1

STANDING COMMITTEE ON

INFORMATION TECHNOLOGY

(2014-15)

SIXTEENTH LOK SABHA

MINISTRY OF COMMUNICATIONS & INFORMATION TECHNOLOGY

(DEPARTMENT OF POSTS)

DEMANDS FOR GRANTS

(2014-15)

FIRST REPORT

LOK SABHA SECRETARIAT

NEW DELHI

December, 2014/ Agrahayana, 1936 (Saka)

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Presented to Lok Sabha on 22nd December, 2014

Laid in Rajya Sabha on 22nd December, 2014

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COMPOSITION OF THE STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2014-15)

Shri Anurag Singh Thakur - Chairperson

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2. Shri L.K. Advani
3. Shri Prasun Banerjee
4. Dr. Sunil Baliram Gaikwad
* 5. Dr. K.C. Patel
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18. Shri D.K. Suresh
19. Shri Ramdas C. Tadas
20. Smt. R. Vanaroja

21. **VACANT

Rajya Sabha

22. Shri Javed Akhtar
23. Shri Salim Ansari
24. Smt. Jaya Bachchan
25. Shri Vijay Jawaharlal Darda
26. Shri Santiuse Kujur
27. Shri Derek O'Brien
28. Dr. K.V.P. Ramachandra Rao
29. Shri Sachin Ramesh Tendulkar
30. Mahant Shambhuprasadji Tundiya

31. **VACANT**

Secretariat

1.	Shri K. Vikaykrishnan	-	Additional Secretary
2.	Shri J.M. Baisakh	-	Director
3.	Shri Ajay Kumar Garg	-	Additional Director
4.	Shri Abhishek Sharma	-	Executive Assistant

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* Nominated to the Committee w.e.f. 11.09.2014 *vice* Shri Feroze Varun Gandhi, M.P., *vide* Bulletin Part – II w.e.f. 11.09.2014

** Shri Deepender Singh Hooda, M.P. Lok Sabha ceased to be a Member of the Committee as he has been shifted to the Committee on Energy *vide* Bulletin Part - II w.e.f. 14.11.2014.

Shri Md. Adeeb, M.P. Rajya Sabha ceased to be Member of the Committee consequent upon his retirement w.e.f. 25.11.2014.

LIST OF ABBREVIATIONS

AMC	-	Annual Maintenance Contract
AML/CFT	-	Anti Money Laundering/Combating Financing of Terrorism
AMPC	-	Automated Mail Processing Centre
BD&MD	-	Business Development & Marketing Directorate
BE	-	Budget Estimates
BPC	-	Business Post Centre
BPO	-	Branch Post Office
CBS	-	Core Banking Solution
CMPF	-	Coal Mines Family Pension
CoD	-	Cash on Delivery
DA	-	Dearness Allowance
DGS&D	-	Directorate General of Supplies & Disposal
DoP	-	Department of Posts
DoT	-	Department of Telecommunications
DPR	-	Detailed Project Report
DSO	-	Departmental Sub Office
EDBO	-	Extra Departmental Branch Office
e-IPO	-	electronic Indian Postal Order
e-MO	-	electronic Money Order
EoI	-	Expression of Interest
EPFO	-	Employee’s Provident Fund Organisation
FO	-	Franchisee Outlet
GDS	-	Gramin Dak Sewak
GIS	-	Geographical Information System
GPS	-	Global Positioning System
HPO	-	Head Post Office
IAY	-	Indira Awaas Yojna
IMO	-	International Money Order
IMTS	-	International Money Transfer Service
IRDA	-	Insurance Regulatory Development Authority
KVP	-	Kisan Vikas Patra
LSM	-	Letter Sorting Machine
MGNREGA	-	Mahatma Gandhi National Rural Employment Guarantee Act
MIS	-	Monthly Installment Scheme
MNOP	-	Mail Network Optimization Project
MO	-	Mail Office/Money Order
MoF	-	Ministry of Finance
MoU	-	Memorandum of Understanding
MPCM	-	Multi Purpose Counter Machine
NSC	-	National Saving Certificate
PBI	-	Post Bank of India
PLI	-	Postal Life Insurance
PO	-	Post Office
POSB	-	Post Office Savings Bank
PPP	-	Public Private Partnership
PRS	-	Passenger Reservation System
PSSK	-	Panchayat Sanchar Sewa Kendra
RE	-	Revised Estimate
RFP	-	Request for Proposal
RPLI	-	Rural Postal Life Insurance
SB/CC	-	Savings Bank/Cash Certificate
SPO	-	Sub Post Office
TRCA	-	Time Related Continuity Allowances
UIDAI	-	Unique Identity Development Authority of India
WUFSI	-	Western Union Financial Services International
WUMT	-	Western Union Money Transfer

INTRODUCTION

I, the Chairperson, Standing Committee on Information Technology (2014-15), having been authorized by the Committee to submit the Report on their behalf, present this First Report on Demands for Grants (2014-15) of the Ministry of Communications and Information Technology (Department of Posts).

2. The Standing Committee on Information Technology (2014-15) was constituted on 31st August, 2014. One of the functions of the Standing Committee, as laid down in Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha, is to consider the Demands for Grants of the Ministry/Department concerned and to make a Report on the same to the House.

3. The Committee considered the Demands for Grants pertaining to the Ministry of Communications and Information Technology (Department of Posts) for the year 2014-15 which were laid on the Table of the House on 21st July, 2014. The Committee took evidence of the representatives of the Department of Posts on 29th September, 2014.

4. The Report was considered and adopted by the Committee at their sitting held on 18th December, 2014.

5. The Committee wish to express their thanks to the officers of the Department of Posts for appearing before the Committee and furnishing the information that the Committee desired in connection with the examination of the Demands for Grants.

6. The Committee would also like to place on record their appreciation of the assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

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

ANURAG SINGH THAKUR
Chairperson
Standing Committee on
Information Technology

New Delhi
16 December, 2014
25 Agrahayana, 1936 (Saka)

REPORT

PART-I

I. INTRODUCTORY

1. India has the largest postal network in the world with over 1,54,856 Post Offices of which 1,39,164 (89.87%) are in the rural areas and 15,692 (10.13%) are in urban areas. Out of the 1,54,856 Post Offices, 1,29,388 are Gramin Dak Sewaks Post Offices while 25,468 are Departmental Post Offices. The Department of Posts has 4,66,301 employees, which includes 2,02,702 departmental employees and 2,63,599 Gramin Dak Sewaks. Post Offices in the country are categorized as Head, Sub and Branch Post Office. Branch Post Offices (BO's) are mostly located in rural areas and manned by Gramin Dak Sewaks. The Sub Post Offices (SO's) are Departmental offices located in both rural and urban areas. The Head Post Offices (HO's) are located in important towns and cities.

2. For administrative convenience, the postal network of the country is divided into 22 Circles. The Circles are generally co-terminus with a State, with a few exceptions. Each Circle is headed by a Chief Postmaster General. The Circles are further divided into Regions comprising groups of field units, called Divisions (Postal/Railway Mail Service). Each Region is headed by a Postmaster General. In the Circles and Regions, there are other functional and supporting units, like Circle Stamp Depots, Postal Store Depots and Mail Motor Services. In addition to these 22 Circles, there is a separate wing called the Army Postal Service (APS) to take care of the postal needs of the Armed Forces.

3. While the core activity of the Department of Posts (DoP) is processing, transmission and delivery of mail, there are also a diverse range of retail services undertaken by the Department which include money remittance, banking as well as insurance. More recently, the Postal Department has undertaken social benefit payments such as the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and social security pension schemes. In order to meet the new developments and challenges, the services provided by the Department of Posts are being both upgraded and diversified and new services are being introduced. A major IT modernization project is in the process of being implemented. Business process re-engineering and improving operational efficiency are the focus of attention.

4. The expansion of the postal network in the country, especially in rural areas, has been addressed mainly through opening of Gramin Dak Sewak (GDS) Post Offices and on a smaller scale by opening Departmental Post Offices. The GDS Post Offices function for a period ranging from three to five hours per day. These are manned by Gramin Dak Sewaks who are paid Time Related Continuity Allowances (TRCA) for the services rendered. On the other hand, the Departmental Post Offices function for a period of eight hours and are manned by regular Departmental employees.

5. The DoP, of late, are facing varied challenges such as globalization, entry of the private sector, growth of telephony, focus on inclusive growth, higher level of delivery standards and developments in other Postal Administrations, etc. The internal challenges faced by the DoP include multiplicity of application software, co-existence of manual and computerized processes, existing processes not in tune with rising customer expectations, training requirements of a large workforce, rationalization of network, enhanced productivity norms, demand for greater accountability and transparency, etc.

6. The objectives of the DoP are :-

1. Modernise and consolidate the network
2. Provide best-in-class customer services
3. Improving the reach of postal services
4. Develop Financial Service
5. Grow in existing Business and new Business
6. Develop Professional Workforce
7. National Postal Policy

7. The Demands for Grants of the DoP for the year 2014-15 were presented to the Lok Sabha on 21st July, 2014 under Demand No. 13.

8. The Committee, in their Report, have analyzed the financial and physical performance of the DoP, particularly with regard to the services being offered as well as the various Plan Schemes being implemented by the Department in the context of the examination of the Demands for Grants for the year 2014-15.

II. IMPLEMENTATION STATUS OF THE RECOMMENDATIONS CONTAINED IN THE FORTY-FIFTH REPORT ON DEMANDS FOR GRANTS FOR THE YEAR 2013-14 OF DOP

9. The Standing Committee on Information Technology presented their Forty-fifth Report on the Demands for Grants for the year 2013-14 relating to the DoP to the House on 30th April, 2013. The statement indicating the status of implementation of recommendations contained in the Forty-fifth Report was made by the Minister in Lok Sabha on 11th December, 2013 and in Rajya Sabha on 13th December, 2013 in pursuance of Direction 73A of Directions by the Speaker. The Fiftieth Report on Action Taken by the Government on the Forty-fifth Report on the Demands for Grants for the year 2013-14 was presented to Lok Sabha on 17th December, 2013. Out of 21 recommendations contained in the said report, 14 recommendations were accepted by the Government. Replies to 05 recommendations were found to be of interim nature on which final replies have been sought from the Ministry. The replies of the Government in respect of two recommendations were not accepted by the Committee. The Committee reiterated these recommendations in their Fiftieth Report. The final Action Taken Statement on the recommendation contained in the Fiftieth Report has been received and will be laid in Parliament in due course.

III. BUDGET ANALYSIS

(i) Overview of Demands for Grants for 2014-15

10. The DoP have presented Demand No. 13 for Grants to the Parliament for the year 2014-15, the details of which are as follows:-

				(Rs. in crore)
		Revenue	Capital	Total
Voted	Plan	286.70	513.30	800.00
	Non-Plan	17854.65	5.00	17,859.65
	Total	18,141.35	518.30	18,659.65
Charged	Plan	--	--	--
	Non-Plan	0.20	--	0.20
	Total	18,141.55	518.30	18659.85

11. Head-wise details of the Revenue and Capital Section excluding North-East for 2014-15 are as follows:-

	Revenue Section		Capital Section	
	Head of account	**BE 2014-15**	**Object Head**	**BE 2014-15**
1	**2**	**3**	**4**	**5**
1.	General	916.70	Others	8.00
2.	Operation	10897.41	Postal Network	66.52
3.	Agency Services	-94.88	Mechanization and Modernization	393.02
4.	Accounts & Audit	356.76	Administrative Offices	3.00
5.	Engineering	136.08	Staff Quarters	1.00
6.	Amenities to Staff	79.63		

(ii) Revenue Section

12. The comparative analysis of the Demands for Grants indicating BE and RE for the year 2013-14 and Actual for the year 2011-12 and 2012-13, along with BE 2014-15, is given below:-

(Rs. in crore)

Particulars	**Actual 2011-12**	**Actual 2012-13**	**BE 2013-14**	**RE 2013-14**	**BE 2014-15**	**% Inc/Dec of Col 5 over Col 3**	**% Inc/Dec Of Col 6 over Col 5**
1	2	3	4	5	6	7	8
Revenue Section							
Gross Expenditure	14163.91	15481.15	16876.17	16464.05	18141.55	6.35	10.19
Deduct-Recoveries	458.64	688.77	680.58	657.12	665.19	-4.60	1.23
Net Expenditure	13705.27	14792.38	16195.59	15806.93	17476.36	6.86	10.56

Postal Receipts	7899.35	9366.50	9101.81	9787.52	10281.90	4.49	5.05
Deficit	5805.92	5425.88	7093.78	6019.41	7194.46	10.94	19.52
Capital Section							
Gross Expenditure	210.23	146.27	433.31	294.68	518.30	101.46	75.89
Deduct-Recoveries	-	-	-	-	-	-	-
Net Expenditure	210.23	146.27	433.31	294.68	518.30	101.46	75.89

(a) Revenue Expenditure

13. Gross Expenditure of the DoP during the last four years and the estimates for the year 2014-15 are given as under:-

(Rs. in crore)

	2010-11	2011-12	2012-13	2013-14	2014-15
BE	11328.78	13522.36	14379.71	16876.17	18141.55
RE	13427.83	13763.91	15321.24	16464.05	
Actuals	13793.67	14163.91	15481.15	16796.71 (Upto March, 2014)	

14. When asked about the reasons for a continuous increase in gross expenditure of the Department, the Department in a written note, stated that the increase in gross expenditure in 2009-10 and 2010-11 was due to implementation of the 6th Pay Commission (60% arrear of pay & allowances paid during 2009-10) and the Gramin Dak Sewak Committee's Report (40% arrears paid in 2009-10 and 60% in 2010-11). But during the years 2011-12, 2012-13 and 2013-14, the gross expenditure has increased due to routine increase of pay & allowances, D.A. hike, encashment of leave for LTC purpose, increase in cost of materials, hiked price/cost of carriage of mails, Broad Band connectivity, IT induction, services, AMC, petrol, oil and fuel, etc. Major components of Gross Expenditure are salaries and pensions which constitute over 90% of the Gross Expenditure. India Post has the largest postal network with over 1.55 lakh Post Offices, out of which 89.87% are in the rural areas. It is not possible to cut down the operational expenses of the Department due to the increasing costs on the one hand and obligation to provide Postal Services throughout the country on the other.

15. In this context, the representative of DoP, in evidence, stated that the effort of the Department has been oriented towards curtailing deficit and increasing revenue.

16. On the specific measures taken to ensure that the Gross Expenditure of the Department is restricted to the Budget Estimate level for the year 2014-15, the Department stated that the expenditure is reviewed on a monthly basis at the apex level by the Secretary (Posts) through Video Conferencing with all the Heads of Circles so as to ensure that the expenditure is within the ceiling of BE. Recently, instructions in this regard have been issued by the Directorate to strictly adhere to the instructions relating to budget and austerity measures from the Ministry of Finance from time to time. The authorities and field units holding the funds and incurring expenditure are

monitored continuously and issued regular instructions to keep their expenditure under the Budgetary allocations.

17. On the plans of the Department to sustain a robust growth in revenues in order to bridge the deficit, during the 12th Plan in general, the Committee have been informed that the Business Development & Marketing (BD&M) Directorate is working on exploring new business areas by way of customizing its existing services/introduction of new services. The BD&M Directorate has undertaken the following new initiatives to increase the revenue of the Department:

(a) Emerging e-Commerce market is being perceived as a business opportunity by the Department to increase its revenue receipts. Department of Posts have rationalized service features of Parcel products to suit the requirements of e-Commerce business.

(b) Department have introduced two parcel services, i.e, Express Parcel & Business Parcel w.e.f. 02.12.2013. Parcel Booking Centres are being established in key cities under 12th Five Year plan scheme in 2014-15. Further, Department as part of its IT project, would be launching its own e-Commerce portal.

(c) Cash-on-Delivery (CoD) facility has been started w.e.f. 02.12.2013 as a value addition to the Speed Post & other Parcel services with a view to build the business in premium/express parcel segment.

(d) Department are also formulating a service, namely 'Business Reply Speed Post Articles' to attend to the return service requirement of e-Commerce.

(e) Booking of Notices/Summons issued by Delhi High Court through Speed Post service with Proof of Delivery facility and providing the Proof of Delivery electronically has been started with effect from 03.02.2014.

(f) e-IPO (Electronic Indian Postal Order) for Indian citizens living abroad for paying RTI fee online was launched on 22.03.2013. This facility has also been extended to Indian citizens living in India with effect from 13.02.2014.

Besides the above, the Department are entering into tie-ups with third parties for use of Department of Posts network for selling their product/services through Post Offices e.g. Passenger Reservation System (PRS) for booking of railway tickets, sale of various application forms, collection of examination fee etc. These initiatives are stated to help the Department to augment its revenue realization and control the deficit.

(b) Recoveries

18. The Department have furnished information regarding recoveries during the past four years and Projections for 2014-15 as under:-

(Rs. in crore)

	2010-11	2011-12	2012-13	2013-14	2014-15
BE	436.55	695.11	665.05	680.58	665.19
RE	566.58	572.05	623.03	657.12	
Actuals	485.72	458.64	688.77	593.19 (Upto March, 2014)	

19. When asked about the reasons for actual recovery of just Rs. 593.19 crore [upto March, 2014 as against the RE target of Rs. 657.12 crore for 2013-14, the Committee have been informed as under:-

> "It may be seen from the booked figures that there is a short fall of Rs. 64 crore under recovery. The main reasons are downward trend of business in Western Union Money Transfer (WUMT) due to intense competition from organized and unorganized players in the market as well as Non realization of commission in respect of Coal Mine/EPF pensioners etc.
>
> Although, it may be mentioned here that the main source of recovery in Department of Posts is PLI and Rural PLI. The recoveries have been more than the targeted figures. As against the projected figure of Rs. 527.62 crore, the realization was Rs. 532.99 crore."

20. On measures proposed to be taken by the Department to improve recoveries, the Committee have been informed that action is in hand to improve the realization from WUMT. However, in respect of PLI, the recoveries proposed for 2014-15 is more than the actual of 2013-14 by Rs. 38.70 crores (RE 13-14 Rs. 527.62 crore and BE 14-15 is Rs. 581.69 crore).

(c) Revenue Receipts

21. Revenue Receipts of the Department of Posts during the past four years and projections for the year 2014-15 are given as under:-

(Rs. in crore)

	2010-11	2011-12	2012-13	2013-14	2014-15
BE	6955.54	7517.70	7793.31	9101.81	10281.90
RE	6814.59	7522.02	8762.75	9787.52	
Actuals	6962.33	7899.35	9366.50	10730.42	

				(upto March 2014)	

22. The details of categories/items of the Revenue Receipts as furnished by the Department where it has increased/decreased during the last three years are as under:-

(Rs. in crore)

Items of Revenue Receipts	**2011-12**	**2012-13**	**2013-14**
PRC on Ordinary Services	463.22	518.21	611.55
Speed Post	889.63	1261.47	1372.21
Business Post	773.98	823.89	1029.52
Bill Mail Services	105.86	104.93	102.98
Sale of Postage Stamps	563.00	535.22	556.01
Commission on Money Order and Postal Orders	490.77	514.87	606.89
Sale of Passport Application Form	0.85	3.48	0.38
Others	307.96	572.83	535.61
Total Postal Operation	**3595.27**	**4334.90**	**4815.15**
SB/CC Remuneration	**4304.08**	**5031.60**	**5915.27**
Total Revenue	**7899.35**	**9366.50**	**10730.42**

* Others- include the various other products run by the Department.

23. On the focus areas/activities to increase revenue during the Twelfth Plan, the Department have stated that Mail is their core business. The Department have been connecting people through delivery of letters, parcels etc. They seek to improve the quality of service of such products which, in turn, would generate more and more volumes leading to increase in revenue. To achieve this objective, the Department have taken up the following activities during the 12th Plan period:

a) Mail Network Optimization Project (MNOP) for improving quality of mail services such as Speed Post, Registered Mail and Parcels. This initiative also includes restructuring of the operational network and computerized end-to-end processing/online tracking facility for customized registered mail and Parcels, apart from speed post. Through this project, it is also proposed to upgrade operational infrastructure and ambience at mail offices.

b) Setting up of Automated Mail Processing Centres (AMPC) at Mumbai, Chennai, Bangalore and Hyderabad in order to automate and expedite processing and delivery of mail.

c) Development of an integrated mail processing (booking to delivery) software as part of IT Modernization Project.

d) Development of Road Transport Network for transportation of Parcels on identified routes.

e) National Address Database Management System for creation of a comprehensive address database to expedite delivery of mail. This project also involves Geographical Information System (GIS) mapping of post offices in metro cities. Besides, the Department have taken an initiative for Standardization of mail across the country.

f) It is proposed to equip Departmental Mail Motor Vehicles used for conveyance of mail with Global Positioning System (GPS) for effective supervision over transportation of mail and parcels.

Further, DoP have their focused approach to fulfill the needs of e-Commerce sector, which is at boom at present. As a part of strategy to provide fulfillment and payment solutions to such customers, DoP have rationalised their service offerings and introduced Cash on Delivery facility. Tie–ups have been made with various e-Commerce companies viz. Amazon.in, M/s Naaptol, Homeshop18, Telebrands, etc. Department has also recently tied up with 'Snapdeal' for sale of Philately products and stamps.

Logistics is also being considered as a focus area where lot of opportunities lies for the Department in bulk movement of the consignments. For this purpose, DoP have already empanelled transporters to provide surface transmission of bulk consignments and in order to provide faster delivery of logistics consignments; Air Logistics was started with effect from 17-06-2013 under an MOU with Air India which enables air transmission of logistics consignments between 15 identified stations.

DoP have also taken aggressive marketing steps to popularize the services among all categories of the customers as well as Departmental employees under special marketing drive. BD&M is also working towards providing more value additions and add-ons on existing products/services. For e.g. Single Account Management for Book Now

Pay Later (BNPL) customers is under pilot run and provision of e-IPO for payment of additional payment of RTI fee is under process.

(d) Revenue Deficit

24. The Revenue Deficit of the Department during the past four years and projections for the year 2014-15 are as under:-

(Rs. in crore)

	2010-11	2011-12	2012-13	2013-14	2014-15
BE	3936.59	5309.55	5921.35	7093.78	7194.46
RE	6046.66	5669.84	5935.46	6019.41	
Actuals	6345.62	5805.92	5425.88	5473.10 (Upto March, 2014)	

25. Recounting efforts made towards bridging deficit to a considerable extent during 2013-14, the Department have informed that the major factors have been constant monitoring to reduce expenditure at the apex level, making all out effort to popularize the products of DOP, to increase the customer base, improve service quality and other strategic improvements which led to increased revenue.

26. Elaborating further on the issue, the representative of the Department in evidence submitted that their revenue is increasing at a steady 14-15 per cent. They have been able to keep the deficit quite static. The Secretary and the Board have been following this very stringently and strong instructions are issued regarding austerity measures and the need to curtail the deficit.

(iii) Capital Outlay

27. Capital Expenditure of the Department during the past four years and the projections for the current fiscal are given as under:-

(Rs. in crore)

	2010-11	2011-12	2012-13	2013-14	2014-15
BE	329.55	518.12	615.77	433.31	518.30
RE	297.65	263.27	207.60	294.68	
Actuals	273.73	210.23	146.27	268.97 (Upto March, 2014)	

28. Explaining the reasons for persistent underutilization of the funds allocated to the Department under capital section over the years in general and 2013-14 in particular and the measures for optimal utilization of allocations made under the capital section, the Committee have been informed as under:-

"The Plan funds (mainly Capital section) were largely earmarked for IT Induction & Modernization scheme during all the Annual Plan years but the major activities under IT Induction & Modernization could not materialize as anticipated, due to delay in completing the codal formalities for finalizing RFPs. This was partly due to the complex nature of RFPs which resulted in several clarifications/queries being raised which had to be sorted out to the satisfaction of all concerned stake holders.

2012-13 being the first year of the Plan period, approvals of the 12th Plan outlays was received in October, 2012 only thereafter action was initiated for obtaining approvals of competent authority for EFC/SFC, etc. Due to paucity of time the funds could not be utilized.

During the year 2013-14 approval of the major schemes 'Mail Network Optimization Project', 'Estates Management', 'Project Arrow' got approved during the 3rd Quarter of the Annual Plan and the activity 'Setting up of Automated Mail Processing Centres' got approved in February, 2014 only. Funds were also reduced by the Ministry of Finance at RE stage.

However, all efforts are being made for finalizing the pending RFPs/bids and signing of contracts for some of the pending activities. It is expected that in the current year the Department would be able to utilize the funds in a planned manner to the extent possible under the Capital section."

29. On being specifically asked about the plans to fully utilize Plan outlay for the year 2014-15, DoP in a written note stated that out of Rs. 518.30 crore Capital Outlay, Rs. 474.54 crore have already been allotted so far – Rs. 291.01 crore to Project Management Unit, Rs. 64.62 crore to Mails, Rs. 39 crore to Postal Operations and Rs. 48.91 crore to Estates divisions. It is expected that they would be utilizing the same in full. The PO Division has already allotted the Plan funds of Rs. 39.01 crore for improving ergonomics of Project Arrow Post Office during 2014-15. Similarly, the Estate division has already allotted Rs. 43.32 crore to the Circles to utilize the funds well in time. In respect of 'IT Induction & Modernization', contracts have been signed in 5 out of 8 activities and roll out have already commenced. The entire funds have been allotted to the Circles and it is anticipated that the funds will be fully utilized. Due monitoring is being done by the Circles and also by the Directorate to ensure that funds are utilized.

IV. <u>REVIEW OF PLAN SCHEMES</u>

(i) <u>IT Induction and Modernization</u>

30. The Eleventh Plan envisaged extensive technology upgradation and modernization. IT Induction schemes were taken up in two phases in the 11th Plan. It is being continued in the 12th plan with a comprehensive IT roadmap to be developed for network architecture, integrated software, proper data management, including strengthening/establishment of National Data Centre(s) and Disaster Recovery Centre.

According to DoP, eight Request for Proposals (RFPs) have been floated as proposed in the Detailed Project Report (DPR) and is pending for finalization at various stages.

31. The current updated status on the eight Request for Proposals (RFPs) that have been floated as proposed in the DPR and pending for finalization at various stages has been provided as under:-

Sl No.	Name of the segment	Present position
1	Change Management (CM)	RFP process completed and work awarded. Implementation started on 15-10-12. Training, communication, change agents – continuous activities. The contract period is expiring on 14-10-14. The contract has a provision of one year extension and action is underway for extension of contract for the said period.
2	Data Centre Facility (DCF)	RFP process completed and work awarded. Data Centre is operational w.e.f. 3rd April 2013, at Navi Mumbai.
	Disaster Recovery Centre (DRC)	Civil work completed. DRC to be operational by the end of October, 2014.
3	Financial Services Integrator (FSI)	RFP process completed and work awarded. Implementation started on 28-09-12. Pilot Roll out of Core Banking (CBS) and Life Insurance (PLI) - Completed at 124 and 220 Post Offices. Additionally, CBS Roll out completed at 552 POs: and PLI Roll out completed at 3280 POs. ATM Services- installed and commissioned at 4 POs as part of the pilot. Circle Processing Centers (CPC) have been commissioned in 11 Circles and work completed in almost all Circles. ATM Card RFP is in process.
4	Net work Integrator (NI)	RFP process completed and work awarded. Implementation started on 28-09-12. So far 25,193 locations out of 28,883 have been net worked on Wide Area Net work (WAN).
5	Core System Integrator (CSI)	RFP process completed and work awarded. Implementation started on 15-04-13. Installation and commissioning of Central Hardware completed. Testing of common infrastructure completed. Roll out is in progress.
6	Rural Hardware (RH)	RFP process completed. Vendor has been selected. Letter of Intent was issued on 08-08-14. Action is under way to enter into Contract.

7	Rural System Integrator (RSI)	RFP process completed and work awarded. Contract signed on 28-02-13. Roll out was on hold. Resumption in process; timelines to be aligned with Rural Hardware timelines.
8	Mail Operation Hardware (MoH)	RFP process completed. Letter of Intent was issued to the successful bidder M/s HCL Infosystems Ltd on 03-02-14. HCLI expressed their inability to sign the contract. The matter is being placed before Steering Committee for annulment of LoI and procurement of Mail Operations Hardware.

32. The details of allocation relating to IT Induction and Modernization Scheme for the past four years and 2014-15 are as follows:

(Rs. in crores)

Sl No.	**Year**	**Proposed Allocation**	**BE**	**RE**	**Actual Exp.**	**% of Achievement When compared with BE**
1	2010-11	600.66	414.97	210.90	188.88	45.52
2	2011-12	917.97	676.41	196.82	164.40	24.31
3	2012-13	1437.28	516.00	109.36	26.13	5.06
4	2013-14	842.01	532.21	295.74	254.85 (upto March, 2014)	47.88
5	2014-15	1910.18	506.39	--	--	--

33. On the time lines for Implementation and Operation phase of the IT Modernization project as approved by CCEA on 22nd Nov 2012, the Department submitted as under:-

Segment	**Implementation Phase**		**O&M Phase**
	Vendor Selection	**Roll out Complete**	**Completion Timeline**
Rural ICT- Application	Nov-12	Apr-14	Apr-23
Core System Integrator	Dec-12	May-14	May-19
Financial Solution	Aug-12	Mar-14	Feb-19
Data Centre & DR	Jun-12	Jun 2013 / Sept 2013	Jan-19
Network Connectivity	Jun-12	Jan-14	Jul-19
Rural H/W & Connectivity	Nov-12	Apr-14	Apr-19

Mail Operation Hardware	Dec-12	Nov-13	Nov-18
Change Management	Jun-12	Jul-14	Jul-14

The Department is processing revised timelines and submitting the proposal to CCEA for approval.

34. According to DoP, the achievements in the ongoing components of the scheme during the Eleventh Plan are as follows:

- 99.69% of the total Departmental Post Offices computerized. Computerization of remaining 185 Post Offices was under process.
- Up-gradation of hardware in 4167 post offices supplied with hardware in XI plan to use the existing LAN based application.
- Computerization of all Administrative and Postal Account Offices. ("Computerization of 2219 Administrative Offices (305 Postal Divisional Offices and 1914 Sub Divisional Offices) and 29 Postal Accounts Offices to keep them in readiness for next phase".)
- Strengthening of Department's Data Centre at Mysore.
- Setting up of Centre for Excellence in Postal Technology (CEPT).
- Setting up of Project Management Unit (PMU).
- Engagement of IT consultant for an integrated IT solution for the Department.
- Released Detailed Project Report (DPR) for the IT Modernization Project.
- Eight RFP floated for selection of Vendors for implementation of the IT Modernization Project.

35. The Committee enquired about the underlying reasons for steep reduction from BE to RE stage for all the years beginning from 2010-11 in the IT induction and Modernization scheme and its impact on the implementation of the Project. Enumerating the reasons for the steep reduction from BE to RE stage, the DoP, in a written note, stated that due to non-finalisation of RFPs during the period from 2010-11 to 2012-13, the amount could not be utilized and thus there was a steep reduction from BE stage to RE stage. Further, the reasons for non-finalisation of the eight RFPs floated from Project Management Unit (PMU) in connection with the IT Modernization project are stated to be as follows:

"(a) The IT Modernization Project is the biggest project involving public procurement activity of the Department of Posts covering a plethora of activities, processes, dimension and 1,55,000 post offices in addition to offices under mail, accounts, administrative and RMS offices etc.

(b) During the process of procurement, at the interim stage complaints were received by the office of the Hon'ble MoC & IT. Accordingly there was a direction from the Hon'ble MoC & IT to review the entire project to ensure that the procurement exercise has been as per the codal formalities and conform to the procedures of public procurement.

(c) Therefore, the procurement process was reviewed by the Postal Service Board and the Steering Committee. The Steering Committee is mandated as per approval of CCEA to monitor, review and approve the procurement for the project.

(d) During the review, views of Nodal Ministries who are part of the Steering Committee were also sought for.

(e) All these activities took considerable time and were carried out to ensure due diligence and all the issues raised through various complaints were studied, analyzed and resolved before the project was taken forward.

(f) The Department had nominated cross sectional committee members from DIT/NIC and experienced eminent resource persons from various IITs in all the RFP management committees, with the expectation that their inputs will ensure covering of aspects of RFP in which DOP expertise was wanting and will fill the gaps. However, the RFP meetings had to be convened as per their convenience. This process has affected the timelines of the RFP committee meetings - deliberation, evaluation of RFPs and its finalisation.

(g) Due to complex nature of RFPs many queries and clarification were also sought by the bidders to understand and to prepare the bid documents. Accordingly, last date of submission of bid documents had to be extended several times in almost all RFPs, to give ample opportunity to ensure maximum participation of bidders.

(h) Many clarifications were sought during pre-qualification and technical evaluation stage by the RFP Management Committees. Bidders had to be given reasonable time to answer and provide additional documents to ensure fair and transparent evaluation of bids. These were relevant procedural necessities which could not be overlooked or eliminated and were absolutely necessary to ensure complete and comprehensive evaluation process. This caused considerable delay in evaluation of RFPs.

(i) Some complaints were received by the Department regarding certain aspects of the Project. For certain period the project was on hold when the complaints were being examined. The issues were examined at higher level and the project could be moved forward only after the complaints were closed.

According to the Department though there is no financial implication because of the delay, but the delay has affected the timelines approved for implementation/roll out completion of the Project.

36. On the status of computerization and electronic networking of Departmental post offices, the DoP in a written note, informed that as on 31.03.2013, all the Departmental Post Offices, i.e. 25,145 have been computerized. The networking of post offices commenced during May, 2013. Up to 10th September, 2014, out of the total 28,883 locations, including Departmental Post Offices and all other Administrative Offices, 25,195 locations have been electronically networked. It is proposed to complete the networking process by 31.03.2015.

37. Regarding the status of computerization and networking of extra departmental/rural post offices, the Committee have been informed that as a part of IT Modernization Project, the vendors of Rural Hardware and Rural System Integrator RFP are responsible for computerizing and networking of extra departmental Post offices in rural areas. The Rural Hardware RFP has been finalized and the Letter of Intent has been issued on 08-08-14. The action is in progress to enter into the Contract. After entering into the contract the supply of hardware and other peripherals to Extra Departmental Post Offices in rural areas will be started by the Vendor duly arranging network connectivity from the local service provider in the form of 3G, GPRS, GSM, etc. The Vendor of Rural System Integrator will start developing required software of core application platform, MGNREGS, application etc.

(ii) Financial Services (Savings Bank and Remittances)

38. The objective of this scheme is to fully realize the potential of the vast customer base and credibility of India Post in the area of banking and promote the habit of thrift and savings among citizens of the country. The scheme is being continued in the 12th Plan under the nomenclature of 'Financial Services (savings bank & remittances) with a widened scope and object.

39. The proposed outlay for the scheme during the Twelfth Five Year Plan is Rs. 1045 crore out of which the approved outlay is Rs. 784 crore. The details of allocation are as follows:

(Rs. in crore)

Sl. No	Year	Proposed Allocation	BE	RE	Actual Exp.	% of Exp. when compared with BE
1	2010-11	35.88	6.00	1.137	0.73	12.17
2	2011-12	105.88	8.50	2.00	0.47	5.53
3	2012-13	26.60	24.50	3.56	0.00	0.00
4	2013-14	578.50	55.87	6.65	5.09 (Upto March, 2014)	9.11
5	2014-15	652.90	5.07	-	-	-

40. Explaining the reasons for consistent gross under-utilization of funds over the years in such an important scheme, the Department stated that in respect of Financial Services (Savings Bank & Remittances) (Core Banking ATM Network, Processing Centres) the Pilot project got delayed due to various technical/operative reasons involving linkages with various implementation partners. However, the pilot rollout of CBS is under completion and acceptance. In regard to creation of an AML/CFT compliance structure, the Draft Appraisal Memo for Creation of Anti–Money Laundering (AML)/Combating the Financing of Terrorism (CFT) compliance structure with total outlay of Rs. 22 crore, has been forwarded to the Planning Commission for according in-principle Approval on 19.05.2014.

41. The BE (2013-14) was Rs. 55.87 crore which was reduced to Rs. 6.65 crore at RE stage and the actual utilization at Rs. 5.09 crore is just 9.11 per cent of Budget Estimates. Explaining the reasons for such steep under-utilization, the DoP stated that the Pilot project got delayed due to various technical/operative reasons involving linkages with various implementation partners. However, the pilot rollout of CBS is under completion and acceptance. ATM rollout is stated to be under testing and implementation stage. CPCs have already been setup in 22 Postal Circles. Further, creation of an AML/CFT compliance structure in all the Circles to ensure compliance to the provision of PML Act is proposed during the current Five Year Plan period. In-principle approval from Planning Commission is awaited.

(a) <u>Centralized Banking for Post Office Savings Bank (POSB)</u>

42. On the progress to provide Core Banking Solutions in all Departmental Post Offices by September, 2014, the Committee have been informed that Core Banking Solutions (CBS) has been rolled out in 676 post offices (266 HOs and 410 SOs) in 11 Postal Circles (TN, AP, Punjab, Delhi, Haryana, Assam, Karnataka, Maharashtra, UP, Rajasthan and Kerala). Circle Processing Centres (CPCs) in these 11 Circles have started functioning. CPCs in other Circles are also in place. Further plan of CBS implementation is as follows:

Phase	Timelines
Pilot Phase: 124 Post Offices (112 HOs + 12 SOs)	Completed (Under acceptance)
Phase-1: 2209 Post Offices (697 HOs + 1512 SOs) (552 Post Offices completed)	By 31st March 2015
Phase-2: 23207 Post Offices (All remaining SOs)	By 31st Dec 2015

43. Considering the fact that India is amongst the largest recipients of inward remittances, the Committee desired to know the steps taken by the Department to improve its market share in the international money remittances. DoP in a written note stated that the Financial Services Division of the Department of Posts has tied up with

two Money Transfer Operators -Western Union Transfer Services and Money Gram Transfer Services. Efforts are being made to increase the revenue by expanding Money Transfers Receipts locations. As on date there are 9945 Post Office locations offering services.

44. When asked about the market share of DoP in domestic remittances, the Department stated that the Market Research Report 2013 prepared by IMRB International on Money Transfer for the Department of Posts mentions that it is not possible to calculate the share of domestic remittances without bank account because (a) Bank / RBI do not have separate data on DD encashment of less than Rs. 20,000 and (b) informal money transfers are not documented at all. In the domestic transfer with bank account, India Post's money order service forms around 0.7% of the total domestic money transfer.

45. The volume of remittances through money orders e-MO / MO during the last five years is as follows:-

(Rs. in crore)

Financial Year	No. of eMOs booked	Amount	Commission
2008-09	0.16	191.61	8.39
2009-10	1.43	1722.31	71.40
2010-11	3.41	3613.10	162.57
2011-12	7.10	6925.63	323.94
2012-13 (upto Nov.2013)	5.72	5305.56	250.04

46. The volume of remittances through money orders/iMO during the last five years is as follows:-

(Rs. in crore)

Financial Year	No. of iMOs booked	Amount (crores)	Commission (lakh)
2009-10	17904	19.45	32.18
2010-11	12995	16.69	24.36
2011-12	14454	15.63	25.98
2012-13	25465	23.81	37.27
2013-14	50073	47.70	51.51

47. On being asked about the plans of the Department to introduce any changes in Money Order to make it more popular/competitive vis-a-vis other domestic remittance options available to the customers, the Committee have been informed that some of the changes introduced recently are, introduction of Mobile to Mobile Money order service, considerable reduction of commission of iMO, increase of the maximum limit of

iMO from 20,000 to 50,000 and introduction of common money order form. The Committee have also been informed that DoP are in the process of taking a decision to transmit all money order advice / form electronically and completely stop physical transmission of MO advice / form for transparency and speedy delivery.

48. Regarding the status of rollout of Internet and Mobile Services to POSB customers, the Committee have been informed that these services are in the testing phase and will be available by the end of the current financial year.

(b) <u>Post Bank of India</u>

49. A first level feasibility study was carried out by the Administrative Staff College of India (ASCI) in the year 2010 to examine the prospects of DoP entering the formal banking domain. A detailed study was also conducted by M/s Ernest and Young who had given their recommendations. In pursuance of RBI guidelines for licensing of New Banks issued dated 22.02.2013, DoP submitted their application along with DPR on 28.06.2013. The High Level Advisory Committee (HLAC) set up by the RBI recommended that in the case of Department of Posts which has applied for licence, it would be desirable for the RBI to consider the application separately in consultation with the Government of India. The RBI has accepted the recommendation of the HLAC. Consultation with the Government took place in the Public Investment Board (PIB) meeting held on 01.05.2014 wherein the Board recommended certain action points. The gist of recommendations is as follows:

(i) PIB did not recommend the proposed Post Bank of India in its present formulation and suggested certain action points.

(ii) DoP in consultation with IBA, DFS and RBI work out the details of formulation of the proposed PBI.

(iii) While working out a viable business model, DoP may incorporate the ingredients of a "narrow banking model" or the "differentiated banking model" with specific objectives in mind.

(iv) DoP may have to apply fresh as per the guidelines of RBI as and when the same are notified with regard to obtaining a licence under the rubric of a differentiated bank.

(v) RBI has published draft guidelines on licensing Payments /Small Banks in its website on 17.7.2014.

DoP will rework the proposal on setting up PBI once the RBI releases the final guidelines on setting up Payments Banks.

50. When asked whether the Department plan to re-apply afresh when new guidelines for bank licences are issued by the RBI, the Committee were *inter-alia* informed that the final guidelines are expected to be published by the end of this year and notify the window period within which interested and eligible parties have to

submit application seeking licence for payments banks. The Department will take a decision on submitting a fresh application for banking licence when the final guidelines are published, based on its provisions.

51. On the factors that make DoP an ideal entity for setting up of Post Bank of India (PBI), the Department submitted that over the many decades of its operation, they have developed numerous intrinsic strengths relevant to banking operations that can be utilized by the proposed bank while the latter creates its own capabilities in core areas of banking, to ensure that the synergy fulfils the country's agenda of promoting inclusive banking. The PBI will be a separate legal entity under the aegis of DoP, utilizing the distribution network and the customer base of DoP. Core capabilities required for banking, such as asset liability management, product management, etc. will be available with PBI, as the appropriate resources are manning its operations. At the same time, usage of DoP's distribution network will ensure that PBI is able to reach out to its target customer segments, i.e., the disadvantaged sections, as well as utilize the brand equity of DoP.

52. The Department also submitted that the varied strengths of DoP, as outlined in the following table make it an ideal entity for setting up a Payments/ Differentiated Bank:

DoP strength	Details
Additional demands of the existing customer base	1. DoP currently holds 31 crore accounts across savings bank and savings certificates; thus, a huge potential customer base to cross-sell and up-sell 2. Since DoP currently accepts deposits from individuals, the proposed Payments Bank will additionally target the MSME customers in urban and rural areas to mobilize deposits 3. Further, DoP is presently not able to offer Current Accounts and newer innovative products to the existing customers, because of which many of them migrate/ graduate to accounts with commercial banks. Setting up Payments Bank will meet the demands of such customers.
Widest distribution network	1. 1.54 lakh points of presence, higher than any other financial services entity in India 2. Last mile reach through the *Gramin Dak Sewak* (GDS) network, which has access and knowledge of the unbanked rural population. This manpower is capable of multi-tasking and experienced in cash management. They will be as asset to the proposed Payments Bank i.e., PBI.
Brand equity	1. PBI will be the producer of financial products and DoP

DoP strength	Details
	will be the distributor 2. For the end customer, it is DoP that is now offering him/her a much wider range of financial products and services as a full-fledged bank 3. This will help PBI utilize the trust and brand recall that DoP generates, making customer acquisition easy.
Experience in financial services	1. DoP has Rs. 600,000 crore in outstanding balance across savings accounts, showcasing its ability to garner large deposit base through mobilizing small savings. This underlines its capabilities of cash management, accounting flows and governance practices. These would be extremely relevant in the proposed BC role which it would take up on behalf of PBI. 2. Expertise in domestic and international remittances. 3. Wide coverage of Postal life insurance showcases insurance expertise 4. Successful pilot microfinance program in Tamil Nadu showcases capabilities around credit. 5. Successful disbursement of social security benefits to various beneficiaries.
Strong governance framework	1. Robust policies and process manuals and strong controls have ensured governance in DoP's operations across layers of operations (HPO/SPO/BPO). 2. PBI's governance framework will be as per banking requirements; however, DoP's existing governance will help in managing risk of using DoP as a BC
Upcoming technological initiatives	1. Ongoing rural ICT and core banking implementation projects will allow a large part of the postal network to be centrally connected 2. PBI will leverage on the IT infrastructure being set up .

53. When asked about the role that the Department envisage for PBI in achieving the objective of financial inclusion in the country and making financial services available at the grass root level, the Department stated that PBI's financial inclusion strategy will rest on the following levers:

Components of PBI's financial inclusion strategy		
Sr. No.	**Lever**	**Details**
1	Utilization of DoP Network	PBI's strongest lever to achieve inclusion will be through optimal utilization of DoP's rural network of 1.3 lakh post offices, using DoP's last mile reach through the Gramin

		Dak Sewak (GDS) network to reach out to the rural unbanked.
2	Simplicity and affordability of deposit products	This will also be a major driver for inclusion, since PBI will specifically focus on providing simple and affordable deposit products, in line with global Post Banks' offerings. Financial inclusion is part of PBI's stated mission.
3	Presence of Own Branches in tier 5-6 centres	PBI will have 30% of its branches in tier 5-6 locations, more than the 25% mandated by the RBI. This shows PBI's commitment towards inclusion.
4	DoP Presence to cater to urban unbanked	PBI will be using DoP's extensive presence through head and sub post offices in tier 1-4 locations to reach out to the urban unbanked, supplemented and supported by PBI's own branches in these locations.

54. According to the Department, the financial inclusion strategy will be heavily dependent on the ongoing technology transformation at DoP, which will empower the GDS with hand held devices and will network a large number of DoP's points of presence. Mobile banking technology will be used by PBI, which will allow its customers to perform simple transactions through their mobile devices.

55. On Financial Inclusion through Gramin Dak Sewaks (GDS) operating as Business Correspondents (BCs) for PBI, the Department submitted as under:

- PBI would use DoP's 1.3 lakh+ GDS as BCs for the last mile reach in rural areas.
- On an average, there are 200 GDS for every district of India, with the majority of this presence in unbanked rural regions. This presence is stronger than the branch network of any Bank / Financial Institution of India, thereby providing PBI with a unique opportunity to meet the financial inclusion agenda of the Government as a single entity.
- The GDS would continue current DoP operations and would further double up as PBI agents/BCs for the bank's wide portfolio of products.
- The BCs shall foster the Government's financial inclusion agenda by providing simple yet the complete suite of financial products including: (a) Deposits (b) Loans (c) Insurance (d) Remittances (e) Government subsidies and benefits (f) Pension products
- While they are already providing quite a few of the above mentioned services, PBI would complete the suite by providing credit facilities to the unbanked masses through effective use of local GDS knowledge and formation of Joint Liability Groups, if needed

- DoP is currently planning to equip the Gramin Dak Sewaks with handheld devices to facilitate their transactions – Once operational, PBI would utilize the same for daily record of banking transactions
- Currently, GDS visit their reporting Sub Post Office at end of day for updating accounts. As BCs to PBI, they would continue to do the same for day end updating of the bank server with the day's transactions.

56. Elaborating further on the issue, the Department, during evidence, submitted:-

"Regarding financial inclusion, it is our focus area. If you see we are already in that space. We are already doing 37 per cent of the MNREGA payments, compared to all other banks, whether cooperative, rural, every other bank together and post office on the one side, we have 37 per cent payments already. We do a lot of social security payment. It could be through the existing post office savings bank account or through money orders. We do old age pension, etc. We are inducting a lot of technology. Second is, existing post office savings bank has very limited portfolio of products which it offers to the customers. It is restricted to an individual. Nobody but an individual can open an account in the post office. Third is, there are some cash flow problems. We are dependent on banks for our cash flow. Therefore, in a particular area, on a particular day if there is no cash in the bank, we also do not get it.....xxxx...

.....xxxx..... portfolio is very restrictive. It is restricted to an individual. There are limitations. We had a meeting very recently with the Planning Commission because some of the left-wing affected areas have major problems. We play a major role in providing them financial access. They were asking: "Can you not give institutional payment?" We cannot because nobody except an individual can open an account with the post office at present. This would also help us in terms of cash. We are depending on other people. Cash management can be much better if we enter this space. This is a step in the right direction. World over, all the post offices have moved into the financial services. I think you have also noted it very rightly that a major portion of revenue is coming from banking. It is not only savings bank, etc. but also we are doing so much of social sector banking. In the Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS), we have 6.31 crore accounts. We have distributed Rs. 52,000 crore money....xxxx...

.....xxxx..... We very clearly looked at financial inclusion. When we did the universal banking, it was for the small constituency or the target audience from the informal sector. Let us get them into the formal sector from the money lender at the village level, block level. That was the focus of our entire banking proposal. With payment bank, credit is not going to be there but through the third party products we can do our business better.

We can also do our existing business better. That is how it is working......xxxx......"

(iii) Premium Services

57. The objective of this scheme is to develop India Post into a professional organization and to focus on marketing, logistics and retail services to address the challenges with improved service delivery, transparency and customer sensitivity and a wide range of generic and customized premium products and services. Rs. 156.25 crore has been allocated for the activity during the Twelfth Plan period. The details of allocation are as follows:

(Rs. in crore)

Sl No	Year	Proposed Allocation	BE	RE	Actual Exp.	% of Achievement when compared with BE
1	2010-11	50.00	10.00	9.08	9.48	94.80
2	2011-12	100.00	15.39	14.74	15.78	102.53
3	2012-13	4.00	15.50	4.56	0.81	5.22
4	2013-14	39.65	10.00	8.00	8.16	81.60
5	2014-15	51.73	17.50	--	--	--

58. The Committee desired to know the reasons for the significant reduction in the proposed outlay for 2014-15 from Rs. 51.73 crore to Rs. 17.50 crore and its impact on the implementation of schemes. The Department, in a written note, stated that the Plan funds have been reduced from Rs. 800 crore to Rs. 430 crore in Revised Estimates 2013-14. It has been stated that the proposed reduction from Rs. 51.73 crore to Rs. 17.50 crore for 2014-15, is likely to affect the plan services like Marketing function of the Department and Establishment and upgradation of parcel and logistics centres/hubs/warehouses.

59. Speed Post service was introduced in 1986 to provide a fast and time bound delivery service between seven major cities in the country. Since then, the network has been expanded across all major cities in the country. Speed Post offers a time bound and assured delivery of letters, documents and parcels weighing upto 35 kgs across the country. Delivery norms are fixed taking into account the fastest available mode of transport between stations. It is managed as a business service with a commercial approach in its operations and management. Speed post provides an on-line track and trace service that combines reliability, speed and customer friendly service. The Committee enquired about the current market share of India Post in the Speed Post Segment as compared to the Private Courier Services in the country and the measures the Department propose to adopt for further growth of Speed Post Services in the country, especially in the rural areas. The DoP, in a written note, stated that a Market Research and Customer Satisfaction Survey on Speed Post service has been conducted

by M/s IMRB International on behalf of the BD&M Directorate. The report shows that the share of India Post's Speed Post (volume) in overall courier market has increased from the range 15.1 % to 18.3% in the year 2010-2011 to 22.9% to 24.6% in the year 2011-2012 and 31.5% to 32.5% in year 2012-13. For further growth of Speed Post in the country, the Heads of Circles have been empowered to expand Speed Post service in the area under their jurisdiction keeping in view the connectivity, customer's requirement and market potential. The revenue generated on Speed Post by India Post and percentage of increase/decrease during the last three years are depicted in the following Table:-

Year	**Revenue (Rs. In crores)**	**Percentage increase in revenue**
2011-12	889.64	20.16%
2012-13	1261.47	41.79 %
2013-14	1372.21	8.77%

60. Elaborating further on the issue, the representative of the Department in evidence stated:-

> "In the established courier market today, there is a total market of around Rs. 5,200 crore. Out of that, Speed Post has been doing Rs. 1,370 crore, which is around 20 plus per cent. Having said this, there are many couriers like Blue Dart, Federal Express, DHL and others who have been vying in this market in a very big way. Now, in order to compete in this market which is around Rs. 5,200 crore established courier market, we have been focusing on very specific expansion of Speed Post in different areas. Technology focus is one of the areas. Our focus is on two components. One is how we can improve the quality of service, where we will be able to give next day delivery in some areas within two days....xxxx..... Second is, we are also trying to focus on the increase in the business revenue because we know that courier market, parcel market, e-commerce, business mail are the four areas where market growth is very high. So, on all these four areas we are focusing on through Speed Post interventions in a very big way.....xxxx....."

61. On the plans of the Department to publicize/market its Speed Post and Business Post Services amongst the targeted customers, the Department, in a post-evidence note, stated:

> "Premium Products especially the services such as Speed Post, Express Parcel Post and Business Post face competition in the market for which advertisements are issued from time to time. India Post recognises that one of the means of increasing revenue and market share is by making the public aware of the services offered under the Premium Products.
>
> A number of steps have been taken for marketing and promotion of Speed Post service highlighting the features such as Track & Trace facility, volume based discount, free pick-up, credit facility etc. The

advertisements on Speed Post service are given in newspapers, Metro, TV, Radio to spread awareness about the Speed Post service and its features. In addition to this track & trace facility has been given on the home page of the India Post website and all the information about the Speed Post service is also available on the website. The receipt given for Speed Post articles contains the tracking number & displays the track & trace functionality.

For this purpose, Business Development & Marketing Directorate has formulated a Plan Scheme "Marketing Function of the Department" with the objective of enhancing the visibility and brand value of existing as well as new products of the Department. The scheme is to support the vision of the Department that India Post's products and services will be the customer's first choice."

62. Express Parcel and Business Parcel Services were introduced with effect from 02.12.2013 as a result of rationalization of parcel products in place of Express Parcel Post. On the initiatives of the Department to increase revenue from Express Parcel Post and Business Parcel Post, the Department stated that at present, Express Parcel service is operational between 47 cities. In order to increase the revenue from the service, its coverage is being expanded PAN INDIA w.e.f 01.11.2014. Department also regularly monitors delivery performance of Express/Business parcel through online tools under the Mail Network Optimisation Project (MNOP). Revenue generated from these services in the last three years are as follows:

Financial year	Revenue (in crore Rs.)
2011-12	71.80
2012-13	78.87
2013-14	77.63

63. Revenue generated by DoP under Logistics Post during the last three years is as under:

S.No.	Year	Revenue (in crore Rs.)
1	2011-2012	15.93
2	2012-2013	49.46
3	2013-2014	15.25

64. The Committee enquired about the measures taken by DoP for expansion of Logistics Post. In this regard, the Department stated that a plan scheme for "Establishment & Upgradation of Parcel and Logistics Centers/ Hubs/Warehouses" with an outlay of Rs. 66 crore has been approved for the 12th Five

Year Plan. During the plan period it is proposed to establish 23 Logistics Post/Warehousing Centers. A MoU has been signed with Air India to provide transmission solution to the customers under Logistics Post through Air between 15 select stations. Further, transporters/logistics service providers have been empanelled on select routes to assist in surface distribution of Logistics services.

(iv) Mail Operation, including International Mail and Global Business

65. The objective of the scheme is to streamline Mail Operations, keeping in view the emerging needs of various customer segments, with special emphasis on the business mail segment and speedy transmission of mails. The proposed outlay for the scheme in the 12th Five Year Plan was Rs. 821.20 crore and the approved outlay for the same is Rs. 568.20 crore. The details for Mail Operations are as follows:

S.No.	Year	Revenue (in crore Rs.)
1	2011-2012	15.93
2	2012-2013	49.46
3	2013-2014	15.25

(a) Mail Network Optimization and Setting up of AMPCs

66. When asked as to how many Mail Business Centres have been established in 2013-14 and what are the plans for the year 2014-15, the Department, in a written note, stated:

> "Setting up of Mail Business Centres (MBCs) was conceptualized during the early phases of the 11th Plan period. However, the Department carried out a review in 2009 and decided to undertake a new project instead called Mail Network Optimization Project (MNOP) in order to optimize and consolidate the erstwhile mail network and improve the quality of service of mail products. Therefore, no MBCs were set up in 2013-14. No MBCs are planned for the year 2014-15 either. The MNOP involved the following components:
>
> (i) Consolidation and optimization of mail network
>
> ii) Standardization of processes followed in mail operations
>
> iii) Improvement in mail delivery processes
>
> iv) Effective performance management mechanism through Key Performance Indicators.
>
> As part of the Project, Speed Post network has been redesigned and 89 Sorting hubs and 138 Intra Circle hubs were set up and implemented from

10th November, 2010. A comprehensive system of Key Performance Indicators (KPIs) has been put in place. These KPIs provide an effective tool of performance monitoring for Speed Post operations. The performance of the cities under the purview of the project is regularly monitored in terms of transit time for Speed Post articles and track and trace compliance between these cities. For Registered Mail and First Class Mail the Mail Offices were restructured as Level 1 (L-1) and Level 2 (L-2) offices for operational activities and the new operational network was introduced in 2012 with 86 L-1 and 241 L-2 offices. For parcels, a two-tier operational network comprising 86 L-1 and 240 L-2 Parcel Hubs has been introduced in December 2013. During 2014-15, infrastructure upgrade at mail offices will be undertaken. Online tracking facility for registered mail and parcels have been introduced and being implemented across the country. 50 Business Post Centres (BPCs) will also be upgraded in terms of infrastructure, ambience and operational equipment.

67. On the achievements in setting up of targeted Automated Mail Processing Centres (AMPCs) during the Twelfth Plan in general and 2014-15 in particular, the Committee have been informed as under:-

"It is proposed to set up AMPCs at Mumbai, Chennai, Hyderabad and Bangalore during the 12th Plan period. The status regarding this project is as under:

a) Land for AMPC, Hyderabad has been procured from State Govt. of Andhra Pradesh.
b) Identification of land and finalization of lease rent at Bangalore, Mumbai & Chennai and procurement is in advanced stages.
c) Bidders have been shortlisted for issue of Request for Proposal (RFP) for hiring a consultant for assisting the Department in the entire process of Setting up of AMPCs

68. When asked how the setting up of the proposed AMPCs at four centres, viz. Mumbai, Hyderabad, Bengaluru and Chennai help the Department in faster delivery of mails and overall optimization of mail network, the Department, in a post-evidence note, stated:

"The mechanization of sorting process will help the Department to handle large volume of mail with a faster and accurate sorting solution. The AMPCs at Delhi and Kolkata have helped the Department in consolidating the mail office (processing) network in these cities as multiple offices have been combined into single processing units. On the similar pattern, setting up of AMPCs in Mumbai, Chennai, Bengaluru and Hyderabad would help the Department in consolidation of intra-city mail network in these cities and would lead to an optimized processing facility. This would also help in optimal utilization of transport schedules in these cities. As the Department expects volumes of e-commerce driven shipments to grow in these cities, the enhanced capacity in the shape of automated sorting would lead to expeditious processing and delivery of parcels in addition to other categories of mail. Compared to the manual sorting of about 1050 articles an hour for mail articles, an LSM sorts letters at the rate of approximately 30000 letters per hour. On the other hand, the MMS sorts documents/ light packets at rate of approximately 18000 items an hour. Therefore, the processing capacity of the machines is much faster leading to expedited delivery of mail. Besides, mail and parcels from nearby areas of these cities can also be consolidated in the proposed centres."

69. On the total number of AMPCs currently functioning in the country and what is the amount of mails handled by them as a percentage of total mails handled by the Department, the Department, in a written note, stated:

"As part of 11th Plan scheme, 2 new AMPCs were established in New Delhi and Kolkata respectively in the year 2012-13. Besides, an old AMPC at Mumbai is also functional. However, the sorting machine at Mumbai AMPC has already outlived its utility and it is proposed to replace the existing machine at Mumbai. The old AMPC at Chennai has already been closed and it is also proposed to replace the existing machine at Chennai. The average mail handled in these AMPCs daily is as under:

Delhi	:7.5 Lakh articles per day, including 1 lakh Speed Post and 6.5 Lakh Unregistered mail.
Kolkata	: 2 Lakh articles per day, including 50000 Speed Post and 1.5 lakh Unregistered mail.
Mumbai :	49000 articles per day

The percentage of Speed Post mail handled at AMPCs Delhi and Kolkata vis-à-vis total Speed Post mail handled by the Department is approximately 10%. The percentage of unregistered mail handled at AMPCs Delhi, Kolkata and Mumbai vis-à-vis total unregistered mail handled by the Department is approximately 0.5%."

70. Elaborating further on the issue, the Department, during evidence, explained:-

"….xxxx….. Currently, we have two automatic mail processing centres: one in Delhi and the other one in Kolkata. Both of them start at a speed of around 35,000 articles per hour. They also sort out speed post articles as well as ordinary mail in letter sorting machines and the speed post through a multi-sorting out system. We have a plan project to establish four such centres in Mumbai, Hyderabad, Bangalore and Chennai. They will be established during this Plan period. Each of the automatic mail processing centres costs somewhere close to Rs. 65 crore. Once these things are established, perhaps, we will be able to sort out those things in an efficient manner. Things are sorted out based on the PIN Code number, place and address. Currently all the mails are being sorted out and delivered to the customers. We will be able to increase the efficiency in a better way."

(v) <u>Estates Management</u>

71. The objective of this scheme is to fulfill the Universal Service Obligation and also provide a congenial environment to customers while transacting postal business and also to provide a good working atmosphere to employees. As a part of fulfilling the objective of service conditions, staff quarters are also being constructed for staff posted in far flung areas. This is an ongoing scheme.

72. The Committee have been informed that the Department owned 1797 vacant plots of land. Out of this, 371 plots are situated at prime locations. The details of vacant lands available with the Department, as on 01-04-2014, are furnished as under:-

S.No	Name of Circle	Number of vacant plots available
1	Andhra Pradesh, including Telangana state	218
2	ASSAM	28
3	BIHAR	93
4	CHHATTISGARH	5
5	DELHI	18
6	GUJARAT	110
7	HARYANA	11
8	HIMACHAL PRADESH	22
9	JHARKHAND	64
10	JAMMU & KASHMIR	8
11	KARNATAKA	350
12	KERALA	142
13	MADHYA PRADESH	38
14	MAHARASHTRA	80
15	NORTH EAST	23
16	ORISSA	46
17	PUNJAB	19
18	RAJASTHAN	192
19	TAMIL NADU	143

20	UTTAR PRADESH	76
21	UTTARAKHAND	19
22	WEST BENGAL	92
TOTAL		**1797**

73. The Circle-wise number of cases (as on 01-12-2013) where encroachments have been observed is given as under:-

S.No	Name of Circle	No. of vacant plots under encroachment
1	Andhra Pradesh, including Telangana state	24
2	Assam	6
3	Bihar	28
4	Chhattisgarh	0
5	Delhi	0
6	Gujarat	12
7	Haryana	0
8	Himachal Pradesh	0
9	Jharkhand	16
10	Jammu & Kashmir	0
11	Karnataka	39
12	Kerala	10
13	Madhya Pradesh	7
14	Maharashtra	18
15	North East	9
16	Orissa	9
17	Punjab	1
18	Rajasthan	26
19	Tamil Nadu	1
20	Uttar Pradesh	17
21	Uttarakhand	1
22	West Bengal	17
TOTAL		**241**

74. As regards specific measures taken to reclaim the land from encroachers is concerned, the Department have stated that necessary instructions have already been issued to all the Heads of Postal Circles that eviction of unauthorized personnel from the encroached land of the Department may be done after seeking assistance of the law

enforcing agencies for all the plots of Department of Posts, which have been encroached upon. Further, it is proposed to construct 175 boundary walls for an outlay of Rs. 15 crore during the 12th Five Year Plan. The proposal for providing additional funds for construction of more boundary walls will be submitted during "Mid-Term Review" to enable the Department to construct boundary walls on all the Departmental vacant plots, where there is no boundary walls/barbed-wire.

75. The circle-wise breakup of the number of post offices operating from rented accommodation is given as under:-

S.No	Name of Circle	Total number of post offices operating from rented accommodation
1	ANDHRA PRADESH, including Telangana state	2125
2	ASSAM	439
3	BIHAR	810
4	CHHATTISGARH	301
5	DELHI	256
6	GUJARAT	1087
7	HARYANA	410
8	H.P.	390
9	J & K	224
10	JHARKHAND	359
11	KARNATAKA	1343
12	KERALA	1261
13	M.P.	869
14	MAHARASHTRA	1845
15	N.E.	238
16	ORISSA	946
17	PUNJAB	620
18	RAJASTHAN	1044
19	TAMIL NADU	2325
20	U.P.	2241
21	UTTARAKHAND	337
22	W. BENGAL	1533
	TOTAL	**21003**

76. According to DoP, the expenditure incurred towards the payment of rent during the period 2011-12, 2012-13 and 2013-14 is Rs. 54.55 crore, Rs. 62.09 crore and Rs. 69.49 crore, respectively.

77. The Committee have been informed that the total area of vacant lands available with the Department is 672.12 acres. About the proposal for commercial utilization of land under Pubic Private Partnership, the Department, in a written note, stated:

> "The Cabinet considered Department's proposal for setting up a Special Purpose Vehicle (SPV), a wholly owned company with limited liability for optimum development and management of postal estates. In pursuance of the decision of Committee of Secretaries in its meeting held on 20.05.2009, as a follow up of the comments received, action has been taken to hire the services of a consultant. It was further decided to cross-check & examine allotment letters issued by the State Government/Municipality/local development authority through Circle heads to carry out commercial utilization of vacant plots on the prime locations & furnish their comments.
>
> Simultaneously, the information received from the Circles and the data so collected have established that very few vacant lands can be utilized for Public Private Partnership purpose. All these plots have been originally allotted for construction of buildings for postal operations and these lands cannot be used for any other purpose as per allotment terms and conditions else allotment will get cancelled automatically. Moreover State Government is not inclined to change the type of use of these lands situated on prime locations due to their own interest in PPP brand initiatives.
>
> In the light of above developments, relook at the entire project became necessary. Detailed data analysis of the vacant plots made it abundantly clear that a mid–course correction was required. Moreover, Department is in the process of implementing an end-to-end technology project which would lead to major shift in space utilization of the Department buildings. Consultant would be needed to get on board to assess the project from the perspective of asset utilization of the Department. The Project will be taken forward on these lines."

(vi) <u>Rural Business & Access to Postal Network</u>

78. This is an important scheme of Department of Posts which aims to increase access to the postal network, keeping in view the Universal Service Obligation, and to bring postal facilities within reach of every citizen of the country. This Plan scheme is continued from 11th Plan into 12th Plan with slight modification in scope and object with some new activities being initiated with nomenclature as 'Rural Business & Access

to Postal Network'. The details of financial targets for the scheme during the annual plans are as follows:-

(Rs. in crore)

Sl. No	Year	Proposed Allocation	BE	RE	Actual Expenditure	% of expenditure w.r.t. BE
1	2010-11	11.41	0.53	0.51	0.46	86.79
2	2011-12	14.71	0.28	0.46	0.62	221.43
3	2012-13	13.50	14.26	7.67	7.35	51.54
4	2013-14	52.00	17.57	12.84	13.15 (Upto March, 2014)	74.84
5	2014-15	20.82	36.41	--	--	--

79. The details of activity-wise allocation of Plan funds for the current financial year 2014-15 are as under:-

	Activities/ Sub-schemes	ion of Plan Funds Rs. in crore)
a	Opening of Branch Post Offices(BOs) and Sub-Post Offices (SOs) by relocation & redeployment	0.66
b	Opening of Franchise Outlets in urban & semi-urban areas	0.20
c	frastructure Equipment for EDBOs	29.15
d	Installation of new improved letter boxes in rural areas	1.25
e	signages for rural BOs	1.25
f	Cash Chests at rural BOs	2.40
g	Study to explore business opportunities in rural areas	1.50
	Total	**36.41**

80. According to DoP, the activity / sub-scheme Provision of Infrastructure Equipments for Extra-departmental Branch Post Offices(EDBOs) got increased in BE, i.e. Rs. 29.15 crore during current financial year 2014-15 with the objective to provide basic infrastructure equipment required for EDBOs to improve its visibility, brand image and also to better services to the customers. The BE for this activity was Rs. 7.25 crore during last financial year 2013-14. The allocated funds of Rs. 29.15 crore has been re-allocated/ released to all the Postal Circles to provide basic infrastructure equipment to 38,866 EDBOs during current financial year 2014-15.

(a) <u>Franchisee Outlets</u>

81. The achievements and volume of business transacted by the Franchisee Outlets during the last three years are as under:

Year	No. of Franchise Outlets (as on 31st March)	Stamps/ Stationery sold (in lakhs)	Registered Post Articles (in number)	Speed Post Articles (in number)	Money Orders (in numbers)	Other Retails (in numbers)
2011-12	1670	3535.4	50,49,498	35,93,292	55,605	80,452
2012-13	1749	2678.3	68,73,370	41,01,161	35,723	1,21,576
2013-14	1790	3762.2	1,51,02,626	53,70,997	23,450	1,54,839

82. Panchayat Sanchar Sewa Yojana Scheme: As an ambitious plan to provide economical services to rural populace, the Panchayat Sanchar Sewa Yojana (PSSY) Scheme was launched in September, 1995 with the objective to provide basic postal facilities like sale of postage stamps/ stationery, booking of registered articles, etc., to Gram Panchayat Headquarters which are without Post Offices. This scheme is being implemented by the Gram Panchayats through agents appointed by them (Gram Panchayats) with the written consent of the concerned Superintendent / Senior Superintendent of Post Offices. These Sanchar Sewa Kendras are opened in Gram Panchayat Headquarters where opening of post office is justified but it cannot be opened for some reasons. This is also subject to receipt of applications from the Heads of the Gram Panchayats. This scheme has not been effective with most of the PSSKs showing nil or negligible transactions because of (i) fall in demand for postage stamps/ stationery due to availability of faster alternate modes of communication; (ii) lack of interest on part of Panchayat Sanchar Sewa Yojana (PSSY) Agents; and (iii) non-supervision on part of Gram Panchayats over the functioning of Panchayat Sanchar Sewa Kendra Agents despite their commitment to do so. In view of the facts stated above, implementation of this scheme has not been included under Plan Scheme during 12th Plan. However, opening of Panchayat Sanchar Sewa Kendra under this scheme is an on-going activity subject to receipt of applications from the Heads of the Gram Panchayats.

83. The achievements and volume of business transacted by Panchayat Sanchar Sewa Kendras are as under:-

Year	No. of PSSKs (as on 31st March)	Stamps/ Stationery sold (in lakhs)	Registered Post Articles (in number)	Certificates of posting issued (in number)
2011-12	3746	959.93	7,30,334	9,452
2012-13	3232	900.51	8,44,719	1,215

2013-14	2795	824.939	8,11,356	0

84. On the proposals of the Department for the two commission based schemes in the Twelfth Plan, the Department, in a written note, stated that the Franchisee Scheme is being implemented as one of the activities/ sub-schemes under the Plan Scheme – "Rural Business & Access to Postal Network" during the 12th Plan with the objective to increase access of the postal facilities in urban & semi-urban areas where there is need and justification for opening of Post Offices but Department is not in a position to open new Post Offices due to some reasons. According to DoP, there is proposal for opening of 1,050 new Franchisee Outlets during the 12th Plan which are as below:

Year	Physical Targets &Achievements
2012-13	250/255
2013-14	200/200
2014-15	200/37(Upto August, 2014)
2015-16	200
2016-17	200
Total	**1055**

(vii) <u>Postal Life Insurance</u>

85. The objective of this scheme is to fully exploit the potential of the insurance sector through focus on technology and skill upgradation, keeping in view the potential market growth and customer expectations. The details of allocations during the years 2010-11 to 2014-15 are as follows:

(Rs. in crore)

Sl No.	Year	Proposed Allocation	BE	RE	Actual Exp.	% age of Achievement when compared with BE
1	2010-11	10.00	5.00	3.661	3.58	71.60
2	2011-12	8.73	5.00	5.00	4.68	93.60
3	2012-13	4.00	4.00	2.00	0.05	1.25
4	2013-14	10.00	10.00	9.00	8.17 (Upto March, 2014)	81.70
5	2014-15	10.15	10.15	--	--	--

86. The Committee desired to know the share of the Department in the life insurance sector in terms of number of policies, premium amount collected and total claims settled. According to DoP, in terms of no. of policies, PLI & RPLI stands 2nd after LIC. (PLI- 54.06 lakhs, RPLI- 150.14 lakhs) (as on 31.03.2014). The share of PLI and RPLI in Life Insurance Industry in terms of policies is 295.04 lakhs as on 31.03.2014 which is 10.24% of the market. In terms of premium income, the position as on 31.03.2014 was

Rs. 7634.45 crore which is 2.53% of Total Market for Life Insurance. The Committee have been informed that PLI can be availed only by employees of State/Central Government, PSUs, Defense & Paramilitary forces, autonomous/local bodies, public & private sector banks, Credit cooperative societies, Joint ventures having a minimum of 10% stakes, CBSE/AICTE/ICSE/MCI, accredited institutions, etc. The total share of this segment is 22.5%.

87. The position of claims settled in PLI & RPLI is given as under:-

Claims settled	**2011-12**		**2012-13**		**2013-14**	
	No. of Policies	**Amount (in Rs. crore)**	**No. of Policies**	**Amount (in Rs. Crore)**	**No. of Policies**	**Amount (in Rs. crore)**
PLI	162608	1218.48	240787	1380.14	246415	1769.03
RPLI	1608672	248.64	517775	376.26	521760	533.12”

88. On the receipt of any complaints regarding settlement of Postal life-insurance claims, the existing mechanism to deal with such complaints and the total number of such complaints received during the last three years, the Department submitted as under:-

Status of Complaint Cases (Period w.e.f. 1.01.2011 to 31.08.2014)			
Period of receipt of complaints	***Complaints Received***	***Settled***	***Pending***
Cases received in 2011 (From 1.01.11 to 31.12.2011)	383	307	76
Cases received in 2012 (From 1.01.12 to 31.12.2012)	657	473	184
Cases received in 2013 (From 1.01.13 to 31.12.2013)	1214	785	429
Cases received in 2014 (From 1.01.14 to 31.08.2014)	901	348	553
Grand Total	**3155**	**1913**	**1242**

- Cases have already been forwarded to concerned units for closure. Reminders through dak, email & phone are issued to concerned Circle time to time to settle the cases. Many cases (as shown in pending) have been settled, but settlement report is awaited from the concerned Circles.
- Cases are received through dak, email, telephone & Toll Free number at PLI Dte. These are forwarded to concerned Circles through dak & email. Pending cases are followed by dak, email, telephone, etc. for settlement.

- A Toll Free No. in all the circles have been installed and exclusive persons are attending to the calls and much of the grievances such as status of the policy, how to open duplicate policy bond, new premium receipt book, etc. are attended & settled on the spot."

89. To a query about the steps taken to popularize the scheme amongst the targeted beneficiaries, DoP, in a written note, stated:

Data relating to Trend of Business Growth of PLI & RPLI

Trend of business	2011-12		2012-13		2013-14		2014-15
	No. of Policies	**Sum assured (Rs.in crore)**	**No. of Policies**	**Sum assured (Rs. in crore)**	**No. of Policies**	**Sum assured (Rs. in crore)**	**-**
PLI	5006060	76591.33	5219326	88896.46	6272169	110333.07	-
RPLI	13547355	69754.17	14664650	75154.06	23232236	99097.34	-

The data relating to withdrawal of PLI & RPLI

Withdrawal/ Surrender	2011-12		2012-13		2013-14		2014-15
	No. of Policies	**Amount (Rs.)**	**No. of Policies**	**Amount (Rs.)**	**No. of Policies**	**Amount (Rs.)**	**-**
PLI	14200	3398973	15417	647224357	17891	785174116	-
RPLI	28776	322096760	33788	417784559	38250	515716761	-

90. According to DoP, the following steps have been taken by the Department to popularize the scheme amongst the targeted beneficiaries-

(a) Release of advertisements & publicity in all modes.
(b) Media agency is under finalization for ensuring adequate publicity on the target clientele.
(c) Heads of administrative Ministries & Departments have been demi-officially addressed for new business.
(d) Computerization of all activities related to policy servicing & premium payments.
(e) TV commercials, Radio Jingles coupled with publicity in Print Media.
(f) Catchy advertisements in social media, mobile application, etc.

91. The following steps are stated to have been taken by the Department to prevent withdrawal/surrender of PLI/RPLI policies:-

- Policy holders are being educated to seek/apply for loan against the policy instead of surrender of policy in case of immediate financial need. Insurants are also informed about the surrender value which is very less in proportion to maturity value.
- Policy holders are being advised to reduce the sum assured/value of policy thereby reducing the premium income in case they find it difficult to pay the higher premium.
- All out efforts being made for customer education & sensitizing."

92. On the status of overall computerization of services offered through Postal Life Insurance, the Committee have been informed:-

- All PLI and RPLI data is currently stored in a central server. A web-based online application developed by NIC for processing of new proposals, maturity claims, death claims, etc. is operational at Divisional Offices, Regional Offices and Circle Offices.
- All Post Offices have counter (Point of Sale) application for accepting of PLI premium payments by customers.
- A web portal is enabled for customers to make online payments and have access to different types of fonts for surrenders, loans, etc.
- Since February 2014, a pilot project for the implementation of a new Core Insurance Solution (developed by M/s. Infosys) has been rolled out in 127 Head Post Offices and 3,500 Departmental Post Offices in the States of Assam, Delhi, Karnataka, Maharashtra, Rajasthan, Tamil Nadu and Uttar Pradesh. Over the next one year, the Core Insurance Solution will be rolled out in the remaining States of India. This solution will allow processing and claim settlement work to be decentralized to 810 Head Post Offices all over the country. It will also have multiple payment options for customers as well as facility for viewing policy details online, web and mobile portals. A call centre will also be put in place during the current financial year.

93. On the introduction of 'term-insurance' plans offered by the Department under the Postal Life Insurance scheme, the Department stated that introduction of this policy is under examination by the Actuarial Division of the Department.

V. PRIORITY AREAS IN DEPARTMENT OF POSTS: E-COMMERCE SECTOR

94. Capturing e-Commerce Market has been identified as a priority area by the DoP. On how the Department foresee the upcoming e-commerce sector as a major revenue generator for the Department of Posts, the Committee were informed that with the advent of new age communication technology, decline of mail is a global phenomenon and the emerging e-commerce market and resultant increase in parcel business is being pursued by Posts worldwide. In India also, the e-commerce market is expanding at a very fast rate. At present the Indian e-commerce market is characterized by a number of players with a few dominant players. After metros and Tier 1 cities, the e-commerce market is expanding fast to Tier 2/3 cities and rural areas. All the e-commerce companies are eying the Department of Posts for delivery of their products because of the reach of the DOP through its huge network. Given the network of the Department of Posts, it is best suited to provide the last mile delivery service, collection of payment under CoD etc. The Department is in the process of roll out of the IT project which would further strengthen the physical and electronic connectivity for better quality of services for the e-commerce sector.

95. Elaborating further on the issue, the representative of the Department, in evidence, stated:-

> "….xxxx if you see all the planned schemes, the focus area is definitely that we get e-commerce now because this is really the emerging market. We have a tie up with these companies. You said they are doing very well which is a fact. They have their set-up for delivery in major metro cities but what they are looking at and where our strength lies is two-tier, three-tier cities and the rural areas which is a huge emerging market for them as well. So, that is where we are actually tying up with them and partnering with them to take it forward and to match their technology level was not an issue till now which we have now tackled with this technology induction programme and we have to seamlessly integrate with their technology so that when a customer approaches he does not know the difference as to who is the service provider, whether it is India Post or Amazon....xxxx."

96. When asked about the significance of the e-commerce market in garnering business for the Department of Posts and the existing market share of the Department of Posts in the e-commerce market, the Committee were informed as under:-

> e-Commerce market is expanding in a big way in India but is still comparatively nascent. The logistics, payment mechanism and information flow are crucial in the ecosystem of e-commerce and are developing to keep pace with the e-commerce market. Cash on Delivery is high in the Indian e-commerce market. Department of Posts with the vast experience of more than 150 years of delivery/ distribution and money remittance services and wide reach in every nook and corner of

the country, has the trust among the public for its services. There is a scope for the Department of Posts to enter into tie ups with e-Commerce portals/ firms for providing the last mile delivery and collection services giving a boost to its revenue generation activities.”

97. On plans of the Department to launch its own e-commerce portal, the Committee were apprised that the Department of Posts are actively working towards developing a logistics solution for e-commerce players in India. However, there is scope for vertical alignment in this market segment where the Department will have its own e-commerce portal and can further substantiate its role in e-commerce market. A functional e-commerce portal is part of IT project which is being rolled out in the Department. Since launching a full-fledged e-commerce portal requires highly technical resources, as a first step, Department has started ePost Office facility wherein the customers can avail eIPO facility and can also purchase philatelic stamps online. Gradually, the Department intends to increase the product line on its e-commerce portal by developing suitable model/ tie ups etc.

98. When asked on how the Cash-on-delivery (CoD) facility introduced by the Department is different from the existing services on offer and how it will help in additional revenue generation from the e-commerce segment in the coming years, the Department stated that Cash on Delivery facility works on an electronic platform. This electronic flow of the information enables faster remittance for the cost of goods collected at the time of delivery. Cash on Delivery provides higher limit of amount to be collected at the time of delivery of consignments. Due to increasing penetration of the e-commerce in Indian market, shopping trends are changing comprehensively and people prefer to shop online and make the payment at the time of delivery. Payment through cash on delivery is a very prominent feature of the Indian e-commerce market. Cash on Delivery facility of the Department of Posts provides this facility as a fulfillment solution to the customers. The more the value remitted through the system, more will be the revenue to the Department.

99. On the status of implementation of the Speed Post Cash on Delivery (SP-CoD) service of the Department of Posts to cater to the specific needs of e-commerce companies, the Department replied that Cash on Delivery facility of Speed Post and parcel products was launched on 02.12.2013. The Department is working towards electronic capacity building in the network for COD facility. Till September 2014, Rs. 254 crore have been collected and paid to e-commerce and other digital commerce companies for Business Parcel, a surface Parcel product. A national capacity building exercise was conducted for SP-CoD facility in September 2014. At present the Department is in touch with various e-commerce companies using Speed Post for providing distribution solution along with the CoD facility.

VI. MISCELLANEOUS

<u>Working condition of Postmen and Gramin Dak Sewaks</u>

100. On the common grievances of Gramin Dak Sewaks (GDS) and the plans to address them, the Department stated as under:-

> "A memorandum had been received from the Gramin Dak Sewak Employees requesting that their category be also included in the Seventh Central Pay Commission and that they should be given pay and other facilities as per regular departmental employees. The GDS employees form a distinct and separate category in the Department of Posts. They are not regular Government employees but are engaged on a part-time basis, mostly in rural areas for providing postal services to the rural public. The GDS employees in addition to working for the Department of Posts also have their own means of livelihood and also pursue any other means of livelihood. In fact, it is mandatory that a candidate has an independent means of livelihood, before they can be considered for engagement as GDS employee.
>
> Whenever a Central Pay Commission is constituted, the Department of Posts have been constituting a separate Committee and other facilities to be provided to Gramin Dak Sewaks. Accordingly, the current request of the GDS employees be included in the Terms of Reference of the 7th CPC was sent to Department of Expenditure, Ministry of Finance for examination. The Department of Expenditure, Ministry of Finance, after examining the matter, conveyed its no objection to the Department for constituting a Committee for the GDS employees. Accordingly, action is under way in the Department for constituting a GDS Committee to look into the wage structure, emoluments and other service conditions of the GDS employees."

101. Elaborating further on the issue, the representative of the DoP apprised the Committee as under:-

> "The service condition of Gramin Dak Sewak is that they have an aspiration to get regularized. We have our quota there. They give Departmental examination and upon selection they can get regularized. The Gramin Dak Sewaks would have to cover their area. Like in case of hilly area such as Uttarakhand, etc; they will have to cover the hills."

PART-II

OBSERVATIONS /RECOMMENDATIONS

I. Budgetary Analysis

(a) Revenue Expenditure

The Committee note that there has been persistent increase in the revenue expenditure of the Department of Posts (DoP) over the years viz. Rs.13793.67 crore in 2010-11, Rs.14163.91 crore in 2011-12, Rs.15481.15 crore in 2012-13, Rs.16,796.71 crore (upto March, 2014) and projected at Rs.18141.55 crore (BE) in 2014-15. According to the Department, the major components of gross expenditure are salaries and pensions which constitute over 90% of the entire segment of expenditure. Further, considering that India Post is the largest postal network with over 1.55 lakh post offices, the Department find it extremely difficult to cut down the operational expenses due to increasing costs on the one hand and the obligation to provide Postal Services throughout the country on the other. The Department are reportedly taking necessary steps to strictly adhere to the instructions relating to austerity measures issued by the Ministry of Finance and also undertaking continuous monitoring of the expenditure at regular intervals at the apex level to keep their expenditure under the budgetary allocations. While the Committee do recognize the constraints being faced by the Department in curtailing the operational expenditure of such a vast postal network carrying forward such a huge social responsibility, the Committee are of the considered view that the Department should look for rapid technology induction and modernization as the thrust area for reducing manpower and curtailing operational expenses. This would enhance the overall operational efficiency of the Department as a service provider and help rationalize gross expenditure. With IT induction and the modernization project being implemented, the Committee firmly believe that in the coming years, the Department will gain proficiency to deliver technology enabled services and in the process control expenditure. The Committee, therefore, urge the Department to focus on

accomplishing the project on modernization and computerization of all post offices in a time bound manner to realize increased revenue and reduction in operation cost.

(b) Recoveries

2. 'Recoveries' represent the amount of commission earned by the Department for Agency functions done on behalf of other Departments and organizations. This includes components like payments of coal mines and EPFs, family pensions, payments of Railway Pension, PLI, customs duty realization, commission on account of international money transfer through the Western Union Money Transfer (WUMT), etc. For the year 2014-15, the amount under BE has been pegged at Rs. 665.19 crore as against the amount of Rs. 680.58 crore during 2013-14. The Committee find that the recoveries of the Department showed an increasing trend over the last couple of years, with the amount being Rs. 458.64 crore during 2011-12 and Rs. 688.77 crore during 2012-13. However, for the year 2013-14, the recovery has come down to Rs. 593.19 crore, a shortfall of Rs. 64 crore over the RE of Rs. 657.12 crore. The Department, while submitting that recovery under PLI and RPLI has been more than the targeted figures, have stated that the shortfall in recovery is mainly on account of downward trend of business in the Western Union Money Transfer (WUMT) due to intense competition from organized and unorganized players in the market as well as non-realization of commission in respect of coal mines/EPF pensions, etc. Besides shortfall in recoveries, the BE target fixed for the year 2014-15 is less than that for 2013-14 which indicates a decreasing trend. The Committee, therefore, recommend the Department to undertake all necessary initiatives to compete effectively with other players and improve the realization under WUMT. The Committee also recommend to the Department to explore new avenues for expansion of Agency services to garner more revenues in future.

(c) Revenue Receipts

3. The Committee note that the major sources of Revenue Receipts for the Department include sale of postal articles, Speed Post, Postal Order, Business Post

and remuneration from Savings Bank and saving certificates, etc. For the year 2013-14, of the total revenue generation of Rs. 10730.42 crore (upto March, 2014), the postal operations accounted for Rs. 4815.15 crore and remuneration generated was Rs.5915.27 crore. The Committee also note that the Revenue Receipts have shown a consistent growth over the previous years and for the year 2014-15, the BE is Rs. 10281.90 crore against the BE of Rs. 9101.81 crore for 2013-14. Items like PRC on ordinary services, Business Post, commission on money orders and postal orders and Speed Post have shown considerable increase in 2013-14 as compared to 2012-13. The Committee desire that the Department should sustain the momentum and take further steps to increase their revenue to offset increasing working expenditure. In this regard, the Committee note that the Department, through its Business Development and Marketing Directorate (BD&MD), are engaged in exploring new business areas by way of customizing its existing services/introduction of new services. The BD&MD have reportedly taken several initiatives like exploring and capturing the emerging e-Commerce market, introduction of express parcel post and business parcel post and introduction of Cash on Delivery (CoD) facility as a value addition to the Speed Post. The BD&M Directorate is also focusing on the service 'Business Reply Speed Post Articles', booking of Notices/Summons issued by the Delhi High Court through Speed Post Service with Proof of Delivery facility, e-IPO (electronic Indian Postal Order) for Indian Citizens living abroad and in India for paying RTI fee online and tie-ups with third parties for the use of DoP network for selling their products/services through Post Offices, e.g. PRS for booking of railway tickets, sale of various application forms, collection of examination fee, etc. have also been introduced by the Department. While appreciating the initiatives taken by the Department in exploring new business areas to augment their revenue by focusing on emerging areas having significant potential for revenue generation, the Committee emphasize that focus on emerging areas assumes even greater significance owing to intense competition from organized and unorganized players in the market. The Committee would also like to urge the Department to ensure implementation of schemes envisaged during the Twelfth Plan like IT Induction and Modernization

Project, Financial services, Human Resource Management, etc. so as to improve overall efficiency in their operations and better utilization of resources for achieving of the larger objective of bridging the revenue deficit. The Committee would like to be apprised of the initiatives taken in this regard.

(d) Revenue Deficit

4. The Committee note with concern that the estimated Revenue Deficit has increased over the years from Rs. 5921.35 crore in 2012-13 to Rs. 7093.78 crore in 2013-14 and estimated at Rs. 7194.46 crore for 2014-15. However, the Department have managed to keep the actuals under check at Rs. 5425.88 crore in 2012-13 and Rs. 5473.10 crore in 2013-14. The Committee find that the Department have taken several initiatives to keep the revenue deficit under check which *inter-alia* include constant monitoring to reduce expenditure at the apex level, marketing of products offered by DoP, focus on increasing the customer base and improvement in the Quality of Services. While these efforts of the Department to contain the revenue deficit are laudable, the Committee recommend that the Department should continue with efforts to augment revenue and progressively gain control over expenditure in order to wipe out the deficit over a period of time.

(e) Capital Outlay

5. It is disquieting to note that there has been a persistent shortfall in the utilization of funds allocated to the Department under Capital Section. During the year 2013-14, the allocation at BE stage was Rs.433.31 crore which was reduced to Rs.294.68 crore at RE stage while the actual utilization upto March, 2014 was Rs.268.97 crore. The Committee find that during the years 2011-12, 2012-13 and 2013-14, owing to poor performance of the Department during the first six months of each year of the annual plans, the Ministry of Finance had to reduce the funds at RE stage. However, even the reduced allocation could not be fully utilized by the Department. According to the Department, funds under Capital Section were largely earmarked for IT Induction and Modernization Scheme during the annual plan years.

The under utilization of funds has been attributed to non-materialization of major activities under the project as anticipated. Evidently, it brings into question the efficacy of the implementation schedule formulated by the Department in the first two years of the plan period. The Committee have been informed that out of Rs.518.30 crore capital outlay for the year 2014-15, Rs.474.54 crore have already been allotted to different units of the projects. The Department reportedly stated that they would be able to fully utilize the funds in a planned manner in the current year. Considering the paramount importance of successful implementation of the modernization project, the Committee recommend that the Department should firm up their planning process for optimal utilization of allocated funds and rejuvenate the extant monitoring mechanism. The Committee should be informed about the progress made in this regard.

II. <u>Review of Plan Schemes</u>

(a) IT Induction & Modernization

6. The Committee note that the Eleventh Plan envisaged extensive technology upgradation and modernization in the Department of Posts. IT Induction schemes were taken up in two phases in the 11th Plan and it is being continued in the 12th Plan with a comprehensive IT roadmap to be developed for network architecture, integrated software, proper data management, including strengthening /establishment of National Data Centre(s) and Disaster Recovery Centre. Eight Request for Proposals (RFPs), viz. Change Management (CM), Data Centre Facility (DCF) and Disaster Recovery Centre (DRC), Financial Services Integrator (FSI), Network Integrator (NI), Core System Integrator (CSI), Rural Hardware (RH), Rural System Integrator (RSI) and Mail Operation Hardware (MOH) were floated as proposed in the Detailed Project Report (DPR) and are pending for finalization at various stages. The Committee also note that IT Induction and Modernization is an important scheme of the DoP that got the maximum outlay amongst all the schemes for the Twelfth Five Year Plan. However, the percentage achievement which ranged between 5.06% and 47.88% during 2012-13 and 2013-14, when compared with BE, depicts a dismal

picture. According to the Department, the factors responsible for the delayed implementation of IT Modernization Project broadly relate to reviewing the entire project on account of complaints received during the process of procurement, delay in finalization of the RFPs, etc. As a result of this delay, the timeline approved by the Cabinet in November, 2012 for implementation/roll out/completion of the project got adversely affected. The Committee are concerned to find that out of over 1,54,856 post offices, only 25,145 Departmental post offices have been computerized and 25,195 locations have been electronically networked. About computerization and networking of the remaining extra departmental/rural post offices, it has been stated that the work will be undertaken after finalization of the RFP contract with vendors of Rural hardware and Rural System Integrator. The Department are yet to obtain approval for revised timelines for the project. The Committee, however, take note of the fact that project activities have gained momentum in the year 2013-14 and all efforts should be made to finalize RFPs in the current fiscal. The Committee would like to be apprised of the revised timelines set for the project along with plans of the Department to accomplish the modernization project within the envisaged time frame.

(b) Post Bank of India

7. The Committee note that over the many decades of its operation, the DoP has developed numerous intrinsic strengths relevant to banking operations that can be utilized by the proposed bank while it creates its own capabilities in core areas of banking, to ensure that the synergy fulfils the country's agenda of promoting inclusive banking. The Department of Posts possess various advantages such as a large existing customer base of 31 crore accounts across savings bank and savings certificates, an unparalleled wide distribution network having 1.54 lakh points of presence and last mile reach through the Gramin Dak Sewak (GDS) network, an established brand equity of India Post, experience in financial services having Rs. 6,00,000 crore in outstanding balances across savings accounts, experience in life insurance, remittances services, a strong and established governance framework and the

upcoming technological initiatives. In line with this, the Committee are of the view that the Department should make all efforts to enter the banking domain so that these inherent strengths can be leveraged/utilized to bring in the large un-banked population within the ambit of formal banking to further the objective of financial inclusion. The Committee also note that the Department of Posts employ about 1.3 lakh Gramin Dak Sewaks (GDS) and plan to utilize their services as Business Correspondents (BCs) for the last mile reach in the rural areas. On an average, there are approximately 200 GDS for every district of India, with the majority of this presence in un-banked rural regions. The Banking Correspondents can foster the Government's financial inclusion agenda by providing simple yet the complete suite of financial products, including Deposits, Loans, Insurance, Remittances, Government subsidies and benefits and Pension products. While they are already providing quite a few of the above mentioned services, PBI would complete the suite by providing credit facilities to the un-banked masses through the effective use of local GDS knowledge and formation of Joint Liability Groups, as per the requirement. The DoP are also planning to equip the Gramin Dak Sewaks with hand-held devices to facilitate their postal as well as banking transactions. Regarding the present status of the setting up of the proposed Post Bank of India, the Committee note that on the recommendation of the High Level Committee set up by the RBI on issuing banking licence to DoP, the consultation with Government took place in the Public Investment Board meeting held on 1.5.2014 wherein it was *inter-alia* recommended that the DoP may work out a viable business model incorporating the ingredients of a 'narrow banking model' or the 'differentiated banking model' with specific objectives in mind and apply afresh for the license as per the RBI guidelines on 'differentiated banking', as and when notified. The Committee have been informed that the DoP will take a decision on submitting a fresh application for banking license when the final guidelines are published. The Committee are of the view that the Department of Posts have unmatched presence in the rural areas of the country and this presence is stronger than the branch network of any Bank/Financial Institution in India, thereby providing the Post Bank of India with a unique opportunity to meet the financial

inclusion agenda of the Government as a single entity. The Department should seize this opportunity and utilize the services of Gramin Dak Sewaks as Business Correspondents for the proposed Post Bank of India. The Committee would like to be apprised of the progress made in this regard.

(c) <u>Premium Services</u>

(i) Speed Post

8. The Committee note that Speed Post service was introduced in 1986 to provide a fast and time bound delivery service between seven major cities in the country. Since then, the network has been expanded across all major cities in the country. The Speed Post offers time bound and assured delivery of letters, documents and parcels weighing upto 35 kgs across the country and the delivery norms are fixed taking into account the fastest available mode of transport between stations. It is managed as a business service with a commercial approach in its operations and management. The Committee have been informed that at present, in the established courier market valued at around Rs. 5,200 crore, Speed Post has been generating revenues to the tune of Rs. 1,370 crore, which is around 26 per cent. The Committee find that the growth in revenue generated on Speed Post services during 2013-14 has drastically come down compared to the previous year. The Department need to be vigilant in arresting this downswing and take remedial steps to propel growth in revenues from this sector. In order to compete in this market, the Department have been focusing on specific expansion of Speed Post in different areas with specific thrust on technology. The Department are also focusing on bringing forth improvement in the quality of service of Speed Post as well as improving the business revenue from this sector since the courier market, parcel market, e-commerce and business mail are the four areas where market growth is very high. To meet the competition from private players, the Department have taken a number of steps for marketing and promotion of Speed Post service highlighting the features such as Track & Trace facility, volume based discount, free pick-up, credit facility, etc. For this purpose, Business Development & Marketing Directorate has formulated a Plan Scheme "Marketing

Function of the Department" with the objective of enhancing the visibility and brand value of existing as well as new products of the Department. While appreciating the fact that the market share of the Department has shown a gradual increase in the recent years and taking cognizance of the steps taken by the Department for marketing and promotion of Speed Post service, the Committee feel that there is tremendous scope for increasing the market share of the Department in this segment. The Committee recommend that the Department should highlight the value added features of Speed Post to popularize it amongst the target customers and leverage its vast infrastructure and manpower to improve its market share in the express industry which is expected to witness very high growth rate in the near future, especially with the emergence of e-commerce in India.

(ii) Express Parcel and Logistics Post

9. Express Parcel and Logistics Post are two other important components of premium services. Express Parcel and Business Parcel Services were introduced w.e.f 02.12.2013 as a result of the rationalization of parcel products in place of Express Parcel Post. At present, Express Parcel Service is operational between 47 cities. The Committee have been informed that its coverage is being expanded Pan India w.e.f. 01.11.2014 to increase the revenue from the service. The Committee find that revenue generated from these services registered an increase from Rs. 71.80 crore in 2011-12 to Rs. 78.87 crore in 2012-13. However, there is a marginal slump in revenue in 2013-14 which stood at Rs.77.63 crore. The Committee desire that with the rationalization of Express Parcel Services coupled with its national coverage, the Department should monitor quality of performance of these services so as to give boost to revenue generation in the coming years.

10. The Committee are concerned to find that the revenue contribution of Logistics Post, i.e. Rs. 49.46 crore, showed an increase in 2012-13, but drastically came down to Rs. 15.25 crore in 2013-14. Regarding expansion of Logistics Post, a plan scheme for "Establishment and Upgradation of Parcel and Logistic Centres/Hubs/Warehouses"

with an outlay of Rs. 66 crore has been approved for the 12th Five Year Plan. The Department proposed to establish 23 Logistics Posts/Warehousing Centres during the Plan period. The Committee are given to understand that while a Memorandum of Understanding has been signed with Air-India to provide transmission solutions to the customers under Logistics Post through Air between select 15 stations, transporters/logistics service providers have also been empanelled on select routes to assist in surface distribution of logistics services. The Committee would like to be apprised of the efficacy of the recent institutional arrangements under Logistics Post in enhancing the revenue portfolio of the Department.

(d) Setting up of Automated Mail Processing Centres (AMPCs)

11. The Committee observe that as part of the Eleventh Plan scheme, 2 new AMPCs were established in New Delhi and Kolkata in the year 2012-13 and it is proposed to set up four more AMPCs at Mumbai, Chennai, Hyderabad and Bengaluru during the Twelfth Plan period. The AMPCs at Delhi and Kolkata have helped the Department in consolidating the mail office (processing) network in these cities as multiple offices have been combined into single processing units. The setting up of AMPCs on a similar pattern in Mumbai, Chennai, Bengaluru and Hyderabad would help the Department in consolidation of intra-city mail network in these cities and would lead to an optimized processing facility. This would also help in optimal utilization of transport schedules in these cities. As the Department expect volumes of e-commerce driven shipments to grow in these cities, the enhanced capacity in the shape of automated sorting would lead to expeditious processing and delivery of parcels, in addition to other categories of mail. The processing capacity of the machines is much faster leading to expedited delivery of mail. Besides, mail and parcels from nearby areas of these cities can also be consolidated in the proposed centres. The Committee take note that the setting up of the AMPCs as a part of the Mail Network Optimization Project would improve the mail delivery in a significant manner and bring in efficiency in the core activity of the Department, *viz*. processing, transmission and delivery of mails by speeding up the entire process through mechanization. The Committee feel that the significance of

setting up of more AMPCs in improving and speeding up the delivery of mails cannot be over emphasized and therefore recommend that the setting up of AMPCs in Mumbai, Chennai, Bengaluru and Hyderabad needs to be expedited and the Committee be informed of the progress made in this regard. The Committee also emphasise that the proposed infrastructure upgrade at mail offices and upgradation of 50 Business Post Centres (BPCs) as planned in the year 2014-15 be completed as per envisaged schedule.

(e) Estates Management

(i) Encroachment

12. The Committee are deeply concerned to note that out of a total of 1797 vacant plots available with the Department of Posts in 22 postal circles, 241 plots (i.e. 13.41 per cent) are under encroachment. The situation is more worrisome in the States of Karnataka, Bihar, Rajasthan and Andhra Pradesh, including Telangana where 39, 28, 26 and 24 plots, respectively, are under encroachment. On specific measures to reclaim the land from encroachers, the Committee note that the Department have issued necessary instructions to the Heads of Postal Circles that eviction of unauthorized personnel from the encroached land may be undertaken with the assistance of the law enforcement agencies. It is also proposed to construct boundary walls on all the Departmental vacant plots where there is no boundary wall/barbed-wire. To prevent further encroachment, the Committee note that there is a proposal to construct 175 boundary walls at an outlay of Rs. 15 crore during the 12th Five Year Plan. The Committee are constrained to note that the issue of safeguarding the land assets of the Department has been dragging on for so long and stress that the procedure for eviction of unauthorized encroachers may be expedited. Further, the erection of boundary wall fencing may be taken up on a priority basis to prevent the occurrence of any fresh encroachment and also to ensure that the Department are spared the arduous task of reclaiming the encroached property.

(ii) Utilization of Vacant Land

13. What is further disquieting to note is that as on 01.04.2014, 1797 plots measuring 672.12 acres of land are lying vacant with the Department. Out of this, 371 plots are situated at prime locations. In this context, the Committee have been informed that a proposal for commercial utilization of vacant land under Public Private Partnership (PPP) mode was approved by the Cabinet for setting up of a Special Purpose Vehicle (SPV), a wholly owned company with limited liability for optimum development and management of postal estates. The Plan of Action was stated to have been initiated in pursuance of the decision of the Committee of Secretaries in its meeting held on 20.05.2009. Based on inputs received from the Circles, the Department learnt that very few vacant lands could be utilized for (PPP) purpose. All these plots were originally allotted for construction of buildings for postal operations and these lands could not be used for any other purpose as per allotment terms and conditions, or else the allotment will get cancelled automatically. Moreover, State Governments are reportedly not inclined to change the type of use of these lands situated on prime locations due to their own interest in PPP brand initiatives. In view of these developments, the entire project is being re-looked at by the Department. The Committee are very dissatisfied at the whole sequence of events regarding action taken for utilization of land under PPP mode which reflects poorly on the estate management of the Department. The procedural bottlenecks encountered in the process should have been taken care of by the Department while formulating the project proposal. Emphasizing expeditious utilization of vacant land and to avoid its possible encroachment in future, the Committee recommend that a viable project be conceived with due diligence to give effect to the proposal. The project should be completed in a time bound manner and the Committee be apprised of the progress made in this regard.

(iii) Post Offices operating from rented accommodation

14. The Committee note that a total of 21,003 Post Offices in the twenty-two postal circles are operating from rented accommodation and the Department have

incurred Rs. 54.55 crore in 2011-12, Rs. 62.09 crore in 2012-13 and Rs. 69.49 crore in 2013-14 towards payment of rent during the last three years. The postal circles of Tamil Nadu, U.P., Andhra Pradesh, including Telangana State, and West Bengal have highest number of post offices operating from rented accommodation and their numbers are 2325, 2241, 2125 and 1533, respectively. The Committee observe that in the postal Circles of Tamil Nadu and Andhra Pradesh, including Telangana State, both the number of vacant plots available with the Department and the number of Post Offices operating from rented accommodation are amongst the highest. In Tamil Nadu circle, the Department have 143 vacant plots while 2325 post offices are operating from rented accommodation. In Andhra Pradesh, including Telangana State, the Department have 218 vacant plots while 2125 post offices are operating from rented accommodation. The Committee recommend that the project mooted for utilization of vacant land should include proposals for construction of office buildings in those States where there is substantial outgo of revenue in the form of rent. Planning may also be made for other States depending upon availability of funds and on the premise of cost-benefit analysis. The Department can ill-afford to pay a huge rent on the one side and keep their land meant for office buildings lying vacant for years together on the other. It is, therefore, essential to take urgent steps in the matter. The Committee would like to be informed of the outcome in this regard.

(f) <u>Franchisee Outlets</u>

15. The Committee note that the Franchisee Scheme of the Department is a commission based scheme which is being implemented as one of the activities/ sub-schemes under the Plan Scheme – "Rural Business & Access to Postal Network" during the 12th Plan with the objective of increasing access to the postal facilities in urban and semi-urban areas where there is need and justification for opening of post offices but the Department is not in a position to do so for some reasons. In this regard, the Committee note that there is a proposal for opening of 1,050 new Franchisee Outlets during the 12th Plan period. The Committee appreciate the efforts of the Department in opening up Franchisee Outlets during 2012-13 and 2013-14 wherein the

Department have managed to open 255 and 200 Franchisee Outlets as against the target of opening 250 and 200 Franchisee Outlets. The Committee feel that the Franchisee Outlet Model provides a good alternative in areas where there is a need and justification of opening up new post offices but the Department are unable to do so. The Franchisee Outlets model provides a low cost solution since the Department do not incur any cost towards setting up and running the Post Offices and the private party is paid commission on the number of articles sold / services rendered to the customers. The Committee find that the scheme encourages private participation in the activities of the Department and feel that it must be encouraged to ensure improved coverage by the India Post network. The Committee would like to be apprised of the overall performance of the Scheme.

(g) <u>Postal Life Insurance</u>

16. The Committee note that the Postal Life Insurance (PLI) is amongst the few services offered by the Department of Posts which makes a significant contribution to the revenue of the Department. The target customers for PLI include employees of State/Central Government, PSUs, Defense and Paramilitary forces, autonomous/local bodies, public and private sector banks, Credit cooperative societies, Joint Ventures having a minimum of 10% stakes, CBSE/AICTE/ICSE/MCI, accredited institutions etc. The Committee find that in terms of the number of policies, PLI and RPLI hold the second position after the LIC. The share of PLI and RPLI in the Life Insurance Industry in terms of policies is 295.04 lakhs as on 31.03.2014 which is 10.24% of the marketshare. In terms of premium income, the position as on 31.03.2014 was Rs. 7634.45 crore which is 2.53% of marketshare for Life Insurance. The Committee also note that the number of PLI policies has increased from 52,19,326 in 2012-13 to 62,72,169 in 2013-14. The number of RPLI policies has also increased from 1,46,64,650 in 2012-13 to 2,32,32,236 in 2013-14. The Department are stated to have taken a number of steps to popularize the scheme amongst the targeted beneficiaries, such as release of advertisements and publicity through various channels, finalizing a media agency for ensuring adequate publicity to the target clientele, computerization of all

activities related to policy servicing and premium payments, TV commercials and Radio Jingles, coupled with publicity in print media, social media, mobile application, etc. Since Postal Life Insurance is a major source of revenue for the Department, the Committee recommend that all out efforts should be made to popularize the scheme amongst the target customers. The Department may also look at ways to diversify the intended customer base through inclusion of new categories in the list of eligible segments along with competitive marketing of the various insurance products on offer.

(i) Postal Life Insurance – Withdrawal/Surrender of PLI/RPLI policies

17. The Committee also note that there is an upward trend in withdrawal/surrender of PLI and RPLI policies by the customers. The number of surrendered PLI policies has increased from 14,200 in 2011-12, 15,417 in 2012-13 to 17,891 in 2013-14. The number of surrendered RPLI policies has also increased from 28,776 in 2011-12, 33,788 in 2012-13 to 38,250 in 2013-14. The Department have taken various initiatives to check the growing withdrawal/surrender of PLI/RPLI policies which include educating Policy holders to seek/apply for loan against the policy instead of surrender of policy in case of immediate financial need, helping policy holders to reduce the sum assured/value of policy thereby reducing the premium income in case they find it difficult to pay the higher premium and customer awareness and education in insurance products. The Committee recommend that the Department should make strenuous efforts to stem the rise in withdrawal/surrender of PLI/RPLI policies. Simultaneous efforts towards effective marketing of insurance products along with measures to prevent surrender/withdrawal of PLI & RPLI policies should be pursued to ensure that the customer base in PLI/RPLI keeps on growing, generating the much needed revenue for the Department of Posts.

(ii) Computerization of services offered through Postal Life Insurance

18. The Committee note that the Department have been able to meet the long pending demand for facility of online viewing and payment of premium of PLI/RPLI

policies by the customers. The Committee have been informed that since February, 2014, a pilot project for the implementation of a new Core Insurance Solution has been rolled out in 127 Head Post Offices and 3,500 Departmental Post Offices in the States of Assam, Delhi, Karnataka, Maharashtra, Rajasthan, Tamil Nadu and Uttar Pradesh. Over the next one year, the Core Insurance Solution will be rolled out in the remaining States of India. The system will allow processing and claim settlement work to be decentralized to 810 Head Post Offices all over the country. It will also have multiple payment options for customers as well as facility for viewing policy details online, web and mobile portals. A call centre will also be put in place during the current financial year. While appreciating the initiatives of the Department, the Committee recommend that the implementation of Core Insurance Solution may be expedited to enable the customers to view and pay their PLI/RPLI policies premium online from the comfort of their home. The Committee are of the firm view that such steps would make the PLI products more accessible and user-friendly which in turn, will increase their popularity amongst the targeted customers.

II. Priority Areas in DoP

(a) <u>e-Commerce Sector</u>

19. The Committee note that the Department are exploring new business opportunities to augment its revenue generation. The Department have identified 'Capturing e-Commerce Markets' as a priority area and have constituted a Task Force to facilitate their course of action. The Committee find that the Department are in touch with various e-Commerce companies using Speed Post for providing distribution solutions along with the Cash-on-Delivery (CoD) facility. The Committee are aware that with the advent of new age communication technologies, the decline of ordinary mail has emerged as a global phenomenon even as the emerging e-Commerce market and the resultant increase in parcel business is being pursued by Postal Organizations across the world. Of late, the e-Commerce market in India is also expanding at an exponential rate. After the Metros and Tier-I cities, the next wave of

growth in e-Commerce is expected to come from Tier-II/III cities and the rural areas. The Committee recognize that the major players in the e-Commerce market are eyeing the Department of Posts for delivery of their products to the Tier-2/3 cities and rural areas, leveraging the vast reach of the Department through its large postal network to access this untapped market. The Committee feel that this is precisely the area where the strength of the Department of Posts lies. The Committee are convinced that the emergence of e-Commerce in India has presented a great opportunity to the Department of Posts to leverage its huge postal network to cater to the parcel business generated through expansion of e-Commerce. As e-Commerce picks up in India, substantial business is expected to originate from Tier-II/III cities and the rural areas where the Department of Posts face minimal/no competition due to the limited coverage of these areas by private players/courier companies. The Committee, therefore, stress that the Department should focus on the e-Commerce sector to garner maximum business from this sector and become a partner of choice for the e-Commerce companies desirous of catering to the e-Commerce business emanating from the Tier-II/III cities and the rural areas of the country.

(b) Speed Post Cash on Delivery (SP-CoD)

20. The Committee note that logistics, payment mechanism and information flow are crucial for e-Commerce and are developing to keep pace with the fast emerging e-Commerce market. Due to the increasing penetration of e-Commerce in the Indian market, shopping trends are changing comprehensively and people prefer to shop online and make payment at the time of delivery. Payment through Cash-on-Delivery is a very prominent feature of the Indian e-Commerce market. The Committee are pleased to note that the DoP launched the Cash on Delivery facility of Speed Post and Parcel products on 2nd December, 2013 and till September, 2014, Rs. 254 crore was collected and paid to e-Commerce and other digital commerce companies for Business Parcel. The Committee appreciate the efforts of the Department towards electronic capacity building in the network for CoD facility for which a national capacity building exercise was also conducted by the Department for Speed Post Cash on Delivery facility in September, 2014. The Committee, while observing that at present the

Department are in touch with various e-Commerce companies for providing distribution solutions, trust that the Department would further strengthen its efforts in this direction to rope in different e-Commerce companies offering them distribution solution through its Speed Post Cash on Delivery facility.

(c) <u>Launching e-Commerce Portal</u>

21. The Committee note that since the Department of Posts are actively working towards developing a logistics solution for e-Commerce players in India, there is scope for vertical alignment in this market segment where the Department may have its own e-Commerce portal which can further strengthen its position in the e-Commerce market. The Committee are glad to know that a functional e-Commerce portal is a part of the IT project which is being rolled out in the Department of Posts. In view of the fact that launching a full-fledged e-Commerce portal requires highly technical resources, as a first step, the Department have started e-Post Office facility wherein the customers can avail e-IPO facility and also purchase philatelic stamps online. The Department gradually intend to increase the product line on its e-Commerce portal by developing suitable model/tie-ups, etc. The Committee observe that plans to launch the e-Commerce portal as part of the IT Project is a step in the right direction since running the e-Post Office facility would provide critical insights into the operational aspects of launching a full fledged e-Commerce portal. The Committee hope that more and more services/products are added to e-Post Office facility and in the near future steps will be taken to gradually scale up the facility into an e-Commerce portal offering the entire bouquet of products/services offered by the Department of Posts which can be accessed by its customers. The Committee desire that the Department may also seek specific expertise by way of external consultation/conducting feasibility study on launching its own e-Commerce portal. The Committee may be apprised of the progress made in this regard.

IV. <u>Miscellaneous</u>

(a) Gramin Dak Sewaks

22. The Committee note that out of 1,54,856 Post Offices, 1,29,388 (83.55 %) are Gramin Dak Sewak Post Offices and at 2,63,599 out of 4,66,301 employees, Gramin Dak Sewaks constitute 56.33 per cent of the total workforce. In essence, 56.33% of the workforce comprised of GDS is employed in 83.55% of the Post Offices which are mostly located in the rural areas and which serve the bulk of the population. The Committee feel that Gramin Dak Sewaks play an important role in the postal network by providing the last mile reach to areas which are unviable/unattractive to the private courier services and ensure access to the remotest parts of the country. The Committee also note that a Memorandum had been received by the Department from the Gramin Dak Sewak Employees requesting that their category may also be included in the Seventh Central Pay Commission and that they should be given pay and other facilities as per regular Departmental employees. The Department have also informed the Committee that whenever a Central Pay Commission is constituted, the Department of Posts have been constituting a separate committee to decide on the pay and other facilities to be provided to the Gramin Dak Sewaks. Consequently, action is underway in the Department for constituting a GDS committee to look into the wage structure, emoluments and other service conditions of the GDS employees. It is imperative that the genuine concerns of more than half the workforce of the Department are addressed in a fair and judicious manner so that this critical section of the workforce do not feel left out *vis-à-vis* the regular Departmental employees and realize that they are equal stakeholders in the Department of Posts. While recognizing the important role played by Gramin Dak Sewaks who constitute the backbone of the Department in the rural areas, the Committee urge the Department that their genuine needs/grievances may be addressed on a priority basis.

ANURAG SINGH THAKUR
Chairperson
Standing Committee on
Information Technology

New Delhi
<u>16 December, 2014</u>
25 Agrahayana, 1936 (Saka)

APPENDIX-I

MINUTES OF THE THIRD SITTING OF THE STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2014-15) HELD ON 29TH SEPTEMBER, 2014

The Committee sat on Monday, the 29th September, 2014 from 1430 hours to 1615 hours in Committee Room '53', First Floor, Parliament House, New Delhi.

PRESENT

Shri Anurag Singh Thakur - Chairperson

MEMBERS

Lok Sabha

2. Shri L.K. Advani
3. Shri Prasun Banerjee
4. Dr. Sunil Baliram Gaikwad
5. Dr. K.C. Patel
6. Shri Hemant Tukaram Godse
7. Dr. Anupam Hazra
8. Shri Harinder Singh Khalsa
9. Shri Keshav Prasad Maurya
10. Shri Abhishek Singh

Rajya Sabha

11. Shri Salim Ansari
12. Shri Santiuse Kujur
13. Mahant Shambhuprasadji Tundiya

SECRETARIAT

1.	Shri K. Vijayakrishnan	-	Additional Secretary
2.	Shri J.M. Baisakh	-	Director
3.	Shri Ajay Kumar Garg	-	Additional Director

Representatives of the Ministry of Communications and Information Technology (Department of Posts)

	Name	Designation
1.	Ms. Anjali Devasher	Member (PLI) and holding charge of Secretary
2.	Ms. Kalpana Tiwari	Member (Planning)
3.	Shri S.K. Sinha	Member (HRD)
4.	Shri A.B. Joshi	Member (Tech.)
5.	Shri John Samual	Member (O)
6.	Ms. Saroj Punhani	JS&FA
7.	Shri Rajnish Kumar Jenaw	DDG (PAF)
8.	Shri Vineet Pandey	DDG(FS)/CGM(BD)
9.	Shri V. Pati	OSD (PLI)

2. After the Chairperson welcomed the Members to the sitting of the Committee, the representatives of the Ministry of Communications and Information Technology (Department of Posts) were called in and the Committee took their evidence on the issues related to the Demands for Grants of the Department for the year 2014-15.

3. Before tendering evidence, the Department made a power-point presentation before the Committee covering various issues relating to the Demands for Grants (2014-15) viz. overview of postal network and postal operations, new initiatives taken by the Department of Posts, steps taken for improved customer service, Plan activities for the year 2014-15, major achievements during the 12th Plan period and performance of social commitment and financial inclusion schemes of the Department.

4. The representatives of the Department also replied to the queries raised by the Members. With regard to the points to which information was not readily available, the Chairperson directed the Department to submit written replies.

5. The Chairperson, then, thanked the representatives of the Department of Posts for deposing before the Committee.

The witnesses then withdrew.

Verbatim Proceedings of the sitting have been kept on record.

The Committee, then, adjourned.

APPENDIX-II

STANDING COMMITTEE ON INFORMATION TECHNOLOGY
(2014-15)

MINUTES OF THE TENTH SITTING OF THE COMMITTEE

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The Committee sat on Tuesday, the 18th December, 2014 from 1530 hours to 1620 hours in Committee Room 'C', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri Anurag Singh Thakur– Chairperson

MEMBERS

Lok Sabha

2. Shri L.K. Advani
3. Dr. Sunil Baliram Gaikwad
4. Dr. K.C. Patel
5. Shri Hemant Tukaram Godse
6. Dr. J. Jayavardhan
7. Shri Virender Kashyap
8. Smt. Hema Malini
9. Shri Keshav Prasad Maurya
10. Shri Paresh Rawal
11. Dr. (Smt.) Bhartiben Dhirubhai Shiyal
12. Smt. R. Vanaroja

Rajya Sabha

13. Shri Vijay Jawaharlal Darda
14. Shri Santiuse Kujur
15. Dr. K.V.P. Ramachandra Rao

Secretariat

1. Shri K. Vijayakrishnan - Additional Secretary
2. Shri J.M. Baisakh - Director
3. Shri Ajay Kumar Garg - Additional Director
4. Dr. Sagarika Dash - Deputy Secretary
5. Shri Shangrieso Zimik - Under Secretary

2. The Sitting of the Committee to consider and adopt draft Reports on Demands for Grants (2014-15) of the ministries/Departments under their jurisdiction was scheduled to be held at 1500 hours. However, due to some urgent business in the house requiring the presence of Members, the Chairperson directed that the meeting may be postponed by 30 minutes. The Committee reassembled at 1530 hours. At the outset, the Chairperson gave a broad overview of the important observations/Recommendations contained in the Reports.

3. The Committee, then, took up the following draft Reports for consideration and adoption.

(i) First Report on Demands for Grants (2014-15) of the Ministry of Communications and Information Technology (Department of Posts)

(ii) *****…………………………..*****……………………………………………………*****

(iii) *****…………………………..*****……………………………………………………*****; and

(iv) *****…………………………..*****……………………………………………………*****

4. The Committee thereafter adopted the above Reports without any modification.

5. The Committee, then, authorized the Chairperson to finalize the draft Reports arising out of factual verification, if any, and present the Reports to the House during the current session of Parliament.

The Committee, then, adjourned

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xxxx Matters not related to the Report.