

**COMMITTEE ON PUBLIC  
UNDERTAKINGS  
(1982-83)**

(SEVENTH LOK SABHA)

**SEVENTIETH REPORT**

ON

**Action taken by Government on the Recommendations  
contained in the Forty-ninth Report of the Committee  
on Public Undertakings**

ON

**PUBLIC UNDERTAKINGS—MANAGEMENT  
AND CONTROL SYSTEMS**

*Presented to Lok Sabha on*

*Laid in Rajya Sabha on*



**LOK SABHA SECRETARIAT  
NEW DELHI**

*April, 1983 (Chaitra 1905 (Saka))*

*Price : Rs. 1.85*

CORRIGENDA TO THE SEVENTIETH ACTION  
TAKEN REPORT OF CPU (7TH LOK SABHA) ON  
PUBLIC UNDERTAKINGS-MANAGEMENT & CONTROL  
SYSTEMS.

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**COMMITTEE ON PUBLIC UNDERTAKINGS  
(1982-83)**

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**Shri Madhusudan Vairale**

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3. Shrimati Gurbrinder Kaur Brar
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2. Dr. D. N. Gadhok.—*Chief Financial Committee Officer.*
3. Shri G. S. Bhasin.—*Senior Financial Committee Officer.*

**SUB-COMMITTEE ON ACTION TAKEN OF THE COMMITTEE  
ON PUBLIC UNDERTAKINGS**

**(1982-83)**

1. Shri Madhusudan Vairale—*Chairman*
2. Shri Kamaluddin Ahmed—*Convenor*
3. Shri Krishna Chandra Halder
4. Shri Lakshman Mallick
5. Shri D. K. Naikar
6. Shri Pratap Bhanu Sharma
7. Shri Satyendra Narain Sinha
8. Shri J. P. Mathur
9. Shri Syed Sibtey Razi

## INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this 70th Report on Action Taken by Government on the recommendations contained in the 49th Report of the Committee on Public Undertakings (Seventh Lok Sabha) on "Public Undertakings—Management and Control Systems."

2. The 49th Report of the Committee on Public Undertakings was presented to Lok Sabha on 30 April, 1982. Replies of Government to all the recommendations contained in the Report were received on 9 February, 1983. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings on 13 April, 1983. The Report was finally adopted by the Committee on Public Undertakings on 15 April, 1983.

3. An analysis of the Action Taken by Government on the recommendations contained in the 49th Report (1981-82) of the Committee is given in Appendix II.

New Delhi;  
April 18, 1983  
Chaitra 28, 1905 (Saka)

MADHUSUDAN VAIRALE,

*Chairman  
Committee on Public Undertakings*

## CHAPTER I

### REPORT

The Report of the Committee deals with the action taken by Government on the recommendations contained in the Forty-Ninth Report (Seventh Lok Sabha) of the Committee on Public Undertakings on "Public Undertakings—Management and Control Systems" which was presented to Lok Sabha on 30 April, 1982.

2. Action Taken replies have been received from Government in respect of all the 26 recommendations contained in the Report. These have been categorised as follows :—

- (i) Recommendations|observations that have been accepted by Government :  
Serial Nos. 1 to 15 and 17 to 26.
- (ii) Recommendation|observation in respect of which final reply of Government is still awaited :  
Serial No. 16.

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

#### *A. Amending Companies Act*

##### **Recommendation Serial No. 2 (Para 2, part II)**

3. Referring to joint ventures where not less than 51 per cent shares are held by public financial institutions either by themselves or along with Government or Government Companies, the Committee had recommended that as suggested by the Sachar Committee, Section 617 of the Companies Act should be amended to treat them as Government Companies.

4. Government have stated in their reply that the recommendations of the Sachar Committee had been considered but it was felt that at this stage it may not be advisable to make any change in the existing definition of the expression "Government Company" in Section 617 of the Companies Act, 1956. Asked why it was not considered advisable to make any change in the existing definition, Government, in their reply dated 31 March 1983, have stated that it was felt that an enlargement of the definition would bring into the purview of the Section those companies in which the public financial institutions have invested. This would enhance the number of companies coming under the Section very considerably. These companies would also be entitled to the benefits

under the MRTTP Act and other legislations as also bring them directly under the administrative control of government which may not be the intention. It has been stated that the matter would be re-examined by the Department of Company Affairs along with other recommendations of the high powered Expert Committee on companies and MRTTP Act (Sachar Committee) which are still under consideration.

5. The Committee hope that re-examination of the matter would be completed early and the decision taken reported to them.

*B. Bringing out White Papers as a periodical stock-taking*

**Recommendation Serial No. 4 (Para 4, part II)**

6. The Committee desired that as a periodical stock taking it is necessary to bring out White Papers as are brought out in U. K. They expressed the hope that as agreed to by the Finance Secretary this would be done soon.

7. Government have stated in their reply that pursuant to the commitment given by Government, the Ministry of Finance have been able to finalise a document which sets out the "Performance aims and Financial Targets of Central Government enterprises for the years 1982-83 and 1983-84" in consultation with the administrative Ministries and the public enterprises.

8. The Committee are glad to note the document, "Performance Aims and Financial Targets of Central Government Public Enterprises 1982-83 and 1983-84" brought out by the Ministry of Finance and the assurance in reply to the recommendations at Serial Nos. 5 and 21 that similar exercises would be undertaken in future also and the actual attainment of targets against performance aims and financial targets would also be published. The Committee desire that these should be placed before Parliament along with Budget papers annually.

*C. Fixation of plan targets*

**Recommendation Serial No. 5 (Para 5, part II)**

9. The Committee felt that it is essential to fix clear targets to measure the performance there against. They desired that in future plan targets, both annually and for the plan period, should be fixed for each undertaking by the administrative Ministry in consultation with the Planning Commission. These should be : (i) production in physical terms ; (ii) value added correlated to the sectoral rate of growth indicated in the Plan; (iii) capital investment; and (iv) generation of internal resources for capital investment correlated to the resources forecast of the Plan. They also desired that these targets and achievements should be clearly brought out in the Annual Reports of the undertakings with an explanation for the shortfalls.



10. Government have stated in their reply that the recommendation is accepted in principle by government for implementation to the extent feasible. The feasibility of whether the targets could be extended to cover all the items mentioned by the Committee would be examined at least in respect of the important undertakings. This will be done in consultation with the Planning Commission.

11. The Committee are glad that their recommendation has been accepted in principle by government. The Committee are anxious that these should be implemented at least in important production enterprises early. They trust that these targets and achievements with an explanation for the shortfalls would be suitably brought out in the Annual Reports of such undertakings for the information of Parliament.

*D. Integration of planning and monitoring systems*

**Recommendation Serial No. 7 (Para 7, part II)**

12. The Committee recommended that there should be a planning cell in each Ministry/Department and this cell should integrate planning and monitoring systems.

13. Government have stated in their reply that the Integrated Management Information Systems introduced in 1975 envisages that adequate organisational arrangements are made to set up suitable technical cells in the administrative ministries for monitoring and analysing the progress reports received from public enterprises.

14. The Committee note that the technical cells were envisaged for monitoring project implementation. The Committee's idea in recommending a planning cell is to integrate planning and monitoring systems. They hope that the technical cells would also handle in the Ministries concerned the project proposals in order to have an integrated system of planning and monitoring.

*E. Need for a minimum financial return*

**Recommendation Serial No. 10 (Para 10, Part II)**

15. The Committee noted that at present an economic internal rate of return of 12 per cent is adopted as criterion for clearance of project by the Planning Commission. They felt that there ought to be a minimum of financial return also. If, however, Government desired in public interest that a project or a scheme or a service should be taken up although it involves loss, a specific directive should be given to the undertaking concerned and the loss made good by subsidy. They desired that the details in this regard should be clearly brought out in the Annual Reports.

16. Government have stated in their reply that the proposal in regard to the need for working out a minimum rate of financial return

is generally acceptable to government along with the recommendation that where a public enterprise is required to take up financially non-profitable activity it should be compensated by a subsidy. The exact details of the extent to which these recommendations are feasible will be examined for the purpose of implementation.

**17. The Committee desire that these should be examined without further delay and they should be informed of the decision taken in this regard.**

*F. Delineation of areas of powers and authority*

**Recommendation Serial No. 12 (Para 12, part II).**

18. The Committee felt that as suggested by the Administrative Reforms Commission and the Sachar Committee it is necessary to clearly delineate areas of powers and authority between the public undertakings and the administrative Ministries and the former should be allowed to function in full freedom within their sphere. They desired that thereafter the guidelines issued by the BPE should be reviewed to clarify which of these ought to be regarded as mandatory and where the public undertakings have flexibility in following them.

19. Government have stated in their reply that the existing scheme of delegation of powers seeks to achieve the objective of giving maximum autonomy by demarcating the respective spheres of responsibility of Government and the enterprises. The guidelines are meant for adoption by the public enterprises with such modifications that may be required on the basis of their individual requirements. The Government, therefore, accept that public enterprises should be accorded the autonomy necessary for them to discharge their responsibilities efficiently and effectively and in this context keep the intervention of Government to the minimum. The need for reviewing the relationship between Government and public enterprises in this context, from time to time, in order to see that the principle of maximum autonomy is achieved is also unexceptional.

**20. The Committee note the assurance of Government. They would, however, await the concrete action taken in pursuance of the suggestion of the Sachar Committee to clearly delineate areas of powers and authority between the public undertakings and the administrative Ministries for the guidance of all concerned.**

*G. Machinery or safeguarding the interests of consumers*

**Recommendation Serial No. 14 (Para 14, part II).**

21. Regretting that the accountability of public undertakings to the consumers has not been recognised well and no machinery for ensuring it has been set up, the Committee recommended that suitable machinery

in this regard should be evolved to make the undertaking responsible to the consumers and responsive to their suggestions.

22. Government have stated in their reply that the normal machinery to ensure accountability viz. government, the Comptroller and Auditor General of India, Parliament and the Press should be adequate to protect the interests of consumers even in the case of those industries which operate in highly monopolistic situations. However, if in certain cases Government find it necessary to protect the interest of consumers more closely, the administrative Ministries concerned could do so in a suitable manner. They are being apprised of the need to watch for such situations and to take suitable remedial action, where necessary.

23. The Committee desire that the BPE should itself identify the enterprises, depending on their nature, where it is necessary to have institutionalised arrangement for consumer interaction having regard to the spirit of the Committee's recommendation rather than leaving this to the administrative Ministries. Thereafter the Ministries concerned should be asked to initiate action.

#### *H. Price Policy to allow reasonable return and ensure cost efficiency*

##### **Recommendation Serial No. 15 (Para 15, Part II)**

24. The Committee stressed that the price and wage policies ought to be spelt out in detail. Frequent changes in policy should be avoided. The prices administered by Government ought to allow reasonable return to the undertakings. They also recommended that there should be an independent body as in U. K. to which the major price increases could be referred, to ensure cost efficiency.

25. Government have stated in their reply that in the case of administered prices, Government policy is to adjust them in line with the economic costs. As regards setting up of an independent body on price administration, the government have stated that in view of the availability of expert bodies such as the Bureau of Industrial Costs and Prices, the Agricultural Prices Commission and Pool of Cost Accountants in the Ministry of Finance, it may not be necessary to create another independent organisation for advising Government on price matters.

26. Government's reply is silent about spelling out the price and wage policies in detail and avoiding frequent changes in policy. The Committee hope that Government have taken note of these suggestions. As regards independent examination of cost efficiency, the Committee take it that the BICP, A.P.C., Cost Accounts Wing of Ministry of Finance etc. would go into not merely verification of cost data but also ensure cost efficiency. The arrangement for the latter on these organisations should be strengthened.

### *I. Reappropriation of funds*

#### **Recommendation Serial No. 17 (Para 17, part II)**

27. The Committee recommended, *inter-alia*, that no reappropriation of funds within the powers of administrative Ministries should be allowed between public undertakings and the rest of the activities.

28. Government have stated in their reply that the existing restrictions would appear to be adequate as parliamentary approval or reports to parliament becomes necessary for appropriation or reappropriation of funds beyond the prescribed limits within a grant.

29. The Committee have noted the existing restrictions in regard to reappropriation of funds. They, however, desire that in order to keep the public undertakings as distinctly different from rest of the activities of government, the funds authorised by Parliament for them should be subject only to variation between them by the administrative Ministries concerned and not between the public undertakings and the rest of the activities.

### *J. Formation of Management Service*

#### **Recommendation Serial No. 23, (Para 23, Part II)**

30. The Committee recommended *inter-alia* that the advisability of converting the Public Enterprises Selection Board as statutory independent authority capable of going into also the service and disciplinary matters to advise Government should be considered.

31. Government have stated in their reply that at this stage Government do not consider it necessary to make the Public Enterprises Selection Board a statutory body capable of going into vigilance and service matters.

32. The Committee desire that the question of entrusting service and disciplinary matters to the Public Enterprises Selection Board should be kept under constant review for taking suitable action at the appropriate stage.

## **CHAPTER II**

### **RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT**

#### **Recommendation Serial No. 1 (Para 1, Part II)**

After independence with the advent of the planned era, the country has witnessed a vast growth of public undertakings. At the commencement of first Five Year Plan (1-4-1951) there were 5 undertakings under the Central Government and the number has increased to over 200 as on 31-3-1981. The investment has grown from Rs. 29 crores to Rs. 2,126 crores during this period. Public Undertakings being important instruments of planned development, the economic progress of the country depends considerably on their efficient functioning. Without underrating their achievements the Committee are constrained to point out that the overall financial performance has not been good in recent years. The net loss went up from Rs. 74.24 crores in 1979-80 to Rs. 182.01 crores in 1980-81. Further, as many as 33 undertakings have already wiped out their share capital base including free reserve. The cumulative losses of these undertakings were of the order of Rs. 1970.25 crores. Out of 150 undertakings under production during 1980-81 for which data were available, 42 have recorded capacity utilisation less than 50 per cent. In this context the Committee went into the management and control systems of the Public undertakings. Their examination of these aspects and their study of about 40 undertakings (including subsidiaries) during the last two years revealed that there is an urgent need to improve the management and ensure that the control systems—internal and external work well. The Committee hope that action would be taken early as indicated in this Report.

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

The need for constantly improving managerial efficiency and the working of the internal and external control systems is accepted. Government review the progress achieved in this regard from time to time and take necessary measures for further improving matters. The Management Information System introduced by the Bureau of Public Enterprises in 1975 has been circulated to the administrative ministries and the public enterprises for adoption with such modifications as may be found necessary. A few Ministries have also effected the necessary modifications in order to bring the system more in line with their own specific requirements of control. The Planning Commission has also been involved in such exercises. Recently, the Expert Committee on

Public Enterprises appointed by Government had examined in detail the control systems and factors affecting managerial efficiency in major sectors like Steel, Coal, Fertilizers, selected Engineering Units, Indian Petro Chemicals Limited, the Shipping Corporation of India and Neyveli Lignite Corporation. The recommendations made by this Committee have been considered by government and some of them have been accepted and implemented. Others, are under examination. Apart from this the managements of public enterprises are aware of the need for strengthening their internal control systems. Where necessary, government and public enterprises would take further action in this regard.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 11(10)|82-BPE (Parl.) dated 31st Jan'83]

### **Recommendation Serial No. 2 (Page 2, Part II)**

Public undertakings take the form of either statutory corporations or government companies. These are largely in the nature of government companies. Government companies as a separate class of companies were recognised for the first time in the Companies Act, 1956. Section 617 of the act defines a Government Company as one in which not less than 51 per cent of the paid up capital is held by Government(s) and it includes a company which is a subsidiary of a Government company thus defined. However, there are joint ventures where no less than 51 per cent shares are held by public financial institutions either by themselves or alongwith Government or Government Companies. Such ventures (52 as on 31-3-1980) are not regarded as Government Companies. The Committee recommend that as suggested by the Sachar Committee, Section 617 of the Companies Act should be amended to treat them as Government companies so that their Annual Report could come up before Parliament and the Committee on Public Undertakings could examine them.

### **Reply of the Government**

The recommendations of the Sachar Committee were considered by Government. It was felt that at this stage it may not be advisable to make any change in the existing definition of the expression "Government Company" in Section 617 of the Companies Act, 1956.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 11(10)|82-BPE (Parl.) dated 31st Jan'83]

### **Further information called for by the Committee**

Please explain the reasons why it was not considered advisable to make any change in the existing definition of the expression "Government Company" in Section 617 of the Companies Act, 1956.

[LSS O.M. No. 260|2-PU|82 dated February 17, 1983].

### **Further reply of Government**

The Department of Company Affairs has stated that the proposal relating to revision of the definition of government companies under Section 617 of the Companies Act was considered in the context of the recommendation made by Sachar Committee's Report in an inter-ministerial meeting held by that Department. The view taken was that it may not be advisable to make any change in the existing definition of "Government Company" under Section 617 of the Companies Act. This view was taken because it was felt that an enlargement of the definition would bring into the purview of the Section those companies in which the public financial institutions have invested. This would enhance the number of companies coming under the Section very considerably. These companies would also be entitled to the benefits under the MRTTP Act and other legislations as also bring them directly under the administrative control of Government which may not be the intention. The Department has stated that the matter would be re-examined alongwith other recommendations of the high-powered Expert Committee on Companies and MRTTP Acts (Sachar Committee) which are still under consideration.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 11  
(10) 83-BPE(Parl.) dated 31st January, 1983]

### **Comments of the Committee**

(Please See paragraph 5 of Chapter I of the Report)

### **Recommendation Serial No. 3 (Para 3, Part II)**

Public Undertakings are given a degree of autonomy financial and administrative, in order to enable them to function efficiently. This autonomy carries with it an accountability but the accountability is not for the day-to-day functioning. In order to have a proper assessment of efficiency it is necessary to make the objectives and obligation clear to the undertakings. The Committee (1972-73) have urged this. Unfortunately this has not been done yet. The general guidelines about the dividend expected of the undertakings issued by the Bureau of Public Enterprises in 1968 would not serve the purpose. The Committee urge that economic, financial and social obligations of each undertaking should be clearly spelt out.

### **Reply of the Government**

Government agree that in order to ensure autonomy and proper accountability, clarification of objectives would be required. The question whether the economic, financial and social obligations of each enterprise could or need be spelt out has been considered by government.

At the macro level government have started the objectives of public enterprises in the Industrial policy Resolution and the Plan documents. The individual public enterprise should draw their macro objectives from these macro objectives. In addition to forecasting a financial return by the public enterprises, those engaged in production are being encouraged to forecast the utilization of their installed capacity. The recent exercise in laying down the "Performance Aims and Financial Targets of Public Enterprises for the years 1982-83 and 1983-84" was a step in this direction. Government would consider other measures which are necessary and practical to improve the accountability and evaluation of public enterprises.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 11  
(10)/82-BPE(Parl.) dated 31st January, 1983]

#### **Recommendation Serial No. 4 (para 4, part II)**

The Committee understand that in U.K. the Government have reviewed the manner in which the general principles and in particular, the economic and financial principles, which were established in the nationalisation statutes have been applied in practice and presented several White Papers to Parliament. In our country a document entitled 'Public Sector Enterprises—A Memorandum' the only one of its kind was presented by the Ministry of Finance to Parliament in February, 1969. It was a report on various measures taken by Government for improving the performance of public undertakings. As a periodical stock-taking it is necessary to bring out White Papers as are brought out in U. K. The Committee hope that as agreed to by the Finance Secretary this would be done soon.

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

Government accept the need for constant monitoring and periodical stock taking of the performance of public enterprises. As a part of this exercise, the Ministry of Finance, Bureau of Public Enterprises present to Parliament every year during the Budget session the Public Enterprises Survey. This Report presents a comprehensive picture of performance of public enterprises in the areas of Production, Construction and Project Implementation, Financial Management, capacity Utilisation, Materials Management and Inventories, Management Development, wage and Compensation Policies, Export Performance, Contribution to the achievement of Social Objective etc. Pursuant to the commitment given by the Government to Committee on Public Undertakings during the oral evidence, the Ministry of Finance have been able to finalise a document which sets out the "Performance Aims and Financial Targets of Central Government enterprises for the years 1982-83 and 1983-84" in consultation with the administrative Ministries and the public enterprises.



This document would be of considerable help for the managements of public enterprises, Government and Parliament to evaluate the performance of public enterprises with reference to the targets set out for them and would meet the objective of the recommendation of Committee on Public Undertakings.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 11  
(10)|82-BPE(Parl.) dated 31st January, 1983]

### **Comments of the Committee**

(Please see paragraph 8 of Chapter I of the Report)

### **Recommendation Serial No. 5 para 5, part II)**

The Committee feel that it is essential to fix clear targets to measures the performance there against. These targets could be easily derived from the National plans. In future plan targets, both annually and for the Plan period, should be fixed for each undertaking by the administrative Ministry in consultation with the Planning Commission. These should be; (i) production in physical terms; (ii) value added correlated to the sectoral rate of growth indicated in the Plan; (iii) capital investment; and (iv) generation of internal resources for capital investment correlated to the resources forecast of the Plan. These targets and achievements should be clearly brought out in the Annual Reports of the undertakings with an explanation for the shortfalls.

### **Reply of the Government**

The recommendation of the Committee on Public Undertakings is accepted in principle by government for implementation to the extent feasible. In this context, it may be mentioned that the Bureau of Public Enterprises have already published a document on Performance Aims and Financial Targets of Public Enterprises for the years 1982-83 and 1983-84. These targets constitute mutually agreed goals in terms of physical and financial performance. Similar exercises would be taken up in the future also. Such targets would provide a basis for evaluating performance of public enterprises. The feasibility of whether the targets could be extended to cover all the items mentioned by Committee on Public Underakings viz., (i) production in physical terms, (ii) value added co-related to the sectoral rate of growth indicated in the Plan, (iii) capital investment and (iv) generation of internal resources for capital investment co-related to the resources forecast for the Plan, would be examined at least in respect of the important undertakings. This will be done in consultation with the Planning Commission.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 11  
(10)|82-BPE(Parl.) dated 31st January, 1983]

### **Comments of the Committee**

(Please see paragraph 11 of Chapter I of the Report)

### **Recommendation Serial No. 6 (Para 6, Part II)**

The capital output ratio of public undertakings is very high. According to the Planning Commission a large part of it can be attributed to unused capacity. The GDP growth rate can be increased if capital efficiency is increased. The Committee, therefore, suggest that as agreed to by the Member-Secretary, Planning Commission, there should be a critical study of the capital output ratio in each undertaking by the BPE to identify the problems and take steps to improve the efficiency.

### **Reply of the Government**

The recommendation which refers to the evidence given by the Planning Commission that in a large part the high capital output ratio is due to un-utilised capacity is accepted by government. Steps are being taken to improve utilisation of capacity. For this purpose, detailed study and necessary steps will be undertaken to ensure better utilisation of capacity, as and when required.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 11  
(10)|82-BPE (Part 1) dated 31st January, 1983]

### **Further information called for by the Committee**

Please clarify whether the proposed detailed study would also cover a critical study of the capital output ratio in each undertaking. If not, please explain the reasons.

(L.S.S. O.M. No. 260|2-PU|82 dated February 17, 1983)

### **Further reply of Government**

It may be pointed out that the recommendation of the COPU was made in the context of identifying the problems of improving efficiency of public enterprises and the steps required to remove them. To achieve the objective what may be necessary is to undertake indepth studies of the capital-output ratio and other relevant issues on a selective basis in respect of those enterprises where capacity utilisation has been low over a long period of time. It may not be necessary, therefore, to undertake such a study in respect of all enterprises.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 11  
(10)|83-BPE (Parl.) dated 14th March 1983]

### **Recommendation Serial No. 7 (Para 7, Part II)**

In view of the shortfalls in production persistent overall losses and increase in capital output ratio not to speak of infrastructure and unmatched input-output problems, it cannot be said that planning for the public undertakings and implementation of plan schemes and projects are sound of 49 major projects each costing over Rs. 20 crores commissioned for expected to be commissioned during 1974—79, 8 were delayed by more than five years. In 6 cases the cost escalation was more than 200 per cent. Similar cost and time over runs were brought out by the Committee in earlier years. The position needs tonning up. The Committee recommend that there should be a Planning Cell in each Ministry/Department and this Cell should integrate Planning and monitoring systems.

### **Reply of the Government**

The need for strengthening the project monitoring machinery to ensure that undue delays and cost over-runs do not take place, has been recognised by government. Various measures have been taken from time to time and the matter is constantly under review so that possible improvements can be effected in the monitoring system. The BPE had introduced an Integrated Management Information System for public enterprises which provide necessary data to the administrative ministries/departments of these enterprises for monitoring the progress of projects under construction as well as those under operation. This system was introduced in 1975. It envisages that adequate organisational arrangements are made to set up suitable technical cells in the administrative ministries for monitoring and analysing the progress reports received from public enterprises. Some ministries like the Department of Heavy Industry, Department of Chemicals and Fertilizers, Department of Petroleum etc. have improved on this system to suit their particular requirements. At the highest level, a Cabinet Committee has recently been constituted to monitor and ensure efficient and expeditious formulation and completion of projects of critical importance to the economy. This Cabinet Committee has been constituted under the Chairmanship of the Finance Minister *vide* Cabinet Sectt. O.M. No. 72/6/5-82 CAB dated 17-7-82. Government agreed that this is a matter of utmost importance and will consultantly review the situation so as to take suitable action to improve project implementation and would cost and time over-runs.

[Ministry of Finance, Bureau of Public Enterprises. O.M. No. 11 (10)/82 BPE (Part I) dated 31st June, 1983]

### **Comments of the Committee**

(Please see paragraph 14 of Chapter I of the Report)

### **Recommendation Serial No. 8 (Para 8, Part II)**

The major investments by public undertakings require prior approval of the Government. The proposals in this regard are scrutinised by various agencies including the BPE and the Planning Commission. There are admittedly shortcomings in the system of micro planning. A shelf of fully worked out alternative projects is not available when an investment decision is taken. The estimation of costs and benefits both economic and financial, require refinement. The Committee desire that on the basis of experience gained and the feed back on implementation obtained, revised guidelines should be issued to ensure reliable project formulation.

### **Reply of the Government**

Government are fully aware of the importance of proper preparation of feasibility reports to enable sound decision on investments and for reducing the dangers of time and cost over-runs. The guidelines for preparation of feasibility reports drawn up by the Planning Commission in 1975 have been in use by the public enterprises and their administrative ministries. These guidelines were reviewed in the context of the working of the Public Investment Board and further detailed instructions were issued vide Ministry of Finance O.M. No. F 1(18)PF/II/78 dated 23-11-78 (Please see Appendix I of 55th Report of CPU 1982-83). The Public Investment Board had constituted a Study Group to review the matter in the context of the projects of the Department of Petroleum. The report of this Group is under examination of the Public Investment Board. The PIB is also engaged in a review for improving the quality of the feasibility report so as to enable more reliable investment decisions. The recommendation of the COPU is acceptable to the Planning Commission and work in this regard will be taken up by them. Improving the quality of feasibility reports and the decision-making machinery is a constant effort and these reviews are expected to improve matters.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 11 (10)/82-BPE (Part 1) dated 31st January, 1983]

### **Recommendation Serial No. 9 (Para 9, Part II)**

There are serious delays in formulation of project proposals by the public undertakings and in clearance of project proposals by Government. The implication of the delay in decision making in terms of cost escalation and denial of timely benefit to the country is seldom realised. The Committee have drawn attention to this in their various reports. The Committee desire that as agreed to by the Member Secretary, Planning Commission, a time limit should be laid down for various processes from conception of projects to its final clearance.

### **Reply of the Government**

This recommendation concerns the speeding up of the decision-making process right from the stage of initial conception of a project to its final approval for implementation. In regard to appraisal of the project proposal for final implementation by government agencies, adequate instructions have been issued from time to time to achieve this objective. The Ministry of Finance O.M. No. F1(18)|PF-II|78, dated 23-11-78 [Please see Appendix I of 55th Report of CPU (1982-83)] reduced the time for clearance of proposals by appraising agencies to 15 days for cases covered by the Expenditure Finance Committee (for projects costing Rs. 2 to 10 crores) and one month for cases coming for clearance of Public Investment Board (projects costing Rs. 10 crores and above). Government have also issued orders that the administrative Ministries should reduce the time for submission of cases cleared by the PIB to the Cabinet from 3 months to one month from the date of its clearance by the PIB. Similarly, based on the recommendations made by COPU in its 27th report on Hindustan Teleprinters Ltd., Government have reiterated the need for expeditious processing of project proposals vide its O.M. No. F1 (3) BPE-II|82 dated 31-3-82 [Please see Appendix I of 55th Report of CPU (1982-83)] which lays down that normally not more than six months should be taken to arrive at a decision on a project proposal.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 11 (10)|82-BPE(Part 1) dated 31st January, 1983]

### **Recommendation Serial No. 10 (Para 10, Part II)**

At present an economic internal rate of return of 12 per cent is adopted as criterion for clearance of projects by the Planning Commission. The Committee feel that there ought to be a minimum of financial return also. The public undertakings ought to function on business principles. If, however, Government desires in public interest that a project or a scheme or a service should be taken up although it involves loss, a specific directive should be given to the undertaking concerned and the loss made good by subsidy. The details in this regard should be clearly brought out in the Annual Reports.

### **Reply of the Government**

The proposal of the Committee on Public Undertakings in regard to the need for working out a minimum rate of financial return is generally acceptable to government alongwith the recommendation that where a public enterprise is required to take up financially non-profitable activity it should be compensated by a subsidy. The exact details of the extent to which these recommendations are feasible will be examined for the purpose of implementation. In the mean-

time, however, the Bureau of Public Enterprises has published a document on "Performance Aims and Financial Targets for the years 1982-83 and 1983-84". This attempts to lay down financial targets worked out on a mutually agreed basis by the administrative Ministries and their enterprises.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 11 (10)/82-BPE (Part 1) dated 31st January, 1983]

### **Comments of the Committee**

(Please see paragraph 17 of Chapter I of the Report)

#### **Recommendation Serial No. 11 (Para 11, Part II)**

There is need for basic economic research on problems being faced by the public undertakings as urged by the Standing Conference of Public Enterprises. An important area is the pricing policy and its effect on the growth of the undertakings. The researches, need-based and problem-oriented, should be organised by the Planning Commission or the BPE either by themselves or through other recognised institutions in various fields.

### **Reply of the Government**

Government accept that situations might arise where there is need to undertake detailed research to evaluate the impact of government policies in various areas of public enterprise management, including pricing, in order to evolve suitable measures for improving matters. As suggested by Committee on Public Undertakings, this could be done by organisations like the Planning Commission or Bureau of Public Enterprises, as well as the Bureau of Industrial Costs and Prices.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 11 (10)/82-BPE(Part 1) dated 31st January, 1983]

#### **Recommendation Serial No. 12 (Para 12, Part II)**

The autonomy of the public undertakings is limited by government control. The government control is formally exercised through top appointments, nominee directors, prior approval to major investments and power to issue of directives etc. The administrative Ministry has inherent power to monitor and review the performance. There are other informal controls exercised. The Committee have also come across cases of needless intervention of administrative Ministry in matters that are clearly within the autonomous jurisdiction of public undertakings. The Standing Conference of Public Enterprises have urged before them that there should be no such interference. The Committee agree with this. As suggested by the

administrative Reform Commission and the Sachar Committee it is necessary to clearly delineate areas of powers and authority between the public undertakings and the administrative Ministries and the former should be allowed to function in full freedom within their sphere. Thereafter the guidelines issued by the BPE should be reviewed to clarify which of these ought to be regarded as mandatory and where the public undertakings have flexibility in following them.

### **Reply of the Government**

The principle that public enterprises should be given maximum autonomy commensurate with the responsibilities entrusted to them has been accepted by Government. The existing scheme of delegation of powers, both financial and administrative, seeks to achieve this objective by demarketing the respective spheres of responsibility of Government and the enterprises. In addition, however, Government are required to issue certain guidelines on important policy matters as in these areas certain degree of rationality would be necessary. These guidelines are meant for adoption by the public enterprises with such modifications that may be required on the basis of their individual requirements. The Government, therefore, accept that public enterprises should be accorded the autonomy necessary for them to discharge their responsibilities efficiently and effectively and in this context keep the intervention of Government to the minimum. The need for reviewing the relationship between Government and public enterprises in this context, from time to time, in order to see that the principle of maximum autonomy is achieved is also unexceptional.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 11(10)/82-BPE (Parl.) dated 31st January, 1983]

### **Comments of the Committee**

(Please see paragraph 20 of Chapter I of the Report)

### **Recommendation Serial No. 13 (Para 13, Part II)**

The most important ownership function which the ministries ought to exercise is the monitoring and review of the performance of public undertakings. In exercising the crucial function the ministries have not by and large, acquitted themselves creditably. The Committee examined the position earlier for the three years period 1977—80. Their examination revealed that although there should have been quarterly reviews, 92 undertakings in 1977-78, 61 in 1978-79 and 46 in 1979-80 did not at all come up for review by their Ministries. Herein lies the lack of accountability of undertakings, which is allowed to thrive. The Committee have dealt with this

lapse in a number of reports presented during the past two years. The Committee trust that in future the Ministries would discharge this responsibility diligently

### **Reply of the Government**

The importance of Ministries reviewing the performance of their enterprises periodically has been emphasised from time to time. The Management Information System which was designed for this purpose by the Bureau of Public Enterprises in 1975 envisaged such review meetings every quarter with the help of the information generated in the reports submitted by the public enterprises under the scheme. Further, instructions were issued in August, 1980, wherein it was emphasised that the system of holding quarterly performance review meetings with the Chief Executives of public enterprises should be made a regular feature in all the Ministries/Departments. A copy of this Ministry's O. M. No. BPE/GL/005/PA/Gen/1/80/Prod. dated 8-8-1980 in this regard is enclosed (Appendix I). These instructions have reiterated by the Bureau of Public Enterprises in February 1982 in the context of the year being declared as "Productivity Year". The inclusion of the need for improving the efficiency of public enterprises as one of the items in the new 20-Point Economic Programme has also been referred to in this context in order to give greater significance to performance review meetings. As a result of these efforts, the system of holding such periodical performance review meetings has become an integral part of the monitoring mechanism in the ministries/departments.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 11(10)/82-BPE (Parl.) dated 31st January, 1983]

### **Recommendation Serial No. 14 (para 14, part II)**

The Committee regret that the accountability of public undertakings to the consumers has not been recognised well and no machinery for ensuring it has been set up. In this connection the Committee learn that in U.K. the Minister responsible for each nationalised industry is required by statute to take steps to see that the interests of the industry's consumers are protected. This is usually done by setting up representative consumer's councils or consultative committee to consider complaints and suggestions made to them and to advise the board or the Minister of the changes that they think desirable. In India in some cases of statutory corporations the relevant Acts provide for advisory bodies. These have, however, not been set up. The Committee dealt with these in the Reports of Food Corporation of India and Damodar Valley Corporation. The Committee recommend that suitable machinery in this regard should be evolved to make the undertaking responsible to the consumers and responsive to their suggestions.



### **Reply of the Government**

The recommendation that the consumer's interests should be fully protected is well taken. The public enterprises, in fact, are instruments of government to serve the national interest. As such, their accountability is watched by government, the Comptroller and Auditor General, Parliament and the press.

The comparison with the British practice may not be quite appropriate. The number of public enterprises in this country is much larger than in UK. They also operate in a much wider range of industries than there.

In such a situation it should be taken that any industry where public enterprises are in competition with private enterprises or imports, the market forces together with the normal machinery to ensure accountability would be adequate to protect the interests of consumers. In the case of those industries which operate in highly monopolistic situations also, the normal accountability machinery should be adequate. However, if in certain cases government find it necessary to protect the interests of consumers more closely, the administrative ministries concerned could do so in a suitable manner. They are being apprised of the need to watch for such situations and to take suitable remedial action, where necessary.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 11(10)/82-BPE (Parl.) dated 31st January, 1983]

### **Comments of the Committee**

(Please see paragraph 23 of Chapter I of the Report)

#### **Recommendation Serial No. 15 (para 15, part II)**

About 70 per cent of the products (value-wise) manufactured by public undertakings are subject to prices administered by Government, formally or informally. Profit depend on pricing policies and costs. The guidelines issued by the Bureau of Public Enterprises in 1968 are too general. The price and wage policies ought to be spelt out in detail. Frequent changes in policy should be avoided. The prices administered by Government ought to allow reasonable return to the undertakings having regard to the need to avoid needless budgetary support to them and the need to generate internal resources as according to the Member-Secretary, Planning Commission, tax ratio (to GDP) in the country which is already high cannot be raised much further. For socio-economic reasons if the price is pegged at an unremunerative level direct subsidy to the undertakings would be justified. The Committee recommend that there should be an independent body as in U.K. to which the major price increases could be referred, to ensure cost efficiency.

### **Reply of the Government**

Government have accepted the need to give to the producer a remunerative price where price is under any type of control either for mal or informal. In the case of administered prices, therefore, Government's policy is to adjust them in line with the economic costs. As regards setting up of an independent body to advise Government on price administration, it may be mentioned that there are at present expert organisations like the Bureau of Industrial Costs and Prices and the Agricultural Prices Commission to advise Government on price matters. There is also an expert pool of Cost Accountants in the Ministry of Finance to undertake special cost studies, where required. In view of the availability of these expert bodies, it may not be necessary to create another independent organisation for advising Government in price matters as recommended by the Committee on Public Undertakings.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 11(10)/82-BPE(Parl.) dated 31st January, 1983]

### **Comments of the Committee**

(Please see paragraph 26 of Chapter I of the Report)

#### **Recommendation Serial No. 17 (para 17, part II)**

The Committee feel that no reappropriation of funds within the powers of administrative Ministries should be allowed between public undertakings and the rest of the activities. The Committee further recommend that there should be consolidated statement bringing out the utilisation of funds voted in relation to the public undertakings and this statement should be annexed to the Appropriation Accounts. As agreed by the Finance Secretary, this should be done in consultation with the Comptroller and Auditor General of India.

### **Reply of the Government**

The recommendation of the Committee on Public Undertakings to the effect that no reappropriation of funds should be allowed to the administrative ministries in respect of allocations for public enterprises and the ministries other activities has been examined. As explained to the Committee on Public Undertakings during the oral evidence given by Ministry of Finance in February 1981 the reappropriation of funds provided for public undertakings in the budget is regulated by Rule 10 of the Delegations of Financial Powers Rules (1978), as amended from time to time. The existing restrictions incorporated in these rules would appear to be adequate as parliamentary approval or reports to Parliament becomes necessary for appropriation or reappropriation of funds beyond the prescribed limits within a grant.

The second part of the recommendation relates to the presentation of a consolidated statement bringing out the utilization of funds

voted in relation to public enterprises alongwith the Appropriation Accounts. Government accept this recommendation and the form in which the consolidated statements is to be annexed to the civil Appropriation Accounts in respect of loan and capital investments made in public enterprises has been finalised in consultation with the Comptroller and Auditor General. It is proposed to incorporate the statement in the accounts for 1983-84 and onwards after obtaining the approval of the Hon'ble Committee on Public Undertakings.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 11(10)|  
82-BPE(Parl.) dated 31st January 1983]

### **Comments of the Committee**

(Please see paragraph 29 of Chapter I of the Report)

### **Recommendation Serial No. 18 (para 18, part II)**

There have been serious delays in presentation of Annual Accounts and Reports of public undertakings to Parliament. The Lok Sabha Committee on papers laid in their reports (1975-76) had recommended that the Accounts and Reports should be laid within 9 months of the close of the year which those related. Yet as per the C&AG's Report (1981) accounts of 27 Government Companies for the year 1979-80 have not been received by him even by February, 1981 and as per the Public Enterprises Survey, 67 undertakings could not finalise their accounts for 1980-81 and get them audited by the perscribed date, viz., 30 September, 1981. These reflect the failures of the relevant Boards of the public undertakings. It is the responsibility of the administrative Ministries to ensure timely submission of the Accounts and Reports to Parliament. There should be no delay in future.

### **Reply of the Government**

The recommendation of the Committee on Public Undertakings has been noted and reiterated to all administrative ministries. The Bureau of Public Enterprises has been advising the administrative ministries vide their O.M. dated 8-6-76, 30-4-77 and 22-9-77 as well as by demi-official reminders at the time of preparation of the Bureau of Public Enterprises's Annual Public Enterprises Survey that the accounts should be completed within the statutory time limit. As a result of these efforts, there has been considerable improvement. It is hoped that further improvement will be achieved and delays would be avoided.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 11(10)|  
82-BPE(Parl.) dated 31st January 1983]

### **Recommendation Serial No. 19 (para 19, part II)**

The C&AG's Report (Commercial) is presented in several parts in addition to his comments on the accounts published in the Annual Reports of the undertakings. These should be some automatic follow up action on these by the Ministries. These should be reviewed for suitable action at the periodical performance review meetings and at the time of review of the working before laying the Annual Reports before Parliament.

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

Government accept this recommendation. The administrative Ministries have been advised to take note of the recommendation while conducting the periodical performance review meetings and before laying the annual reports of the Ministries before parliament.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 11(10)|  
82-BPE(Parl.) dated 31st January 1983]

### **Recommendation Serial No. 20 (para 20, part II)**

The BPE was set up in 1965 on the basis of the recommendations of the Estimates Committee (1963-64). That Committee had warned that it should be ensured that the agency suggested by them did not become unwidely and further cog in the wheel. The Committee on Public Undertakings (1973-74) had taken exemption to the expenditure incurred by the 'top heavy' Bureau and suggested that it should be made compact. The Administrative Reforms Commission envisaged its role to be one that would keep the machinery of the public undertakings in trim and enable its efficiency to be assessed and kept. There is a feeling that BPE is exercising control functions that rightly belong to the administrative Ministries. It is time that an assessment of the working of the Bureau is made independently, say, by Planning Commission. On the basis of this assessment the Bureau should be streamlined as an effective monitoring and consultancy agency to help "on-course correction" of deficiencies in public undertakings.

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

An independent study of the role, functions, status, location etc. of the Bureau of Public Enterprises was recently completed by the Expert Committee on Public Enterprises headed by Member (Industry) Planning Commission. The Committee has made various recommendations to enable Bureau of Public Enterprises play a more effective role as a monitoring and consultancy agency for the public enterprises. The Expert Committee on Public Enterprises has also made same recommendations in regard to the status and location of

the Bureau of Public Enterprises. These recommendations are now under consideration of the Government. The Government would on the basis of the recommendations of the Expert Committee on Public Enterprises and other material available to it decide on the measures necessary to make the Bureau of Public Enterprises a more effective organisation and also to accord to it the status required to enable it to discharge its responsibilities adequately.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 11(10)|  
82-BPE(Parl.) dated 31st January 1983]

### **Recommendation Serial No. 21 (para 21, part II)**

The Committee find that the Public Enterprises Survey of the Bureau does not bring out the nexus between the Plans and the Public Undertakings and highlight the shortfalls in achieving Plan targets. Further, no reliable interfirm comparison national and international is attempted. The Committee have earlier given a number of suggestions to improve the quality of this survey. The Committee hope that necessary improvements will be made early.

### **Reply of the Government**

Information relating to the plan targets and achievements against these is presented through the performance budgets of public enterprises. These are incorporated in the Performance Budgets of the Ministries which are presented to the Parliament annually. In addition, the Bureau recently brought out a compilation entitled "Performance Aims and Financial Targets of Central Government Public Enterprises". These are expected to meet the requirements of the situation since the actual attainment of targets against performance aims and financial targets would also be published.

There are difficulties in making inter-firm comparisons between enterprises operating nationally or internationally, in the absence of reliable data for comparisons of costs of production, capacity utilisation, manpower requirements, etc. The comparability of data is also affected by the extent of automation, choice of technology and the general industrial atmosphere in a region or industry. However, when indepth studies are undertaken such comparisons are attempted through special efforts.

The suggestions made by the Committee on Public Undertakings from time to time towards improvement of the contents of the Public Enterprises Survey have been implemented by the Bureau to the extent feasible. It would thus be seen that the Management Accounting ratios in respect of each enterprise appear in the Survey for the year 1980-81. These would continue to appear hereafter. The coverage of the Survey now extends to Industrial Development Bank

and other financial institutions suggested by Committee on Public Undertakings. Other suggestions regarding coverage and improving the quality of the Survey are also taken note of for effecting whatever improvement is possible.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 82-BPE(Parl.) dated 31st January 1983]

### **Recommendation Serial No. 22 (para 22, part II)**

The BPE is at present an independent wing of the Department of Expenditure of the Ministry of Finance. Having regard to the nature of its functions the Committee suggest that after an independent assessment of its functions and making such improvements as are needed the desirabilities of making it a separate department of the Ministry of Finance may be considered.

### **Reply of the Government**

An independent study of the role, functions, status, location etc. of the BPE was recently completed by the Expert Committee on Public Enterprises, headed by Member (Industry) Planning Commission. The Committee has made various recommendations to enable BPE to play a more effective role as a monitoring and consultancy agency for the public enterprises. The Expert Committee on Public Enterprises has also made some recommendations in regard to the status and location of the Bureau of Public Enterprises. These recommendations are now under consideration of the Government. The Government would on the basis of the recommendations of the Expert Committee on Public Enterprises and other material available to it decide on the measures necessary to make the Bureau of Public Enterprises a more effective organisation and also to accord to it the status required to enable it to discharge its responsibilities adequately.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 11(10)| 82-BPE(Parl.) dated 31st January 1983]

### **Recommendation Serial No. 23 (para 23, part II)**

The success of public undertakings depends to a large extent on the quality of its managerial personnel. The Board level appointments are made by the Government on the advice of the Public Enterprises Selection Board. As promised by the DG, Bureau of Public Enterprises, the desirability of forming an All India Management Service for the top posts within the purview of Government should be examined. Further, the advisability of converting the Public Enterprises Selection Board as statutory independent authority capable of going into also the service and disciplinary matters to advise Government should be considered a national academy should be created to re-

orient the top-level executives to meet the challenges of running the public undertakings efficiently. Frequent changes of Chief Executives should be avoided and there should be minimum tenure of 5 years subject of course to satisfactory performance.

### **Reply of the Government**

The recommendation suggests the examination of the desirability of creating a management cadre, the feasibility of converting the Public Enterprises Selection Board into a statutory, independent body; the establishment of a national academy for top level executives and the avoidance of frequent changes in Chief Executives.

The formation of a managerial cadre has been discussed off and on. There was also the precedent of the Industrial Management Pool which the Government set up in 1957. The present proposal of the Committee on Public Undertakings restricts itself to the creation of such a managerial cadre for top posts within the purview of Government. These are the posts of chief executive and full time Directors on the Board. By virtue of the fact that these appointments are even now the prerogative of Government it could be considered that a managerial cadre is in existence *de facto* though not having the conventional requirements of such a cadre. The need for creating a formal managerial cadre for top posts in public enterprises is a matter which Government could take up for examination, if and when necessary.

At this stage Government do not consider it necessary to make the Public Enterprises Selection Board a statutory body capable of going into vigilance and service matters. The Boards present responsibility is to advise Government on the selections for top posts and to oversee the management development efforts and organisational structure of public enterprises for the discharge of these responsibilities. It may not be necessary to empower the board with statutory authority covering disciplinary matters.

The recommendation that a National Academy may be established for top executives is also a proposal which Government are willing to examine further. In this context it may be mentioned that the Bureau of Public Enterprises have initiated steps to organise an Advanced Management Programme for top level executives of Public enterprises in May 1983. An Advisory Committee comprising the Chairman and members of the Public Enterprises Selection Board, some Secretaries to Government and chief executives has been formed to guide this programme. This Committee has also been requested to consider the feasibility and desirability of setting up a National Academy.

Government agrees that frequent changes of chief executives should be avoided.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 11(10)/82-BPE(Pari) dated 31st Jan '83]

### **Comments of the Committee**

(Please see paragraph 32 of Chapter I of the Report)

### **Recommendation, Serial No. 24 (para 24, part II)**

The appointments below board level are made by the public undertakings themselves. The Committee regret that 13 undertakings have not drawn up recruitment, promotion, discipline and other service condition rules. Not all undertakings have a system of recruiting management trainees. Only 40 undertakings have in-house training facilities and in most cases these cater to mainly junior levels. As regards criterion for promotion, 14 undertakings take into account merit alone, 2 go by seniority alone and a majority of undertakings follow the principle of seniority-cum-merit. The basis for assessment of merit varies from undertaking to undertaking. According to a non-official witness the public sector culture in India followed the familiar family-owned private sector culture and was not professional enough. The need according to him was to inculcate 'a merit based and result-oriented management culture'. He favoured interchange of personnel between Ministries and the public sector service. The Committee consider that the present position calls for a critical review taking into account these suggestions to evolve an effective personnel policy.

### **Reply of the Government**

The need for making the public enterprise management cadre "Merit based" and "Result-oriented" is accepted by Government. Various steps have been taken to achieve this objective and the progress is being monitored to initiate further action that may be necessary. In this context, mention may be made of the Model Recruitment Rules already circulated by the B.P.E. to the Public Enterprises for adoption. The Bureau of Public Enterprises has also urged upon the public enterprises the need for strengthening selection procedures by adoption of modern scientific techniques including psychometric tests etc. The need for reliable appraisal systems and suitable training and development programmes have already been brought to the notice of these enterprises. It is agreed that the public enterprises should be able to attract a larger number of the brighter students passing out of the premier management training and



technological institutions. The matter was recently considered and the Bureau of Public Enterprises is consulting the public enterprises for evolving a suitable scheme which would ensure that more of the best talents coming out of these institutes are attracted to the public sector. The mobility of managers of public enterprises has been encouraged through appropriate schemes. Quite a few of the managers in the public enterprises are also enabled to work in Government organisations dealing with public enterprises, on deputation basis, by the formulation of suitable recruitment rules.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 11(10)/82-BPE(Parl) dated 31st Jan '83]

### **Recommendation, Serial No. 25 (Para 25, Part II)**

The salary structure is an important determinant of attracting talent and retaining it in the public undertakings. The Committee have referred to the problem of brain drain owing to unattractive service conditions in a few Reports recently. It appears that the salary structure of public sector executives is linked to that of government servants. The Committee after hearing the views of officials and non-officials have come to the conclusion that the salary structure of middle and top level executives of public undertakings and officers of government requires an upward revision. Of late there has been a serious erosion of post-tax real income of the senior officers and executives. The present salary structure is clearly unjustified. The Committee hope that their salary structure and service conditions would be improved commensurate with their responsibilities and needs.

### **Reply of the Government**

Government recognises the need to maintain compensation levels in the public sector on a basis that would ensure the availability of the required talents to run the enterprises. However, any policy of monetary compensation in the public sector has to be seen in its overall context in relation not only to what is being paid in some of the private enterprises or the government sector, but also with reference to the general economic conditions of the country. Within this framework, the Boards of public enterprises have been empowered to decide on the remuneration levels of managers so as to attract suitable talents and retain them in their employ. Enterprises have also been empowered to revise their pay scales from time to time to take into account developments arising out of increase in cost of living etc. The public enterprises accordingly review the compensation levels periodically to achieve the objective of providing suitable monetary motivation to their employees. In this connection, mention may be made of the recent decision of Government to revise the salary structure of those holding top, Board level posts in public enterprises. As per the

decision taken vide this Ministry's O.M. of 11-8-82 (Appendix I), the top three salary scales (Schedule 'A', 'B' and 'C') were revised upward by Rs. 1000 and the next (Schedule 'D') by Rs. 750. While revising pay structures the differentials are also to be kept in mind.

(Ministry of Finance, Bureau of Public Enterprises, O.M. NO. 11(10)82-BPE(Parl) dated 31st Jan, 83).

### **Recommendation Serial No. 26 (Para 26, Part II)**

There are nearly 2 million employees in the public undertakings under the Central Government. The public undertakings aim at being model employers in providing for the welfare of their employees and their families. In this context the Committee suggest that BPE may consider issue of suitable guidelines to the public undertakings on the following :

- (i) Having regard to the persisting high incidence of tuberculosis in the country there ought to be screening of all the employees and the members of their families with a view to detecting signs of tuberculosis and ensuring treatment and care.
- (ii) There is good deal of Preventive blindness in the country due to the nutritional deficiencies, disease cataract. The public undertakings could organise intensive programme of examining the eyes of their employees and their family members and undertaking curative treatment including surgical treatment for cataract etc., wherever needed so as to cover all persons within a year.
- (iii) There is a need for extending welfare measures of the public undertakings for the improvement of health and nutrition for children of their employees. There ought to be annual health check-up of the school going children and if possible supplementary nutrition should be provided to the young ones in the form of mid-day meals at the schools run by the public undertakings.

### **REPLY OF THE GOVERNMENT**

The recommendation to safeguard the health of employees of public sector and their immediate family members is a laudable one which is acceptable to Government. The public enterprises no doubt are aware of their responsibilities in this regard. The recommendations of Committee on Public Undertakings will be brought to the notice of the public enterprises for their guidance.

(Ministry of Finance, Bureau of Public Enterprises, O.M. 11(10)82-BPE(Parl) dated 31st Jan, 83).

### **CHAPTER III**

#### **RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES**

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NIL

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## **CHAPTER IV**

### **RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE**

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NIL

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## **CHAPTER V**

### **RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED**

#### **Recommendation Serial No. 16 (Para 16, Part III)**

The budgets of public undertakings as such do not come up before Parliament for prior approval. But the Union Budget include proposals for financing of public undertakings either through loans or share capital contribution. Although the Explanatory Memorandum on the Budget shows the estimates of capital and loan disbursements to all public undertakings the details of the proposals lay scattered in the Budget documents under various Ministries. The Committee recommend that an additional document entitled 'Budget in relation to Public Undertakings' should be brought out collecting all the details together which would help Parliament to have a total view and facilitate meaningful discussion.

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

The Government is actively examining the various aspects involved in the implementation of the recommendation and the decision taken will be intimated to the Committee in the course.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 11(10)/82-BPE (Parl.) dated 31st Jan., 83]

NEW DELHI;

April 18, 1983

*Chaitra 28, 1905 (Saka)*

**MADHUSUDAN VAIRALE,**

*Chairman,*

Committee on Public Undertakings

## APPENDIX 1

(Vide reply to recommendation at Sl. No. 13 of Chapter II)

Copy of O.M. No. BPE/GL-005/PA/GENL/1/80-Prod. dated 4th/8th August, 1980 from Ministry of Finance (Bureau of Public Enterprises) to the administrative Ministries/Departments of Government of India.

Sub: Performance Review of Central Government Public Enterprises.

An early assessment of the performance of Central Government Public Enterprises for the whole year 1979-80 shows that the overall result of net loss incurred by Public enterprises as a group continued for the third successive year after the overall net profit in 1976-77. The profitability ratio (gross profit per cent capital employed) has deteriorated from 9.44 per cent in 1976-77 to an estimated figures of 6.58 per cent in 1979-80, despite steady increase in sales turnover over the years. The assessment of the physical performance of the public enterprises during 1979-80 indicates several pockets of low production and under-utilisation of capacity in many industries.

2. The deteriorating levels of performance of public enterprises both in financial and physical levels underline the need for intensifying measures already taken so that the performance levels improve in the year 1980-81. In this background, it is considered that the following measures would help in taking timely corrective action:

- (a) as one of the measures for ensuring a greater vigilance on the financial performance of the enterprises in the year 1980-81, a system of monthly reporting of profit and loss position by the public enterprises to the administrative Ministries/BPE should be instituted as an integral part of the Reporting System of Public Enterprises to Government.
- (b) the system of holding quarterly performance review meetings by the administrative Ministries with the Chief Executives of Public Enterprises already installed in many of the Ministries/Departments should be made a regular feature in all the Ministries/Departments. In such review meetings attended by representatives of Planning Commission and BPE among others, any managerial defi-

ciencies|lacunae which come to light might be brought to the attention of the Cabinet Committee on Economic Affairs for their information and directions; and

- (c) if in such review meetings any specific measures requiring inter-ministerial coordination at the Cabinet level are identified these may be brought up for consideration of the Cabinet Committee on Economic Affairs for directions.

3. Ministry of Industry etc. are kindly requested to take note of the above decisions for taking appropriate action immediately.

(Vide reply to recommendation at Sl. No. 25 of Chapter II)

Copy of O.M. No. 4(12)|82-BPE(WC) dated 11th August, 1982 from Ministry of Finance (Bureau of Public Enterprises) to all the administrative Ministries|Departments.

Subject : Top posts in Public Enterprises-Revision in scales of pay of Scheduled posts.

On acceptance of the Recommendations made by the Committee on Top Posts, the Public Enterprises were classified by the Government in 1965 into four Schedules. The four Schedules carried the following salary scales for the incumbents of the top posts:—

- (i) For Schedule 'A' Rs. 3500—125—4000.
- (ii) For Schedule 'B' Rs. 3000—125—3500.
- (iii) For Schedule 'C' Rs. 2500—100—3000.
- (iv) For Schedule 'D' Rs. 2000—100—2500.

The salary scale of Schedule 'D' post, referred to above, was revised by the Government in May, 1975 to Rs. 2250—100—2750.

2. Having regard to all the relevant factors on the subject and the need to rationalise the emolument structure of the incumbents of the Top Posts, the following decisions have been taken by the Government.

- (i) The scales of pay attached to the Scheduled Posts would be as under :—

		Existing	Revised
Schedule	'A'	Rs. 3500-125-4000	Rs. 4500-125-5000
Schedule	'B'	Rs. 3000-125-3500	Rs. 4000-125-4500
Schedule	'C'	Rs. 2500-100-3000	Rs. 3500-100-4000
Schedule	'D'	Rs. 2250-100-2750	Rs. 3000-100-3700

- (ii) The DA admissible to the incumbents of the Schedule Posts in the revised pay scales, referred to in sub-para (i) above would be Rs. 477 linked to AICPI 459 (1960=100, Simla Series published by the Labour Bureau). The quantum of Dearness allowance would be increased or decreased by Rs. 1.30 per point shift in AICPI 1960=100 Series above or below AICPI 459. Periodicity of adjustment of dearness allowance would be on six monthly basis, i.e. on 1st of July and 1st January, every year, taking the six monthly average of the AICPI for periods ranging from October-March and April-September respectively.
- (iii) The existing incumbents of the Scheduled Posts have the option to retain their existing pay scales and the dearness allowance presently admissible thereon so long as they continue in the same post or to opt the revised pay scales and dearness allowance as set out in sub-para (i) and (ii) above.
- (iv) In the case of Scheduled post holders, who are at present drawing Central Government rates of DA and who elect to retain the existing pay scale and DA as mentioned in sub-para (i) above the entitlement of DA would be governed as per the orders issued by the Department of Expenditure *vide* O.M. dated 23rd March, 1982. The one time *ad hoc* dearness allowance sanctioned *vide* the Department of Expenditure O.M. dated 26-3-1982 would not be admissible to them.
- (v) All fresh appointments to the top posts hereafter would be made in the revised pay scales and the dearness allowance as mentioned in sub-paras (i) and (ii) above respectively.

4. The revised scales of pay as indicated above would come into effect from 1st of August, 1982.

5. Ministry of Industry, Petroleum, Chemicals and Fertilizers, Steel and Mines, etc. are requested to take appropriate necessary action on the lines indicated above.



## APPENDIX II

(*Vide* Para 3 of Introduction)

Analysis of action taken by Government on the recommendations contained  
in the Forty-ninth Report of the Committee on Public Undertakings  
(Seventh Lok Sabha)

I.	Total number of recommendations made . . . . .	26
II.	Recommendations that have been accepted by the Government ( <i>Vide</i> recommendations at S. Nos. 1 to 15, and 17 to 26) . . . . .	25
	Percentage to total . . . . .	96.2%
III.	Recommendations which the Committee do not desire to pursue in view of Government's reply . . . . .	NIL
	Percentage to total . . . . .	NIL
IV.	Recommendations in respect of which replies of Government have not been accepted by the Committee . . . . .	NIL
	Percentage to total . . . . .	NIL
V.	Recommendation in respect of which final reply of Government is still awaited ( <i>Vide</i> recommendation at S. No. 16) . . . . .	1
	Percentage to total . . . . .	3.8%