

**ESTIMATES COMMITTEE  
1957-58**

**NINETEENTH REPORT**

**(SECOND LOK SABHA)**

**ACTION TAKEN BY GOVERNMENT ON THE RECOM-  
MENDATIONS CONTAINED IN THE SIXTEENTH  
REPORT OF THE ESTIMATES COMMITTEE  
(FIRST LOK SABHA)  
ON  
ORGANIZATION AND ADMINISTRATION OF  
NATIONALISED INDUSTRIAL UNDERTAKINGS.**



**सत्यमेव जयते**

**LOK SABHA SECRETARIAT**

**NEW DELHI**

**April, 1958.**

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Shri C. S. Swaminathan —*Under Secretary*.

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\*Ceased to be a member on his appointment as Deputy Minister w.e.f. 2nd April, 1958

## INTRODUCTION

I, the Chairman of the Estimates Committee, having been authorised by the Committee, present this Nineteenth Report of the Estimates Committee of the Second Lok Sabha on the action taken by Government on the recommendations contained in the Sixteenth Report of the Estimates Committee of the First Lok Sabha on the Organisation and Administration of Nationalised Industrial Undertakings.

2. The Sixteenth Report of the Estimates Committee of the First Lok Sabha was presented to the House on the 29th September, 1955. The Government furnished their replies to the recommendations on the 13th March, 1957. Further replies in respect of specific points on which information was required by the Committee were received on the 26th February, 1958. The Sub-Committee 'B' of the Estimates Committee examined the replies on the 4th March, 1958.

3. The Report has been divided into four Chapters:

I Report.

II Recommendations that have been accepted by the Government.

III Replies of the Government that have been accepted by the Committee.

IV Replies of the Government that have not been finally accepted by the Committee and are being pursued.

4. An analysis of the action taken by Government on the recommendations contained in the Sixteenth Report is given at Appendix IV.

**BALVANTRAY G. MEHTA,**

*Chairman,*

*Estimates Committee.*

**NEW DELHI;**  
*The 22nd April, 1958.*

## **CHAPTER I**

### **REPORT**

In their Sixteenth Report (First Lok Sabha) the Estimates Committee examined the form of organisation of the Public Undertakings of the Government of India and made recommendations on various questions arising out of the constitution of such Undertakings including the relations between them and the Minister in charge. The Committee regret to observe that many of their recommendations have not yet been implemented even though the Government took about a year and a half to consider the recommendations. They have again given very careful consideration to all these matters in the light of the replies of the Government and have set forth their conclusions in this Report.

2. At the outset the Committee would like to rectify an error which had crept into paras 6 and 7 of the Sixteenth Report (First Lok Sabha) where the word 'public' had been erroneously used in referring to the limited companies which have been set up by the Government and should, therefore, be deleted. In fact, they are Private Limited Companies.

3. Recent events have highlighted the importance of the various questions raised by the Committee in their earlier report. The Committee feel more convinced than ever about the soundness of the various recommendations made in that report, particularly, those—

- (a) suggesting that at least 25 per cent. of the total capital investment on a national undertaking may be made available for subscription by the public (fixing a ceiling on individual holding of shares as also on dividends), in order that vigilance may also be exercised by those shareholders in respect of the management of the undertakings;
- (b) requiring that the Chairman of the Board of Directors should be directly responsible to the Minister in respect of questions of policy within the sphere of responsibility of the Government, so that the Minister will have direct knowledge of activities of the undertaking and the Board will know the Minister's mind directly;
- (c) requiring that there should be an Advisory Body, advising the Managing Directors on various matters from time to time, sending copies of their report to the Minister concerned, calling for information on matters relating to the undertaking, watching the progress of the undertaking, etc; and

- (d) pointing out that the undertakings are not able to adopt business methods, as they are placed under senior officers of the administrative departments, whose experience does not make them suitable for running commercial enterprises and, therefore, suggesting that a cadre of officers for management should be constituted.

### Public Participation in the share capital

4. As regards the recommendation of the Committee that at least 25 per cent. of the share capital should be available for subscription by the public, the Committee would invite attention to the reply of Government and the comments of the Committee thereon—vide recommendation No. 1 in Chapter IV of this Report. It would be observed that the Committee's recommendation provided safeguards both in respect of individual shareholding and of the dividend policy, which would meet most of the objections advanced by the Government. The Committee would also like to point out that the implementation of this recommendation would evoke the enthusiasm of the public for participation in the national development and would also enable the undertakings to function effectively under the vigil of a body of shareholders, who would in their own interests keep a watchful eye on the working of the undertaking. They realise that the recommendation would result in the undertakings being run as public limited companies. The Committee do not, however, see any reason why the undertakings would not function with success as public limited companies, within the ambit of the Companies Act, considering that Government would have the controlling interests. Therefore, while agreeing with Government that each case has to be considered on its merits, the Committee would suggest that such consideration should be made in the light of their earlier recommendation, exceptions being made only where there are good reasons for not accepting the recommendation.

### Management of the undertakings

5. As regards the Committee's recommendation on the subject of the management of the undertakings, while inviting attention to the reply of the Government and the comments of the Committee against serial No. 2 in Chapter IV of the Report, the Committee would point out that they have expressed themselves clearly on many occasions about the inadvisability of the present practice of associating Secretariat officials with the Boards of Directors of State undertakings. They have, on several occasions, pointed out that (i) the practice leads to a blurring of responsibilities of the Secretary of the Ministry who has to advise the Minister on matters of policy, while at the same time as a Member of the Board of the undertaking has to share responsibility for the execution of these policies; (ii) it is not possible for a Secretariat official to give sufficient attention to the affairs of

the undertaking in addition to performing his normal duties, and (iii) the officials are invariably not specially qualified and trained for the heavy responsibilities of running an industrial undertaking. The Committee would in this connection refer to the recommendations on this aspect made in their Ninth, Thirty-ninth, Forty-first and Forty-third Reports (First Lok Sabha) excerpts from which are reproduced at Appendix I. They are of the view that the Board of Managing Directors should consist of men of wide experience, who have otherwise no financial interests in that industry or allied industries. Further, the Board should have direct responsibility to and contact with the Minister. The Committee feel that this would enable the nationalised undertakings to function on business principles with the largest measure of financial and administrative autonomy, consistent with the overall responsibility of Government and accountability to Parliament. The Committee do realise, however, that there might be matters such as policy followed in the past, inter-Ministerial problems, commitments relating to foreign countries etc., for which the Minister would need the assistance of the Secretariat. Such matters would however be few and might be dealt with in a small expert cell within the Secretariat of the Minister and would not affect the generality of the recommendation.

6. The Committee observe that despite the experience acquired with regard to the working of the State undertakings for the last seven years, Government consider it necessary to watch the working of the undertakings for some more years before a review can be attempted. The Committee feel that sufficient experience has been gained in the matter and would, therefore, stress the necessity of an early review of the management of the State undertakings.

### Cost Accounting in Government of India

7. In para 20, of the Sixteenth Report (First Lok Sabha) the Committee had recommended that Cost Accounting should be introduced as a matter of course in the public undertakings from the outset. The Committee are glad to note that the Government agree with the recommendation and that in most of the State undertakings Cost Accounting has already been introduced or is being introduced. The Committee have had occasions in their Reports on the various undertakings to refer to the Cost Accounting that had been introduced. In this Report they would only draw attention to their remarks in para. 5 of their Fifty-seventh Report (First Lok Sabha), an excerpt from which is reproduced below:—

“The Committee have repeatedly drawn attention, in their Reports on the working of various State undertakings, to the necessity of having an upto-date system of cost accounting. The Committee have found that even where it is claimed that a cost accounting organisation is well established, the system is not upto-date and that

it does not serve fully the purpose for which it is intended. Therefore, while the Committee note that the Government have accepted their earlier recommendation in principle, they feel that much remains to be done in the actual setting up of an upto-date cost accounting organisation in all the State undertakings. They would, therefore, recommend that the matter should receive urgent attention."

#### **General comments on the replies**

In Chapter IV of this Report, the Committee have given their comments on all the replies to recommendations which have not been accepted by Government. In this connection the Committee would like to point out that the replies are not quite informative in a number of cases. In certain cases their reply simply states that 'there is no objection to the suggestion' or that 'it is unexceptionable' or that 'Government is in agreement with the recommendation'. Very little light is thrown on whether and when the recommendation is proposed to be implemented and in case it is not considered necessary to implement certain details mentioned in the recommendation, why it is not considered necessary to do so. The Committee would suggest that while giving their replies the Government should state what action is proposed to be taken and also the reasons why the recommendation is not accepted or is accepted in a modified form.



## CHAPTER II

### RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

S. No. of recommendations	Ref. to para No. of Report	Summary of Recommendations	Reply of the Government
1	2	3	4
6	12	<p>A decision should be taken early on the question of recruiting men experienced in business, commerce, industry and trade for management of State Undertakings, and on the question of setting up of "The Indian Commercial and Industrial Service."</p> <p>(Further information required by the Committee)</p> <p>Particulars regarding the constitution of the Industrial Management Service may be given.</p> <p>(L.S.S. O. M. No. 142-E.C.I/56, dated 15th November, 1957.)</p>	<p>The Government have already taken a decision in this matter. It has been decided to constitute an Industrial Management Service which is designed to meet the needs of all the Government Industrial Undertakings.</p> <p>(Ministry of Finance, Department of Economic Affairs O.M.No. F. 20 (79)-P/55, dated 13th March, 1957.)</p> <p>The Industrial Management Pool has been constituted for manning the senior (i.e. top and middle level) managerial posts in public enterprises whether run directly by Government or by Corporation or Companies in which Government have a controlling interest. A copy of Resolution No. 21(12)-E.O./56</p>

dated 12th November, 1957 which contains the particulars regarding the constitution of the Industrial Management Pool is enclosed (Appendix II). Appointments to the Pool are now being considered in consultation with Union Public Service Commission.

(*Ministry of Finance, Department of Economic Affairs O.M. No. F. 20(79)-P/55 dated the 26th February, 1958.*)

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Industrial undertakings should be dispersed throughout the country and they should not all be concentrated in any particular area or areas.

17

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This is the accepted policy of Government as already indicated in the Resolution on Industrial Policy of 30th April, 1956.

(*Ministry of Finance, Deptt. of Economic Affairs O.M. No. F. 20(79)-P/55 dated 13th March, 1957.*)

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A comprehensive survey of all the factors, geological as well as economic, should be undertaken with a view to developing the neglected parts of the country. Government should see that local difficulties such as lack of sources of power, transport difficulties etc. are removed.

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This is the accepted policy of Government as already indicated in the Resolution on Industrial Policy of 30th April, 1956.

(*Ministry of Finance, Department of Economic Affairs O.M. No. F. 20(79)-P.55. dated 13th March, 1957.*)

The recommendation made by the Estimates Committee is kept in view in the formulation of the Plan and in considering the applications for licence for setting up

(*Further information required by the Estimates Committee.*)

new industries under the Industries (Development and Regulation) Act.

What action has been taken to develop the neglected parts of the country?

[Ministry of Finance, Department of Economic Affairs O.M. No. 20 (79)-P/55, dated 26th February, 1958].

(L.S.S. O. M. No. 142-E.C. I/56, dated 15th November, 1957).

Government is in agreement with these recommendations. The State industrial and commercial undertakings are run broadly on commercial principles. Cost accounting system is already in existence or is being introduced, in most of the State Undertakings.

Cost Accounting should be introduced as a matter of course in these nationalised undertakings from the outset.

[Ministry of Finance Department of Economic Affairs O.M. No. F. 20(79)-P/55, dated the 13th March, 1957].

National undertakings should work on strict commercial principles, even in their transaction with Government Departments. There should be no delay in the despatch of material from the factories, or in the receipt of payment therefor, which should be strictly in cash.

The following are the further recommendations with regard to problems of staff recruitment, training etc:—

- (i) Unskilled labour should be predominantly from amongst the local people of the area in which the undertaking is situated. Preference for such labour should be given to the villagers who have been displaced from the places where the factory has been erected.

This is already being followed.

[Ministry of Finance, Department of Economic Affairs O.M. No. F. 20(79)-P/55, dated 13th March, 1957].

There is no objection to this in principle.

When two or more undertakings are adjacent to each other the amenities provided to the

staff of those undertakings should be common.

*[Further information required by the Committee]*

The specific action taken on the recommendations may be intimated.

*(L.S.S. O. M. No. 142-E.C.-1/56, dated the 15th November, 1957).*

*[Ministry of Finance, Department of Economic Affairs  
O.M. No. F. 20(79)-P/55, dated 13th March, 1957].*

This is being implemented wherever possible. The Bharat Electronics Ltd., and the Hindustan Machine Tools Ltd., are for example, situated close to each other. A combined High School for the benefit of children of employees of both the undertakings is run. Proposals for having combined facilities for shopping centre, Officers clubs, etc. are under examination.

*[Ministry of Finance, Department of Economic Affairs  
O.M. No. F. 20(79)-P/55, dated 26th February, 1958].*

### CHAPTER III

## REPLIES OF THE GOVERNMENT THAT HAVE BEEN ACCEPTED BY THE COMMITTEE

Serial No. of recommendations	Ref. to Para No. of Report	Summary of recommendations	Reply of the Government
1	2	3	4
8	14	<p>(i) The problem of recruitment for the management cadre of State undertakings could be met in two ways; either by drafting people with good record of business and commercial experience in the private sector, or by direct recruitment of young men through special Recruitment Boards, who could subsequently be given specialised training in Industrial management.</p>	<p>(i) The direct recruitment of young men and the imparting of training to them would be a more satisfactory normal method. Judging from past experience so far, it would be true to say that it is almost impossible to attract to public sector men of the requisite calibre from the private sector, men with a wealth of business, commercial and industrial experience. For one thing the salaries offered are very much lower than what persons of requisite calibre get from the private sector.</p>
		<p>(ii) Fixation of a ceiling for salaries in the private sector as recommended in the Ninth Report of the Estimates Committee, if adopted, would solve the difficulty</p>	<p>(ii) The suggestion to fix a ceiling on the salaries in the private sector would be completely unworkable; the most satisfactory way of imposing a ceiling is through progressive taxation.</p>

caused by the disparity in the salary in the private sector and public sector, in adopting the former method of recruitment.

[*Ministry of Finance, Department of Economic Affairs O. M. No. F. 20(79)-P/55, dated 13th March, 1957.*]

16 24

(ii) Semi-skilled labour may consist of local people as well as a representative group of people from all parts of the country in keeping with the national character of the organisation.

Government is in general agreement with this recommendation. It may not, however, be possible in practice to ensure that the outside group is representative of all parts of the country.

[*Ministry of Finance, Department of Economic Affairs O. M. No. F-20(79)-P/55 dated 13th March, 1957.*]

[*Further information required by the Committee*].

As already stated earlier in this Ministry O.M. No. F. 20(79)-P 55 dated 13-3-57 though Government are in general agreement with this recommendation, it will not be possible in practice to ensure that the outside group is representative of all parts of the country. This recommendation is generally borne in mind but as this class of people is generally recruited through Employment Exchanges, persons other than the local people are not easy to obtain.

How do Government propose to enforce the recommendation?

(L.S.S. O. M. No. 142-EC/56 dated 15th November, 1957).

[*Ministry of Finance, Department of Economic Affairs O. M. No. F. 20(79)-P/55, dated 26th February, 1958.*]

(iii) Suitable training establishments should be set up in the various Undertakings for

There can be no objection to this suggestion.

the training of new recruits. Training facilities should be properly advertised all over the country so that students from all parts of the country may avail themselves of it. Officers appointed to the higher grades should before appointment be given a thorough training, if necessary, by sending them abroad, so that when they are appointed, they are fully familiar with the various tasks they have to perform. Efforts should also be made to provide training facilities such as 'Learn As You Work' schemes to those who are already in employment in the factory.

[Further information required by the Committee]

What action has been taken on the suggestion? Training facilities are available in practically all the undertakings. Particular mention may be made of the Hindustan Machine Tools Ltd., which require workers possessing a high degree of manual precision skill, of the Sindri Fertilizers and Chemicals (Private) Ltd., where technical personnel are given advanced training not only to meet their own requirements but also for Nangal Fertilizers and Chemicals (Private) Ltd., of the Hindustan Antibiotics (Private) Ltd., which has an antibiotics research centre which is recognised as a post graduate training centre by the Universities of Poona and Bombay,

[Ministry of Finance, Department of Economic Affairs  
O. M. No. F. 20(79)-P/55, dated 13th March, 1958].

and of the Heavy Electrical (Private) Ltd. The training centre of the Hindustan Machine Tools Ltd. has been enlarged to give greater scope for training. Senior officers and technical experts give occasional lectures to the trainees. Besides these facilities for training use is also made of the Labour Ministry's vocational training Institutes, engineering works in various parts of the country and the three existing steel works for the training of skilled workers.

[*Ministry of Finance, Department of Economic Affairs O.M. No. F-20(79)-P/55, dated 26th February, 1958.*]

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17 25 As far as possible amenities of the staff of the various State undertakings should be standardised. It should also be seen that certain minimum standards are observed in the provision of these amenities. Standards of residential accommodation and of recreational, educational and medical facilities should be laid down and there should be a uniformity of policy in the lay-out of the towns and in their administration and in the matter of supply of water and electricity.

[*Further information required by the Committee*]

The question of standardisation of welfare amenities is already under the consideration of the Government.

[*Ministry of Finance, Department of Economic Affairs O.M. No. 20(79)-P/55, dated 13th March, 1957.*]



The present position and details of action taken may be intimated

(L.S.S. O. M. No. 142-ECI/56 dated 15th November, 1957)

18 26

The types of houses should be standardised and all the undertakings should construct houses only of these standard types. There should not be exclusive areas for particular grades of officers and staff. The officers and staff should live side by side.

The matter is still under the consideration of Government. Data has been collected from the various employing Ministries about the existing welfare amenities admissible to workers in the Central Government undertakings and these will be reviewed by the two Sub-Committees (Medical and General) set up on the recommendation of the Secretaries' Standing Committee on Welfare Standards.

(Ministry of Finance, Department of Economic Affairs O. M. No. F-20(79) P/55 dated 26th February, 1958)

It is neither possible nor desirable to have complete standardisation of houses for workers and staff. The design and structure of houses will have to vary according to different climatic and other conditions and no uniformity is possible. It is agreed as a general rule, that there should be no rigid and conscious class segregation.

(Ministry of Finance, Department of Economic Affairs O. M. No. F-20(79)-P/55 dated 13th March, 1957).

[Further information required by the Committee]

What action has been taken in enforcing the principle that there should be no rigid and conscious class segregation in construction of the houses?

(L.S.S. O.M. No. 142-ECI/56 dated 15th November, 1957.)

This suggestion is kept in view. In the steel plants, for instance, there will be broadly only three categories of houses. Variations have been allowed to make allowance for individual needs of particular classes and age-group of workers. Subject to practical considerations, there is no segregation of one category of houses from the others. In the Ashoka Hotels, for instance, the staff quarters have been built side by side in the hotel compound itself.

(Ministry of Finance, Department of Economic Affairs O.M. No. F. 20(79)-P/55 dated 26th February, 1958)

19 27

Special attention should be paid to the provision of amenities for recreation and entertainment of the staff. Buildings and financial grants should be provided for clubs. Hobbies, such as gardening, should be encouraged.

[Further information required by the Committee]

[Ministry of Finance, Department of Economic Affairs O.M. No. F. 20(79)-P/55 dated 13th March, 1957]

The specific action taken on the recommendations may be intimated.

(L.S.S. O. M. No. 142-EC/56 dated 15th November, 1957)

Some of the older undertakings like the Hindustan Machine Tools, Ltd., Sindri Fertilisers & Chemicals Ltd., etc. have provided all statutory welfare facilities. Up-to-date canteens, well-equipped hospitals and dispensaries, sports clubs, reading and recreation rooms, cinemas and schools for children are available for employees. Some undertakings (e. g. the Hindustan Machine Tools, the Sindri Fertilisers and Hindustan Antibiotics etc.) also provided free transport. The three steel plants have nearly common standards of accommodation and amenities as also educational and medical facilities.

[Ministry of Finance, Department of Economic Affairs O.M. No. F. 20 (79)-P/55 dated 26th February, 1958]

Proper publicity is not being given at present to the activities of national undertakings. Attractive coloured pictures, postcards and small folders depicting the activities of these undertakings should be printed and made available to the public. This may be done in consultation with the Publications Division of the Ministry of Information and Broadcasting. Stalls showing the products of the industries in the public sector and depicting their contribution to the economy of the country in general, should be opened in all the major exhibitions in the country.

*[Further information required by the Committee]*

Each undertaking of a good size must have its own publicity organisation. It may be desirable to have the general or prestige publicity done through the Ministry of Information and Broadcasting but over-centralisation in the matter of publicity as in other things, should be avoided. It would not be advisable to entrust the entire responsibility for publicity to the Ministry of Information and Broadcasting.

*[Ministry of Finance, Department of Economic Affairs O.M. No. F. 20(79)-P/55 dated 13th March, 1957].*

The specific action taken on the recommendations may be intimated.

*(L.S.S. O. M. No. 142-EC/56 dated 15th November, 1957)*

Each undertaking has its own publicity and Public Relations Organisations. Special mention may be made of Sindri where their own 'Sindri News' in English and 'Sindri Samachar' in Hindi are being published. Stalls showing the publications of Government Industries are also usually shown in all industrial exhibitions in the country.

*[Ministry of Finance, Department of Economic Affairs O.M. No. F. 20(79)-P/55 dated 26th February, 1958].*

## CHAPTER IV

### REPLIES OF THE GOVERNMENT THAT HAVE NOT BEEN FINALLY ACCEPTED BY THE COMMITTEE AND ARE BEING PURSUED

Serial No. of recommendations	Ref. to Para No. of Report	Summary of Recommendations	Reply of the Government	Comments of the Committee
1	2	3	4	5

1      6      At least 25% of the share capital of Joint Stock Companies working State undertakings should be available for subscription by the public.

Government should also, while inviting private capital fix a ceiling for individual holding of shares, as also on any dividends that might be declared by such undertakings, so that individual or group monop-

The recommendation is too general in nature. There can be no objection to a minority participation in the share capital by the public, but for a variety of reasons there would not exist in most cases any attraction for the public itself to participate. The dividend policy of Government should be the most relevant consideration from the point of view of a private investor. In cer-

lies and other abuses of the kind may be avoided.

tain types of undertakings, for instance, in regard to the Sindri Fertilizers, it would be difficult to justify a high profits earning policy. In other cases where monopoly may permit the State undertakings to earn large profits, it would be difficult to justify sharing the high profits with a private group of people. Public participation in the share of capital of the State undertakings relating to the defence of the country such as the Hindustan Aircrafts Limited, and Bharat Electronics Limited ought to be ruled out for various security reasons.

It follows that it would be necessary to consider each case on its merits as and when occasion arises. But experience so far points distinctly to the conclusion that the private investor will not be interested in investing in a State enterprise. The general policy enunciated in paras 7, 8 and 9 of the Industrial Policy Resolution of April, 1956 will also have to be

borne in mind while considering this suggestion.

[*Ministry of Finance, Department of Economic Affairs O.M. No. F. 20(79)-P/55 dated 13th March, 1957*]

(Further information required by the Committee)

Particulars may be given of instances on which the following statement of the Ministry is based :

“Experience so far points distinctly to the conclusion that the private investor will not be interested in investing in a State enterprise.”

(L.S. O.M. No. 142-ECI, 56 dated 15th November, 1957).

There have been no instances in the sense that an offer of capital was made to the public and not taken up. Conditions for this have, however, not been favourable so far. This is partly because of the shortage of capital with reference to the overall needs of the economy and the expansion taking place on the private sector which absorbs a lot of capital. Also Government usually take up difficult industries such as machine tool, heavy machinery, fabrication etc. which will take time to get established on a successful basis and before a dividend of even 4 per cent can be paid.

(i) The further reply of the Government indicates that no efforts were made by Government to secure private investment in the circumstances, and in the circumstances the Committee are not aware of the basis of the statement made by the Government that “experience so far points distinctly to the conclusion that the private investor will not be interested in investing in a State enterprise.”

(ii) The objections of Government in having to share the high profits, if any, with a private group of people are not

*(Ministry of Finance, Department of Economic Affairs, O. M. No. F. 20 (79)-P/55 dated the 26th February, 1958).*

understood since the recommendation also made it clear that a ceiling should be fixed for individual holding of shares as well as for any dividends that might be declared by the undertakings. Further private or foreign capital was associated in the case of Hindusthan Machine Tools, Hindustan Shipyard, Indian Telephone Industries, etc., and whatever be the special circumstances that existed for such association, apparently objections about sharing the profits did not weigh with the Government in such cases.

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(iii) Security reasons should not be held to preclude private participation in all the Defence industries, especially since the manufacture of ordinary and non-secret items are also grouped under Defence Production. It may also be mentioned that the production of armaments and aircraft for defence purposes is done in the private sector in many countries.

(iv) The general policy enunciated in paras 7, 8 and 9 of the Industrial Policy Resolution of April, 1956, does not bar private participation in the public undertakings, since even in respect of industries in Schedule 'A' of the Resolution the further development of which will be the exclusive responsibility of the State, the cooperation of the private enterprises in the establishment of new units where national interests so require is not precluded. The Committee feel that participation by the public in the share capital of public undertakings would help towards their efficient functioning because of the direct vigil that would be exercised by the shareholders and would also promote a feeling of direct partnership of the public in the running of these undertakings. Therefore, while agreeing with





sufficient power to exercise his discretion, so that there is no delay or waste of expenditure.

In whatever matters the Board may be responsible to the Minister, there should be a direct relationship between the two, and the procedure, as it is sometimes noticed, of treating a Joint Stock Company as a Department, subject to the control of the Secretary of the Minister, should not be encouraged.

An Advisory Body should be constituted for the purpose of advising the Managing Director on various matters from time to time.

The Advisory Body will not have powers to decide matters of policy or to give orders to execute any of their directions. The Advisory Body will invariably send a copy of their report to the Minister

concerned for information. The Advisory Body will have the right of asking or calling for information on all matters excepting those which have been specified by the Minister as being of a secret nature. The Advisory Body will have also the right of unlimited criticism. The Advisory Body will be kept informed by the Managing Director or Directors through progress reports, balance sheets, development plans and any other schemes, which the management may have in view.

The Advisory Body will consist of representatives from business, labour or workers, consumers and Parliament or local legislatures. The appointments will be made by nomination by Government or by election, wherever there are recognised unions or associations of labour or consumers or other interested groups. Members of Parliament or local legislatures will be appointed to such bodies by election

by the Houses concerned. Action may be taken to make the necessary statutory provisions required therefor.

*(Further information required by the Committee)*

The period at the end of which a review in the opinion of the Ministry could be made may be indicated.

*(L.S.S. O.M. No. 142-EC/156, dated 15th November, 1957).*

While it is difficult to specify the precise period, it is considered that such a review can be fruitfully undertaken after five years' more experience.

*(Ministry of Finance, Department of Economic Affairs O.M. No. F. 20(79)-P/55, dated 26th February, 1958).*

The Committee feel that the experience gained during the last seven years from a study of the workings of the State undertakings in India and other countries, is adequate for making an early review of the position and urge that a review should be undertaken without further delay considering the urgent importance which the issues have assumed recently following the findings of the Report of the Commission of Inquiry into the affairs of the Life Insurance Corporation of India.

3 A Commercial Undertaking should be given a free hand within the framework of policy to produce upto the optimum size at economic cost,

This recommendation is sound enough in principle, but practical difficulties are likely to arise in its application. It will not always be possible to

The Committee regret to note that while accepting the soundness of the recommendation, the reply does not indicate what action has been or is proposed

distinguish between matters of policy and matters of operational routine. It is clearly not feasible to give a completely free hand to the management in view of the responsibility and accountability of the Minister to Parliament.

*(Ministry of Finance, Department of Economic Affairs O. M. No. F. 20(79)-P/55, dated 13th March, 1957).*

to be taken on it. Also the last sentence of the reply shows that the Committee's recommendation has not been understood properly. The Committee would, therefore, invite attention to para 9 of the original report and would reiterate the same.

4

10

The Board of Managing Directors, suggested elsewhere, should be, through its Chairman directly responsible, to the Minister in the matter of broad questions of policy which are within the sphere of responsibility of Government.

The amalgamation of the Secretariat and the executive functions in the same body of persons is ordinarily not desirable. While the executive authority vests in the Board of Management, broad matters of policy should continue to be decided by the Minister. It is important that the Secretariat should not ordinarily concern itself with the details of the working and the day to

This recommendation is a sequel to recommendation No. 2 which seeks to confer on the Board the entire responsibility for running a public undertaking subject to the direction of the Minister-in-charge on questions of policy. The intention of the Committee was that in regard to all matters including matters of policy of the undertaking, the Minister should be advised by the Board di-

day management of the concerns.

*(Ministry of Finance, Department of Economic Affairs O.M. No. F. 20(79)-P/55, dated the 13th March, 1957).*

rectly without the inter-position of the Secretariat whereas the reply of the Government perhaps implies that the Board of Directors should ordinarily concern itself with the details of working and management of the concerns and that in respect of broad matters of policy which should be decided by the Minister the latter should be advised by a Secretariat independent of the executive agency. However, in actual practice, even this does not seem to be observed, since with the appointment of Secretariat officials as Directors of the undertakings, there is even now amalgamation of the Secretariat and the executive functions in the same persons, which according to the Ministry is 'ordinarily not desirable'.

The Committee reiterate the recommendation that in whatever matter the Board of Directors might be responsible to the Minister, there should be a

direct relationship between the two and the procedure of treating an undertaking as a department, subject to the control of the Secretariat of the Minister should not be encouraged. The Committee do realise, however, that there might be matters such as policy followed in the past, inter-Ministerial problems, commitments relating to foreign countries, etc., for which the Minister would need the assistance of the Secretariat. Such matters would, however, be few and might be dealt with in a small expert cell within the Secretariat of the Minister and would not affect the generality of the recommendation.

5 11 As the field of the state activities expands and a large number of national undertakings come in-  
to being it would be necessary to appoint more than one Minister to be in charge of the national undertakings

No comments are necessary at present.

(Ministry of Finance, Department of Economic Affairs O.M. No. F.20 (79)-P/55, dated the 13th March, 1957).

which shall have to be grouped in due course according to broad classification of the commodities and products and other relevant considerations.

7 The experience so far gained in the State Undertakings-already constituted, confirms the views of the Committee that the Administrative services do not constitute a satisfactory source of recruitment of staff for the management of commercial enterprises of Government.

It is not known on what evidence a conclusion of this sweeping nature is reached. The Administrative services are no more and no less a satisfactory source of recruitment than the commercial and industrial concerns or the private sector. It is the policy of the Govt. to select the best that is available from wherever that best is available. The source, thus, is irrelevant.

The Committee would like to clarify that the intention of the Committee was not to question the calibre of the administrative services generally but to criticise the appointment of officers to positions for which their previous training and experience did not render them particularly fit. The Committee would stress that appointments for managerial posts in the public undertakings should normally be made from persons experienced or specially trained in business, commerce, industry and trade.

(Ministry of Finance, Department of Economic Affairs O.M. No. F. 20 (79)-P/55, dated the 13th March, 1957).



Young Officers recruited through Special Recruitment Boards, should be given full training both in the country and overseas. Government should also consider the possibility of recruiting people already trained or under such training abroad and, wherever necessary, see that their training is adapted to this purpose.

*(Further information required by the Committee) :—*

What action has been taken for recruiting people already trained or under training abroad and for adapting their training suitably wherever necessary ?

*(L. S.S.O.M. No. 142-EC/1/56, dated the 15th November, 1957).*

This is already the policy of Government.

*(Ministry of Finance, Department of Economic Affairs O.M. No. F. 20 (79)-P/55, dated the 13th March, 1957).*

The setting up of Special Recruitment Boards, etc. is under the consideration of Government. The procedure regarding training of people already trained or under training abroad will be settled after the recruitment.

The Committee do not see any reasons why the procedure regarding training of people already trained or under training abroad should not be settled and announced even earlier.

*(Ministry of Finance, Department of Economic Affairs O.M. No. 20 (79)-P/55, dated the 26th February, 1958).*

13 Urgent action is necessary for increasing the capacity for the manufacture of machines and spare parts in our country. There is need for the setting up of a Committee to survey the capacity of the country in this regard. The private sector should also be given encouragement for this purpose by the organisation of exhibitions of the machinery required, etc. Government should appoint a Committee, similar to the Railway Equipment Enquiry Committee, for this purpose.

This is already the accepted policy of the Government. The Engineering Capacity Survey Committee set up by the late Ministry of Commerce and Industry made a survey of this kind for the engineering industry as a whole. More specialised studies will be undertaken as and when necessary. An Expert Committee was set up sometime back under the Chairmanship of Dr. M.S. Thacker to go into the whole question of development of the Machine Tools Industry. The Committee submitted its report in September, 1956 and Government have accepted the main recommendations of the Committee. The National Industrial Development Corporation is giving a high priority to the development of heavy machinery manufacture including heavy

machine tools and final decisions on the subject will be taken after the report of the Heavy Engineering Mission from the United Kingdom has been received. A Council has also been set up for the Machine Tools Industry. Similarly studies are in progress in the Ministry of Heavy Industries regarding printing machinery, earth moving machinery, tractors and so on. The Production Ministry are taking steps to undertake the manufacture of heavy diesel engines for propelling the machinery for ships and they are also investigating the possibility of manufacturing Coal mining machinery. A team of Russian experts has examined the latter question and submitted a Report. Its recommendations are under consideration.

*(Ministry of Finance, Department of Economic Affairs  
O.M. No. F. 20(79)-P/55  
dated the 13th March, 1957).*

*(Further information required by the Committee)*

Specific views of the Government on the appointment of a Committee similar to the Railway Equipment Committee may be given.

*(L.S.O.M. No. 142-EC/1/56, dated 15th November, 1957.)*

The requirements of the industrial machinery are varied in character and even though one committee to cover the entire field was not set up, the problem of improving the indigenous manufacture of machinery has been constantly kept in view. Various Development Councils and Panels to review the progress of production for various industries have been set up by the Ministry of Commerce & Industry. During the year 1957, 12 Development Councils dealing with the following subjects continued to function:

1. Heavy Electrical Industry.
2. Light Electrical Industry.
3. Internal Combustion Engines and Power Driven pumps.
4. Bicycles.

The Committee feel that the steps taken by the Government do not meet the immediate objective of the Committee, namely, making a survey of the existing capacity in the country with a view to developing as many industries as possible for the manufacture of machines and spare parts required by the various undertakings. In this matter the Development Councils could help only in respect of utilisation and development of such capacity after it has been revealed to exist as a result of a co-ordinated survey. The Committee reiterate therefore the recommendation for appointment of an Equipment Committee for the purpose.

5. Heavy Chemicals (Acids & Fertilisers).
6. Heavy Chemicals (Alkalis).
7. Pharmaceuticals & Drugs.
8. Woollen Textiles.
9. Art Silk Textiles.
10. Sugar.
11. Non-ferrous metals and alloys ; and
12. Machine-Tools.

Thus practically all the industries are covered and whenever there is any need for reviewing any further industry a Committee/Council will be set up.

*(Ministry of Finance Department of Economic Affairs O.M. No. F. 20 (79)-P/55, dated the 26th February, 1958).*

A Section should be set up preferably in the Cabinet Secretariat which should scrutinise the agreements with foreign firms and maintain

up-to-date detailed information and comparative data on their working. Information should be pooled, indexed and carefully studied in all its aspects by the Section, which should be able to give expert advice to Ministries when called upon to do so, and all future agreements may be vetted by this Secretariat. The principles which should govern such agreements should also be evolved in this Secretariat.

*(Further information required by the Committee.)*

How is the principle of coordination being implemented in actual practice and what is the machinery that has been set up for doing so?

*(L.S.S. O.M. No. 142-EC/56, dated 15th November, 1957).*

tion is not considered necessary.

*(Ministry of Finance, Department of Economic Affairs, O.M. No. 20(79)-P/55, dated the 13th March, 1957).*

All the important proposals regarding negotiations for or the execution of agreements with foreign firms are being dealt with by a Committee of Economic Secretaries to Government.

*(Ministry of Finance, Department of Economic Affairs, O.M. No. 20 (79)-P/55, dated 26th February, 1958).*

The Committee note from the further reply received from the Ministry that all important proposals regarding negotiations for or the execution of agreements with foreign firms are being dealt with by a Committee of Economic Secretaries to Government. Particulars regarding the composition of the Committee, the period for which it has

been working, the number of meetings held by the Committee so far, the number and nature of agreements discussed so far, as well as the details of the Secretarial assistance given to the Committee were called for and the reply is reproduced in Appendix III. The Committee consider that the work of scrutiny of agreements with foreign firms being of a specialized nature would require the setting up of a special Section or Cell which could provide efficient secretarial assistance to such a Committee to continuously examine the agreements.

23

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- 24
- (iii) Advertisements of vacancies in skilled categories and above should be made in the leading newspapers of the country in all the recognised languages and recruitment made on all India basis.
- (iv) Officers and staff should be representative of every part of
- It is already the accepted policy of Government to give preference to the Scheduled Castes and the Scheduled Tribes in the matter of recruitments to the State undertakings. Whether this concession should be extended to the other Backward Classes should await the decision of the Government

the country. Advertisements for posts should be made in all leading language newspapers in the country. Recruitment should be made by Special Recruitment Boards the composition of which should be laid down by Government. Independent non-officials must be associated with such Boards. In the matter of recruitment, preference should be given to the Scheduled Castes and Tribes and other backward classes.

on the general question already under consideration.

(*Ministry of Finance, Department of Economic Affairs O.M No F. 20 (79)-P/55, dated 13th March, 1957.*)

(*Further information required by the Committee*)

What specific action has been taken regarding appointment of Special Recruitment Boards ? What is the position regarding consideration of recommendation in para 75 of the 39th Report of the Estimates Committee for appointment of a separate Public Service Com-

This matter is still under consideration. As already stated in reply to the enquiry regarding recommendation No. 9, the setting up of Special Recruitment Boards is under the consideration of Government. As regards preference to backward classes etc., the Dy. Registrar General is holding an *ad hoc* survey for the purpose of determining suitable

Further action taken in the matter is awaited.



mission for recruitment of all the officers in industries in the Public Sector, and when is a decision on that recommendation likely to be reached ?

criteria for defining backwardness and the results are still awaited.

*(L.S.S.O.M. No. 142-EC-I/56, dated 15th November, 1957)*

Posts in industrial undertakings which are run departmentally are civil posts in connection with the affairs of the Union and consequently recruitment to such posts should be made through the Union Public Service Commission. Under Art. 315 (1) of the Constitution there can be only one Public Service Commission for the Union and, therefore, another Public Service Commission cannot be constituted to conduct recruitments to such posts. The strength of the Union Public Service Commission has, therefore, been increased and its staff reinforced in order to enable it to cope with the increased work arising out of recruitment to such posts.

In respect of industries in the public sector which are registered as companies or corporations, the question of setting up Special Recruitment Boards for making centralised recruitment as recommended by the Estimates Committee in its 39th Report is under active consideration. (Ministry of Finance, Department of Economic Affairs O.M. No. F. 20(79)-P/55, dated 26th February, 1958).

(v) Every year Government should make public a list of vacancies that may arise during the next two or three years in specialised branches. A list of names of Indian students undergoing specialised training in the various subjects should also be maintained by the Government. They should receive guidance with regard to their advanced studies and practical training.

It is not practicable to publish a list of future vacancies. It is, however, agreed that a list of names of Indian students undergoing specialised training abroad should as far as practicable, be maintained by Government.

(Ministry of Finance, Department of Economic Affairs O.M. No. F. 20(79)-P/55, dated 13th March, 1957).

*(Further information required by the Committee).*

The Ministry may please state  
(1) the difficulties in publishing a list of future vacancies; (2) the steps taken for giving guidance to students with regard to their advanced studies and practical training; and (3) whether a list of names of Indian students undergoing specialised training abroad is being maintained by Government.

*(L.S.S. O.M. No. 142-EC/56, dated 15th November, 1957)*

(i) The vacancies in the State according to the nature of work and the stage of progress of the undertaking in question and also according to the varied needs of the technical requirements. As such it is not practicable to publish a list of future vacancies in advance.

(ii) As regards guidance to students, it may be stated that scholars under most of our schemes are already employed and are sponsored for study/training abroad by their employers according to their requirements. They get advice from their employers in regard to their advanced studies and training abroad.

(iii) Information regarding Indian students undergoing specialised training abroad is already being maintained as far as practicable by the Ministry of Education & Scientific Research. The Ministry collects annually lists of Indian students studying/receiving

The Committee feel that it should be possible to publish a consolidated list of vacancies that are likely to arise during the next two or three years, based on the best forecast that could be made in the circumstances. Such a list though not infallible, would serve the purpose of a pointer to aspiring students to select their courses.

practical training in foreign countries as on the 1st January of every year through our Missions abroad. The Indian Embassy in the U.S.A. (which maintains information for Canada also) and the Indian High Commission in U. K. publish the available information in their Directories. Further, the National Register Unit of the Council of Scientific and Industrial Research have taken up the compilation of a Register of Indian students studying/receiving training abroad. On the receipt of detailed information, the register is proposed to be published and circulated to prospective employing agencies so that on their return, the students/trainees may suitably be employed. At present the National Register Unit confines its activities to a few categories only, e.g. Engineers, Scientists, etc., but at a later stage they propose to enlarge

the scope of their activities to include other professions also. The Manpower Directorate is also compiling a list of Indian students abroad as also of Indian engineers employed abroad.

*(Ministry of Finance, Department of Economic Affairs O.M. No. F. 20(79)-P/55, dated the 26th February, 1958).*

(vi) Postings of officers in the administrative and managerial side of the Undertakings should be done on a tenure basis for a period of four or five years so that officers do not, by continuous stay in any one-particular Undertaking, become inefficient and lose initiative. Transfers should be made from one factory to another, so that the experience gained by Officers is available to other Industrial Undertakings. This policy should not normally affect the technical staff, including those employed on specialised work, who have been trained for a particular industry only.

This suggestion is in fact a reversal of an earlier suggestion made by the Estimates Committee. While tenure system has its advantages there are spheres in which specialised experience may necessitate cutting across tenure system.

*(Ministry of Finance, Department of Economic Affairs O.M. No. F. 20(79)-P/55, dated the 13th March, 1957).*

*(Further information required by the Committee)*

What is the earlier suggestion of the Estimates Committee which is said to have been reversed by this recommendation? What steps have been or are proposed to be taken with regard to postings of officers in the administrative or managerial side of the undertakings on a tenure basis?

*(L.S.S. O. M. No. 142-EC/56 dated 15th November, 1957)*

Government had in mind the recommendation of the Committee in para 29 of their Ninth Report in which they had suggested that officers trained for a particular line of work should not be shifted from place to place indiscriminately and that top posts must always be in the hands of officers experienced in the particular branch or activity of Government. The suggestion that officers must hold a post in the industrial undertakings on a tenure basis would militate against the continuity in experience.

In a subsequent recommendation [Recommendation No. 16 (vii)] the Committee have suggested that officers appointed to the higher posts should before appointment be given a thorough training including a training in the foreign country. The imparting of such specialised training to

The Committee had in their Ninth Report expressed themselves against indiscriminate transfer of officers who were trained in a particular sphere of Government activity and not against all transfers as such. For facility of reference, the relevant passage from para 29 of the Ninth Report is reproduced below:

“The Committee suggest that cadres in different spheres of Government activity similar to the Finance and Commerce Pool Cadre, with such modifications as the present conditions might indicate, should be constituted and these cadres will form the source of manning important and technical posts in the various Departments. The Committee further suggest that Officers who are trained in a particular line of administration or who are trained in a

men recruited either from private sector or from the Civil Service will not be compatible with appointments made on a tenure basis for a fixed period. It is not correct to assume that all posts in the administrative and managerial sides of the Government industries are interchangeable. Judicious transfers constitute one way of enriching the experience of individual officers, but there would seem to be no particular advantage in the posting of officers on the administrative or managerial side of the State undertakings on a tenure basis.

[Ministry of Finance. Department of Economic Affairs O. M. No. F. 20(79)-P/55, dated the 26th February, 1958]

certain sphere of Government activity should not be shifted from place to place indiscriminately. Thus an Officer of the Foreign Service should always be in Foreign Service though in exceptional cases the administration may find him suitable for other services too. Similarly officers who have specialised in Defence or Education or Health or Agriculture or Commerce and Industry should not be transferred out of their lines to other services or jobs. This has its own advantages inasmuch as these Officers will bring to bear their accumulated experience on the various matters which come up for a decision. Occasionally, a promising bright Officer might be brought on transfer at intermediate levels but top posts must always be in the hands of Officers experienced in a particular branch or activity of Government."

In the circumstances, the Committee are at a loss to understand how the above is in conflict with this recommendation which

suggests that officers in the administrative and managerial undertakings (and not the technical staff and those employed on specialised work) should be transferred from one undertaking to another after a period of tenure, so that the experience gained by officers in one undertaking will be available to the others. Nor could the recommendation No. 16 (vii) be held to cut across the principle of the recommendation in No. 16 (vi), since it is not intended that officers who are recruited from civil service or private sector and trained specially for management of commercial or industrial undertakings would after a tenure in an undertaking revert to the civil service or their prior vocation. The intention is that they would be employed in management activities in Public undertakings but would be enabled to enrich their experience and



consequently their usefulness to the management side of the Public undertakings.

20

Government should reconsider their present policy of not allowing people other than employees of the factory to live in the towns built for the factory.

28

As a general proposition the recommendation is acceptable subject to overall control over the township being retained by the management of the undertaking concerned. It may be of advantage in each township to demarcate a separate area for development by private enterprise under strictly controlled conditions, but the implications and the circumstances of each case will have to be studied before such permission can be given.

[Ministry of Finance, Department of Economic Affairs O. M. No. F. 20(79)-P/55, dated 13th March, 1957]

(Further information required by the Committee.)

The specific action taken on the recommendation may be intimated.

(L.S.S. O. M. No. 142-ECI/56 dated 15th November, 1957)

Subject to the condition that the Government control the development of the township there is no objection in principle to people other than those employed directly by the steel plants being housed in the township. Provision has

The Committee desire that the master plan of a township should also provide for development of neighbouring areas for accommodation of persons other than the employees and that encouragement should be given for the healthy growth of

been made in the lay-out for ships, cinemas, transport services and the like as also for the housing of the people employed in the ancillary trades and services.

such townships according of certain conditions and subject to the overall supervision and control by the authorities.

[*Ministry of Finance, Department of Economic Affairs O.M. No. F. 20(79)-P/55, dated 26th February, 1958.*]

23 Each State undertaking should publish a detailed Annual Report giving a record of its activity during the past year, the progress made during the year under review, comparative statistics of previous years relating to expenditure, production etc., balance sheet and profit and loss accounts, administrative changes and matters relating to the staff and their amenities, outstanding events and any other matters

The Government are in general agreement with this recommendation. The Report of the undertakings should give as much information as is possible depending on the nature of the undertakings; in particular the undertakings of the Ministry of Defence should give information consistently

The Committee recommend that the annual Reports to be submitted should be in greater detail than at present as recommended in this paragraph. Further, this should be submitted in respect of each financial year and be in addition to the Annual Report of the Board of Directors.

of importance that happened during the year and, finally, an indication of the work during the following year. The report should also furnish such information as is usually provided in the form and contents of balance sheets and profit and loss accounts of Joint Stock Companies including a report on the state of affairs of the business etc. These reports should be presented to Parliament every year, before the budget of the Ministry concerned is taken up for consideration.

with the security of the country and the safeguarding of secrets of a vital nature.

[*Ministry of Finance, Department of Economic Affairs, O.M. No. F. 20(79)-P/55, dated 13th March, 1957.*]

NEW DELHI;  
The 22nd April, 1958.

BALVANTRAY G. MEHTA,  
*Chairman, Estimates Committee.*

## APPENDIX I

(Vide para 3, Chapter I)

### *Recommendations of the Estimates Committee (First Lok Sabha) regarding appointment of members of the Boards of Directors of State Undertakings*

The present practice of appointing Officers from services either on the Board of Directors or as Managing Directors should be done away with and in any case the Secretary or Joint Secretary of Ministries who are concerned with advising the Minister or Government on matters of policy and otherwise to keep effective control on the various activities of the Ministry should not be associated with the day-to-day execution of their policies either in connection with State undertakings or otherwise.

[Recommendation No. 15(iii), para 23, Ninth Report on Administrative, Financial and other reforms].

The Committee are of the view that Secretariat functions of laying down policies and the executive functions of implementing them should be clearly demarcated and that as far as possible Secretariat officials should not be associated with the actual execution of policies laid down by them so as to enable them to retain an objective outlook. They do not, therefore, consider the arrangement under which the Secretary to the Government of India is the Chairman of the Board of Directors of a company set up by the Government to carry out a project on business principles, to be very satisfactory.

(Recommendation No. 16, para 47, Thirty-ninth Report on Bharat Electronics).

The Committee doubt very much whether the Secretary of a very important Ministry like Defence has sufficient time at his disposal to attend to the affairs of two important companies in the Public Sector.

(Para 48, Thirty-ninth Report on Bharat Electronics).

The Committee would suggest the gradual replacement to the extent possible, of officials on the Board of Directors by non-officials such as industrialists, scientists, a Chartered Accountant, the Director of the Indian Institute of Science and/or of the Pilani Institute etc. so as to enable a fresh businesslike and scientific outlook to be brought to bear on the affairs of the B.E.L.

(Recommendation No. 19, para 51, Thirty-ninth Report on Bharat Electronics).

The Committee feel that even if the production in the B.E.L. were to be confined to the requirements of Government Departments only the Board of Directors should not have an overwhelming majority of officials as the presence of a large number of officials invariably tends to bring to the organisation and its functioning, an official approach of a type which is generally

found in most Government Departments and to that extent defeats the very object of setting up a private limited company to work on business principles.

\* \* \* \* \*

(Recommendation No. 20, para 52, Thirty-ninth Report on Bharat Electronics).

The Committee feel that the presence of the Secretary, Communications Ministry on the Boards of the I.A.C. and the A.I.I. could only tend to a blurring of his responsibilities, which should be avoided. The presence of the Secretary to Government on the Board of a Corporation or a public utility undertaking, particularly one which runs at a loss, would result in his becoming a party to its state of affairs and management and consequently he will find it difficult to retain an objective outlook on major issues, such as the regulation and management of economic policies which a Secretary to Government should possess.

(Recommendation No. 2, para 13, Forty-first Report on Air Corporations).

It would be advantageous if a non-official with experience in administration as well as in the air transport business could be made the Chairman of the Corporation, as in the Air India International Corporation.

It should be the endeavour of the Government to find for the Boards of the Corporations persons with special knowledge of Air Transport Industry and with business acumen.

(Recommendations Nos. 1 and 2, Forty-third Report on the Indian Airlines Corporation).

## APPENDIX II

(Vide S. No. 6, Chapter II)

### *Industrial Management Pool Scheme*

The Industrial Management Pool shall be constituted in the manner provided hereinafter to serve the needs of the Ministries having industrial undertakings functioning under them. For the present the Ministries of Steel, Mines and Fuel, Transport & Communications and Commerce & Industry will participate in the Pool. It will be open hereafter to any other Ministry concerned with the running of Industrial undertakings to join the Scheme with the concurrence of the Controlling Authority of the Pool.

2. *Controlling Authority.*—The Ministry of Home Affairs will be the Controlling Authority of the Pool. The Home Ministry will be advised by a Board which will be constituted as follows :

1. Cabinet Secretary. Chairman (*Ex-officio*).
- 2, 3, 4, 5 and 6. Representatives of the participating Ministries.—Members.

The Establishment Officer to the Government of India will be *ex-officio* Secretary of the Board.

3. The Pool would be drawn upon for manning the senior (*i.e.* the top and middle level) managerial posts in the public enterprises whether run directly by Government or by Corporations or Companies in which Government have a controlling interest. The range will include posts of a non-technical nature relating *e.g.* to general management, finance and accounts, sales, purchases, stores, transportation, personnel management and welfare and town administration.

4. *No post would be reserved for members of the Pool.*—Officers of the Pool will, however, be available for posting to non-technical posts in the Public enterprises under the participating Ministries. Senior posts in the Industrial undertakings will also be available on promotion to officers belonging to the undertaking concerned. The strength of the Pool will, therefore, be fixed at a level below the total requirements for senior managerial posts in the undertakings.

5. *Grades and Pay Scales.*—The Pool will be organised in seven grades on the scales of pay as shown below :

Grade I	Rs.	2,750	(fixed)
Grade II	Rs.	2,500	(fixed)
Grade III	Rs.	2,000—125—2,250	
Grade IV	Rs.	1,600—100—2,000	
Grade V	Rs.	1,300—60—1,600	
Grade VI	Rs.	1,000—50—1,400	
Grade VII	Rs.	600—40—1,000	

All grades of the service will be Central Services Class I.

In addition, junior officers recruited in accordance with Note 1 under para 7 of the Scheme may be appointed at suitable stages in the scale of Rs. 350—25—500—30—620. Earning an increment even within a grade in the time scale will not be regarded as automatic. There will be, on the other hand, a positive decision that an officer is fit to draw an increment due. This decision will be taken by the Board of Directors of the Companies or Corporations under whom the officer is employed but will be subject to confirmation by the Controlling Authority on the advice of the Central Advisory Board. There will be no order of seniority at all within a grade. All officers of a grade will thus be eligible for promotion on merit alone by selection to the next higher grade.

6. *Authorised Strength.*—The authorised permanent strength of the pool at the initial constitution shall be 200. This number will be distributed among the different grades by the Controlling Authority in consultation with the Ministry of Finance in the light of the estimated requirements of each grade and on the recommendations of the Selection Committee on the basis of the quality of persons available for each grade. The strength may be reviewed as often as is found necessary, but in any case, once in two years.

7. *Recruitment.*—The Pool will be constituted initially by recruitment to any of the grades referred to in paragraph 5 by selection from among persons who :

- (a) hold a Degree of a recognised Indian University or equivalent thereto ;
- (b) are between the ages of 27 and 45 years ;
- (c) preferably possess industrial or managerial experience for a period of five years.

NOTE 1. Candidates below the age of 27 may, in exceptional circumstances, also be recruited. Such candidates should on appointment draw pay in the scale of Rs. 350—25—500—30—620.

NOTE 2. Persons above the age of 45 may, if specially suitable, be employed on long-term contract instead of being appointed to the Pool.

The field of recruitment will include the following :

1. Officers of the All India and Central Class I Services (including Railway and Defence services).
2. State Government employees of similar status and experience.
3. Experienced officers from existing public undertakings.
4. Candidates from the open market.

8. *Methods of Recruitment.*—Selections for the Pool will be made on the recommendations of a Special Recruitment Board which would be constituted as follows :

1. Chairman or a Member of the U.P.S.C. Chairman.

2. A non-official.

3 & 4. Managing Directors & General Managers of State Undertakings.

5 & 6. Representatives of participating Ministries other than those who are represented by Managing Directors and General Managers against 3 and 4.-Members.

The recommendations of the Board will be placed before the U.P.S.C. and appointments will be made in consultation with the Commission.

The recruitment need not necessarily be restricted to candidates who apply for absorption in the Pool in response to advertisements. The Recruitment Board may consider persons who may not have applied but whose names are suggested to the Board by the Ministries.

The annual intake will be fixed at 5 per cent of the authorised strength and will be reviewed after 2 years of the initial constitution of the Pool. Recruitment against the annual intake as well as against the deficiencies which may exist in the cadre either on account of the increase in the authorised strength or otherwise will be manned in the manner indicated above by the Special Recruitment Board.

9. *Training and probation.*—Persons selected for appointment to the Pool will be on probation for a period of two years. If they belong to All India Services, they may thereafter be permanently seconded to the Pool. If they belong to the Central or Provincial Services, they may be either permanently seconded or permanently absorbed in the Pool. The Controlling Authority will have the power to extend or reduce the period of probation in each case. The Controlling Authority will, where it considers it necessary arrange for the training of the officers in Government Departments and in industrial and commercial undertakings either in the public or the private-sector.

10. *Postings.*—The Controlling Authority will arrange for the posting of officers after their training in participating undertakings where their services can be best utilised. While so posted, the officers will be paid by and be under the immediate control of the undertaking in which they are working. All participating undertakings will report all existing or prospective vacancies which may be suitably held by members of the Service to the Controlling Authority, but it will not be obligatory on them to accept a member of the Service for a particular vacancy ; nor will the Controlling Authority be bound to supply a Pool officer for every such vacancy.

Every officer of the Pool will be entitled, wherever he may be employed, to receive not less than his substantive grade pay in the Pool. It will, however, be ensured that except in exceptional circumstances with the concurrence of the Controlling Authority and the financial advisers of the enterprise, no officer is employed in a post normally to be filled by an officer of a lower grade. If, in the wage structure of the enterprise which he is for the time being serving, the pay of the post which he holds is higher than his grade pay, it will be for the Controlling Authority to decide whether he should be allowed to draw any or all of the difference.

11. *Deputation.*—An officer of the Pool may be posted either for the purpose of acquiring wider experience or for other reasons to a post normally



tenable by a member of the Central Administrative Pool. Similarly, officers of the Central Administrative Pool and officers of the feeder services of that Pool may be sent on deputation to posts normally tenable by the members of the Pool.

12. *Leave, Pension and other conditions of service.* —These will be as applicable from time to time to officers of Central Services, Class I. Persons who are recruited from the open market after the age of 45 years may be appointed on contract, in which case their terms and conditions of service will be modified to the extent mentioned in such contract.

(Ministry of Home Affairs, Office of the Establishment Officer  
Resolution No. F. 21(12)-EC/56 dated the 12th November,  
1957.)

### APPENDIX III

(Vide S. No. 15, Chapter IV)

#### *Composition and functions of the Committee of Economic Secretaries to Government.*

(i) The present composition of the Economic Secretaries Committee is as follows :—

Shri M. K. Vellodi, Cabinet Secretary.

Shri H. M. Patel, Principal Secretary, Ministry of Finance. (On leave from 17-2-1958).

Shri S. S. Khera, Secretary, Ministry of Steel, Mines & Fuel.

Shri P. N. Thapar, Secretary, Ministry of Food & Agriculture.

Shri O. Pulla Reddi, Secretary, Ministry of Defence.

Shri S. Ranganathan, Secretary, Ministry of Commerce & Industry.

Shri B. B. Ghosh, Secretary, Ministry of Food & Agriculture.

Shri B. K. Nehru, Secretary, Ministry of Finance. (Department of E.A.)

Shri P. M. Menon, Secretary, Ministry of Labour & Employment.

Shri N. N. Wanchoo, Secretary, Ministry of Finance (Department of Expenditure).

Shri J. Dayal, Financial Commissioner, Railways.

(ii) It is one of the functions of the Committee to scrutinise draft agreements with foreign parties.

(iii) The Committee was constituted in 1949 to assist the Economic Committee of the Cabinet. However, this specific task of scrutinising the agreements was assigned to the Committee in December, 1955.

(iv) & (v) Though the Committee was assigned the function of scrutinising the agreements, yet negotiating Committees consisting of such Members of the Economic Secretaries Committee who represented the concerned Ministries and some other Members were set up, from time to time. The Negotiating Committees scrutinised the specific agreements.

Particulars of these Committees are given below :—

Name of the Committee	Functions	No. of meetings
1. Negotiating Committee on Oil.	To finalise the draft agreement with AOC about formation of a Rupee Oil Company.	25

Name of the Committee	Functions	No. of meetings
2. Negotiating Committee on Russian Aid.	To finalise agreement with the USSR Govt. for utilisation of the long term credit of 500 m roubles offered by Russian Government.	13
3. Negotiating Committee on Forge/Foundry Project	To finalise agreement with Czechoslovakian team for establishment of a Forge/Foundry Project.	9
4. Negotiating Committee on supply of Iron Ore to Japan.	Finalising the terms for supply of iron ore to Japan.	13

(vi) Secretarial assistance *viz.*, fixing up dates of the meetings, issue of minutes, circulation of papers etc. is given to the Committee by the Cabinet Secretariat.

[Ministry of Finance Department of Economic Affairs. (O.M. No. 20(79) P/55, dated the 9th April, 1958].

## APPENDIX IV

(Vide Introduction)

*Analysis of the Action taken by Government on the Recommendations contained in the Sixteenth report of the Estimates Committee (First Lok Sabha).*

1. Total number of recommendations made	23
2. Recommendations accepted fully by the Government	
No.	6
Percentage to total	26·1%
3. Recommendations accepted by the Government partly or with some modifications	
No.	7
Percentage to total	30·4%
4. Recommendations not accepted by the Government but replies in respect of which have been accepted by the Committee.	
No.	..
Percentage to total	..
5. Recommendations not accepted by Government and pursued by Committee (including those which are still under consideration by Government).	
No.	10
Percentage to total.	43·5%