

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1978-79)**

(SIXTH LOK SABHA)

TWENTIETH REPORT

On

**STRUCTURE OF BOARDS OF MANAGEMENT
OF PUBLIC UNDERTAKINGS AND OTHER
ALLIED MATTERS**

*Presented in Lok Sabha and laid
in Rajya Sabha on 23 MARCH*



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AND OTHER ALLIED MATTERS".

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16	2.7	20	Add the words "understand things in depth for succe- ssful working of the public" after the words "examine and"	
16.	2.7	20-21	Delete the sentence "There are instances where a particular of the public undertakings"	
16	2.7	3 from bottom	Add the word "seeing after the word "after"	
19	3.4	Item 17 line 21	Add the word "Chairman after "part time"	
19	3.6	4	for	far
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49	9.7	15	to	is
49	9.7	17	attendan- ce	attended
50	10.2	3	Porcelairs	Porcelains
51	S.No.1 Col.3	15	Delete the words "Study Team of the"	
51	S.No.1 Col.3	17	For "Study Team" substi- tute "Commission"	
52	S.No.2, Col.3	8	Add the words "on the Board could be three years" after the word "Parliament"	
52	-do-	8	Delete the words "are represented. The reason be-"	
53	S.No.3, Col.3	10	for	far
54	S.No.3 Col.3	6	man	men
54	S.No.5, Col.3	7	on	of
58	S.No.11 Col.3	12	Delete the words "A Study Team of"	
59	S.No.12, Col.3	7-8	Delete the words "Study team of the"	
61	S.No.13 Col.3	13	success	succeed
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COMMITTEE ON PUBLIC UNDERTAKINGS
(1978—79)

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Shri Jyotirmoy Bosu
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3. **Shri Maganti Ankineedu**
4. **Shrimati Chandravati**
5. **Shri Tridib Chaudhuri**
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7. **Shri Anant Ram Jaiswal**
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22. **Shri Sultan Singh***

SECRETARIAT

1. **Shri H. G. Paranjpe** — *Joint Secretary*
2. **Shri T. R. Krishnamachari** — *Chief Financial Committee Officer*
3. **Shri T. N. Khanna** — *Senior Financial Committee Officer*

*Elected w.e.f. 26-12-1978 vide Shri Deorao Patil died.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings, having been authorised by the Committee to present the Report on their behalf, present this Twentieth Report on "Structure of Boards of Management of Public Undertakings and other Allied Matters."

In this Report, the structure, the size and the composition of the Boards of Management of Public Enterprises has been reviewed. The review has revealed that the structure of the Board as is obtaining today is not at all what it ought to be. The continuity and stability of top appointment leave much to be desired. There is scope of arbitrariness in fixing the strength of the Boards from time to time. There is tendency to load the Boards with officials without any rhyme or reason, which does not go well with the concept of autonomy and the nature of the activities of the Public Enterprises. A number of Boards have been virtually converted into mere interdepartmental committees of Government. As regards non-official Directors Govt. seems to have chosen to select people who are champions of private sector. While it is a certainty that the non-official businessmen derive immense benefit through their association with the Boards of Directors of public sector enterprises, it is apprehended that their presence affects the proper functioning of the enterprises. Hence no person from private sector should be selected for Directorship. It is also undesirable to nominate to the Boards of Public Enterprises superannuated aged persons and persons who are not acquainted with the requirements of an industry or trade or economic operation relevant to the activities of a particular public sector undertaking. The performance of the Directors and the Boards is unsatisfactory as is evident from their poor attendance at the Board meetings.

A time has now come when elected representatives of the people should have greater involvement and the Members of Parliament could be appointed as Chairman/Directors of the Boards of Public Enterprises which should be to the extent to about a third of the strength of the Boards. Number of official Directors should be cut down to the minimum. The Boards should be broad-based and should be composed of various interests (barring men from private sector) and experience both in Government and Legislatures and of men of public standing, academicians, journalists, economists, sociologists, professionals etc. besides workers' representatives. Further there is no need to have Finance Ministry's representatives on the Boards of Public Enterprises. No officer of the Administrative Ministry should be included in the Board of Management nor he be made a Chairman thereof.

There ought to be rigid restrictions on the number of Directorships of officials and others which should not be more than two if their participation in the management of the Enterprise is not to be reduced to a mere formality. There are cases where a particular official has been made Director of 10 to 12 public undertakings. Such an official, besides his routine job, due to paucity of time and human limitations, even if willing, is unable to apply his mind and/or to act to the best of his ability.

There is no doubt that unless the Board of an enterprise is a homogenous and dedicated team answerable to people periodically it cannot succeed, which is evident from the fact that the performance of the public undertakings had hardly been good and had lately recorded sharp deterioration.

The Committee considered and adopted this Report at their sitting held on 13th March, 1979.

NEW DELHI;
March 17, 1979

Phalguna 26, 1900 (S)

JYOTIRMOY BOSU,
Chairman,
Committee on Public Undertakings

INTRODUCTORY

1.1. The Committee on Public Undertakings called for information from all Public Undertakings regarding appointments and emoluments of their Chief Executives and Directors during the years 1974-75 to 1977-78 as follows:—

- (1) Names and addresses of Chairman/Managing Directors/Directors indicating whether full-time or part-time with period during which they remained in office, the manner in which they were selected, terms and conditions of their appointment, their monthly salary/commission/emoluments/remuneration and other amounts if any, drawn.
- (2) The names and addresses of the Board of Directors who were/are connected with private sector undertakings as Chairman/Managing Directors/Executives drawing more than Rs. 1500/- per month and also the names and addresses of such private sector undertakings.

1.2. This Report deals with the structure of the Boards of Management and other allied matters on the basis of information received from 179 enterprises. The following three Enterprises have not furnished the information for the year 1977-78:—

1. National Textile Corporation Ltd. (Head Office, Delhi).
2. National Textile Corporation (Andhra Pradesh, Karnataka, Kerala and Mahe) Ltd.
4. National Textile Corporation (West Bengal, Bihar, Assam and Orissa) Ltd.

1.3. The Administrative Reforms Commission in their Report on Public Sector Undertakings (1967) observed as follows:—

“In every public undertaking, the responsibility for overall management has been vested in a governing board. In general, there has been a marked preference for a board in which most of the members are part-time. In a few cases, like the Indian Oil Corporation, the State Trading Corporation of India and the Oil and National Gas Commission, a few full-time functional directors have also been appointed. Most of the directors of

Government companies and the members of the governing boards of the statutory corporations are Government officers. The boards exercise general supervision over the affairs of the undertakings, meet periodically and give directions and sanctions to the management.

The Commission has reported that the system of having boards of this type has not worked well. The part-time directors have seldom been able to devote sufficient time and attention to their work. It has not even been possible for them in many cases to attend the meetings of the boards. Part-time directors have not been able to give that sustained and systemic attention which the affairs of the undertakings require. It is also argued that in the present scheme of things where broad policies are laid down by the Government and the responsibility for carrying on the day-to-day administration is vested in the chief executive, there is only a small area left in which this type of board can function. Such a board has sometimes been criticised as being ineffective and even redundant.

The alternatives to a policy-making type of board are either a fully functional board like the Railway Board or a mixed type of board which includes both full-time functional and part-time members. An example of the latter type is that of the Indian Oil Corporation. We feel that fully functional board for public undertakings will neither be feasible nor desirable. There has to be an element of Government representation on the Board which will necessarily require the presence of part-time members. We would like to emphasise, however, that the official nominees on the board should represent the Government as a whole rather than any one Ministry and that their selection should be made in the light of qualifications that they possess rather than on their being attached to a particular Ministry. This will enable selections to be made from a wider field and avoid frequent changes arising out of transfer of the officer concerned from one Ministry to another. It should be ensured that Government's nominees are selected on the basis of their competence to deal with problems which are considered at the board level and that they are fully posted with Government's views.

It would be advantageous to bring into the board "outsiders" with a fresh outlook. This can be done by including two or three part-time members who have established outstanding reputation in the field of industrial, commercial or financial enterprise, in public administration or in trade union organisation. The presence of such part-time members who are not directly connected

with the operations of the undertakings will enable the board to view proposals with broader outlook. Persons selected for part-time membership of the board should naturally be imbued with faith in public enterprise and should not have such business or other interests as may affect their objectivity in discharging their duties on the board."

The Commission made the following recommendations:—

- (1) the boards of management of sector corporation should be of a mixed type. The board should consist of:—
- (a) a full-time Chairman-cum-Managing Director;
 - (b) full-time functional directors, their number depending on the needs of the case;
 - (c) not more than two part-time Government representatives; and
 - (d) two-or three part-time members from outside the Government.
- (2) The Government representatives should be selected on the basis of their qualifications and experience and not by virtue of the office which they hold in a particular Ministry.
- (3) Part-time members from outside the Government should be persons with proven ability in the fields of industrial, commercial or financial enterprise or in administration or in trade union organisation. These qualifications should be laid down in the Act, or in the case of Government companies in the Articles of Association. These members should have faith in public enterprise and should not have such business or other interests as may affect their objectivity in the discharge of their duties on the board."

1.4. A circular of the Bureau of Public Enterprises (BPE No. 2(158)/70-BPE(GM) dated 13th October, 1972 reads as follows:—

"The question as to how the structure of the Boards of Directors of Public Enterprises can be rationalised, consistent with efficient functioning of these enterprises has been under consideration of Government for some time. It has now been decided that the following principles should be followed by the administrative Ministries in this regard:—

- (1) For large multi-unit enterprises and large trading organisations the typical structure of a Board could be full-time Chairman-

cum-Managing Director assisted by at least two functional Directors, one of whom would be in charge of Finance, and part-time Directors.

* * * *

- (ii) A typical structure of a Board for the smaller enterprises could a Chairman-*cum*-Managing Director with one, and possibly even two senior officers of the undertakings itself as functional Directors together with some part-time Directors. One of the functional Directors could, if necessary, be designated as Executive Director or Director (Co-ordination) should the burden on the Chairman-*cum*-Managing Director be too heavy.
- (iii) In the cases referred to in (i) and (ii) above, there should be no bar to the appointment of a part-time Chairman, if in particular cases this course appears desirable. In such cases, a suitable whole-time Managing Director should invariably be appointed.
- (iv) The number of part-time non-official Directors on the Boards of multi-unit and multi-regional Public Enterprises may be about 1/3rd of the total strength, which may be of the order of 12 to 15. In relatively smaller enterprises, the Board strength should be between 8 and 12, including official and non-official part-time Directors, the number of the latter being about 1/3rd of the total.

* * * *

- (vi) Appointment of Government representatives on the Boards should ordinarily be restricted to the dealing Joint Secretary/Director, but in the case of some Ministries other officials within it might be chosen so as to constitute a Management Co-ordination Cell, as proposed to be done in the Ministry of Industrial Development and Internal Trade or to meet the conditions about the number of Directorships held by each officer.
- (vii) With regard to part-time Directors, as an interim measure, the services of those from the private sector, who have volunteered for full-time appointment in Public Enterprises and considered fit and empanelled to hold such top level posts in Public Enterprises be advantageously utilised. A comprehensive list of those considered suitable for appointment as part-time Directors will, in due course, be prepared and circulated, it being understood, however, that discretion would be available to appoint

those outside the list, where necessary. The final decision on the question of representation of workers on the Boards of Industrial Enterprises being pursued by the Department of Labour and Employment will also be relevant in this context.

- (viii) On the question whether Government representatives on the Boards of Public Enterprises should necessarily include a representative of the Finance Ministry while Finance Ministry representatives may be appointed to the major Public Enterprises, the relatively smaller enterprises may do without representatives of the Finance Ministry. In such cases, however, where there is no representative of the Finance Ministry on the Boards, the undertakings should ensure that the concerned Financial advisers (Heads of the respective Expenditure Divisions in the Finance Ministry) receive, sufficiently in advance of the Board meetings, the agenda papers, as also the minutes of meetings. This will enable the Finance Ministry to keep in touch with the activities of the enterprises.

* * * *

II—TOP APPOINTMENTS

2.1 On scrutiny of the information received from the various Public Undertakings, the Committee find that 23 undertakings out of 179 are headed by Full-time Chairman with separate full-time Managing Directors in a few cases; 62 undertakings have part-time Chairman with separate Managing Directors in 49 cases; 83 undertakings have Chairman-cum-Managing Directors (Combined) and 10 undertakings have no Chairmen but are only headed by Managing Directors.

2.2 The following tables show the names of the undertakings divided into the above-mentioned four categories:—

TABLE—I

Undertakings having full time Chairman with or without full time Managing Directors

S. No.	Name of Undertakings	Remarks
1	Air India	With full time Managing Director w.e.f. 20-7-1977
2	Coal India Ltd.	
3	Damodar Valley Corporation	With a separate full time General Manager
4	Food Corporation of India.	With a full time Managing Director
5	General Insurance Corporation	With 2 full time Managing Directors
6	Hindustan Aeronautics Ltd.	With 4 full time Managing Directors
7	Hindustan Cables Ltd.	With 2 full time Executive Directors (No Managing Director from 1-7-1976).
8	Hindustan Latex Ltd.	
9	Indian Motion Pictures Export Corporation Ltd.	
10	Indian Oil Blending Ltd.	
11	Indian Oil Corporation	With one full time Managing Director
12	Industrial Finance Corporation of India	Also works as Chief Executive
13	International Airports Authority of India.	
14	L. I. C. of India	With a separate Managing Director.
15	Minerals & Metals Trading Corporation of India.	With 2 full time Executive Directors.

1	2	3
16	Mysore Porcelains Ltd.	Do.
17	National Small Industries Corporation Ltd.	Do.
18	Oil & Natural Gas Commission.	With 3 full time Members.
19	Projects & Equipment Corporation of India	With 2 full time Directors
20	State Trading Corporation	With 4 full time Executive Directors
21	Steel Authority of India.	With 3 full time Directors
22	Hindustan Steel Ltd.	With 1 Managing Director (full time) for Durgapur Steel Plant and one General Manager (full time) for each Rourkela Steel Plant and Alloy Steel Plant.
23	Indian Airlines.	With a separate full time Managing Director

TABLE 2

Undertakings having part-time Chairman with or without separate Managing Director

Sl. No.	Name of Undertakings	Remarks.
1	Agricultural Refinance & Development Corporation.	With one full time Managing Director.
2	Air India Charters Ltd.	
3	Andaman & Nicobar Islands Forest & Plantation Dev. Corporation, Port Blair. Blair.	
4	Artificial Limbs Mfg. Co. Ltd.	With a separate full time Managing Director..
5	Bharat Dynamics Ltd.	With a full time Managing Director.
6	Bharat Leather Corporation Ltd.	Part time Chairman in 1977-78.
7	Bharat Pumps & Compressors Ltd.	With a separate Managing Director.
8	Bharat Refractories Ltd.	With a separate Managing Director..
9	Bioco Lawrie Ltd. Cal.	
10	Bolani Ores Ltd. Cal.	
11	Bongaigoan Refinery & Petro-Chemicals Ltd.	With a full time Managing Director.
12	Bridge & Roof Co. Ltd.	
13	Cashew Corporation of India.	With part time Managing Director.

S. No.	Name of Undertaking	Remarks
14	Central Cottage Industries Corporation of India Ltd.	With separate Managing Director. But both Part time Chairman and Managing Director are Honorary.
15	Central Electronics Ltd.	With a full time Managing Director (Managing Director of Electronics Corporation holds this post).
16	Central Mine Planning & Design Institute Ltd.	Part time Chairman upto 18-7-1977. (from 19-7-1977 onwards, Chairman-cum-Managing Director)
17	Central Warehousing Corporation	With a full time separate Managing Director.
18	Cochin Refineries Ltd.	With a full time separate Managing Director
19	Computer Maintenance Corporation Ltd.	With a full time separate Managing Director
20	Delhi Transport Corporation	From earlier years. From 22-7-1977, the Corporation has a Chairman-cum-General Manager.
21	Cotton Corporation of India Ltd.	With a full time Managing Director. The post of part time Chairman is however vacant.
22	Dredging Corporation of India Ltd.	With a full time separate Managing Director
23	Electronics Corporation of India Ltd.	With a full time separate Managing Director
24	Electronics Trade & Technology Development Corporation Ltd.	With a full time separate Managing Director.
25	Film Finance Corporation Ltd.	Honorary Chairman.
26	Garden Reach Shipbuilders & Engineers Ltd.	From 1-11-1977 along with a separate full time Managing Director. Upto 31-10-77 there was a combined Chairman-cum-Managing Director.
27	Handicrafts and Handlooms Exports Corporation of India.	With a separate full time Managing Director.
28	Hindustan Organic Chemicals Ltd.	With a separate full time Managing Director
29	H. M. T. (International) Ltd.	With a separate part time Managing Director
30	Hindustan Photo Films Mfg. Co. Ltd.	(w.e.f. 22-2-1978)—With a separate full time Managing Director.
31	Hindustan Prefab Ltd. New Delhi.	Post of Part time Chairman is vacant. With a separate full time (now part time) Managing Director.
32	Hotel Corporation of India Ltd.	With a separate full time Managing Director
33	Indian Dairy Corporation	With a separate full time Managing Director

No.	Name of Undertaking	Remarks
34	Indian Rate Earths Ltd. Bombay.	With a separate full time Managing Director.
35	Indian Railway Construction Co. Ltd, New Delhi.	With a separate part time Managing Director upto 24-12-1976.
36	Instrumentation Ltd. Kota.	With a separate full time Managing Director.
37	Jute Corporation of India Ltd.	With a separate full time Managing Director.
38	Lubrizol India Ltd., Bombay.	With a separate full time Managing Director.
39	Madras Fertilizers Ltd.	With a separate full time Managing Director.
40	Madras Refineries Ltd.	With a separate full time Managing Director.
41	Mandya National Paper Mills Ltd.	
42	Modern Bakeries (India) Ltd.	With a separate full time Managing Director.
43	Nagaland Pulp & Paper Company Ltd.	With a separate part time Managing Director.
44	Mogul Line Limited.	With a separate full time Managing Director.
45	National Mineral Development Corporation Ltd.	In earlier years. Now there is only Managing Director.
46	National Research Development Corporation of India.	With a separate full time Managing Director.
47	National Seeds Corporation	Do.
48	N. T. C. Ltd. New Delhi.	Do. (based on the information for 1976-77)
49	Praga Tools Ltd.	With a full time Managing Director. The post of part-time Chairman is however vacant since 28-9-1975.
50	Radio & Electricals Mfg. Co. Ltd.	With only part time Directors.
51	Rail India Technical & Economic Services Ltd.	With a separate full time Managing Director.
52	Rehabilitation Industries Corporation Ltd.	Do.
53	Rural Electrification Corporation Ltd.	Do.
54	State Chemicals & Pharmaceuticals Corporation Ltd, New Delhi.	Do.
55	State Farms Corporation of India Ltd.	With a separate General Manager.
56	Tannery & Footwear Corporation (India) Ltd, Kanpur.	With a separate full time Managing Director.
57	Trade Fair Authority of India.	Honorary-With a full time Managing Director.

S.No.	Name of Undertaking	Remarks.
58	Tungabhadra Steel Projects Ltd.	With a separate full time Managing Director.
59	Uranium Corporation of India.	Do.
60	Western Coalfields Ltd.	Do.
61	Bokaro Steel Ltd.	Do.
62	SAIL International Ltd.	Do.

TABLE 3

Undertakings having Chairman-cum-Managing Directors (combined)

S.No.	Name of Undertaking	Remarks.
1	Balmer Lawrie & Co. Ltd., Calcutta.	
2	Bharat Coking Coal Ltd.	
3	Bharat Aluminium Co. Ltd.	
4	Bharat Earth Movers Ltd.	
5	Bharat Electronics Ltd.	
6	Bharat Gold Mines Ltd.	
7	Bharat Heavy Electricals Ltd.	
8	Bharat Heavy Plates & Vessels Ltd.	
9	Bharat Ophthalmic Glass Ltd.	There was no regular incumbent from 1-11-1977
10	Bharat Petroleum Corporation Ltd.	
11	Braithwaite & Co. Ltd.	
12	Burn Standard Co. Ltd.	
13	Cement Corporation of India Ltd.	
14	Central Inland Water Transport Corporation Ltd.	
15	Central Mine Planning & Design Institute Ltd., Ranchi.	(from 19-7-1977)
16	Cochin Shipyard Ltd.	
17	Delhi Transport Corporation	(from 22-8-1977)
18	Eastern Coalfields Ltd.	
19	Engineers India Ltd.	

S. No.	Name of Undertaking	Remarks
20	Engineering Projects (India) Ltd.	
21	Export Credit & Guarantee Corporation, Bombay.	The Corporation has at present only a part time CMD w.e.f. 25-5-1977.
22	Fertilizers & Chemicals Travancore Ltd.	
23	Fertilizer Corporation of India Ltd.	
24	Goa Shipyard Ltd.	(Part Time)
25	Heavy Engineering Corporation Ltd.	
26	Hindustan Antibiotics Ltd. Pimpri.	(from 17-10-1977)
27	Hindustan Copper Ltd., Calcutta.	
28	Hindustan Machine Tools Ltd.	(with a number of functional Directors)
29	Hindustan Paper Corporation Ltd.	
30	Hindustan Petroleum Corporation Ltd.	
31	Hindustan Salts Ltd.	Common CMD for Hindustan Salts Ltd. and Sambhar Salts Ltd.
32	Hindustan Teleprinters Ltd.	
33	Hindustan Zinc Ltd.	
34	Hindustan Shipyard Ltd.	
35	Housing and Urban Development Corporation Ltd.	
36	India Tourism Development Corporation Ltd.	
37	Indian Rare Earths Ltd.	
38	Indian Drugs & Pharmaceuticals Ltd.	
39	Indian Petro-Chemicals Corporation Baroda.	(with one Finance Director)
40	Indian Road Construction Corporation Ltd, New Delhi.	
41	Indian Telephone Industries Ltd.	
42	Indo-Burma Petroleum Co. Ltd.	
43	Industrial Development Bank of India, Bombay	
44	Jessop & Co. Ltd., Calcutta	(with one full time Finance Director).
45	Kudremukh Iron Ore Co. Ltd.	(with 3 full time Directors).
46	Manganese Ore India Ltd., Nagpur	
47	Mazagon Dock Ltd.	

S.No.	Name of Undertaking	Remarks
48.	Metallurgical Engineering Consultants (India) Ltd, Ranchi .,	
49.	Mica Trading Corporation of India	
50.	Mineral Exploration Corporation Ltd.	
51.	Mining & Allied Machinery Corporation Ltd.	
52.	Mishra Dahtu Nigam Ltd., Hyderabad	
53.	National Building Construction Corporation Ltd.	
54.	National Fertilizers Ltd.	
55.	National Hyaro Electric Power Corporation Ltd.	
56.	National Industrial Development Corporation Ltd.	
57.	National Instruments Ltd.	
58.	National Insurance Corporation Ltd.	
59.	Control Coalfields Ltd.	
60.	National Newsprint & Paper Mills Ltd.	
61.	National Projects Construction Corporation Ltd.	
62.	National Textile Corporation (A.P., Karnataka), (Kerala, Mahe) Ltd.	(Based on the information for the year 1976-77).
63.	National Textile Corporation Delhi, Punjab & Rajasthan) Ltd.	
64.	National Textile Corporation (Gujarat) Ltd.	
65.	National Textile Corporation (Madhya Pradesh) Ltd.,	
66.	National Textile Corporation (Maharashtra) North Ltd.,	
67.	National Textile Corporation (South Maharashtra) Ltd.,	
68.	National Textile Corporation (Tamil Nadu & Pondicherry) Ltd.	
69.	National Textile Corporation (Uttar Pradesh) Ltd.,	
70.	National Textile Corporation (West Bengal), Bihar, Assam & Orissa) Ltd.	(Based on the information for the year 1976-77).
71.	National Thermal Power Corporation Ltd.	
72.	New India Assurance Co. Ltd., Bombay	
73.	Neyveli Lignite Corporation Ltd.	(with two Directors— Finance & Mines).
74.	North Eastern Electric Power Corporation Ltd.	
75.	Oriental Fire & General Ins. Co. Ltd.	(with three full time Directors and General Manager).

S.No.	Name of Undertaking	Remarks
76.	Richardson & Cruddas Ltd., Bombay	
77.	Shipping Corporation of India	(Vice-Chairman-cum- Managing Director with two Executive Directors).
78.	Sambhar Salts Ltd., Jaipur	(Common Chairman- cum-Managing Dir- ector for Hindustan Salts Ltd. and Sam- bhar Salts Ltd.).
79.	Scooters India Ltd., Lucknow	
80.	Tea Trading Corporation of India Ltd.	
81.	Triveni Structurals Ltd., Allahabad	
82.	United India Fire & General Insurance Co. Ltd., Madras	
83.	Water & Power Development Consultancy Services (I) Ltd., New Delhi	

TABLE 4

Undertaking having only Managing Directors (with no Chairman either full time or part time)

S.No.	Name of Undertaking	Remarks
1.	Hindustan Insecticides Ltd., New Delhi	
2.	Hindustan Steelworks Construction Ltd., Calcutta	
3.	Indian Firebricks & Insulation Co. Ltd.	
4.	ILSCO Stanton Pipe & Foundary Co., Ujjain	
5.	Indian Iron & Steel Co. Ltd., Calcutta	
6.	National Mineral Development Corporation Ltd., Hyderabad	(Had a part time Chair- man in earlier years)
7.	Fraga Tools Ltd., Secunderabad	
8.	Fyrites, Phosphates & Chemicals Ltd.	
9.	Salem Steel Ltd., Salem	
10.	Manana and Fruit Development Corporation Ltd., Madras	

2. The Committee recently had occasions to go into the question of appointment of Chief Executives in the context of their examination of CIWIC. They made the following observations in their 9th Report (6th Lok Sabha):—

“The Committee further note that the posts of part-time Chairman and whole-time Managing Director were combined by Govern-

ment in two-thirds of public sector enterprises on the plea that the part-time Chairman began interfering in the day-to-day affairs of the Managing Director leading to divided control and conflicts in the working of the enterprises. The Committee are not at all convinced with this argument for combining the two posts of Chairman and the Managing Director while it may or may not have some advantages of avoiding a "divided house" but its inherent disadvantages that the "man becomes an autocrat and the Corporation is ruined." as happened in the case of CIWTC, outweigh the advantages if any. Furthermore the arrangement suffers from the drawback that there is no person to sit on judgement as to how the whole-time executives are functioning. If the principal executive is also the Chairman of the Governing Board, it is obviously difficult for other members of the Board to find fault with his acts of omission and commission. Thus the system becomes devoid of any checks and balances. In most of the big private sector enterprises in the country the practice seems to be to have these two separate functionaries. The Committee, therefore, require that the normal practice in the public sector enterprises should be to have a full-time Managing Director and a part-time Chairman as the head of the Board. The Committee would recommend that the matter may immediately be examined by Government in all its ramifications so as to bring in the desired changes."

Government furnished the following reply to the observation of the Committee:—

"The policy in regard to the appointment of Chief Executives of public enterprises has been reviewed by Government from time to time. The Administrative Reforms Commission in their report (1967) on Public Sector Undertakings had recommended that the public enterprises should be headed by a full-time Chairman-cum-Managing Director. Government decided, that as a normal rule, there should be a full-time Chairman and Managing Director. However, there might be exceptions where the Chairman might be only a part-time one. In such cases, there should be a full time Managing Director.

This policy was reviewed again in 1976-77. The particular point made by the COPU in regard to the danger of excessive concentration of power as a result of combining the two posts was also examined. The Boards of public enterprises, in Indian situation have policy-cum-executive responsibilities. A good deal of

the responsibility for overall policy formulation and direction, the evaluation of performance etc. vest with the Government i.e. the administrative Ministry, and the Planning Commission which is not the case in the private sector. The Government has also the responsibility to evaluate the personal performance and contribution of the chief executives. Government has adequate powers to check any abuse of authority on the part of the chief executive whether he is Chairman-cum-Managing Director or Managing Director. There is, therefore, no such danger of excessive powers being concentrated in the Chairman and Managing Director as apprehended by the COPU. It may not be correct to generalise on such dangers based on the COPU's findings on an individual case. As a normal rule, therefore the balance of advantage, based on experience, would be to combine the two posts of Chairman and Managing Director. The Government, however, recognised that there may be exceptional circumstances where it would be preferable to separate the office of Chairman and Managing Director.

2.4 The success of public sector depends largely on their Boards of Management and how they function. A time has come to review the structure, the size and the composition of the Board of Management with a view to see how far these are conducive to achieving the results expected. The Boards of Management of public enterprises are at present hardly policy making bodies. Major policies and crucial decisions are made by the Government which are to be implemented by the Boards. The Boards of Management of public enterprises do not have much or final say in drawing up the policies. The Board have, therefore, to be necessarily of a mixed character, partly policy formulating but largely functional. This has been well recognised by the Administrative Reforms Commission which examined the public sector undertakings. The Commission has recommended that a Board should consist of a full-time Chairman-cum-Managing Director, a few-time functional Directors not more than two Government representatives and two or three part-time Members from outside the Government.

2.5. The information obtained by the Committee from 179 public enterprises reveal that in a majority of cases there are no functional Directors at all. Further in 14 cases where there is a full time Chairman there is no Managing Director and in ten cases where there is a part-time Chairman there is no Managing Director. In a few cases both the Chairman and the Managing Director are part-time appointees. All this shows that the structure of the Board as is obtaining today is not at all what it ought to be. The Committee have discussed the size and the composition of the Board in the succeeding sections of this Report.

2.6. The Committee had occasion to go into the top appointments in the context of their examination of the Central Inland water Transport Corporation. In their 9th Report (6th Lok Sabha—presented to Lok Sabha on 26th April, 1978), they had recommended that the necessity of having a part-time Chairman and full-time Managing Director should be examined. Strangely enough even in the context of the miserably deteriorating performance of the public sector undertakings the Government have not considered it necessary to have this arrangement as a rule. The Committee find that in as many as 83 public undertakings there is a Chairman-cum-Managing Director. In the context of imperative need to have a mixed type of Board it is absolutely necessary to have a separate Managing Director in addition to a part-time Chairman.

2.7. The post of Chairman should not be an office of profit and an elected representative of the people i.e. a Member of Parliament could be made the Chairman. The Board of Management should consist of about one-third of Members taken from amongst Members of Parliament, one Member not being associated with more than two Boards at a time. The tenure of Members of Parliament on the Boards could be three years. In this connection, the Committee wish to point out that in governing bodies of autonomous institutions such as Tea Board, Tobacco Board etc. the Members of Parliament are represented. The reason behind this is that an elected representative is answerable to the people with regard to success and failure in the sphere in which he is called upon to take up responsibility. However, it is to be noted that in today's context a Member of Parliament has hardly been given any assignment through which he can give an account of himself. It will be wholly undesirable to nominate to the Board superannuated and aged persons and persons who are not acquainted with the requirements of an industry or trade or economic operation relevant to the activities of a particular public sector undertaking. The Committee have noted with great disappointment that some of Directors drawn from inside Government have acted more as a mere 'Ditto men' and have hardly taken pains to examine and undertakings. There are instances where a particular official has been made Director of a number of public undertakings, and besides his routine job, due to paucity of time and human limitations he is, even if willing unable to apply his mind and/or to act to the best of his ability. The Committee are very firmly of the opinion after the results of decades of trial that the time has come when peoples elected representatives should have greater involvement in productive work in a democracy such as ours.

III—TENURE OF TOP APPOINTMENTS

3.1. The Committee, reiterating the recommendations of the Estimates Committee (52nd Report, 3LS, paras 45-46) stated in their 23rd Report (1965-66) that the incumbent to the post of Chairman should be selected carefully and appointed for a minimum term of five years, so that he was able to fully implement the plans and programmes entrusted to him and contribute to the efficient and economic working of the enterprise concerned.

3.2. The Committee on Public Undertakings have in their 68th Report 1974-75 (5th Lok Sabha) on Cotton Corporation of India expressed as follows:—

“The Committee regret to note that since the inception of CCI in August, 1970, there have been frequent changes in the incumbent of the post of Chairman in as much as there have been six part-time Chairman appointed within a span of about 4 years. They were informed that the appointment of the present Chairman in November, 1974 as part-time Chairman for two years in the first instance was with a view to ensure better continuity in the Chairman's tenure in future so that the Corporation could benefit from his guidance and direction. . . The Committee wish that the consideration of continuity for a reasonable length of time should have weighed with the Government right from the inception of the Corporation. They feel that it is essential to have stability at the top level for the effective functioning of the Corporation. They hope that this consideration will not be lost sight of hereafter and frequent changes of Chairman would be avoided in the interest of better functioning of the Corporation.”

The recommendation was accepted by Government.

3.3. In spite of the policy in regard to minimum tenure of about five years for top management posts in public undertakings, the Committee have found from the material furnished to them that there are very few cases where the Chairman or Managing Director of a public undertaking has remained in position for five years or more.

3.4. The Committee have in particular gone through the actual tenure of persons appointed to top management posts in the case of public undertakings selected by them for detailed examination or studied by them during

tours in the years 1977-78 and 1978-79 besides a few others and the following picture has emerged:—

S.No.	Name of the Public undertakings	Position n regard to actual tenure of holders of top management posts
1	2	3
1	Bharat Heavy Electricals Ltd.	The full-time Chairman and Managing Director was appointed on 22-9-1973 and left office on 31-8-1977.*
2	Central Fisheries Corporation Ltd.	The Managing Director was appointed in 1974-75 and served only upto 31-12-1975.
3	C.I.W.T.C.	Between 1-11-1972 and 23-11-1977 there were three or four changes in the incumbent of the posts of Chairman/Managing Director.
4	Central Warehousing Corporation	Between 25-9-1970 and 1-2-1977 there were three part time Chairman.
5	Engineers India Ltd.	Between 1-4-1974 and 31-3-1978 there were three changes in the incumbent of the post of Chairman and Managing Director.
6	Minerals & Metals Trading Corporation of India Ltd.	The full time Chairman appointed 15-12-1975 was changed on 30-3-1977. From 30-3-1977 upto 1-7-1977 a part-time Chairman was appointed. A full-time Chairman appointed on 1-7-1977 is still continuing
7	Food Corporation of India	The full-time Chairman appointed on 1-4-1974 remained only upto 18-7-1977. Similarly, full time Managing Director appointed on 1-4-1974 relinquished office on 17-11-1975.
8	Industrial Development Bank of India.	Between 1-7-1974 and 15-2-1976, there were three changes in the incumbent of the post of Chairman and between 16-12-1976 and 30-6-1977, there were two changes in the post of Chairman-cum-Managing Director.
9	International Airports Authority of India	Between 29-9-1973 and 3-9-1977 there were three changes in the incumbent of the post o Chairman.
10	T.A.F.C.O.	There were two changes of Chairman between 4-8-75 to 21-4-77 and three changes of Mg. Director between 5-1-1972 to 21-4-1977.

* Another GMD (Shri S.V.S. Raghavan) appointed w.e.f. 1-9-1977 left the Corporation on 5-8-1978.

1	2	3
11	Bharat Leather Corporation	Only a Chairman-cum-Managing Director from 19-8-1976 to 31-3-1977.
12	Hindustan Photo Films Ltd.	No Managing Director but only a part-time Chairman from 1-4-1975 to August, 1977.
13	Delhi Transport Corporation	There were four changes of Chairman during the years 1974-75 to 1977-78.
15	Banana & Fruit Development Corporation	No Chairman or Managing Director from 7-3-1977 to 12-7-1977. Only a Managing Director is there and there were 3 changes of Managing Director since 2-4-1970.
16	Indian Drugs & Pharmaceuticals Ltd.	There have been 2 changes of CMD in 2 years during 1976-77.
17	National Textile Corporation (M.P.)	Post of Chairman-cum-Managing Director* only—3 changes since 1-11-1974.
18	Bharat Dynamics Ltd.	Part time changed thrice between 1974-1978.
19	India Tourism Development Corporation Ltd.	Four changes of Chairman during 1974 and 1978.
20	National Textile Corporation (A.P. Karnataka, Kerla, and Mahe).	Four changes of CMD from 18-1-1975 to 9-6-1977.

3.5. The Committee very much regret to note that in a democracy where legislature is an important organ of the State, their recommendations have gone unheeded which will be seen from the following facts:

3.6. The Committee have time and again pointed out the imperative need to ensure continuity and stability of top appointments. The general policy of Government is to have a tenure of 5 years in top positions of public enterprises. In actual practice however there have been for too many changes which are bound to affect the working of the enterprises. A test check by the Committee has shown that the average tenure of Chairman/Managing Director is less than two years in a number of cases, besides vacancies remaining unfilled for considerable length of time. Such a situation can only be attributed to defective selection methods.

3.7. If men are properly screened with reference to their qualification, experience and aptitude for empanelment for appointment to top positions, premature termination of appointments would not be there. Further by now the public enterprises themselves should be in a position to throw up man to man such positions. Such men with the potential to run an enterprise should be identified fairly early to assume the responsibility. It would also be essential to place a successor in position six months ahead so that he could equip himself to take over the top position and be ready with his own future plans for the enterprise.

IV—SIZE OF BOARD OF DIRECTORS

4.1 The size of Board should be related to the volume and variety of work and the need to provide representation to various interests. It should not vary from year to year; otherwise it would give an impression that the strength of the Board was determined on *ad hoc* basis.

4.2 According to the guidelines issued in October 1972 by the Bureau of Public Enterprises referred to earlier in this Report, total strength of Directors on the Boards of multi-unit and multi-regional Public Enterprises should be of the order of 12 to 15. In relatively smaller enterprises the strength should be between 8 and 12.

4.3 On a selective basis, the Committee have looked through the Memoranda and Articles of Association of the Public Undertakings taken up by them for detailed examination, and an important feature that has come to the notice of the Committee is that there is a wide gap between the minimum and maximum number of Directors prescribed for the constitution of the Board of Directors. A few cases of Undertakings where the gap is un-understandably wide are shown below:

Sl. No.	Name of Undertaking	Strength of Directors as prescribed in Articles of Association	
		Minimum	Maximum
1	Bharat Heavy Electricals Ltd.	2	15
2	Central Fisheries Corporation Ltd.	2	15
3	C.I.W.T.C.	2	12
4	Hindustan Zinc Ltd.	3	12
5	Electronics Corporation of India.	2	10
6	Jute Corporation of India	4	15

4.4. In connection with the laying down of the number of Directors on the Board, it has also come to the notice of the Committee that in almost all the cases, only the number has been indicated without showing in detail the interests that a given number of Directors should represent on the Board. It is only in the case of Industrial Development Bank of India that a further split of the total number of Directors has been shown, namely:—

“(a) not more than twenty directors nominated by the Central Government of when—

- (i) two directors shall be officials of the Central Government;
- (ii) not more than five directors shall be from financial institutions;
- (iii) two directors shall be from amongst the employees of the Development Bank and the financial institutions, and of such directors, one shall be from amongst the officer employees and the other from amongst the workmen employees selected in such manner as may be prescribed;
- (iv) not more than six directors shall be from the State Bank, the nationalised banks and the State Financial Corporations;
- (v) not less than five directors shall be persons who have special knowledge of and professional experience in science, technology, economics, industry, industrial cooperatives, law, industrial finance, investment, accountancy, marketing or any other matter, the special knowledge of and professional experience in, which would, in the opinion of the Central Government be useful to the Development Fund.”

4.5. The Committee have indicated earlier that the Boards of Management of Public Enterprises should include besides the Chief Executive, functional Directors and part-time Government as well as non-official Directors. The minimum size of the Board would thus be somewhere around 7 and maximum could go upto 11 depending upon the nature of the enterprise. There should not be any arbitrariness in fixing the strength of the Board from time to time.

4.6. Although the relevant Acts in the case of Statutory Corporations and the Articles of Association in the case of Government Companies indicate the strength of the Board, the Committee have noticed that there is

a very wide gap between the minimum and the maximum laid down. Further the composition of the Board and ability of non-official Directors on the Board do not seem to have been indicated almost in all the Articles of Associations of the Government Companies. The Committee suggest that the Articles of Association should be suitably amended without delay to provide for a closer range of membership of the Board and to lay down requirements of the members wherever necessary. They would commend the provisions in respect of the Industrial Development Bank of India for adoption with such modification as is necessary in other cases. . . In defining the composition of the Board, the need to have adequate representation of the Members of Parliament as stressed earlier in this Report, should be taken into account.

V—APPOINTMENT OF PART-TIME GOVERNMENT DIRECTORS ON THE BOARD OF DIRECTORS

5.1. The Administrative Reforms Commission in their Report on Public Sector Undertakings—October, 1967—had *inter alia* recommended that 'not more than two part-time Government representatives should be appointed on the Board of Directors of a particular Undertaking'.

5.2. The Committee find that on the basis of the recommendation of the Administrative Reforms Commission the Government have already taken a decision that 'ordinarily not more than two Government representatives should be appointed, but in exceptional cases and for good reasons, the number might be exceeded'.

5.3. In October, 1978 the Committee had called for information about Government Directors serving on the Board of Directors of Public Undertakings. From the information received so far, which covers only 145 public undertakings, the Committee find that in spite of the above-mentioned recommendation of the Administrative Reforms Commission and Government's acceptance thereof, the number of official Directors including representatives of other undertakings/Departments/State Governments on the Board of Directors not only exceeds two but is also abnormally high as compared to total number of Directors, in a large number of cases as shown below:—

S.No.	Name of Undertakings	Total No. of Directors	No. of Government Directors	No. of Government Directors included in Col. 4
1	2	3	4	5
1	Andaman & Nicobar Islands Forest & Plantation Development Corporation	15	9	5
2	State Farms Corporation of India, New Delhi	15	6	4
3	Central Warehousing Corporation, New Delhi	11	4	4
4	Food Corporation of India	11	4	4

1	2	3	4	5
5	Modern Bakeries (I) Ltd.	8	5	5
6	Water & Power Development Consultancy Services (India) Ltd.	12	12	11
7	Banana & Fruit Development Corporation, Madras	12	4	4
8	Minerals & Metals Trading Corporation of India Ltd., New Delhi	10	7	7
9	Trade Fair Authority of India, New Delhi	12	5	5
10	State Chemicals and Pharmaceuticals Corporation of India Ltd., New Delhi.	5	4	4
11	State Trading Corporation of India, New Delhi	9	6	6
12	Projects & Equipment Corporation of India, New Delhi	6	4	4
13	Hindustan Teleprinters Ltd., Madras.	6	4	4
14	Indian Telephone Industries Ltd., Bangalore	7	6	4
15	Bharat Electronics Ltd., Bangalore	9	9	5
16	Hindustan Aeronautics Ltd., Bangalore	10	8	4
17	North Eastern Electric Power Corporation Pvt. Ltd., Shillong	15	12	5
18	Hindustan Latex Ltd., Trivandrum	10	7	4
19	Bharat Heavy Electricals Ltd., New Delhi	11	4	4
20	Fertilizers & Chemicals Travancore Ltd., Kerala.	10	5	5
21	Hindustan Antibiotics Ltd., Poona	5	4	4
22	Hindustan Insecticides Ltd., New Delhi	7	4	4
23	National Fertilizers Ltd., New Delhi	8	4	4
24	Rashtriya Chemicals & Fertilizers Ltd., Bombay	12	5	4
25	Indian Railway Construction Co., Ltd., New Delhi	5	5	5
26	Rail India Technical & Economic Services Ltd., New Delhi	8	5	5
27	Mineral Exploration Corporation Ltd., Nagpur	10	6	5
28	Rehabilitation Industries Corporation Ltd., Calcutta	9	6	5
29	National Buildings Construction Corporation Ltd., New Delhi	10	7	5
30	Electronics Trade & Technology Development Corporation of India, New Delhi	18	6	5

1	2	3	4	5
31	National Research Development Corporation of India, New Delhi	11	6	5
32	Telecommunications Consultants India Ltd., New Delhi	4	4	4
33	Artificial Limbs Mfg. Corporation, Kanpur	10	5	5
34	Cotton Corporation of India	7	7	5
35	Hindustan Cables Ltd.	10	10	4
36	Jute Corporation of India	11	5	5
37	National Instruments Ltd.	5	5	5
38	Bongaigaon Refinery Petrol Chemical Ltd.	7	5	4
39	Kudremukh Iron Ore Col Ltd..	12	6	5

It has often been advocated by the Committee that the Board of Directors should be broad based. It should be composed of various interests and experience. While commenting on the functioning of the State Trading Corporation, in 1969 in their 51st Report (4th L.S. the Committee expressed a hope that the association of representatives of industry and trade with all the major activities of the Corporation would help the latter to take advantage of views and experience of the private bodies and thus serve the interests of both private and public sector industry effectively.

5.5. In their 40th Report (5 L.S.), the Committee recommended participation of workers and their representatives at all levels, beginning from the shop level to the Board of Directors, with a view to promote industrial harmony and maximise production.

5.6. According to the guidelines issued in October, 1972 by the Bureau of Public Enterprises referred to at page 4—6 of this Report the number of part-time non-official Directors on the Boards should be 1/3rd of the total strength of the order of 8 to 15 depending on the size of the undertakings. The question of representation of workers on the Board of Industrial Enterprises was being pursued by the Department of Labour and Employment.

5.7. The Committee note with concern that despite a decision taken by Government that only in exceptional cases and for good reasons the number of official representatives on the Boards of Management may be allowed to exceed two, the tendency seems to be to load the Boards with

officials without any rhyme or reason. Out of 145 enterprises studied by the Committee, in 39 cases where the strength of the Board ranged from 4 to 15 the number of part-time official Directors ranged from 4 to 12. This does not go well with the concept of autonomy and the nature of the activities of the public enterprises. In fact, this proves that the public undertakings enjoy little autonomy.

5.8. To quote a few glaring examples, the Water and Power Development Consultancy Services India Ltd., Tele-Communication Consultancy India Ltd., Cotton Corporation of India, Hindustan Cables Ltd., and National Instrument Ltd. have only official Directors numbering 4 to 12. These are almost wholly Central Govt. officials. Thus the Boards have been converted into mere inter-departmental committees of Government and nothing else. The Committee do not find any reason why there is virtually no other representation on these Boards.

5.9. An inherent danger in gross over-representation of the officials on the Board is, the number of enterprises being large, the same official of a Ministry is represented on a number of Boards making it impossible to have any worthwhile contribution. The Committee have dealt with this question elsewhere in this Report. They wonder whether there was any watch over this position centrally in Government, say in the Bureau of Public Enterprises. They are of the view that the composition of all the Boards should be immediately reviewed with a view to altering it in a manner that is productive of results and cutting down the number of official Directors to the barest minimum.

5.10. There is no need to nominate representatives of all the Departments/Ministries connected with the activities of a particular enterprise to its Board. A minimum number of, say, two, officials should be able to represent the Government interest for real active participation.

5.11. The Committee have been stressing the need to have a broad-based Board of Directors which should be composed of various interests (barring from private Sector) and experience both in Government and in Legislatures, and of men of public standing, academicians, journalists, economists, sociologists, professionals etc. They have particularly desired that the participation of workers' representative in the Board should be ensured with a view to promote industrial harmony and maximise production. It should be remembered that the public sector enterprises employ nearly 2 million persons and that labour is an important factor of production. There should be always an emphasis on labour-oriented technology and creating conditions in which the workers could give their best. The

Committee notice that the question of representation of workers on the Boards of Industrial Enterprises was being pursued by the Department of Labour and Employment. They would insist that a decision in this regard should be taken early and suitable representation of workers on the Boards ensured.

VI—SAME GOVT. OFFICER SERVING ON VARIOUS PUBLIC UNDERTAKINGS

6.1. The Committee further find that in a number of cases the same officer of a particular Administrative Ministry has been nominated to serve as part-time Director on the Boards for too many public Sector Undertakings. A few instances of this type collected, on a selective basis, are given below:—

S. No.	Name	Designation with name of Ministry/Deptt. in which working	Names of undertakings on Board of Directors working
(1)	(2)	(3)	(4)
1	Shri S. M. Goah	Addl. Secy. Ministry of Industry.	1. H.M.T. 2. H.M.T. (International) 3. Burn Standard 4. Wagon India 5. Projects & Equipment Corporation. 6. S.T.C. 7. Bruithwaite, Burn and, Jessop 8. Construction Co. Ltd. Calcutta. 9. Hindustan Motors Ltd., Calcutta. 10. Premier Automobiles Ltd., Bombay. 11. Braithwaite & Co. Ltd., Calcutta. 12. Jessop & Co.

1	2	3	4
2	Shri A.P.V. Krihnan	Integrated Financial Adviser and Addl. Secretary, Ministry of Industry.	<ol style="list-style-type: none"> 1. Hindustan Paper Corpn., 2. Engineering Project (I) Ltd. 3. Hindustan Photo Films. 4. H.E.C. 5. B.H.E.L. 6. Scooters India Ltd. 7. H.M.T. 8. N.I.D.C. 9. Braithwait & Co. 10. M.A.M.C. Ltd. 11. Jessops & Company.
3	Shri N. Rajan	Jt. Secretary & Financial Adviser, Ministry of Industry (Deptt. of Heavy Industry).	<ol style="list-style-type: none"> 1. Bharat Brakes & Valves Ltd., Calcutta. 2. Bharat Heavy Electricals Ltd., New Delhi. 3. Braithwaite & Co. Ltd. 4. Burn Standard Co. Ltd., Calcutta. 5. Engineering Projects (India) Ltd. 6. Heavy Engineering Corporation Ltd., Ranchi 7. Hindustan Machine Tools Ltd., Bangalore. 8. Jessop & Co. Ltd., Calcutta. 9. Scooters India Ltd., Lucknow. 10. Computer Maintenance Corporation Ltd., Bombay
4	Shri Ramaswami R. Iyer	Joint Secretary & Financial Adviser, Deptt. of Chemicals & Fertilizers (Miny. of Petroleum).	<ol style="list-style-type: none"> 1. Fertilizers Corpn. of India, New Delhi. 2. Fertilizers & Chemicals Travancore Ltd., Udyogmandal. 3. Fertilizer Planning and Development (India) Ltd., Dhanbad (Bihar).

1	2	3	4
			<ul style="list-style-type: none"> 4. Hindustan Antibiotics Ltd., Pimpri. 5. Hindustan Fertilizer Corporation Ltd., New Delhi. 6. Hindustan Organic Chemicals Ltd., Rasayani. 7. National Fertilizers Ltd New Delhi. 8. Rashtriya Chemicals and Fertilizers Ltd., Bombay.
5	Shri Naresh Chandra	Joint Secretary, Deptt. of Heavy Industry.	<ul style="list-style-type: none"> 1. Hindustan Prefab Ltd., 2. Braithwaite & Co. Ltd. 3. Burn Standard Co. Ltd. Calcutta. 4. Engineering Project (I) Ltd., 5. Wagon India. 6. Richardson & Cruddas. 7. Jessop & Co.
6	Shri S. D. Prasad	Addl. Secretary, Ministry of Steel.	<ul style="list-style-type: none"> 1. I.V.S.C.O. 2. I.S.I.C.O. Stanton Pipe & Foundry Ltd. 3. Kudremukh Iron Ore Co. Ltd. 4. N.M.D.C. 5. S.A.L.L. 6. M.M.T.C.
7	Shri V. S. Acharya	Director (Finance), Industrial Development.	<ul style="list-style-type: none"> 1. Bharat Ophthalmic Glass Ltd. 2. Hindustan Salts Ltd. 3. Instrumentation Ltd. 4. National Instruments Ltd. 5. N.S.I.C. Ltd.

- | | | |
|--------------------|--|---|
| 8 Dr. D. N. Prasad | Joint Secretary, (ALS)
Deptt. of Defence Production
Ministry of Def. | 6. Sambhar Salt Ltd. |
| | | 1. Bharat Electronics Ltd.,
Bangalore. |
| | | 2. Garden Reach Ship-
builders & Engineers Ltd.
Calcutta. |
| | | 3. Goa Shipyard Ltd., Goa. |
| | | 4. Hindustan Aeronautics
Ltd., Bangalore. |
| | | 5. Mazagon Dock Ltd.
Bombay. |

6.2. According to the guidelines issued by the Bureau of Public Enterprises in October, 1972, appointment of Government representatives on the Boards should ordinarily be restricted to the dealing Joint Secretary/Director, but in the case of some Ministries other officials might be chosen *inter alia* to meet the conditions about the number of Directorships held by each officer. Further while Finance Ministry representatives may be appointed to the major Public Enterprises, the relatively smaller enterprises may do without representatives of the Finance Ministry.

6.3 It passes the comprehension of the Committee how whole-time government officials could be appointed to a very large number of Boards of public enterprises which in some cases is as high as 10 to 12. For instance an integrated Financial Advisor of the Ministry of Industry is associated with 11 Boards and Additional Secretary of the Ministry of Industry is associated with 12 Boards. Such officers would not obviously be in a position to do justice to their work either in Government or in the Boards of the enterprises.

6.4 The policy of the Government peculiarly enough seems to be to necessarily have the official dealing with the particular enterprise and a finance representative on the Board of that enterprise. Although it may be that the officer dealing with an enterprise can have a first-hand knowledge of that enterprise when nominated to the Board of that enterprise, there cannot be an objective scrutiny by him in the Ministry of the decision of the Board to which he has been a party nor can there be an independent appraisal of the working of the enterprise in the Ministry. Further with every change in the dealing officer there will be a change in the Directorship. The policy therefore needs a change. The Committee strongly feel that Government representatives should be selected on the basis of their ability and experience and not by virtue of the office that they hold in a particular Ministry. In this connection attention is drawn to Paragraph 150(2)(iii) of the 2nd Report of CPU (Sixth LS presented to

Lok Sabha on 11.4.1978), mentioning a case wherein admittedly an official part time Director has no experience of being on the Board and had merely become a party to decisions taken by the Board. In any case if the policy of having the dealing officer on the Board results in an absurd situation of his having to be nominated to a large number of Boards the practice must end immediately.

6.5. There ought to be rigid restrictions on the number of directorships of the officials if their participation in the management of public sector enterprises is not to be reduced to a farce or a mere formality. The Committee would strongly urge that as a matter of policy, which should be strictly adhered to, no particular officer of any Ministry or Department should be appointed to serve as part-time director on more than two public enterprises.

VII—APPOINTMENTS OF GOVERNMENT SECRETARIES ON THE BOARDS OF DIRECTORS OF PUBLIC UNDERTAKINGS

7.1. The Committee find that in November, 1961 Government had decided that “no Secretary of a Ministry/Department shall be a Member of any Board”. The Estimates Committee (1963-64), in their 52nd Report (3rd Lok Sabha) had also observed as follows:—

“The Committee have expressed themselves clearly on many occasions about the inadvisability of the practice of associating senior Secretariat officials with the Boards of Directors of the Public Undertakings. They have pointed out that (i) the practice leads to blurring of responsibility of the Secretary of the Ministry who has to advise the Minister on matters of policy while at the same time, as the member of the Board, has to share responsibility for the execution of those policies and; (ii) it is not possible for such an official to give efficient attention to the affairs of the undertakings in addition to performing his normal duties. The Committee would like to add that decisions at the Board meetings are arrived at by consensus of opinion. It may well happen that if the Secretary is out-voted, he can be embarrassed if he has to fight the recommendation before his Minister. The Committee do not understand why the Secretaries or Additional Secretaries have been appointed as Chairman in six undertakings some of which were set up as far back as 1950. It is unfortunate that this arrangement is being continued despite Government’s decision against it. Once a decision is arrived at and communicated to the Parliament, the Parliament expects that it would be acted upon.”

7.2. The Committee on Public Undertakings (1964-65) Third Lok Sabha—in their First Report on National Buildings Constructions Corporation Ltd., New Delhi, in this connection observed as follows:—

“The Committee consider that the appointment of the Secretary of the administrative Ministry as Chairman of a public undertaking, was ill advised as these busy officers could not obviously be expected to spare sufficient time to effectively supervise the affairs of the Corporation which was expected of them in their capacity as Chairman. Moreover such an arrangement is not conducive to assessing the working and efficiency of the Corporation in an objective and impartial manner by the administrative Ministry. The Committee regret to point out that the continuation of this arrangement after November, 1961 was in clear contravention of the decision by Government on the recommendations of the Krishna Menon Committee, that no Se-

cretary of a Ministry|Department shall be a member of any Board. The Committee trust that in future Secretaries would not be appointed to the Board of any Public Undertaking."

The Government had replied in November, 1965 that the successor was a non-official.

7.3. The Committee on Public Undertakings (Third Lok Sabha) in their 23rd Report on Indian Airlines Corporation has also deprecated the practice of appointing Secretary as Chairman of a Corporation. The Committee felt:—

"In the formulation of a decision within the Ministry, the officials of the Ministry are likely to assume that the view of the Corporation have the approval of the senior most executive of the Ministry and as such their views are likely to be biased. Further more the presence of a senior most officer of the Ministry in the Board hampers the autonomous functioning of the Corporation and does not provide sufficient incentive to its Chief Executive to take independent decisions, however, he may try to do."

When it was pleaded that proper coordination between Director General, Civil Aviation, and Indian Airlines Corporation could be maintained only by having the Secretary of the Ministry as Chairman of the Corporation, the Committee not only considered that arrangement unsatisfactory but stressed that that should be ended.

7.4. While reporting on the working of Hindustan Shipyard in 1967 in their 37th Report (3rd L.S.) the Committee attributed failure of the company in making improvements in its working to the appointment of Secretary of the Ministry of Shipping and Transport as the Chairman of the Board of Directors. The Committee was of the opinion that not only the management of the Shipyard had become complacent, the arrangement had also led to 'diffusion of responsibility as between the undertaking and the Ministry for the poor performance of the Shipyard', and recommended that 'the post of Chairman of the Board of Directors should be filled in by some suitable person other than the head of the administrative Ministry'.

7.5. Again in their 9th Report (4th L.S.) on the Central Warehousing Corporation, the Committee suggested that the 'practice of appointing the Secretary as the Chairman of the Corporation should be discontinued.'

7.6. The Committee did not also approve of the appointment of a Secretary of an administrative Ministry on the Board, as it felt such a system had two disadvantages as pointed out in their 3rd Report (3rd L.S.). First, the presence of a Secretary in a meeting would hamper a free and frank

discussion of the issues involved'. Secondly, 'the advantages of a second screening of the proposals of the Undertaking at the Ministry level would be lost because the officers in the Ministry would naturally start with the impression that it has the approval of the Secretary, in his capacity as a Member of the Board of Directors'.

7.7. The Committee did not accept Government's argument that 'the system of governmental machinery was full of checks and counter-checks and that no important proposal could be approved by Government because the Secretary of a Ministry had approved it as a Member of the Board of Directors of an Undertaking'. Rather it felt that 'it would not be in the interests of an undertaking to nominate the head of administrative Ministry, be he Secretary, Special Secretary or Additional Secretary, on the Board of Directors of public undertakings, which are under the control of that Ministry'.

7.8. The Administrative Reforms Commission also recommended in their Report on Public Sector Undertakings that no officer of a Ministry should be made Chairman of Public Undertaking nor should the Secretary of a Ministry be included in its Board of Management.

7.9. In the light of the above, the Committee have scrutinised the information furnished by various Undertakings in regard to the composition of their Boards of Directors and the following facts have come to their notice:—

S. No.	Name of Corporation	Remarks
1	Electronics Corpn. of India.	The part-time Chairman of this Corporation is the Secretary of the Department of Atomic Energy and also Chairman of the Atomic Energy Commission.
2	Central Warehousing Corporation	The part-time Chairman of the Board of Directors of this Corporation is the Joint Secretary of the Ministry of Agriculture & Irrigation (Department of Food).
3	Andaman & Nicobar Islands Forests and Plantation Development Corpn. Ltd. (Port Blair).	The post of Chairman (ex-officio) of this Corporation is held by the Chief Commissioner, Andaman and Nicobar Island.
4	Dredging Corpn. of India.	From 19-11-1976 the post of part-time Chairman is held by the Development Advisor (Ports) in the Ministry of Shipping and Transport.
5	Electronics Trade and Technology Development Corpn. Ltd.	From 8-8-74 to 31-3-78 the post of part-time Chairman of this Corporation was held by the Secretary (Department of Electronics).
6	Housing and Urban Development Corporation Ltd.	Upto 18-10-77 the duties of Chairman and Managing Director of this Corporation were performed to by the Joint Secretary in the Ministry of Works and Housing in addition to his duties.

1	2	3
7	Indian Railway Construction Co. Ltd.	From 1-9-77 the post of part-time Chairman of this Company is held by the Chairman, Railway Board.
8	Indian Rare Earths Ltd.	Upto 9-3-78, the post of part-time Chairman of this Company was held by the Chairman, Atomic Energy Commission.
9	State Farms Corporation	From March, 1978, the post of Chairman of this Corporation is held by the Additional Secretary, Department of Agriculture in addition to her duties.
10	National Seeds Corporation	Do.
11	Agricultural Refinance and Development Corporation.	Secretary, Ministry of Agriculture and Irrigation Deptt. of Agriculture has been nominated as a Director.
12	I. D. B. I.	Secretary Department of Economics Affairs and Secretary, Department of Industrial Development are Directors.
13	Rail Indian Tech. & Elect. Service Ltd.	Secretary, Defence Production is a Director.
14	S.A.I.L.	As many as 3 Secretaries to Government (Expenditure Finance Steel & Mines and Planning Commission) are part-time Directors.
15	Trade Fair Authority.	Secretary Commerce was the part-time Chairman Since 29.3.1977.

7.10. As early as 1961 Government had decided that no Secretary of Ministry/Department should be a Member of any Board of Public Enterprises. The Committee have also been consistently holding the view that no officer of the Ministry should be made the Chairman and no Secretary to Government should be appointed to the Board as a Director. They have given cogent reasons why this should not be done from the point of view of ensuring real autonomy of the public enterprises as well as objective appraisal of the working of these enterprises by the Ministries. The Administrative Reforms Commission has also recommended in its Report (1967) that no officer of the Ministry should be made a Chairman nor the Secretary of the Ministry be included in the Board of Management. In spite of all this the Committee find that in as many as 10 enterprises various officials of the Ministries, mostly Secretaries, have been appointed as Chairmen and in 5 enterprises Secretaries have been nominated as Directors. The Committee are unable to find any reason why this practice should continue violating the policy of the Government. The Committee would therefore, require that this practice should end forthwith. For healthy functioning of the Public Sector Enterprises and objective appraisal by the Administrative Ministry concerned it should be ensured that no official whatsoever of that Ministry should be a party to a decision taken by the Boards of the Public Enterprises. In other words, the official representation in the Board should come as far as possible from some other Ministry not being the controlling Ministry. The present incumbents should vacate their positions immediately and other suitable persons as recommended earlier should be found and in future there should be no such

VIII—CONNECTIONS OF DIRECTORS WITH PRIVATE COMPANIES

8.1 In the matter of selection of non-official Directors adequate care should be taken to ensure that people are not planted by interested quarters to defeat the aims and objectives of Public Sector Undertakings.

8.2 When Committee noticed that some non-official Directors of a Company were also Chairmen and Directors of 15 to 30 other bodies, they observed in their 12th Report (4th Lok Sabha) as follows:—

“There is no doubt of the advantage of associating with a public undertaking persons having wide and varied experience in business”, but “by and large holding of directorship in a large number of companies may not enable a person to find sufficient time to attend to the business of an undertaking and to make effective contribution to its progress.

..... at the time of making nominations on the Board of Directors, Government should bear in mind that only such persons as are able to devote sufficient time to the affairs of the undertaking are appointed.”

8.3 Being informed that a part-time Chairman had been appointed for the Hindustan Paper Corporation and that the Chairman had also to attend to a private paper Company, the Committee observed in their 40th Report (5th Lok Sabha) that the ‘appointment of a person who has his own private interest in a competitive concern as Chairman of a public sector concern even on a part-time basis is wrong in principle’.

8.4. In the information called for by the Committee, they had also desired to know about the Directors working on the Boards of Directors of Public Undertakings but also connected with private sector undertakings as Chairman/Managing Director/Executive drawing more than Rs. 1500-p.m.

8.5 From the information received by the committee, it is seen that in the case of 68 undertakings there were one or more Directors who were connected with private sectors undertakings. However, big and large, such Directors were serving the Public Undertakings only as part-time Directors with no regular salary.

8.6. While it may be that the experience of such Directors in the private sectors must be proving useful to the Public Undertakings concerned, there are some peculiar cases which the Committee would like to make specific mention of, namely—

Sl.No.	Name and Designation	Name and address of private sector undertaking with which connected.
(1)	(2)	(3)
AIR INDIA		
1 Shri J. R. D. Tata Chairman (Part-time) Upto January, 1976.		1. Tata Iron and Steel Co. Ltd. Bombay House, Fort, Bombay.
		2. Tata Sons Limited, Bombay House, Fort, Bombay.
		3. Tata Industries Limited, Bombay House Fort, Bombay.
		4. Tata Oil Mills Limited, Bombay House, Fort, Bombay.
		5. Tata Chemicals Limited, Bombay House, Fort, Bombay.
		6. Indian Hotels Co. Ltd., Bombay House Fort, Bombay.
		7. Governing Council, Tata Energy Research Institute, Bombay House, Fort Bombay.
		8. Tata Institute of Fundamental Research Bombay House, Fort, Bombay.
		9. National Centre for the Performing Art Bombay House, Fort, Bombay.
		10. Family Planning Foundation, Bombay House, Fort, Bombay.
		11. Tata Limited, London, Bombay House, Fort, Bombay.
		12. Tata International A.G. Zus, Bombay House, Fort, Bombay.
		13. Tata Incorporated, New York, Bombay House, Fort, Bombay.
2 Shri J. M. Chudasama		Managing Director of—
		1. Bombay Paints and Allied Products Ltd Chembur, Bombay.
		2. Oricon Private Ltd., 14 K. Dubash Marg. Fort, Bombay.

(1)	(2)	(3)
		Director of—
		1. State Bank of India, Bombay.
		2. Thacker & Co. Ltd., 18/20, K. Dubash Marg, Fort, Bombay.
		3. Arawheel Private Ltd., 107, Sarang Street, Bombay.
		4. Universal Express Travels & Tours Pvt Ltd., 14 K. Dubash Marg, Fort, Bombay.
		5. Precision Gears Pvt. Ltd., Ticcicon House, Dr. E. Moses Road, Bombay.

BHARAT LEATHER CORPORATION LTD.

(An Apex Body responsible for the development of leather industry in the country and creating suitable infrastructure for this purpose.)

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|---|---|
| 3 Shri Andappa Nagappa Chettiar,
Director. | 1. The Indian Leather Corpn. P. Ltd
Madras. |
| | 2. The General Transportation & Pro-
duces Pvt. Ltd., Bangalore. |
| | 3. The Chrome Leather Co. Ltd., Madras |
| | 4. Tubes Suppliers Ltd., Madras. |
| | 5. Sree Valliappa Textiles Ltd., Bangalore. |
| | 6. The Southern Borax Ltd., Madras. |
| | 7. Loyal Textiles Mills Ltd., Kovilatti. |
| | 8. S.R.P. Tools Ltd., Madras. |
| | 9. M.P.M. Ramaswamy Chettiar & Co,
Calcutta. |
| | 10. Naryanan Chettiar Industries, Salem. |
| | 11. Chettiars Tanning Corpn., Madhavaram
Madras. |
| | 12. Madurai Dindiguc Skins Syndicate,
Dindiguc. |
| | 13. Nagappa Industrial Trading Corpn.,
Madras. |
| | 14. N. D. Geogopolos, Bombay & Delhi. |
| | 15. Indo Overseas Traders, Bombay. |
| | 16. North India Skins Corpn., Delhi |

(1)

(2)

(3)

- | (1) | (2) | (3) |
|-----|----------------------------------|---|
| | | 17. The Southern Indian Chamber of Commerce & Industry, Madras. |
| | | 18. Leather Export Promotion Council. |
| | | 19. Southern Indian Shippers Assn., Madras. |
| | | 20. Indian Leather Fair Society, Madras. |
| | | 21. Exporters Club, Madras. |
| | | 22. Nagappan Foundation. |
| | | 23. Federation of Indian Chambers of Commerce and Ind., New Delhi. |
| 4 | Shri A. Hefezul Rhaman, Director | 1. South East Footwear Ltd., Madras-3.
2. Bokiyu Tanneries Ltd., New Delhi.
3. South East Tanning Co., Madras.
4. Benil Leather Corporation, Madras.
5. New Great Shoe Company, Madras-3.
6. Skin Supply Corporation, Madras-3.
7. Bengal Tanning Co., Calcutta.
8. Indian Glue Corporation. |
| 5 | Shri Sanjoy Sen, Director | 1. Sen & Pandit Ltd., Calcutta.
2. The National Tannery Co. Ltd., Calcutta.
3. Orbital Commerce & Agencies Ltd., London.
4. Bengal Water proof Works (1940) Ltd., Calcutta.
5. Gillanders Arbuthnot & Co. Ltd., Calcutta.
6. Anglo-India Jute Mills Co. Ltd., Calcutta.
7. Jotindra Steel & Tubes Ltd., New Delhi.
8. S & P Engg. Products Ltd., Calcutta.
9. Hope India Ltd., Calcutta.
10. New Gujarat Cotton Mills, Calcutta.
11. Universal Electrics Ltd., Calcutta.
12. Western Ltd., Calcutta. |

(1)	(2)	(3)
		14. Marketing & Consultancy Services, Calcutta.
		15. Bose Institute.
		16. Board of Trade, Calcutta.
		17. Eastern Indian Shippers Association.
		18. Indian Leather Technologists Association,
		19. Association of Indian Engineering India.
		20. All India Shippers Council.
		21. Bengal Club Limited.
		22. East India Hotels Ltd.
		23. Calcutta Club Ltd.
		24. Lake Club Ltd.
		25. Automobile Assn. of Eastern India.
		26. National Sports Club of India.
		27. Bombay Footwear Pvt. Ltd.
		28. The Diners' Club Pvt. Ltd.
		29. Indian Aluminium Ltd.
		30. British Paints (I) Ltd.
		31. Union Carbide India, Ltd.
		32. Alkali & Chemical Corpn. of India Ltd.
		33. General Elect. Co. of India Ltd.
		34. Mangalore Chemicals & Fertilizers Ltd.
		35. Bata India Ltd.
		36. Shaw Wallace & Co. Ltd.
		37. Sirper Paper Mills.
		38. Export Import Advisory Comm. (Eastern Region).
MADRAS FERTILIZERS LTD., MADRAS	6 Shri M. V. Arunachalam, Director .	1. TI Diamond Chain Ltd., Madras.
		2. TI Millers Ltd., Madras.
		3. Tube Investments of India Ltd., Madras.
		4. Carborundum Universal Ltd., Madras.

(1)

(2)

(3)

5. Bombay Paints & Allied Products Ltd.
6. Ajam Products Ltd., in voluntary liquidation.
7. Bundy Tubing of India Ltd.
8. Kanoria Chemicals & Industries Ltd.
9. Thiru Arooran Sugar Ltd.
10. Straw Products Ltd.
11. Ambad Engg. Berherd, Malaysia.
12. Shriram Fibres Ltd.
13. The Tin Plate Co. of India Ltd.
14. The Industrial Credit & Investment Corpn. of India Ltd.
15. Hindustan Motor Ltd.

MINING AND ALLIED MACHINERY CORPORATION, LTD., DURGAPUR

7. Shri J. G. Kumaramangalam, Director .
1. Bird & Co., Ltd., Chartered Bank Buildings, Calcutta.
 2. The Kinnison Jute Mills Co., Ltd., Chartered Bank Buildings, Calcutta.
 3. Southern Switchgear Ltd., Chartered Bank Buildings, Calcutta.
 4. Transformer Switchgear Ltd., Chartered Bank Buildings, Calcutta.
 5. Bira Stone Lime Co., Ltd., Chartered Bank Buildings, Calcutta.
 6. Kumardhubi Fireclay and Silca Works Ltd., Chartered Bank Buildings, Calcutta.
 7. Bolani Ores Ltd., Chartered Bank Buildings, Calcutta.
 8. Holman—Climax Manufacturing Ltd., Chartered Bank Buildings, Calcutta.
 9. Orissa Minerals Development Co., Ltd., Chartered Bank Buildings, Calcutta.
 10. Titagarh Paper Mills Co., Ltd.
 11. Weigh Bird India Ltd., (Previously George Salter India Ltd., Chartered Bank Buildings, Calcutta.
 12. The Lawrence Investment and Property Co. Ltd., Chartered Bank Buildings, Calcutta.
 13. Eastern Investments Ltd., Chartered Bank Buildings, Calcutta.

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NATIONAL TEXTILE CORPORATION, NEW DELHI

8 Shri K. Sreenivasan, Chairman
(Part-time).

1. The Coimbatore Cotton Mills Ltd.
Coimbatore.
2. The Orissa Textile Mills Ltd., Coimbatore
3. Mopeds India Ltd., Coimbatore.
4. Premier Breweries Ltd.
5. The Premier Instruments Coimbatore :Ltd
6. M/s. Kothari (Madras) Ltd.
(This Company has also Textile Mills
in Coimbatore).
7. M/s. Tamilnadu Synthetic Fibres Ltd.
8. M/s. Binny Ltd., Madras.
9. Premier Cotton Spg. Mills Ltd.
10. South India Textile Research Assn.
11. Selvaraja Mills (P) Ltd.

THE ORIENTAL FIRE AND GENERAL INSURANCE COMPANY LIMITED

Shri H. S. Singhanian, Director

1. M/s. Straw Products Ltd.
2. M/s. J. K. Shipping (P) Ltd.
3. M/s. J. K. Synthetics Ltd.
4. M/s. J. K. Industries Ltd.
5. Games Manufacturing Co. Ltd.
6. M/s. J. K. Steel & Industries Ltd.
7. M/s. J. K. Iron & Steel Co. Ltd.
8. M/s. Hogles Paints Ltd.
9. M/s. Mishra Dhatu Nigam Ltd.

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REHABILITATION INDUSTRIES CORPORATION LTD, CALCUTTA

(The Units run by the Corporation undertake fabrication of Steel structure, steel furniture, wooden furniture, cotton and silk weaving, ready-made garments, fruit processing for export and home market, manufacture of civil and electrical construction and fabrication and erection of Coal Handling Plants etc.)

10 Shri Druga Prasad Chakravorti,
Chairman.

1. Hope (India) Ltd.
2. Dishergarh Power Supply Co. Ltd.
3. Century Enka Ltd.
4. B. N. Elias & Co., Pvt. Ltd.
5. West Bengal Essential Commodities Supply Corporation Ltd.
6. India Paper Pulp Co. Ltd.
7. Bilaspur Spinning Mills & Industries Ltd
8. Telerama (India) Ltd.
9. West Bengal Industrial Development Corporation Ltd.
10. Banarhat Tea Co. Ltd.
11. Asher Textiles Ltd.
12. Tide Water Oil Co. (India) Ltd.
13. Sri Annapurna Cotton Mills & Industries Ltd.
14. Sri Girija Prasad Cotton Mills LTD
15. Schrader Scovill Duncans Ltd.
16. Transformer & Switchgear Ltd.
17. Industrial Reconstruction Corporation of India Ltd.
18. Indian Chamber of Commerce.
19. Chakravorti Sons & Co.
20. Chakravorti & Co.
21. Dhakeswari Cotton Mills Ltd.
22. United Bank of India.
23. Laxminarayan Cotton Mills Ltd.
24. Metal Distributors Ltd.
25. The Antifriction Bearing Co. Ltd.

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26. The Coorla Spinning Weaving Co. Ltd *
 27. Poysha Industrial Co. Ltd.
 28. Incheck Tyres Ltd.
 29. Cimenco Binani Zinc Ltd.
 30. National Standard Duncan Ltd.
 31. Union Co-operative Insec. Society Ltd.
 32. Sukumar Sahitya Samalaya Samiti.
 33. The Mohini Mills Ltd.
 34. India Record Manufacturing Co. Ltd
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8.7. In their earlier Reports [12th Report (4th L.S.) presented to Parliament on 19-4-1968 and 40th Report (5th L.S.) presented to Parliament on 5-9-1973] the Committee have amply cautioned Government against associating with public enterprises non-officials connected with a large number of private companies, especially competitive concerns. The Administrative Reforms Commission has also pointed out that the non-official members of the Boards of public enterprises should have faith in public sector and should not have such business or other interests as may affect their objectivity in their discharge of duties on the Boards. In practice, the Committee is most distressed to note that Government have chosen to select people who are champions of private ownership and enterprises who develop vested interests. This set of people could possibly never have genuine faith and interest in the public sector enterprises and therefore should be debarred from becoming members of Board of Directors.

8.8. A selective check by the Committee of the association of non-official Chairman/Directors with private concerns has revealed that in some cases the members are so much directly preoccupied with a number of private concerns, which is as high as 38 in one case. For instance 3 Directors of the Bharat Leather Corporation are connected with 69 private concerns between them. It is one of the major reasons why the Corporation is facing ruination today. In the case of Rehabilitation Industries Corporation Ltd., the Chairman is surprisingly connected with as many as 34 private concerns.

8.9. The Committee would like to know whether a thorough enquiry was made to verify the personal integrity of non-officials who are appointed as Directors in Public Sector Undertakings. Such enquiries ought to have been made from Enforcement Directorate, Central Board of Direct Taxes

and Central Board of Excise & Customs and similar other Departments and Organizations for verifying their antecedents particularly to find out whether they are involved in any economic offences. In the case of appointment of even subordinate government employees intensive enquiries are made by the Police, but in these cases of appointments of Directors of Public Sector Undertakings, who are to act as trustees, the Committee have reasons to apprehend that no verification is made at the time of appointment. It seems to have been only on the basis of the strength of the interested lobby.

8.10. While it is a certainly that the non-official businessmen derive immense benefit through their association with the Public Enterprises, the Committee apprehend that their presence affect the proper functioning of the Enterprises. The Committee, therefore, require that no person from private sector should be selected for Directorship.

IX—ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS

9.1. In their 28th Report (Third Lok Sabha) on 'Head Office of Hindustan Steel Ltd.', the Committee on Public Undertakings had deprecated thin attendance at meetings of the Board of Directors in the following terms.

"The Committee consider the continued thin attendance at Board meetings as a matter of serious concern. . . . It is needless to say that the management of the affairs of a Public Undertaking in which more than Rs. 800 crores of Public funds are invested, should be entrusted to such persons who will not only evince keen interest and show aptitude but also devote the necessary time and contribute to the successful working of the Undertaking. The Committee deprecate that such a state of affairs has been allowed to continue. They recommend that such Directors who have not cared to discharge their responsibilities and have not been regularly attending the meetings of the Board should be replaced."

9.2. The Government had in their action taken reply promised to implement the recommendation.

In their 14th Report (4th Lok Sabha) the Committee again deprecated the continuance of Directors in spite of the fact that they did not attend majority of the meetings of the Board. In its view, success of any undertaking largely depends on the interest taken by the board of Directors. It advised:

" . . . at the time of re-appointment of the Directors each year, only those who have shown interest in the affairs of the company, should be considered for re-appointment."

In reply dated 15th December, 1969, the Government stated as follows:

"Government accept the view that members of Boards of Public Enterprises should be regular in their attendance of Board Meetings and should take interest in the affairs of the enterprises of which they are Directors. A sample-survey is being conducted to ascertain the regularity of attendance of Board members in public enterprises.

9.3. One of the reasons why some of the Board members, particularly Government Officials who have been put in the Boards of Public Enterprises,

are not very regular in their attendance is that they are members of too many Boards and they cannot do justice to all the Boards of which they are members. In order to eliminate this difficulty, Government have decided that Government officials should normally serve as part-time Directors in not more than two Boards. As regards non-official Directors also, Government have decided that those who have not been regular in attending Board Meetings or have not shown interest in the affairs of the enterprise of which they have been Directors should not be retained as Directors at the time of state constitution of the Board.

9.4. The whole policy regarding selection of right persons to serve as part-time Directors in Public Enterprises is under review at the moment."

9.5. From the material obtained by the Committee, they have, on a elective basis, go through the records relating to attendance of members at the various meetings of the Board of Directors of some of the undertakings during 1976-77. Certain cases of very thin attendance at such meetings have come to the notice of the Committee, as shown below:—

Sl. No.	Name of Undertaking	Total No. of Directors	Date of meeting	No. of Directors attended the meeting
1	Central Fisheries Corporation Ltd.	14	13-8-1976	5
			27-9-1976	7
			29-3-1977	6
			15-7-1977	6
			24-11-1977	4
			20-12-1977	3
2	Central Inland Water Transport Corporation.	12	21-3-1977	6
			23-11-1976	6
			28-2-1977	4
3	International Airports Authority of India.	Ranging between 9 & 10	22-6-1976	5
			26-9-1977	5
			26-2-1977	5
4	Hindustan Zinc Ltd.	Ranging between 9 & 10	21-1-1976	3
			6-9-1976	4
			29-9-1976	4
			3-3-1977	4
5	Industrial Development Bank of India	16-2-1976 to 30-6-1976— —17 July, 1977 to June, 1978 —20	17-8-1976	9
			12-10-1976	9
			17-5-1977	8

9.6. The Committee have also availed of this opportunity to go into the question of attendance of Government officials (representing the Ministries) at the meetings of the Boards of Directors and find that in the case of Central Fisheries Corporation Ltd., the attendance of such Directors was miserably bleak as shown in the statement below:—

Name of Undertaking	No. of Govt. Official on the Board	Date of meeting	Attendance	
			Present	Absent
Central Fisheries Corporation Ltd.	2	17.4.1976	1	1
		13.8.1976	x	2
		27.9.1976	x	2
		29.3.1977	x	2
		15.7.1977	x	2
		24.11.1977	x	2
		20.12.1977	x	2

9.7. The unsoundness of the practice followed by the Government in regard to the composition of the Boards of Management and selection of the Members of the Board could be seen from even a small thing like attendance at the Board meetings. The attendance at the meetings of the Board of an enterprise is an index of the interest evinced by their members in the affairs of that enterprise. . . In the past the Committee have repeatedly called attention of the Government to the thin attendance at the meeting of various Boards and urged that those who have not shown interest should be weeded out. From the record of proceedings of the Boards of Management of a few enterprises available with the Committee it is seen that the attendance was not even 50 per cent of the strength of the Boards on many occasions. This disturbing situation can only be attributed to the appointment of those persons as part-time Directors who are otherwise busy or who clearly lack interest in the affairs of the enterprise concerned. What is more disturbing to the extent of non-participation by the Government Directors themselves. For instance in the Central Fisheries Corporation over a period of a year and 4 months no Government Director attendance the meetings of the Board on 6 occasions. The Committee have no doubt in their mind that unless the Board of an enterprise is a homogenous and dedicated team answerable to people periodically it cannot succeed which is evident from the fact that the performance of the public sector undertakings had hardly been good and had lately recorded sharp deterioration.

X—SITTING FEE

10.1. The Committee have noticed that usually a sitting fee of Rs. 100 per day is allowed to the part-time non-official Directors of the Board in a majority of the Public Enterprises. A few cases of higher rates of sitting fee noticed are shown below:—

Sl. No.	Name of the Enterprise	Amount of sitting fee (Rs.)
1.	Bharat Gold Mines Ltd.	150
2.	Bolani Ores Ltd.	250
3.	Manganese Ore India Ltd.	200
4.	Mysore Porcelains Ltd.	250

10.2. The Committee are unable to find any justification why particularly in the case of Bolani Ores Ltd., Manganese Ore India Ltd., and Mysore Porcelains Ltd., the sitting fee for the Director should be so high as Rs. 200/250. The Committee wonder whether any guidelines have been issued in regard to payment of sitting fees and other allowances to the parttime non-official Directors. If these have not been issued it should be done forthwith and the payment of the D.A. should not exceed Rs. 100/- in any case.

NEW DELHI;

March 17, 1979

Phalguna 26, 1900 (Saka)

JYOTIRMOY BOSU,
.. .. .
Chairman.
Committee on Public Undertakings.

APPENDIX

SUMMARY OF CONCLUSIONS/RECOMMENDATIONS OF THE COMMITTEE ON PUBLIC UNDERTAKINGS CONTAINED IN THE REPORT

Sl. No.	Reference to Paragraph No. in the Report	Summary of Conclusions/Recommendations
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(1)	(2)	(3)
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1	2.4 to 2.6	The success of public sector depends largely on their Boards of Management and how they function. A time has come to review the structure, the size and the composition of the Board of Management with a view to see how far these are conducive to achieving the results expected. The Boards of Management of public enterprises are at present hardly policy making bodies. Major policies and crucial decisions are made by the Government which are to be implemented by the Boards. The Boards of Management of public enterprises do not have much or final say in drawing up the policies. The Boards have, therefore, to be necessarily of a mixed character, partly policy formulating but largely functional. This has been well recognised by the Study Team of the Administrative Reforms Commission which examined the public sector undertakings. The Study Team had recommended that a Board should consist of a full-time Chairman-cum-Managing Director, a few full-time functional Directors, not more than two Government representatives and two or three part-time Members from outside the Government.
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The information obtained by the Committee from 179 public enterprises reveals that in a majority of cases there are no functional Directors at all. Further, in 14 cases where there is a full time Chairman there is no Managing Director and in ten cases where there is a part-time Chairman there is no Managing

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Director. In a few cases both the Chairman and the Managing Director are part-time appointees. All this shows that the structure of the Board as is obtaining today is not at all what it ought to be. The Committee have discussed the size and the composition of the Board in the succeeding sections of this Report.

The Committee had occasion to go into the top appointments in the context of their examination of the Central Inland Water Transport Corporation. In their 9th Report (6th Lok Sabha presented to Lok Sabha on 26th April, 1978), they had recommended that the necessity of having a part-time Chairman and full-time Managing Director should be examined. Strangely enough even in the context of the miserably deteriorating performance of the public sector undertakings the Government have not considered it necessary to have this arrangement as a rule. The Committee find that in as many as 83 public undertakings there is a Chairman-cum-Managing Director. In the context of imperative need to have a mixed type of Board it is absolutely necessary to have a separate Managing Director in addition to a part-time Chairman.

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2.7

The post of Chairman should not be an office of profit and an elected representative of the people *i.e.* a member of Parliament could be made the Chairman. The Board of Management should consist of about one-third of Members taken from amongst Members of Parliament, one Member not being associated with more than two Boards at a time. The tenure of Members of Parliament are represented. The reason behind this connection, the Committee wish to point out that in governing bodies of autonomous institutions such as Tea Board, Tobacco Board, etc. The Members of Parliament are represented. The reason behind this is that an elected representative is answerable to the people with regard to success and failure in the sphere in which he is called upon to take up responsibility. However, it is to be noted that in today's context a Member of Parliament has hardly

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been given any assignment through which he can give an account of himself. It will be wholly undesirable to nominate to the Board superannuated and aged persons and persons who are not acquainted with the requirements of an industry or trade or economic operation relevant to the activities of a particular public sector undertaking. The Committee have noted with great disappointment that some of Directors drawn from inside Government have acted more as a mere 'Ditto men' and have hardly taken pains to examine and understand things in depth for successful working of the public undertakings. There are instances where a particular official has been made Director of a number of public undertakings, and besides his routine job, due to paucity of time and human limitations he is, even if willing unable to apply his mind and/or to act to the best of his ability. The Committee are very firmly of the opinion after seeing the results of decades of trial that the time has come when peoples' elected representatives should have greater involvement in productive work in a democracy such as ours.

3 3.5
to 3.7

The Committee very much regret to note that in a democracy where legislature is an important organ of the State, their recommendations have gone unheeded which will be seen from the following facts:

The Committee have time and again pointed out the imperative need to ensure continuity and stability of top appointments. The general policy of Government is to have a tenure of 5 years in top positions of public enterprises. In actual practice however there have been for too many changes which are bound to affect the working of the enterprises. A test check by the Committee has shown that the average tenure of Chairman/Managing Director is less than two years in a number of cases, besides vacancies remaining unfilled for considerable length of time. Such a situation can only be attributed to defective selection methods.

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If men are properly screened with reference to their qualification, experience and aptitude for empanelment for appointment to top positions, premature termination of appointments would not be there. Further by now the public enterprises themselves should be in a position to throw up man to man such position. Such men with the potential to run an enterprise should be identified fairly early to assume the responsibility. It would also be essential to place a successor in position six months ahead so that he could equip himself to take over the top position and be ready with his own future plans for the enterprise.

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4.5

The Committee have indicated earlier that the Boards of Management of Public Enterprises should include besides the Chief Executive, functional Directors and part-time Government as well as non-official Directors. The minimum size of the Board would thus be somewhere around 7 and maximum could go upto 11 depending upon the nature of the enterprise. There should not be any arbitrariness in fixing the strength of the Board from time to time.

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4.6

Although the relevant Acts in the case of Statutory Corporations and the Articles of Association in the cases of Govt. Companies indicate the strength of the Board, the Committee have noticed that there is a very wide gap between the minimum and the maximum laid down. Further the composition of the Board and ability on non-official Directors on the Board do not seem to have been indicated almost in all the Articles of Associations of the Government Companies. The Committee suggest that the Articles of Association should be suitably amended without delay to provide for a closer range of membership of the Board and to lay down requirements of the members wherever necessary. They would commend the provisions in respect of the Industrial Development Bank of India for adoption with such modification as is necessary in other cases. In

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defining the composition of the Board, the need to have adequate representation of the Members of Parliament as stressed earlier in this Report, should be taken into account.

6 5.7
to 5.9

The Committee note with concern that despite a decision taken by Government that only in exceptional cases and for good reasons the number of official representatives on the Boards of Management may be allowed to exceed two, the tendency seems to be to load the Boards with officials without any rhyme or reason. Out of 145 enterprises studied by the Committee, in 39 cases where the strength of the Board ranged from 4 to 15 the number of part-time official Directors ranged from 4 to 12. This does not go well with the concept of autonomy and the nature of the activities of the public enterprises. In fact, this proves that the public undertakings enjoy little autonomy.

To quote a few glaring examples, the Water and Power Development Consultancy Services India Ltd., Tele-Communication Consultancy India Ltd., Cotton Corporation of India, Hindustan Cables Ltd., and National Instrument Ltd. have only official Directors numbering 4 to 12. These are almost wholly Central Govt. officials. Thus the Boards have been converted into mere inter-departmental committees of Government and nothing else. The Committee do not find any reason why there is virtually no other representation on these Boards.

An inherent danger in gross over-representation of the officials on the Board is, the number of enterprises being large, the same official of a Ministry is represented on a number of Boards making it impossible to have any worthwhile contribution. The Committee have dealt with this question elsewhere in this Report. They wonder whether there was any watch over this position centrally in Government, say in the Bureau of Public Enterprises. They are of the view that the composition of all the Boards

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		should be immediately reviewed with a view to altering it in a manner that is productive of results and cutting down the number of official Directors to the barest minimum.
7	5.10	There is no need to nominate representatives of all the Departments/Ministries connected with the activities of a particular enterprise to its Board. A minimum number of, say, two, officials should be able to represent the Government interest for real active participation.
8	5.11	The Committee have been stressing the need to have a broad-based Board of Directors which should be composed of various interests (barring from private Sector) and experience both in Government and in legislatures and of men of public standing, academicians, journalists, economists, sociologists professionals etc. They have particularly desired that the participation of workers' representative in the Board should be ensured with a view to promote industrial harmony and maximise production. It should be remembered that the public sector enterprises employ nearly 2 million persons and that labour is an important factor of production. There should be always an emphasis on labour-oriented technology and creating conditions in which the workers could give their best. The Committee notice that the question of representation of workers on the Boards of Industrial Enterprises was being pursued by the Department of Labour and Employment. They would insist that a decision in this regard should be taken early and suitable representation of workers on the Boards ensured.
9 to	6.3 6.4	It passes the comprehension of the Committee how whole-time government officials could be appointed to a very large number of Boards of public enterprises which in some cases is as high as 10 to 12. For instance an integrated Financial Advisor of the Ministry of Industry is associated with 11 Boards and Additional Secretary of the Ministry of Industry

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is associated with 12 Boards. Such officers would not obviously be in a position to do justice to their work either in Government or in the Boards of the enterprises.

The policy of the Government peculiarly enough seems to be to necessarily have the official dealing with the particular enterprise and a finance representative on the Board of that enterprise. Although it may be that the officer dealing with an enterprise can have a first-hand knowledge of that enterprise when nominated to the Board of that enterprise, there cannot be an objective scrutiny by him in the Ministry of the decision of the Board to which he has been a party nor can there be an independent appraisal of the working of the enterprise in the Ministry. Further with every change in the dealing officer there will be a change in the Directorship. The policy therefore needs a change. The Committee strongly feel that Government representatives should be selected on the basis of their ability and experience and not by virtue of the office that they hold in a particular Ministry. In this connection attention is drawn to Paragraph 150(2)(iii) of the 2nd Report of CPU (Sixth L.S.) presented to Lok Sabha on 11.4.1978, mentioning a case wherein admittedly an official parttime Director has no experience of being on the Board and had merely become a party to decisions taken by the Board. In any case if the policy of having the dealing officer on the Board results in an absurd situation of his having to be nominated to a large number of Board the practice must end immediately.

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6.5

There ought to be rigid restrictions on the number of directorships of the officials if their participation in the management of public sector enterprises is not to be reduced to a farce or a mere formality. The

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Committee would strongly urge that as a matter of policy, which should be strictly adhered to, no particular officer of any Ministry or Department should be appointed to serve as part-time director on more than two public enterprises.

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7.10

As early as 1961 Government had decided that no Secretary of Ministry/Department should be a Member of any Board of Public Enterprises. The Committee have also been consistently holding the view that no officer of the Ministry should be made the Chairman and no Secretary to Government should be appointed to the Board as a Director. They have given cogent reasons why this should not be done from the point of view of ensuring real autonomy of the public enterprises as well as objective appraisal of the working of these enterprises by the Ministries. A study team of the Administrative Reforms Commission has also recommended in its Report (1967) that no officer of the Ministry should be made a Chairman nor the Secretary of the Ministry be included in the Board of Management. In spite of all this the Committee find that in as many as 10 enterprises various officials of the Ministries, mostly Secretaries, have been appointed as Chairmen and in 5 enterprises Secretaries have been nominated as Directors. The Committee are unable to find any reason why this practice should continue violating the policy of the Government. The Committee would therefore, require that this practice should end forthwith. For healthy functioning of the Public Sector Enterprises and objective appraisal by the Administrative Ministry concerned it should be ensured that no official whatsoever of that Ministry should be a party to a decision taken by the Boards of the Public Enterprises. In other words, the official representation in the Board should come as far as possible from some other Ministry not being the controlling Ministry. The present incumbents should vacate their positions immediately and other suitable persons

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as recommended earlier should be found and in future there should be no such appointment to the Boards of Managements of Public Enterprises, which is not sound in principle.

12	8.7	<p>In their earlier Report [12th Report (4th L.S.) presented to Parliament on 19.4.1968 and 40th Report (5th L.S.) presented to Parliament on 5.9.1973] the Committee have amply cautioned Government against associating with public enterprises non-officials connected with a large number of private companies, especially competitive concerns. The study team of the Administrative Reforms Commission has also pointed out that the non-official members of the Boards of public enterprises should have faith in public sector and should not have such business or other interests as may affect their objectivity in their discharge of duties on the Boards. In practice, the Committee is most distressed to note that Government have chosen to select people who are champions of private ownership and enterprises who develop vested interests. This set of people could possibly never have genuine faith and interest in the public sector enterprises and therefore should be debarred from becoming members of Board of Directors.</p>
to	8.10	

A selective check by the Committee of the association of non-official Chairmen/Directors with private concerns has revealed that in some cases the members are so much directly preoccupied with a number of private concerns, which is as high as 38 in one case. For instance 3 Directors of the Bharat Leather Corporation are connected with 69 private concerns between them. It is one of the major reasons why the Corporation is facing ruination today. In the case of Rehabilitation industries Corporation Ltd., the Chairman is surprisingly connected with as many as 34 private concerns.

The Committee would like to know whether a thorough enquiry was made to verify the personal

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integrity of non-officials who are appointed as Directors in Public Sector Undertakings. Such enquiries ought to have been made from Enforcement Directorate, Central Board of Direct Taxes and Central Board of Excise & Customs and similar other Departments and Organizations for verifying their antecedents particularly to find out whether they are involved in any economic offences. In the case of appointment of even subordinate government employees intensive enquiries are made by the Police but in these cases of appointments of Directors of Public Sector Undertakings, who are to act as trustees, the Committee have reasons to apprehend that no verification is made at the time of appointment. It seems to have been only on the basis of the strength of the interested lobby.

While it is a certainty that the non-official businessmen derive immense benefit through their association with the Public Enterprises, the Committee apprehend that their presence affect the proper functioning of the Enterprises. The Committee, therefore, require that no person from private sector should be selected for Directorship.

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9.7

The unsoundness of the practice followed by the Government in regard to the composition of the Boards of Management and selection of the Members of the Board could be seen from even a small thing like attendance at the Board meetings. The attendance at the meetings of the Board of an Enterprise is an index of the interest evinced by their members in the affairs of that enterprise. In the past the Committee have repeatedly called attention of the Government to the thin attendance at the meetings of various Boards and urged that those who have not shown interest should be weeded out. From the record of proceedings of the Boards of Management of a few enterprises available with the Committee it is seen that the attendance was not even 50 per cent of the strength of the Boards on many occasions.

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This disturbing situation can only be attributed to the appointment of those persons as part-time Directors who are otherwise busy or who clearly lack interest in the affairs of the enterprise concerned. What is more disturbing is the extent of non-participation by the Government Directors themselves. For instance in the Central Fisheries Corporation over a period of a year and 4 months no Government Director attended the meetings of the Board on 6 occasions. The Committee have no doubt in their mind that unless the Board of an enterprise is a homogeneous and dedicated team answerable to people periodically it cannot succeed which is evident from the fact that the performance of the public sector undertakings had hardly been good and had lately recorded sharp deterioration.

14 10.2

The Committee are unable to find any justification why particularly in the case of Bolari Ores Ltd., Manganese Ore India Ltd., and Mysore Procelains Ltd., the sitting fee for the Director should be so high as Rs. 200/250. The Committee wonder whether any guide lines have been issued in regard to payment of sitting fees and other allowances to the part-time non-official directors. If these have not been issued it should be done forthwith and the payment of the DA should not exceed Rs. 100/- in any case.

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