

**GOVERNMENT OF INDIA
HEAVY INDUSTRIES AND PUBLIC ENTERPRISES
LOK SABHA**

UNSTARRED QUESTION NO:3197
ANSWERED ON:30.08.2012
ARJUN SENGUPTA COMMITTEE REPORT
Lal Shri Kirodi

Will the Minister of HEAVY INDUSTRIES AND PUBLIC ENTERPRISES be pleased to state:

- (a) whether the Government had constituted an Adhoc Group of Experts (AGE) under the Chairmanship of Dr. Arjun K. Sengupta to consider the issues relating to Public Sector Enterprises;
- (b) if so, whether the Committee has submitted its report;
- (c) if so, the main recommendations made by the AGE; and
- (d) the followup action taken thereon?

Answer

THE MINISTER OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES (SHRIPRAFUL PATEL)

(a) to (d): A statement is laid on the Table of the House.

Statement referred to in reply to Lok Sabha Unstarred Question No. 3197 for answer on 30th August, 2012 regarding Arjun Sengupta Committee Report The Government had constituted an Ad-Hoc Group of Experts (AGE) in November, 2004 to consider issues like autonomy, greater delegation of financial powers, corporate governance, Research & Development, technology upgradation, effective functioning in a competitive environment, etc. related to Central Public Sector Enterprises (CPSEs). The Ad-Hoc Group of Experts submitted their report in April, 2005 containing recommendations on broad issues relating of Ownership, Powers of CPSEs, Audit of Government Companies, Article 12 of the Constitution of India, Parliamentary Accountability and Vigilance Management in Public Sector Enterprises.

2. The recommendations of AGE relating to enhancing the powers delegated to Navratna, Miniratna and other profit making CPSEs were initially considered and the proposals for enhancing the powers delegated to Navratna, Miniratna and other profit making CPSEs were approved by the Cabinet and orders in this regard were issued on 5.8.2005.

3. The remaining recommendations which had far reaching implications were considered later and the Cabinet in their meeting held in June, 2006 decided that the matter may, in the first instance, be considered by a Group of Ministers (GOM). The recommendations of AGE were considered by a Group of Ministers, headed by Shri Praiib Mukherjee, the then External Affairs Minister, in their 2 meetings held on 29.11.2006 and 23.2.2007 respectively. Based on the recommendations of GOM, the Cabinet Note was formulated which was considered by the Cabinet in their meeting held on 26.4.2007 and was approved and the orders in this regard were issued in May, 2007.

4. The Government accepted the following recommendations made by AGE.

(i) Empowering the holding companies to transfer assets, floating of fresh equity and divestment of shareholding in subsidiaries subject to certain conditions.

(ii) Budgetary support to implement Government sponsored projects of national interest and Government sponsored Research & Development projects should not disqualify CPSEs from retaining Navratna/Miniratna status subject to conditions,

(iii) Chief Executive of the CPSE would be a member of the Search Committee for selecting Independent Directors for the concerned CPSE Board of Directors,

(iv) Foreign travel of Board level executives in CPSEs within guidelines to be laid down by the respective Boards.

(v) Setting up of Internal Committees in CPSEs to examine disciplinary cases before deciding to initiate departmental proceedings; and as in the banking sector, setting up of an Advisory Board to consider CPSE related cases, and

(vi) Enhancement of powers delegated to Navratna, Miniratna and other profit making CPSEs

5. The Government did not accept the recommendations of AGE relating to (i) Board of Directors raising equity from market without the approval of the Government, (ii) Setting up of six Supervisory Bodies and related recommendations, (iii) Role of Government

Director, (iv) Issuance of Presidential Directives, (v) Reviewing the functioning of the company for not more than twice a year, (vi) Negative list of areas, (vii) Powers to approve capital expenditure without the requirement of seeking Public Investment Board/Cabinet Committee on Economic Affairs approvals, (viii) Performance appraisal of Independent Directors and Government Directors, (ix) Revisit of Article 12 of the Constitution, (x) Appointment of Chief Executives and Functional Directors on the Board of CPSEs till the age of superannuation and (xi) Appointment to Board level posts in joint ventures/subsidiaries.

6. The Government has also decided that the recommendation regarding approval of Parliament for reduction of Government shareholdings to below 51% in Navratna, Miniratna and other profit making CPSEs will be considered later after final outcome of Bharat Petroleum Corporation Limited/Hindustan Petroleum Corporation Limited case in the Supreme Court is available. As regards the recommendation that the Ministries should develop CPSE-specific criteria to determine overall performance independent of profitability, it has been decided that the existing performance evaluation parameters will be allowed to operate for 3 years and reviewed after a period of 3 years. The recommendations regarding subsequent investment in successful and profitable JVs and JVs set up by Navratnas without any limit and removal of all restrictions on investment decisions within a period of 3 years would be considered after 3 years. As regards the recommendation of AGE for further modification (including quantum of performance linked payments) in system of performance related payments to Board level and below Board level executives, the Government has issued the guidelines for performance linked payments and incentives and also for constitution of Remuneration Committee as part of the revision of pay scales of CPSE executives. No action was required to be taken on the recommendation of AGE regarding audit of Government companies as the C&AG was taking steps to address the concerns of CPSEs within the limits of its overall constitutional obligations to the Parliament. As regards the recommendation relating to Parliamentary accountability of CPSEs, the Ministry of Parliamentary Affairs has been requested to take up the issue with the Rajya Sabha Secretariat and Lok Sabha Secretariat.