

**20**

**STANDING COMMITTEE ON  
INFORMATION TECHNOLOGY  
(2015-16)**

**SIXTEENTH LOK SABHA**

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

**[Action Taken by the Government on the Observations/ Recommendations of the Committee  
contained in their Fifth Report (Sixteenth Lok Sabha) on 'Demands for Grants (2015-16)']**

**TWENTIETH REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

***December, 2015/Agrahayana, 1937 (Saka)***

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***Presented to Lok Sabha on 21.12.2015***

***Laid in Rajya Sabha on 21.12.2015***



**LOK SABHA SECRETARIAT**

**NEW DELHI**

***December, 2015/Agrahayana, 1937 (Saka)***

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**COMPOSITION OF THE STANDING COMMITTEE ON INFORMATION TECHNOLOGY  
(2015-16)**

**Shri Anurag Singh Thakur - Chairperson**

**Lok Sabha**

2. Shri L. K. Advani
3. Shri Prasun Banerjee
4. Dr. Sunil Baliram Gaikwad
5. Shri Hemant Tukaram Godse
6. Dr. Anupam Hazra
7. Dr. Jayakumar Jayavardhan
8. Shri P. Karunakaran
9. Shri Virendra Kashyap
10. Shri Harinder Singh Khalsa
11. Shrimati Hema Malini
12. Shri Keshav Prasad Maurya
13. Ms. Mehbooba Mufti
14. Dr. K.C. Patel
15. Shri Raosaheb Danve Patil
16. Shri Paresh Rawal
17. Dr. (Shrimati) Bharatiben Dhirubhai Shiyal
18. Shri Abhishek Singh
19. Shri D.K. Suresh
20. Shri Ramdas C. Tadas
21. Shrimati R. Vanaroja

**Rajya Sabha**

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

**Secretariat**

- |    |                       |   |                      |
|----|-----------------------|---|----------------------|
| 1. | Shri K. Vijaykrishnan | - | Additional Secretary |
| 2. | Shri J. M. Baisakh    | - | Director             |
| 3. | Shri Abhishek Sharma  | - | Executive Assistant  |

## INTRODUCTION

I, the Chairman, Standing Committee on Information Technology (2015-16) having been authorized by the Committee, do present the Twentieth Report on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Fifth Report (Sixteenth Lok Sabha) on 'Demands for Grants (2015-16)' of the Ministry of Communications and Information Technology (Department of Posts).

2. The Fifth Report was presented to Lok Sabha/Laid on the Table of Rajya Sabha on 24<sup>th</sup> April, 2015. The Department of Posts furnished their Action Taken Notes contained on the Observations/Recommendations contained in the Fifth Report on 22<sup>nd</sup> July, 2015.

3. The Report was considered and adopted by the Committee at their sitting held on 18<sup>th</sup> December, 2015.

4. For facility of reference and convenience Observations/Recommendations of the Committee have been printed in bold in Chapter-I of the Report.

5. An analysis of Action Taken by the Government on the Observations/Recommendations contained in the Fifth Report (Sixteenth Lok Sabha) of the Committee is given at *Appendix-II*.

**New Delhi;  
18 December, 2015  
27 Agrahayana, 1937(Saka)**

**ANURAG SINGH THAKUR,  
Chairperson,  
Standing Committee on  
Information Technology.**

## **CHAPTER-I**

### **REPORT**

This Report of the Standing Committee on Information Technology deals with the action taken by the Government on the Observations/Recommendations of the Committee contained in their Fifth Report (Sixteenth Lok Sabha) on 'Demands for Grants (2015-16)' relating to the Ministry of Communications and Information Technology (Department of Posts).

2. The Fifth Report was presented to Lok Sabha/laid in Rajya Sabha on the 24<sup>th</sup> April, 2015. It contained 14 Observations/Recommendations.

3. Action Taken Notes in respect of all the Observations/Recommendations contained in the Report have been received from the Department of Posts and are categorized as under:-

- i. Observation/Recommendations which have been accepted by the Government  
Rec. Sl. Nos.:- 1, 4, 7, 8, 9, 11, 12, 13 and 14
- ii. Observations/Recommendations which the Committee do not desire to pursue in view of the replies of the Government  
Rec. Sl. No.: Nil
- iii. Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and require reiteration  
Rec. Sl. No.: 2
- iv. Observation/Recommendations in respect of which the reply of the Government are interim in nature  
Rec. Sl. Nos.: 3, 5, 6 and 10

4. The Committee trust that utmost importance would be given to the implementation of the Observations/Recommendations accepted by the Government. The Committee further desire that Action Taken Notes on the Observations/Recommendations contained in Chapter-I and final action taken replies to the Observations/Recommendations contained in Chapter-V of this Report should be furnished to them at an early date.

5. The Committee will now deal with the action taken by the Government on some of their recommendations.

**A. Gross Expenditure and Revenue Receipts**

**(Recommendation Sl. No. 1)**

6. The Committee, in their Original Report, had recommended as under:-

“The Committee note that in the year 2014-15, gross expenditure of the Department of Posts at RE Stage was Rs.18489.85 crore as against Rs. 16464.05 crore during the year 2013-14. The budget estimate of gross expenditure for the year 2015-16 is Rs. 19494.26 crore. According to the Department, the net expenditure during the year 2014-15 (RE) increased by 10.13% in comparison to 2013-14 and the net expenditure in 2015-16 (BE) is estimated to be around 5.57% higher than the projection of RE in the year 2014-15. The corresponding revenue receipts have increased from Rs. 9787.52 crore in 2013-14 to Rs. 11,327.92 crore in 2014-15 at RE stage. The budget estimate for the year 2015-16 stands at Rs. 12,036.87 crore. A close look at the financial performance for the past five years indicates that the Department have been able to sustain growth in revenue year after year. This is noted to be an encouraging trend. What is noteworthy is the fact that the percentage growth in revenue has surpassed the percentage growth in expenditure. During FY 2013-14, gross expenditure grew by 8.6% while revenue has shown an increase by 14.54%. In respect of revenue deficit, while the budget estimate for 2014-15 was Rs.7194.46 crore, it came down to Rs.6517.74 crore at RE Stage. The budget estimate for the year 2015-16 is Rs.6802.05 crore. The Committee appreciate the fact that despite annual increase in revenue expenditure, the Department have been able to keep the revenue deficit under check. The Committee also note that during the last few years, services like Speed Post and Business Post have shown increase in revenue receipts. Further, the Department are focusing on areas like Post Office Savings Bank (POSB), parcel business from e-Commerce and expansion of PLI to improve their revenue generation. The Committee desire that there is a need to follow a twin-pronged approach of aiming for reduction in revenue expenditure together with measures to increase the revenue receipts of the Department.”

7. The Department of Posts, in the action taken note, have stated as under:-

“Revenue from PLI & RPLI business is growing steadily. Revenue grew by 13.39 % in 2014-15 over 2013-14.

Revenue earned on Financial Services is growing every year. Kisan Vikas Patras have been reintroduced in November 2014 and a new scheme called Sukanya Samriddhi Account (SSA) has been launched in January 2015. During the year 2014-15 Revenue Receipts under SBCC has increased 15.11% over the last year. There has been an increase in Revenue Receipts of Post Office Savings Bank (POSB) leading to significant upward revision in Actual Receipts during the year 2015-16.

The total revenue receipt under Premium Product Services has also increased from Rs. 2723.55 Crores in 2013-14 to Rs. 2828.68 Crores in 2014-15. During the last few years services like Speed Post and Business Post have recorded increase in revenue receipts. The Department is focusing on areas like Parcel Business from e-Commerce.

The initiatives taken in Parcel & Logistic have resulted in growth of 37% under Business/Express Parcel. Similarly, revenue under Logistic Post in Year 2014-15 has shown a growth of 60.85% over year 2013-14.

Department of Posts has also tied up under Retail Post for sale of third party products. In the recent past, Department of Posts has undertaken number of new tie-ups including sale of Mobiles and Watches etc. and has registered a business growth of nearly 20%. Thus, the Department is striving to focus on revenue centric areas for achieving self sustenance.”

8. While appreciating the fact that despite annual increase in revenue expenditure, the Department have been able to keep the revenue deficit under check, the Committee, in their Original Report, had recommended that there is a need to follow a two-pronged approach of aiming for reduction in revenue expenditure together with measures to increase the revenue receipts of the Department. The Department of Posts, in their Action Taken Note, have stated that they have been actively working towards maximizing revenue generation through various initiatives such as focus on Parcel business from e-Commerce, insurance premium from PLI and RPLI, Revenue through financial services such as Kisan Vikas Patras, Sukanya Samriddhi Accounts (SSA) and Post Office Savings Bank (POSB), increase in Revenue receipts from Premium Services such as Speed Post and Business Post, new initiatives in Parcel and logistics and tie-ups under Retail Post, including sale of Mobiles, Watches, etc. While lauding these initiatives taken by the Department of Posts, the



Committee feel that since there is limited scope in reducing the revenue expenditure, the need for improving the revenue receipts of the Department cannot be over-emphasized. Since focus on revenue generation is inevitable to reduce the revenue deficit, the Committee feel that a holistic approach involving identification of emerging areas for revenue generation, restructuring/rationalization of existing services and timely execution of Plan schemes such as IT Induction and Modernization Project are the need of the hour to improve the financial health of the Department and reduce its revenue deficit/reliance on budgetary support.

**B. IT Induction and Modernization - Underutilization of funds**

**(Recommendation Sl. No. 2)**

**9. The Committee, in their Original Report, had recommended as under:-**

“IT Induction and Modernization is an important scheme of the Department with a comprehensive IT roadmap to develop network architecture, integrated software and effective data management, including establishment of National Data Centre(s) and Disaster Recovery Centre. There are eight segments/activities under the IT Induction and Modernization Project which include Data Center Facility (DCF), Network Integrator (NI), Financial Services Integrator (FSI), Core System Integrator (CSI), Change Management (CM), Rural Hardware (RH), Rural System Integrator (RSI) and Mail Operation Hardware (MOH). Under this scheme, in the year 2014-15, Rs. 506.39 crore was allocated at BE stage which was reduced to Rs. 86.80 crore at RE stage and the actual utilization (upto February 2015) was Rs. 67.44 crore which is just 13.32 percent of the budget estimate. The reasons attributed to underutilization of funds relate to complex interdependencies amongst the eight streams of the Project requiring the finalization of all the RFPs in a synchronized manner, time consuming nature of public procurement processes in a Government set-up, refusal of vendors to execute the project in two cases leading to re-tendering and requirement of statutory clearances from bodies like the Pollution Control Board and the Chief Controller of Explosives. The Committee have been informed that activities under the eight designated streams of the project are at mature stages of finalization. As per revised timelines, three components are to be implemented during 2015, other three by 2016 and the remaining two components will be executed by March, 2017.

The Committee are concerned to note that various procedural delays have been affecting the utilization of funds in an all encompassing scheme of the Department, which is likely to improve its functioning across multiple areas. The Committee recommend that efforts to be made to see that the revised timelines set for execution of core components of the scheme are strictly complied with so to

obviate any further spill over of the project. Expeditious implementation/execution of the scheme will also enable the Department to provide improved products and services, meet increasing competition and cater to rising customer expectations. The Committee will like to be informed about the progress made in implementation of this project.”

10. The Department of Posts, in the action taken note, have stated as under:-

“IT Modernization Project is in the implementation stage. The segment-wise progress is as under.

#### **PRESENT STATUS OF THE PROJECT**

<b>Name of segment</b>	<b>Status as on 29-06-15</b>
<b>Network Integrator (NI):-</b> Provisioning of Wide Area Network (WAN) for connecting the ~ 28000 Post offices & other admin offices with the Data Center.	Implementation started on 28-09-12. So far 27528 locations have been networked on a single Wide Area Net work (WAN) and connected Data Centre.
<b>Mail Operations Hardware (MOH):-</b> Providing postman handheld devices & Hardware for Mail offices & Transit Mail Offices	RFP process completed. The successful bidder M/s HCL Info systems Ltd expressed inability to sign the contract. LoI annulled on 26-09-14 and M/s HCL Info system has been blacklisted for 5 years on 25-11-14. Action of blacklisting the firm which was stayed on 10-12-14 has now been set aside on 21-04-15 by Delhi High Court. Action is taken for procurement of Mail Operations Hardware through DGS&D RC.
<b>Financial Services Integrator (FSI):-</b> Core Banking Solutions for Post Office Savings Bank (POSB), ATM facility and Core Insurance Solution Postal Life Insurance (Postal Life Insurance, Rural Postal Life Insurance (PLI & RPLI)	Implementation started on 28-09-12. Pilot Roll out of Core Banking (CBS) and Life Insurance (PLI) - Completed at 124 and 220 Post Offices. Totally, so far 2590 POs for CBS and 13310 Post offices for CIS (PLI) have been migrated. ATM Services- installed and functioning at 115 Post Offices.
<b>Core System Integrator (CSI):-</b> Solutions relating to Mails, Postal counters, Remittances, HR, F&A, Customer Interaction etc.	Implementation started on 15-04-13. Installation and commissioning of Central Hardware completed. Detail Design Documents has been completed. Wave 2 & 3 UAT cycle II (for HR, MO and F & A completed on 06-12-14. Wave 2 & 3 UAT

and Common Infrastructure	cycle III of Phase I started on 27-04-15. UAT at Hyderabad started on 22-06-15. Wave 1 Roll out is in progress.
<b>Rural ICT RSI (RICT RSI):-</b> Solution for integrating & managing the mobile applications and mobile devices	RFP process completed and work awarded. Contract signed on 28-02-13. Implementation phase has been started on 05-05-15.
<b>Rural ICT Hardware (RICT RH):-</b> Providing Connectivity and Hardware to all Branch Offices ( ~ 1,30,000 Rural Post Offices)	Vendor has been finalized, contract signed on 24-11-2014 and implementation phase has been started. Project has been kicked off on 19-06-15.
<b>Data Centre Facilities (DCF):-</b> Hosting the central servers at Primary Data Center at Navi Mumbai & Management of Disaster Recovery Center, (DRC) Mysore.	Primary Data Centre at Navi Mumbai has been operational from 03.04.2013 and Disaster Recovery Centre at Mysore has been operational from 15-05-15
<b>Change Management (CM):-</b> Change Management for all employees and imparting training.	Implementation started on 15-10-12. Training activities are in progress. It is ongoing exercise with the implementation of various other streams of the Project.

11. The Committee had observed that IT Induction and Modernization is an important scheme of the Department with a comprehensive IT roadmap to develop network architecture, integrated software and effective data management, including establishment of National Data Centre(s) and Disaster Recovery Centre. Under this scheme, in the year 2014-15, Rs. 506.39 crore was allocated at BE stage which was reduced to Rs. 86.80 crore at RE stage; the actual utilization (upto February 2015) was Rs. 67.44 crore which is just 13.32 percent of the budget estimate. The reasons attributed to underutilization of funds related to complex interdependencies amongst the eight streams of the Project requiring the finalization of all the RFPs in a synchronized manner, time consuming nature of public procurement processes in a Government set-up, and refusal of vendors to execute the project in two cases leading to re-tendering and requirement of statutory clearances from bodies like the Pollution

Control Board and the Chief Controller of Explosives. The Committee had recommended that efforts be made to see that the revised timelines set for execution of core components of the scheme are strictly complied with so as to obviate any further spill-over of the Project. The Department, in their Action Taken Note, have furnished segment-wise present status of the project. The Committee, while observing that IT Induction and Modernization is an all encompassing Scheme that will improve the performance and efficiency of the Department across multiple functional areas, are of the firm opinion that any delay in the implementation of this Scheme is likely to have a cascading effect on other areas as well. The Committee, therefore, reiterate that an effective mechanism may be evolved to ensure adherence to the revised timelines set for execution of core components of the Scheme without any further delay so that the Department can seamlessly undergo transition from a physical network to a technology driven digital network which will enable it to provide improved products and services, while making optimum utilization of available resources to cater to rising customer expectations.

**C. Task Force on Leveraging Post Office Network**

**(Recommendation Sl. No. 13)**

**12.** The Committee, in their Original Report, had recommended as under:-

“The Committee note that the Department of Posts constituted a task force on 21.08.2014 to study and make recommendations regarding leveraging the post office network in India. A total of 181 recommendations were made by the task force. The Department have informed that a group of Senior Officers has been constituted to examine each recommendation of the Task Force, to obtain relevant inputs from various stakeholders, including Service Unions, etc. and to chalk out a strategy for implementing specific recommendations of the Task Force along with timelines.

The Committee have been further informed that the recommendations of the Task Force *inter-alia* emphasized on Integrated Banking Solution to provide online access to the account, installation of Automatic Teller Machines (ATM) throughout the country, issuance of Debit Cards and Cheque Books to the account holders, provision of Handheld devices to provide last mile delivery of services to the remotest possible location in the country, Internet based access to PLI and RPLI, Centralized IT System for Mail Operations enabling real time tracking of mail, parcels and other services, Centralized Human Resource Management System and Additional Retail & Agency Services.

The Committee have all along been urging the Department to take suitable steps for generation of additional business and augmentation of revenue receipts. They desire that the Government should examine the recommendations of the Task Force in this regard and formulate concrete strategy for the implementation of those recommendations in a time-bound manner so as to improve the financial health of the Department of Posts and reduce revenue deficit/reliance on budgetary support.”

**13. The Department of Posts, in the action taken note, have stated as under:-**

“With the approval of Hon’ble Minister of Communications and IT, a Group of Senior Officers was constituted in the Department to examine each recommendation of the Task Force to obtain relevant inputs from the Divisions concerned within the Postal Directorate, Field Units as well as Staff Unions and Officers’ Union; and to chalk out a strategy for implementing specific recommendation of the Task Force along with timelines, in synergy with the other two reports of Internal Task Forces set up to ‘Scale up PLI Business’ and ‘Capturing e-Commerce Market’.

Based on the inputs received from the Group of Senior Officers ATR was submitted to PMO which includes the observations of the Department of Posts on individual (para wise) recommendations of the Task Force.

The Task Force has envisaged new role for the Department in the realm of banking, insurance and e-commerce. As such, in order to generate additional business and augment revenue receipt through Parcel and e-Commerce Services, the Department has already entered into partnerships with Amazon, Flipkart, Shopclues, Snapdeal and e- Bay. Further, the Department has plans to develop and operationalise a business and marketing strategy for the e-commerce market by on-boarding a Consultant Shortly and to augment tie-ups with major e-commerce and tele-commerce players for delivery across the country. On most of the points covered under this, time-lines for implementation have been drawn up.

The recommendation of the Task Force to examine the best practices being followed in Andhra Pradesh and Telangana for replication in other States is in alignment with the activities being pursued by the Department of Posts. MNREGS wage payment using Aadhar enabled hand held devices is being done through about 2700 Rural Post Offices in Jharkhand, in collaboration with Govt. of Jharkhand. Various Government services, such as address verification, bill payment and sale of application forms, are already being provided through Post Offices in various Postal Circles across the country and additional pilot projects are being taken up. However, all Postal Circles have been addressed to replicate models of A.P. & Telangana. Further, the Department has also addressed all the Union Ministries/ Departments, State Governments and PSU’s asking them to utilize the Postal network. Responses have been received from Election Commission of India, MEA, National Skill Development Agency, Labour Commission of Gujarat and ICAR. Initial discussions have been initiated with them to utilize the network of Post Offices.

Similarly, further action on model of establishing the Post Bank of India would depend upon the outcome of RBI decision on application seeking license submitted by DoP on 30.01.2015. It is also worth mentioning that a reference about the proposal of DoP to set up Payments Bank has been made by Hon'ble Finance Minister in his Budget Speech on 28.2.2015. Based on the budget announcement the nodal division has initiated process of getting approvals and inputs from all other stakeholders.

Further, the ongoing IT Project will enable better identification/monitoring of revenue centers and facilitate efficient functioning in a market oriented environment. Any necessary structural re-engineering would be ensured by the Department, based on the advanced decision support system that would become available.

A time bound action plan on the recommendations of the Task Force is being formulated by the Department.

**14. The Committee had noted that the Department of Posts had constituted a Task Force on 21.08.2014 to study and make recommendations regarding leveraging the post office network in India. A total of 181 recommendations were made by the Task Force. The Department informed that a group of Senior Officers had been constituted to examine each recommendation of the Task Force to obtain relevant inputs from various stakeholders, including Service Unions, etc., and to chalk out a strategy for implementing specific recommendations of the Task Force along with timelines. The Committee had all along been urging the Department to take appropriate steps regarding generation of additional business and augmentation of revenue receipts and formulate concrete strategy for the implementation of the Task Force recommendations in a time-bound manner so as to improve their financial health and reduce revenue deficit/reliance on budgetary support. The Department, in their Action Taken Note, have stated that with the approval of the Hon'ble Minister of Communications and IT, a Group of Senior Officers was constituted in the Department to examine each recommendation of the Task Force to obtain relevant inputs from various stakeholders in synergy with the other two reports of the Internal Task Forces set up to 'Scale up PLI Business' and 'Capturing e-Commerce Market'. Based on the inputs received from the Group of Senior Officers, an ATR was submitted to PMO which includes the observations of the Department of Posts on individual recommendations of the Task Force. The Task Force has envisaged a new role for the Department in the realm of banking, insurance and e-commerce. The Department have already entered into partnerships with various online retailers and plan to develop and operationalise a business**

and marketing strategy for the e-commerce market by engaging a Consultant shortly and augment tie-ups with major e-commerce and tele-commerce players for delivery across the country. On most of the points covered under this, time-lines for implementation have been drawn up. The recommendation of the Task Force to examine the best practices being followed in Andhra Pradesh and Telangana for replication in other States is in alignment with the activities being pursued by the Department of Posts. Further, the ongoing IT Project will enable better identification/monitoring of revenue centers and facilitate efficient functioning in a market oriented environment. A time-bound action plan on the recommendations of the Task Force is being formulated by the Department. The Committee feel that with the emergence of new communication technologies, the Department of Posts are witnessing a paradigm shift in its conventional role of delivery of mails. Keeping this in mind, the recommendations of the Task Force on leveraging the Post Office network in India are aimed at keeping the Department of Posts in sync with the changing times and transform it into a robust technology-driven organization with a customer-centric approach. As such, the Committee feel that it is highly imperative that the recommendations of the Task Force are implemented expeditiously.

## **CHAPTER-II**

### **OBSERVATIONS/ RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT**

#### **(Recommendation Sl. No. 1)**

#### **Gross Expenditure and Revenue Receipts**

The Committee note that in the year 2014-15, gross expenditure of the Department of Posts at RE Stage was Rs.18489.85 crore as against Rs. 16464.05 crore during the year 2013-14. The budget estimate of gross expenditure for the year 2015-16 is Rs. 19494.26 crore. According to the Department, the net expenditure during the year 2014-15 (RE) increased by 10.13% in comparison to 2013-14 and the net expenditure in 2015-16 (BE) is estimated to be around 5.57% higher than the projection of RE in the year 2014-15. The corresponding revenue receipts have increased from Rs. 9787.52 crore in 2013-14 to Rs. 11,327.92 crore in 2014-15 at RE stage. The budget estimate for the year 2015-16 stands at Rs. 12,036.87 crore. A close look at the financial performance for the past five years indicates that the Department have been able to sustain growth in revenue year after year. This is noted to be an encouraging trend. What is noteworthy is the fact that the percentage growth in revenue has surpassed the percentage growth in expenditure. During FY 2013-14, gross expenditure grew by 8.6% while revenue has shown an increase by 14.54%. In respect of revenue deficit, while the budget estimate for 2014-5 was Rs.7194.46 crore, it came down to Rs.6517.74 crore at RE Stage. The budget estimate for the year 2015-16 is Rs.6802.05 crore. The Committee appreciate the fact that despite annual increase in revenue expenditure, the Department have been able to keep the revenue deficit under check. The Committee also note that during the last few years, services like Speed Post and Business Post have shown increase in revenue receipts. Further, the Department are focusing on areas like Post Office Savings Bank (POSB), parcel business from e-Commerce and expansion of PLI to improve their revenue generation. The Committee desire that there is a need to follow a twin-pronged approach of aiming for reduction in revenue expenditure together with measures to increase the revenue receipts of the Department.

#### **Reply of the Government**

Revenue from PLI & RPLI business is growing steadily. Revenue grew by 13.39 % in 2014-15 over 2013-14.



Revenue earned on Financial Services is growing every year. Kisan Vikas Patras have been reintroduced in November 2014 and a new scheme called Sukanya Samriddhi Account (SSA) has been launched in January 2015. During the year 2014-15 Revenue Receipts under SBCC has increased 15.11% over the last year. There has been an increase in Revenue Receipts of Post Office Savings Bank (POSB) leading to significant upward revision in Actual Receipts during the year 2015-16.

The total revenue receipt under Premium Product Services has also increased from Rs. 2723.55 Crores in 2013-14 to Rs. 2828.68 Crores in 2014-15. During the last few years services like Speed Post and Business Post have recorded increase in revenue receipts. The Department is focusing on areas like Parcel Business from e-Commerce.

The initiatives taken in Parcel & Logistic have resulted in growth of 37% under Business/Express Parcel. Similarly, revenue under Logistic Post in Year 2014-15 has shown a growth of 60.85% over year 2013-14.

Department of Posts has also tied up under Retail Post for sale of third party products. In the recent past, Department of Posts has undertaken number of new tie-ups including sale of Mobiles and Watches etc. and has registered a business growth of nearly 20%. Thus, the Department is striving to focus on revenue centric areas for achieving self sustenance.

(Ministry of Communications & IT/ Department of Posts No.F.20-2/2015/BGT (PA)/5<sup>th</sup> Report dated 22-07-2015)

#### **Comments of the Committee**

**(Please see Para No. 8 of Chapter I)**

#### **(Recommendation Sl. No. 4)**

#### **Financial Services (Savings Bank & Remittances) – Under-utilization of funds**

The Committee find that there has been a significant under-utilization of funds in the Financial Services (Savings Bank and Remittances) Scheme. The utilization was Rs. 0.47 crore in 2011-12, Nil in 2012-13 and Rs. 5.39 crore in 2013-14. In 2014-15, the budget estimate of Rs. 5.07 crore was reduced to Rs. 2.33 crore at RE stage and the actual utilization upto February, 2015 was Rs. 1.12 crore. The budget estimate for the year 2015-16 is Rs. 3.35 crore. Explaining

the reasons for under-utilization of funds, it was stated that allotment under financial services mainly related to setting up of CPCs, ATM network and AML/CFT compliance structure, etc. All these activities had dependency on the roll-out of CBS under the IT Induction and Modernization Scheme and the delay in IT Induction and modernization scheme led to under-utilization of funds in the Financial Services (Savings Bank and Remittances) Scheme.

While taking note of the inherent link between the Financial Services and IT Induction Schemes, the Committee emphasize that roll-out of both the schemes should be expedited and regularly monitored so that any delay in implementation/execution of one scheme does not adversely affect the performance of the other schemes and the Department can ensure optimum utilization of the allocated funds.

### **Reply of the Government**

**Under utilization of funds:** The allotment of funds under financial services is mainly related to setting up of CPCs, ATM network and AML/CFT compliance structure etc. All these activities have inter-dependency as well as dependent on over all implementation of IT Modernization Project. The delay in roll out has resulted in under utilization of funds in the Financial Services (Savings Bank and Remittances) Scheme.

Rs. 1.51 crore allotted for plan scheme for Augmenting Processing Centres during the financial year 2014-15 has been fully utilized by Circles. The utilization of the plan funds is being monitored closely at the highest level i.e. the level of Secretary (Posts) and JS&FA and best efforts are being made to ensure utilization of allocated funds fully in future.

(Ministry of Communications & IT/ Department of Posts No.F.20-2/2015/BGT(PA)/5<sup>th</sup> Report dated 22-07-2015)

### **(Recommendation Sl. No. 7)**

#### **Premium Services – Speed Post and Logistics Post**

Speed Post is an important premium service offered by the Department whose market share in the overall courier market has increased from 24 per cent in 2010-11 to 32.5 per cent in 2013-14. The Department have also introduced 'Speed Post - Cash on Delivery' facility to cater to the requirements of e-Commerce companies. Logistics Post is another premium service

offered by the Department. In order to expand the coverage of Logistics Post and generate more revenue, the Department have signed a Memorandum of Understanding with Air India to provide air transmission facility to Logistics Post consignments. This facility is available between 15 stations. The Department have also empanelled transporters to ensure proper road transportation facilities for transmission and delivery of Logistics Post. The Committee were apprised that the Registrar General of India (RGI), Pawan Hans Helicopters Limited, State Government Text Books Corporations, etc. are the major customers availing Logistics Post services of the Department.

The Committee are, however, concerned to note that while the growth in revenue from Speed Post showed an increasing trend of 41.79 per cent in 2012-13, it had declined to 8.78 per cent in 2013-14. Further, the revenue from logistics post has remained stagnant from 2011-12 to 2013-14 except for an increase in 2012-13 owing to the one-time business of transportation of the Census material of the Registrar General of India (RGI).

The Committee observe that despite the laudable performance of Speed Post in being amongst the foremost services showing revenue potential for the Department, issues like low market share and quality of service have been a matter of concern. It is evident that both Speed Post and Logistics Post have tremendous potential for further improvement in their overall market share. The Committee, therefore, will like the Department to strenuously work towards further increasing the market share of both the premium products by gainfully utilizing the vast resources available at their disposal. In this context, the Department need to take appropriate measures to promote awareness about the various attractive features of Speed Post by giving wide publicity to important features such as 'track and trace' facility, etc. amongst the targeted customers through all means at their disposal which can play a decisive role in making the Speed Post the first choice amongst the users.

### **Reply of the Government**

#### **Logistics Post:**

Revenue in the year 2014-15 has shown a growth of 60.85% over the year 2013-14 and total revenue has reached to Rs. 24.53 Crores. Department is contacting Government agencies, PSUs and prospective customers to increase business and generate more revenue under this service.

### **Speed Post:**

The marketing and product management efforts of the Department of Posts have resulted in a consistent growth for the past three financial years. Revenue generated through Speed Post during last three (3) years are as follows:

Year	Revenue (Rs. in Crores)	Percentage increase in revenue
2012-13	1261.47	41.79
2013-14	1372.21	8.78
2014-15	1470.53	7.17

Department of Posts is striving continuously to provide value additions and add-ons on existing products. Department of Posts has introduced free SMS (Short Messaging Service) alert to the mobile number of sender and addressee of Speed Post, updated at the time of booking, when the article reach delivery Post Office as well as when delivered.

(Ministry of Communications & IT/ Department of Posts No.F.20-2/2015/BGT(PA)/5<sup>th</sup> Report dated 20-07-2015)

### **(Recommendation Sl. No. 8)**

#### **Premium Services – Catering to e-Commerce Sector through Speed Post Cash on Delivery SP (CoD)**

The Committee appreciate that the Department have identified e-Commerce as an emerging business prospect considering that this industry is growing in India at a very fast pace. The Committee have been apprised that the growing online retail industry is throwing up new opportunities and the Department are striving to avail the same by introducing the service ‘Speed Post-Cash on Delivery (SP-CoD)’ which is specifically targeted to address the needs of e-Commerce companies as well as setting up of dedicated parcel hubs to handle the increasing parcel and e-Commerce traffic. The Department of Posts have collected and remitted more than Rs. 450 crore till February, 2015 through CoD since its introduction in December 2013.

The Committee understand that besides initiating action to mechanize its deliveries, owing to demand from e-Commerce companies, the Department are providing technological support which includes seamless data integration through Application Programme Interface (API) with the e-Commerce companies. Since e-Commerce companies are looking for much faster delivery options like same day/ next day deliveries, the Department have also started pilot project in select cities to provide same day/ next day delivery so that existing customers are retained and new business is diverted to the Department of Posts. The Department have also entered into tie-ups with major e-Commerce players such as Amazon, Snapdeal, Flipkart, Myntra, Jabong and others for delivery of their consignments.

The Committee hope that all these steps will enable the Department to be a priority choice amongst e-Commerce companies for delivery of goods ordered online. Taking note of the fact that e-Commerce offers a tremendous scope for business, the Committee recommend that the Department should proactively market its Speed Post Cash on Delivery Service, setting up of dedicated parcel hubs and leverage tie-ups with major e-Retailers/e-Vendors on priority basis in order to take an early lead over their competitors for garnering a significant market share in the fast emerging e-Commerce segment.

### **Reply of the Government**

Department of Posts had introduced cash on delivery (CoD) facility as a value added service to Express/Business Parcel and Speed Post to cater to the needs of e-Commerce customers and to accrue benefit from the emerging e-Commerce market. As a result of these initiatives, Department of Posts has recorded a growth of 37 % under Express/Business Parcel and total revenue generated under this service has crossed Rs. 100.00 crore. Further, Department of Posts has also earned approximately Rs. 80-100 Crores in Speed Post in year 2014-15 from e-Commerce business. Since introduction of this facility of cash on delivery facility, till April 2015, Department of Posts has collected more than Rs. 500 Crores as Cash on Delivery amount and remitted to the customers. In order to generate more business, Department of Posts is reviewing its service features to attract more e-Commerce customers. As part of this exercise, Department of Posts has started pilots for Same Day/Next Day delivery in identified cities and identified Pin codes. Further, a National Account facility has been introduced under Speed Post.

(Ministry of Communications & IT/ Department of Posts No.F.20-2/2015/BGT(PA)/5<sup>th</sup> Report dated 22-07-2015)

**(Recommendation Sl. No. 9)**

**Mail Operations, including International Mails and Global Business – Mail Network**

**Optimization Project (MNOP)**

The Committee note that MNOP was undertaken by the Department to optimize and consolidate the erstwhile mail network and improve the quality of service of mail products. MNOP has helped the Department in achieving various quality parameters such as online availability of booking and delivery information for more than 93% of speed post articles, online availability of booking and delivery information for more than 75% of Registered articles and delivery of more than 90% Speed Post articles within the stipulated norms. Other advantages of MNOP include online availability of ‘track and trace’ facility for Registered and Parcel articles, reduced transit time and improved delivery of Speed Post articles, improved track and trace facility for Speed Post articles, standardization of processes at Speed Post processing centres, streamlined operations, online KPI tools for performance measurement, better monitoring and enhanced productivity.

The Committee are given to understand that during 2015-16, the Department aim to undertake infrastructure upgradation of 54 First class Unregistered Mail offices, Computerized Registration Centres (CRCs) and Parcel hubs, infrastructure upgradation of 55 Speed Post Sorting Hubs/Intra Circle Hubs/ Book Now Pay Later (BNPL) centres and selection and on boarding of consultant for Parcel Network Optimization Project.

In the light of these objectives, the Committee stress that quality monitoring and continuous improvement in services should be an ongoing activity in the Department. Since the Department are facing increasing competition from private players and quality of services is a critical parameter in retention of existing customers as well as acquisition of new customers, allocated funds need to be optimally and prudently expended to achieve these objectives.

**Reply of the Government**

Under MNOP and Up-gradation of Speed Post Centers, Funds are allocated to all the Postal Circles for (i) Infrastructure up gradation which includes procurement of computer hardware / peripherals and other operational equipments and for (ii) Site Preparation in the mail

offices. The funds are allocated for the selected office(s) with earmarked purpose and the Department is closely monitoring that the funds are spent prudently.

(Ministry of Communications & IT/ Department of Posts No.F.20-2/2015/BGT(PA)/5<sup>th</sup> Report dated 22-07-2015)

**(Recommendation Sl. No. 11)**

**Postal Life Insurance (PLI)**

PLI is an important scheme of the Department with an objective to fully exploit the potential of the insurance sector through focus on technology and skill up-gradation, keeping in view the potential market growth and customer expectations. In terms of the number of Policies, PLI and RPLI stand second after LIC in India. However, in terms of premium, PLI and RPLI have managed just 2.53% of the total market share in the Life Insurance segment in India. The Committee have been informed that presently PLI can only be availed by 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 observe that despite having a large number of policies, the market share in terms of premium income at 2.53% is quite low; it is obvious that there is a huge scope for improvement in this sector. The Department may also undertake a review of the eligibility criteria for availing the Postal Life Insurance and look into possible expansion of the targeted segments. The rising trend in the number of complaints regarding settlement of Postal Life Insurance claims is certainly a matter of concern. The number of complaints has increased from 383 in 2011 to 1423 in 2014. There is also a strong need for timely resolution of complaints regarding settlement of Postal Life Insurance claims and strengthening of the complaint redressal mechanism by making it more accessible and transparent. The Committee may be apprised of the steps taken in this regard.

**Reply of the Government**

In order to increase market share of PLI/RPLI a multi-pronged strategy has been adopted. The client base of PLI has been expanded to cover employees of credit co-operative societies,

joint ventures having minimum 10% Govt/PSU stake, scheduled commercial banks, institutions accredited to UGC, CBSE, AICTE, MCI etc. in addition to the existing eligible clientele. All efforts are being made to deepen penetration and maximize coverage in this clientele base. In addition, premium income is the yardstick to measure performance. Thus, the focus is on getting new customers and to retain existing customers whereby premium income will continue to grow.

In so far as public grievances are concerned, following steps are being taken:

- (i) As a preventive measure, after sales service is being monitored so that causes of grievances are minimized.
- (ii) Similarly, a toll free number has been set up in all the circles for addressing queries & complaints of public in general and customers in particular.
- (iii) Complaints are being pursued at all levels regularly so that redress is given expeditiously.
- (iv) A Customer Relationship Module (CRM) has been provided for in the technology based Core Insurance Solution project which will improve customer interface.

As regards increase in number of complaints, it is mentioned that complaints are attended to expeditiously attaching due priority. All out efforts are being made to ensure speedy redressal of public grievances.

(Ministry of Communications & IT/ Department of Posts No.F.20-2/2015/BGT(PA)/5<sup>th</sup> Report dated 22-07-2015)

#### **(Recommendation Sl. No. 12)**

#### **Postal Life Insurance (PLI) - Publicity and Marketing activities**

The Committee note that the Department have taken various initiatives to popularize the insurance schemes amongst the targeted beneficiaries. These initiatives include release of advertisements and publicity in all modes, computerization of all activities related to policy servicing and premium payments, TV commercials, Radio Jingles coupled with publicity in print media, increase in sum assured limit of PLI from Rs. 20 lakh to Rs. 50 lakh, improvement of customer service through modernization and IT induction, organizing PLI and RPLI melas at identified offices/organizations and villages, respectively, in order to educate the target groups



about the schemes and facilitate completion of formalities. While appreciating the measures taken by the Department to improve its customer base in both PLI and RPLI, the Committee emphasize the need for sustained publicity and marketing initiatives to create awareness about the life insurance plans on offer and increase the subscription of new customers. The Committee note that the Postmaster/Postman as a representative of the Department is widely respected and enjoys high credibility more especially in the rural areas, and this may be leveraged to bring in more subscribers into the fold of Postal Life Insurance.

### **Reply of the Government**

Under the current 5-year Plan, allotted outlays under ‘Advertisement & Publicity’ will be utilized for adequate publicity of PLI/RPLI products through various media. Marketing of PLI and RPLI is already being done through regular and GDS staff including Postmen and Postmasters. In fact, 80% of PLI business is procured through Departmental staff working as PLI agents.

(Ministry of Communications & IT/ Department of Posts No.F.20-2/2015/BGT(PA)/5<sup>th</sup> Report dated 22-07-2015)

### **(Recommendation Sl. No. 13)**

#### **Task Force on Leveraging Post Office Network**

The Committee note that the Department of Posts constituted a task force on 21.08.2014 to study and make recommendations regarding leveraging the post office network in India. A total of 181 recommendations were made by the task force. The Department have informed that a group of Senior Officers has been constituted to examine each recommendation of the Task Force, to obtain relevant inputs from various stakeholders, including Service Unions, etc. and to chalk out a strategy for implementing specific recommendations of the Task Force along with timelines.

The Committee have been further informed that the recommendations of the Task Force *inter-alia* emphasized on Integrated Banking Solution to provide online access to the account, installation of Automatic Teller Machines (ATM) throughout the country, issuance of Debit Cards and Cheque Books to the account holders, provision of Handheld devices to provide last mile delivery of services to the remotest possible location in the country, Internet based access to PLI and RPLI, Centralized IT System for Mail Operations enabling real time tracking of mail,

parcels and other services, Centralized Human Resource Management System and Additional Retail & Agency Services.

The Committee have all along been urging the Department to take suitable steps for generation of additional business and augmentation of revenue receipts. They desire that the Government should examine the recommendations of the Task Force in this regard and formulate concrete strategy for the implementation of those recommendations in a time-bound manner so as to improve the financial health of the Department of Posts and reduce revenue deficit/reliance on budgetary support.

### **Reply of the Government**

With the approval of Hon'ble Minister of Communications and IT, a Group of Senior Officers was constituted in the Department to examine each recommendation of the Task Force to obtain relevant inputs from the Divisions concerned within the Postal Directorate, Field Units as well as Staff Unions and Officers' Union; and to chalk out a strategy for implementing specific recommendation of the Task Force along with timelines, in synergy with the other two reports of Internal Task Forces set up to 'Scale up PLI Business' and 'Capturing e-Commerce Market'.

2. Based on the inputs received from the Group of Senior Officers ATR was submitted to PMO which includes the observations of the Department of Posts on individual (para wise) recommendations of the Task Force.
3. The Task Force has envisaged new role for the Department in the realm of banking, insurance and e-commerce. As such, in order to generate additional business and augment revenue receipt through Parcel and e-Commerce Services, the Department has already entered into partnerships with Amazon, Flipkart, Shopclues, Snapdeal and e-Bay. Further, the Department has plans to develop and operationalise a business and marketing strategy for the e-commerce market by on-boarding a Consultant by **Shortly** and to augment tie-ups with major e-commerce and tele-commerce players for delivery across the country. On most of the points covered under this, time-lines for implementation have been drawn up.
4. The recommendation of the Task Force to examine the best practices being followed in Andhra Pradesh and Telangana for replication in other States is in alignment with the activities

being pursued by the Department of Posts. MNREGS wage payment using Aadhar enabled hand held devices is being done through about 2700 Rural Post Offices in Jharkhand, in collaboration with Govt. of Jharkhand. Various Government services, such as address verification, bill payment and sale of application forms, are already being provided through Post Offices in various Postal Circles across the country and additional pilot projects are being taken up. However, all Postal Circles have been addressed to replicate models of A.P. & Telangana. Further, the Department has also addressed all the Union Ministries/ Departments, State Governments and PSU's asking them to utilize the Postal network. Responses have been received from Election Commission of India, MEA, National Skill Development Agency, Labour Commission of Gujarat and ICAR. Initial discussions have been initiated with them to utilize the network of Post Offices.

5. Similarly, further action on model of establishing the Post Bank of India would depend upon the outcome of RBI decision on application seeking license submitted by DoP on 30.01.2015. It is also worth mentioning that a reference about the proposal of DoP to set up Payments Bank has been made by Hon'ble Finance Minister in his Budget Speech on 28.2.2015. Based on the budget announcement the nodal division has initiated process of getting approvals and inputs from all other stakeholders.

6. Further, the ongoing IT Project will enable better identification/monitoring of revenue centers and facilitate efficient functioning in a market oriented environment. Any necessary structural re-engineering would be ensured by the Department, based on the advanced decision support system that would become available.

7. A time bound action plan on the recommendations of the Task Force is being formulated by the Department.

(Ministry of Communications & IT/ Department of Posts No.F.20-2/2015/BGT(PA)/5<sup>th</sup> Report dated 22-07-2015)

#### **Comments of the Committee**

**(Please see Para No. 14 of Chapter I)**

**(Recommendation Sl. No. 14)**

**New initiatives of Department of Posts - Delivery of seed packets and Pilot Project for Varanasi**

The Committee note that an innovative mode of farm extension through postal staff is being tried out in several States by the Indian Agricultural Research Institute (IARI) wherein seed packets of new crop varieties, along with the recommended agronomic practices for their cultivation, are sent to farmers through Business Parcel and Express Parcel services of the Department through the Rural Branch Postmasters. The model has been found to be highly effective in increasing the awareness about Indian Agricultural Research Institute (IARI) crop varieties.

The Committee have been apprised that the Department of Posts have also entered into a tie-up with M/s Snapdeal.com to provide a platform for online sale of merchandise of the Varanasi weavers so as to extend the benefit of e-Commerce to this segment of society. The Department have stated that this has been a learning experience for them in handling of e-Commerce business. Till February, 2015, as part of the initiative, 38 vendors were live on the portal with 298 products available for sale. A joint web page of the pilot project got more than 25000 hits per month and the initiative has provided huge brand visibility to the Department as well.

The Committee appreciate the innovative measure taken by the Department for delivery of seed packets of new crop varieties from IARI along with recommended agronomic practices delivered through the Rural Branch Postmasters. The Committee believe that this initiative of the Department will, among other things, go a long way in making new crop-varieties and best agronomic practices accessible to farmers across the country at a nominal cost and provide a boost to the agriculture sector in India. Another initiative wherein the Department have tied up for delivery of the merchandise of Varanasi weavers sold online through Snapdeal Website is also commendable and will substantially help in providing market access to weavers in Varanasi, besides giving, a much needed fillip to the Varanasi handloom industry.

The Committee hope that the Department of Posts will continue to take such initiatives aimed at leveraging the vast postal network in the discharge of their social responsibilities which will also augment their revenue receipts.

### **Reply of the Government**

New initiatives of Department of Posts regarding Delivery of seed packets & Pilot Project for Varanasi are as under:-

- i. A detailed proposal for entering into the MOU with Indian Agricultural Research Institute (IARI) has been received from IARI. The proposal is under consideration.
- ii. Based on the learning from the India Post tie up with Snapdeal for Varanasi weavers, a Public Private Partnership modal has been developed and the Postal Circles have been empowered to enter into such e-Commerce tie-ups for promoting handicraft artisans in their areas.

(Ministry of Communications & IT/ Department of Posts No.F.20-2/2015/BGT(PA)/5<sup>th</sup> Report dated 22-07-2015)

### **CHAPTER –III**

#### **RECOMMENDATION / OBSERVATION WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES OF THE GOVERNMENT**

**--NIL--**

## **CHAPTER –IV**

### **RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION**

**(Recommendation Sl. No. 2)**

#### **IT Induction and Modernization - Underutilization of funds**

IT Induction and Modernization is an important scheme of the Department with a comprehensive IT roadmap to develop network architecture, integrated software and effective data management, including establishment of National Data Centre(s) and Disaster Recovery Centre. There are eight segments/activities under the IT Induction and Modernization Project which include Data Center Facility (DCF), Network Integrator (NI), Financial Services Integrator (FSI), Core System Integrator (CSI), Change Management (CM), Rural Hardware (RH), Rural System Integrator (RSI) and Mail Operation Hardware (MOH). Under this scheme, in the year 2014-15, Rs. 506.39 crore was allocated at BE stage which was reduced to Rs. 86.80 crore at RE stage and the actual utilization (upto February 2015) was Rs. 67.44 crore which is just 13.32 percent of the budget estimate. The reasons attributed to underutilization of funds relate to complex interdependencies amongst the eight streams of the Project requiring the finalization of all the RFPs in a synchronized manner, time consuming nature of public procurement processes in a Government set-up, refusal of vendors to execute the project in two cases leading to re-tendering and requirement of statutory clearances from bodies like the Pollution Control Board and the Chief Controller of Explosives. The Committee have been informed that activities under the eight designated streams of the project are at mature stages of finalization. As per revised timelines, three components are to be implemented during 2015, other three by 2016 and the remaining two components will be executed by March, 2017.

The Committee are concerned to note that various procedural delays have been affecting the utilization of funds in an all encompassing scheme of the Department, which is likely to improve its functioning across multiple areas. The Committee recommend that efforts to be made to see that the revised timelines set for execution of core components of the scheme are strictly complied with so to obviate any further spill over of the project. Expeditious implementation/execution of the scheme will also enable the Department to provide improved

products and services, meet increasing competition and cater to rising customer expectations. The Committee will like to be informed about the progress made in implementation of this project.

### **Reply of the Government**

IT Modernization Project is in the implementation stage. The segment-wise progress is as under.

### **PRESENT STATUS OF THE PROJECT**

<b>Name of segment</b>	<b>Status as on 29-06-15</b>
<b>Network Integrator (NI):-</b> Provisioning of Wide Area Network (WAN) for connecting the ~ 28000 Post offices & other admin offices with the Data Center.	Implementation started on 28-09-12. So far 27528 locations have been networked on a single Wide Area Net work (WAN) and connected Data Centre.
<b>Mail Operations Hardware (MOH):-</b> Providing postman handheld devices & Hardware for Mail offices & Transit Mail Offices	RFP process completed. The successful bidder M/s HCL Info systems Ltd expressed inability to sign the contract. LoI annulled on 26-09-14 and M/s HCL Info system has been blacklisted for 5 years on 25-11-14. Action of blacklisting the firm which was stayed on 10-12-14 has now been set aside on 21-04-15 by Delhi High Court. Action is taken for procurement of Mail Operations Hardware through DGS&D RC.
<b>Financial Services Integrator (FSI):-</b> Core Banking Solutions for Post Office Savings Bank ( POSB), ATM facility and Core Insurance Solution Postal Life Insurance (Postal Life Insurance, Rural Postal Life Insurance (PLI & RPLI)	Implementation started on 28-09-12. Pilot Roll out of Core Banking (CBS) and Life Insurance (PLI) - Completed at 124 and 220 Post Offices. Totally, so far 2590 POs for CBS and 13310 Post offices for CIS (PLI) have been migrated. ATM Services- installed and functioning at 115 Post Offices.
<b>Core System Integrator (CSI):-</b> Solutions relating to Mails, Postal counters, Remittances, HR, F&A, Customer Interaction etc. and Common Infrastructure	Implementation started on 15-04-13. Installation and commissioning of Central Hardware completed. Detail Design Documents has been completed. Wave 2 & 3 UAT cycle II (for HR, MO and F & A completed on 06-12-14. Wave 2 & 3 UAT cycle III of Phase I started on 27-04-15. UAT at Hyderabad started on 22-06-15. Wave 1 Roll out is in progress.
<b>Rural ICT RSI (RICT RSI):-</b> Solution for integrating & managing the mobile applications and mobile devices	RFP process completed and work awarded. Contract signed on 28-02-13. Implementation phase has been started on 05-05-15.



<b>Rural ICT Hardware (RICT RH):-</b> Providing Connectivity and Hardware to all Branch Offices ( ~ 1,30,000 Rural Post Offices)	Vendor has been finalized, contract signed on 24-11-2014 and implementation phase has been started. Project has been kicked off on 19-06-15.
<b>Data Centre Facilities (DCF):-</b> Hosting the central servers at Primary Data Center at Navi Mumbai & Management of Disaster Recovery Center, (DRC) Mysore.	Primary Data Centre at Navi Mumbai has been operational from 03.04.2013 and Disaster Recovery Centre at Mysore has been operational from 15-05-15
<b>Change Management (CM):-</b> Change Management for all employees and imparting training.	Implementation started on 15-10-12. Training activities are in progress. It is ongoing exercise with the implementation of various other streams of the Project.

(Ministry of Communications & IT/ Department of Posts No.F.20-2/2015/BGT(PA)/5<sup>th</sup> Report dated 22-07-2015)

#### **Comments of the Committee**

**(Please see Para No. 11 of Chapter I)**

## **CHAPTER –V**

### **RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES ARE OF INTERIM IN NATURE**

#### **(Recommendation Sl. No. 3)**

#### **IT Induction and Modernization - Networking of Departmental Post Offices**

The Committee note that the Department have achieved computerization of 25,468 Departmental Post Offices. However, the number of Departmental Post Offices which have been networked stands at 24,462. In postal circles like West Bengal, Tamil Nadu, Uttrakhand and Himachal Pradesh, the number of Post Offices which have been computerized but not yet networked remains relatively high. In an era when the Department are planning to set up a Payments Bank and when most of the financial transactions, viz. money remittances, payment of utility bills and operation of small savings accounts require real-time data transfer and networking with data servers/centralized data centre, it is expedient that the Department achieve complete networking of all the Departmental Post offices at the earliest. The Committee, therefore, recommend that the Department should take suitable measures for full networking of all the Departmental Post Offices to facilitate seamless transfer of data resulting in uniformity and uninterrupted delivery of services to the customers.

#### **Reply of the Government**

It is submitted that at the time of review by the Standing Committee, 24462 Departmental Post Offices had been networked. Now, as on 21-06-15 the total number of offices networked is 27528 and the remaining offices to be networked are 1423. The overall percentage of networking works out to 95.1% so far. The BSNL authorities, the Primary Network Service Provider, declared that 1859 locations situated in remotest areas are not technically feasible for networking by them due to non availability of infrastructure. However in these locations, the secondary Network Service Provider, M/s Sify, the Vendor for Network Integration is providing connections. Suitable action is underway to complete the networking of remaining locations at the earliest.

(Ministry of Communications & IT/ Department of Posts No.F.20-2/2015/BGT(PA)/5<sup>th</sup> Report dated 22-07-2015)

**(Recommendation Sl. No. 5)**

**Financial Services (Savings Bank and Remittances) – Setting up of Post Bank of India**

The Committee note that the Department have submitted an application to the Reserve Bank of India on 30.01.2015 seeking licence for setting up a Payments Bank and the evaluation of application is in process. The Department have their presence across the country through its network of 1,54,882 post offices, out of which 1,29,389 are in the rural areas which are still significantly unbanked. The Department also have an existing customer base of approximately 34 crore customers in POSB Schemes, significant experience in disbursement for five Government run welfare schemes (MGNREGA, IGNOAPS, IGNWPS, IGNDPS and IGMSY) in which they have collectively disbursed payments of Rs. 34,655 crore over the last three years (2011-14) and are currently implementing a huge IT Modernization project which will *inter-alia* enable implementation of Core Banking Solution (CBS), ATM network, internet banking and mobile banking. The Committee feel that the DoP possess inherent advantages which make it ideal for setting up a Payments Bank. In a country like India where a large segment of the population is still unbanked, the Department with its 1,29,389 points of presence across rural India can play a vital role in offering banking services in the rural areas where the presence of commercial banks is presently very limited. The Committee will like to be apprised of the progress made in the direction of setting up of the Post Bank of India.

**Reply of the Government**

The Department of Posts submitted an application to RBI for setting up of Payments Bank on 30.01.2015, The same is pending before RBI and the final decision is awaited.

The Department has floated an Expression of Interest (EOI) for engaging a consultant for setting up of Post Bank in the form of a Payments Bank.

(Ministry of Communications & IT/ Department of Posts No.F.20-2/2015/BGT(PA)/5<sup>th</sup> Report dated 22-07-2015)

**(Recommendation Sl. No. 6)**

**Setting up of Post Bank of India – Revenue Generation**

The Committee note that the proposed Payments Bank in the form of Post Bank of India (PBI) will not only help in financial inclusion and drive up payments but would also benefit DoP financially in terms of generating revenue through transfer pricing for the usage of postal network and infrastructure. In the first year of its operation, PBI is projected to pay more than Rs. 250 crore to the DoP for using its network. The PBI is expected to break even in the third year and earn a profit of approximately Rs. 91 crore in its fifth year of operations. The Department will accrue further financial benefits through transfer pricing for customer acquisition, sales and servicing of PBI customers and usage of distribution network, IT and physical infrastructure and through share of commission income. The Committee find that besides achieving the objective of financial inclusion in the country which is a policy thrust area, the setting up of the Post Bank of India as a Payments Bank is likely to have a positive impact on the financial health of the Department as can will utilize the large postal network already in place for additional revenue generation. In view of the fact that the Department have been making concerted efforts to increase revenue receipts, setting up of a Payments Bank is likely to help it in this endeavour. The Committee, therefore, emphasize the need to expeditiously set up the Post Bank of India as a Payments Bank to realize the objective of financial inclusion and improve the financial health/revenue receipts of the Department through optimum utilization of the vast resources and infrastructure of the Department in the rural and unbanked areas of the country.

**Reply of the Government**

As has been stated at reply to the previous Para, Department of Posts has already sent the application for setting up of Post bank to RBI on 30.01.2015. The matter is being pursued actively and being monitored at the HQ level. Further progress would be communicated on receipt of approval from RBI.

(Ministry of Communications & IT/ Department of Posts No.F.20-2/2015/BGT(PA)/5<sup>th</sup> Report dated 22-07-2015)

**(Recommendation Sl. No. 10)**

**Mail Operations, including International Mails and Global Business – setting up of Automated Mail Processing Centres (AMPCs)**

The Committee note that setting up of Automated Mail Processing Centres (AMPCs) is amongst the major activities which have been continued from the Eleventh Plan. The objective of the scheme was to extend the AMPCs facility to more cities to enhance the mail handling capacity, reduce the cost of operations and improve the service quality. As part of the Eleventh Plan scheme, two new AMPCs were set up at New Delhi and Kolkata which together handle about 8.75 lakh articles per day comprising of about 1,65,000 speed post articles which is approximately 10% of the total speed post volume and about 7,10,000 articles of unregistered mail which is approximately 0.5% of the total unregistered mail volume.

During the Twelfth Plan, it is proposed to set up four more AMPCs at Mumbai, Chennai, Bengaluru and Hyderabad. The committee have been informed that the land for setting up of AMPCs at Chennai, Bengaluru and Hyderabad has been identified and the possession taken by the Department while in Mumbai land related issues are still being resolved.

It is disquieting to note that the Indian Postal Network comprising of about 1,55,000 post offices and employing about 4.60 lakh employees is functioning with only two AMPCs which handle just 10% of speed post articles and a mere 0.5% of unregistered mail articles. In an era when the Department expect to generate the bulk of revenues from speed post, logistics post and express parcel business from e-commerce companies which require same day/next day deliveries, manual processing of mails may prove to be a major stumbling block and hamper its growth in the emerging services. While emphasizing the need for increasing automation in mail processing which is a necessary pre-requisite for faster delivery, quality improvement and efficiency in mail operations, the Committee desire that the setting up of AMPCs may be expedited on a priority basis so that manual processing does not become a bottleneck and affect acquisition of business in emerging categories like Speed Post, logistics post and express parcel post.

## **Reply of the Government**

**Setting up of AMPCs:** The approved plan scheme for setting up of AMPCs at Mumbai, Chennai, Bangalore and Hyderabad is under process of implementation. The land at Hyderabad and Bangalore has been purchased from State Government and for Chennai it has been decided to utilize the available departmental premises. At Mumbai, MoU with Mumbai International Airport Ltd. is to be signed. The Request for Proposal (RFP) for hiring consultant for the project is on hand.

(Ministry of Communications & IT/ Department of Posts No.F.20-2/2015/BGT(PA)/5<sup>th</sup> Report dated 22-07-2015)

**New Delhi;  
18 December, 2015  
27 Agrahayana, 1937(Saka)**

**ANURAG SINGH THAKUR,  
Chairperson,  
Standing Committee on  
Information Technology.**

**MINUTES OF THE THIRD SITTING OF THE STANDING COMMITTEE ON  
INFORMATION TECHNOLOGY (2015-16) HELD ON 18<sup>TH</sup> DECEMBER, 2015**

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The Committee sat on Friday, the 18<sup>th</sup> December, 2015, from 1000 hours to 1040 hours in Committee Room '139', First Floor, Parliament House Annexe, 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. Shri Hemant Tukaram Godse
6. Shri Virender Kashyap
7. Shri Harinder Singh Khalsa
8. Shri Keshav Prasad Maurya
9. Shri Paresh Rawal
10. Shri Abhishek Singh
11. Smt. R. Vanaroja

***Rajya Sabha***

12. Shri Salim Ansari
13. Shri Vijay Jawaharlal Darda
14. Shri Meghraj Jain

**SECRETARIAT**

- |    |                        |   |                      |
|----|------------------------|---|----------------------|
| 1. | Shri K. Vijayakrishnan | - | Additional Secretary |
| 2. | Shri J.M. Baisakh      | - | Director             |
| 3. | Dr. Sagarika Dash      | - | Deputy Secretary     |
| 4. | Shri Shangreiso Zimik  | - | Under Secretary      |

2. At the outset, the Chairperson welcomed the Members to the sitting of the Committee convened to consider and adopt the following six Draft Action Taken Reports:-

- I. ....XXXXX.....XXXXX.....XXXXX.....XXXXX.....XXXXX.....XXXXX.....XXXXX.....XXXXX.....
- II. ....XXXXX.....XXXXX.....XXXXX.....XXXXX.....XXXXX.....XXXXX.....XXXXX.....XXXXX.....
- III. ....XXXXX.....XXXXX.....XXXXX.....XXXXX.....XXXXX.....XXXXX.....XXXXX.....XXXXX.....
- IV. Action Taken Report on the Fifth Report on 'Demands for Grants (2015-16)' of the Department of Posts
- V. ....XXXXX.....XXXXX.....XXXXX.....XXXXX.....XXXXX.....XXXXX.....XXXXX.....XXXXX....;and
- VI. ....XXXXX.....XXXXX.....XXXXX.....XXXXX.....XXXXX.....XXXXX.....XXXXX.....XXXXX.....

3. The Committee, thereafter, took up for consideration the above Report and after due deliberation adopted the same without any modification.

4. The Committee, then, authorised the Chairperson to present the Action Taken Reports to the House during the current session of Parliament.

### **The Committee, then, adjourned**

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.....xxxxx Matter not related to the Report.



**ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/ RECOMMENDATIONS  
CONTAINED IN THEIR FIFTH REPORT**

**(SIXTEENTH LOK SABHA)**

**[Vide Paragraph No. 5 of Introduction]**

(i)	Observations/Recommendations which have been accepted by the Government	Total	09
	Rec Sl. Nos.:- 1, 4, 7, 8, 9, 11, 12, 13 and 14	Percentage	64.28
(ii)	Observations/Recommendations which the Committee do not desire to pursue in view of the replies of the Government	Total	Nil
	Rec. Sl. No.:- Nil	Percentage	Nil
(iii)	Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and require reiteration	Total	01
	Rec. Sl. No.:- 2	Percentage	7.15
(iv)	Observations/Recommendations in respect of the reply which is of interim nature	Total	04
	Rec. Sl. Nos.:- 3, 5, 6 and 10	Percentage	28.57