously due to effective and fast services provided by banks. The detailed analysis of the various aspects related to disbursement of wages under MNREGA would be done separately by the Committee as stated above. Here the Committee would like to strongly recommend that the Department should take all the initiatives, particularly with the use of latest technology and networking of Post Offices to address to the various problems being faced in the disbursement of wages under MNREGA. With the reach of Post in every nook and corner of the country, great

opportunities are being provided by the Government. The Department has to act professionally and use this opportunity by opening Post accounts of BPL persons. Besides, technological intervention, better services can be provided by helping the customers in rural areas in opening the accounts like filling of various forms, completing the formalities of surety etc. Moreover, coordination with State Governments and local bodies particularly in rural areas will further help Posts in addressing the various bottlenecks being faced in disbursement of wages. The Department has to take all the initiatives for effective disbursement of wages under MNREGA so that the State Government opt for Posts for disbursement of wages under MNREGA. The desired initiatives on the suggested lines should be taken and the Committee informed accordingly.

Training of Manpower

23.   With the growth and development of Information Technology, skill based training has become a pre-requisite for the success of any organisation.   The Committee note that the Department of Posts in order to hone the skills of its employees has prepared a comprehensive scheme for the Eleventh Plan with an Outlay of Rs. 130.66 crore. The scheme include imparting of institutional in service training, technology training, business orientation programmes, capacity building and development of infrastructure. From the information provided by the Department, it is understood that the Department has set up training centres for officials belonging to Group 'A' and other officials such as Group 'B' Inspectors, Postal Assistants, Sorting Assistants,

Postmasters, Assistant Superintendent of Post Offices, Accounts Personnel, etc,. However, the Committee are constraint to note that nothing seem to have been done regarding the training of the Extra Departmental Employees or Grameen Dak Sewaks. The Committee feel that since the Department of Posts is embarking on the ambitious project of networking of all its Post Offices in rural areas through introduction of Rural ICT, the training of this category of employees is inevitable.

The Committee also feel that the Department has a monumental task of providing suitable training to its employees to complement with its automation plan for financial services viz. proposals of setting up of Core Banking Solution, introduction of Accrual Accounting System, etc. Therefore, the Committee recommend that the Department needs to take all the necessary steps to equip all its employees with the skills necessary for matching with the modernisation of its Post Offices. The Committee feel that enhancing and transforming the human resources through training would make the Department more customer friendly and techno-savvy.

Percentage of Post Offices Computerised in India upto 31.12.2009

Sl. No.	Name of the Circle	Total POs in the Circle	Total Post Office Computerised	%
1	Andhra Pradesh	2437	754	30.94
2	Assam	623	623	100.00
3	Bihar	1043	316	30.30
4	Chhattisgarh	333	144	43.24
5	Delhi	422	289	68.48
6	Gujarat	1318	769	58.35
7	Haryana	487	278	57.08
8	Himachal Pradesh	461	264	57.27
9	Jammu & Kashmir	258	129	50.00
10	Jharkhand	448	188	41.96
11	Karnataka	1788	816	45.64
12	Kerala	1503	1070	71.19
13	Madhya Pradesh	1057	476	45.03
14	Maharashtra	2224	1222	54.95
15	North-East	335	303	90.45
16	Orissa	1192	479	40.18
17	Punjab	809	443	54.76
18	Rajasthan	1333	422	31.66
19	Tamil Nadu	2789	1450	51.99
20	Uttar Pradesh	2540	1034	40.71
21	Uttrakhand	384	193	50.26
22	West Bengal	1754	942	53.71
	Total	**25538**	**12604**	**49.35**