

SENIOR LEVEL POSTS IN PUBLIC UNDERTAKINGS — APPOINTMENT AND RELATED MATTERS

MINISTRY OF INDUSTRY
(DEPARTMENT OF PUBLIC ENTERPRISES)

COMMITTEE ON PUBLIC UNDERTAKINGS 1998-99

FOURTH REPORT

TWELFTH LOK SABHA



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LOK SABHA SECRETARIAT
NEW DELHI

FOURTH REPORT
COMMITTEE ON PUBLIC
UNDERTAKINGS
(1998-99)

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ENTERPRISES)



*Presented to Speaker on 26.4.1999
Laid in Lok Sabha on
Laid in Rajya Sabha on*

LOK SABHA SECRETARIAT
NEW DELHI

April 1999/Vaisakha 1921 (Saka)

C.P.U. No. 802

Price: Rs. 22/-

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**Published under Rule 382 of the Rules of Procedure and Conduct of
Business in Lok Sabha (Ninth Edition) and Printed by the Manager,
Government of India Press, Minto Road, New Delhi.**

CORRIGENDA TO THE FOURTH REPORT OF COMMITTEE
ON PUBLIC UNDERTAKINGS (1998-99) ON "SENIOR
LEVEL POSTS IN PUBLIC UNDERTAKINGS-
APPOINTMENT AND RELATED MATTERS."

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INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Fourth Report on 'Senior Level posts in Public Undertakings — Appointment and related matters'.

2. The Committee took evidence of the representatives of Standing Conference of Public Enterprises and National Confederation of Officers Association of Central Public Undertakings on 15 December, 1998; Centre of Indian Trade Unions and Bharatiya Mazdoor Sangh on 16 December, 1998 and All India Trade Union Congress on 17th December, 1998.

3. The Committee took evidence of the representatives of Ministry of Industry (Department of Public Enterprises) and Ministry of Personnel, Public Grievances and Pensions on 13 January, 1999.

4. The Committee on Public Undertakings (1998-99) considered and adopted the Report at their sitting held on 21st April, 1999.

5. The Committee wish to express their thanks to the Ministry of Industry (Department of Public Enterprises), Trade Unions and other organisations for placing before them the material and information they wanted in connection with examination of the subject. They also wish to thank in particular the representatives of the Ministries, Trade Unions and other organisations mentioned in Paras 2 and 3 above who gave evidence and placed their considered views before the Committee.

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

NEW DELHI;
April 23, 1999

Vaisakha 3, 1920 (Saka)

MANBENDRA SHAH,
Chairman,
Committee on Public Undertakings.

PART-A

BACKGROUND ANALYSIS

I. BOARD LEVEL APPOINTMENTS

(A) Introductory

1.1 Public Sector Enterprises (PSEs) under the control of Central Government play a vital role in the development of the national economy. In order to evolve a sound managerial personnel policy for the public sector enterprises and, in particular, to advise Government on appointments to the top management posts, the Government of India constituted a Public Enterprises Selection Board (PESB) on 30th August, 1974. The appointments to the posts of Chief Executives (Chairman-cum-Managing Director/Managing Director) and Functional Directors of Public Sector Enterprises are done with the approval of the Appointments Committee of the Cabinet (ACC).

(B) Policy

1.2 In regard to the policy of the Government for appointment to the senior level posts in Public Undertakings the Committee were informed by the Ministry of Industry (Department of Public Enterprises) that the policy aimed at appointment through a fair and objective selection procedure, outstanding professional managers to Level-I (Chairman, Managing Director or Chairman-cum-Managing Director) and Level-II (Functional Director) posts and posts at any other level as may be decided by the Government from time to time. The Government has also recognised the need to develop a cadre of professional managers within the public sector. Hence, unless markedly better candidates are available from outside, internal candidates, employed in the public sector enterprises, will be preferred for appointment to Board level posts. If internal candidates are not available, preference will be given to candidates working in other public sector enterprises, either in the same area of business or in other areas. Mobility of managerial personnel among public sector enterprises within the same sector or group, failing which mobility within the public sector as a whole will be encouraged, subject to certain limitations. In special cases, recruitment may be made from the organised services under the Central Government. Such cases would be where, because of special circumstances, it is necessary to place a member of an organised service in a public sector enterprise or where because of the nature of the enterprise, such as its poor health, it would be difficult to attract good professional managers on a tenure basis.

1.3 In separate memoranda submitted to the Committee Standing Conference on Public Enterprises and All India Trade Union Congress informed that a large number of vacancies existed at the Board level of various PSEs including those of Chief Executives and functional Directors.

Asked to state the number of posts lying vacant, the Secretary, Personnel informed in evidence (January, 1999) that there were 17 vacancies for the post of Chief Executive and 43 vacancies for the post of Functional Director.

1.4 Commenting on the present policy regarding appointments to Level-I and Level-II posts in the public sector undertakings, the Standing Conference of Public Enterprises (SCOPE) stated in a note as follows:

"The present stated policy of the Government with regard to appointments to Level I and Level II posts in public enterprises is generally satisfactory. However, all appointments should be made through the PESB and no PSE appointment should be exempted from going through the PESB. It is very important to appoint professional managers of professional competence for the efficient management of PSEs. It is also necessary that the PSEs are distanced from the Government and autonomy provided to them to be more competitive, focussed and quick in decision making. The implementation and the procedures followed regarding appointments need to be reviewed rather than policy itself."

1.5 In this regard, the General Secretary, AITUC stated in a written reply:

"The existing policy of appointing Chief Executives and Functional Directors with the approval of the Appointments Committee of the Cabinet (ACC), through a fair and objective selection procedure, in an unbiased manner in principle seems to be all right. However, from the reports received in certain cases of appointments, despite the Committee/procedure, the concerned Minister of the administrative department was said to be using his/her influence in the selection and this had led to undesirable methods in certain cases. Hence the interference directly or indirectly of the concerned Minister should be avoided, so as to make the selection fair, unbiased and objective....."

1.6 On being asked whether the selection of persons to Level-I and Level-II posts should be made from within the organisation or from outside, Chairman, SCOPE stated in evidence:

".....When we are looking for people to be appointed at Level-I and Level-II, should the selection be made from within the organisation only or from outside also?We should take the best from the market. I would also say that people who have developed the skill within the organisation should also be considered. If other

things would be equal to those competing from outside market. In such a case, if internal people would be given preference for the post, it will act as an incentive for his good performance which he has shown in the organisation. This may be followed only if two persons are of the same merit, one from within the organisation and the other from outside.....”

1.7 Commenting on the present policy for appointment to senior level posts in Public Undertakings, the Secretary, Ministry of Personnel, Public Grievances and Pensions stated during evidence:

“.....The policy of the Government is to appoint through fair and objective selection procedure, outstanding professional managers to level-I and Level-II posts and posts at any other level as may be decided by the Government. The point is that the Government recognises the need to develop a cadre of professional managers within the public sector itself. Unless some markedly better candidates are available from outside, the internal candidates are preferred. It is so as a result of this policy. In our view, it is a right approach. Then, the PSU itself develops a well structured cadre of professional managers and they rise up in the hierarchy within the public sector undertakings. This policy also mentions that there could be deviations in selecting professional managers. In special circumstances, a member of the organised service could also be taken. This specifies that cases of special circumstances would be rare where it is necessary to place a member of the organised service in public sector enterprise or where because of the nature of the enterprise or its poor health, it would be difficult to attract a good professional manager. These are the two or three types of cases, where a PSU has become sick and is before the BIFR or where it is continuously loss-making and a turn around has to be made. To attract professional manager from outside becomes very difficult because it is deterrent for them to come and join as they do not know the future of the company, whether it would be revived or closed. In these cases, Government have permitted that members of all-India services or other organised services could also be taken to man these posts. This policy that has been followed, according to our perceptions, has worked satisfactorily.”

1.8 The Committee desired to know why preference should be given to outside candidates over those from within. The Secretary, Personnel stated in evidence as follows:—

“There is a rider with it that outside candidates should be markedly superior to the internal candidates. Normally, if other things are equal, then preference is given to the internal candidates.....”

The witness further elaborated:—

“..... If there is a post of Chief Executive, normally internal candidates who are on the Board of Directors are invited for interview. Outsiders are also invited but other things being equal, preference is given to the internal candidates. For Functional Director, it is below the Board level. Whatever be the post, we go two levels below it. If there is a post of CMD, then we go to the level of Functional Director and ED, if it is Director, then it is ED and General Manager.”

1.9 The Ministry of Personnel, Public Grievances and Pensions in their written reply have stated that during the period from January 1, 1997 to August 13, 1998, 23 internal candidates were recommended for the posts of CMD in their own PSUs while outside candidates were recommended in 34 cases.

1.10 When enquired in how many of the prestigious units, the CMDs are from cadre, the Secretary, Department of Public Enterprises stated during evidence:—

“Large profit making public sector undertakings are in the oil sector. Apart from the oil sector companies we have companies like BHEL, NTPC, etc. We call them navratna companies which are eleven in number. Other good companies are about 35 of them and we call them mini ratna companies. In a way we could say that these 35 and 11 companies are really prestigious companies. If we take the oil sector, we would find that almost all the Chairman and Managing Directors are part of the oil industry itself. They have risen from within the industry. This is also true in respect of BHEL, the mining sector, the coal sector etc. People have gone up to the position of Chairman and Managing Director from within the organisation. By and large, it is now emerging that it is an internal candidate who makes it to the top position. That is true. But that person is usually from within the organisation.”

1.11 On being asked about the need for evolving a sound managerial personnel policy for the PSEs, SCOPE stated in a note as follows:

“PESB does not evolve personnel policies for the PSEs. Its concern is limited to appointments at the Board level. However, it is necessary that material for the Board level appointments is identified and prepared in advance. For that purpose, each enterprises should have a policy of its own and there has to be a coordinated training programme to prepare managers for Board level appointment. PESB can play an important role in this regard.”

1.12 In this context AITUC stated in a written reply:—

“In our opinion, PESB has not been able to evolve a sound managerial personnel policy for the PSUs....”

1.13 When the Committee desired to know the comments of the Ministry of Personnel, Public Grievances and Pensions in this matter, they informed the Committee in a written reply:—

“A number of steps have been taken by the PESB in the recent past which would help in evolving a sound managerial policy by way of ensuring proper succession planning, career progression, placement of right persons for the right job, development of human resources etc. These include identification of training needs for the PSU executives, formulation of job description/job specifications with reference to the Key Result Areas set by the Administrative Ministries for board level posts by professional experts. The PESB would also be enlisting the assistance of academic institutions like IIMs, MDI etc.....”

1.14 In this connection, the Secretary, Personnel stated during evidence:—

“This is a very important point. We are engaged in this exercise of reorienting the entire managerial personnel policy in consultation with the PESB for the right man. What we should do, particularly is that we should find out what are the requirements of PSUs for this job. Meeting of the PESB and Secretary, DPE also take place in this regard. Certain concepts have been evolved, which are being developed into a concept paper. The PESB is going to have a meeting with the CMDs and the Directors to evolve this concept paper very shortly. I will just illustrate a few points. We are working on this concept paper. A very important thing which has not been done is this. It is essential that for each Board level post, the key result areas must be clearly defined. So, we have started a process to evolve the key result areas. When a selection is made against that particular post, the suitability of that person to perform based on the key result areas would be assessed. So, this is one concept. On the training aspect, we are working as to what are the specific requirements of training in the PSUs. That is being taken care of. A concept has been worked out to assess the training requirements in each sector, in each PSU in consultation with the PESB. The other point, which has been worked out, is that even for appointment of non-official Directors, what are the specific areas of expertise which the persons must have. So, that is being worked by PESB. These are four or five concepts which are being evolved and very shortly the entire Board will meet the Chief Executives of selected PSUs and their Directors. Sir, you are very right that we are not just following the policy which has

been evolved. We are now trying to re-orient and give it entirely a new approach".

1.15 In regard to appointment of a Joint Secretary of the Ministry as CMD of a Public Undertaking. Chairman, SCOPE stated in evidence:

"Enormous times the Joint Secretary of the Ministry is appointed as CMD. A Joint Secretary cannot be appointed as a CMD of a Schedule-A Company. Only Additional Secretary is even eligible to appear for interview. But here a Joint Secretary gets appointed. The Director of a Schedule-A Company is at a higher level than a Joint Secretary. Tomorrow, the Joint Secretary comes as a Chairman. You just imagine what is the morale left in the Government."

1.16 In this regard, the Secretary, Personnel informed the Committee that as per BPE's guidelines, a Joint Secretary should not be appointed as CMD. Similarly, there are guidelines that they should not be appointed as Chairman.

1.17 When asked who was the CMD in the Indian Airlines, the representative in the Ministry of Personnel replied that the present CMD (January, 1999) of Indian Airlines was a Joint Secretary in the Ministry of Civil Aviation.

When enquired how a Joint Secretary has been appointed as CMD in violation of the guidelines, Secretary, Personnel stated during evidence:

"(He) has been appointed by the Government by exempting his appointment from PESB procedure".

II. PUBLIC ENTERPRISES SELECTION BOARD

(A) Constitution

2.1 The Public Enterprises Selection Board (PESB) was set up on 30th August, 1974 to evolve a sound managerial personnel policy for the Public Sector Enterprises and, in particular, to advise Government on appointments to top management posts in Public Sector Enterprises. The PESB consists of one part-time or full-time Chairperson and three full-time Members. The Chairperson and members are persons who have had a long and distinguished career in management of public or private corporations or public administration and have a proven record of achievements, preferably, in the field of personnel, finance, production or marketing. According to the present provisions, the three full-time members of the PESB shall be: (a) A distinguished former Chief Executive of a PSE (b) A distinguished behavioural scientist with experience in selection of top management personnel (c) A distinguished former civil servant with experience in management of PSEs or in areas of finance, industry or economic affairs.

2.2 Giving his views on the constitution of PESB, Chairman, SCOPE stated during evidence that the Members of the Public Enterprises Selection Board were not professional people and most of the PESB members were retired civil servants. In fact, out of four members, three were—including the Chairman ex-civil servants. They should be professional persons as they have to work on commercial lines. The members of the Public Enterprises should be taken from the profession who could run the organisation well. They could do so if they were experienced persons. They might be from private sector or from the public sector.

2.3 Asked to elaborate further on this point, the witness added:—

"The qualifications mentioned for the Members are quite good. But the problem comes in actual practice. When we say distinguished former Chief Executive of the PSUs, there is only one person who had been there in the past also. Generally, he is a non-civil servant. When the question of distinguished behaviour scientist comes, he is taken as former civil servant because they will say that the former civil servants are also behaviour scientist. When you say distinguished former civil servant, in any case, it is all laid down in the management of the PSUs about the areas of finance, industry, etc. There is one civil servant in any way. But when you specify these qualifications when appointments are made, it is generally said 'former civil servant' who are taken to

represent these skills and qualifications also. We should take out the word. When we say former civil servant having these qualifications, we should simply give qualifications as a person who had been a Chief Executive or a behaviour scientist. He should be a non-civil servants. Similarly, we can have a person with experience in fields like finance, economy and industry of the PSUs and so on but not a civil servant. He may be from the private sector also. It is not necessary that the person in the Selection Board should have experience only of the public sector."

2.4 Expressing the same view, President, National Confederation of Officers' Association of Central Public Sector Undertakings (NCOA) stated in evidence as follows:

"The Public Enterprises Selection Board has become a heaven for retired bureaucrats, mostly IAS officers.Let me take the Board which was headed by Shri N. Vittal. In the Board which was headed by Shri Vittal, three out of four were IAS officers and only one was a former chief executive of a public sector undertaking. Now, these three officers can be put in the category of behavioural scientists or they can be put under the slot of top management or under the slot of finance, industry, economics or whatever it may be. The fact is that three out of four were current or retired IAS officers."

2.5 In this context, Secretary, CITU stated during evidence;

"We say that constitution of the PESB must be looked into. PESB is supposed to be an expert body....."

2.6 In reply to a question about the present constitution of the PESB, the Ministry of Personnel, Public Grievances and Pensions furnished the following information:—

(i) Chairman — vacant since 3.9.98

(ii) Members

(a) Shri A.C. Wadhawan — Former CMD, HZL

(b) Shri R.K. Sinha — IAS (Retd.)

(c) Shri T.K.A. Nair — IAS (Retd.)

2.7 When the Committee desired to know his comments about composition of PESB, the Secretary, Personnel stated during evidence:

"PESB presently consists of three members. Shri Wadhawan is an ex-chief Executive of Hindustan Zinc. He is a professional. He is a top metallurgist. He has been the Chairman of SCOPE and has had a very-very long career in the public sector. The other member is Shri R.K. Sinha. Of course, he is a retired IAS officer, but he has been the Chairman of the Rural Electrification Corporation. He has been the Secretary in the Department of Industrial Development

and also the Secretary of the Department of Public Enterprises. The third member is Shri Nair. He has been the Secretary to the Government of India in the Ministry of Environment and Forest. He has also had various assignments and has also been associated with the industry very intimately. In the Punjab Government, he was Principal Secretary, Industry."

2.8 Clarifying the position with regard to qualified experts, the witness stated:

"According to the law, there are three categories of people allowed to become members. Even a civil servant is allowed in one category.....The three streams from which the members can be appointed, are: (i) a distinguished former Chief Executive of a public sector enterprise. Shri Wadhawan falls in this category; (ii) distinguished persons with experience in selection of top management personnel; (iii) civil servant with experience in management of public sector enterprises or in areas of finance, industry or economic affairs. So, all the three streams are allowed under the regulation."

2.9 Chairman, SCOPE had suggested during his evidence before the Committee that there should be technical advisers in the selection like in the UPSC Selection Committee where there are always two or three outside advisers inducted depending upon the area for which the selection is made.

2.10 Commenting on this suggestion the Ministry of Personnel in a written reply stated:

"The need for associating outside advisers in the Selection being made by the PESB is not felt. This is in view of the fact that the managerial ability of the candidates is of primary consideration rather than the technical knowledge. The members of the PESB are experts in the field of management. Moreover, the advice of the Secretary of the Ministry concerned as well as the CMD of the PSU concerned (while making selection to the post of Functional Directors) is also available as valuable input."

(B) Selection Procedure

2.11 The Committee were informed by the Ministry of Industry (Department of Public Enterprises) in a note that the Public Enterprises Selection Board while sending its recommendation to the administrative Ministry, endorses a copy to the Central Vigilance Commission so that the latter can initiate advance action for obtaining vigilance clearance. The CVC obtains necessary information from the administrative Ministry and conveys its views to the administrative Ministry in regard to the vigilance position ordinarily within a fortnight, and, in any case, within one month from the receipt of the panel from the PESB. On the basis of the PESB's

recommendations; the administrative Ministry/Department, after obtaining the vigilance clearance, formulates a suitable proposal seeking approval of the Appointments Committee of the Cabinet (ACC). The Establishment Officer obtains the approval of the ACC and thereafter conveys the decision of the ACC to the administrative Ministry/Department. The administrative Ministry/Department, in turn, implements the decision of the ACC.

2.12 SCOPE in a note submitted to the Committee have stated that this procedure for appointment is lengthy and time consuming. Most appointments are delayed for periods ranging six months to a year.

2.13 Suggesting that time-limit should be fixed within which the appointment must be notified, Chairman, SCOPE stated during evidence:

"Today the selection for the Chairman and Managing Director and Directors is being done by the Public Enterprises Selection Board. This system has been there for a number of years. The main deficiency is that it has been taking a fairly long time in making the selection. It is because it is processed at different stages. As a result of that a lot of time is taken. Due to this a large number of senior level posts remained vacant and they are still vacant."

The witness added:

"After selection has been made, I would suggest that we should fix a time-limit within which the appointment must be notified straightaway. In the case of appointment of Director, do not go to ACC because that cuts down a lot of time. In the case of appointment of Chief Executive, go to ACC and again fix a time-limit. Within this time, they must submit the proposal for ACC for taking the vigilance clearance. Already procedure has been introduced whereby the moment selection is made, copies go to the Chief Vigilance Commissioner. Time is given, and within that time, yes or no comes. There is no point in holding on for a long time. Either it is cleared or not cleared. The moment you fix the time, within that time the appointment must be made."

2.14 On being asked whether any time limit has been fixed for filling up the posts, the Secretary, Personnel stated during the evidence:

"The prescribed time for this is four-and-a-half months. Sixty days are required for the selection by the PESB. One month is required for the administrative Ministry to take a view on the recommendation of the PESB. This one-month period also includes the time taken by the Central Vigilance Commissioner for getting the vigilance clearance, we have come to the finding that time taken from the occurrence of the vacancy till the selection and offer of appointment being made, is four-and-a-half months."

2.15 When asked why the vigilance clearance is not done before assessing the candidates, the Secretary, Personnel stated in evidence as follows:

"Once the PESB makes recommendation, then the same comes to the administrative Ministry and they make a reference to the CVC for clearance. But instructions and guidelines have been modified on 23rd May, 1997 and subsequently again on 31st December, 1997. Now what is happening is, once the PESB makes a short list of people, they notify the short-listed people for the interview. At this stage, they indicate to the administrative Ministry that these were the short-listed people. So, the process for getting the CVC clearance in respect of short-listed people is initiated in advance."

The witness added:

".....If the administrative ministry does not give the information to CVC within a time frame, it will be reported to the Cabinet Secretary. These are the various measures which have been taken recently. The Committee of Secretaries has also made certain recommendations on this issue. They have made certain further suggestions on these recommendations. Action is contemplated on these points. The recommendations are, for example, earlier the Chief Vigilance Officer was working as a post office, now for expediting the vigilance clearance, the Committee of Secretaries has recommended that CVC should keep updated vigilance information for the all senior board level officers who are likely to come in the zone of consideration for such appointments. The CVO would keep this thing ready and CVO does not waste time in collecting the information. Now the CVC clearance is precise and once the PESB short lists the persons this would cut short the delay."

2.16 When enquired whether vigilance clearance is required only for those persons who are coming from outside, the Secretary, Personnel stated in evidence:

"No Sir, vigilance clearance is required for all cases. Even in the cases of Government servants, retired Government servants, or coming from PSUs and from within the internal unit candidates also."

2.17 When asked in how many cases vigilance clearance was sought and in how many cases CVC clearance was not available, the Ministry of Personnel in a written reply stated as follows:

"All the appointments to the Board level posts in Central Public Sector Undertakings are made only after obtaining the vigilance clearance. In cases, where the below Board level employees of PSUs, are appointed to the Board level posts in PSUs, the clearance from Central Vigilance Commission is not required. In such cases, the vigilance clearance is ascertained from the CVO of the administrative Ministry/Department and the CVO of the Public

Sector Undertaking where the candidate may be working for the present. In cases, in which the persons are already holding the Board level posts, the vigilance clearance is ascertained, besides other sources, from the Central Vigilance Commission (CVC). A list of the cases where the persons who were empancled by the PESB for appointment to the Board level posts of Public Sector Undertakings (PSUs) but not approved by the ACC during the last three years because, among other reasons, they were not clear from vigilance angle, is given at Appendix I.

2.18 About the cases of CMDs/Directors whose services were terminated from PSUs on vigilance grounds during the last three years, the Ministry of Personnel replied as follows:

"The services of Board level appointees in the Central Public Sector Undertakings (PSUs) cannot be terminated before the date of their superannuation without consulting the Public Enterprises Selection Board (PESB) and obtaining the ACC's decision in the matter. A list of the cases where the services of Board level appointees in PSUs were terminated before the date of their superannuation on the ground of non-availability of vigilance clearance, during the last three years, is given at Appendix II.

2.19 SCOPE in their Memorandum submitted to the Committee has stated that PESB has not been vested with any authority and its recommendation are not always acted upon by the administrative Ministries.

2.20 Suggesting that PESB should be made a statutory body like UPSC, Chairman, SCOPE stated during the evidence:

"All the selections made by the PESB are processed by the Ministry. In many cases, the Ministry takes a very long time, it tries to reverse the process. Sometimes, distortions come when they reverse the process. Then ACC also takes its own time. Our submission is that the PESB should be made a statutory body like the UPSC with due respect and status. Once such a body makes a selection, there should not be any reversal to that....."

2.21 Asked about his views in the matter, the Secretary, CITU stated in evidence as follows:

".....The PESB should be given the autonomy backed by statutory powers and its decision should be honoured through a set and fool-proof process....."

2.22 AITUC in a written reply has also suggested that PESB should be made a statutory body like UPSC. They have also suggested that PESB should be given authority to enable them to select the competent persons based on objective and unbiased selection.

2.23 Asked to furnish their comments in the matter, the Ministry of Personnel, Public Grievances and Pensions stated:

"In view of the changed economic environment wherein the accent is on liberalisation and disinvestment of PSUs, the role as well as the number of the PSUs may, in times to come dwindle. Therefore, there may not be any need to make the PESB a Statutory Body like the UPSC."

2.24 According to the information furnished by the Ministry of Personnel, Public Grievances and Pensions that the appointments to posts of CMD and Functional Directors is to be made with the approval of the ACC in respect of Schedule 'A' and 'B' PSUs. In respect of Schedule 'C' and 'D' PSUs, the administrative Ministry/Department is competent to make appointments to these posts provided the appointments are made as per the recommendations of the PESB. The recommendations of the PESB can be rejected (i.e. scrapping of the panel) only with the approval of the ACC.

2.25 On a query whether administrative Ministry can recommend one name out of the three proposed by PESB, Secretary, Ministry of Personnel observed in evidence:—

"The PESB recommends three names according to priority. Now, the concerned Minister is also a member of the Cabinet Committee on Appointments. He can choose to say that he does not agree with the recommendation of the PESB and the person at number two may be preferred for these reasons. Then, it comes to the Establishment Officer in the Department of Personnel. The Establishment Officer and the Cabinet Secretary are only servicing the Committee; they are not members of the Committee. They process the proposal that this was the recommendation and the administrative Ministry has recommended like this, and now it is submitted for consideration and orders of the ACC. The Prime Minister and the Home Minister are the members of the ACC apart from the Minister concerned with the proposal. They pass the orders and then those orders are issued. That is the position. The ACC is the highest body to take a view and approve or reject these appointments."

2.26 The Ministry of Personnel in a written reply informed the Committee that during the last three years, 12 number of recommendations made by the PESB were scrapped by the ACC.

2.27 Giving the reasons for scrapping of the panel by ACC, the Ministry of Personnel in a note stated:

(i) the candidates recommended by the PESB are unavailable for reasons of having been appointed elsewhere.

- (ii) candidates recommended by the PESB not being clear from vigilance angle.
- (iii) candidates recommended by the PESB not being found suitable.
- (iv) if the post is abolished or if it is decided to keep the post in abeyance for certain period.
- (v) extension granted to the incumbent on account of enhancement in retirement age.
- (vi) if the ACC feels that the selection was confined to Government and PSU personnel only, but it should consider private sector personnel also for a wider choice.

III. BOARD OF DIRECTORS

(A) Composition

3.1 According to the guidelines issued by the Ministry of Industry (Department of Public Enterprises) in March, 1992 (Appendix III) there would be three categories of Directors on the Boards of Directors of PSUs namely Functional Directors, Government Directors and non-official Directors. Functional Directors are full time operational Directors responsible for day to day functioning of the Enterprises. Government Directors are appointed by the concerned Administrative Ministries and are generally officers dealing with the concerned enterprises. Non-official Directors are drawn from publicmen, technocrats, management experts and consultants and professional managers in Industry and Trade with a high degree of proven ability. They play a complimentary role in providing professional and Managerial advice to the Board.

3.2 After considering the question of professionalisation of Boards of Directors in pursuance of the New Industrial Policy Statement of July, 1991, it was decided that the number of functional Directors should not exceed 50% of the actual strength of the Board; the number of official Directors should not exceed one-sixth of the actual strength of the Board subject to a maximum of two and the number of non-official part-time Directors should be atleast one-third of the actual strength of the Board.

(B) Government Director

3.3 On being asked whether the number of Government Directors on the Board of Public Undertakings was in accordance with the guidelines, the Chairman, SCOPE stated in evidence:

“...The Government Directors are never in short supply. They are always overfulfilled. Although there are instructions from the Department of Public Enterprises that the number of Government Directors should not be more than two in public enterprise, you will find that in a very large number of cases, there are more than two, even three or four Government Directors...”

3.4 When the Committee desired to know the comments of the Secretary, Department of Public Enterprises in this regard, he stated during evidence as follows:

“In terms of numbers, out of 242 public sector undertakings, in 38 companies (Appendix IV), the number of Government Directors exceeds the limit. That means, in 204 companies it is within the limit and in regard to these 38 companies there are specific reasons why it exceeds the limit. In most of the companies, it is due to the fact that

these companies operate in more than one sector. For example, in a fertilizer company, the Ministry of Agriculture is also interested. So a representative from the Ministry of Agriculture is also in the Board in addition to the administrative Ministry. There are also some companies where the State Government are also involved. So, the representatives of the State Government are also wanting to be on the Board. These are only 38 companies and in all other companies, it is within the limit. In these 38 companies, there are very special reasons for exceeding the limit."

3.5 When asked why the representatives of the Ministry other than the administrative Ministry whose interest is involved or State Government, as the case may be, could not be called as special invitees, the witness stated:

"This is a very good suggestion and we welcome that suggestion for taking it up..."

(C) Non-Official Director

3.6 In regard to the appointment of non-official Directors, SCOPE in their Memorandum submitted to the Committee has stated:

"Slots provided for appointment of non-functional part-time professional Directors in the Boards have often either remained vacant or filled with people whose background and expertise may not be relevant to the company. It is necessary to identify outstanding professionals and their services utilised for professional inputs in the Boards. However, extreme care is required to ensure that people who have a vested interest in the industry do not get into the Boards of PSE's as this could jeopardise the commercial interests of PSE's. The responsibility for search and appointment of non-functional professional Directors, in respect of all PSEs should also be entrusted to restructured PESB."

3.7 Pointing out that there is complete shortage of non-Government Directors in PSEs, the Chairman, SCOPE stated in evidence:

"...There is complete shortage of non-Government outside experts. The very important thing is that outside expert Directors who are supposed to be there, who are supposed to bring expertise from outside and who are supposed to bring professional knowledge are lacking. If they are lacking, then the Board is not fully effective."

3.8 Expressing his views, the Secretary-General, SCOPE stated during evidence:

"So far as the non-functional part-time Director are concerned, what is important is that the concerned Board has to consider as to what kind of input is needed in that company; what kind of expertise is required. The Board has to identify and look forward for that kind of expertise from outside."

People who have that kind of experience have to be recommended for appointment. Now, it is noticed very many times that people who are not related with the subject, who have no knowledge about the company's business, get appointed to the Board. As a result, their contribution is considered very nominal or next to nothing. So, instead of appointing such persons, it would do good to identify what kind of talent is required in the Board and then bring such talent in the Board so that the company is benefitted from that talent."

3.9 In this context, AITUC in a written reply stated:

"Such appointments should not be based on political, partisan considerations. Persons who excel in certain fields related to the industry and those who are genuinely interested in the survival and growth of public sector alone should be considered for induction as non-official Directors in PSUs."

3.10 About the appointment of non-official Directors in PSEs, the Secretary, Department of Public Enterprises stated during evidence as follows:

"Generally, the non-official Directors are taken from professionals or technocrats with experience or having financial experience and those with monitoring and personnel experience."

3.11 The Committee desired to know in how many undertakings the number of non-official Directors was less than that prescribed in the guidelines. The Department of Public Enterprises stated in a written reply as follows:

"As per information furnished by 33 Ministries, there are 111 PSEs (Appendix V) where adequate number of non-official Directors have not been appointed. Action to fill up the post in 65 of them is already under process. Out of remaining 46 PSEs, 18 are sick, 9 are in the special/technical category like Atomic Energy where it may not be feasible to appoint outside non-official Directors, 4 are likely to be re-structured through disinvestment/JV and 2 are under construction stage. There are many reasons for shortfall in the number of non-official Directors in the Boards of various PSUs. In many cases appointments of non-official Directors are not being made because of the poor health/sickness of the PSEs concerned. In the cases of PSEs which are under revival/restructuring, induction of non-official Directors may not be advisable till the revival package is finalised. In some cases the induction of non-official Directors is held up due to the proposed restructuring based on the recommendations of the Disinvestment Commission or proposals to form joint venture companies. Appointment of non-official Directors in all Navratna/Miniratna PSEs is at a very advance stage and in many cases

including 8 Navratna PSEs the non-official Directors have been inducted during the course of the last one year. It is expected that induction of professional Directors would help in improving the performance of PSEs."

IV. GENERAL

(A) Autonomy & Accountability

4.1 It has been brought to the notice of the Committee that there has been constant denigration of the public sector, even by constitutional authorities. Notwithstanding some structural weaknesses in the public sector, the public sector enterprises are highly professional and have, by and large, fulfilled their objectives. Increasingly, the role of management is being taken away from the management and too many independent agencies are taking decisions in an uncoordinated and piece meal manner.

4.2 On the question of giving sufficient autonomy to the Chief Executives of PSEs and at the same time to ensure proper accountability, SCOPE in a written reply stated:—

“Practically in all areas of public sector management, there is a formal and informal control from the administrative ministry. As a result of this, PSEs are often inflexible to react to the market needs. Instead of present system of signing of annual MoU, the Government may consider signing a MoU, for a longer period i.e. 3—5 years and make the chief executive and Board members accountable for achieving those results with reference to the corporate plans of the company.”

4.3 In this context, General Secretary, AITUC, in a written reply stated:—

“The public sector management is to be released from the bureaucratic bondage and given real autonomy along with accountability. Hundreds of directions to be adhered by the PSEs to be rationalised, reduced and simplified.

Towards greater autonomy, to begin with it is recommended that all strategic and important decisions concerning the specific PSE to be allowed to be taken by the Board and not the Government. The Board itself should be the final forum for all corporate decisions and the Government as the principal shareholder should exercise its rights through its representatives in the Board. The Government should distance itself from the day to day operations and there should be greater delegation of power to the Board. Organisation to be toned up to meet the objectives, planned and aimed at.

The Chief Executives should be allowed to take quick decisions to diversify-change of product mix, marketing strategy, R&D for immediate productionalisation, technological upgradation, efficient

usage of capital, reduction of time lag, delivery schedule etc. CEOs should be accountable to the Board. It should be their duty to improve the work culture, including management culture and to work as a team at the top level. If they do not show results or become unaccountable, they shall not be allowed to continue...."

4.4 Reply to the same question, General Secretary, CITU stated during evidence:—

".....we are dismayed at the perception of the Government that public sector enterprises can be granted autonomy only if they are privatised. We do not agree with that. Public Sector Undertakings can be given autonomy even with the public ownership, without disinvestment or privatisation. Secondly, we do not mean by autonomy grant of certain additional powers for managerial persons or the Chief Executives. The autonomy is to be accompanied by accountability....."

The witness further added:—

"We want accountability to the Parliament or Parliamentary Committee. We do not want autonomy from Parliament. We want autonomy from bureaucratic interference. We are very clear about that."

4.5 Commenting on the issue, Department of Public Enterprises stated in a written reply as follows:—

"The public sector enterprises enjoy sufficient autonomy in operational matters. Delegation of enhanced powers is a continuous process and the present policy of the Government is to keep an arms length distance. As many as 696 guidelines of DPE were cancelled in December, 1997 thereby giving more autonomy in these areas to the PSEs. The Navratna/Miniratna concept has been introduced with the main objective of delegating maximum powers to the Boards of the profit making PSEs. The MoU scheme also helps in reducing governmental interference in the functioning of the PSEs and improve its performance. The decision of the Government to limit the number of Government directors to a maximum of two is also a step in this direction. At the same time autonomy cannot be at the cost of accountability. The public sector undertakings falls under the definition of State. The Government is answerable to the Parliament in regard to the performance of the public enterprises and therefore, cannot remain unconcerned with their performance."

(B) Chief Executives of PSEs

4.6 According to the guidelines issued by the Bureau of Public Enterprises (now Department of Public Enterprises) in August, 1977, the normal policy is to have Chairman-cum-Managing Director as Chief

Executive of Public Enterprises as otherwise needless conflicts arise. Only in cases where the Public Enterprises Selection Board is satisfied that special circumstances make it necessary to do so, it will recommend the appointment of a part-time Chairman and a full-time Managing Director.

According to the BPE's guidelines dated 18.12.1982, the part-time Chairman is to preside over the Board meetings and guide the Board of Directors in the discharge of the role entrusted to them in respect of formulating corporate policy and the corporate plan, their implementation and evaluation with a view to improving the enterprise's performance. The part-time Chairman also evaluates the work of the Chief Executive in implementing the policies laid down by the Board. The part-time Chairman cannot issue directives as the management of public enterprises is vested, under the Companies Act, with its Board of Directors.

4.7 The Committee desired to know the relative advantages and disadvantages of having (i) a combined Chairman-cum-Managing Director; (ii) a part-time Chairman with a full-time Managing Director; and (iii) only a Managing Director in Public Undertakings. The Chairman, SCOPE stated in evidence as follows:—

“We have experimented different undertakings with all the three models. Our suggestion or view is that the best results come when there is one person having both the positions because he is then fully responsible and accountable for the performance of the company. Otherwise there is a divided responsibility and they always blame from one to another. Once you have one person, he is fully accountable. He has full authority and he can perform better. So, our view is that both the Chairman and the Managing Director should be one person.”

The witness further added:—

“If we have a full-time Managing Director and a part-time Chairman who comes only to preside over the meetings, then there are two possibilities. One possibility is that he comes only for the meeting and does not interfere and leaves the whole thing to the Managing Director. That is one model. The other is that the Chairman also participates. We have seen in a couple of cases, including the Air India and the Indian Airlines that the more are the conflicts, the more are the problems.”

4.8 Agreeing with these views, General Secretary, CITU stated during evidence:—

“Sir, it is better to avoid a dual authority at the top because in our system the role and function of the Chairman and Managing Directors are not very clearly defined. We would like

the public sector enterprises to have one person at the top to take all decisions....."

4.9 The Secretary, Department of Public Enterprises observed in this regard:—

"Our guidelines have been pressing that it should be a combined post of Chairman-cum-Managing Director. We would like to be bolstered by the recommendations of the Committee also in this regard."

The witness further added:—

".....In the subsidiary companies, usually what happens is that the Chairman of the holding company become a part-time Chairman. Our submission is that this system should be allowed to continue because then only the holding company will have control over the subsidiary company. In the subsidiary company, there could be a part-time Chairman and there can be a full-time Managing Director. But in other companies, the concept of Chairman-cum-Managing Director would be a good concept."

(C) Joining Organisations after Retirement

4.10 In a memorandum submitted to the Committee, the All India Trade Union Congress have stated that many former top executives and Directors of the Public Undertakings after retirement have joined the competitors of the very undertakings they had served which have adversely affected the interests of those PSUs. Obviously they were indirectly encouraging the competitors while in service and their post-retirement appointment was a reward. There must be some conditions implied in the contracts of the senior level executives of the public undertakings with a view to avoid such post retirement position with the competitors.

4.11 Stressing the need for effective measures to check such practice, the General Secretary, CITU stated during evidence as follows:—

"We want measures to stop this unhealthy practice. There are innumerable instances which have come to our notice. Some of the public sector executives have even negotiated their future assignments while in service by awarding contracts. They are joining the private sector in plum posts immediately after retirement. This is also a ground for in-service corruption. We need some effective measures to correct this."

4.12 Giving his views on the question, Acting President, Bhartiya Mazdoor Sangh stated in evidence:—

"I want to give one suggestion to prevent this. We cannot, of course, deny them permission from taking any other job after retirement. That freedom is given under the Constitution. But then they can be rehabilitated within the same company itself after

retirement. Their experience and expertise can be utilised by way of giving them some contract or service within the company. That is the only way out. Otherwise, we cannot prevent them from joining other companies. This practice has already been followed in the Government. The senior level officers of the Government are being rehabilitated in some capacity or the other. So, this system should be tried in public sector also."

4.13 In this connection, the SCOPE in a written reply stated:—

"While it is not proper to place any restrictions on a person gainfully utilising his/her services after retirement, the Government can consider framing rules to place restrictions on chief executives and directors joining a competitor immediately after retirement. Similar restrictions should also be placed on a part-time Director."

4.14 Asked about their comments in the matter, the Ministry of Industry (Department of Public Enterprises) replied as follows:—

"Appointment of Chief Executives and Functional Directors in PSEs are made on contract basis for a fixed tenure. Once the contract is over and the executive concerned leaves the posts, the link between the employer and the employee severes thereby leaving no scope for any control on the individual, unlike in the case of Government servants for whom the link continuous in the form of pension. In the absence of any control after the executive leaves the PSE, no restrictions, can be enforced for obvious reasons. However, instructions were issued on 26.4.69 to the effect that if a top executive of a public enterprise on his retirement joins a private firm, no contract should be placed with that firm, without the approval of the Board of Directors of the concerned enterprise, for a period of two years following the retirement of that officer."

PART—B

CONCLUSIONS/RECOMMENDATIONS OF THE COMMITTEE

1. Public Sector Enterprises (PSEs) in India have been envisaged to play a vital role in the development of the national economy. The success of public undertakings depends to a large extent on the quality of its managerial personnel. It was precisely to evolve a sound managerial personnel policy for the public sector enterprises apart from advising the Government on appointments to the top management posts that the Public Enterprises Selection Board was set up in August, 1974. However, the Committee are perturbed to note that even after about 25 years of its constitution, PESB has failed to evolve a sound managerial personnel policy for the PSEs. It is only now that a concept paper is being evolved to reorient the entire managerial personnel policy. The concept paper would deal among other things with formulation of job specifications with reference to the Key Result Areas set by the Administrative Ministries for Board level posts, assessment of a person to perform based on key result areas, identification of training needs for PSU executives and specific areas of expertise for appointments of non-official Directors. The Committee recommend that the process of reorienting the entire managerial personnel policy should be expedited and finalised within three months of presentation of this Report under intimation to the Committee.

2. The Committee have been informed that the procedure for appointment to Level I (Chairman, Managing Director or Chairman-cum-Managing Director) and Level II (Functional Director) posts in the public sector enterprises is lengthy and time consuming and most of the appointments are delayed for a period ranging from 6 months to 12 months. There were 17 vacancies of Chief Executives and 43 vacancies of Functional Directors as in January, 1999. The Committee deprecate such delays in appointments to top level posts in PUs which adversely affects their functioning. A time limit of four-and-a-half months is stated to have now been fixed from the occurrence of the vacancy till the selection and offer of appointment is made. This $4\frac{1}{2}$ months period includes the time required for selection by PESB, Administrative Ministry to take the view on PESB's recommendations, vigilance clearance from CVC and ACC's approval. The Committee recommend that Government should now ensure that whenever such vacancies occur in PSEs, the same should be filled up within the prescribed time limit of $4\frac{1}{2}$ months and cases of delays in appointment beyond this time limit should be brought out in the Annual Report of the Ministry of Personnel, Public Grievances and Pensions alongwith reasons therefor.

3. The Committee have been informed that the incumbents for the posts of Chief Executives in most of the prestigious public undertakings are from within the undertakings and usually it is an internal candidate who makes it to the top position. However, it is noticed that during the period from January 1, 1997 to August 13, 1998, only 23 posts of CMDs were recommended to be filled up from within the respective PSEs while in 34 cases, such posts were recommended to be filled up from outside the concerned undertaking. The Committee recommend that for efficient functioning of PSEs, preference should be given to candidates from within the undertaking so long as competent persons are available and the appointment of officers of the organised services to the posts of Chief Executives should be avoided.

4. As per guidelines issued by the Government, a Joint Secretary in the Ministry cannot be appointed as CMD/Chairman of a Schedule-A public sector undertaking. However, a notable exception in this regard came to the notice of the Committee recently when the Joint Secretary of the Ministry of Civil Aviation was appointed CMD of Indian Airlines by exempting his appointment from PESB procedure. The Committee express their anguish over the appointment which blatantly violate the established rules and procedures and expect this to be rectified. The Committee desire that the appointments to top management posts in PSEs should be made through PESB only and under no circumstances such appointments be allowed to bypass the procedure outlined by PESB.

5. The Public Enterprises Selection Board (PESB) consists of one part-time or full time Chairperson and three full-time members. According to the present provisions, the three full time members of the PESB shall be: (a) A distinguished former Chief Executive of a PSE; (b) A distinguished behavioural scientist with experience in selection of top management personnel (c) A distinguished former civil servant with experience in management of PSEs or in areas of finance, industry or economic affairs. But the Committee regret to find that the constitution of the Public enterprises Selection Board (PESB) is not in accordance with its provisions as most of its members are retired civil servants. They have been informed that in the Board headed by Shri N. Vittal, three out of four persons comprising the Board were ex-IAS officers and only one was a former Chief Executive of a public sector undertaking. The contention of the Secretary, Personnel that they had been appointed under the three different categories provided for the PESB's composition is not at all convincing. As PESB is meant to make recruitments for Level I and Level II posts in PSEs, its members are supposed to be professionals and experts in various fields of industry, trade, finance, etc. The Committee desire that the composition of Director are appointed. The Committee feel that having part-time

the PESB should be strictly in accordance with the requirement of the provisions. They also desire that the post of Chairman, PESB which has been lying vacant since September 3, 1998 should be filled up without any further delay under intimation to the Committee. The Committee also urge upon the Government to consider induction of outside advisers in the PESB Selection Committee depending upon the field and the undertaking for which selection is made, as is the practice in UPSC.

6. Public Enterprises Selection Board (PESB) is responsible for making appointments to Level I and Level II posts in public sector enterprises. The Committee are astonished to note that PESB has not been vested with any authority and its recommendations are not always acted upon by the administrative Ministries. PESB is merely a recommendatory body. What perturbed the Committee more is that PESB's recommendations are sometimes not only reversed by the administrative Ministries, but also by the Appointments Committee of the Cabinet (ACC). The Committee are of the firm opinion that there should be transparency in the process of recruitments for these posts. They, therefore, strongly recommend that PESB should be made a statutory body like UPSC with sufficient authority.

7. The Committee note with concern that despite the instructions issued by the Department of Public Enterprises in March, 1992 that the number of Government Directors on a Board should in no case exceed two, the fact remains that out of 242 public sector enterprises, in 38 PSEs, the number of Government Directors exceeds the limit. The Secretary, Department of Public Enterprises stated before the Committee that this was so because in some cases one or more Ministries other than the administrative Ministry and/or State Governments also have an interest. The Committee do not agree with this argument since the instructions clearly stipulate that it would be preferable to have only one Government Director from the concerned Administrative Ministry on each Board and in case of PSEs where it is considered essential to give representation on the Boards to other concerned Government agencies/Ministries/State Governments, only one representative from the Group could be appointed on Board as Part-time Government Director. The number of Government Directors should in no case exceed two. The Committee express strong displeasure over the deviations in this regard in some of the undertakings. They, therefore, desire that the number of Government Directors in these 38 PSEs should be brought down within the prescribed limit under intimation to the Committee. In cases, where a Ministry or a State Government has some special interest in regard to some particular matter concerning a public undertaking, their representative could be called as a special invitee to the Board meeting when that matter is to be considered.

8. The Committee are dismayed at the lack of seriousness on the part of the Government in making appointments of non-official Directors in the public sector enterprises. The DPE guidelines on the subject provide that the number of non-official part-time Directors should be at least one third

of the actual strength of the Board. According to Department of Public Enterprises themselves, induction of non-official Directors would help in improving the performance of PEs. Inspite of this it is astonishing to note that out of 242 public sector enterprises, 111 PSEs do not have adequate number of non-official Directors on their Boards. The Committee have been informed that among these 111 PSEs, 18 are sick, 4 are likely to be restructured through disinvestment/Joint Ventures and 2 are under construction. As the non-official Directors are drawn from technocrats management experts, consultants and professional managers having sufficient experience in industry and trade etc., the Committee are of the firm opinion that shortage of non-official Directors on the Board deserves the undertakings of expert guidance of seasoned professionals as technocrats. This is particularly true in the case of sick/potentially sick undertakings or those which are to be restructured. The Committee therefore, recommend that the strength of non-official Directors in PSE should be brought to the level stipulated in the guidelines without further loss of time and at the same time care should be taken that persons having vested interests directly or indirectly in the particular industry are not inducted into the Boards of PSEs.

9. The Ministry has inherent power to monitor and review the performance of undertakings under its administrative control. But the autonomy of the public sector enterprises should not be limited by Government control. Although, as many as 696 guidelines of DPE were cancelled in December, 1997, yet there are a number of formal and informal controls from the administrative Ministry. The Committee are of the view that in an environment of stiff competition in the post liberalization era, the public sector cannot function efficiently without sufficient freedom of operation and level playing field. A system should, therefore, be evolved whereby the interference of the Government is confined only where it is essential without minimising Government's right to have needed information for evaluating the performance of undertakings. As per extant practice, MoU is signed annually. A suggestion has been made before the Committee that instead of signing the MoU annually, MoU should be signed for longer period, say 3 to 5 years, and also the Management should be made accountable for achieving the targets with reference to the corporate plans of the PSEs. The Committee desire that a high powered body consisting of representatives of Department of Public Enterprises, Ministry of Finance, SCOPEx etc. should be constituted to go into the question of granting more autonomy to the public enterprise as also extending the period of the MoUs being signed by the undertakings with the administrative Ministry. The findings of this high powered body should be intimated to the Committee.

10. The general policy of the Government is to have combined post of Chairman-cum-Managing Director in the public sector enterprises and under special circumstances, part-time Chairman and a full time Managing Director are appointed. The Committee feel that having part-time

Chairman and full time Managing Director in a public sector enterprise results in divided responsibility at the highest echelon of management. They are of the opinion that in order to avoid dual authority at the top level, both the posts of Chairman and Managing Director should be entrusted to one person in undertakings having single unit. In multi-unit companies, the undertaking should be headed by a Chairman and each unit should be headed by a Managing Director.

11. As per the existing instructions, if a top executive of a public enterprise on his retirement joins a private firm, no contract should be placed with that firm, without the approval of the Board of Directors of the concerned enterprise, for a period of two years following the retirement of that officer. It has been brought to the notice of the Committee that of late many former top executives and Directors of the public sector undertakings after retirement have joined the competitors of the very undertakings they had served. In some cases, the executives are stated to have negotiated their future assignments while in service by showing favour to the competitors. The Committee, therefore, feel that the existing instructions on the subject issued 30 years ago need to be reviewed/modified with a view to placing restrictions on the Chief Executives and Directors joining the competitors or private firms immediately after retirement.

NEW DELHI;
April 23, 1999

Vaisakha 3, 1921 (S)

MANBENDRA SHAH,
Chairman,
Committee on Public Undertakings.

APPENDIX I

[Vide Para 2.17]

Details of the cases wherein the empanelled candidates were not approved due to non-availability of vigilance clearance

S. PESB's No. recommendations (No. & Date)	Details of the post (PSU & Post)	Name of the empanelled candidate(s)	Date of the Decision of ACC	Remarks	
1	2	3	4	5	6
1. 7(7)94-PESB dt. 6.6.1995	Power Grid Corps. of India Ltd. Director (Finance)	Sh. N.D. Joshi	09.09.1996	Since Sh. N.D. Joshi was not clear from vigilance angle, the ACC did not approve his appointment to the post of Director (Finance), Power Grid Corp. of India Ltd.	
2. 7(76)95-PESB dt. 30.11.1995	Airports Authority of India Member (Planning)	Sh. K. Techchandani	27.01.1997	The ACC did not approve the name of Sh. K. Techchandani for appointment to the post of Member (Planning), Airports Authority of India because he was not clear from vigilance angle.	
3. 7(11)96-PESB dt. 21.5.1996	Gas Authority of India Ltd. Director (Project)	(i) Sh. R.P. Sharma (ii) Sh. H.P. Chaudhary	05.06.1998	Since Sh. R.P. Sharma was not clear from vigilance angle, the ACC did not approve his appointment to the post of Director (Project), GAIL.	

1	2	3	4	5	6
4.	7(4)/96-PESB dt. 23.3.1996	National Thermal Power Corps. Director (Commercial)	(i) Sh. Keshav Saran (ii) Sh. G.S. Sohal	30.09.1996	Sh. Keshav Saran was not available. Since Sh. G.S. Sohal was not clear from vigilance angle, the ACC scrapped the PEB's, penel.
5.	6(32)/96-PESB dt. 11.9.1996	Airports Authority of India Ltd. Chairman	(i) Sh. Anand Darbari (ii) Lt. Genl. SSR Ajayengar	29.07.1997	The ACC did not approve the name of Sh. Anand Darbari for the post of Chairman, Airports Authority of India Ltd. because he was not clear from vigilance angle.
6.	6(10)/97-PESB dt. 13.6.1997	Hindustan Vegetable Oil Corpn. Ltd. CMD	(i) Sh. Kaushal Goel (ii) Maj. Genl. N.S. Gill (iii) Sh. Sanjosh Kaur	27.10.1998	The ACC did not approve the name of Sh. Kaushal Goel for appointment to the post of CMD, HVOOC because he was not clear from vigilance angle.
7.	7(34)/96-PESB dt. 10.10.1997	Cement Corpn. of India Director (Petroleum)	(i) Sh. P.V. Subrahmanyam (ii) Sh. A.K. Bhargava	11.06.1998	Since Sh. P.V. Subrahmanyam was not clear from vigilance angle, the ACC approved the appointment of Sh. A.K. Bhargava, No. 2 candidate in the panel for the post in question.
8.	7(4)/96-PESB dt. 13.11.1997	National Thermal Power Corpn. Director (Commercial)	(i) Sh. G.S. Sohal (ii) Sh. H.L. Bejai	15.09.1998	The ACC did not approve the name of Sh. G.S. Sohal because he was not clear from vigilance angle.

APPENDIX II
[Vide Para 2.18]

Details of the cases in which the appointment of board level appointees in PSUs were terminated before the date of their superannuation due to non-availability of vigilance clearance

Sl. No.	Details of the post (PSU & Post)	Name of the person	Date of the decision of ACC	Remarks
1	2	3	4	5
1.	Bharat Aluminium Co. Ltd. (BALCO) Director (Personnel)	Usha Roy	01.04.1998	Smt. Usha Roy was to attain the age of superannuation on 31.5.2003. However, her term was not extended beyond 31.3.1998 because she was not clear from vigilance angle.
2.	IRCON Ltd. Director (Finance)	Sh. D.V. Sardana	23.07.1998	Sh. D.V. Sardana was to attain the age of his superannuation on 30.4.2008. His term was not extended beyond 31.7.1998 because he was not clear from vigilance angle.
3.	State Farms Corp. of India (SFCI) Managing Director	Dr. Mahendra Singh	11.09.1997	ACC terminated the services of Dr. Mahendra Singh from the post of MD, SFCI due to non-availability of his vigilance clearance. However, he is still continuing on the post on the strength of stay order granted by the High Court of Delhi.
4.	State Trading Corpn. Director (Finance)	Sh. Gopal Chaturvedi	11.11.1997	Shri Gopal Chaturvedi was to attain the age of superannuation on 31.8.2000. The ACC did not extend his tenure beyond 11.1.1998 because he was not clear from vigilance angle.

1	2	3	4	5
5.	MMTC Ltd. Director (Marketing)	Sh. R. Khosla	01.07.1997	The ACC did not extend the term of Sh. R. Khosla as Director (Marketing), MMTC Ltd. beyond 31.3.1997 till the date of his superannuation because he was not clear from vigilance angle.
6.	NTC(MM) Ltd. Director (Commercial)	Sh. D.Y. Deshmukh	22.09.1997	Sh. D.Y. Deshmukh was to attain the age of his superannuation on 31.5.2006. The ACC did not extend his tenure beyond 31.5.1997 because he was not clear from vigilance angle.
7.	NTC(MP) Ltd. Director (Commercial)	Sh. Pran Mehta	09.10.1997	Sh. Pran Mehta was to attain the age of superannuation on 31.8.2006. The ACC did not extend his tenure beyond 27.5.1997 because he was not clear from vigilance angle.
8.	State Trading Corps. Director (Commercial)	Sh. Deepak Prasad	11.02.1998	Sh. Deepak Prasad was to attain the age of his superannuation on 31.8.2008. Since he was not clear from vigilance angle, the ACC did not extend his tenure beyond 27.1.1998.
9.	CMC Ltd. CMD	Dr.K.K. Krishnan Kutty	30.07.1997	Dr. Kutty was to attain the age of his superannuation on 28.2.1999. Since he was not clear from vigilance angle, the ACC did not extend his term beyond 31.7.1997.

1	2	3	4	5
10.	Tannery & Footwear Corp. of India Ltd. (TAFCO) CMD	Gp. Capt. T. Rudra	28.05.1998	Gp. Capt. T. Rudra was to attain the age of his superannuation on 31.10.1999. The ACC did not extend his tenure till the date of his superannuation because he was not clear from vigilance angle.
11.	Shipping Corp. of India Ltd. Director (L&PS)	Capt. Devender Singh	16.09.1997	Capt. Devender Singh was to attain the age of his superannuation on 30.9.1997. Since he was not clear from vigilance angle, the ACC did not extend his term till the date of his superannuation.
12.	Orissa Drugs & Chemicals Ltd. (ODCL) M.D.	Sh. S.C. Kakar	14.10.1996	The term of Sh. S.C. Kakar was terminated before the date of his superannuation because he was not clear from vigilance angle.

APPENDIX III
[Vide Para 3.1]
No. 18(6)91-GM
Government of India
Ministry of Industry
Department of Public Enterprises

Public Enterprises Bhawan,
14, CGO Complex, Lodi Road,
New Delhi-110003

Dated the 16 March, 1992.

OFFICE MEMORANDUM

SUBJECT:—Composition of Board of Directors of Public Sector Enterprises.

The question of Composition of the Board of Directors of PSEs has been considered from time to time and various guidelines have been issued in this regard by the Bureau of Public Enterprises. The Members of the Board of PSEs generally consist of the following three categories:—

(I) **Functional Directors:**—These are full time operational Directors, responsible for day to day functioning of the enterprise. The Economic Administrative Reform Commission (EARC) had recommended that each Board should have an adequate number of Functional Directors on it. This was considered by the Government and the Bureau of Public Enterprises had issued guidelines in 1984 that the posts of Director (Finance) and Director (Personnel) be created in all Schedule "A" and Schedule "B" enterprises and on a selective basis in Schedule "C" Companies. Apart from these two functions, the enterprises could have representation at Board level for other disciplines such as production, marketing, project planning etc. It is, however, observed that these guidelines are not being followed by the Administrative Ministries while constituting the Boards of PSEs. While in some cases the Boards are functioning without a single Functional Director, in others there is preponderance of such Directors.

(II) **Government Directors:**—These are appointed by the Administrative Ministries and are generally the officers dealing with the concerned enterprise. In most cases there are two such Directors on a Board; the Joint Secretary or Additional Secretary dealing with particular enterprise and the Financial Adviser of the Ministry. The question of representation of Government Directors on the Boards of PSEs was examined by the Arjun Sengupta Committee and following its recommendation, the Bureau of Public Enterprises have issued guidelines in 1986 that the Administrative Ministry concerned should not have more than one nominee Director on the Board of a PSE. In case of PSEs engaged in trading or dealing with

important and exclusive items the number of Government Directors could be two. It is, however, noticed that in actual practice the number of Government Directors on the Boards of PSEs continues to be large.

(iii) Non-Official Directors:—The induction of Non-Official Directors on the Boards of PSEs has been considered essential by various Committees and Commissions in order to make the Boards more professional. They are to be drawn from the public men, technocrats, management experts and consultants, and professional managers in industry and trade with a high degree of proven ability. The Bureau of Public Enterprises have issued guidelines in 1983 that the number of such Directors on a Board should be one third of its total strength. This input is considered very important as it plays a complementary role in providing professional and managerial advice to the Board. It has however, been the experience that the vacancies of these Directors are not filled up to stipulated levels in many enterprises by the Ministries.

2. The Department of Public Enterprises has recently considered the question of professionalisation of the Boards of PSEs in pursuance of the New Industrial Policy Statement made in the Parliament on 24th July, 1991 and it has been decided that the composition of the Boards of Directors in PSEs should be broadly on following lines:—

(A) FUNCTIONAL DIRECTORS:

(i) Every Board should have some full time Functional Directors. The number of such Directors on a Board should not exceed 50% of the actual strength of the Board.

(ii) In cases where the number of Functional Directors on the Board is more than the 50% of its actual strength (not sanctioned strength), Administrative Ministries will immediately undertake a review of the strength of the Board in consultation with Department of Public Enterprises and PESB.

(iii) On such Boards where the posts of Functional Directors do not exist, Administrative Ministries will take immediate steps to create such posts in accordance with the prescribed guidelines.

(B) GOVERNMENT DIRECTORS:

(i) The number of the Government Directors on the Boards of Directors of an enterprise should not exceed one-sixth of the actual strength of the Board.

(ii) It will be preferable to have only one Government Director from the concerned Administrative Ministry on each Board. The choice of the nominee Director would vest with the Secretary of the concerned Department.

(iii) In case of PSEs where it is considered essential to give representation on the Boards to other concerned Government agencies/Ministries/State Governments, only one representation from the Group could also be appointed on the Board as Part-time Government Director.

(iv) The number of Government Directors on a Board should in no case exceed two.

(C) NON OFFICIAL DIRECTORS:

(i) The number of Non-official Part-time Directors on a Board should be at least one-third of its actual strength. Wherever there is under representation of such Directors on the Board the concerned Ministries should take immediate steps to fill up the vacancies to stipulated level.

(ii) A Panel of suitable persons who could be considered for appointment as Non-Official Part-Time Directors on the Boards of PSEs will be maintained centrally by Department of Public Enterprises. This panel will be prepared in consultation with PESB and the Secretary of the concerned Administrative Ministry.

3. All Ministries/Departments concerned with Public Sector Enterprises are requested to strictly adhere to above guidelines in the composition of the Boards of Directors in respect of PSEs under their administrative control.

Sd/-
(SURESH KUMAR)
Secretary to the Government of India.

To,

All the Secretaries of the Administrative Ministries/Departments concerned with Public Sector Enterprises.

Copy for information to:

- (i) Public Enterprises Selection Board (Shri D.K. Biswas, Secretary)
- (ii) Establishment Officer (Shri N.N. Mohanty), Deptt. of Personnel, North Block, New Delhi.
- (iii) Cabinet Secretariat (Shri B.K. Das, Joint Secretary) Rashtrapati Bhawan, New Delhi.
- (iv) The Chairman, Standing Conference on Public Enterprises, SCOPE Complex, 7, Lodi Road, New Delhi.

Sd/-
(R.D. JOSHI)
Director

APPENDIX IV

[Vide Para 3.4]

LIST OF UNDERTAKINGS WHERE THE NUMBER OF GOVERNMENT DIRECTORS EXCEEDS THE PRESCRIBED NORMS

Department of Atomic Energy

1. Indian Rare Earths Ltd.
2. Electronics Corporation of India Ltd.
3. Uranium Corporation of India Ltd.
4. Nuclear Power Corporation of India Ltd.

Department of Chemicals & Petrochemicals

5. Indian Petrochemicals Corporation Ltd.
6. Hindustan Insecticides Ltd.
7. Indian Drugs & Pharmaceuticals Ltd.
8. Hindustan Antibiotics Ltd.

Department of Fertilizers

9. Fertilizer Corporation of India Ltd.
10. Rashtriya Chemicals & Fertilizers Ltd.
11. Hindustan Fertilizer Corporation Ltd.
12. National Fertilizers Ltd.
13. Fertilizers & Chemicals Travancore Ltd.
14. Projects & Development India Ltd.
15. Pyrites, Phosphates & Chemicals Ltd.
16. Madras Fertilizers Ltd.
17. Paradeep Phosphates Ltd.

Department of Mines

18. Hindustan Zinc Ltd.
19. Bharat Gold Mines Ltd.
20. Mineral Exploration Corporation Ltd.

Ministry of Surface Transport

21. Central Inland Water Transport Corporation
22. Indian Road Construction Corporation Ltd.

Ministry of Water Resources

23. Water & Power Consultancy Corporation (I) Ltd.

Ministry of Civil Aviation

24. Air India Ltd.
25. Indian Airlines Ltd.
26. Airports Authority of India

27. Pawan Hans Helicopters Ltd.

Ministry of Railways

28. IRCON (International) Ltd.

29. Rail India Technical & Economic Services Ltd.

30. Indian Railway Finance Corporation Ltd.

31. Konkan Railway Corporation Ltd.

32. Container Corporation of India Ltd.

Ministry of Commerce

33. India Trade Promotion Organisation

Ministry of Power

34. North Eastern Electric Power Corporation Ltd.

Ministry of Textiles

35. Cotton Corporation of India Ltd.

36. Jute Corporation of India Ltd.

37. National Jute Manufacturers Corporation Ltd.

Ministry of Urban Affairs & Employment

38. Housing & Urban Development Corporation

APPENDIX V

[Vide Para 3.11]

LIST OF UNDERTAKINGS WHERE THE REQUISITE NUMBER OF NON-OFFICIAL DIRECTORS HAVE NOT BEEN APPOINTED

Name of the PSE

Department of Atomic energy

1. Indian Rare Earths Limited
2. Electronics Corporation of India Limited
3. Uranium Corporation of India Limited
4. Nuclear Power Corporation of India Limited

Ministry of Coal

5. Coal India Limited
6. Bharat Coking Coal Limited
7. Central Coalfields Limited
8. Eastern Coalfields Limited
9. Western Coalfields Limited
10. Northern Coalfields Limited
11. South Eastern Coalfields Limited
12. Mahanadi Coalfields Limited
13. Neyveli Lignite Corporation Limited
14. Central Mine Planning & Design Institute Limited

Department of Chemicals & Petrochemicals

15. Indian Petrochemicals Corporation Limited
16. Hindustan Organic Chemicals Limited
17. Indian Drugs & Pharmaceuticals Limited
18. Hindustan Antibiotics Limited
19. Bengal Immunity Limited
20. Smith Stanistreet Pharmaceuticals Limited
21. Bengal Chemicals & Pharmaceuticals Limited
22. Hindustan Insecticides Limited

Department of Defence Production & Supplies

23. Hindustan Aeronautics Limited
24. Bharat Electronics Limited
25. Mishra Dhatu Nigam Limited

Department of Electronics

26. CMC Limited
27. Semi-conductor Complex Limited

Department of Food & Civil Supplies

- 28. Food Corporation of India Limited
- 29. Central Warehousing Corporation Limited

Department of Family Welfare

- 30. Hindustan Latex Limited

Department of Fertilizers

- 31. Fertilizer Corporation of India Limited
- 32. Hindustan Fertilizer Corporation Limited
- 33. Projects & Development India Limited
- 34. National Fertilizers Limited
- 35. Fertilizers & Chemicals Travancore Limited
- 36. Rashtriya Chemicals & Fertilizers Limited
- 37. Pyrites, Phosphates & Chemicals Limited
- 38. Madras Fertilizers Limited
- 39. Paradeep Phosphates Limited

Department of Food Processing Industries

- 40. Modern Food Industries Limited
- 41. North Eastern Agricultural Marketing Corporation

Department of Mines

- 42. Hindustan Zinc Limited
- 43. Bharat Gold Mines Limited
- 44. Hindustan Copper Limited
- 45. National Aluminium Company Limited
- 46. Bharat Aluminium Company Limited
- 47. Mineral Exploration Limited

Ministry of Non-conventional Energy Sources

- 48. Indian Renewable Energy Development Agency

Department of Scientific & Industrial Research

- 49. National Research Development Corporation

Department of Sugar & Edible Oils

- 50. Hindustan Vegetable Oils Corporation

Department of Tourism

- 51. India Tourism Development Corporation

Department of Telecommunications

- 52. Videsh Sanchar Nigam Limited
- 53. Mahanagar Telephone Nigam Limited

54. Telecommunication Consultants India Limited

55. ITI Limited

Department of Steel

56. Kudremukh Iron Ore Co. Limited

57. Sponge Iron India Limited

58. Metallurgical & Engg. Consultants (I) Limited

59. Manganese Ore India Limited.

60. Rashtriya Ispat Nigam Limited

Ministry of Urban Affairs & Employment

61. Housing & Urban Development Corporation

62. Hindustan Prefab Limited

63. National Buildings Construction Corp. Ltd.

Ministry of Surface Transport

64. Central Inland Water Transport Corp.

65. Indian Road Construction Corp.

66. Shipping Corporation of India Limited

67. Hindustan Shipyard Limited

68. Hooghly Dock & Port Engineers Limited

69. Dredging Corporation of India Limited

Ministry of Small Scale Industries & ARI

70. National Small Industries Corp. Ltd.

Ministry of Civil Aviation

71. Airports Authority of India

72. Pawan Hans Helicopters Limited

73. Hotel Corp. of India

Ministry of Information & Broadcasting

74. National Film Development Corporation

Ministry of Railways

75. Konkan Railway Corporation

76. Container Corporation of India

77. Indian Railway Finance Corporation

78. IRCON (International) Limited

79. Rail India Technical & Economic Services Ltd.

Ministry of Social Justice & Empowerment

80. National Handicapped Finance & Dev. Corp.

81. Artificial Limbs Manufacturing Corp. Ltd.

82. National SC/ST Fin. & Dev. Corp.

83. National Safai Karmcharies Fin. & Dev. Corp.

84. National Backward Classes Fin. & Dev. Corp.

85. National Minorities Dev. & Fin. Corp.

Department of Health

86. Hospital Services Consultancy Coprn. Ltd.

Ministry of Power

87. Tchri Hydro Dev. Corpн.
 88. Nathpa Jakhri Power Corpн.
 89. North Eastern Electric Power Corpн.
 90. Rural Electrification Corpн.
 91. Power Fin. Corpн.

Ministry of Textiles

92. Cotton Corporation of India
 93. Jute Corporation of India
 94. National Handloom Dev. Corpн.

Department of Heavy Industry

95. National Instruments Limited
 96. Rehabilitation Industries Corpн.
 97. Burn Standard Co. Limited
 98. Jessop & Co. Limited
 99. Braithwaite & Co. Ltd.
 100. Bharat Wagon Engineers Limited
 101. Bharat Process & Mechanical Engineers Limited
 102. Bharat Brakes & Valves Limited
 103. Bharat Heavy Plates & Vessels Limited
 104. Bharat Pumps & Compressors Limited
 105. Bridge & Roof Co. Limited
 106. Richardson & Cruddas Limited
 107. Triveni Structural Limited
 108. Tungabhadra Steel Production Limited
 109. Tannery & Footwear Corporation
 110. Bharat Leather Corpн.

Ministry of Water Resources

111. National Project Construction Corporation.

APPENDIX VI

MINUTES OF 7TH SITTING OF COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 15TH DECEMBER, 1998

The Committee sat from 1630 hrs. to 1810 hrs.

Shri Manbendra Shah —Chairman

MEMBERS

2. Dr. S. Venugopalachary
3. Smt. Sheela Gautam
4. Shri Vinod Khanna
5. Smt. Geeta Mukherjee
6. Shri R. Sambasiva Rao
7. Shri H.P. Singh
8. Shri Tarit Baran Topdar
9. Dr. Gopalrao Vithalrao Patil
10. Shri H. Hanumanthappa
11. Shri Jitendra Prasada
12. Shri Jibon Roy

SECRETARIAT

1. Shri Joginder Singh	— Joint Secretary
2. Shri P.K. Grover	— Deputy Secretary
3. Shri Raj Kumar	— Assistant Director

Representatives of Standing Conference of Public Enterprises (SCOPE)

1. Dr. Uddesh Kholi	— Chairman
2. Shri M.A. Hakeem	— Secretary General

Representatives of National Confederation of Officers' Associations of Central Public Sector Undertakings (NCOA)

1. Shri K. Ashok Rao	— President
2. Mrs. Prabha Kunte	

The Committee first held discussion with the representatives of Standing Conference of Public Enterprises (SCOPE) and then with the representatives of National Confederation of Officer's Associations of Central Public Sector Undertakings (NCOA) in connection with the horizontal study on "Senior level posts in Public Undertakings—Appointment and related matters". A copy of the verbatim proceedings of the sitting has been kept on record.

The Committee then adjourned.

APPENDIX VII

MINUTES OF 8TH SITTING OF COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 16TH DECEMBER, 1998

The Committee sat from 1500 hrs. to 1640 hrs.

Shri Manbendra Shah —Chairman

MEMBERS

2. Shri Sudip Bandyopadhyay
3. Smt. Sheela Gautam
4. Shri P.R. Kyndiah
5. Smt. Geeta Mukherjee
6. Shri R. Sambasiva Rao
7. Shri H.P. Singh
8. Shri Tarit Baran Topdar
9. Shri Gopalsinh G. Solanki
10. Shri Yerra Narayanaswamy

SECRETARIAT

1. Shri Joginder Singh	— <i>Joint Secretary</i>
2. Shri P.K. Grover	— <i>Deputy Secretary</i>
3. Shri Raj Kumar	— <i>Assistant Director</i>
4. Shri Cyril John	— <i>Assistant Director</i>

Representatives of Centre of Indian Trade Unions (CITU)

1. Shri S. Devroye	— <i>Secretary</i>
2. Shri Varadrajan	— <i>Secretary</i>

Representatives of Bharatiya Mazdoor Sangh (BMS)

1. Shri R Venugopal	— <i>Working President</i>
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The Committee held discussions with the representatives of Centre of Indian Trade Unions (CITU) and Bharatiya Mazdoor Sangh (BMS) in connection with the horizontal study on "Financial Restructuring of Public Undertakings" and "Senior level posts in Public Undertakings—Appointment and related matters". A copy of the verbatim proceedings of the sitting has been kept on record.

The Committee then adjourned.

APPENDIX VIII

MINUTES OF 9TH SITTING OF COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 17TH DECEMBER, 1998

The Committee sat from 1500 hrs. to 1610 hrs.

Shri Manbendra Shah — Chairman

MEMBERS

2. Smt. Sheela Gautam
3. Shri Vinod Khanna
4. Shri R. Sambasiva Rao
5. Shri Tarit Baran Topdar
6. Dr. Gopala Rao Vithalrao Patil
7. Shri Gopalsinh G. Solanki

SECRETARIAT

1. Shri P.K. Grover	— Deputy Secretary
2. Shri Raj Kumar	— Assistant Director
3. Shri Cyril John	— Assistant Director

Representatives of All India Trade Union Congress (AITUC)

1. Shri K.L. Mahendra	— General Secretary
2. Shri H. Mahadevan	— Deputy General Secretary

2. The Committee held discussion with the representatives of All India Trade Union Congress (AITUC) in connection with the horizontal study on "Financial Restructuring of Public Undertakings" and "Senior level posts in Public Undertaking—Appointment and related matters". A copy of the verbatim proceedings of the sitting has been kept on record.

3. *** *** *** ***

The Committee then adjourned.

APPENDIX IX

MINUTES OF 14th SITTING OF COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 13TH JANUARY, 1999

The Committee sat from 1100 hrs. to 1320 hrs.

Shri Manbendra Shah —Chairman

MEMBERS

2. Shri Lal Muni Chaubey
3. Smt. Sheela Gautam
4. Shri Vilas Muttewar
5. Shri R Sambasiva Rao
6. Shri H. P. Singh
7. Shri Surinder Singh
8. Shri Balram Singh Yadav
9. Dr. Gopalrao Vithalrao Patil
10. Shri Gopalsinh G. Solanki
11. Shri H. Hanumanthappa

SECRETARIAT

1. Shri Joginder Singh — *Joint Secretary*
2. Shri P. K. Grover — *Deputy Secretary*
3. Shri Raj Kumar — *Assistant Director*

Representatives of Ministry of Industry (Dept. of Public Enterprises)

1. Shri S. Narayan — *Secretary*
2. Shri S. Talwar — *Joint Secretary*
3. Shri A. Luikham — *Director*

Representatives of Ministry of Personnel, Public Grievances and Pensions

1. Shri B. B. Tandon — *Secretary*
2. Shri K. Rajendran Nair — *Establishment Officer & Addl. Secy.*
3. Shri A. K. Saxena — *Secretary, PESB*

2. The Committee took evidence of the representatives of Ministries of Industry (Dept. of Public Enterprises) and Personnel, Public Grievances and Pensions in connection with the horizontal study on "Senior level posts in Public Undertakings—Appointment and related matters".

3. A copy of the verbatim proceedings of the sitting has been kept on record.

The Committee then adjourned.

APPENDIX X

MINUTES OF 20TH SITTING OF COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 21ST APRIL, 1999

The Committee sat from 1500 hrs. to 1630 hrs.

Shri Manbendra Shah —Chairman

MEMBERS

2. Shri Chittubhai D. Gamit
3. Smt. Sheela Gautam
4. Shri P. R. Kyndiah
5. Shri R. Sambasiva Rao
6. Shri H. P. Singh
7. Shri Balram Singh Yadav
8. Shri Gopalsinh G. Solanki
9. Shri H. Hanumanthappa
10. Shri Jibon Roy

SECRETARIAT

1. Shri P. K. Grover	— <i>Deputy Secretary</i>
2. Shri R. C. Kakkar	— <i>Under Secretary</i>
3. Shri Raj Kumar	— <i>Assistant Director</i>

Office of the Comptroller & Auditor General of India

1. Shri A. K. Chakrabarti	— <i>Chairman, Audit Board</i>
2. Shri B. B. Pandit	— <i>Principal Director</i>
3. Shri G. Bhattacharjee	— <i>Asstt. C&AG (Commercial)</i>

2. The Committee considered the draft report on "Senior level posts in Public Undertakings—Appointment and related matters" and adopted the same with modifications as given in Annexure.

3. The Officers from the office of Comptroller & Auditor General of India then joined the meeting.

4.

5. The Committee authorised the Chairman to present these Reports to the Hon. Speaker. They desired that the Hon. Speaker may be requested to order the printing, publication and circulation of the above mentioned Reports of the Committee. The Committee further desired that the Hon. Speaker may be requested to direct that matters of factual nature or patent errors may be corrected in these Reports under Direction 71A(4) before publication and circulation.

6. The Committee also decided to hold their next sitting on 26th April, 1999.

The Committee then adjourned.

ANNEXURE

Modifications to the Draft Report on 'Senior Level Posts in Public Undertakings—Appointment and Related Matters'

Page No.	Para No.	Line No.	Modifications
33	2	19	after 'time limit' add 'of 4-1/2 months'
34	3	8-9	for 'candidates shouldundertakings' read 'preference should be given to candidates from within the Undertaking so long as competent persons are available'.
34	4	8-9	for 'such appointments' read 'the appointment'.
34	4	10	after 'procedures' add 'and expect this to be rectified'.
35	5	25	for 'its provisions' read 'the requirement of the provisions'.
36	5	4	after 'made' add 'as is the practice in UPSC'.
38	8	22	for 'while at theensuring' read 'and at the same time care should be taken.'
38	8	23	for 'the industry' read 'the particular industry'.
41	11	3	delete 'some'
41	11	6—9	delete 'They desire.....to the Committee.'