EXPENDITURE REFORMS COMMISSION

FIFTH REPORT

7TH MARCH, 2001

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

NEW DELHI

सत्यमेव जयते

भारत सरकार
वित्त मंत्रालय
व्यय सुधार आयोग
GOVERNMENT OF INDIA
MINISTRY OF FINANC
EXPENDITURE REFORMS COMMISSION

नई दिल्ली /New Delhi, the 7th March,2001

PREFACE

This is the Fifth Report of the Expenditure Reforms Commission and covers:

Part I ... Department of Posts

Part II ... Department of Supply and

Part III ... Autonomous Institutions

Shri S.C. Mahalik, former Secretary, Department of Posts, Shri R.P.Singhal, former Director General, DGS&D and ex-officio Secretary, Department of Supply, and Shri S.Krishnan, IA&AS (Retired) former Member (Finance) and Additional Secretary, Department of Posts functioned as the Commission's advisors and assisted in the formulation of the suggestions relating to the Department of Posts, Department of Supply and Autonomous Institutions respectively. The Commission wishes to place on record their sincere appreciation for the support extended by them.

(V.S. Jafa)
Member

(Kirit Parikh)
Member

(C.M.Vasudev)
Ex-officio Member

(K.P. Geethakrishnan)
Chairman

PART I

RATIONALISATION OF THE FUNCTIONS, ACTIVITIES AND STRUCTURE OF THE DEPARTMENT OF POSTS

RATIONALISATION OF THE FUNCTIONS, ACTIVITIES AND STRUCTURE OF THE DEPARTMENT OF POSTS

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DEPARTMENT OF POSTS

EXECUTIVE SUMMARY

1. History and Present Profile

1.1. Established in 1854, the Postal Department is one of the oldest departmentally-run public sector undertakings of the Government of India. Its legislative basis is the Indian Post Office Act, 1898.

1.2. While there were 23, 344 post offices at the time of Independence, the number of post offices as on 31.3.1999 was 1,54,149, of which 1,37,847 were in rural areas. During 1998-99, the Department of Posts handled 1576.64 crore articles including 26.82 crore registered articles. It also handled 10.91 crores of money orders amounting to Rs. 4829.86 crore.

1.3. The Department of Posts operates the Savings Bank on behalf of the Ministry of Finance. The cumulative outstanding balance of 11.09 crore accounts in all forms of National Savings as on 31.3.1999 was Rs.1,55,295 crore. It also operates Postal Life Insurance, which has 30.67 lakh policies with an aggregate assured sum of Rs.10,037.13 crore.

1.4. As on 31.3.1999, the department had 2,92,672 full-time regular employees and 3,09,915 part-time extra-departmental agents, employed in rural branch post offices.

1.5. The department is headed by a Secretary who is also the Chairman of the Postal Service Board and also the Director-General of Postal Services. There are 19 postal circles each headed by a Chief Postmaster-General.

2. Financial Basis of the Post

2.1 Postal Service, which was a part of the undivided Post & Telegraph Department prior to 1.1.1985, was cross-subsidized from the surpluses of the Telegraph Wing. After separation of the Postal Service as a separate department, the subsidy comes from the general budget of the central government. The subsidy from the general budget increased by 1632.8% from 1992-93 to 1998-99.

3. Post's External Environment: Legal and Structural Issues

3.1 The de jure legal monopoly of the department, which still continues, has been eroded on the ground by a large number of private courier services who have taken away a good proportion of the high revenue-yielding traffic from the state owned monopoly operator i.e. the Post.

3.2 The Post Office Act, 1898, needs to be totally overhauled by providing a legal basis to the privately operated couriers and withdrawing the legal protection of monopoly over letter services to the Post.

3.3 The department continues to own and operate a large number of ancillary logistic services even though outsourcing these would be a cheaper alternative.

3.4 Physical transmission of written message is getting outdated because of new means of electronic mail. The future of the department depends upon its ability to adopt new technology.

3.5 A large number of postal organisations world over have been corporatised. While there is a strong case for India Post to be corporatised, to start with, the premium services of the Post should first be corporatised. The present Postal Services Board should be strengthened by the addition of a full time Finance Member and should have statutory status and enhanced administrative and financial powers.

4. Additional Resource Mobilisation

4.1 On the analogy of reforms in the electricity and telecommunications sector, determination of postal tariffs needs to be distanced from the government. While three different models could be thought of in this regard, there is an urgent need for setting up a commission to advise, within six months, on the further upward revision of tariff.

4.2 Tariff deciding powers should be transferred from legislative control to executive control.

4.3 The Department of Posts owns 5189 office buildings and about 1900 vacant plots of land. The department should consciously exploit its land and building through BOOT or BOOL and earn a revenue of about Rs.10 crore per annum.

4.4 A number of premium services like Speed Post, Satellite Post, Business Post, e-commerce need to be exploited to their full business potential. This process could yield substantial additional revenues. These premium services should be corporatised to facilitate private sector participation, which could bring in capital and technology.

4.5 Remuneration for operating savings bank and other savings schemes needs to be refixed to reflect correctly and fully the proportion of expenditure incurred on providing these services, after building in improved operational efficiency norms. The feasibility of assigning a greater role to the Department of Posts in these programmes needs to be explored.

4.6 The Post should exploit its wide network and points of presence to retail the products and services of banks, insurance companies and mutual fund companies. This could have substantial revenue earning potential.

5. Expenditure Compression

5.1 The commission referred to earlier in para 4.1 should also advise on the new work norms to be adopted for the various activities, and pending introduction of these new norms, there should be a total freeze on filling up of vacant posts and on fresh recruitment.

5.2 The departmentally-owned-and-operated Mail Motor Service had an expenditure of Rs.37.9 crore in 1998-99. It spent Rs.16.13 per kilometer, which, compared to private transporter's costs, is high. This service should be abolished at stations where the fleet strength is less than 10. At other stations, it should be continued as profit centres but abolished if the rate per kilometre is not competitive in the market.

5.3 The Civil Construction Wing of the department comprising 23 civil and 6 electrical divisions spent Rs.48.72 crore in 1998-99. Since this was a common service for both the Department of Posts and the Department of Telecommunications, a Civil Wing for only the Department of Posts after the corporatisation of DOT is not viable. The works can be entrusted to other construction agencies in the public and private sector.

5.4 A large accounts organisation comprising about 7900 officers and staff is no longer essential with large scale computerisation and automatic data accounting systems introduced in postal operations. Much of this work can be entrusted to accountants working in Postal Operative Offices. Only a small accounts organisation may continue to perform the work according to the Central Government Accounting Codes.

5.5 A large number of housekeeping functions like that of chowkidars, farash, waterman, sweepers and gardeners should be outsourced as the latter is cheaper and more efficient.

5.6 A large number of one-man and two-men post offices in urban areas should lose their status as self-accounting offices and function as extension counters of bigger offices. Basic postal services like sale of stamps and stationery and registration should be outsourced to licensee postal agents on the basis of revenue sharing as has been done for public call offices.

5.7 Post Box delivery should be made compulsory for all government, business, industry and commercial establishments in order to freeze the growing demand for postmen. Collection of mail from letterboxes should be outsourced. Even delivery of ordinary mail can be outsourced.

5.8 The extra-departmental system is an innovative arrangement for providing low cost service in rural areas. Even in this system there is still a large proportion of uncovered costs. Cheaper methods for effecting delivery of postal services in rural areas would therefore need to be introduced. The extra departmental system should be frozen at the present level and gradually replaced by outsourcing such work to panchayats, village cooperatives or rural PCO operators on a revenue-sharing basis.

6. FUTURE STRATEGY

6.1 The Department of Posts is today perceived as a large loss making organisation, with an increasing proportion of costs having to be met by transfers from the central budget. Moving away from this 'loss making' label is a prerequisite if this organisation is to function with a sense of purpose and pride. Towards this end, a multi- pronged approach would need to be launched and implemented in a time bound manner - say over five years. Important elements of such a strategy would be tariff revision, diversification to provide new services and products, greater role and involvement in agency functions and increased efficiency of operations in all activities, leading to lowering of costs.

6.2 The services now offered cover the entire country and a wide range of products. The attempt should be to recover costs on each activity through a two-pronged approach of upward revision of tariff and increased efficiency of operations leading to lower costs. Seeking to load too much on any particular set of activities would be counter productive in the emerging competitive scenario.

6.3 There could be areas or products where recovery of costs in full is not found to be feasible. The under-recovery in such activities should be covered, i.e. cross subsidized by excess recoveries in other activities.

6.4 If there are areas/products where, on larger considerations, government wishes to keep cost of services at sub-optimal levels, there also the Department of Posts should seek to cover the under recovery to the extent possible through cross subsidization within the system and the gap should be met by explicit subsidy from the central budget. The activities for which such subsidy would be available have to be carefully chosen and kept to the minimum - these could be post cards and rural network. The upper limit for the subsidy- say Rs.500 crore per annum - should also be carefully determined and announced in advance. This limit should be such that, while on the one hand, it does not undermine the enthusiasm of the Department of Posts in their efforts to reach zero deficit in five years, it does not also, on the other, make the Department of Posts too complacent and lose focus on their efforts.

6.5 In all activities there should be a conscious effort for a reduction in the cost of operations, in particular through introduction of new work norms, which would ensure higher efficiency and productivity. Untill new work norms are introduced, there should be a complete freeze on filling up of vacancies and on fresh recruitment.

6.6 Tariff setting powers should be transferred from legislative control to executive control.

6.7 A commission should be set up to advise within six months both on further tariff revision as well as new work norms for all activities.

6.8 Additional resources should be raised by introducing new innovative products and services, leasing and sale of postal land and building, large scale operation of e-mail, providing logistic support to e-commerce etc. The revenue earning potential in these activities would be quite large.

6.9 The wide network and points of presence should be utilised for retailing products and services of banks, insurance companies and mutual fund companies. The revenue potential of such initiatives would also be quite substantial.

6.10 The remuneration for operating savings bank and other savings schemes should be refixed to reflect correctly and fully the proportion of expenditure incurred on providing these services, after building in improved operational efficiency norms.

6.11 Considering the large volume of time, effort and staff devoted to this particular agency functions, the feasibility of assigning a greater role to the Department of Posts in these programmes need to be explored.

6.12 A number of ancillary logistic services like construction wing could be abolished and others like Mail Motor Service and accounts organisation downsized leading to a saving of Rs.88 crore per annum.

6.13 The urban postal service needs to be rationalised by abolishing a large number of one-man and two-men post offices, withdrawal of savings bank work from most of the urban post offices and creating a few specialised offices for banking purposes, rationalising delivery work and outsourcing collection and delivery of ordinary mail in urban areas.

6.14 The extra-departmental system in rural areas should be frozen at the present level and gradually replaced by outsourcing this work to panchayats, cooperatives, P.C.O. licencees etc. on a revenue sharing basis for providing postal services in both urban and rural areas.

6.15 Premium postal services like Satellite Post, Business Post and Speed Post etc. should be brought under a corporate set up.

6.16 A full time Finance Member, equal in status and rank to other members, should be inducted into the board and the board should be given greater financial and administrative authority. The objective should be to prepare the ground for eventual corporatisation of the entire organisation.

Rationalization of Department of Posts

1. History and Present Profile

1.1 Organised postal service in India, as it is known today, started about the same time as telegraph and railways some hundred and fifty years ago. The Postal Department under a Director-General was set up in 1854. The Postal Department is thus one of the oldest departments of the Government of India and the postal service is one the oldest departmentally-runs public utility undertakings of the country.

1.2 Since a number of small parallel postal networks were at that time operating in the country and postal service was considered as a ‘natural monopoly’, the Indian Post Office Act was enacted in 1898 which conferred on the central government the exclusive privilege of conveying by post, from one place to another, all letters with a few exceptions. This 102-year old Act still stands in the statute book with minor modifications from time to time.

1.3 Postal services encompass three broad areas of activity i.e. retailing postal products and services, transmission of postal articles and delivery of postal articles. Retailing inter alia includes:

* sale of postage stamps and stationery
* booking of registered articles, both letters and parcels
* booking of insured articles, both letters and parcels
* booking of value-payable articles, both letters and parcels
* remittance of money through money orders and postal orders
* acknowledgement service in respect of registered, insured and value-payable articles and money orders.

1.4 India has the largest number of post offices in the world. At the time of Independence, there were 23,344 post offices in the country, mostly in urban areas and some larger villages. While before Independence, the post office was perceived as an instrument of imperial expansion and consolidation, providing postal connectivity was looked upon as a social responsibility in the post-Independence period. A deliberate policy of expansion of the postal network especially in rural and remote areas was adopted. The number of post offices on 31.3.1999 was 1,54,149 of which 1,37,847 post offices were in rural areas. On an average, a post office serves an area of 21.32 sq. kilometres and a population of 5477.

1.5 Mail processing, transmission and delivery are the core activities of the Department of Posts. Letters are collected from 5.68 lakh letter boxes in the country. During 1998-99, the Department of Posts handled 1576.64 crore articles, of which

26.82 crore were registered articles. It also handled 10.91 crore money orders amounting to Rs.4829.86 crore. These are processed for transmission and eventual delivery by a network of 573 sorting offices. The bagged mail is transported by road, rail and air. During 1998-99, the Department of Posts paid Rs.49.47 crore to the Indian Railways, Rs.51.32 crore to various airlines, Rs.18.87 crores to road transporters and others and spent Rs.29.48 crore on its own Mail Motor Service.

1.6 The Department of Posts, because of its wide reach and large number of points of presence, is utilised by other departments of the central government and state governments to perform several functions on their behalf. The Post Office Savings Bank (POSB) is the most important of such agency functions performed by the Department of Posts on behalf of the Ministry of Finance. Post Office Savings Bank operates 11.09 crore accounts under various saving schemes. The cumulative outstanding balance in all forms of National Savings as on 31.3.1999 was Rs.1,55,295 crore. The annual mobilization of savings in the POSB is about Rs.25,000 crore.

1.7 Postal Life Insurance (PLI), operated by the Department of Posts, is one of the oldest welfare schemes for the government employees. Introduced in 1884 for the postal employees, it today covers employees of the central government and state governments, the armed forces personnel, employees of central and state public sector undertakings, employees of autonomous bodies, financial institutions, nationalized banks, local bodies, universities and government-aided educational institutions. As a result of Malhotra Committees' recommendation, its mandate was enlarged in 1995 to cover the general populace in the rural areas. It operates 30.67 lakh policies with an aggregate assured sum of Rs.10,037.13 crore. During 1998-99, PLI paid Rs.40.19 crore to the Post, which is treated in postal accounts as recoveries.

1.8 The Department of Posts also performs other items of work like payment of military pensions, Coal Miners' Pension, EPF and Family Pension, Railway Pension etc. for which it gets mutually agreed remuneration from the respective principals.

1.9 To operate the service and man 1,54,149 post offices in the country, the Department of Posts has 2,92,672 full time regular employees and 3,09,915 part-time or extra-departmental agents, an institution unique and peculiar to this department. While the full time regular employees man head post offices and sub-post offices, part-time extra departmental agents man the extra-departmental branch post offices, which are by and large located in rural areas.

1.10 For the purpose of management, the Department of Posts has a Secretary to the Government of India, who is also the Director General of the department and Chairman of the Postal Services Board. The Board has three members, one each in charge of Operations, Development and Personnel. Below the Board at the apex there are nineteen circles, each headed by a Chief Postmaster General. Each circle is further divided into regions, each region being headed by a Postmaster General. Each region has a number of divisions headed by a Senior Superintendent or Superintendent. The organisation chart of the headquarters of the department and of its field formations is at Annexe ‘A’ and ‘B’ respectively.

2. FINANCIAL BASIS OF THE POST

2.1 Postal service was rendered by a combined Department of Posts and Telegraph till January 1985. The department as a whole was conceived and operated as a public utility like the railways and electricity. Though the railways had a separate budget accounting for its revenue and expenditure, the Post and Telegraph was a part of the general budget of the central government. The economic philosophy of the government in regard to Post and Telegraph was succinctly summed up by the Member in charge of Industry & Commerce in the Viceroy’s Executive Council in 1922, “The Government does not look upon the Post and Telegraph to contribute to the general revenues but it should at least pay its way through”. The post-Independence period was marked by the rapid expansion of the postal network and increase in manpower. Due to slow induction of technology and old staff norms, manpower costs increased exponentially. Corresponding adjustment of product and service pricing lagged behind expenditure in a soft state, which perceived postal services as the common man’s means of communication and, therefore, needed to be under-priced with the state picking up the subsidy tag. The subsidy was a cross subsidy from the Telegraph in a combined Post and Telegraph Department but gradually the burden of cross subsidization depleted the resources of the Telegraph Wing which required massive capital for its expansion. Pressure from the Telegraph Wing and multinational financial institutions, which became lenders to the massive expansion of the Telegraph Wing led to the complete separation of postal services from the telecommunications services in 1985. Since then, the liability for postal subsidy is being borne by the general exchequer. In other words, instead of the telecommunication user subsidizing the ubiquitous common man using the postal service, the general tax payer bore the subsidy for the postal service. The postal deficit met from the general budget increased 1632.8% from 1992-93 to 1998-99 to reach Rs. 15909.7 million, competing for top place with food and fertilizer subsidies.

3. POST'S EXTERNAL ENVIRONMENT: LEGAL & STRUCTURAL ISSUES

3.1 During the last couple of decades, many significant developments have taken place in the external environment of postal services.

3.2 The Post Office Act, 1898, (Section 4) conferred upon the central government the exclusive privilege of conveying by post all letters and of performing all the incidental services of receiving, collecting, sending, dispatching and delivering all letters except in the following three cases:

* letters sent by a private friend in his way, journey or travel, to be delivered by him to the person to whom they are directed, without hire, reward or other profit or advantages for receiving, carrying or delivering them;
* letters solely concerning the affairs of the sender or receiver thereof, sent by a messenger on purpose; and
* letters solely concerning goods or property, sent either by sea or by land to be delivered with the goods or property which the letters concern, without hire, reward of other profit or advantage for receiving, carrying or delivering them;

While the Act has included post cards within the definition of letters, the term 'letters' has not been defined in law. This lacuna and imprecision in law along with the exceptions provided in law has led to the large number of private couriers conveying letters purportedly as documents which "concerns the affairs of the sender or receiver, sent by a messenger on purpose". While they have cornered the high revenue yielding part of the written communication market, Department of Posts is left with low revenue yielding and expensive traffic as a part of its universal service obligation. The efforts of the Department of Posts to meet the challenge of the couriers in the premium product and service segments of the market has been limited by the governmental culture of slow response instead of quick business decisions.

3.3 When the service sector in India was either non-existent or was in an embryonic form, utility service providers had to build up an integrated organization encompassing many ancillary logistic services like transportation, construction, health care, house keeping etc. With the rapid growth and diversification of the service sector, it is neither economic nor efficient for in-house agencies to provide such ancillary logistic services without outsourcing them and concentrating on one's core activities.

3.4 Technology is the survival kit and competitive edge of any modern organisation. It has totally changed the way business is conducted especially in the communication sector. Physical exchange of data and message is fast being replaced by electronic exchange through the world-wide web. The constraints of physical transportation by surface or air are fast disappearing which has the tremendous potential of relieving an end-service provider like the Department of Posts of its reliance on physical carriers like railways and airlines. The Post has to choose to become an e-mail operator instead of a snail-mail operator if it has to survive competition.

3.5 The primary legal issue arising out of the changes in the Post's external environment is the continuance of Post's de jure monopoly in letter service. Recognising the de facto operation of a large number of couriers in the market, the antiquated Post Office Act of 1898 needs to be completely overhauled and the couriers who are operating without the rights and obligations imposed by law must be brought under a license regime for proper regulation of their activities. The Post must be prepared to face competition as was recommended more than a decade ago by the Committee on Postal Excellence. Once the comfort of legal protection is removed, the Post has to gear itself up to face the market demands for efficiency. It is understood that a new version of the Post Office Act is on the anvil for a long time. This must be brought to the statute book very early.

3.6 For the purpose of creating a level playing field for the legally recognised couriers and the state owned postal service and also to enable the Post to face the emerging threats and to exploit new opportunities, there are sufficient grounds to corporatise the Post. The inefficient and financially-ailing postal services all over the world, e.g. in USA, Canada, UK, France, Germany, Australia, Malaysia have demonstrated remarkable turn-around after they were corporatised.

3.7 U.K. started the corporatisation of the Post in 1969, US Postal Service was corporatised in 1971 and Canada Post in 1981. Western European countries started late but most innovative developments have taken place in these countries. Some of these developments are, first, regulatory and operational functions have been separated and the latter function entrusted to a corporatised entity; second, while regulatory functions are generally vested in a ministry of the government, there is a growing trend towards establishing regulators independent and autonomous of the government as in the Netherlands; and, third, the new postal corporate entities are expected to be financially self-supporting or generate profit without sacrificing their universal network, the latter mostly through franchising. But more significantly, the large Western European postal corporations are acting more and more like private companies by diversifying into new business areas, entering into joint ventures with private companies and acquiring through purchase private companies in analogous or complementary areas. KPN, the holding company of the Dutch Postal Corporation has purchased TNT, the global transport company, which has a presence all over the world. Germany's Deutsche Post has acquired a 25 per cent share in DHL, a renowned courier company. France's La Poste has expanded its operations through a large number of subsidiary companies. Sweden, Finland and Denmark have together formed a company called Nord Pack AB for transportation of goods in the international market. The British Post Corporation has just been authorized to venture into such areas and is likely to find a large international transport operator as a partner.

3.8 Postal organisations in Asia-Pacific region have also not lagged behind the North American and Western European countries. Eight postal organisations in Asia have been corporatised and six more are likely to be corporatised in the next couple of years. India, Pakistan (its corporate structure has been reverted back to a government department) and Bangladesh represent a sub-continental culture of standing outside the mainstream of postal developments all over the world.

3.9 Till the Post in India largely acted as a carrier of written communication between individuals and had the role of establishing a network in unopened and inaccessible areas, it had a public service role and character. During the last decade, not only has the share of the Post in the communication market declined, but also more significantly the share of private communication between individuals in the postal traffic has declined with the growing share of business-to-business, business-to-individual and individual-to-business communication. The Post in India is therefore acquiring a business character and has to face competition. The time is ripe to remove the governmental controls on the Post and vest it with operational and financial flexibility of a corporation.

3.10 There will be many opponents and detractors of the suggestion for corporatisation of the Post in India. Their usual arguments will be the so-called social service character of the Post, the need to continue with a cheap postal service with state subsidy for the benefit of the common man. Answers to these specious arguments have been given in various parts of this report dealing with specific issues of the original financial basis of the Post and the need for tariff reform. But taking note of the difficulties in overnight corporatisation of the Post, a gradual approach may be adopted i.e. immediate corporatisation of the premium services which have no social service character and which do not require public subsidy. These corporate entities can become subsidiary companies after the entire Post is corporatised as a parent holding company. The corporatisation of premium services has been discussed in para 4.4 of this report.

3.11 Pending the corporatisation of the Post, the existing Postal Services Board, which was created by an executive order in 1959, needs to be given statutory backing and clothed with greater financial and administrative authority. The financial powers of a ministry/department of the Government of India enjoyed by the Post under the

Delegation of Financial Powers Rules, 1978, are wholly inadequate for an organisation like the Post. With the delegation of greater financial powers, the Postal Services Board should have a full time Finance Member equal in rank and status with other members.

4. ADDITIONAL RESOURCE MOBILISATION

4.1 While a public utility like the Post does not aim at maximizing profits and dividends, it cannot continue with deficits with detrimental effects on its own development and the national exchequer. The vast areas of Post capable of additional resource mobilization have been discussed below.

4.2 Tariff Reform:The most salutary financial basis of Post as a public utility viz. that "it must pay its way through" was thrown overboard by irrational expansion of the network and manpower without corresponding increase of the user charges. Starting with the mid-sixties, the Department of Posts has been suffering from revenue deficit year after year. The net postal deficit has grown from Rs. 91.81 crore in 1992-93 to Rs.1590.97 crore in 1998-99, an increase of 1632.8 per cent. The postal deficit in 1999-2000 was Rs.1595.82 crore. Against the projected deficit of Rs.1994.47 crore in B.E.2000-2001, the deficit projected in the R.E. is Rs.1576 crore. The B.E. 2001-2002 projects a deficit of Rs.1683 crore. Dependence on manpower, rather than technology has resulted in manpower cost growing due to periodic pay hikes effected by central pay commissions and the in-built system of payment of dearness allowance in line with the increase in the consumer price index. While expenditure has steadily increased, postal tariffs have not been correspondingly increased to reflect costs. For instance, the post-card tariff remained static from 1973 to 1997-a record of price freeze on extra-economic considerations. Out of 20 classified postal services, only 4 services i.e. letters, insurance, foreign mail and Speed Post produced a surplus totally inadequate to offset the losses of the remaining 16 services. A comparable utility like electricity which had a legal mandate of Electricity (Supply) Act, 1948 to earn a return of at least 3% on the net fixed assets of the state electricity board has been bled white by tariffs set on extra-economic considerations. With the total accumulated losses of the state electricity boards exceeding Rs. 20,000 crore, there was no investible surplus for replacement, upgradation or capacity addition. Political ratemaking is the antithesis of public utility pricing and has stunted the growth and development of the infrastructure utilities by starving them of any revenue surplus for investment. The result is a run-down system whose quality of service is third-rate by global standards. Since electricity is an essential input in infrastructure, the sector has been reformed to entrust tariff setting to professional and independent regulatory commissions, who will take a few years to rebalance tariffs and restore the financial health of the sector. In the postal sector, there are instances abroad where ratemaking has been entrusted to a professional authority outside political decision-making as in the case of Postal Rates Commission in U.S.A. and Federal Prices Commission in Australia. Wherever this has been done, the traditionally sick postal service has generated a revenue surplus, substantial investments have been made in upgradation and technology induction and quality of service has improved. Reforms in the power and telecommunication sectors in India during the last four years provide indicative models for similar reforms in the postal sector.

4.2.1 Three alternative models of tariff regulation can be examined for adoption:

Model I: The existing government-owned-and-operated postal service is corporatised for eventual private sector participation in activities which have a clear business orientation like Speed Post, Satellite Post, Business Post and Postal Life Insurance. While government retains the power to frame policy and give policy directions, an autonomous statutory commission is established to (i) issue licence to the corporatised postal service and all privately owned couriers (ii) monitor the performance of the licensees (iii) determine tariffs and (iv) protect consumer interest.

Model II: The existing government-owned-and-operated postal service is corporatised. Government retains the power to frame policy and give policy directions and grant licence to the corporatised postal service and privately owned couriers. An autonomous statutory Postal Rates Commission is created to determine tariffs of the licensees keeping in view efficiency, economy and consumer interest.

Model III: Similar to the regulatory regime obtaining in the pre-corporatised telecommunications, the operating arm of the postal service is carved out as a separate departmental organisation which is still government-owned-and operated. Government retains the power to frame policy, give policy directives and grant licence. A statutorily autonomous Postal Rates Commission is created to determine tariffs keeping in view efficiency, economy and consumer interest.

4.2.2 While Model I is the ideal model already adopted in the power sector, it is imperative to at least start with Model III and move towards Model I over a period of time. Whichever model is finally chosen has to be created by appropriate legislation and not by executive notification.

4.2.3 Pending setting up of a separate mechanism for tariff regulation, the Post Office Act, 1898 needs to be amended to transfer the power of tariff-making in respect of a number of postal services like post card, letters, book packets and newspapers from legislative control to executive control as was the case with telecommunications before TRAI as the tariff regulator was established. Meanwhile, there is an urgent need to revise the rates of a large number of services which are being provided at present below-cost. While the present costs are mostly because of known inefficiencies in staffing and operations and need to be critically reviewed, the gap between cost and price is so wide in the case of all the 16 classified loss-making services that a considerable upward revision will result only in approximation towards their normative costs.

4.2.4 To take the case of post cards first. Against the estimated cost of service of 452.81 paise, the average revenue is 25 paise resulting in a subsidy of 427.81 paise or 94 percent of the cost. The annual subsidy on the estimated 42.52 crore post cards used is Rs.181.90 crore. While it is nobody's case that the tariff of post card should be increased to Rs.5.00 to make it a profitable service, serious consideration should be given to decrease the present level of subsidy to a rational level. The per capita monthly use of post cards calculated on the basis of the assessed annual traffic of 42.52 crore post cards for a population of 100 crore is only 0.035. Even assuming that only 10 per cent of the population use post cards, the per capita monthly consumption is only 0.35. Therefore, increasing the post card tariff will not put an unbearable burden on the ubiquitous common man whose cause is apparently so dear to every decision-maker. On the basic of present traffic, every 10 paise increase in the present tariff will yield an additional revenue of Rs.4.25 crore per annum.

4.2.5 In the case of letter cards, popularly known as Inland letters, the estimated cost of service is 448.84 paise whereas the average revenue per card is 191.67 paise. The element of subsidy per card is 257.17 paise or 57% of the cost. The estimated annual subsidy on the basis of the estimated traffic of 56.99 crore is Rs.146.56 crore. The monthly per capita use of letter cards calculated on the basis of the estimated annual traffic of 56.99 crore is 0.047. If it is assumed that only 10% of a population of 100 crore use the service, the monthly per capita consumption is 0.47. Since this is not as basic a service as the post card, considering the value for money there is a strong justification for drastically reducing the present subsidy.

4.2.6 With the proposed increase of letter card tariff from the existing Rs.2, inter se relativity of service charge would justify the increase in the rate of letters from the existing Rs.3 for every 20 grams.

4.2.7 Registered newspapers carry a heavy load of subsidy, originally meant for the ostensible purpose of dissemination of information at a time when there were few other sources and instruments of dissemination of information. The estimated cost of service of a single copy registered newspaper is 588.48 paise against the average revenue of 26.45 paise. The subsidy per copy is 562.03 paise i.e. 96 percent of the cost. The estimated annual subsidy on the basis of estimated traffic of 11.07 crores is Rs.62.22 crore. The subsidy on registered newspapers (bundles) is 1073 paise per bundle i.e. 94 percent of the cost. The estimated annual subsidy on the basis of estimated traffic of 3.39 crore bundles is Rs.36.37 crore. The total subsidy on registered newspapers is Rs.98.59 crore.

4.2.8 In this age of electronic information, newspapers are no longer the only or the primary source of information. Most newspapers also pay a commission to the distribution agents far higher than what they pay as postage. The existing subsidy exceeding 90 percent of the cost requires very critical review. Since tariff of registered newspapers has not been revised since 1.1.87, a major revision is required to be done immediately.

4.2.9 Book packets containing printed books carry a subsidy tag of Rs.46.41 crore per annum. The estimated cost of the service is 1262.87 paise against an estimated revenue of 242.91 paise i.e. a subsidy of 81% of the estimated cost. The existing rate of 50 paise for every 100 grams is far too low considering the present day price of books. A substantial upward revision of the rates is called for in respect of this service.

4.2.10 Book packets containing periodicals are subsidized to the extent of Rs.18.65 crore per annum. While the estimated cost of the service is 1259.19 paise, the average estimated revalue realization is 700.88 paise, a subsidy of 44% of the estimated cost. As a first step, the existing rate of Re.1 for the first 100 grams or part thereof and Rs.2 for every additional 100 grams or part thereof should suitably be increased.

4.2.11 Another service which has no equity objective but carries a massive subsidy tag is registration service. While the estimated cost of the service is 2691.12 paise, the revenue is 1366.67 paise, a subsidy of 1324.45 paise i.e. 49 percent of the cost. The estimated annual subsidy based on the estimated traffic of 27.97 crores is Rs.370.45 crore. The high cost of the registration service is essentially due to the relatively higher time factor allowed for the complex operations associated with the service at every stage of handling i.e. booking, dispatch, transportation and delivery. The existing item-specific accounting and recording in registration service did not pose many problems when the number of items handled was less and manpower costs were low. If the tariff of the service has to be protected from very sharp escalation, the cost of the service has to be brought down by drastic procedural reform. One reform which has been advocated for a long time i.e. bulk entry of registered articles instead of item-specific accounting and recording has the potential of considerable manpower savings but has naturally been opposed by the postal staff unions. Unless this minimum procedural reform is introduced the cost of the service cannot be held in check. The result will be either increase in rate to cover costs or suffer the burden of subsidy, which will steadily grow. Therefore, a composite strategy of cost-reduction and rate increase has to be adopted in a calibrated manner to ensure reduction of the present level of subsidy.

4.2.12 There are many other services where the present level of subsidy needs to be reduced or done away with altogether. What has been discussed in detail above are some of the more glaring examples of the urgent need for rationalization of postal tariffs.

4.2.13 The Finance Bill 2001 contains a number of proposals for increase in postal tariffs largely on the lines discussed in the preceding paras. The proposed increases are likely to yield an additional revenue of about Rs.300 crore in a full year. Since the proposed changes are likely to come into effect from June, the additional revenue expected during 2001-2002 is likely to be about Rs.225 crore. With the additional revenue, the deficit of the Department of Posts projected in BE 2001-2002 is likely to come down to about Rs.1458 crore. Even at this level the deficit is still at an unacceptable high level and clearly there is a case for a further upward revision of tariff on many products. For instance though the existing rates of postal products like post cards, book packets containing printed books, book packets containing periodicals and registered newspapers (single copies) are proposed to be nearly doubled, the percentage of subsidy on these products would continue to be at unacceptably high levels.

4.3 Postal Land and Buildings: Since the post office was a symbol of imperial presence, it occupied the centre point in all metro and mini-metro cities. A post office is not only a retail outlet but an accounting centre as well. A clear distinction should be made between the retailing activity of the post office and its accounting and administrative functions. While its retailing activity must continue in the urban business hubs, its accounting and administrative functions can be performed as efficiently in the suburbs. Modern technology has now made it possible to carry out banking and financial retailing thousands of kilometres away in call centres. A similar approach must be adopted for the post office in order to release high cost and high rental postal land and buildings in the city centres for more productive investment. For instance, the property owned by the department in the vicinity of Taj Mahal Hotel in Bombay is being used by an ancillary logistic service like the Mail Motor Service. If this property is developed to its maximum permissible floor-space index, it will yield large revenue either by rental or outright sale. For a cash-starved organization, it would not be appropriate to invest capital in such activities. It would be far more expedient and appropriate to adopt any of the methodologies like BOT, BOOT or BOOL for development by a private property developer.

4.3.1 At the end of 1998-99, the Department of Posts owned 5189 office buildings and 2240 staff quarters. It also owned about 1900 vacant plots of land. The thrust of the department since the beginning of the Five Year Plans is to replace rented buildings by owned buildings. Ownership involves not only capital investment but annual maintenance costs. During 1998-99, the department spent Rs. 40.30 crore on maintenance and petty works, excluding pay and allowances of the staff engaged for it. The architectural and construction quality of postal buildings and the cost escalations have been discussed elsewhere in this report. The quality of maintenance is also not commensurate with an annual expenditure of Rs. 40 crore. Efficient organisations around the world are divesting themselves of ownership obligations to concentrate on their core activities. The Post should, therefore, adopt the principle of hiring buildings and make deviations from this principle only in rare cases. On acceptance of the policy, all vacant plots of land should either be sold outright or given to private developers on the basis of BOT, BOOT or BOOL. The additional revenue mobilization on this account is estimated as Rs.10 crore per annum.

4.4 Premium Postal Services and Technology:

4.4.1 **Speed Post:** Low-cost universal postal services not only yielded low revenues but provided the lowest common denominator in terms of service efficiency, which did not satisfy the niche segments in a highly diversified communication market. Though from the early times the government-operated postal service is considered a natural monopoly and mandated as such by law to prevent "cherry-picking" or "cream-skimming", taking advantage of the infirmities of law, vast areas of inefficiency of the universal service and the emerging needs of the market, a large number of privately-run couriers came into being and eroded the business of the Post. The Department of Posts reacted to the challenge by introducing a new service called Speed Post for the top end of market at a higher price. Speed Post which carried 11,19,000 articles and earned a revenue of Rs. 3.17 crore in 1987-88 has grown about nineteen times to carry 1,95,95,000 articles in 1998-99 and earn a revenue of Rs. 91.36 crore. Though no firm and reliable estimate of the size of the courier market is available, guess estimates put the transactions in this market at Rs. 1000 crore per annum. Speed Post with less than 10 per cent market share has to diversify its product profile by identifying sub-niches in this customer group, carry out massive technology upgradation and calibrate the tariff through price-sensitivity analyses if it has to command a larger market share. Its delivery reliability within a guaranteed time schedule should be enhanced by deploying dedicated and motorised delivery personnel. This is one service where the department earns an estimated revenue of 5513 paise per article against the estimated cost of 2233.72 per article, a handsome margin of 3279.28 paise per article. Speed Post has the potential of earning an additional Rs.50 crore if promoted in an aggressive manner.

4.4.2 **Satellite Post :** The potential of Satellite Post, earlier known as Hybrid

Mail when it was started in 1995, has not been exploited by the department. The communication market in India was neatly carved out between two monopoly operators - telecommunications had monopoly over voice communication and the postal service over written communication. Rapidly changing technology and other developments in the external environment have led to de facto deregulation of the communication market. The earlier neat boundaries between various modes of communication have disappeared with the appearance of convergence technologies. The post is no longer constrained to use surface and air transportation to physically carry messages. If it continues to depend on the physical transportation, its products will be derisively called 'snail-mail' comprising mostly high volume but low revenue-yielding and low time-sensitive mail. With the declared policy of the government to set up 'cyber dhabas' and Sam Pitroda-led World Tels' MOU with nine state governments for rural computer connectivity, even the rural mail traffic handled by the Post will be eroded, leaving the Post to handle only highly-subsidized registered newspapers, book packets and post-cards. The Post will be financially choked and become a national basket-case.

4.4.2.1 Satellite Mail does away with physical transmission and substantially reduces the time lag between sending of a message and its delivery. It takes advantage of and optimizes the use of an infrastructure of 75 V-SATs and a very large number of modems connected to telephones, originally set up for transmission of money orders, for transmission of messages. It is not dependent on computer connectivity from customer-end to customer-end but only between sender post office and delivery post office. In other words, it is an e-mail transmitted and delivered by the post office. Therefore, in the framework of 'cyber dhaba,' the post office has to play a leading role; the post office has to become the nodal point in computer connectivity. It will, thus, become the biggest e-mail operator in the country. It will not only provide a high performance and time-bound delivery but reduce manpower costs and transportation costs thus ensuring a reasonable rate structure. This service needs a total overhaul with intensive and focussed marketing and competitive pricing to turn it into a major business activity. The Post can earn at least Rs.50 crore per annum by becoming a major e-mail operator.

4.4.3 **Business Post:** The high volume mail from business to household and from business to business clogs the postal sorting and transmission system and imposes a high cost on the system. It also imposes a cost on the business - production of a hard copy, folding and enveloping, addressing, payment of postage, bundling and handing over to a designated post office. A number of postal administrations in the West have introduced a service known as 'hybrid service' whereby the post office does the entire processing on the basis of data supplied by the business either on-line or off-line. Actual printing and processing takes place in a nodal point of several geographical regions to save post office sorting and transmission time and cost. Since this work is technology-driven and is capital-intensive, a number of postal administrations like those in Italy, Switzerland and Sweden have entered into joint ventures with private entrepreneurs, which have proved profitable. This is a totally untapped market in India and can prove to be a money-spinner for the Post. The revenue estimated by a potential private sector operator, Elsag Baily of Italy is about Rs.40 crore per annum.

4.4.4 **Role of Post in e-commerce:** A large number of dotcoms engaged in e-commerce have sprung up in the country. While the financial transactions can be completed on the internet, physical delivery of goods purchased and sold can only be done by a courier. Speed Post can aggressively market its capability to become the preferred courier of these dotcoms. With growing e-commerce, this will be another money-spinner for the Post.

4.4.5 The premium products and services if exploited to their full potential can yield an additional revenue Rs.90 crore per annum.

4.4.6 **Organisational structure of the Premium Services:** Premium services and products which the Post already offers or will offer in future has a greater business focus than its traditional universal services. Their unfettered growth, innovation and financial accountability can be better ensured if they are separately bundled in a corporatised structure which will pay for the services provided by the Post and will charge for the services rendered to the Post. A mere profit centre structure within the government is unlikely to succeed in a competitive environment. A corporatised structure will also enable it to have private sector participation in areas needing technology infusion and professional management. The existing Directorate of Business Development should be the umbrella organisation for all premium services and the nucleus of the new corporation. It should recruit professionals in the field of marketing, finance, and information technology. The Department of Posts may be the administrative department for this corporation. A part of the surplus of this corporation should be paid to the operating arm of the Department of Posts for fulfilling the latter's universal service obligation.

4.5 Post Office Savings Bank: The Department of Posts operates the Post Office Savings Bank on behalf of the Ministry of Finance. At a time when the branches of commercial banks were few in number, the Post, because of its wide network and points of presence, was entrusted with the task of mobilizing public savings. Apart from the normal savings accounts, it offers a large variety of savings instruments like savings certificates, term deposits, recurring deposits etc. The Table below indicates the size of the Savings Bank.

Table-1: Saving Bank

		1994-95	1995-96	1996-97	1997-98	1998-99
1.	General No. of savings A/Cs all types (in Million)	128.47	160.55	99.88	107.02	110.97
	Outstanding balances in all forms of National Savings (Rs. In Million)	827464	663083	1057734	1267542	1552956
2.	**Details of Accounts**					
	SB	47141177	51921282	54137964	57964932	59010621
	PPF	550667	661942	795639	924341	1048504
	CTD	7553952	7311216	1865946	1843875	1721997
	RD	66762049	93981613	36178443	38399036	40163817
	TD	1415844	1476741	1541800	1676420	1941797
	FD@	5045230	5194473	5365250	6207303	7079030
	Total	128468919	16054267	99885042	107015907	110965766
	Outstanding balances in all types of certificates (Rs in Million)	540427.12	619176.80	723173.37	860650.10	1048332.00
	Outstanding balance in PPF A/Cs (Rs. Rs.In Million)	10272.67	14029.04	18473.19	24159.96	33380.00

@ Includes Monthly Income Scheme and National Savings Scheme

80 per cent of the net amount deposited in the Savings Bank in a month in each state is lent to the respective state governments at a low rate of interest. The remaining 20 per cent accrues to the central government. The Ministry of Finance lays down policy and undertakes promotional activities of National Savings along with the state governments. The Department of Posts is remunerated for operating the Savings Bank, the basis of remuneration and the rate varying from time to time. The existing basis of remuneration is an amount per account.

4.5.1 The officers and the employees' unions of the department have always demanded that instead of the department operating the Savings Bank as an agent on payment of a fixed remuneration, it should own and operate the Savings Bank. While the objective behind the demand has not clearly been delineated, the underlying motivation is to use the outstanding balance in the Bank for funding postal operations and development. With the present arrangement of lending 80 per cent of the net monthly deposits to the state governments, and after providing for the administrative expenditure and the interest liability, the funds available for any possible deployment by the Department of Posts will not be large enough. The share of the central government which would be at the disposal of the Department of Posts will also have to be prudently invested to earn a reasonable return to meet a part of the administrative cost and interest liability. These funds obviously cannot be used for meeting the postal deficit, which would be an expenditure without return. Also, postal projects do not yield a cash return. In the absence of a cash return, it would not be appropriate to invest any fund in postal development activities. The balance of advantage, therefore, lies in the Department of Posts continuing to operate the Savings Bank as an agency function.

4.5.2 The experience of postal administrations of a number of countries is that while work of purely postal nature constitutes about 80 per cent of the total work of the post office producing a revenue equal to 60 per cent of the total earning, agency functions constituting 20 per cent of the total work produces about 40 per cent of the total revenues. The Table below indicates a similar experience in India Post:

Table:2

(Rs. in crore)

	1996-97	**1997-98**	**1998-99**	**1999-2000**
Revenue Receipts	1214.62	1566.52	1722.57	2020.12
Recoveries	1064.44	1037.97	1037.75	1162.46

Since the rate of remuneration payable by the Ministry of Finance to the Department of Posts was finalised prior to the revision of pay and allowances on the recommendations of the Fifth Pay Commission, there is an urgent need to revise this rate keeping in view the present structure of pay and allowances. Remuneration for operating savings bank and other savings scheme should be refixed to reflect correctly and fully the proportion of expenditure incurred on providing these services, after building in improved operational efficiency norms.

Considering the large volume of time, effort and manpower deployed on this activity, there is a case for exploring the feasibility of assigning to the Department of Posts a greater role in this programme. Allied to this, will be the question whether these costs should not rightly be reflected as part of the cost of mobilising these savings and paid for by the “beneficiaries”, instead of being met from the central budget. These are best gone into as part of the larger issue of mobilising small savings and the pattern of sharing, as between the centre and the states not only of the resources mobilized but also of the cost and the repayment liabilities.

The strategy of the Department of Posts should be to maximise its earnings from this type of functions. A part of this strategy should be not to be a captive agent of a single principal. Australia Post performs front office retailing on behalf of a number of Australian banks that are connected on-line with the postal retail outlets. With the growing computer connectivity, the Department of Posts should develop capability in its retail outlets to work as a multiple retailer. Commercial banks, who are extremely cost-conscious and prudent in expanding their retail network, would welcome this type of outsourcing. But for tapping the business of other commercial banks, the Savings Bank operations of the department have to be totally re-organised by creation of specialized savings bank offices in urban areas, withdrawal of savings bank work in one-man and two-men offices in urban areas, larger computer connectivity, use of chip-based smart cards for customer use, longer transaction hours, anywhere banking through V-SAT linkage and creation of a core cadre dedicated and specialised banking operatives and managers. To start with, a separate Directorate of Post Office Savings Bank on the pattern of Directorate of Business Development and Directorate of Postal Life Insurance should be created to bestow greater focus on the Savings Bank-related activities. Though the Ministry of Finance as the principal has the role of laying down policy, the reality is that the Department of Posts as the operator of the Savings Bank has not been given adequate powers to provide a satisfactory and speedy customer service especially in areas like settlement of deceased claim cases and premature encashment or closure of accounts. At a later stage, the operations of the Directorate can be corporatised and the corporate organisation can be a retailer of a variety of financial instruments and services either singly or in joint venture with other similar organisation in the financial sector. The revenue potential of such retailing activities can be of the order of Rs.100 crore per annum.

5. EXPENDITURE COMPRESSION

5.1 This goal of deficit reduction should be achieved not only by tariff reform but also through greater efficiency and productivity gains in all areas of activities as also abolition/rightsizing/outsourcing of ancillary logistic services now being performed in house. As has been stated earlier, the existing costs contain many elements of inefficiency including a major element of manpower deployment based on old work norms. These work norms need to be revised taking into account the technological advances made and simplified work procedures introduced over the years. New work norms incorporating higher productivity in every sphere of postal activity must be devised in a specified time frame, probably in a year's time. Till these new work norms are introduced, there should be complete freeze on filling up of vacant posts and surpluses resulting from the application of new work norms redeployed in new activities, which have the potential of yielding economic returns. Once this is done and costs are contained, there will be less and less reliance on tariff increases and a relatively stable and consumer-friendly regime can be ushered in. Tariff reform is only a temporary measure and an initial step towards a self-reliant India Post, while its future competitiveness will be guided by efficiency and productivity increases and its ability to exploit economic opportunities in new business areas.

5.2 **Mail Motor Service:** While for inter-city transportation the Department of Posts invariably employs common carriers like the airlines, railways and road transporters, both state-owned and private, intra-city transportation in most of the major urban centres is carried out by the departmentally owned Mail Motor Service. At the end of 1998-99, the Mail Motor Service owned 1119 vehicles of various capacities, the majority of them i.e. 814 being between 1.5 ton and 2 ton. It was manned by 12,627 non-gazetted personnel and spent Rs. 37.9 crore during the year. Its total kilometrage during the year was 23.5 million at the rate of Rs. 16.13 per kilometre. For the repair of its vehicles, it also owns workshops at major metro cities, which undertakes not only first line repairs but second and third line repairs.

5.2.1 While the major portion of the fleet is concentrated in a few urban centres, a large number of cities have a fleet strength of less than 10. In such centres, efficiency of service is affected by either one or two vehicles going off the road for maintenance or repairs or by the drivers taking leave. As a first step, Mail Motor Service should be abolished at such stations and mail carriage given on contract to private operators. For instance, amongst the major cities carriage of mail by private transport operators has been in operation in Lucknow for several decades efficiently and at a lower cost per kilometre. Once this is done the fleet can be concentrated in the metros and mini-metros in order that the advantages of a minimum size or critical mass can be had. The next step should be to treat the Mail Motor Service as a separate profit centre enabled to charge the user entity a rate per kilometre which would bring cost-consciousness in the user and encourage efficient scheduling and discourage idle or empty runs. To bring about a competitive edge, if the rate per kilometre of the Mail Motor Service is considered higher than the local private transporter, there would be a strong case for abolishing a non-strategic and ancillary service unit like Mail Motor Service.

5.3 **Civil Wing:** The Department of Posts had at the end of 1998-99, 5189 owned buildings and 23600 rented buildings. Beginning with the First Five Year Plan, construction of buildings to accommodate offices, especially operative offices, has been one of the major plan activities and the only capital-intensive scheme of the Department. Carved out of the Central Public Works Department in the early sixties to exclusively cater to the construction and maintenance needs of a major user like the then P&T Department, it has the typical characteristics of a government building agency i.e.

* Total lack of cost control leading to a manifold escalation over the original approved cost
* Time overruns
* Shoddy architecture and building quality.

5.3.1 It has 23 civil divisions and 6 electrical divisions for construction and maintenance employing 1341 gazetted and non-gazetted personnel. During 1998-99, it spent Rs. 48.72 crore on construction, petty works and maintenance, both civil and electrical, including overheads.

5.3.2 Public Works Department of the central and state governments had served their purpose at a time when building sector outside the government was not well organized. Today there are even a number of state-owned corporations like NBCC and RITES who have considerable expertise in construction and maintenance. These organizations have built up a reputation for completion of large public buildings. Relatively smaller buildings including staff quarters can be entrusted to state housing boards or urban development authorities. It is, therefore, more economical and efficient to outsource this activity and totally abolish the in-house agency of the Civil Wing.

5.3.3 The Civil Wing was created to cater to the needs of the entire Posts and Telecommunications. With the recent corporatisation of Telecommunications, which had the lion's share of the Civil Wing, the rump which will remain with the Post would be unviable as an entity. On this ground alone, the separate existence of the Civil Wing for the Department of Posts is wholly unnecessary.

5.4 **Accounts Organisation:** The retail outlets of the Department of Posts known, as Post Offices are a matrix of account centres organized in a hierarchy of branch offices, sub offices and head offices. These offices maintain initial accounts of receipts and payments, which are consolidated and classified in the government's uniform account pattern by the Circle Accounts Offices and by the apex headquarters for preparation of the central government's Statement of Revenue and Expenditure by the Controller General of Accounts. The Circle Accounts Offices also perform the task of post-check of revenue and expenditure at voucher level. At the end of 1998-99, the Accounts organisation employed 825 Group A and Group B officers and 7034 other non-gazetted staff. During the year, the department spent about Rs. 94 crore i.e. 2.8 per cent of its total working expenses on accounts and audit, the major portion being on the Accounts organisation.

5.4.1 This is another necessary but essentially a support service, which can and should be downsized. The cadre of P.O. & R.M.S. accountants who maintain the initial accounts in the head offices can be and should be trained to maintain classified accounts. The classified accounts of the Head Post Offices can be sent either off-line or on-line to Postal Accounts Offices for consolidation by computers. The need for voucher level post check of money orders known as pairing is fast disappearing with more and more money order traffic entering the satellite transmission path with its in-built pairing software. The entire cadre of sorters numbering 249 and about half or more of Junior and Senior Accountants numbering 5006 can therefore be abolished. A small Circle Accounts Office should be responsible for consolidation of classified accounts, post-check of major expenditure and internal audit. The abolition of 114 posts of chowkidars and sweepers by contracting out housekeeping services has been dealt with separately. With the abolition of 31 civil and electrical divisions, 31 posts of Accounts Officers in Group 'B' can also be abolished.

5.4.2 The implementation of the various measures recommended above, would lead to a reduction of about Rs.88 crore in the expenditure per annum.

5.5 **Other House Keeping Services:** The four main trades of full time regular employment are sweeper, farash, waterman and chowkidar. At the end of 1998-99, there were 1050,212, 444 and 1908 employees respectively in the above four trades. In addition to the above, there may be thousands of men working only part time in these trades and other trades like gardener etc. as extra departmental or contingency paid. With a larger number of efficient and relatively cheaper housekeeping agencies offering services in the market, such house-keeping services need to be outsourced, especially in larger offices where there are large concentrations of watch and ward staff and sanitation staff. The job of waterman like the punkha puller of yesterday is a totally out-dated institution and should be abolished straightaway. The entire department should follow the example of Postal Staff College, Ghaziabad, where outsourcing such services has been eminently successful.

5.6 POSTAL OPERATIONS

5.6.1 **Urban Postal Service:** There has been an irrational growth of full-service post offices in the urban areas because of the relaxed standards prescribed for their opening i.e. a minimum of 5 hours of work according to the departmental work measurement standards and income to off set expenditure according to the departmental formula. One-man and two-men post offices according to these standards have sprung up in close vicinity of each other. At the end of 1998-99, there were 16302 urban post offices. Out of 25117 sub post offices, 10855 were single-man post offices and 7295 were two-men post offices. As full-service offices, they generated work of maintaining their own accounts and also the work of verification and consolidation of their accounts in the head post offices. A considerable amount of man-hours is wasted in accounting activities, which could have been saved if they had functioned as extension counters of bigger offices instead of full-service self-accounting units. In terms of customer service also, they are less than satisfactory, especially in retailing financial services like savings bank, which are relatively complex and require a modicum of expertise in the subject matter. Withdrawal of savings bank work from one-man and two-men post offices in urban areas and entrusting this work to a few specialised savings bank branches have been suggested in dealing with Savings Bank in para 4.5.2. What needs to be done is to retain an adequate but far less than the existing number of full-service post offices, and convert many of the existing full-service post offices into extension counters in order to provide basic postal services i.e. postal stamps and stationery, franking, registration. These basic services could also be provided by the private sector under franchise from the Department of Posts. The scheme of Licensed Postal Agents, which has met with strong opposition from the employees unions as a threat to regular employment needs to be strengthened and extended in order to provide the often-needed services nearer to the customers and at a time when the post offices are closed.

5.6.1.1 Delivery of mail in urban areas is expensive and inefficient. While a large delivery staff is deployed for the multi-storeyed buildings at the city centres, the growing areas at the periphery of the cities lack adequate delivery staff. For some years to come, households in India will continue to depend on the ubiquitous postman for doorstep delivery. Meanwhile all governmental, business, industrial and commercial establishments qualifying for listing in the yellow pages should, through a mixture of incentive and compulsion, be made to collect their mail from designated post offices. This will release a large number of delivery staff for redeployment in urban peripheries and in delivering time sensitive and revenue-earning speed post articles and in e-commerce.

5.6.1.2 Though collection and delivery of mail is one of the core activities of the Department of Posts, the activity itself does not require a high level of skill, which is available only in-house. At the end of 1998-99, there were 1493 designated Letter Box Peons to collect mail from the street letterboxes. In addition, some of the 10,992 packers and 4858 mail peons also collect mail from the mail receptacles. Considering the fast-changing external environment where mail by post is no longer the only means of exchanging sensitive messages which would have necessitated an authorized agent of the State to handle it, this activity can be entrusted to a non-governmental agency resulting in the abolition of at least 1493 designated Letter Box Peons though the actual savings would be more.

5.6.1.3 Compared to collection of mail as an activity, delivery of mail, especially accountable mail and financial instruments like money order, is a more complex activity. Safety, reliability and responsibility for cash require an authorized person of the department to deliver registered and insured letters and parcels and money orders. But delivery of ordinary mail can be entrusted to non-government agencies with no adverse effect on security or reliability. To begin with, this should be initiated in urban peripheries, which are under-served at present due to inadequacy of delivery staff and gradually extended to other areas.

5.6.2 **Rural Postal Service:** At the end of 1998-99, out of a total number of 1,54,149 post offices in the country 1,37,847 post offices were functioning in the rural areas of the country serving 6,34,321 villages where 74.20 per cent of the country's population lives. On this date, there were, 1,25,437 extra-departmental branch offices with 3, 09, 915 employees in rural areas. In spite of this massive retail network, which is more than double of China's, the demand for opening more post offices in rural areas grows daily as it is perceived as a relatively inexpensive symbol of developmental work initiated at the behest of local politicians. Thus, opening a post office often takes precedence over providing clean drinking water or watershed management even in arid and semi-arid areas!

5.6.2.1 The extra-departmental system, an institution unique and peculiar to the Department of Posts, was introduced in a cost-conscious utility like the Post in order to provide basic postal facilities at a relatively lower cost in the rural areas. The extra-departmental agents manning the rural post offices did not depend for a living wage on the Department of Posts. They had other primary vocations like farming, teaching or petty trading and were men of some means engaged in public service. They were paid an allowance more akin to an honorarium than regular wages. This postal agency system was originally designed to be a privatized form of postal service on the analogy of a similar system obtaining in U.K. where grocery or medicine stores provided basic postal services in the rural and sparse-traffic areas. However, there have been increasing demands for wages in line with those of regular employees and for other conditions of service like leave, pension, gratuity etc. Such demands, if conceded, would negate the very principle of providing low cost services in rural areas. Considering that even under this arrangement there is substantial uncovered cost, there is in fact a need for exploring even cheaper methods for delivery of postal services in rural areas.

5.6.2.2 While it may not be feasible to shrink the present network drastically, a complete freeze must be applied on further expansion of present extra departmental system to more rural areas. Rural Post Offices normally provide basic facilities of sale of postal stamps and stationery and collection and delivery of mail. The Panchayat Sanchar Seva Yojana introduced some year ago needs to be revived and revitalized. The gist of the scheme is annexed as 'C'. Alternatively, village cooperatives, wherever existing, may be harnessed to this task on the basis of revenue sharing. PCO operators in rural areas should also be allowed to sell postal stamps and stationery on the pattern of licensed postal agents in urban areas. Collection and delivery of mail in rural areas should also be entrusted to the licensed postal agent on the basis of revenue sharing as has been done for collection of speed post articles in urban centres. Delivery of postal articles at the doorstep should be replaced by the addressee collecting it from the existing nearest retail outlets of the department. These arrangements should be introduced even in those areas where extra departmental staff system exists, in a phased manner as and when these staff attains the age of superannuation.

6. FUTURE STRATEGY

6.1 The Department of Posts is today perceived as a large loss making organisation, with an increasing proportion of costs having to be met by transfers from the central budget. Moving away from this 'loss making' label is a prerequisite if this organisation is to function with a sense of purpose and pride. Towards this end, a multi- pronged approach would need to be launched and implemented in a time bound manner - say over five years. Important elements of such a strategy would be tariff revision, diversification to provide new services and products, greater role and involvement in agency functions and increased efficiency of operations in all activities, leading to lowering of costs.

6.2 The services now offered cover the entire country and a wide range of products. The attempt should be to recover costs on each activity through a two-pronged approach of upward revision of tariff and increased efficiency of operations leading to lower costs. Seeking to load too much on any particular set of activities would be counter productive in the emerging competitive scenario.

6.3 There could be areas or products where recovery of costs in full is not found to be feasible. The under-recovery in such activities should be covered, i.e. cross-subsidized by excess recoveries in other activities.

6.4 If there are areas/products where, on larger considerations, government wishes to keep cost of services at sub-optimal levels, there also the Department of Posts should seek to cover the under recovery to the extent possible through cross subsidization within the system and the gap should be met by explicit subsidy from the central budget. The activities for which such subsidy would be available have to be carefully chosen and kept to the minimum - these could be post cards and rural network. The upper limit for the subsidy- say Rs.500 crore per annum - should also be carefully determined and announced in advance. This limit should be such that, while on the one hand, it does not undermine the enthusiasm of the Department of Posts in their efforts for reaching zero deficit in five years, it does not also, on the other, make the Department of Posts too complacent and lose focus on their efforts.

6.5 In all activities there should be a conscious effort for a reduction in the cost of operations, in particular through introduction of new work norms, which would ensure higher efficiency and productivity. Till new work norms are introduced, there should be a complete freeze on filling up of vacancies and on fresh recruitment.

6.6 Tariff setting powers should be transferred from legislative control to executive control.

6.7 A commission should be set up to advise within six months both on further tariff revision as well as new work norms for all activities.

6.8 Additional resources should be raised by introducing new innovative products and services, leasing and sale of postal land and building, large scale operation of e-mail, providing logistic support to e-commerce etc. The revenue earning potential in these activities would be quite large.

6.9 The wide network and points of presence should be utilised for retailing products and services of banks, insurance companies and mutual fund companies. The revenue potential of such initiatives would also be quite substantial.

6.10 The remuneration for operating savings bank and other savings schemes should be refixed to reflect correctly and fully the proportion of expenditure incurred on providing these services, after building in improved operational efficiency norms.

6.11 Considering the large volume of time, effort and staff devoted to this particular agency functions, the feasibility of assigning a greater role to the Department of Posts in these programmes need to be explored.

6.12 A number of ancillary logistic services like construction wing could be abolished and others like Mail Motor Service and Accounts organisation downsized leading to a saving of Rs.88 crore per annum.

6.13 The urban postal service needs to be rationalised by abolishing a large number of one-man and two-men post offices, withdrawal of savings bank work from most of the urban post offices and creating a few specialised offices for banking purposes, rationalising delivery work and outsourcing collection and delivery of ordinary mail in urban areas.

6.14 The Extra-Departmental system in rural areas should be frozen at the present level and gradually replaced by outsourcing this work to panchayats, cooperatives, P.C.O. licencees etc. on a revenue sharing basis for providing postal services in both urban and rural areas.

6.15 Premium postal services like Satellite Post, Business Post and Speed Post etc. should be brought under a corporate set up.

6.16 A full time Finance Member, equal in status and rank to other members, should be inducted into the Board and the Board should be given greater financial and administrative authority. The objective should be to prepare the ground for eventual corporatisation of the entire organisation.

Annexe – A

ORGANISATION CHART OF THE DEPARTMENT OF POSTS

MINISTER FOR COMMUNICATIONS

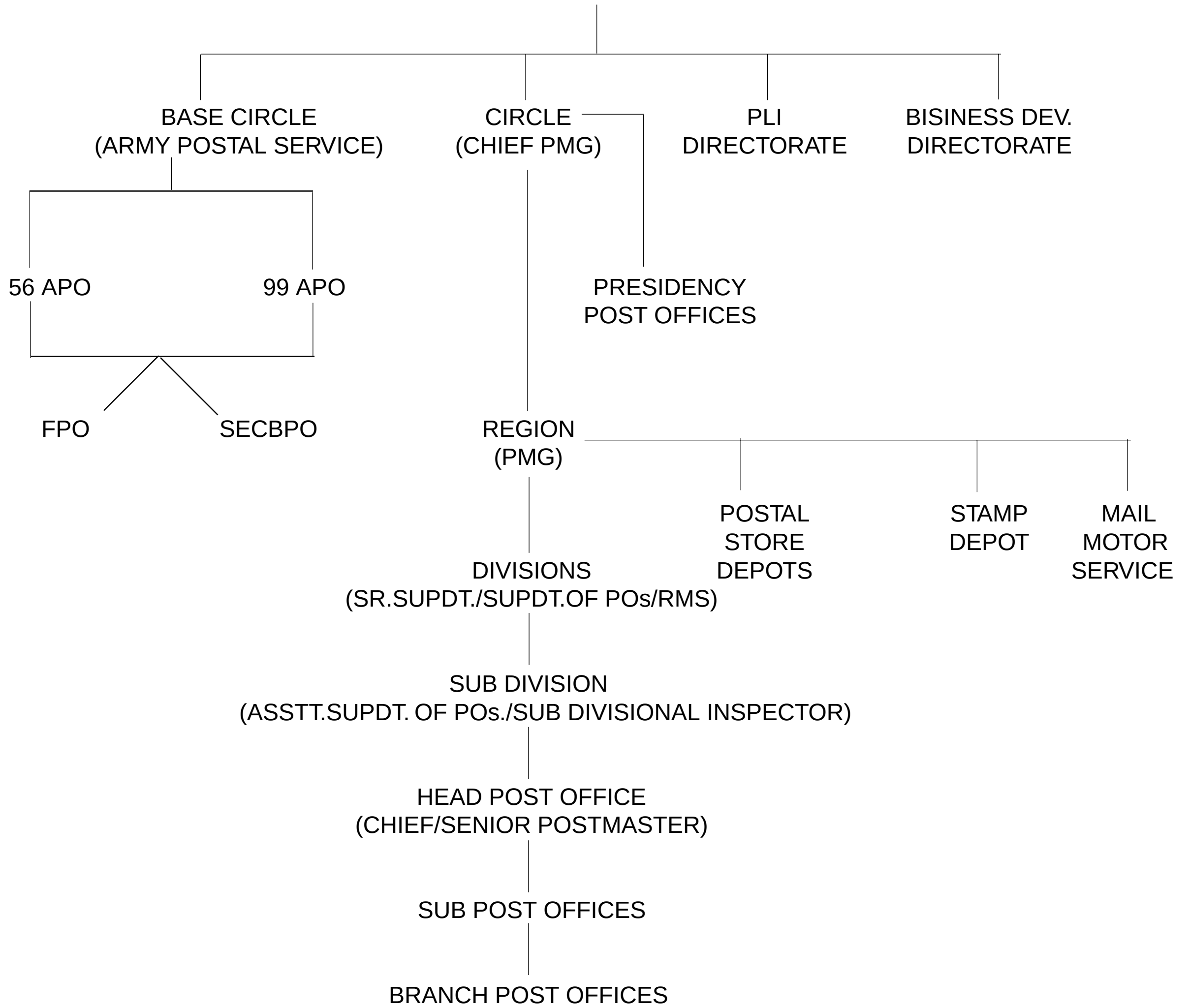
MINISTER OF STATE FOR COMMUNICATIONS

SECRETARY

- Member (Personnel)
  - DDG (Perssonnel)
  - DDG (Training & Establishment)
  - DDG (QM & Public Grievance)
  - DDG (Medical)
  - Director (Vigilance Petition)
- Member (Operations)
  - Sr.DDG (Postal Operations & Inspections)
  - DDG (Mail Management & Transport Service)
  - DDG (Technology)
  - DDG (Philately)
  - GM (Business Development-Marketing)
  - GM (business Development-Operations)
- Member (Development)
  - DDG (Savings Bank)
  - DDG (Estate & Postal Network)
  - DDG (Material Management)
  - CGM (Postal Life Insurance)
  - CE (Civil)
  - Director (Staff Relations)
  - Director (Welfare)
- Sr.DDG (Corporate Planning) and Secretary, Postal Service Board
- Joint Secretary & Financial Advisor
  - DDG (Postal Accounts & Finance)
- DDG (International) Relations)
- DDG (Vig.)

Annexe – B

DEPARTMENT OF POSTS
POSTAL SERVICES BOARD
DIRECTORATE



Annexe – C

PANCHAYAT SANCHAR SEWA YOJANA

2. Details of the Scheme:

2.1 Panchayat Sanchar Sewa Yojana has added a new tier to the postal network in place of extra departmental post offices, but without replacing the existing ones. Under this scheme, the panchayat appoints a local youth having minimum qualifications of pass in Xth standard as an agent of Panchayat to run the Sanchar Kendra for around 3 hours every working day. The Sanchar Kendra Agent is not an employee of postal department nor would the postal department run the Panchayat Kendra but the department would reimburse 'fixed' allowance and other incentives at pre-specified rates and also provide linking mail and accounting arrangements, forms and stationery stamps and seals etc. to enable the Kendra to function as per detailed guidelines formulated by the department. These guidelines also stipulate that where the Panchayat Kendra fails to act as per guidelines laid down by the department then the contract can be terminated through one month's notice by the Department after giving opportunity to the gram panchayat to show cause why the contract should not be discontinued.

3. FUNCTIONS OF PANCHAYAT KENDRA:

3.1 The following functions shall be performed by the Panchayat Kendra unless otherwise specified by the Department.

a) Booking of registered letters except VPP and Insured articles.

b) Sale of postage stamps and postal stationery.

c) Grant of certificate of posting.

d) Operation of Mahila Samridhi Yojana Scheme (now discontinued).

e) Collection and delivery of mail including clearance of letter boxes, where feasible.

f) Propagation of Small Savings Scheme and Rural Postal Life Insurance.

g) Other functions of Branch Post Office as and when the Department is satisfied that Kendras are able to discharge them.

3.2 In addition to the above, the following optional functions may be given to the Sanchar Kendra in charge by Supdt./Sr. Supdt. Post Offices of concerned division.

3.3 Conveyance of mail from Account Office or nearest post office to Sanchar Kendra and vice-versa.

3.4 The Sanchar Kendra Agent under the scheme shall also be entrusted with operation of STD/PCO/Panchayat phone subject to fulfillment of eligibility criteria and terms and conditions laid down by Department of Telecommunications, in villages where such facility does not exist at present. The existing PCO holders can also be utilised as Sanchar Kendra Agents.

4. REMUNERATION/COMMISSION:

A fixed allowance of Rs.300 per month for providing counter services and for collection, conveyance and delivery of mail wherever permitted will be paid.

The agent of the panchayat will be compensated for other postal services provided in the panchayat areas by payment of: -

a) A commission of 5% of the value of stamps/stationery will be allowed at the time of purchase in normal rural areas. In hilly and tribal areas, commission at the following rates will be allowed: -

i)	On sale upto Rs.100	-	5%
ii)	On sale upto Rs.101 to Rs.200	-	7.5%
iii)	On sale upto from Rs.201 and above	-	10%

b) A commission of 50 paise for booking and delivery of registered articles.

c) Commission at the prescribed rates for handling Mahila Samriddhi Yojana Accounts.

d) Commission at the prescribed rate for propagating Postal Life Insurance and National Savings Scheme.

e) Commission at the rates to be prescribed for providing other services.

4.2 The scheme is a voluntary scheme where the Department would extend postal facilities at the gram panchayat headquarters subject to the condition that the gram panchayat shall provide suitable accommodation with free access and proper security, furniture, letter scale and cost of stamps/seal at its own cost and would also provide a cash imprest to enable the Panchayat Agent to purchase stamps and postal stationery from the Accounts Office. The Department of Post will provide the forms and stationery and also reimburse 'fixed' allowance and incentives to the gram panchayat for payment to its agent after the panchayat enters into agreement with the department.

PART II

RESTRUCTURING OF THE FUNCTIONS, ACTIVITIES AND STRUCTURES OF THE DEPARTMENT OF SUPPLY

RESTRUCTURING OF THE FUNCTIONS, ACTIVITIES AND STRUCTURE OF THE DEPARTMENT OF SUPPLY

CONTENTS

ANNEXES

Summary of Recommendations

1. Department of Supply:

i) Government has already issued orders *inter alia* for the abolition of the Department of Supply and vesting the functions hitherto discharged by this department in the Ministry of Commerce; abolition of the office of the CCA; and also for transferring the National Test House to the Bureau of Industrial Standards in the Ministry of Consumer Affairs. The DG, DGS&D is also to function as ex-officio Additional Secretary in the Ministry of Commerce.

In the chapter on the DGS&D, it has been separately recommended that recruitment to both Indian Supply Service and Indian Inspection Service should be stopped. It follows that the task of managing these cadres should be vested with the DGS&D.

With the adoption of single file system for disposal of work relating to the DGS&D, the only items of work relating to the DGS&D required to be processed in the Ministry of Commerce would be:

(a) Appointments of DG, Additional DG and DDG in the DGS&D.

(b) Vigilance cases pertaining to them and

(c) Finalisation of rate contracts over and above the powers delegated to the DG (Rs. 5 crore)

(ii) For performing the limited functions as enumerated above in the Ministry of Commerce it should be sufficient if, of the total staff strength of the Department of Supply, a complement of no more than 12 officials headed by a Joint Secretary is retained in the Ministry of Commerce.

(iii) Likewise, a small complement of staff of say no more than 6, headed by a Director/Deputy Secretary would need to be placed in the Ministry of Consumer Affairs for the administration of NTH which is being transferred to that organisation.

(iv) The three integrated finance wings, 'located' in the DGS&D, but 'borne' on the staff strength of the Department of Supply could be downsized from the present strength of 31 to 11.

(v) Thus, of the total sanctioned strength of 177, it would be necessary to retain 29 (12 in the Ministry of Commerce, 11 in the Finance wing of DGS&D and 6 in the Ministry of Consumer Affairs) and the remaining 148 posts surrendered.

2. Directorate General of Supplies and Disposals (DGS&D)

(i) The total staff strength of the DGS&D has already come down to 2876 compared to 4513 as on 1.1.1992. With the abolition of the Centralised Payment Scheme and the recommendation separately made for stopping inspection work undertaken with inspection fees being obtained directly from the suppliers, the total staff strength could go down in the coming years. In line with this reduction in the total staff strength, the requirement of Indian Supply Service Officers and Indian Inspection Service Officers would also go down. Fresh recruitment to these services should therefore be stopped straightaway and the two cadres allowed to wither away. The management of both cadres could be vested in the DGS&D itself.

(ii) Government has already decided that shipping clearance work now being undertaken by the DGS&D at the port towns of Mumbai, Kolkata and Chennai should be wound up. This decision will lead to 131 personnel being rendered surplus.

(iii) Government has also decided that the Institute of Supply and Quality Management started in the DGS&D should be wound up. This Institute does not have any separate staff and is looked after by two officers from the headquarters and where necessary guest speakers are invited. The decision to wind up this Institute would not therefore result in any personnel becoming surplus.

(iv) The two directorates at Mumbai should be merged. This will lead to 78 personnel (breakup in Annexe IV) being rendered surplus.

(v) The Kolkata office needs to be downsized on the pattern existing in Chennai and now being recommended for Mumbai with the merger of two directorates. This will result in 90 staff (breakup in Annexe V) being rendered surplus.

(vi) The practice of carrying out quality assurance inspections with fees paid by the suppliers should be stopped forthwith. The volume of such inspections, directly paid for by suppliers, accounts for over 10% of the present volume of inspection work now being carried out. This decision will result in nearly 120 staff at different levels in the quality assurance wing being rendered surplus.

(vii) The DGS&D should function as a service organisation. While it need not aim at making a profit it should ensure that it’s expenditure is fully covered by the fees that it gets. Towards this end the DGS&D should be allowed, in fact encouraged, to provide rate contract and inspection services to more organisations – be it other central government organisations, state governments, or even the private sector – which desire to avail of DGS&D service, but on the basis of direct payment of the requisite fees and without the centralised payment mechanism.

(viii) The reduction in staff strength as recommended above (except item vii), which will be reflected in the staff strength of Department of Supply total upto 419. Taking the staff strength as assessed by the SIU i.e. 2765 as the basis, the changes suggested above will result in the total staff strength of this organisation coming down to 2346. In relation to the present sanctioned strength (3540), 1194 posts will be rendered surplus.

3. National Test House

(i) Government has decided that the National Test House should be transferred to the Bureau of Indian Standards. Considering that there is considerable overlap of functions between the two bodies, it would be advisable, if, in the first instance, the NTH is placed directly under the Ministry of Consumer Affairs and the question of integrating the two, merging facilities and downsizing of staff strength gone into in detail.

(ii) Clearly there is considerable under utilisation of the facilities created and also excess staffing. Pending a correct assessment there should therefore be a ban on further investments as well as on filling up of vacant posts, let alone adding to the staff strength.

(iii) The revenue earned as a proportion of the total non-plan expenditure is quite low, being around 20%. Efforts should be made to aggressively market the testing facilities and also increase testing fees so as to maximise internal resources generation.

4. Chief Controller of Accounts

(i) Government has already decided that the centralised payment system should be abolished. The SIU had in its assessment estimated a total staff complement requirement in the CCA's office at 325, as against the present sanctioned strength of 1036. This includes staff required for centralised payment work as well as for discharging drawing and disbursement functions. As what is proposed is only abolition of centralised payment system, a staff complement of 115 relating to the DDO functions as assessed by the SIU (Annexe VI) will have to be retained. As the DDO functions now extended cover both DGS&D and NTH, out of this 115 around 20 would have to be located in NTH (Ministry of Consumer Affairs) and the balance 95 in DGS&D (Ministry of Commerce). The remaining 921 positions, with reference to the sanctioned strength of 1036, would be rendered surplus.

Introduction

This report sets out the proposals for restructuring of the functions and activities of the Department of Supply, Directorate General of Supplies & Disposals (DGS&D), National Test House (NTH) and the Chief Controller of Accounts (CCA). Even as this report was under preparation government has, based on the recommendations of a Group of Secretaries, decided *inter alia* to abolish the Department of Supply, allocating to the Ministry of Commerce all functions allocated hitherto to this Department, disbanding the office of CCA, transferring the National Test House to the Bureau of Indian Standards (Ministry of Consumer Affairs) and winding up of the Institute of Supply and Quality Management as also shipping clearances work in the DGS&D. Even so, a comprehensive analysis of the activities and staff strength of the organisations to be abolished or activities to be wound up is presented in this report partly for record, and more importantly, as a small complement of staff part of the staff strength of the Department of Supply and the Office of the Chief Controller of Accounts would need to be continued for the reasons set out in the succeeding sections.

The details of the recommendations of the Group of Secretaries and the decisions taken thereon by government as also copies of the notification issued for making necessary amendments in the Government of India Allocation of Business Rules are given at Annexe-I.

Department of Supply

The Government of India (Allocation of Business Rules) as amended on 10th December, 1985 vested the following functions in the Department of Supply.

1. Purchase and/or inspection of stores for central government ministries/ departments including their attached and subordinate offices and union territories, other than the items of purchase and inspection of stores which are delegated to other authorities by general or special order.
2. Purchase and/or inspection of stores on behalf of those state governments, public undertakings, autonomous bodies, quasi public bodies, etc. who desire to avail of its services.
3. To arrange payment for supplies made against contracts placed by the department (DGS&D) on behalf of the authorities referred to in 1 and 2 above.
4. To arrange clearance of stores imported against orders placed by the department and also orders placed by the other central government departments, state governments, autonomous bodies, etc. if called upon to do so. To arrange shipment of stores against contracts placed by the department wherever necessary or where such work is entrusted to the

department by other authorities.

5. Disposal of surplus stores other than those for which powers have been delegated to various authorities by general or special order.

6. Testing and evaluation of materials, products, equipment and systems; research and development in testing technology and related areas; and calibration at the level of Echelon II and maintenance of test data etc.

7. Cadre management of Indian Supply Service and all matters pertaining to training, career planning and manpower planning for the said service.

8. Cadre management of Indian Inspection Service and all matters pertaining to training, career planning and manpower planning for the said service.

9. Administration of:-

   (a) Directorate General of Supplies and Disposals, New Delhi.

   (b) Office of the Chief Controller of Accounts, New Delhi.

   (c) National Test House, Kolkata.

Department of Supply presently has a sanctioned staff strength of 177, with 31 gazetted and 146 non-gazetted officials. Out of these 172 are presently (May, 2000) in position. This includes the officers and staff of Internal Finance Wing, posted in DGS&D Headquarters and regional offices.

The work of the Department of Supply can be divided into four distinct compartments:

(a) Those relating to itself:

   (i) Matters relating to the budget and finance of Department of Supply.

   (ii) Parliamentary work related to Department of Supply.

   (iii) Control of establishment and administration.

   (iv) Official language.

   (v) Control of officers belonging to the Central Secretariat Service and other Services of Department of Supply.

(b) Those relating to DGS&D:

   (i) Purchase functions

Processing and obtaining approvals for purchases beyond the powers delegated to DG i.e. items in excess of Rs. 5 crore each. Those between Rs.5 crore to Rs. 10 crore each are disposed of by the secretary, while those above Rs. 10 crore each are submitted to the minister.

As per the estimated drawal figures of items on Rate Contract on 1.5.2000, the number of items requiring DOS's approval is 58 (23 upto Rs.10 crore and 35 above Rs. 10 crore). In such cases, all initial work i.e. invitation to tenders, evaluation of tenders, formulation of purchase proposals and obtaining the concurrence of Dy.Secretary (Internal Finance) and Director General is handled in the DGS&D. After such proposals are finalised then a summing up I.D. Note is sent to the Department of Supply, which in each case opens a separate file and with its own notings and obtains the approval of Secretary (Supply) and the Minister as required and conveys it to DGS&D in the form of I.D. Note. In such cases, Financial Adviser in the Department of Supply is always consulted. Examination in the DOS involves various levels in both Purchase and Finance Wing of DOS (Sectt).

(ii) Purchase Policy

The same procedure as above is followed. In addition, individual cases of even smaller values i.e. within the delegated purchase powers of DG are referred to the Department of Supply if a deviation from the standard policy is involved.

(iii) Other Functions:

(a) Cadre control of the two central group 'A' services viz Indian Supply Service and Indian Inspection Service.

(b) Formal administrative control of the decentralised Central Secretariat Services staff (CSS, CSCS and CSSS)

(c) Vigilance.

(d) Banning of business dealings with suppliers - Nodal Agency (only 1 firm has been banned in the last four years).

(e) Parliamentary work.

(f) Budget.

(g) Official language.

(c) Those relating to CCA:

Department of Supply does not have any direct functional role to play either in the matter of performance or in the matter of staff. There is only a general supervisory control. However, the Secretary of Department of Supply is the Chief Accounting Authority for the discharge of accounting functions.

Matters relating to the budget, Parliamentary work, vigilance are, however, dealt in the normal manner. Vigilance functions are first attended to by a Controller of Accounts in the Office of CCA and then forwarded to the Department of Supply for further processing.

(d) Those relating to NTH:

(1) Executive Committee

This Committee is chaired by Secretary (Supply). This is a policy making body which takes decisions on administrative and financial matters.

(2) Technical Advisory Council:

This Council operates under the Chairmanship of DG, NTH with a representative from the Department of Supply. The main function of the Council is to advise in respect of procurement of sophisticated equipments for NTH.

(3) Cadre management of Group 'A' Scientists of NTH

(4) Control of Flexible Complementing Scheme for the Scientists of NTH.

(5) Processing of the budget proposals of NTH.

Budget estimates are prepared in NTH and then processed in DOS.

(6) Vigilance matters pertaining to NTH

Cases are first examined in NTH by a Scientist in the scale of Deputy Secretary.

Recommendations:

(i) Government has already *inter alia* issued orders for the abolition of the Department of Supply and vesting the functions hitherto discharged by this Department in the Ministry of Commerce; abolition of the office of the CCA; and also for transferring the National Test House to the Bureau of Industrial Standards in the Ministry of Consumer Affairs. The DG, DGS&D is also to function as ex-officio Additional Secretary in the Ministry of Commerce.

In the chapter on the DGS&D, it has been separately recommended that recruitment to both Indian Supply Service and Indian Inspection Service should be stopped. It follows that the task of managing these cadres should be vested with the DGS&D.

With the adoption of single file system for disposal of work relating to the DGS&D, the only items of work relating to the DGS&D required to be processed in the Ministry of Commerce would be:

(a) Appointments of DG, Additional DG and DDG in the DGS&D.

(b) Vigilance cases pertaining to them and

(c) Finalisation of rate contracts over and above the powers delegated to the DG (Rs. 5 crores)

(2) For performing the limited functions as enumerated above in the Ministry of Commerce it should be sufficient if of the total staff strength of the Department of Supply, a complement of no more than 12 officials headed by a Joint Secretary is retained in the Ministry of Commerce.

(3) Likewise, a small complement of staff of say no more than 6, headed by a Director/Deputy Secretary would need to be placed in the Ministry of Consumer Affairs for the administration of NTH which is being transferred to that organisation.

(4) The three integrated finance wings, located in the DGS&D, but based on the staff strength of the Department of Supply could be downsized from the present strength of 31 to 11.

(5) Thus, of the total sanctioned strength of 177, it would be necessary to retain 29 (12 in the Ministry of Commerce, 11 in the Finance wing of DGS&D and 6 in the Ministry of Consumer Affairs) and the remaining 148 posts surrendered.

Directorate General of Supplies & Disposals (DGS&D)

This office came into being in 1951 when the earlier Directorate General of Industries and Supplies was renamed as the Directorate General of Supplies & Disposals. Two Central Group 'A' Services viz. Indian Supply Service and Indian Inspection Service, were constituted in 1961. The recruitment to these services is through Combined Engineering Service Examination of the UPSC. The office functions through the officers of these services and group 'B' gazetted officers of Supply Wing and Quality Assurance Wing, supported by other technical and secretariat Staff.

Over the years, purchase functions were decentralised as under:

1974	Ministries of Defence, Railways and Posts and Telegraph authorised to make their own purchases for items exclusive to them.
1984	Scientific departments exempted from the purview of DGS&D.
1985	All civil departments delegated full powers to arrange disposal of surplus stores.
1991	Procurement of all adhoc requirements transferred to respective indenting ministries/departments along with agreed number of officers and staff from DGS&D(Supply Wing). Work relating to Rate Contracts for Petroleum, Oils and Lubricants for Defence and Railways was also transferred to these ministries. Inspection activity remained unaltered.
1999	Disposal activity in DGS&D wound up.

As per the orders for decentralisation of purchase work issued during 1991, the cadre of Indian Supply Service (Group 'A' and Group 'B') was, not to be reduced except to the extent of absorption of cadre officers in the Railways. The complete cadre position as presently existed (May, 2000) in respect of Indian Supply Service (Group ‘A’ and Group ‘B’) is set out below:

	AD Gr.I	DD	DIR	DDG	ADG	AD Gr.II
Working in DGS&D including Regions	18	25	20	8	2	29
Posted in other Ministries	11	13	7	2	-	16
On deputation	4	9	1	1	-	-
Absorbed in Railways	3	3	1	-	-	4

The Indian Inspection Service, was not affected by the decentralisation of the purchase work.

Present Functions of DGS&D

A) SUPPLY WING

1. Rate Contracts

Rate Contracts are concluded for the common user items which satisfy the following criteria:

a) The demand is repetitive;

b) The item is generally required by more than one department;

c) The specification is standardised;

d) The estimated annual off take is more than Rs.25 lakh.

In brief, the rate contracts offer the following advantages:

a) Cheaper than market price;

b) Saving in frequent purchasing cost;

c) Avoidance of delay in buying;

d) Availability of standard quality stores duly inspected;

e) Choice of brands available on the Rate Contract.

The suppliers offer their best prices for Rate Contracts mainly because of centralised payments and, of course, the fact that through one contract their products are introduced to a large number of government users across the length and breadth of the country.

DGS&D’s annual Rate Contracts have been beneficial to the government departments. In this connection, a sample comparison of market price and the DGS&D Rate Contract price for some items like cement, tyres and tubes, vehicles, paper, fans, industrial gases etc. prepared by the DGS&D shows that in respect of annual drawals of some items, totalling upto Rs.1,090 crores, DGS&D Rate Contracts prices would accrue a saving of approximately Rs.146 crores. (Annexe II)

Until September, 1996, all payments for supplies ordered and made against DGS&D Rate Contracts, were made by the offices of Chief Controller of Accounts, Deptt. of Supply and their reimbursement was claimed from the indentors along with 0.5% purchase and 0.5% inspection service charge. This arrangement included supplies made to the state govt. indentors also. On 1.10.1996, the Deptt. Of Supply delinked state govts. from this system i.e., the state govt. indentors were made to make their own payment arrangement. An order was issued in June, 1999 stating that the state governments and the public sector undertakings could utilise the Rate Contracts only as pre-deposit parties i.e., send the indent to the DGS&D along with the total cost and the service charges in which case the supply order will be issued from DGS&D and then payment for supplies made shall be realised by CCA. It is understood that no indent has been received in DGS&D under this dispensation. Obviously, the state governments etc. though using the Rate Contracts prices etc. are placing their own orders independent of the Rate Contracts.

2. Adhoc Purchases

Those departments which do not have infrastructure for making their own purchases can still utilise the services of DGS&D with the specific approval of the Head of the Department/Secretary of the Ministry. Presently, adhoc purchases are being made by the DGS&D for the following organisations:

a) Geological Survey of India
b) India Meteorological Department
c) Central Ground Water Board
d) Some purchases for the Department of Posts
e) Delhi Administration
f) Andaman & Nicobar Administration
g) Some state governments from time to time
h) Some projects aided by the World Bank/IMF/ADB.

Decentralisation of adhoc purchase work provided for the purchases being done by the respective Ministries/Departments themselves and if they were unable to do so to make their purchases through DGS&D. It is noticed that in many cases the ministries/departments are making the purchases, by utilizing the services of Undertakings such as NTPC, RITES, Hospital Services Consultancy Corporation etc. particularly for purchases against the World Bank or other bilaterally aided projects.

The requirements of government contracts having to be issued for and on behalf of the President of India (or Governor of the State), could be complied with in such cases. By these PSUs carrying out the spade work and getting the ministry concerned to sign the contracts, it would be desirable for the concerned financial advisors to examine whether such arrangements are cost effective, in relation to making the purchases through the DGS&D.

The following table gives the figures of purchases by the DGS&D from 1991-92 (pre-decentralisation) onwards;

Year	Total value Of Contracts (Rs. in Crore)	No. of Adhoc Contracts Contracts	Value of Adhoc (Rs. in Crore)	Value of Jute Purchase (Rs. in Crore)	Value of R/C Drawals (Rs. in Crore)
1	2	3	4	5	6
1991.92	4762	3507	707	NA	—
1992-93	4153	1673	520	NA	—
1993-94	3840	884	647	410	2783
1994-95	3206	778	570	431	2205
1995-96	3301	435	116	589	2596
1996-97	3350	330	97	511	2742
1997-98	2247	283	60	749	1438
1998-99	2270	258	58	712	1500
1999-2000	2918	240	78	1374	1466

Notes:

1. *Figures based on payment data.*
2. *Jute purchases, though adhoc in nature, are not included in column 4 which gives the figure of adhoc purchases through tendering process.*
3. *R/C drawals show steep downward figures from 1997-98 onwards because from 1.10.96, State Govts. Were asked to make their own payments and hence their drawals did not get reported.*
4. *NA, — denotes not available.*

3. Purchase of Jute Bags by DGS&D's regional office at Kolkata

Jute bags are purchased in two varieties:

(a) A twill bags for packaging of sugar and rice. The number of contracts placed for such bags in a year is about 30, of a total value of Rs.10-15 crore.

(b) B Twill Bags for packaging of wheat.

The procedure for making purchase of B twill bags is as under:

Exercising powers under the ‘Jute (Licensing and Control) Order, 1961’, the Office of the Jute Commissioner (J/C) issues production control orders (PCO) to various jute mills every month to produce specified quantity of twill bags. This mill-wise quantity and the time period is fixed by J/C under statutory orders. J/C also notifies the price payable every month for such goods under the said order.

On receipt of Production Control Order, DGS&D, Kolkata in exercise of the power under clause 8A of Jute (Licensing & Control) Order, 1961 read with amendment dated 4.9.70, issues Requisition Order & Supply Order indicating quantity, price, date of delivery & consignee details etc.

The indentors of jute bags are:

(a) Food Corporation of India

(b) Government of Punjab

(c) Government of Haryana

(d) Government of Uttar Pradesh

(e) Government of Madhya Pradesh

Although the DGS&D does not make these purchases through regular tenders on competitive basis, it has a special role in the following manner:

(1) In the process of issuing the requisition orders and supply orders, this office works out the distribution, destination-wise, for state govt. requirements and other contractual details;

(2) The supplies against the Production Control Orders issued by the Jute Commissioner’s Office are required to be made in the same month at the prices applicable for that month. Therefore, the orders have to be issued on an emergent basis and very close monitoring of supplies on day-to-day basis is made. All the indentors i.e. Food Corporation of India as well as the concerned state governments are kept informed of the position periodically;

(3) Periodical visits to the jute mills along with a representative of Jute Commissioner and the Enforcement Directorate are made to check and ensure that supplies are made according to the orders;

(4) Where the supplies get delayed, the DGS&D plays specialised role of deciding the price at which the extension in delivery date is to be granted;

(5) Since the jute mills are presently eager to take orders, DGS&D's performance report to the Jute Commissioner assumes a special significance;

(6) Attending to the complaints from the indentors;

(7) Adjustment of quantities in cases of wrong indenting by certain indentors;

(8) The state governments of Punjab, Haryana, UP and MP submit their indents unaccompanied by the requisite funds. This is because the requirements are large and funds are not available in one go. They keep on providing funds from time to time and based on these funds the quantity of jute bags for each state government is worked out and ordered in accordance with the Production Control Order issued by the Jute Commissioner.

Although the annual purchase of jute bags is very large in value and involves a large number of contracts issued and monitored (value of jute purchases in 1999-2000 is Rs.1374 crore), not much staff is employed on this work and presently the office of DGS&D, Kolkata under the charge the Deputy Director General (Supply) supported by only one Director (Supply), one Deputy Director (Supply) and six Assistant Directors (Supply) are able to cope with these purchases along with other major activities such as issuing about 30 Rate Contracts annually and clearing agency work for the Port of Kolkata.

4. Shipping Clearance Work

The Regional Supply Offices at the Port Towns of Mumbai, Kolkata and Chennai arrange clearance of imported cargo and coastal shipments to Andaman & Nicobar. Clearing agents have been appointed at Mumbai and Chennai. In Kolkata, the work is handled departmentally but the transport is arranged through a transport contractor. In Mumbai, the clearing agents are paid advance money for the assessed expenses on clearance and demurrages. This is adjusted in the final bills of the clearing agent. In Chennai, the clearing agents invest their own money and then submit bills for payment. custom duty is paid direct to the authorities.

Clearing agents perform all functions starting from the arrival of vessel until final despatch to the consignee's destination.

Clearing agency facility is available at the following ports:-

Sea Ports:- Kolkata, Haldia, Chennai, Vizag, Mumbai and Cochin

Air Ports:- Kolkata, Chennai, Bangalore and Mumbai.

The tonnage (cargo) handled by the three regional offices during last 5 years is as under:-

Tonnage handled M/Ts

	1995-96	1996-97	1997-98	1998-99	1999-2000
Mumbai	8860	9508	6855	7628	11331
Kolkata	9336	9421	4940	7811	19069*
Chennai	5163	6622	4223	4943	5939
Total	23359	25551	16018	20382	36339

* *The sharp increase is due to coastal shipments to Andaman & Nicobar Islands.*

B) Quality Assurance Wing:

The Quality Assurance Wing with its headquarters in Delhi is headed by an Additional Director General (Quality Assurance) who reports to DG(S&D) and operates through Deputy Director Generals (Quality Assurance) in each of the four zones viz. North, South, East and West, with zonal headquarters at New Delhi, Chennai, Kolkata and Mumbai respectively.

Each zone has 2-3 directorates with a director as head and sub-offices at major industrial centres, staffed as per requirement. At present, there are 11 field directorates situated at New Delhi, Chandigarh, Kanpur, Kolkata, Jamshedpur, Mumbai, Ahmedabad, Bhilai, Chennai, Hyderabad and Bangalore.

The Quality Assurance Wing has 34 centres with its offices at almost all the major industrial production centres with its presence in almost all states of the country. The presence of QA Wing office nearer to the production centres helps in dealing with the inspection work in an efficient manner with the advantage for the contractors to have direct communication for any guidance needed in operation of the contract.

The Quality Assurance Work is of a specialised technical nature calling for assimilation and dissemination of knowledge and experience. In fact Quality Assurance Wing of DGS&D has been one of the pioneer organisations in this field. The functions performed by the QA Wing are:

(a) Formulating the procurement specifications suitable for contracting.

(b) Assessment of vendors against their application for registration with DGS&D, by examining all aspects and then grant registration. This activity has been decentralised in the regions in order to assist local suppliers.

(c) Assessment of vendors against tender enquiries before placement of contracts.

(d) Maintain directories of suppliers registered as manufacturers, stockists, Indian agents to foreign manufacturers etc.

(e) Providing advice to DGS&D on all technical issues in the purchase activities.

(f) Technical evaluation of offers wherever requested for.

(g) Evaluation and certification of the quality of supplies.

(h) Quality audit/failure analysis of supplies at consignee's end.

(i) Providing similar services to other departments and central government, state governments, public sector undertakings against their direct procurement.

(j) Interaction with Indentors and Industry for failure analysis and upgradation of quality of procurement to meet diversified needs and keeping up with changing/increasing quality needs of the users.

(k) Interaction with BIS and other government bodies, contribution/ participation in their standardisation and certification activities.

The volume of work involved is of the following order:

	96-97	97-98	98-99	1999-2000 Upto Dec.99
Number of orders received	36479	37514	42363	34559
Value of orders received in rupees crore	2853	3037	3587	3112
Value of orders inspected in rupees crore	2765	2953	3484	2853

C) Institute of Supply and Quality Management

About three years back, work on a full fledged Institute known as the Institute of Supply and Quality Management was started in the DGS&D. This institute is now functional for about a year. Officers from various ministries, departments, public sector undertakings etc. attend the courses arranged by this institute frequently. Induction courses are also held in this institute for probationary officers in the field of supply and materials management in other ministries like railways etc. Although, most of the faculty is in-house viz. officers of Indian Supply Service and Indian Inspection Service, the institute also utilises the outside faculty as guest lecturers where necessary. Presently, the institute is looked after by a Deputy Director General (Supplies) and a Director (Training). For this purpose, one post of director out of the two sanctioned for Directorate of Supplies and Disposals, Kolkata, is being operated at headquarters. The institute has been set up under a plan scheme which is to be completed in 2 phases. The first phase i.e. development of basic infrastructure has been completed.

The second phase provides for a full fledged Institute involving recruitment of faculty and other manpower.

D) Internal Finance in DGS&D

The officers and staff of finance located in the DGS&D, belong to the Department of Supply and form a part of DOS (Sectt) staff strength. The following officers and staff are presently working in finance in DGS&D.

	DGS&D		Kolkata		Mumbai	
	SS	WS	SS	WS	SS	WS
1. Dy.Secy	1	1	-	-	-	-
2. Under Secy	3	3	1	1	1	1
3. SO	-	-	1	1	-	-
4. DyDir(Cost)	1	1	-	-	-	-
5. Assistant	-	-	2	2	-	-
6. Steno Gr C	3	3*	1	1	-	1**
7. UDC	-	-	3	1	1	1
8. LDC	1	1	1	1	1	1
9. Daftry	-	-	1	1	1	1
10.Messenger	3	3	3	3	2	2
Total:	**12**	**12**	**13**	**12**	**6**	**6**

* *Includes 2 provided by DGS&D*

** *provided by DGS&D. SS : Sanctioned Strength WS:Working Strength*

Deputy Secretary (Finance) has the delegated authority to concur with the proposals upto Rs.5 crore i.e. within DG's powers. Under Secretaries at headquarters and also in the regions have delegated powers to concur with the proposals falling within the delegated purchase powers of Deputy Director Generals viz Rs 1.5 crore. Finance Wing at headquarters examines all Rate Contract proposals dealt with at headquarters. The Deputy Secretary at headquarters also sees for approval cases forwarded by the Under Secretaries (Finance) located in Mumbai and Kolkata which are beyond their delegated powers.

The office of DGS&D, Chennai does not have internal finance located there. All their cases where finance concurrence is required are forwarded either to Mumbai or direct to headquarters depending on the value involved. Cases beyond the delegated authority of US(IF) are also forwarded from Mumbai and Kolkata to DS(IF) at headquarters.

Apart from the normal purchase cases, the finance concurrence is required in the offices of port towns in respect of the following activities:

(1) Cases involving demurrages and wharfages during clearing agency work.

(2) Specific to Mumbai

Cases pertaining to grant of advance in each shipment case to the clearing agent to take care of demurrages and warehouse charges etc. In Chennai, the clearing agents are not paid advances. Also even in Mumbai until about a year back the cases of advance were not shown to finance. This practice has been started only recently.

(3) Specific to Kolkata:

Cases relating to jute purchase and regularisation of delivery period, waiver of liquidated damages etc. are all shown to finance.

Revenue and Expenditure

DGS&D charges a purchase fee of 0.5% of the value of the goods for procurement activities and 0.5% of the value of goods inspected for inspection activities of the Quality Assurance Wing. In addition to this, DGS&D Purchase Wing charges 0.5% of the CIF value of the imported stores cleared as well as export cargo cleared (the export cargo handled is only for Andaman & Nicobar Islands). In respect of procurement on behalf of the central government indentors including Rate Contract supply orders where the payment is centralised, the purchase and inspection fees are collected by the Office of the Chief Controller of Accounts through debits raised on the respective indentors along with the value of the stores. Similarly, in respect of clearing agency activities, the offices of Chief Controller of Accounts at Mumbai, Kolkata and Chennai recover the charges through debits raised to the respective Indentors.

The Quality Assurance Wing undertakes inspection of stores even against the orders placed directly by various central government departments etc., State government departments and public sector undertakings where they want inspection to be carried out by DGS&D Quality Assurance Wing. In such cases, service charges are due only for inspection of stores. This is not possible through recovery by the offices of the Chief Controller of Accounts. In such cases which are generally termed as 'non-departmental orders', Quality Assurance Wing have, through their internal instructions, started collecting the inspection fees in the form of demand drafts in favour of CCA <u>from the suppliers</u> before undertaking the inspection. Suppliers themselves have to get reimbursed from the order placing authority.

The figures of revenue receipts and expenditure from 1997-98 onwards, are given at Annexe III.

Staff Strength

The Staff Inspection Unit of the Ministry of Finance (SIU) had carried out the study of the officers and staff employed up to the level of director (JAG) in 1996-1997.

Since the SIU does not study the workload and strength of officers at SAG level and above, Deputy Director Generals and above were not covered by the study. The SIU report was examined in the DGS&D/DOS and discussed at length and could be finalised and agreed only in June, 1999. However, its implementation is still pending. SIU has not recommended any reduction in the cadre posts. According to the agreed level of staff between SIU and Department of Supply, the total staff strength in DGS&D from Group 'A' to Group 'D' has to be restricted to 2765. The present sanctioned strength is 3540 and working strength is 2876.

The SIU has approved two posts of directors at Mumbai. Earlier at Mumbai there used to be a Director of Supplies & Disposals and a separate Director (Supplies) (Textiles), located in two different buildings. The subordinate cadres in the two offices are different and so are the staff unions different. Subsequently, due to decentralisation, the work was reduced and both the offices were brought under one roof. Presently, whereas the office of DS&D is concluding the Rate Contracts and the clearing agency work, the office of Director (Supplies) (Textiles) is also concluding some rate contracts. Total number of Rate Contracts concluded by both the directors is not more than the Rate Contracts concluded by the Chennai office with only one Director and the Kolkata Office with only one Director functioning (though two have been approved by SIU). The continued existence of two Directors of Supplies in Mumbai and with separate supporting staff including Assistant Directors (Administration) is not justified.

One development that could have a large impact on the staff strength requirement in DGS&D is government's recent decision to wind up the centralised payment system. It has been argued that the centralised payment system is the key to the successful discharge of the package of functions offered by DGS&D; that without the centralisd payment system participation of suppliers in the rate contract system could suffer and increase the proportion of cases where the inspection fees would have to be collected directly from the suppliers. While it is difficult to assess to what extent the volume of purchases, booked over the rate contract system by central government agencies could go down or when centralised payment system is abolished, the experience of recent years clearly shows that moving away from centralised payment has led to over 10% of the inspections being carried out with the fees paid directly by the suppliers, an agreement that needs to be put an end to, as it could be a breeding ground for malpractices. As far as state government purchases are concerned, the recent decision of the government would only be formalising an arrangement that was put in place in 1996. Some reduction in the workload of DGS&D cannot therefore be ruled out when the centralised payment system is abolished.

Recommendations:

(1) The total staff strength of the DGS&D has already come down to 2876 compared to 4513 as on 1.1.1992. With the abolition of the Centralised Payment Scheme and the recommendation separately made for stopping inspection work undertaken with inspection fees being obtained directly from the suppliers, the total staff strength could go down in the coming years. In line with this reduction in the total staff strength, the requirement of Indian Supply Service Officers and Indian Inspection Service Officers would also go down. Fresh recruitment to these services should therefore be stopped straightaway and the two cadres allowed to wither away. The management of both the cadres be vested in the DGS&D itself.

(2) Government has already decided that shipping clearance work now being undertaken by the DGS&D at the port towns of Mumbai, Kolkata and Chennai should be wound up. This decision will lead to 131 personnel being rendered surplus.

(3) Government has also decided that the Institute of Supply and Quality Management started in the DGS&D should be wound up. This institute does not have any separate staff and is looked after by two officers from the headquarters and where necessary guest speakers are invited. The decision to wind up this institute would not therefore result in any personnel becoming surplus.

(4) The two directorates at Mumbai should be merged. This will lead to 78 personnel (breakup in Annexe IV) being rendered surplus.

(5) The Kolkata office needs to be downsized on the pattern existing in Chennai and now being recommended for Mumbai with the merger of two directorates. This will result in 90 staff (breakup in Annexe V) being rendered surplus.

(6) The practice of carrying out quality assurance inspections with fees paid by the suppliers should be stopped forthwith. The volume of such inspections, directly paid for by suppliers, accounts for over 10% of the present volume of inspection work not being carried out. This decision will result in nearly 120 staff at different levels in the quality assurance wing being rendered surplus.

(7) The DGS&D should function as a service organisation. While it need not aim at making a profit it should ensure that it's expenditure is fully covered by the fees that it gets. Towards this end the DGS&D should be allowed,

in fact encouraged, to provide rate contract and inspection services to more organisations – be it other central government organisations, state government, or even the private sector – which desire to avail of DGS&D service, but on the basis of direct payment of the requisite fees and without the centralised payment mechanism.

(8) The reduction in staff strength as recommended above (except item 7) which will be reflected in the staff strength of Department of Supply total upto 419. Taking the staff strength as assessed by the SIU i.e. 2765 as the basis, the changes suggested above will result in the total staff strength of this organisation coming down to 2346. In relation to the present sanctioned strength, 1194 posts will be rendered surplus.

National Test House (NTH)

National Test House was established in 1912 on a modest scale for the railways, primarily for evaluation of certain indigenous products aimed at import substitution. Presently it has a total sanctioned strength of 794, of which 133 positions are vacant.

The main functions of the NTH are :-

(a) Testing and evaluation of materials, products, equipment, apparatus and systems in practically all branches of science and technology except food, drugs and pharmaceuticals, arms and ammunitions.

(b) Research and development in testing technology and related areas, including consultancy for failure analysis and allied problems.

(c) Helping industries in developing indigenous products for import substitution and in their quality assurance programmes.

(d) Calibration at the level of Echelon-II and maintenance of appropriate standards and references in areas of its competence.

(e) Helping N.A.B.L. (National Accreditation Board for Testing and Calibration Laboratories) for accrediting testing laboratories.

(f) Association with BIS for evolving National International Specifications and Standards.

(g) Training of Scientists, Technologists, Technicians in Testing technology.

NTH has its headquarters at Kolkata and regional laboratories at Kolkata, Mumbai, Chennai, Ghaziabad, Guwahati and Jaipur with testing facilities specific to the regions.

Two high powered committees exist to advise NTH on policy and various administrative matters. These are:

(i) Executive Committee and

(ii) Technical Advisory Council.

The Executive Committee functions under the Chairmanship of Secretary (Supply) to take decisions on administrative and financial matters. The Technical Advisory Council has been reconstituted in 1997 under the Chairmanship of DG(NTH) and a representative from the Department of Supply. A number of scientists and engineers from the various institutions are being nominated for the council along with all regional heads of the NTH as members. The main function of the Advisory Council is to advise on procurement of sophisticated equipment for NTH in the various disciplines.

The NTH is at present providing testing and evaluation facilities in the following main disciplines:

a) Chemical engineering

b) Civil engineering

c) Rubber, plastics and textiles

d) Electrical engineering

e) Electronics

f) Mechanical engineering (heavy and light mechnical)

g) Non-destructive testing.

The number of samples tested in different regions is as follows:

Figures in thousands

Name of the Region	1997-98	1998-99	1999-2000
Kolkata	8.23	8.17	8.05
Mumbai	2.21	2.42	3.53
Chennai	2.46	3.01	3.30
Ghaziabad	4.44	4.58	4.82
Jaipur	2.25	3.98	5.60
Guwahati	0.33	0.51	0.80
Salt Lake	-	-	1.30
Total:	**19.92**	**22.67**	**27.20**

The region wise breakup of non-plan expenditure and revenue earnings is as follows:

(Rupees in Lakh)

		1998-99			1999-2000		
S No	Region	Non-Plan Expenditure	Revenue Earned	% of Revenue to Non-Plan Expenditure	Non-Plan Expenditure	Revenue Earned	% of Revenue to Non-Plan Expenditure
1.	NTH(ER)	480.04	61.96	12.91	500.40	61.47	12,28
2.	NTH(WR)	120.96	19.73	16.31	132.31	26.66	20.15
3.	NTH(SR)	105.31	20.15	19.13	120.16	22.39	18.63
4.	NTH(NR)	109.64	43.34	39.53	104.68	45.10	43.08
5.	NTH(JPR)	22.99	19.04	82.82	24.17	21.02	86.97
6.	NTH(GUW)	14.05	5.56	39.57	14.30	5.14	35.94
	Total:	**852.99**	**169.78**	**19.90**	**896.02**	**181.78**	**20.29**

NOTE: *Eastern Region includes Salt Lake, Kolkata.*

Salt Lake Complex at Kolkata

This complex spread over an area of 3 acres and with a total covered area of 18,238 sq.m.is being set up to provide for a top class modern testing laboratory in the country at a cost of Rs.34.24 crore. Though the complex was scheduled to be completed by December, 1999, it is not yet operative except for the minor laboratories in one of the annexe buildings. Out of the total of 103 posts required for this, only 62 are to be adjusted by transfer from the Alipore laboratory. Incidentally the facilities and manpower available at the Alipore complex are considerably under utilised.

NTH Ghaziabad Complex

NTH also has a much larger complex at Ghaziabad, commissioned in 1982, in a 19 acre plot, with a covered area of about 6000 sq. metres.

IIM, Kolkata study covered the four central government funded quality testing institutions vis-a-vis the laboratories of Bureau of Indian Standards (BIS), National Test House (NTH), Regional Testing Centres (RTCs) and Pilot Testing House (PTH). This study which was completed in September, 1999 has, inter alia highlighted the following points:

- There exists well-established testing infrastructure in the laboratories of BIS, NTH, PTH and RTCs as individual entities, and more so when considered together.
- All of them have similar capacities, equipment and facilities. In any given city, such as Kolkata, BIS,NTH and RTC have nearly similar facilities.

- They cater to more or less the same-testing samples against established standards.
- However, BIS laboratory tests samples for the ISI marking and certification scheme. Other private and public laboratories also carry out testing for certification purpose at the instance of BIS.
- The testing and related activities of these labs are predominantly regional based. That is their regional establishments (at Mumbai, Chennai etc.) more or less cater to the "local" (in and around the region in which they are located) testing needs.
- From the point of view of testing per se duplication and under utilisation of testing facilities available in the laboratories at various locations are glaring.
- In particular, the magnitude of investment made in creating testing infrastructure in BIS, and NTH laboratories is substantial, but is grossly underutilised. Furthermore, the extent of utilisation of this capacity is declining.
- There has been tremendous proliferation of testing activities in the country in the recent past in connection with industrial products. This has resulted in:
  - the growth of laboratories in private and government sector with high degree of testing area specialisation,and
  - competition and aggressive marketing practices.
- Although there are isolated and small initiatives, the laboratories studied are yet to gear up themselves to successfully meet the competition.

This institute made the following broad recommendations:

- The quality testing laboratories owned by the GOI either directly or through its various agencies could ideally be integrated.
- There is no need for different departments running their own testing institutions in the present context. This inevitably creates excess capacity, wasteful duplication, under utilisation, and diluted strategies to tap market potential.
- There is no need even for BIS to own testing laboratories to carry out their mandatory objectives. Ideally the BIS laboratories should also be integrated with the other GOI owned laboratories.
- There is a need for balanced and market specific geographic spread of these laboratories.

- An urgent need also exists for effective management, autonomy, decentralisation of decision making, accountability in terms of achieving reasonable return on investment (ROI).

General Observations:

(1) Only 3% of the total number of samples tested at NTH (1999-2000) are on account of DGS&D. Another 50% of their total workload comes from other government departments. Approximately, 46% is accounted for private industry etc. Apparently, there is little justification for NTH to be located in the Department of Supply.

(2) The capacities already available with NTH before bringing up of Salt Lake Complex had been, over the years continuously, grossly underutilised.

(3) NTH charges money for samples tested. The revenue earned by NTH over the years is only about 20% of the annual non-plan expenditure.

(4) Thus, in the absence of centralised efforts the proportion of revenue to expenditure could even go down in the coming years.

Recommendations

(1) Government has decided that the National Test House should be transferred to the Bureau of Indian Standards. Considering that there is considerable overlap of functions between the two bodies, it would be advisable, if, in the first instance, the NTH is placed directly under the Ministry of Consumer Affairs and the question of integrating the two, merging facilities and downsizing of staff strength gone into in detail.

(2) Clearly there is considerable under utilisation of the facilities created and also excess staffing. Pending a correct assessment there should therefore be a ban on further investments as well as on filling up of vacant posts, let alone adding to the staff strength.

(3) The revenue earned as a proportion of the total non-plan expenditure is quite low, being around 20%. Efforts should be made to aggressively market the testing facilities and also increase testing fees so as to maximise internal resources generation.

Chief Controller of Accounts (CCA)

The Office of the Chief Controller of Accounts, Department of Supply, is the Departmental Accounts Organisation attached to the Department of Supply. The Secretary of the Department is the Chief Accounting Authority for the discharge of the accounting functions. CCA reports to him through Financial Advisor.

The main functions of the Supply Accounts Organisation include:

1. Pre-check payment and accounting of bills preferred against rate contracts of DGS&D and raising of outward claims against the Accounts Officers of the concerned consignees.
2. Payment to clearing agents at ports for imported stores.
3. To carry out the treasury functions on behalf of the Department of Supply, DGS&D, NTH & CCA Offices, compile the accounts of the department, and arrange internal inspection of payment and accounts, of records maintained by various offices under the department.

The Chief Controller of Accounts has his headquarters at New Delhi and three regional offices at Kolkata, Chennai and Mumbai. The CCA is assisted by two Controllers of Accounts at New Delhi, one Deputy Controller of Accounts each at Kolkata, Mumbai and Chennai.

(The overall actual strength of the organisation as on 1.1.2000 is 725 (gazetted 110 and non-gazetted 615).

Payment Figures:

The Chief Controller of Accounts plays a pivotal role in ensuring timely payments for procurements made against DGS&D rate contracts. Details of bills received and paid during the last four years is given below:

Year	Opening Balance	Received	Total	Bills Paid	Bills Pending (Closing Balance)
1995-96	20,539	3,11,939	3,32,478	3,15,826	16,652
1996-97	16,652	2,79,061	2,95,713	2,79,630	16,083
1997-98	16,083	1,89,135	2,05,218	1,90,261	14,957
1998-99	14,957	1,75,186	1,90,143	1,79,268	10,875
1999-2000*	10,875	1,34,337	1,45,212	1,31,827	13,385

*Upto Dec. 1999

Staff Strength – SIU Study

Although, the sanctioned strength continues to be shown in the region of 1030 from 1991 (pre- decentralisation) till the present time, the actual working strength has been coming down subsequent to decentralisation of purchases.

The orders for decentralising the payments for supplies to state governments against the Rate Contract issued on 1.10.96, caused further substantial reduction in work in the office of CCA, as will appear from the payment figures. The staff strength which was 847 on 31.12.96 is now 725.

SIU had carried out a detailed study of the staff requirement and the functions of CCA. The SIU had recommended abolition of CCA (Supply) and suggested payment of contractors' bill directly by the Accounts Officers of the consignee departments. However, SIU had recommended a staff strength of 325 for the present functions if continued.

Recommendation:

Government has already decided that the centralised payment system should be abolished. The SIU had in its assessment estimated a total staff complement requirement in the CCA's office at 325, as against the present sanctioned strength of 1036. This includes staff required for centralised payment work as well as for discharging drawing and disbursement functions. As what is proposed is only abolition of centralised payment system, a staff complement of 115 relating to the DDO functions as assessed by the SIU (Annexe VI) will have to be retained. As the DDO functions now extended cover both DGS&D and NTH, out of this 115 around 20 would have to be located in NTH (Ministry of Consumer Affairs) and the balance 95 in DGS&D (Ministry of Commerce). The remaining 921 positions, with reference to the sanctioned strength of 1036, would be rendered surplus.

ANNEXE-I

S.B. MOHAPATRA
ADDITIONAL SECRETARY &
FINANCIAL ADVISER

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE
UDYOG BHAVAN
NEW DELHI 110011

24th July, 2000

Dear Shri Mathur,

Kindly recall our discussion regarding rightsizing of DGS&D organisation. As you know, a Group of Secretaries was constituted to give its recommendations regarding rightsizing the DGS&D. A summary of their recommendation is enclosed. The recommendations have been accepted by the Commerce & Industries Minister who is also the Minister of the Department of Supply. The recommendations have now been forwarded to the Cabinet Secretariat for further action. However, no formal order has been issued so far.

With regards,

Yours sincerely,

Sd/-

(S.B. Mohapatra)

Shri J.S. Mathur,
Member Secretary,
Expenditure Reforms Commission,
New Delhi.

DCC No.CD 910/85

Rashtrapati Bhavan, New Delhi

NOTIFICATION

NEW DELHI, THE 10TH December, 1985

In exercise of the powers conferred by clause (3) of article 77 of the Constitution, the President hereby makes the following rules further to amend the Government of India (Allocation of Business) Rules, 1961, namely:-

1. (1) These rules may be called the Government of India (Allocation of Business) One hundred and Seventy-seventh Amendment) Rules, 1985.
(2) They shall come into force at once.

In the Government of India (Allocation of Business) Rules, 1961 -

(1) In the First Schedule:-

X X X

(2) In the Second Schedule:-

(i) X X X

(ii) Under the heading "MINISTRY OF COMMERCE AND INDUSTRY (VANIJYA AUR UDYOG MANTRALAYA) for the entries under the sub-heading "B" DEPARTMENT OF SUPPLY (POORTI VIBHAG)" the following entries shall be substituted, namely:-

"1 Purchase and/or inspection of stores for Central Government Ministries/ Departments including their attached and subordinate offices and Union Territories, other than the items of purchase and inspection of stores which are delegated to other authorities by general or special order.

2. Purchase and/or inspection of stores on behalf of those State Governments. Public Undertakings, autonomous bodies, quasi public bodies, etc. who desire to avail of its services.

3. To arrange payment of supplies made against contracts placed by the Department (DGS&D) on behalf of the authorities referred to in 1 and 2 above.

4. To arrange clearance of stores imported against orders placed by the Department and also orders placed by the other Central Government Departments. State Governments, autonomous bodies, etc. if called upon to do so. To arrange shipment of stores against contracts placed by

the Department wherever necessary or where such work is entrusted to the Department by other authorities.

5. Disposal of surplus stores other than those for which powers have been delegated to various authorities by general or special order.

6. Testing and evaluation of materials, products, equipments and systems; research and development in testing technology and related areas; and calibration in the level of Echelon II and maintenance of test data, etc.

7. Cadre Management of Indian Supply Service and all matters pertaining to training, career planning and manpower planning for the said service.

8. Cadre Management of Indian Inspection Service and all matters pertaining to training, career planning and manpower planning for the said service.

9. Administration of –

   (a) Directorate General of Supplies & Disposals, New Delhi

   (b) Office of the Chief Controller of Accounts, New Delhi

   (c) National Test House, Alipore, Calcutta.”

(To be published in
Part II, Section 3,
Sub – section (ii)
Of the Gazette of
India, Extra Ordinary,
Dated the 7th August, 2000.)

Doc. CD-459/2000.

RASHTRAPATI BHAVAN

NEW DELHI

Notification

Dated the 4th August, 2000.

S.O.___________ (E). – In exercise of the powers conferred by clause (3) of article 77 of the Constitution, the President hereby makes the following rules further to amend the Government of India (Allocation of Business) Rules, 1961, namely:-

1. (1) These rules may be called the Government of India (Allocation of Business) (Two hundred and fifty – first Amendment) Rules, 2000.

(2) They shall come into force at once.

2. In the Government of India (Allocation of Business) Rules, 1961,-

(1) in the First Schedule, under the heading "5, Ministry of Commerce and Industry (Vanijya aur Udyog Mantralaya)", the sub heading "(iii) Department of Supply (Poorti Vibhag)" shall be omitted;

(2) in the Second Schedule, under the heading "MINISTRY OF COMMERCE AND INDUSTRY (VANIJYA AUR UDYOG MANTRALAYA)",-

(A) under the sub-heading "A, DEPARTMENT OF COMMERCE(VANIJYA VIBHAG)", after entry 17, the following entries shall be added, namely:-

" 18. Purchase and inspection of stores for Central Government Ministries/Departments including their attached and subordinate offices and Union Territories, other than the items of purchase and inspection of stores which are delegated to other authorities by general or special order.

19. Cadre Management of Indian Supply Service and all matters pertaining to training, career planning and manpower planning

for the said Service.

20. Cadre Management of Indian Inspection Services and all matters, pertaining to training, career planning and manpower planning for the said Service.

21. Administration of Directorate General of Supplies and Disposals, New Delhi."

(B) the sub-heading "D. DEPARTMENT OF SUPPLY (POORTI VIBHAG)" and the entries relating thereto shall be omitted.

K.R. NARAYANAN

PRESIDENT

(File No.1/22/1/2000-Cab.)

Note on abolition of Department of Supply on the basis of the recommendations of the Group of Secretaries

The Group of Secretaries on Rightsizing the Government Work force considered the matter regarding the abolition of Department of Supply. The recommendations of the Group of Secretaries had been received in DOS through Cabinet Secretariat for consideration. The recommendations are as follows:-

Recommendation No.(i):

The Department of Supply may be abolished and all the functions allocated to the Department as per Govt. of India (Allocation of Business), Rules, 1961 may be dropped except the function No.1 (vide Para 12) which may in turn be added to the business allocated to the Department of Commerce. This will result in abolition of 179 posts.

Recommendation No.(ii):

The DGS&D may be attached to the Department of Commerce and the Director General of DGS&D may be made ex-officio Additional Secretary to the Department of Commerce in the Ministry of Commerce & Industry. It may be categorized as a service Department. The 775 posts in the DGS&D identified for abolition by the SIU may be abolished forthwith. A fresh examination of the staff requirement of the DGS&D may be carried out in the changed perspective to determine the optimum staff strength of the DGS&D. Pending this review, fresh recruitment to all cadres / posts managed by DGS&D may be stopped.

Recommendation No.(iii):

Out of the total 664 vacant posts in DGS&D at present, only 81 belong to the category of 775 posts recommended for abolition by the SIU. A decision regarding abolition of remaining 583 vacant posts may also be taken.

Recommendation No.(iv):

The office of the Chief Controller of Accounts may be disbanded. This may result in the abolition of 1036 posts.

Recommendation No.(v):

The National Test House (NTH), Calcutta may be transferred to the Bureau of Indian Standards (BIS). Pending review of requirement of essential posts in NTH by BIS, fresh recruitment to various cadres / posts in NTH may be stopped.

Recommendation No.(vi):

The Cadre Management of the Indian Supply Service and the Indian Inspection Service may be transferred to the DGS&D (on the lines of the cadre of the Indian Trade Service being managed by the Directorate General of Foreign Trade) with a reassessment of cadre strength in the light of other recommendations. The Management of Group 'A' Scientists Cadre of NTH may be transferred to BIS/Department of Consumer Affairs. Fresh recruitment to all these three cadres may be stopped fortwith. The position may be reviewed after 4-5 years.

Recommendation No.(vii):

The Institute of Supply and Quality Management opened in the DGS&D may be closed forthwith.

Recommendation No.(viii):

The surplus staff of various organizations may be surrendered to the Surplus Cell.

The recommendations of the Group of Secretaries was carefully considered and all the recommendations have since been accepted and views communicated to the Cabinet Secretariat on 11-7-2000 Regarding recommendation No.(iii) the factual position regarding the vacant posts in DGS&D was not correctly indicated. The correct position of vacant posts in DGS&D as on 1.4.2000 is as follows:-

Sanctioned strength:	3540
Working strength:	2810
Vacant posts:	730

SIU actually recommended abolition of 825 posts and also recommended creation of 50 posts (825-50 = 775 posts to be ultimately abolished). Out of 825 posts recommended for abolition by SIU, 566 posts are vacant. Thus 730-566 = 164 posts are vacant, which have not been recommended for abolition by SIU keeping in view the functional requirement of DGS&D. It has been decided that DG(S&D) would review these 164 vacant posts and submit a proposal to the Ministry regarding filling up of posts which are absolutely essential.

Further, the following transitional arrangements are considered necessary:-

(1) About 13 posts including that of Joint Secretary be retained for a period of six months for handling work during the transition.

(2) The office of CCA with minimum required staff be retained for a period of six months to enable smooth transfer/handing over of work and records.

ANNEXE II

NOTIONAL SAVINGS FOR SOME IMPORTANT RATE CONTRACT ITEMS

S.No	Item	(Rs. in crores) Annual Drawals	Approximate Notional Savings	Rationale for arriving at Notional Savings
1	Cement	260	85	Difference between market price and R/C price in various regions.
2	Tyres & Tubes	120	12	Due to discount & dealers margin.
3	Heavy/Light Commercial Cars/Jeeps	400	8	Due to discount & dealers margin.
4	Paper Offset, White Prtg. Cream Wove Paper	110	7	Market Price-25000 PMT R/C Price – 23500 PMT
5	Bitumen	66	3.6	Distributors Price-5700PMT R/C Price-5400PMT
6	Bitumen Emulsion	9	1.35	Market Price- 8005PMT R/C Price-6965PMT
7	Air-conditioners	33	4	1.5 Ton Mkt. Price-25974 R/C-23158
8	Ceiling Fans	18	5	1200 MM Size Market Price-Rs.1044 R/C Price-811
9	Industrial Gases	52	16	Oxygen Market Price-Rs.13.95 PCM R/C Price-Rs 10.00 PCM
10	-do-			D.A. Gas Market Price-Rs.119 PCM R/C Price-Rs.98 PCM
11	Lamps GLS, Sodium Vapour	13	2	Differential in price 15 to 25%
12	Fluorescent Tube	9	1.8	40 Watt size Market Price-Rs.42 R/C Price-Rs.35
	Total	**1090**	**145.75**	

ANNEXE - III

STATEMENT SHOWING REVENUE AND EXPENDITURE

(NON-PLAN UNLESS STATED) FOR DOS (SECTT), DGS&D,NTH & CCA

	1997-98 (Actual)		**1998-99 (Actual)**		**1999-2000 (Revised Estimate)**		**2000-2001 (Estimate)**	
	Revenue	Exp.	Revenue	Exp.	Revenue	Exp.	Revenue	Exp.
DOS Sectt.	-	1.95 (R.E.)	-	2.22	-	2.27	-	2.55
DGS&D	29.24	29.82 + 0.16 (Plan)	31.23	33.10 + 0.24 (Plan)	40.76	34.26 + 0.20	37.26	36.48 + 0.20 (Plan)
NTH	1.40	6.87 + 1.45 (Plan)	1.59	8.56 + 1.74 (Plan)	1.80	9.03 + 1.80 (Plan)	1.80	10.13 + 3.62 (Plan)
CCA	-	8.50 (R.E.)	-	9.21	-	9.81	-	10.58

ANNEXE IV

DGS&D

STAFF STRENGTH AT MUMBAI

S.No.		As assessed by SIU		As now determined	Reduction Proposed
		DS	DS Tex		
1	DDG	1	-	1	-
2	Director	1	1	1	1
3	Deputy Director	2	1	2	1
4	Assistant Director (Supply)	3	3	4	2
5	Assistant Director (Admn.)	1	1	1	1
6	Hindi Officer	1	-	1	-
7	Junior Field Officer	3	2	3	2
8	Junior Progress Officer	-	1	-	1
9	Superintendents	6	5	6	5
10	Technical Assistant	-	1	-	1
11	Dock Inspector	2	-	2	-
12	Steno I	1	-	1	-
13	Steno II	1	1	2	-
14	Steno III	6	4	6	4
15	Junior Hindi Translator	1	1	1	1
16	Store Keeper	2	-	1	1
17	U.D.C.	28	18	28	18
18	U.D.C. Incharge	6	5	8	3
19	Assistant Store Keeper	2	-	2	-
20	Senior Dock Sarkar	1	-	1	1
21	L.D.C.	16	8	16	8
22	Machine Operator	1	-	1	-
23	Comptist	-	1	-	1
24	Hindi Typist	1	1	1	1
25	Dock Sircar	1	-	1	-
26	Staff Car Driver	1	-	1	-
27	Record Keeper	1	1	1	1
28	Junior Gestetner Operator	1	1	1	1
29	Daftry	5	6	4	7
30	Peon	6	5	6	5
31	Security Guard	10	-	6	4
32	Sweeper	4	-	2	2
33	Farash	1	2	1	2
34	Labourers	4	-	4	-
35	Chowkidar	6	3	4	5
TOTAL		**126**	**72**	**120**	**78**

ANNEXE V

DGS&D

STAFF STRENGTH AT KOLKATA

S.No.		Sanctioned Strength	Requirement as assessed	Reduction Proposed
1	DDG	1	1	-
2	Director	2	1	1
3	Deputy Director	1	1	-
4	Assistant Director	7	5	2
5	Assistant Director (Admn.)	1	1	-
6	Junior Field Officer	4	2	2
7	Junior Progress Officer	3	2	1
8	Superintendents	8	6	2
9	Technical Assistant	1	-	1
10	Accountant	1	-	1
11	Dock Inspector	4	4	-
12	Steno I	1	1	-
13	Steno II	2	2	-
14	Steno III	8	4	4
15	U.D.C. Incharge	8	6	2
16	Junior Hindi Translator	1	1	-
17	Store Keeper	1	1	-
18	U.D.C.	85	41	44
19	Supervisor	2	2	-
20	Senior Dock Sarkar	2	2	-
21	L.D.C.	39	30	9
22	Dock Sarkar	2	2	-
23	Senior Gestetner Operator	1	1	-
24	Staff Car Driver	1	1	-
25	Record Keeper	1	1	-
26	Jetty Sarkar	2	2	-
27	Junior Gestetner Operator	1	1	-
28	Franking Machine Operator	1	-	1
29	Head Diwan	2	1	1
30	Daftry	14	8	6
31	Peon	9	7	2
32	Diwan	12	6	6
33	Mazdoor	4	2	2
34	Sweeper	7	4	3
35	Farash	1	1	-
	TOTAL	**240**	**150**	**90**

ANNEXE VI

STAFF REQUIREMENT AS ASSESSED BY SIU FOR DDO FUNCTIONS

CCA (SUPPLY)

CA

	Dy. CA Mumbai	**Dy. CA Delhi**	**Dy. CA Kolkata**	**Dy. CA Chennai**
Sr. AO/AO	-1	-2	-2	-1
AAO/JAO	-3	-4	-5	-1
Sr. AC/AC	-12	-18	-21	-5
Hin. Officer	-1	-1	-1	-1
H. Translator	-1	-1	-1	-1
Steno	-1	-3	-1	-1
LDC	-2	-2	-2	-1
Group D	-3	-4	-3	-2
Driver	--	-1	--	--
Total	**-24**	**-36**	**-36**	**-13**

PART III

REPORT ON
AUTONOMOUS INSTITUTIONS

REPORT ON AUTONOMOUS INSTITUTIONS

CONTENTS

ANNEXURES

Executive Summary

I. General Findings

1. There are no formally laid down procedures governing establishment of autonomous institutions and it is observed that ministries/departments have been following their own procedures for setting up such institutions. (Paras 4 & 12).

2. The reports of the Comptroller and Auditor General for the year 1998-99 (reports 4 and 5 of 2000) covers 496 autonomous institutions. However, based on the information furnished by the various ministries, departments etc., in reply to the questionnaire of the Expenditure Reforms Commission, it has been possible to compile a list of only 433 autonomous institutions. (Annexe I). In the absence of any authentic list maintained by each ministry/department, it cannot be said that this is a comprehensive, complete list of all existing autonomous institutions. (Para 5 & 7).

3. An analysis of the budget grants for the year 1999-2000 of some of the major ministries/departments reveals that over 300 autonomous institutions had a total budgetary support, by way of grants-in-aid of over Rs.8000 crore. Thus, the budgetary outgo for all autonomous institutions taken together could be in excess of Rs.10,000 crore. (Para 6)

4. Questionnaires calling for information relating to autonomous institutions were sent to all ministries/departments. Replies were received only in respect of 221 and that too not complete in all respects. (Ministry of HRD which has 114 autonomous institutions has sent information only in regard to 5 of them) (Para 10)

5. An analysis of information gathered form the audit reports of the CAG reveals that there has been a steady increase in the number (322 in 1995-96 to 437 in 1998-99) of autonomous institutions over the years as also the budgetary outlay on them. (Para 15)

6. Successive audit reports also show a steady increase, over the years, in the number of autonomous institutions whose accounts were either delayed or not provided for audit (86 in 1995-96 to 209 in 1998-99). (Para 15).

7. The audit reports further reveal progressive increase of pending utilisation certificates which stood at 37390 involving grants to the extent of Rs.8603.44 crore as on 31.3.1999 and included cases where such utilisation certificates were outstanding for more than 10 years. Clearly not much attention was being paid to non-furnishing of utilization certificates, and fresh grants appear to have been released in a routine fashion. These alarming figures have led to a public interest litigation being filed against Government. (Paras 17 & 18).

8. No worthwhile study had at all been conducted of the autonomous institutions, to check whether these were fulfilling the purposes for which these were set up and whether there was sufficient justification for continuing these (Para 20).

9. No structured periodic meetings between the ministries/departments and the autonomous institutions set up by them also appears to have been organized for review in the working of these autonomous institutions. There also appears to be no procedure in position for obtaining periodic management information from these. (Para 20).

10. The recommendation of the Rajya Sabha Committee on Papers laid on the Table that there should be standard forms of accounts for all autonomous institutions, is yet to be implemented though nearly two years have elapsed since the recommendation was made. (Para 21)

11. There has been a steady increase in the staff strength of the autonomous institutions over the years. Moreover, the overall strength of posts at group C and D level appear disproportionately high (77.39%) as compared to posts at group A&B levels. (Para 22, 23 and 24).

12. Of the 221 autonomous institutions for which information was made available (221), as many as 157 were found to be fully funded. The proportion of internal resources generation is also quite low in almost all the remaining institutions. (Para 25).

13. Almost all the autonomous institutions were following central government scales and other service conditions such as pension, Assured Career Progression Scheme, LTC, medical reimbursements etc., all of which was being met from grants. These were also found to be adopting successive revised scales as also the other recommendations of the various pay commissions for central government employees. In most cases, these institutions are seen to be following the same procedures and practices as in attached and subordinate offices of government, while at the same time being exempt from the close scrutiny of the other wings of government. (Para 25)

14. The nomenclature of some of the autonomous institutions suggest that many could be carrying out similar or overlapping functions. The activities of these organisations would need to be closely examined with a view to exploring the possibility of merging or winding up some. (Para 26)

15. All these indicate that in many of the autonomous institutions reduced accountability and non-reporting appears to have been construed as essential elements of autonomy. In the absence of information, the possibility of many of the activities undertaken by these organisations being either unnecessary or of not being of such importance as to require autonomy cannot be overruled. There is therefore a prima

facie case for bringing all these organisations under a system of increased reviews and controls. At the same time there are also several autonomous organisations, TIFR and IITs to cite only two examples, which are known the world over for the excellence of their output. It therefore appears necessary to put in place a system of reporting and screening that will ensure that organisations that are doing excellent work are encouraged further, even as those that are not in this category are not allowed to pre-empt for themselves a large chunk of scarce budgetary support at the expense of the more deserving ones. (Para 27).

II. Recommendations:

1. The first and foremost requirement is the compilation of a list of all autonomous institutions so far set up by Government of India, together with some basic information about each such organisation. Towards this end, all ministries/ departments should be required to furnish complete information as in Annexe II to the Department of Expenditure in respect of each of their autonomous organisations within a period of three months, with a clear indication that all Financial Advisers would be required to stop release of budgetary support with effect from 1st October, 2001 to organisations which claim to be autonomous organisations but which are not covered in the reports furnished to the Department of Expenditure. The information received in the Department of Expenditure could be processed by the SIU, brought out as a report that could serve as a basic reference document. This report should contain a detailed total picture as also information about each and every autonomous institution.

2. In the Budget for the year 2000-2001, it has been announced that no new autonomous institutions will be created without the approval of the Cabinet and also that these organizations will be encouraged to maximize generation of internal resources. In line with this decision, all ministries and departments should be required to seek approval of Cabinet in respect of the autonomous organisations for which Cabinet approval has hitherto not been taken. The opportunity should be availed to examine whether the activities undertaken are necessary at all; whether these need to be undertaken only by autonomous organisations or whether these could as well be undertaken by the concerned government agency following the normal rules and regulations and also whether efforts for maximising internal resource generation have been put in place so as to keep dependence on budgetary support to the minimum. Allowing a time period of three months for obtaining such Cabinet approval, all Financial Advisers should be instructed that wherever such Cabinet approval is not obtained, release of budgetary support should be stopped with effect from 1st October, 2001.

3. There has to be a system of “outside”/”peer” review of every autonomous organisation once in three or five years, depending on its size and nature of the activity. In respect of those organisations, where there has been no such outside review till

date, all ministries/departments should be required to straightaway arrange for such reviews to be taken up and completed before 31st December, 2001. These reviews should focus inter alia on :

(a) the purposes for which the autonomous body was set up and whether these objectives have been or are being achieved

(b) whether the activities should be continued at all, either because they are no longer relevant or have been completed or if there has been a substantial failure in achievement of objectives. The zero base budget approach should be followed in making this assessment

(c) whether the nature of the activities is such that these need to be performed only by an autonomous organisation

(d) whether similar functions are also being undertaken by other organisations – be it in the central government or state governments or the private sector - and if so whether there is scope for merging or winding up these organisations

(e) whether the total staff complement, particularly at the support level is kept at a minimum, whether the enormous strides in information technology and communication facilities as also facilities for outsourcing of work on a contract basis have been taken into account in determining staff strength; and whether scientific/technical personnel are being deployed on functions which could well be carried out by non scientific/ non technical personnel; etc. The last mentioned aspect becomes important in view of the special procedures followed both for recruitment and promotion of scientific/technical personnel.

(f) whether user charges, wherever the output or services are utilised by others, are levied at appropriate levels

(g) the scope for maximizing internal resources generation in the organisation so that the dependence upon government budgetary support could be kept at a minimum.

4. These reviews along with the earlier reviews already available in respect of organisations where such reviews are being periodically undertaken should form the basis for determining the programme of work as well as the budget support for these organisations in the future years. The budget support extended now should serve as a ceiling for the year 2002-03 and should be progressively reduced thereafter having regard to the scope for maximizing internal resources generation and restraining of expenditure growth.

5. Having regard to the vast expansion in the staff strength in these organisations, pending this review there should be a freeze on recruitment of staff in all the autonomous organisations at all levels. In addition, an adhoc cut of 10% in the total staff strength should be imposed, in all those institutions in which there have been substantial increase in staff strength in the recent years and/or in which the proportion of group C & D officials is quite high.

6. The review suggested above should facilitate issue of guidelines both for governing the functioning of all existing autonomous institutions and for the establishment of new ones. Stringent criteria need to be laid down for setting up of new autonomous organisations and for the type of activities to be undertaken by them. Pending issue of such guidelines there should be a ban on setting up of new autonomous organisations.

7. These reviews together with a consolidated report to be prepared by the SIU and the process of cabinet approvals referred to earlier should, at one level help to reduce the number of autonomous organisations and the outgo on them both by weeding out those activities which are no longer relevant or have been completed and by maximising internal resource generation. At another level, this process would also help to identify a small number of autonomous institutions – say 20 or so – whose performance is so outstanding and internationally acclaimed, as to warrant further encouragement by giving greater autonomy. Such organisations, even if the budgetary support required is in excess of 50% of the total funds required in the year, could be extended increased flexibility in matters of recruitment and financial rules and also exempted from orders issued from time to time for effecting adhoc cuts on expenditure, freeze in recruitment etc.These organisations should be increasingly enabled to devise and adopt staff structures, procedures and rules, as are best suited for improving the quality of their output. Such rules and procedures should however be clearly laid down so as to maximise transparency.

8. Such autonomous organisations, as also others with a budgetary support of more than Rs. 5 crore per annum, should be required to enter into a memorandum of understanding with the parent ministry/department, spelling out clearly not only the input requirements – financial, manpower, etc. – but more importantly the output targets, i.e. details of programme of work and qualitative improvements in output aimed at. The output performance assessment should be an important element in determining the programme as well as the budget support for the next financial year and also for an evaluation of the performance of the senior officials of the institutions.

9. All ministries and departments should be required to either annex to their annual report or along with their annual report placed before the Parliament separate

reports, giving a detailed assessment of the performance of the autonomous institutions coming under them.

10. Considering the time lag in finalisation of audited accounts and enormous increase in pending utilisation certificates, all ministries and departments should be required to pay special attention to these issues and furnish to the Department of Expenditure every quarter a review of the position. Allowing a maximum of 9 months for the finalisation and auditing of accounts, as well as for furnishing of utilisation certificates, it should be stipulated that budgetary support would not be extended after that period. In other words, if for the year 2000-2001 either the accounts are not audited or the utilisation certificates not furnished before the end of December, 2001 then release of funds should be stopped altogether from 1st January 2002.

11. The Rajya Sabha Committee on Papers laid before Parliament, has suggested that there should be a suitable format for the accounts to be submitted by the autonomous institutions to bring about uniformity and transparency in the presentation of accounts. These suggestions are being further processed by a committee. Action in this regard needs to be expedited.

AUTONOMOUS INSTITUTIONS

1. The terms of reference of the Expenditure Reforms Commission relating to autonomous institutions reads as follows:

> "Review the procedure for setting up of Government funded autonomous institutions and their pattern of funding and suggest measures for effecting improvement and reducing budgetary support for their activities."

2. The arrangement of having "autonomous institutions" has been in existence for a very long time. No papers could however be located to trace the policy relating to the origin and setting up of such institutions and as to when exactly they started. The dictionary meaning of the word "autonomous" is "self governing". Obviously therefore, such autonomous institutions were set up whenever it was felt that certain functions had to be discharged outside the governmental set up, with some amount of independence and flexibility, without the day-to-day interference of the governmental machinery. For example, there are 17 universities as of date, which are autonomous institutions, some of which have been functioning for decades.

3. No reference regarding the procedure to be followed for setting up of autonomous institutions is found in the Transaction of Business Rules, and there is no mention in this regard in the Allocation of Business Rules of the Government of India. However, it is observed that such autonomous institutions were set up by the ministries/ departments concerned with the subject matter and are being funded through grants-in-aid, either fully or partially, depending on the extent to which such Institutions generate internal resources on their own. The rules relating to sanction of 'grants-in-aid' to such institutions and the various terms and conditions that should govern such 'grants-in-aid' as also the procedure for monitoring the proper utilisation of such grants-in-aid etc. are prescribed in the General Financial Rules (GFR) issued by the Ministry of Finance, which have been in existence since pre-Independence days. The Ministry of Finance also issues instructions from time to time regarding sanction of grants-in-aid by ministries/ departments to such autonomous institutions, besides instructions relating to powers for creation of posts and revision of pay scales etc. by such autonomous institutions.

4. It is observed that in the absence of any instructions prescribing the procedure in this regard, ministries/departments have been setting up such autonomous institutions from time to time, according to their felt needs and following their own procedures. While some have been set up as 'statutory institutions', as a sequel to the provisions contained in various acts, most others have been set up as societies under the Societies Registration Act, 1860. Further, while in some cases Parliamentary or Cabinet approval have been obtained, in certain other cases, such institutions have been set up over the years, by resolutions, notifications etc., or even with the approval of the minister concerned. No uniformity of approach appears to have been adopted in this regard.

5. The first task of the Commission was to ascertain the size of the problem by compiling as far as possible, a complete list of autonomous institutions functioning under various ministries/departments, as also the extent of financial support by government for such institutions. It was observed that no comprehensive centralised list of such autonomous institutions was available and the ministries/departments under whom such autonomous institutions function and to whom grants-in-aid were being sanctioned on a regular basis for several years, did not also appear to have compiled a comprehensive list of such institutions. However, in the Audit Report on Autonomous Institutions excluding those under scientific ministries/departments, published by the Comptroller and Auditor General of India (Report 4 of 2000) for the financial year ending 1998-99 the following information is available:

Year	No. of Autonomous Institutions (excluding those under scientific Ministries/Departments)	Grants given	Loans given
		(Rs. in crore)	
1998-99	437*	4477.96**	659.97**

* : *Includes 17 Universities*

** : *Excludes information relating to 209 Institutions, whose accounts were not finalised or information had not been furnished.*

As regards autonomous institutions under scientific ministries/departments, the following information is available in CAG's Audit Report (Report 5 of 2000)

1998-99	59	1611.20	-
Total	**496**	**6089.16**	**659.97**

It was further gathered from the Office of the CAG that the total number of autonomous institutions could be more than 496, as their review covers only institutions known to be coming under the purview of Audit as on 31st March, 1999 and there could well be a number of autonomous institutions whose audit may not have been entrusted to the CAG, or may not come under the purview of the CAG's audit under the CAG's Act.

6. In the absence of a comprehensive list of autonomous institutions functioning under various ministries/departments, an analysis of the budget grants for the year 1999-2000 of some of the major ministries/departments was undertaken initially which, showed that 301 autonomous institutions, functioning under different ministries/ departments had a total budgetary outlay, by way of grants-in-aid, of over Rs.8000 crore. As the actual number of autonomous institutions functioning under the various ministries/departments is much larger, the budget outlay on such autonomous institutions may well be over Rs.10,000 crore. In view of this huge outlay on grants-in-aid and the

recurring nature of the expenditure, there is indeed a need to have a close look at the procedure for setting up such autonomous institutions, the manner and extent of their financing, as also whether the circumstances and purpose for which such autonomous institutions were originally set up, still existed and justified their continuance, besides the measures that should be taken to progressively reduce the present level of heavy budgetary support.

7. Based on information gathered from different sources, a list of 433 autonomous institutions functioning under the various ministries/departments has been compiled and given at Annexe I. The following table gives a ministry-wise analysis of this number.

Sl.No	Name of Ministry/Department	No. of Institutions
1	Agriculture	10*
2	Atomic Energy	8
3	Chemicals & Fertilisers	3
4	Civil Aviation	1
5	Coal	1
6	Commerce	11*
7	Communications	2
8	Culture	26*
9	Defence	3
10	Environment & Forests	8
11	External Affairs	7
12	Finance	6
13	Food & Consumer Affairs	1
14	Health & Family Welfare	49*
15	Home Affairs	1
16	Human Resource Development	114*
17	Industry	13*
18	Information & Broadcasting	7
19	Information Technology	14*
20	Labour	15*
21	Law, Justice & Company Affairs	4
22	Mines & Minerals	3
23	Non-Conventional Energy source	2
24	Planning	2
25	Power	4
26	Railway	1
27	Rural Development	2
28	Science & Technology	29*

29	Small Scale Industries	17*
30	Social Justice & Empowerment	19*
31	Space	3
32	Surface Transport	22*
33	Textile	16*
34	Tourism	2
35	Urban Development	4
36	Water Resources	3
	Total	**433**

8. It will be seen from the table that 36 ministries/departments have between them a total of 433 autonomous institutions. Further, while the Ministry of HRD has the largest number of autonomous institutions (114), 13 ministries/departments (marked *) out of 36 have between them the bulk of the autonomous institutions (355, constituting 82.2%) functioning under them.

9. In the absence of any authentic complete list of autonomous institutions of various ministries/departments and a detailed list of institutions audited by C&AG, it has not been possible to reconcile the two sets of figures. It was also found that some differences in the total figures were also due, for example to the fact that while IITs and Regional Engineering Colleges were being counted in one list as a single autonomous body, in the other list, each IIT and each Regional Engineering College was being treated as a separate body. In the list at Annexe I each of these institutions has been shown as a separate entity.

10. A questionnaire was sent to Financial Advisors of various ministries/ departments to furnish certain basic information regarding the autonomous institutions functioning under them. In all, by the end of December, 2000, information was received in respect of 221 institutions. However, the information furnished was not complete in all respects in certain cases. The information as provided was analysed and discussions were also held with the FAs of those ministries/departments which are concerned with large autonomous institutions such as ICAR, CSIR, etc., as also the FAs of a few other ministries/departments.

11. The following table gives an analysis of the number of years for which such autonomous institutions have been functioning.

	Period of Existence	No. of Autonomous Institutions
I	For 25 years and above	83
II	From 10 years-24 years	84
III	From 5 years – 9 years	28
IV	For less than 5 years	22
V	No information furnished	4

12. An analysis of the manner in which these autonomous institutions were set up, is indicated below:

i.	Set up under a statute or act	77
ii	Set up with approval of Cabinet	33
Iii	Set up with approval of ministers in the ministry/department concerned	56
iv	Others (details not available)	38
v	Information not furnished	17

13. Following table gives ministry/department wise details of the budget allocation for the current year (2000-2001) in respect of 203 out of 221 institutions for which information in this regard was available.

Name of Ministry/ Department	Number of Autonomous Institutions for which information is available	Grants-in-aid Budget for 2000-2001 (Rs. in crore)
Agriculture	8	1558.84
Chemicals & Fertilisers	2	14.21
Civil Aviation	1	16.20
Commerce	8	282.24
Communications	1	166.00
Culture	26	117.65
Environment and Forest	3	93.43
External Affairs	4	43.63
Finance	2	250.37
Food and Consumer Affairs	1	111.64
Health & Family Welfare	37	855.88
Home Affairs	1	6.55
Human Resource Development	5	470.26
Industry	13	590.71* (includes SSI)
Information & Broadcasting	1	8.47
Information Technology	9	164.95
Labour	4	25.70
Law Justice & Company Affairs	4	15.06
Mines	4	43.30
Non Conventional Energy Surces	2	6.73
Planning	2	51.33
Power	4	82.90

Rural Development	2	42.75
Science & Technology	23	1168.55
Social Justice & Empowerment	7	42.60
SSI	17	* Included in Industry
Surface Transport	3	72.06
Textiles	6	179.89
Water Resources	3	34.02
	203	**6641.57**

14. In spite of repeated reminders no information was received form Ministry of HRD in respect of 109 out of 114 autonomous institutions under it. The details of the other ministries/departments which had also not furnished complete information is given below:

Name of Ministry/Department (Other than Ministry of HRD)	No. of Autonomous Institutions for which information was not received
Agriculture	2
Atomic Energy	8
Commerce	3
Defence	3
Environment & Forests	1
External Affairs	3
Finance	3
Health & Family Welfare	7
Information & Broadcasting	6
Information Technology	2
Labour	10
Railway	1
Science & Technology	6
Social Justice & Empowerment	10
Space	3
Surface Transport	19
Textile	10
Tourism	2
Urban Development	4
Total	**103**

15. A perusal of the general remarks appearing in the CAG's Audit Report on autonomous institutions for the four years ending 1998-99 shows that the accounts of a large number of autonomous institutions had either been delayed or were not

furnished for Audit by CAG. The details are as follows:

(Rs. in Crore)

Year	No. of Autonomous Institutions due for Audit (excluding those under Scientific Department)	No. whose A/cs were either delayed or not finalised	Grants/Loans sanctioned excluding those in Col. 3	
1	2	3	4	
			Grants	Loans
1995-96	322	86	2725.54	398.28
1996-97	323	99	3435.06	417.45
1997-98	431	186	2941.50	163.35
1998-99	437	209	4477.96	659.97

The above information shows that while on the one hand the number of autonomous institutions coming under the purview of CAG's Audit has been increasing year by year, the number of institutions whose annual accounts are delayed or were not finalised has also been increasing. Likewise, the amount of grants-in-aid/loans sanctioned for these Institutions, excluding those Institutions whose accounts were either delayed or not finalised, has also been increasing steadily over the years.

16. The G.F.R. provides that in respect of recurring grants, administrative ministries/department concerned should examine the annual audited statement of accounts of grantee institutions and obtain utilisation certificates, to satisfy themselves about the proper utilisation of grants released for the preceding year, before admitting their claim for grants-in-aid in the subsequent financial year. Such utilisation certificates are required to be furnished by the ministries/departments to the Controller of Accounts in respect of the grants released, to ensure that the grants had been properly utilised for the purpose for which they were sanctioned. The rules also provide that the reports submitted by the internal audit parties of the department and audit/inspection reports received from the Indian Audit & Accounts Department and the performance reports should be obtained in the 3rd & 4th quarter in the year and should also be looked into while sanctioning further grants.

17. As far as could be ascertained, the above requirement of the rules were not being strictly followed by the ministries/departments either while budgeting for or before sanctioning of grants-in-aid for the various autonomous institutions and their periodical release. Moreover, as has been pointed out earlier, in a large number of cases the accounts of the earlier years had either not been finalised or had been delayed. Further, in every audit report of the CAG, there are adverse comments regarding the delay or non receipt of utilisation certificates, as also huge pendencies,

involving a very large amount of grants-in-aid. The progressive figures in this regard, as included in the CAG's Audit Report, for the last four years is given below:

a) Autonomous Institutions excluding those under Scientific Departments

Period Upto	No. of Pending utilization certificates (Progressive)	Amount involved *(Rs. in crore)*
31.3.96	22231	2940.74
31.3.97	23431	2936.40
31.3.98	26728	4495.99
31.3.99	32247	7997.77

b) Autonomous Institutions under Scientific Departments:-

31.3.99	5143	605.67

Out of the above pending utilisation certificates, in 3019 cases aggregating to Rs.239.86 crore, the certificates were outstanding for more than 3 years and included 1041 cases aggregating to Rs.117.67 crore for which utilisation certificates were outstanding for more than 10 years.

18. Clearly the authorities releasing grants to such Institutions, have been releasing fresh grants, in most cases, without seeking to ensure that that the previous grants have actually been utilised for the purposes for which these were sanctioned. The position is all the more unsatisfactory, as in a large number of cases, the accounts had either not been finalised or were delayed. The alarmingly high number of pending utilisation certificates, involving huge amounts, as indicated above has also attracted critical public attention and a public interest litigation has been filed before the Hon'ble High Court of Delhi. It was noted that instructions have also been issued by Secretary (Expenditure) to the secretaries of all ministries/departments for undertaking an urgent review in this regard. It has come to the notice of the Commission during discussions with some of the Financial Advisors that though in some cases the utilization certificates might have been received by the subject matter division of the ministry/department, these may not have been passed on to the Pay and Accounts Office concerned, who are to watch the receipt of such utilisation certificates. This shows a lack of appreciation of the importance of the utilisation certificates and the need for streamlining the existing procedure for monitoring the receipt and scrutiny of such utilisation certificates. In any case, to ensure full compliance in this regard, strict instructions would require to be issued to the PAOs not to release any fresh grants-in-aid, until an utilisation certificate is received for the previous grant.

19. The G.F.Rs also require that the annual reports and audited statements of accounts of autonomous/statutory institutions are to be laid on the table of the Parliament. In such cases, the departments of central government need not incorporate

performance-cum-achievement reports in the annual administrative reports. However, if the grants-in-aid exceeds Rs. 1 lakh, the departments of the central government should include in the administrative reports a review of the utilisation of the grants-in-aid individually, specifying in detail the achievements, vis-à-vis the amounts spent, the purpose and distribution of the grants. In cases where the grants-in-aid are for Rs.1 lakh or less, the departments of the central government should include in their administrative reports, their own assessment of the achievements or performances in a general way for facility of a complete and comprehensive study of the grants-in-aid paid by the ministry. The G.F.Rs also require that a review of the performance of the grantee institutions in receipt of grants-in-aid exceeding Rs.10 lakh per annum, should be undertaken by the sanctioning authority concerned, at least once in 3 to 5 years, in each case. Further, some of the leading non-officials interested in the object of particular grants are also to be associated with the review.

20. The information gathered from various ministries/departments shows that while administrative reports were being submitted to Parliament in most cases, these were not subjected to any critical review at any stage. Moreover, hardly any worthwhile study appears to have been undertaken on the performance of any of the autonomous institutions. It is also observed that no procedure had been prescribed for obtaining any systematic or periodical management information from the autonomous institutions, regarding various aspects of their performance. It also appears that no periodical structured discussions have been prescribed between the organisations and the ministries/departments, at a sufficiently high level, to examine financial and performance targets. The sanction of grants-in-aid to most autonomous institutions appears to be taking place in a routine fashion year after year.

21. The Rajya Sabha Committee on Papers laid on Table in its 60th Report (presented on 27th March, 98) observed that there was an urgent need for reviewing the methods of presentation of accounts of the central autonomous organisations, which usually take the pretext of not having a standard set of accounts, as prescribed by the Companies Act in respect of the companies incorporated under the Act. The Committee also observed that an important requirement is to present accounts, in a manner that even a layman, not having specialised knowledge of accountancy matters, can understand them easily. The Rajya Sabha Committee recommended that government should set up a committee of experts, to workout a format prescribing standard forms of accounts for all central autonomous institutions, to bring uniformity and transparency in the presentation of these accounts. A committee was accordingly set up by the government vide order dated 26th May, 99 with the Controller General of Accounts as Chairman and five other members. The committee was to submit its report within one year. Though a draft format of accounts is said to have been prepared,

as of December, 2000 these are yet to be finalised for adoption and implementation by the central autonomous institutions, even after more than 1½ years since the setting up of the committee.

22. In so far as the staff strength of the autonomous institutions is concerned, it is observed these were determined more or less on as adhoc basis, at the time they were set up. The information received from 124 autonomous institutions, set out below, shows a steady increase in total staff strength:

Year	Staff Strength				
	Group A	Group B	Group C	Group D	Total
1997	6973	7617	45608	15516	75714
1998	6967	8040	45136	16352	76495
1999	7614	7975	46251	16403	78243

23. Sixtyeight autonomous institutions have furnished details of staff strength for the year 1999 only. Inclusive of this, the total picture for 192 autonomous institutions for the year 1999 is as follows:

Year	Group A	Group B	Group C	Group D	Total
1999	12493 (10.95%)	13289 (11.66%)	63058 (55.32%)	25164 (22.07%)	114004

[Note: *The above analysis does not include: The Indian Council of Agricultural Research, which is one of the largest autonomous institutions, with a total staff strength of 34695 as also a total staff strength of 39,716 in respect of 18 bodies under 9 ministries/ departments where the break up was not made available*]

24. No break up is available of the total staff strength as between technical/ scientific and non-technical/non-scientific ministerial personnel. Though the nature of work performed in these 192 autonomous institutions could be quite varied and their requirement of scientific/technical & non-scientific/non-technical/ministerial persons at different levels may also be different, the overall figures and percentages, as shown above indicate prima facie an abnormally high group C and group D strength. While it would be logical to expect a high proportion of group A & B officials in such institutions, the proportion of group C & D officials is quite high at over 77% of the total staff strength. The reports received do not reveal that there has been any critical assessment of the requirements and no norms appear to have been prescribed, or adopted for deciding the ratio of staff between technical/scientific and non-technical/non-scientific staff at various levels.

25. The G.F.Rs provide that all autonomous institutions which receive more than 50% of their recurring expenditure in the form of grants-in-aid should formulate terms and conditions of service of their employees, which are by and large, comparable

to those applicable to similar categories of employees in central government. An analysis of information received from 221 autonomous institutions reveals that 157 were fully funded, while even almost all of the remaining 64 were receiving government budget support much in excess of 50% of their recurring expenditure. Almost all the autonomous institutions were found to be adopting central government scales of pay and were governed by the same rules in various service matters. All have been adopting the pay scales as revised and determined by successive Pay Commissions and the substantial additional expenditure involved in the adoption of the pay scales prescribed by the Fifth Pay Commission, including payment of arrears etc. w.e.f. 1.1.1996, were also met by way of additional grants-in-aid. Most autonomous institutions have also adopted the same pension scheme and other concessions, such as Assured Career Progression Scheme, L.T.C., medical reimbursement etc., as adopted by the government, the entire recurring expenditure in regard to which, is also met out of grants-in-aid. Thus, there did not appear to be much difference in the day-to-day working and organisational set up as also the conditions of service of the staff and officers of the autonomous institutions and the other central government offices. Thus these institutions function like attached or subordinate offices of government, without at the same time being subject to the close scrutiny of the other wings of the government.

26. A perusal of the nomenclature and the broad functions of some of the autonomous institutions as listed in Annexe-I as also the brief information gathered from the literature made available in some cases, showed that there is every possibility of overlapping or similar functions being performed by some of them. While there could be some merit in competition amongst such organisations having similar functions for better performance and also some of the organisations may have a marginally different role and may also be located in different cities, the feasibility of either merging or phasing out some of these over a period of time, would merit in depth examination.

27. From the position as analysed above it would appear that in many of these organisations freedom from accountability and non-transparency in areas that are not sensitive, is often being construed as an essential feature of autonomy. On the other hand, it is precisely in these organisations which are exempt from close scrutiny and clearances of other wings of the government, that there needs to be greater transparency and more of internal checks and balances, in order to ensure that autonomy is not misused or misapplied. In the absence of such reporting or review, the possibility of some of these organisations carrying out activities which are no longer current or relevant, or can be undertaken by following the normal procedures and without special dispensations cannot be ruled out. At the same time, the generic term ‘autonomous body’ includes within its scope institutions like TIFR, IITs, central universities, Regional Engineering Colleges, AIIMS, CSIR etc, some of which like TIFR & IITs, are classic

examples of their internationally known quality of out put. It is therefore necessary to put in place a system of reporting and screening that will ensure that the organisations that are doing excellent work are encouraged further, even as those that are not in this category are not allowed to pre-empt for themselves a large chunk of scarce tax revenues at the expense of more deserving cases. It is against this backdrop that the Commission has framed its recommendations.

Recommendations

1. The first and foremost requirement is the compilation of a list of all autonomous institutions so far set up by Government of India, together with some basic information about each such organisation. Towards this end, all ministries/ departments should be required to furnish complete information as in Annexe II to the Department of Expenditure in respect of each of their autonomous organisations within a period of three months, with a clear indication that all Financial Advisers would be required to stop release of budgetary support with effect from 1st October, 2001 to organisations which claim to be autonomous organisations but which are not covered in the reports furnished to the Department of Expenditure. The information received in the Department of Expenditure could be processed by the SIU, brought out as a report that could serve as a basic reference document. This report should contain a detailed total picture as also information about each and every autonomous institution.

2. In the budget for the year 2000-2001, it has been announced that no new autonomous institutions will be created without the approval of the Cabinet and also that these organizations will be encouraged to maximize generation of internal resources. In line with this decision, all ministries and departments should be required to seek approval of Cabinet in respect of the autonomous organisations for which Cabinet approval has hitherto not been taken. The opportunity should be availed to examine whether the activities undertaken are necessary at all; whether these need to be undertaken only by Autonomous Organisations or whether these could as well be undertaken by the concerned government agency following the normal rules and regulations and also whether efforts for maximising internal resource generation have been put in place so as to keep dependence on budgetary support to the minimum. Allowing a time period of three months for obtaining such Cabinet approval, all Financial Advisers should be instructed that wherever such Cabinet approval is not obtained, release of budgetary support should be stopped with effect from 1st October, 2001.

3. There has to be a system of “outside”/”peer” review of every autonomous organisation once in three or five years, depending on its size and nature of the activity. In respect of those organisations, where there has been no such outside review till date, all ministries/departments should be required to straightaway arrange for such

reviews to be taken up and completed before 31st December, 2001. These reviews should focus inter alia on :

a) the purposes for which the autonomous body was set up and whether these objectives have been or are being achieved

b) whether the activities should be continued at all, either because they are no longer relevant or have been completed or if there has been a substantial failure in achievement of objectives. The zero base budget approach should be followed in making this assessment

c) whether the nature of the activities is such that these need to be performed only by an autonomous organisation

d) whether similar functions are also being undertaken by other organisations – be it in the central government or state governments or the private sector - and if so whether there is scope for merging or winding up these organisations

e) whether the total staff complement, particularly at the support level is kept at a minimum, whether the enormous strides in information technology and communication facilities as also facilities for outsourcing of work on a contract basis have been taken into account in determining staff strength; and whether scientific/technical personnel are being deployed on functions which could well be carried out by non scientific/ non technical personnel; etc. The last mentioned aspect becomes important in view of the special procedures followed both for recruitment and promotion of scientific/technical personnel.

f) whether user charges, wherever the output or services are utilised by others, are levied at appropriate levels

g) the scope for maximizing internal resources generation in the organisation so that the dependence upon government budgetary support could be kept at a minimum.

4. These reviews along with the earlier reviews already available in respect of organisations where such reviews are being periodically undertaken should form the basis for determining the programme of work as well as the budget support for these organisations in the future years. The budget support extended now should serve as a ceiling for the year 2002-03 and should be progressively reduced thereafter having regard to the scope for maximizing internal resources generation and restraining of expenditure growth.

5. Having regard to the vast expansion in the staff strength in these organisations, pending this review there should be a freeze on recruitment of staff in all

the autonomous organisations at all levels. In addition, an adhoc cut of 10% in the total staff strength should be imposed in all those institutions in which there have been substantial increase in staff strength in the recent years and/or in which the proportion of group C & D officials is quite high.

6. The review suggested above should facilitate issue of guidelines both for governing the functioning of all existing autonomous institutions and for the establishment of new ones. Stringent criteria need to be laid down for setting up of new autonomous organisations and for the type of activities to be undertaken by them. Pending issue of such guidelines there should be a ban on setting up of new autonomous organisations.

7. These reviews together with a consolidated report to be prepared by the SIU and the process of cabinet approvals referred to earlier should, at one level help to reduce the number of autonomous organisations and the outgo on them both by weeding out those activities which are no longer relevant or have been completed and by maximising internal resource generation. At another level, this process would also help to identify a small number of autonomous institutions – say 20 or so – whose performance is so outstanding and internationally acclaimed, as to warrant further encouragement by giving greater autonomy. Such organisations, even if the budgetary support required is in excess of 50% of the total funds required in the year, could be extended increased flexibility in matters of recruitment and financial rules and also exempted from orders issued from time to time for effecting adhoc cuts on expenditure, freeze in recruitment etc.These organisations should be increasingly enabled to devise and adopt staff structures, procedures and rules, as are best suited for improving the quality of their output. Such rules and procedures should however be clearly laid down so as to maximise transparency.

8. Such autonomous organisations, as also others with a budgetary support of more than Rs. 5 crore per annum, should be required to enter into a memorandum of understanding with the parent ministry/department, spelling out clearly not only the input requirements – financial, manpower, etc. – but more importantly the output targets, i.e. details of programme of work and qualitative improvements in output aimed at. The output performance assessment should be an important element in determining the programme as well as the budget support for the next financial year and also for an evaluation of the performance of the senior officials of the institutions.

9. All ministries and departments should be required to either annex to their annual report or along with their annual report placed before the Parliament separate reports, giving a detailed assessment of the performance of the autonomous institutions coming under them.

10. Considering the time lag in finalisation of audited accounts and enormous increase in pending utilisation certificates, all ministries and departments should be required to pay special attention to these issues and furnish to the Department of Expenditure every quarter a review of the position. Allowing a maximum of 9 months for the finalisation and auditing of accounts, as well as for furnishing of utilisation certificates, it should be stipulated that budgetary support would not be extended after that period. In other words, if for the year 2000-2001 either the accounts are not audited or the utilisation certificates not furnished before the end of December, 2001 then release of funds should be stopped altogether from 1st January 2002.

11. The Rajya Sabha Committee on Papers laid before Parliament, has suggested that there should be a suitable format for the accounts to be submitted by the autonomous institutions to bring about uniformity and transparency in the presentation of accounts. These suggestions are being further processed by a committee. Action in this regard needs to be expedited.

ANNEXE-I

MINISTRY-WISE LIST OF AUTONOMOUS INSTITUTIONS

		Ministry of Agriculture
1	1	Coconut Development Board, Cochi
2	2	Indian Council of Agricultural Research
3	3	National Coop. Union of India
4	4	National Council for Cooperative training
5	5	National Dairy Development Board
6	6	National Horticulture Board
7	7	National Institute of Agricultural Marketing
8	8	National Institute of Agri. Extension Management
9	9	Veterinary Council of India
10	10	National Oil Seeds & Vegetable Oil Development Board
		Ministry of Atomic Energy
11	1	Atomic Energy Education Society's School, Mumbai
12	2	Institute of Mathematical Sciences, Chennai
13	3	Institute of Physics, Bhubaneswar
14	4	Institute of Plasma Research, Gandhinagar
15	5	Mehta Research Institute of Mathematics and Meth. Physics
16	6	Saha Institute of Nuclear Physics, Calcutta
17	7	I.I.F.R., Mumbai
18	8	Tata Memorial Centre, Mumbai
		Ministry of Chemicals and Fertilizers
19	1	Central Institute of Plastic Engineering & Technology
20	2	Institute of Pesticides Formulation Technology
21	3	National Institute of Pharmaceuticals Education & Res.(NIPER)
		Ministry of Civil Aviation
22	1	Indira Gandhi Rashtriya Uran Academy
		Ministry of Commerce
23	1	Agricultural & Processed Food Products Export Development Authority
24	2	Coffee Board
25	3	Export Inspection Council and its Agencies
26	4	Indian Institute of Foreign Trade
27	5	Indian Institute of Packing
28	6	Marine Products Export Development Authority
29	7	Rubber Board

30	8	Spices Board
31	9	Tea Board
32	10	Cashew Export Promotion Council
33	11	Tobacco Board
		Ministry of Communications
34	1	Centre for Development of Telematics
35	2	T.R.A.I. General Fund
		Ministry of Coal
36	1	Coal Miners' PF Organisation, Dhanbad
		Ministry of Culture
37	1	Raja Ram Mohan Roy Library
38	2	Allahabad Museum Society
39	3	Asiatic Society, Calcutta
40	4	Central Institute of Buddist Studies-Leh
41	5	Central Institute of higher Tibetan Studies-Varanasi
42	6	Centre for Cultural Resources & Training
43	7	Delhi Public Library
44	8	Gandhi Samriti and Darshan
45	9	Indian Museum, Calcutta
46	10	Indira Gandhi National Centre for Arts
47	11	Indira Gandhi Rashtriya ;Museum Sangharalaya
48	12	Kalakshetra Foundation
49	13	Khuda Bux Oriental Library Patna
50	14	Lalit Kala Akademy
51	15	Maulana Abdul Kalam Azad Institute of Asian Studies
52	16	National Council of Science Museum Calcutta
53	17	National Museum of History of Art Conservation of Museology
54	18	National School of Drama
55	19	Nav Nalanda Mahavihara
56	20	Nehru Memorial Museum & Library
57	21	Rampur Raja Library Board
58	22	Sahitya Akademy
59	23	Salarjung Museum
60	24	Sangeet Natak Akademy
61	25	Thanjavur Maharaja Sarasvati Mahal Library
62	26	Victoria Memorial Hall
		Ministry of Defence
63	1	Himalayan Mountaineering Institute, Darjeeling

64	2	Jawahar Institute of Mountaineering & Winter Sports, Pehalgam
65	3	Nehru Institute of Mountaineering, Uttarkashi
		Ministry of Environment & Forests
66	1	Central Pollution Control Board
67	2	Central Zoo Authority
68	3	G.B.Pant Himalayan Institute of Environment
69	4	Indian Council of Forestry Research & Education, Dehradun
70	5	Indian Institute of Forest Management, Bhopal
71	6	Indian Plywood Research & Training Institute-Bangalore
72	7	Wildlife Institute of India
73	8	National Wastelands Development Board
		Ministry of External Affairs
74	1	Indian Council for Cultural Relations
75	2	Indian Council for Research on International Economic Relations
76	3	Indian Society of International Law
77	4	Society for Res. & Info. System for NAM & other Developed Countries
78	5	Indian Council for Social Science Research
79	6	Indian Council of World Affairs
80	7	Institute of Chinese Studies
		Ministry of Finance
81	1	National Institute of Financial Management
82	2	National Institute of Public Finance & Policy
83	3	SEBI
84	4	Economic Research Institutes
85	5	Indian Investment Centre
86	6	Insurance Regulatory and Development Authority
		Ministry of Food & Consumer Affairs
87	1	Bureau of Indian Standards
		Ministry of Health & Family Welfare
88	1	All India Institute of Medical Sciences
89	2	All India Institute of Speech & Hearing
90	3	Cancer Institute, Chennai
91	4	Central Council for Indian Medicine
92	5	Central Council for Research in Ayurveda and Siddha
93	6	Central Council for Research in Unani Medicine
94	7	Central Council for Research in Yoga & Naturopathy
95	8	Central Council of Homeopathy

96	9	Central Council of Research in Homeopathy
97	10	Central Drugs Research Institute, Lucknow
98	11	Central Research Institute of Yoga, New Delhi
99	12	Chittaranjan National Cancer Institute, Calcutta
100	13	CSIR - Health Wing
101	14	Dental Council of India
102	15	Gujarat Cancer & Research Institute
103	16	Indian Council of Medical Research
104	17	Indian Medical Association
105	18	Indian Nursing Council
106	19	Indian Red Cross Society
107	20	Institute of Human Behaviour & Allied Sciences
108	21	Institute of Post Graduate Training, Jamnagar
109	22	Institute of Naturopathy Yoga & Physiotheraphy
110	23	International Instiute of Population Sciences, Mumbai
111	24	Kasturba Health Society Sevagram
112	25	Kidwai Memorial Institute of Oncology
113	26	Lala Ram Sarup Institute of Tuberculosis & Allied Diseases
114	27	Medical College, Thiruvananthapuram
115	28	Medical Council of India
116	29	Morarji Desai Institute of Yoga
117	30	National Academy of Medical Science
118	31	National Board of Examinations
119	32	National Illness Assistance Fund
120	33	National Institute of Ayurveda
121	34	National Institute of Biological Standardisation & Quality
122	35	National Institute of Homeopathy
123	36	National Institute of Mental Health & Neuro-Sciences
124	37	National Institute of Naturopathy, Pune
125	38	National Institute of Unani Medicine
126	39	National Instiute of Health & Family Welfare
127	40	National Instt.of Siddha, Channai
128	41	North East Indira Gandhi Institute of Health Medical Science
129	42	Pasteur Institute of India, Conoor
130	43	Pharmacy Council of India
131	44	Post Graduate Institute of Medical Education Research
132	45	Rashtriya Ayurved Vidyapeeth New Delhi
133	46	Regional Cancer Centre Society

134	47	St. Johns Ambulance Association
135	48	T.B. Association of India
136	49	Vallabh Bhai Patel Chest Institute
		Ministry of Home Affairs
137	1	National Human Rights Commission
		Ministry of Human Resource Development
138	1	Auroville Foundation Auroville
139	2	Kendriya Hindi Siksha Mandal, Agra
140	3	National Council for Promotion of Sindhi Language, Vadodara
141	4	National Council for promotion of Urdu Language
142	5	University Grants Commission
143	6	AICTE
144	7	Aligarh Muslim University
145	8	Assam University, Shillong
146	9	Babasaheb Bhimrao Ambedkar University, Lucknow
147	10	Banaras Hindu University
148	11	Board of Apprenticeship Training, Mumbai
149	12	Board of Apprenticeship, Chennai
150	13	Board of Apprenticeship, Kanpur
151	14	Board of Practical Training,Calcutta
152	15	Central Agricultural University,Imphal
153	16	Central Institute of Indian Languages
154	17	Central Tibetan Schools Society Administration
155	18	Central University Pondicherry
156	19	Children's Book Trust
157	20	Delhi University
158	21	Dr. Zakir Hussain Memorial College
159	22	Engineering College, Jammu
160	23	I.G.N.O.U.
161	24	ICHR
162	25	ICSSR
163	26	IIIT, Allahabad
164	27	Indian Council of Philosophical Research
165	28	Indian Institute of Advanced Studies, Shimla
166	29	Indian Institute of Information Technology
167	30	Mahatma Gandhi Institute of Medical Sciences, Wardha
168	31	Indian Institute of Management, Bangalore
169	32	Indian Institute of Management, Calcutta

170	33	Indian Institute of Management, Lucknow
171	34	Indian Institute of Science, Bangalore
172	35	IIT, Chennai
173	36	IIT, Delhi
174	37	IIT, Guwahati
175	38	IIT, Kanpur
176	39	IIT, Kharagpur
177	40	IIT, Mumbai
178	41	Institute of Higher Learning
179	42	ISM, Dhanbad
180	43	Jamia Milia Islamia
181	44	Jawaharlal Nehru University
182	45	Kendriya Vidyalaya Sangthan
183	46	Laxmi Bai National Institute of Physical Education
184	47	LBS Rashtriya Sanskrit Vidyapeeth
185	48	Mahatma Gandhi Antarrashtriya Hindia Vishwavidylaya
186	49	Maulana Azad College of Technology, Bhopal
187	50	Maulana Azad National Urdu University, Hyderabad
188	51	Nagaland University, Kohima
189	52	National Bal Bhawan
190	53	National Book Trust
191	54	National Commission of Women
192	55	National Council of Educational Research & Training
193	56	National Council of Teacher Education
194	57	National Culture Fund
195	58	National Gallery of Modern Art
196	59	National Institute of Adult Education
197	60	National Institute for Training in Industrial Engineering
198	61	National Institute of Foundry and Forge Technology, Dhanbad
199	62	National Institute of Public Coop. & Child Development
200	63	National Library, Calcutta
201	64	National Literacy Mission Authority
202	65	National Open School
203	66	Navodaya Vidyalaya Samiti
204	67	NBDC
205	68	Nehru Yuva Kendra Sangthan
206	69	NIEPA
207	70	North Eastern Regional Institute of Science & Technology, Shillong
208	71	North Eastern Hill University, Shillong

209	72	Project of History of Indian Science, Philosophy and Culture
210	73	Punjabi University, Patiala
211	74	Rajiv Gandhi National Institute of Youth Development
212	75	Rashtriya Manav Sangrahalaya, Bhopal
213	76	Rashtriya Sanskrit Sansthan
214	77	Rashtriya Sanskrit Vidyapeeth, Tirupathi
215	78	Regional Engineering College, Allahabad
216	79	Regional Engineering College, Hamirpur
217	80	Regional Engineering College, Jaipur
218	81	Regional Engineering College, Jallandhar
219	82	Regional Engineering College, Kozhikode
220	83	Regional Engineering College, Kurekshetra
221	84	Regional Engineering College, Nagpur
222	85	Regional Engineering College, Rourkela
223	86	Regional Engineering College, Srinagar
224	87	Regional Engineering College, Surat
225	88	Regional Engineering College, Warangal
226	89	Regional Institute of Technology, Jamshedpur
227	90	Sant Longowal Institute of Engineering Technology
228	91	School of Planning and Architecture
229	92	Shramik Vidya Peeths
230	93	Sports Authority of India
231	94	Technical Teachers Training Institute, Bhopal
232	95	Technical Teachers Training Institute, Calcutta
233	96	Technical Teachers Training Institute, Chandigarh +
234	97	Technical Teachers Training Institute, Chennai
235	98	Tej Pur University
236	99	University of Allahabad
237	100	University of Calcutta
238	101	University of Hyderabad
239	102	University of Jadavpur
240	103	University of Madras
241	104	University of Mumbai
242	105	University of Mysore
243	106	Vishwa Bharti University Shanti Niketan
244	107	Zonal Cultural Centre, Allahabad
245	108	Zonal Cultural Centre, Udaipur+
246	109	Zonal Culture Centre, Calcutta
247	110	Zonal Culture Centre, Chennai

248	111	Zonal Culture Centre, Nagaland
249	112	Zonal Culture Centre, Nagpur
250	113	Zonal Culture Centre, Patiala
251	114	Rashtriya Ved Vidya Pratisthan
		Ministry of Industry
252	1	Automotive Research Association of India
253	2	Central Manufacturing Technology Institute, Bangalore
254	3	Central Pulp and Paper Institute
255	4	Fluid Control Research Institute
256	5	ID of Elect Measurement, Mumbai
257	6	Indian Rubber Manufacturing Research Association
258	7	National Council for Cement & Building Material
259	8	National Institute of Design
260	9	National Productivity Council
261	10	National Small Industries Corporation
262	11	Quality Council of India
263	12	Development Council for Automotive & Allied Industries
264	13	Footwear Design & Development Institute
		Ministry of Information & Broadcasting
265	1	Indian Institute of Mass Communication
266	2	F.T.I.I., Pune
267	3	Film Society of India
268	4	National Centre for Children & Young People
269	5	Prasar Bharti
270	6	Press Council of India
271	7	Satyajit Ray Film & Television Institute, Calcutta
		Ministry of Information Technology
272	1	Centre for Development of Advanced Computing, Pune
273	2	Centre for Electronics Design & Technology of India
274	3	Centre for Liquid Crystal Research
275	4	Centre for Materials for Electronics Technology Research
276	5	Department of Electronics – Accreditation
277	6	Education and Research Network India
278	7	Electric & Computer Software Export Promotion Council
279	8	Electronics Research & Development Centre of India
280	9	National Centre for Software Technology
281	10	Society for Applied Microwave Electronic Engineering and Research
282	11	Society for Electronics Tests Engineering

283	12	Software Technology Parks of India
284	13	Regional Computer Centre, Chandigarh
285	14	Regional Computer Centre, Calcutta
		Ministry of Labour
286	1	Central Board for Workers Education
287	2	Central Instructional Media Institute, Chennai
288	3	Employees Provident fund Organisation
289	4	Employees State Insurance Corporation
290	5	V.V.Giri National Institute of Labour
291	6	Advanced Training Institute, Chennai
292	7	Advanced Trg. Inst. for Farm Machinery and Power, Ludhiana
293	8	Advanced Trg. Institute for Electronics & Processed Instrumentation
294	9	Central Institute for Research & Training in Employment services
295	10	Central Staff Training & Research Institute, Calcutta
296	11	Foreign Training Institute, Bangalore
297	12	National Arbitration Promotion Board
298	13	National Council for Training in Vocational Studies
299	14	National Labour Institute, Noida
300	15	National Regional Vocational Training Institute
		Ministry of Law, Justice & Company Affairs
301	1	Indian Law Institute
302	2	Institute of Constitutional and Parliamentary Studies
303	3	International Centre for Alternative Dispute Resolution
304	4	National Legal Service Authority
		Ministry of Mines & Minerals
305	1	J.L.Nehru Aluminium Research Dev.& Design Centre
306	2	National Institute of Miners' Health
307	3	National Institute of Rock Mechanics
		Ministry of Non-Conventional Energy Sources
308	1	National Institute of Renewable Energy
309	2	Centre for wind Energy Technology
		Ministry of Planning
310	1	Indian Statistical Institute
311	2	Institute of Applied Manpower Research
		Ministry of Power
312	1	Central Electricity Regulatory Commission

313	2	Central Power Research Institute
314	3	National Power Training Institute
315	4	Energy Management Centre, Nagpur
		Ministry of Railway
316	1	Centre for Railway Information Systems, New Delhi
		Ministry of Rural Development
317	1	CAPART
318	2	National Institute of Rural Development, Hyderabad
		Ministry of Social Justice & Empowerment
319	1	Animal Welfare Board
320	2	Central Adoption Research Agency
321	3	Central Wakf Council
322	4	Institute of Physically Handicapped
323	5	National Institute for Rehabilitation Training & Research
324	6	National Commission for Backward Classes
325	7	National Commission for Minorities
326	8	National Commission for Safaikaramcharis
327	9	National Commission for SCs/STs
328	10	National Institute of Mentally Handicapped
329	11	National Institute of Hearing Handicapped
330	12	National Institute of Orthopaedically Handicapped
331	13	National Institute of Visually Handicapped, Dehradun
332	14	National Trust for Mentally Retarded & Cerebral Palsy
333	15	Rehabilitation Council of India
334	16	Special office for linguistic Minorities –Allahabad
335	17	Dr.B.R. Ambedkar Foundation, New Delhi
336	18	Maulana Azad Education Foundation, New Delhi
337	19	Chief Commissioner for Handicapped, New Delhi
		Ministry of Small Scale Industry
338	1	Central Footwear Training Institute, Agra
339	2	Central Institute of Handtools, Jalandhar
340	3	Central Institute of Tool Design, Hyderabad
341	4	Central Tool Room, Bhubaneshwar
342	5	Central Tool Room, Ludhiana
343	6	Central Toom Room Training Centre
344	7	Coir Board, Kochi
345	8	Electronics Service & Training Centre

346	9	Indian Institute of Entrepreneurship
347	10	Indo German Tool Room, Ahmedabad
348	11	Indo German Tool Room, Aurangabad
349	12	Indo-Danish Tool Room, Jamshedpur
350	13	Indo-German Tool Room, Indore
351	14	Khadi & V.I. Commission, Mumbai
352	15	National Institute for Entrepreneur & Small Business Development
353	16	Process & Product Development Centre, Agra
354	17	Process cum Product Development Centre, Meerut
		Ministry of Surface Transport
355	1	Seamen's PF Organisation
356	2	Calcutta Dock Labour Board
357	3	Calcutta Port Trust
358	4	Cochin Port Trust
359	5	DTC Employees PF Account
360	6	Inland Water Transport Authority of India
361	7	Jawaharlal Nehru Port Trust
362	8	Kandla Dock Labour Board
363	9	Kandla Port Trust
364	10	Madras Dock Labour Board
365	11	Madras Port Trust
366	12	Mormugao Dock Labour Board
367	13	Mormugao Port Trust
368	14	Mumbai Dock Labour Board
369	15	Mumbai Port Trust
370	16	National Highways Authority of India
371	17	New Mangalore Port Trust
372	18	Paradip Port Trust
373	19	Tarrif Authority; for Major Ports
374	20	Tuticorin Port Trust
375	21	Vizag Dock Labour Board
376	22	Vizag Port Trust
		Ministry of Science & Technology
377	1	International Advanced Res.Centre for Powder Metallurgy & New Materials
378	2	Birbal Sahni Institute of Palaeobotany, Lucknow
379	3	Centre for DNA Finger Printing & Diagnostics
380	4	Council of Scientific & Industrial Research

381	5	Indian National Science Academy, New Delhi
382	6	Indian Academy of Sciences Bangalore
383	7	Indian Association for the cultivation of Science, Calcutta
384	8	Indian Institute of Tropical Meteorology, Pune
385	9	Indian National Academy of Engineering
386	10	Indian Science Congress Association, Calcutta
387	11	J.L.Nehru Centre for Advanced Scientific Research, Bangalore
388	12	Maharashtra Association for Cultivation of Science
389	13	National Accreditation Board for Testing & Collaboration Laboratories
390	14	National Brain Research Centre
391	15	National Centre for Cell Sciences, Pune
392	16	National Centre for Plant Gerome Research
393	17	National Institute of Immunology
394	18	Raman Research Institute, Bangalore
395	19	S.N.Bose National Centre for Basic Sciences, Calcutta
396	20	Sree Chitra Tirumal Medical Inst.of S&T, Thiruvananthapuram
397	21	Technology Information Forecasting Assessment Council
398	22	Vigyan Prasar
399	23	Bose Institute, Calcutta
400	24	Indian Institute of Astro-Physics
401	25	Indian Institute of Geo-magnetism, Mumbai
402	26	National Academy of Science
403	27	National Atlas & Thematic & Mapping Organisation
404	28	Technology Development Board, New Delhi
405	29	Wadia Institute of Himalayan Geology, Dehradun
		Ministry of Space
406	1	National MST Radar Facility Gadanki
407	2	National Remote Sensing Agency, Hyderabad
408	3	Physical Research Laboratory Ahmedabad
		Ministry of Textiles
409	1	ATIRA
410	2	BITRA
411	3	Central Silk Board
412	4	Cotton Technology Mission
413	5	IJRA
414	6	Institute of Fashion Technology
415	7	Jute Manufacturers Development Council
416	8	MANTRA

417	9	National Centre for Jute Diversification
418	10	New NIFTs
419	11	NITRA
420	12	Silk & Art Silk Mills Research Association
421	13	SITRA
422	14	Texttiles Committee, Bombay
423	15	Wool Development Board
424	16	WRA
		Ministry of Tourism
425	1	Indian Institute of Tourism & Hotel Management
426	2	Institute of Hotel Management
		Ministry of Urban Development
427	1	DDA
428	2	National Institute of Urban Affairs
429	3	NCR Planning Board
430	4	Building Material and Technology Promotion Council
		Ministry of Water Resources
431	1	Brahmputra Board
432	2	National Institute of Hydrology
433	3	National Water Development Agency

Annexe-II

Proforma for furnishing of information relating to Autonomous Institutions

(1) Name of the Autonomous Body, Year (Date if available) of setting up, Address in full.

(2) Authority for setting up the Autonomous Body.

(a) Statutory- arising from an Act – Please name the Act(s)

(b) Parliamentary Approval – Please indicate how and when obtained.

(c) Cabinet Approval

(d) Approval of Minister

(e) Any other – Please give details.

(3) Are documents relating to setting up the Autonomous Body available?

Yes/No (Please furnish copy where available)

(4) Status of the Autonomous Body i.e. whether it is a Registered Society, Trust, etc. Enclose details of Memorandum of Association, Governing Body/Board/Council/Trust, etc.

(5) Source of funding of the Autonomous Body?

(a) Fully funded through grant-in-aid from Government

(b) Partially funded, if so source of other funding

(6) Procedure for release of Grant-in-aid by the Ministry/Department. Whether periodical or is subject to production of Accounts Etc.

(7) Position regarding pendancy of utilization certificate:

(a) Amount of Grants-in-aid for which utilization certificate is pending

(b) Period(s) for which utilization certificate is pending.

(8) (a) Sources of revenue with actual revenue for the last five years.

Is the revenue allowed to be used towards expenditure?

(b) Expenditure figures for the last five years.

(c) Receipts as a % of expenditure for the last five years

(d) Grants-in-aid as received during the last five years

(e) Grants-in-aid as a % of expenditure for the last five years

(9) (a) Budget Estimate for the year 2001-2002

(b) Performance budget, if any, showing activity wise Budget and Physical Targets for last three years.

(10) (a) Staff Strength (if possible comparative figures as at the end of last three financial years) Groupwise i.e. Group A, B, C & D or equivalent. A copy of the organisation chart of the autonomous body, if available

(b) Total expenditure on salary and allowances for the last three years.

(11) What is the extent of Delegation of Powers to the Autonomous Body for creation of posts and for incurring of other expenditure?

(12) (a) Is an independent Annual Report of the Autonomous Body submitted to the Parliament regularly? (Indicate position for the last five years.

(b) If not, is a report relating to the Autonomous Body included in the Annual Report of the Ministry/Department?

(13) Was any study of the Autonomous Body undertaken within the last five years and if so, by whom and when? (A copy of the report, if any, may be sent).

(14) Are the accounts of the Body up to date? If not period up to which finalized and reasons for delay.

(15) (a) Is the Autonomous Body audited by C&AG?

(b) Were the accounts submitted for audit timely? If not period up to which accounts provided and audited and reasons for delay.

(c) Date and year of last audit along with summary of findings.

(16) Has any review been conducted of the Organisation as a result of zero-based budgeting or otherwise? If so, with what result?

(17) Please give the amount of unspent balance (out of the funds released every year) carried forward by the autonomous body on 1st of April of the new financial year for the last three years.

Sl. No.	As on	Amount carried forward (Rs. lakhs)
1.	1st April, 1998	
2.	1st April, 1999	
3.	1st April, 2000	

(18) Indicate what efforts have been made by the Organisation to maximise the revenue on various items so as to bring about a reduction in the budgetary support to the autonomous body. Has any periodic review been made of the rates, charges etc., on such items, wherever possible?