12

STANDING COMMITTEE ON INFORMATION TECHNOLOGY
(2004-2005)

FOURTEENTH LOK SABHA

MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY
(DEPARTMENT OF POSTS)

[Action taken by Government on the Recommendations/Observations of the Committee contained in their Second Report (Fourteenth Lok Sabha) on Demands for Grants (2004-05)]

TWELFTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

March, 2005/*Phalguna,* 1926 *(Saka)*

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Presented to Lok Sabha on ....

Laid in Rajya Sabha on ....

सत्यमेव जयते

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CONTENTS

COMPOSITION OF THE STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2004-2005)

Shri M.M. Pallam Raju — *Chairman*

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31. Shri Sanjay Nirupam

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INTRODUCTION

I, the Chairman of the Standing Committee on Information Technology (2004-05) having been authorised by the Committee to submit the Report on their behalf, present this Twelfth Report on Action Taken by Government on the Recommendations/Observations of the Committee contained in their Second Report (Fourteenth Lok Sabha) on "Demands for Grants (2004-2005)" relating to the Department of Posts.

2. The Second Report was presented to Lok Sabha on 23.08.2004 and laid in Rajya Sabha on 24.8.2004. The Department furnished Action Taken Notes on the recommendations contained in the Report on 05.01.2005.

3. The Report was considered and adopted by the Committee at their sitting held on 20.01.2005.

4. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in the body of the Report.

5. An analysis of Action Taken by Government on the recommendations/observations contained in the Second Report (Fourteenth Lok Sabha) of the Committee is given at Annexure-II.

NEW DELHI;
1 *March,* 2005
10 *Phalguna,* 1926 *(Saka)*

M.M. PALLAM RAJU,
Chairman,
Standing Committee on
Information Technology.

CHAPTER I

REPORT

This Report of the Standing Committee on Information Technology deals with action taken by the Government on the Recommendations/ Observations of the Committee contained in its Second Report (Fourteenth Lok Sabha) on Demands for Grants (2004-2005) pertaining to Department of Posts (DoP)

2. The Second Report was presented to Lok Sabha on 23 August, 2004 and was laid on the Table of Rajya Sabha on 24 August, 2004. It contained 12 recommendations/Observations.

3. Action Taken Notes in respect of all the Recommendations/ Observations contained in the Report have been received and categorised as under:

(i) Recommendations/Observations which have been accepted by the Government:

Recommendation Nos: 3, 5, 6, 9, 10

Total: 5

Chapter-II

(ii) Recommendations/Observations which the Committee does not desire to pursue in view of the reply of the Government:

Recommendation Nos: 4, 7, 8, 11

Total: 4

Chapter-III

(iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:

Recommendation Nos: 1, 2, 12

Total: 3

Chapter-IV

(iv) Recommendations/Observations in respect of which replies are of interim nature:

Recommendation Nos. Nil.

Total: Nil

Chapter-V

4. The Committee trusts that utmost importance would be given to the implementation of the recommendations accepted by the Government. In cases, where it is not possible for the Department to implement the recommendations in letter and spirit for any reason, the matter should be reported to the Committee with reasons for non-implementation. The Committee further desires that Action Taken Notes on the Recommendations/Observations contained in Chapter-I and the final Action Taken Notes on recommendations contained in Chapter-V of this Report should be furnished at an early date.

5. The Committee will now deal with the Action Taken by Government on some of the recommendations.

A. Gross Expenditure

(Recommendation No. 1)

6. In their Second Report the Committee had noted that the gross expenditure under the revenue section had been increasing year after year *i.e.* Rs. 5476.15 crore in the year 2002-2003, Rs. 5804.79 crore in the year 2003-2004 and Rs. 6027.31 crore (budgeted) in the year 2004-2005. the reason for the rise was due to profile of work force which was labour intensive so the increase in the expenditure was due to the increase in Dearness Allowance and Dearness Relief sanctioned to them from time to time. The other factor responsible relating to pension payments which were made to the postal pensioners. The pension was charged to the operating working expenses of the Department, whereas in other Ministries/Departments it was charge to a common level of account.

7. The Committee further noted that the working expense for the year 2003-2004 was Rs. 5747.72 crore out of which approximately 1/5th *i.e.* Rs. 1107.22 crore was spent on pension. Again for the year 2004-2005, the working expanses were projected to be Rs. 6030.37 crore out of which Rs. 1215.00 (approx 1/5th) were spent on pensions.

8. The Committee had, therefore, recommended that the department should take up the matter with the Ministry of Finance and the Planning Commission to treat pension payments as a separate common head as in the case of other Ministries which would substantially reduce their working expenses.

9. The Department, in its action taken notes has stated that on the recommendation of the Committee the matter was taken up with the Ministry of Finance and the Budget Division of Department of Economic Affairs, Ministry of Finance in reply has submitted the following:

> "Department of Posts is functioning as a departmentally run commercial undertaking and the receipts earned by them through commercial operations are netted against non-Plan expenditure, which includes the expenditure on account of 'pensions', is being treated as working expenses of the Department of Posts and netted against commercial receipts to arrive at 'Postal Deficit' which is funded from the General Revenues. In case of Department of Telecommunications also, before BSNL was created, pensions paid to the erstwhile employees of DoT, used to form a part of working expenditure of the Department of Telecommunications. Since the expenditure on 'pensions' form part of the working expenses of the of the commercial departments, like Ministry of Railways, the same principal is applied to the Department of Posts. As such, it is regretted that it may not be possible to agree to the proposal of the Department of Posts to bear the expenditure on 'pensions' by General Revenues."

10. In response to the clarification given by the Ministry of Finance the Department of Posts had submitted that the Department is treated as a commercial department for the purpose of pension whereas in the matter of addressing the deficit it is expected to fulfil the USO without enjoying the level of autonomy that the Ministry of Railways or even the earstwhile DoT enjoyed. It is further stated that every product of Department is in competition with other service providers and the 'exclusive privilege' that it enjoys legally is unenforced. Finally Department had stated that the services provided by DoP including Savings Bank facilities are not being offered on a cost plus basis.

11. The Committee are not convinced of the reply forwarded by the Ministry of Finance, which declined the proposal of the Department of Posts to bear the expenditure on pensions by general

revenues on the ground that the expenditure on 'pension' forms part of the working expenses of the commercial departments, like Ministry of Railways etc.

12. The Committee endorse the views of the DoP that it is treated as a commercial department for the purposes of pensions, whereas in the matter of addressing the deficit etc. it is expected to fulfil the Universal Service Obligation (USO) without enjoying the level of autonomy that the Ministry of Railways or the earstwhile DoT enjoy. Further, the Committee note that 'exclusive privilege' legally vested is unenforced and various services provided including savings bank facilities are not being offered on a cost plus basis.

13. The Committee in the light of above facts provided by the DoP, are of the considered view that the Department should take up the matter once again at the highest level with the Ministry of Finance and the Planning Commission to have a re-look into the whole aspect of treating pension payments of DoP under a separate common head, as in the case of other Ministries. The Committee may be apprised periodically of the progress made in this regard.

B. Revenue Sharing

(Recommendation No. 2)

14. In its earlier report Committee had noted that the revenue earnings which come through recoveries towards commission from other departments for agency functions was going down. The Committee attributed to the fact that people go in for insurance from private fund managers which were more attractive than the insurance policies of the Department of Posts. The Committee, therefore, had recommended that the Department should begin looking at practical solution in insurance sector in order to reduce deficit by generating healthier revenue by working on commercial lines.

15. The Department in its action taken notes has stated as under:

> "The existing products available in Postal Life Insurance (PLI) are more attractive than the other service providers because of low premium and high bonus. For example, bonus in PLI for Endowment Assurance (EA) policies is Rs. 77 per thousand of sum assured per annum for a policy whereas the same is

Rs. 70 per thousand of sum assured per annum in Life Insurance Corporation of India (LICI) for a comparable EA policy. Similarly, the premium rates in PLI are lower by 5% to 20% in various plans. Thus existing plans in PLI are more attractive in comparison to similar plans in LICI and other service providers."

16. PLI is providing life insurance cover to an identified category of clientele who are regular employees of Government (Centre/State), undertakings (Centre/State), nationalised banks, Railways, Government-aided educational institutions, universities, defence and paramilitary personnel and local bodies etc. who have access to regular medical facilities. Introduction of various new products are extremely necessary for such segment of clientele. PLI is currently facing great difficulties in creating new schemes while facing tough competition from other service providers who have entered the market with various attractive products. The LICI has more than one hundred schemes for the public, whereas there are only five schemes in PLI and RPLI.

17. Before participation of private companies in the insurance sector, the LICI, under Section 30 of the LIC Act, 1956, had got monopoly to transact life insurance business in India. However, as laid down in Section 44(d) of the said Act, the provisions thereof are not applicable to Post Office Insurance Fund (POIF) run by the Postal Department (Central Government) who are in charge of its administration.

18. Earlier, the Controller of Insurance in Ministry of Finance used to function as an actuarial adviser to POIF. Accordingly, the Ministry of Finance, Department of Economic Affairs *vide* their letter No. 97 (25) Ins. II/93 dated 20.09.1993 had advised the Department to refer all policy matters of POIF, *e.g.*, extension of scope so as to cover more clientele, introduction of new scheme/products etc. to Insurance Division for concurrence. Accordingly, on the recommendations of RN Malhotra Committee constituted by the Government on social reforms, a proposal for introduction of rural Postal Life Insurance in rural sector for the benefit of weaker sections and women of the villages was sent to the Ministry of Finance (Insurance Division) for concurrence. The scheme was approved by the Ministry of Finance under their letter No. 17(2)/Ins. V/94/Vol. II dated 11.04.1994 and the same was introduce with effect from 24.03.1995.

19. After liberalization of the insurance sector, Insurance Regulatory and Development Authority (IRDA) has been put in place to regulate

the insurance sector since 1999. After the formation of the IRDA, the control function of the Insurance Division has been transferred from Ministry of Finance to IRDA. At present, Ministry of Finance, has no Controller of Insurance to examine new products. Now all new products of other companies are examined and approved only by IRDA. Since the PLI is not under IRDA, they have refused to do anything concerning PLI. As a result, the Department has not been able to introduce any new product, as Ministry of Finance has washed their hands off this function and not issued any new guidelines on this aspect.

20. The Department had referred a case for introduction of Group Insurance Scheme for the employees of the BSNL to the Ministry of Finance on 21.07.03. In fact, BSNL themselves approached the Department to run this scheme for their employees after they came outside the ambit of the CGEIS on formation of the Corporation. Ministry of Finance replied on 1.8.2003, asking that approval of IRDA be taken. This case remained in correspondence with IRDA and Ministry of Finance for more than a year, but the Department failed to get any response from Ministry of Finance. A meeting was held with Chairman of IRDA at Hyderabad on 30.12.2003, and after much persuasion, the IRDA wrote to Ministry of Finance on 25.03.2004 that special dispensation can be given to PLI for introduction of insurance scheme for the employees of BSNL. But so far, Ministry of Finance has not given any approval for introduction of this scheme.

21. On the one hand IRDA, refuses to take any case relating to PLI since PLI does not come under them while on the other hand Ministry of Finance is not permitting introduction of any new products, which is in the interest of public. This virtually means that PLI cannot introduce any new product, consequently PLI will be losing out in the market to the other private and multi-national insurance companies, who are introducing many new customized schemes to attract customers who have different requirements. A way out of this would be for Finance Ministry to allow PLI to introduce new products, which are worked out by a professional Actuary. However, no decision has yet been taken in the matter.

22. The Committee note that Postal Life Insurance (PLI)/Rural Postal Life Insurance (RPLI) have enormous potential in generating revenue in the insurance sector but due to the lack of new schemes unlike the schemes offered by Life Insurance Corporation of India

(LICI) and other service providers it may loose large share of the revenue in the long run.

The Committee have been given to understand that after liberalization of the insurance sector in 1999, the Insurance Regulatory and Development Authority (IRDA) was put in place to regulate the insurance Division and the Ministry of Finance has no control in insurance matters thereafter. However, PLI neither comes under the purview of IRDA nor Ministry of Finance, and therefore no new products under the insurance scheme could be launched by the Department. A group insurance scheme for employees of BSNL, which was to be run by the Department could not be implemented by the Department as no final decision has been taken in this regard so far.

23. The Committee are perturbed to note the deadlock between the IRDA & Ministry of Finance. Under this situation it has not been possible for the Department to introduce any new products under PLI in the public interest which would in turn generate revenue for the Department. The Committee, therefore, strongly recommend that the Department should take up the matter of introduction of new PLI products at highest level with the Ministry of Finance and IRDA on top priority to enable the Department of Posts to provide group insurance for the employees of BSNL and introduce new products in the interest of the public at large. The Committee would like to be apprised of the progress made in this regard from time to time.

C. Rent, Rates and Tax

(Recommendation No. 8)

24. The Committee in the second report had noted that under the head "the rent, rates and tax" the budgetary allocation had been increasing since 2002-2003 on account of rent revision and revision of hired buildings where the rent revision was due. The Committee further noted that for 22,610 buildings on rent with Department of Posts, a substantial amount i.e. Rs. 45 crores approximately was being paid toward rent every year.

25. The Committee, therefore had desired that the Department of Posts should chalk out its detailed policy, for construction of its own buildings on vacant plots or land offered by the Panchayats or other

organisations on priority basis in a phased manner and save the huge rent paid on hired buildings. The Committee also opined that the option of renting out might be exercised in order to have a flexibility of shifting operations to wherever business was anticipated.

26. The Department in its action taken note has stated that "the Construction of buildings on departmental vacant plots of land is a continuing process through funds provided under Plan schemes. Planning Commission has approved funds to the tune of Rs. 115.40 crores under the head 'Construction of Buildings' for the Tenth Five Year Plan. The buildings are being erected in a phased manner depending upon priority for Post Offices, Administrative Offices and Staff Quarters, subject to availability of funds. With a view to networking departmental offices, first priority is being accorded for construction of Head Post Offices, Higher Selection Grade-I & II Post Offices and Lower Selection Grade Post Offices with 15 or more personnel, besides post offices in urban areas where rent liability is high, so that funds are optimally utilised. As on date, 92 Head Post Offices, 138 HSG-I Sub Post Offices and 215 HSG-II Sub Post Offices are functioning from rented buildings. Plots of land for construction of these post offices are not available in all cases. Around 31 cases have been identified where plots of land are available and construction can start during the next two financial years. For this purpose, Rs. 64.7 crores has been proposed for BE 2005-06 since Rs. 50 crore out of the Plan outlay would have been used by the end of 2004-05. This would enable completion of 70 building projects and commencement of another 80 building projects. While priority is given to bigger operative offices and administrative offices as mentioned above, all available plots of land are required to be put to optimal use. The allocation from the Planning Commission is very little compared to the need to construct on nearly 1700 vacant plots already available with the Department. Postal Service Board has, therefore, recently taken a policy decision to construct on these vacant plots up to maximum FSI (Floor Space Index) and rent out excess space for augmenting financial resources from non-tariff sources".

27. The Committee feel that the construction of buildings on a maximum FSI (Floor Space Index) basis and renting out excess space for augmenting financial resources from non-tariff sources should be examined. All steps should be taken to maximize the returns by letting them out on rent to credible parties with adequate legal safeguards to protect assets and maximize the revenue. The Committee also desire that they may be kept informed about the steps taken on each of the properties in this regard.

D. Financial Receipts

(Recommendation No. 12)

28. The Committee had noted with concern in its earlier report that the most of the services introduced by the Postal Department are running at loss. That could be justified with the fact that in the year 2002-2003, out of 38 services of the Postal Department only 8 services generated surplus whereas remaining 30 services were at loss. Further, for the year 2003-2004 out of 35 services only 11 services could generated surplus whereas remaining 24 were in deficit. The Committee had therefore, recommended that the Department should re-think and reassess its working in order to identify reasons for incurring losses and formulate an efficacious strategy to get rid of its services from running into losses year after year.

29. The Department, in its Action Taken Notes, had submitted the following important reasons which contribute to the losses:

(a) The Department follows the 'apportionment method' of costing whereby the actual expenditure incurred by the Department for maintenance of its services is taken from the Demands for Grants and classified among different cost centres. Thereafter, it is apportioned on the basis of traffic and/or time factor needed in each product/service to assess cost. As long as the revenues earned from the products/ services are lesser than the expenditure on them, as assessed by the apportionment method of costing, these products will continue to register losses.

(b) Revenues from products/services are based on the tariff rates fixed for them, which in turn taken into account the USO factor, the market competition and resultant market conditions, and the nature and quality of the product/ services offered. In the case of the Department's products/ services, there has been no clear categorization till date as to what constitutes USO as far as the traditional postal products/services are concerned. Hence an effort is now being made to clearly define the nature and extent of USO. All products which fall outside the category of USO will have to be priced more commercially. Similarly, the possibility of re-engineering existing traditional products to identify value added features which can cater to special segments among customers also needs to be explored. This exercise has now been initiated.

(c) Fall in traffic in traditional products has contributed to the increase in per unit cost of products. This calls for a twin pronged strategy of giving more focused attention to the marketing of traditional mails and also of improving quality of service so that volume of traffic increases, thereby contributing to reduction in the per unit fixed costs. In the case of the former, the Business Development Directorate has recently issued certain guidelines to Circles about the strategies to be adopted for marketing traditional products so that they receive as much focus as the premium products.

(d) Number of services are/were being provided by the Department at cost The possibilities of increasing revenues through review of commission, re-engineering of processes, proper accounting of funds, etc. are being explored.

(e) Leakage of revenue is yet another area which has engaged the attention of the Department.

(f) There is an inherent subsidy in the norms prescribed for opening post offices in rural areas. However, post offices, once opened, register far greater losses than permissible as per policy. Feedback received from various sources indicate that this is primarily because there is no onus on the GDS to sustain or improve business volumes since the linkage between their emoluments and the business they generate/ handle was removed a decade ago. This issue also merits serious attention since 83% of the network comprise extra-departmental offices.

(g) The Postal network was set up to cater to the Universal Service Organization (USO) of providing greater access to basic postal facilities. There are many post offices located in urban and rural areas which are located at distances that are lesser than the distance prescribed as per norms either due to historical reasons or because they were opened on the basis of the discretionary powers then available within the norms. The reasons for which many of these offices were opened no longer exist and hence there is room for streamlining such offices and optimizing resources.

(h) The structures, processes and work norms of the Department need to be geared to the changed scenario brought about by induction of technology so that output and resources earned per employee and per office are substantially enhanced. This also requires consolidation of resources to ensure optimum benefits from the induction of technology.

30. The Committee are happy to learn that the Department of Posts have made sincere efforts to ascertain the reasons for its losses and have also chalked out a strategy to reduce the losses. In this connection, the Committee feel that although the strategies are chalked out every year but losses of the DoP continue to mount unabated. According to the Committee, the Development is an on-going process but prudent financial management is essential to all processes and strategies. The Committee therefore, desire that all the plans and strategies of the Department to overcome the losses should be implemented in true letter and spirit so that the DoP can turn the corner and show profits in near future.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Revenue Deficit

(Recommendation No. 3)

The revenue deficit of the Department has increased from Rs. 1364.40 crore in 2002-2003 to Rs. 1386.80 crore in 2003-2004 and now it is expected to come down to Rs. 1377.77 crore in 2004-2005. The huge deficit is generated through high expenditure and low revenues through the years.

Whereas, main factor for high expenditure is the large scale base of employees whose salaries, pensions, DA etc. have to be met by low revenue earning through subsidised rates of products and services which are provided through the universal obligation of the Department.

Another factor responsible for the low generation of revenue is the unilateral restriction of commission towards agency function carried out by the Department on behalf of the Ministry of Finance. As per agreement the Ministry of Finance is required to enhance the per account/per certificate remuneration by 10% every year. However, this enhancement was unilaterally restricted to 2.36% by the Ministry for the year 2003-2004 and 3.5% for 2004-2005 thereby increasing the deficit of the Department by Rs. 267.33 crore in 2003-2004 and Rs. 465.13 crore during FY 2004-2005 (BE).

The Committee feel that the Ministry of Finance is doing great injustice to the Department, which is already serving the nation by not functioning on commercial lines without a profit motive. The Committee, therefore, impress upon the Ministry of Finance to abide by its terms of agreement and enhance the per account/per certificate remuneration by 10% every year to reduce the huge deficit of the Department of Posts to a reasonable level.

Action taken by the Government

It is true that revenue deficit of the Department has increased from Rs. 1364.40 crore in 2002-03 to Rs. 1375.22 crore in 2003-04 (Final

Figure). The projection of deficit is Rs. 1377.77 crore for Budget Estimates 2004-05.

The reasons for huge deficit is high expenditure and low revenues. Main factor for high expenditure is salaries, pensions, DA etc. The Department of Posts is prominently labour oriented. The cost of postal services has been increasing steadily due to dependence on manual operations and rising cost of manpower. The revision of postal rates have not been keeping pace with the steady rising costs of operation. The resultant gap between expenditure and revenue, which has been steadily increasing, has been a matter of concern for the Department, Efforts are being made to generate additional resources by taking on new retail and agency functions on commission basis and through introduction of new, value added products.

The figures and quantum of revenue deficit in recent years (reduced from Rs. 1591 crore in 1988-99 to Rs. 1364 crore in 2002-03) shows a gradual improvement in the financial health of the organisation. However, revenue augmentation has been significantly improving in recent year. In 1998-99, revenue receipts (Rs. 1722 crore) had been only 52% of the gross expenditure (Rs. 3313 crore), whereas in 2002-03, revenue receipts (Rs. 4009 crore) have contributed to 75% of gross expenditure (Rs. 5374 crore). This shows the efforts that are being made in the Department to augment its revenues.

Steps are also being taken to reduce the expenditure, though the scope for reduction is limited, since 90% of working expenditure is on establishment related costs. Even out of the balance, a large part relates to operation related costs such as printing and stationery charges, conveyance charges, rent, rates and taxes, maintenance etc. Action is being taken to improve productivity and efficiency through computerisation and induction of technology.

One of the reasons for low generation of revenue is the unilateral restriction of commission towards agency functions carried out by the Department on behalf of the Ministry of Finance. The concerns expressed by the Standing Committee regarding the restriction on commission for savings bank work have been taken up with Ministry of Finance in continuation of earlier efforts made with them to adhere to the agreement. The matter had also been taken up with the 12th Finance Commission previously. The response of Ministry of Finance is awaited.

X-Five Year Plan

(Recommendation No. 5)

The Committee note that the working group set up by the Planning Commission for the Department of Posts, proposed an amount of Rs. 3616 crore for 8 Plan schemes, which include Infrastructure Development, Computerisation and connections, Business development, financial services, HRD, Estate development, automation & ergonomics & philately. The Committee are however, surprised to note that the Planning Commission, not only reduced the proposed outlay from Rs. 3616 crore to Rs. 1350 crore but also increased the number of schemes from 8 to 20 at the time of approval. There is one-to-one co-relation between the schemes proposed to the Planning Commission and approved by them as some of the elements have been bifurcated from the original proposals to form separate schemes in the approved plan for convenience in implementation. This however, proportionately reduced the scope of many schemes, which were in the area of computerisation of Post Offices, improving ergonomics, financial services, Human Resource Development (training) and Estates Development (Construction of buildings).

The Committee have been informed that the plan schemes are envisaged by the Department keeping in view the basic requirement of Postal network and demand of the customers. Moreover, bifurcation of original proposals of the Department in the Planning Commission will also create problem for the Department in implementing and allocating funds for the restructured schemes. However, in-spite of all the constraints the capacity of the Department to realistically absorb the funds within the existing infrastructure has also to be looked into.

In view of the above and also in view of the fact that the Department's main objective is to modernise, computerise and facelift itself during the X Plan, the Committee feel that the Department would do well by absorbing Rs. 1350 crore and achieving its objectives. The Committee also impresses upon the Planning Commission to agree to give to the Department the desired funds if they are approached for the same.

Action taken by the Government

The concern expressed by the Committee about optimal utilisation of Plan funds has been noted and every effort is being made through regular monitoring at varying levels in the Directorate and at the Circle levels, to ensure co-ordination between different wings and timely and optimal utilisation of funds. The Planning Commission has been communicated the concern expressed by the Committee about the need to provide the desired funds if approached for the same. The Department has submitted proposals for Rs. 673.49 crore, including Rs. 456.49 crore for the Computerisation project for BE 2005-06.

Computerisation of Post Offices

(Recommendation No. 6)

Computerisation of Post Offices, Sub-Post Offices, Circle Administrative Offices, Regional Administrative Offices, Divisional Administrative Offices and Postal Accounts Offices and networking is on the anvil of the Department of Posts during the Xth Plan. Out of 1,55,837 such offices in the country, 1772 Post Offices including 506 Head Offices have been fully or partly computerised during the last two Five Year Plan periods.

An amount of Rs. 836.27 crore has been provided by the Planning Commission to computerise 5616 Post Offices and other offices during the Xth Plan. However, since the scheme was approved by the Cabinet Committee on Economic Affairs in January 2004 an amount of Rs. 8.38 crores and Rs. 0.375 crore could be utilised on this project during the first two years of the Xth Plan thereby computerising 26 POs, 31 ROs and 3 COs.

The Committee are highly perturbed over the fate of this important project. They are apprehensive about the possibility of the Department to absorb approximately Rs. 828.00 crore during three years 2004-2005, 2005-2006 and 2006-2007 and achieve the gigantic target of computerising 5616 POs. In the opinion of the Committee, the funds do not pose any problem as such but the will to perform should be there to capitalise gains as much as possible.

The Committee are dismayed to note that Department is not serious enough to execute its vital and important schemes of computerisation, which will not only facilitate effective networking of postal services but also be helpful in increasing efficiency, downsizing of huge non-Plan expenditure and for generation of more and more revenue by providing efficient consumer friendly service to the customer. Keeping in view the vital importance of the scheme, the Committee, therefor desire that Department should explore all ways and means to implement its schemes of computerisation, in a uniform manner, so that not only urban areas but also rural/semi rural areas too can be networked and its vital consequential benefits could accrue to the Department of Posts and the consumer at large. The deployment of computers should be optimised according to the realistic necessity of each location. The Committee would like to be apprised about the detailed time bound programme chalked out by the Department for execution of its computerisation schemes in an judicious, efficacious and fruitful manner. The DoP should also improve efficiency of the internal processes of Post Offices through appropriate computerisation and effective training of personnel.

Action taken by the Government

The Technology Division has formulated a roadmap to implement the targets set for computerisation and networking of Post Offices as approved by CCEA for the 10th Plan period for the next 3 years (2004-07). The Division is working towards achieving the targets in time.

Till 9th Plan period 506 Head Post Offices and 1266 Sub Post Offices were partly computerised. These offices will be fully computerised and networked during the 10th Plan period. In addition, 339 Head Post Offices, 5595 Sub Post Offices, 3 Circle Offices, 37 Regional Offices, 205 Divisional Offices and 22 Postal Accounts Offices will also be fully computerised and networked in the 10th Plan period. The roadmap for this purpose is detailed below:

COMPUTERISATION AND NETWORKING OF POST OFFICES, POSTAL ACCOUNTS OFFICES AND ADMINISTRATIVE OFFICES DURING THE TENTH FIVE YEAR PLAN (2002-2007)

A. Computerisation & Networking

Offices	Total 10th Plan Physical Target	2004-05 Physical	2005-06 Physical	2006-07 Physical
1	2	3	4	5
H.O.	339	339	—	—
S.O.	5595	600	2800	2195

1	2	3	4	5
CO	3	3	—	—
RO	37	37	—	—
DO	205	100	105	—
DA (P)	22	22	—	—
B. Networking				
H.O.	506	506	—	—
S.O.	1266	600	666	—

The Post Offices selected for computerisation will mainly be located in urban areas. This is because the Department is first concentrating on computerising the larger offices where traffic and business are heavy. All these large Post Offices have more than two public counters. The Department's long-term strategy was initially to take up computerisation of smaller Post Offices having one or two counters in the subsequent Plan period. Many of these smaller offices are located in semi-urban/rural areas. However, even during the 10th Plan period, as a special case, the Department has proposed computerisation of all Post Offices in Assam, North-Eastern States and in Sikkim having two public counters as well. Some of these offices should be in semi-urban areas. This is part of the proposals for Mid Term Appraisal of the 10th Plan.

Since the CCEA approval of this Plan scheme was received only in January 2004 not much progress could be made in the year 2003-04. Orders were placed for hardware for 3 Circle Offices, 31 Regional Offices, 19 Postal Accounts Offices and 26 Head Post Offices in Assam, Himachal Pradesh and Chhattisgarh States by March 2004. Approval was received for computerisation of 313 Head Post Offices and 627 Sub Post Offices from the Hon'ble MoC in May 2004, but orders could not be placed for hardware, as DGS&D advised the Department not to place orders, considering that prices of hardware were likely to reduce in the next rate contract, for which bids were under process. The new rate contract was published in September 2004 and orders for computerising 313 Head Post Offices and approximately 1200 Sub Post Offices have been placed. The budget earmarked for the Technology Division during 2004-05 is likely to be fully utilised.

The Department has set an ambitious target for itself for 2005-06 and has sought funds to the extent of Rs. 456.49 crore for computerising 4666 post offices and 225 administrative offices in the next year subject to availability of resources. Separately, MoC&IT has also requested for an additional allocation of Rs. 500 crore to computerise all the remaining departmental post offices, since only then would the full benefits of computerisation accrue to the Department.

In the 10th Plan about 50,000 postal staff will be trained in Departmental software and in various other computer applications in 6 Postal Training Centres. In addition, 1,00,000 postal staff will be trained in 62 Workplace Computer Training Centres. Adequate importance has been given on computer training to ensure that the computerisation programme does not suffer for lack of trained manpower.

In so far as improving efficiency of internal work processes are concerned, an analysis of the trend of grievances and the contributory factors in terms of existing work processes is being continuously carried out. Important steps in streamlining the money order services transmitted through VSAT and for better cash management in the paying districts has been taken as a result of these studies. Further steps to pre-empt shortfalls in service and reduce the number and proportion of grievances in all basic services are being taken to ensure quality assurance. The information on public grievances is constantly shared with field units and other Divisions of the Directorate, to help them understand and appreciate the bottlenecks in the services being provided, and the need to rationalise work processes through process re-engineering on an on-going basis.

Department of Posts has also taken the initiative to improve the efficiency of financial services by launching new facilities as well as by process re-engineering as per details given below:

1. Electronic Clearance Scheme (ECS) has been launched as a pilot, which has streamlined the monthly interest credit system in MIS by giving direct credit of monthly interest to the depositors' bank account.
2. Decentralisation of RD & MIS accounts to the level of departmental sub offices has been done to cut down delays and improve efficiency.

3. Seven Postal Finance Marts have been opened at Chennai, Madurai, Trichy, Pudukottai, Pattukotai, Coimbatore and Arinthangai as a one-stop shop for financial service provider to the public. This is proposed to be replicated in other postal circles.

(Recommendation No. 9)

Expansion of Postal Network

The Committee note that Department of Posts has a huge network of 155,837 Post Offices comprising of 846 HOs, 25340 SOs, 2586 Extra-Departmental Sub-Offices and 1,27,065 Extra-Departmental Branch Offices. The Committee further note that entire rural network is provided with the subsidy to the extent of 66-2/3% for all Branch Offices located in normal rural areas and 85% in remote, tribal, hilly and desert areas. The Committee have been informed that an annual loss of Rs. 2400/-per year per office is permissible, in case of Department sub-office in normal areas, while it is Rs. 4800/-per year per office in remote, hilly, tribal and desert areas, however, every post office located in urban areas are expected to be financially self-sufficient and earn 5% over cost at the time of the first annual review.

The Committee, note with concern that approximately 74 proposals are pending irrespective of the prescribed norms for opening Departmental Sub Offices and 174 proposals with prescribed norm, pending for opening Extra-Departmental Branch Offices.

The Committee also note that post offices are not necessarily opened on the basis of prudent norms but sometimes on extraneous pressures and consideration beyond the control of the Department. Such post offices may tend to go into losses. The other major factor for post offices going into losses is the universal service obligation which the Department has to fulfil being a member of the Universal Postal Union. Such cases are, therefore, in the opinion of the Committee, justified.

The Committee, therefore, are of the considered opinion that location and density of post offices plays a vital role in revenue generations which should not necessarily be profit-making. The main aim of the Post Offices should be to serve the people at large. According to the Committee, the Post Offices should be located at bus stations, railway stations etc. They should not alter their fundamental nature, which is reliability. In a bid to attain these objectives, the Committee desires that the department should exercise utmost care and caution for expansion of its network in the urban areas.

Action taken by the Government

When the implementation programme for the Plan scheme "Expansion of Postal Network' was approved for the 10th Plan period by the competent authority, physical and financial targets were approved by them only for the first 2 years. Before formulating the programme for the remaining three years, a review of the status of postal services in rural areas was required to be conducted. Based on the results of this review, the feedback from the Circles, and the policy initiatives spelt out in the 10th Plan, *viz*., to rationalise the network, manage new offices only through redeployment of existing manpower, and introduce the concept of franchising, the Department was to come up with an implementation programme for the next three years. The Department has prepared the components of its strategy for the next three years, and this is awaiting MOC's approval before securing the clearance of EFC, as well as the approval of the competent authority, for finalising the future implementation programme for this Plan scheme.

The components of the strategy for network expansion for the next three years, *inter alia*, address the concerns expressed by the Committee. Some of the elements of the strategy include focusing Plan support on undeserved areas, redeploying existing offices to needier areas (without reducing access approved as per policy i.e. ensuring that there will continue to be a post office within the prescribed distance norm), and even supporting the post offices opened under the Non-Recoverable Component (NRC) of loss scheme in the North East, so as not to downgrade them as per their workload, as has been done elsewhere.

As far as the pending proposals for opening post offices are concerned, Circles have been empowered to meet the requirements for SOs by redeployment of existing single or double handed sub offices in urban areas located in closer proximity than approved as per policy. Therefore, they can meet the requirements in the case of pending proposals for SOs through such relocation. Similar action is being taken in the case of BOs also.

Speed Post

(Recommendation No. 10)

The Committee are happy to note that the share of speed post in express mail market segment has been constantly increasing from Rs. 77.95 crore in 1997-98 to Rs. 298.35 crore in 2003-04, but in percentage terms, this is only 10% of the EMS which is quite disappointing. The major chunk i.e. 90% still rests with private courier or express industry market etc. Keeping in view the huge potential and ample scope of the expansion of speed post in the express market and in order to expand revenue share in the market, the Committee feel that the Department of Posts should adopt a commercial approach based on commercial operational parameters, fresh induction of technology, improve efficiency and innovate business skills with effective monitoring mechanism. In order to so, it has to overcome the constraints like dependency on transport system, railways and airlines. In the opinion of the Committee, the DoP should have flexibility in operation of speed post with regard to the application of rules and regulation and also fixing costs etc.

Action taken by the Government

A commercial approach, based on commercial parameters, is adopted for promotion of the premium products and services. Commercial parameters include volume discounts, free pick up, Book Now Pay Later facilities, monthly billing, brand advertisements and product publicity.

During the 10th Plan period it is proposed to supply computers and other peripherals to 85 National Speed Post Centres, 480 Speed Post Centres and Speed Post Booking Offices and 850 Speed Post Booking and Delivery Offices in order to upgrade the existing facilities and to induct technology for Track and Trace purposes of Speed Post articles besides generating computerised receipts and document process.

Induction of technology and business approach would result in improving efficiency. Business performance targets are fixed every year. These targets are monitored every month and appraisal results communicated to Circles.

The quality of service is monitored every month. Regular transit analysis is done to identify delay and detention of mail for remedial action. The results are communicated to Circles to take corrective action, where found necessary.

A network of Customer Care Centres has been established to meet customer service requirements. Business meets and seminars are being held at different levels. Business conferences with associations such as FICCI etc. are also being held. Marketing Executives are available in Circles to market various products and services. Market surveys are regularly conducted to understand the market environment and develop new products and value additions.

Internet based systems are available for Track and Trace of Speed Post articles by the customer himself directly from the web. An online web-based grievance recording and response system is also available.

The dependency on the existing transport system is receiving attention. The transmission system is regularly monitored to ensure efficiency.

Heads of Circles have been empowered to approve business packages with value additions thereby providing flexibility in operations and other related aspects thereby generating revenue for the Department.

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DOES NOT DESIRE TO PURSUE IN VIEW OF THE REPLY OF THE GOVERNMENT

Budgetary Allocation for North-East

(Recommendation No. 4)

The Committee note that as per the instructions of the Government it is mandatory for the Department to spend 10% of its outlay for North-East Region. However, the Committee are perturbed to observe that out of Rs. 15 crore allotted in 2002-03 only Rs. 2.53 crore could be utilised and for the period 2003-04 again out of Rs. 8.98 crore budgetary funds allocated only Rs. 3.04 crore could be utilised. The Committee are not inclined to accept the reasons explained by the Department that due to delay in securing approvals for the various plans, budgetary allocations could not be utilised. From the reply, the Committee feel that no serious efforts were made by the Department to get the schemes approved by the Planning Commission in time, which resulted in gross underutilisation of the budgetary allocations provided for the development of the North-East Region. The Committee, desire that utmost attention should be given to the North-East areas in terms of getting the schemes approved in time and actual utilisation of funds allocated therefore. The Committee also desire that in order to fulfil the aspiration of the people of the North-East Region, every effort should be made to identify the areas where investment under the plan could be made. The Committee hope that the DoP will take suitable measures to fulfil the demands of NE region. They should also explore the possibility of locating Post Offices in the newly construction Community Information Centres (CRCs) of the Department of Information Technology.

Action taken by the Government

There are two aspects to be taken into consideration when clarifying why 10% of the Annual Plan outlay is not being invested in the NE. The first aspect relates to the question of making adequate allocation and the second is the question of actually utilising them. There are issues in respect of both aspects as far as the Department's 10th Plan for the NE is concerned, which needs to be clarified.

The Department of Posts has always endeavoured to ensure that 10% of the Plan funds are allocated for development of the NE. Normally, the Plan schemes of the Department are not capital intensive; however, the outlays of the 9th Plan and 10th Plan have increased, with outlays of Rs. 519.11 crore and Rs. 1350 crore respectively, after some technology induction programmes were initiated. In the 9th Plan, against the outlay of Rs. 519.11 crore, Rs. 392.19 crore were actually utilised. Out of Rs. 246.23 crore spent for the whole of India in the last 3 Annual Plans, Rs. 21.19 crore (8.6%) were utilised in NE Region only. However, in the 10th Plan, with a substantially higher allocation of Rs. 1350 crore, of which 79% has been earmarked for modernisation and induction of technology in the postal system, it is proving increasingly difficult to absorb funds to the extent of 10% in the NE for the following reasons:—

1. Rs. 836.27 crore is earmarked only for computerising almost all post offices up to those which have more than 2 hands, all account offices and important administrative offices. Funds have been separately provided to computerise mail offices, foreign post offices, international mail centres, Circle Stamp Depots, etc. However, almost all offices of the categories that are proposed to be covered under the 10th Plan have already been computerised in the NE in the earlier Plan.

2. The levels of investment in other Plan schemes are low, and;

3. There are limits to the extent of investment that can be made in the NE both in terms of the quantum of investment and scope for doing so, on the basis of the economic activity in that area.

The NE region's primary requirement in terms of postal services are for more post office facilities and for better connectivity. The first requirement can be met only if a location can meet the 3 prescribed norms (annexed). Of these population and income norms are difficult to achieve, given in the levels of population and development in many places. In fact, even most existing post offices are earning lesser income than the prescribed subsidised level of 15% of the cost. In terms of connectivity also the scope for investment is fairly limited. Therefore, the Department has proposed certain special schemes targeted only at the NE in the Mid Term Appraisal, to enhance the level of investment. However, the postal system in the NE does not have the capacity to absorb 10% of the higher outlays in the 10th Plan, despite these efforts, within the existing parameters of the approved plan schemes.

In so far as expenditure levels are concerned, shortfalls have occurred both in total expenditure as well as in the NE due to general problems with implementation, as may be seen from the outlays and actuals for NE and the rest of the country in 2002-03 and 2003-04 which are given below:—

(Rs. in crores)

2002-03				2003-04			
Total allocation	Allocation for NE	Total Expend	Expend in the NE	Total allocation	Allocation for NE	Total Expend	Expend in the NE
150.00	15.00	45.91	2.52	150.00	8.98	63.30	3.98

NORMS FOR OPENING POST OFFICES:

1. Norms for opening Extra Departmental Branch Post Offices:

1.1 Population:

(a) In Normal Areas:

3000 population in a group of villages (including the PPO village).

(b) In Hilly, Tribal, Desert and Inaccessible Areas:

500 population in an individual village or 1000 population in a group of villages.

1.2 Distance:

(a) In Normal Areas:

The minimum distance from the nearest existing post office will be 3 Kms.

(b) In Hilly, Tribal, Desert and Inaccessible Areas:

The distance limit will be the same as above except that in Hilly Areas, the minimum distance limit can be relaxed by the Directorate in cases where such relaxation is warranted by special circumstances which should be clearly explained while submitting a proposal.

1.3 Anticipated Income:

(a) In Normal Areas:

The minimum anticipated revenue will be 33 1/3% of the cost.

(b) In Hilly, Tribal, Desert and Inaccessible Areas:

The minimum anticipated income will be 15% of the cost.

It is further to be ensured that as a result of the opening of a new post office, the loss in respect of the parent post office does not increase beyond the permissible limit nor is its income reduced below the minimum prescribed.

2. Criteria for upgrading/opening Departmental Sub Post Offices:

(a) In Rural Areas:

The minimum work load of the Extra Departmental Branch Post Office, proposed to be upgraded, should be five hours per day. The permissible limit of annual loss is Rs. 2400/- in Normal Rural areas and Rs. 4800/- in Tribal and Hilly areas.

It is further to be ensured that as a result of the opening of a new post office, the loss in respect of the parent post office does not increase beyond the permissible limit nor is its income reduced below the minimum prescribed.

(b) In Urban Areas:

In Urban areas, the post office should initially be self-supporting, and, at the time of the first annual review, it should show a 5% profit to be eligible for further retention.

The minimum distance between two post offices should be 1.5 Kms. in cities with a population of 20 lakhs and above, and 2 Kms. in other Urban Areas. No two delivery offices, however, should be closer than 5 Kms. for each other.

Heads of Circles have powers to relax the distance condition in 10% of the cases.

A Delivery Post Office in Urban Area should have a minimum of 7 Postmen's beats.

COMPUTERISATION OF INTERNATIONAL MAIL PROCESSING

(Recommendation No. 7)

The Committee are informed that the upgradation of the Chennai and Kolkata Post Offices under the scheme is complete.

The Computerisation of four International Airmail Centres and a foreign post office has also been completed except for Kolkata which was delayed due to site preparation. Hardware to the extent of Rs. 0.77 crore will be procured after the mid term review of the project. The Committee, therefore, desire that the computerisation of International Mail processing in Kolkata post office should be taken up on priority basis to complete the remaining work before the time of mid term review so that the computerisation process could be taken up for completion in a time bound manner.

Action taken by the Government

1. In the approved Plan scheme, the upgradation of the Chennai and Kolkata Post Offices was not included. The proposal related only to upgradation of Foreign Post Offices at Delhi and Mumbai and 5 sub-Foreign Post Offices at Srinagar, Jaipur, Ahmedabad, Bangalore and Kochi. The computerisation of four International Airmail Centres was also part of the approved scheme. All these activities have been completed.

2. In so far as Kolkata and Chennai Foreign Post Offices are concerned, only civil and electric works were taken up to prepare them for computerisation. To complete this computerisation, additional funds were needed, which Planning Commission had indicated, while approving the outlay, will be considered after the Mid Term Appraisal of the 10th Plan. Hardware/Software to the extent of Rs. 0.41 crore is, therefore, proposed to be procured after the mid-term appraisal of the 10th Five Year Plan. Meanwhile, site preparation has been completed in Chennai, but not in Kolkata. The latter surrendered Rs. 20 lakh allotted to them in 2003-04 for preparatory work for computerisation. This work will now be taken up in 2005-06 since funds were not provided for this activity in BE 2004-05 in the expectation that the work would be completed in 2003-04 itself. Proposals have also been made to the Planning Commission to provide the additional funds (Rs. 0.41 crore) to complete the computerisation of these two offices as part of the Mid Term Appraisal of the Plan.

Rent, Rates and Tax

(Recommendation No. 8)

The Committee note that under the head "the rent, rates and tax" the budgetary allocation have been increasing since 2002-2003 on account of rent revision and revision of hired buildings where the rent revision is due. The Committee further note that for 22,610 buildings on rent with Department of Posts, a substantial amount *i.e.* Rs. 45 crores approximately are being paid toward rent every year.

The Committee are of the opinion that in case rent being paid by the Department for rented building is saved, by constructing its own buildings on vacant plots on priority basis and in a phased manner, the substantial amount saved on rent can be diverted for implementation of important plan schemes, which are lagging behind on account of shortage of funds.

The Committee, therefore, desired that the Department of Posts should chalk out its detailed policy, for construction of its own buildings on vacant plots or land offered by the Panchayats or other organisations on priority basis in a phased manner and save the huge rent paid on hired buildings. With regard to the location of smaller post offices in urban areas the necessity of creating assets should be dispensed with, which would result in saving of capital expenditure. The option of renting out may be exercised in order to have a flexibility of shifting operations to wherever business is anticipated. The Committee would like to know about the detailed plan of Ministry along with availability of land and estimates of total expenditure to be incurred thereon.

Action taken by the Government

Construction of buildings on departmental vacant plots of land is a continuing process through funds provided under Plan schemes. Planning Commission has approved funds to the tune of Rs. 115.40 crores under the head 'Construction of Buildings' for the Tenth Five Year Plan. The buildings are being erected in a phased manner depending upon priority for Post Offices, Administrative Offices and Staff Quarters, subject to availability of funds. With a view to networking departmental offices, first priority is being accorded for construction of Head Post Offices, Higher Selection Grade-I & II Post

Offices and Lower Selection Grade Post Offices with 15 or more personnel, besides post offices in urban areas where rent liability is high, so that funds are optimally utilised. The second priority is to construct administrative offices, Postal Stores Depots and Circle Stamp Depots in order that considerable rent can be saved and operational efficiency increased.

As on date, 92 Head Post Offices, 138 HSG-I Sub Post Offices and 215 HSG-II Sub Post Offices are functioning from rented buildings. Plots of land for construction of these post offices are not available in all cases. Around 31 cases have been identified where plots of land are available and construction can start during the next two financial years. For this purpose, Rs. 64.7 crores has been proposed for BE 2005-06 since Rs. 50 crore out of the Plan outlay would have been used by the end of 2004-05. This would enable completion of 70 building projects and commencement of another 80 building projects.

The Department will need funds over and above Rs. 115.40 crore in order to pursue the policy of having departmental buildings for all Head Post offices and for Higher Selection Grade Post Offices as land is also required to be purchased for these offices.

Similarly, while priority is given to bigger operative offices and administrative offices as mentioned above, all available plots of land are required to be put to optimal use. The allocation from the Planning Commission is very little compared to the need to construct on nearly 1700 vacant plots already available with the Department. Postal Service Board has, therefore, recently taken a policy decision to construct on these vacant plots up to maximum FSI (Floor Space Index) and rent out excess space for augmenting financial resources from non-tariff sources.

Comments of the Committee

(Please *see* Para No. 27 of Chapter-I)

Training

(Recommendation No. 11)

The Committee note that the Department have kept the training in the thrust area and had allocated Rs. 61.30 crore for Xth Plan. They also note that there has been under utilisation of budgetary allocation under the head. The Department was unable to utilise the funds allocated to it as during the year 2002-03 out of Rs. 6.65 crore allocated, an amount of Rs. 2.37 crore could be utilised and further in 2003-04 out of Rs. 11.28 crore allocated Rs. 7.07 crore could be utilised. Lack of adequate facilities in the existing workplace training centres and certain building projects in training institutions failing to take off are stated to be the reasons for shortfall in achievement of targets.

The Committee are of the considered opinion that in order to bring efficiency and improvement in quality of work, imparting proper and qualitative training to more and more employees by outside sources could be explored to reduce overheads and to make the training more effective. Refresher courses should also be organised to enthuse employees in their assignments. The Committee, therefore, keeping in view importance of the training, desire that the Department should not only enhance their training resources including building projects in training institutions but also devise efficient mechanisms for effective implementation of the plan schemes so that actual utilisation of the budgetary allocation is as near as possible.

Action taken by Government

The Plan scheme for Training was approved for implementation only in May 2003. Therefore, the scheme could not be effectively implemented in the first year of the 10th Plan viz 2002-03, except for on-going training programmes. This resulted in shortfall in the first year. In 2003-04, shortfall occurred not in the training component but in utilising Plan funds earmarked for training buildings because some of the civil works did not take off to the extent anticipated. Details of Plan implementation in the year 2002-03 and 2003-04 in physical and financial terms are annexed.

In order to bring efficiency and improvement in quality of work, imparting proper and qualitative training to its employees, Indian Postal Service Officers are given exposure in the outside training institutions of repute. 45 officers were deputed for various training programmes during last year:

Sl.No.	Name of the Programme	Period of training	No. of officers given exposure
1.	MDP for HAG/SAG at Administrative Staff College India, Hyderabad	7-12 July, 2003	15
2.	In-service Training Programme for JAG level officers at IIM Kolkata	15-26 September, 2003	15
3.	Training Programme on Legal matters for IPOs officers at NLSIU Bangalore	27-31 January, 2004	15

During current financial year, the following proposals were approved for deputing Indian Postal Service Officers to premier training institutes for exposure in specialised subjects:

(amount in lakhs)

Sl.No.	Name of the Institute	No. of programmes	No. of participants	Cost for one course/ participant	Total cost
1.	Administrative Staff College of India, Hyderabad	2 courses	30	Rs. 2.35	Rs. 4.70
2.	National Law School, India University, Bangalore	2 courses	30	Rs. 1.63	Rs. 3.26
3.	IIT Kharagpur	1 course	15	Rs. 2.80	Rs. 2.80
4.	IIM Ahmedabad	2 participants	2	Rs. 0.35	Rs. 0.70
5.	IIM Kolkata	2 courses	30	Rs. 2.91	Rs. 5.82
	Total		107	Rs. 2.91	Rs. 17.28

Of the above, the following courses are already conducted/being conducted:

Sl.No.	Name of the Programme	Period of training	No. of officers given exposure
1.	Management Development Programme for Higher Administrative Grade (HAG/SAG) i.e. CPMG/PMG at Administrative Staff College India, Hyderabad	25-30 October, 2004	14
2.	Management Development Programme on Computer Networking at IIM Ahmedabad	27 Sept-2 Oct, 2004	2
3.	Training Programme on legal matters for IPOs officers at NLSIU Bangalore	1-5 November, 2004	15
4.	Programme on System Analysis & Design at IIT, Kharagpur	22 Nov-3 Dec. 2004	15
	Total		46

Future Plans:

(i) There is paradigm shift in the training being traditionally imparted in regional Postal Training Centres by moving the training of staff nearer to workplace. At present, there are 39 Workplace Computer Training Centers (WCTCs) functioning in Circle/Regional Headquarters which take care of computer training on departmental software to the staff in Circle/Regional Hqrs. Supply orders for procurement of hardware and software for setting up 21 places have been issued on 8-11-2004. A total number of 60 WCTCs will function to train the Group 'C' staff on various departmental software etc. This training facility will augment the training facilities available in Postal training centres across the country. Although departmental employees with aptitude for training are posted from the cadre of inspectors and Postal Assistants for training in specialised areas, support from reputed private computer training institutes are also being taken in the WCTCs.

There is a plan to expand the network of WCTCs up to the level of important Divisional Offices/Head Post Offices. The idea in expanding the network of WCTCs is to provide for training near the workplace resulting in least disruption in the work in the Divisions coupled with increased frequency for updating skills. About 50,000 officials have already been trained during the last 2 years and till date. It would be possible to train more than 50,000 officials by the end of the 10th Five Year Plan.

(ii) Workplace training has been found to be a feasible and cost effective option where employees have to be trained in large numbers.

The workplace training covers supply of course material one month in advance to the candidates identified for training, obtaining feedback in the questionnaire form from them and based on the reports a group learning at nodal point is organised for 2-4 days duration. During the 10th Five Year Plan there is a target to train 50,000 Postmen, 71,500 Gramin Dak Sevak Branch Post Masters, 40,000 Gramin Dak Sevak Mail Deliverers and 3,500 Mail Overseers under this scheme.

(iii) There is a proposal to train all the supervisors as trainers so as to enable them to equip with knowledge and skills. This will further enable to give on the job training to the staff on different Postal Operations in the Post Office itself till they get a formal training in the training centres.

(iv) The Postal Service (Group 'B') officers are being imparted induction training at PSCI Ghaziabad. It is also proposed to give exposure to the Gr. 'B' officers of Postal Service as well as Accounts cadre on specialised subjects at State Level Administrative Training Institutes (ATIs).

As regards optimum utilisation of budgetary allocations, the position in respect of Annual Plan 2004-05 is given below:

Sl.No.	Activity	BE 2004-05	RE 2004-05	Anticipated Expenditure
	3201-02-003-01-Training			
1.	**Training Institute Learning**			
(a)	Training Programme for Group 'A' & Group 'B' Officers	3.00	40.00	40.00
(b)	In-service training	70.00	100.00	100.00
(c)	Computer training	150.00	150.00	150.00
(d)	Course material/Training equipment	100.00	100.00	100.00
2.	**Workplace Training**			
(a)	In-service training to officials including Delivery Staff	130.00	130.00	130.00
	(Postmen) & GDS BPMs	—	0	0
(b)	Computer training to officials	180.00	150.00	150.00
(c)	Training equipment	125.00	135.00	135.00
3.	**5201-03-02-Training Buildings**	200.00	85.00	85.00
	Total	985.00	890.00	890.00

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Gross Expenditure

Recommendation No. 1

The Committee note that the gross expenditure under the revenue section has been increasing year after year i.e. Rs. 5476.15 crore in the year 2002-2003, Rs. 5804.79 crore in the year 2003-2004 and budgeted Rs. 6027.31 crore in the year 2004-05. This has risen mainly due to the profile of work force in the Department which is labour intensive. The increase relates to the increase in Dearness Allowance and Dearness Relief sanctioned to them from time to time. The other factor that is responsible is the pension payments that are made to postal pensioners. This pension is charged to operating work expenses of the Department, whereas in other Ministries/Departments it is charged to a common head of account.

Whereas the Committee appreciate the universal service obligation being performed by the Department and its efforts to minimize the expenditure, they are surprised at the step-motherly treatment being meted out to the Department by charging payments to pensioners towards operational working expenses of the Department.

The working expense for the year 2003-2004 were Rs. 5747.72 crore out of which approximately 1/5th i.e. Rs. 1107.22 crore was spent on pensions. Again in the year 2004-2005, the working expenses are projected to be Rs. 6030.37 crore out of which Rs. 1215.00 crore are being spent on pensions (again about 1/5th).

The Committee, therefore, strongly recommend that the Department should take up the matter with the Ministry of Finance and the Planning Commission to treat pension payments as a separate common head as in the case of other Ministries which would then substantially reduce their working expenses.

Action taken by Government

Expenses on pension payments to postal pensioners have been shown traditionally as part of working expenses, whereas it has been shown under a separate common head for other departments. Expenses on pension payments to postal pensioners constitute about 1/5th of the annual working expenses. As recommended by the Committee, the matter of treating pension payments as a separate common head, as in the case of other Ministries, was taken up with Ministry of Finance.

In reply, the Budget Division of Department of Economic Affairs, Ministry of Finance has communicated the following reply:

> "Department of Posts is functioning as a departmentally run commercial undertaking and the receipts earned by them through commercial operations are netted against non-Plan expenditure of the Department to establish its commercial viability. Non-Plan expenditure, which includes the expenditure on account of 'pensions', is being treated as working expenses of the Department of Posts and netted against commercial receipts to arrive at 'Postal Deficit' which is funded from the General Revenues. In case of Department of Telecommunications also, before BSNL was created, pensions paid to the erstwhile employees of DoT used to form a part of working expenditure of the Department of Telecommunications. Since the expenditure on 'pensions' form part of the working expenses of the commercial departments, like Ministry of Railways, the same principal is applied to the Department of Posts. As such, it is regretted that it may not be possible to agree to the proposal of the Department of Posts to bear the expenditure on 'pensions' by General Revenues."

The problem that arises with this clarification is that the Department of Posts, although it is treated as a commercial Department for purposes of pension, in the matter of addressing the deficit etc. is also expected to fulfil the USO without enjoying even the level of autonomy that the Ministry of Railways or even the erstwhile Department of Telecommunication enjoyed. Secondly, every product that Department of Posts provides is in competition with other service providers, and even the 'exclusive privilege' that it enjoys legally is un-enforced, while there is no level playing field as far as the USO issue is concerned, unlike in the case of Department of Telecommunication. Many of the services provided by Department of Posts, including Savings Bank facilities are not being offered on a cost plus basis.

Under the circumstances the Department continues to bear the burden of being treated as a 'commercial undertaking' without enjoying any of the benefits/flexibilities in operation that should also flow from such a status. Therefore, it has to continue its present efforts to explore other options to reduce its deficit.

Comments of the Committee

(Please *see* Para Nos. 11, 12 & 13 of Chapter-I)

Revenue Sharing

Recommendation No. 2

Revenue earnings which come through recoveries towards commission from other departments for agency functioning done on behalf of these departments and organisation by the Department of Posts accounted for Rs. 103.99 crore in the year 2003-2004 and which is projected to be Rs. 98.60 (BE) in the year 2004-2005.

Revenue earnings also come from revenue receipts from the sale of postage stamps, postage realised in cash, MO/IPO commission, SB/CC and miscellaneous receipts accounted for Rs. 4256.93 crore in 2003-2004 and is projected to be Rs. 4544.00 crore (BE) in 2004-2005.

The Committee note that whereas the earnings from recoveries is going down, the earnings from direct sale of products is going up. This apparently is because the department is rendering services at a minimal charge on cost to cost basis, without any profit motive. Further, it is also attributed to the fact that people go in for insurance from private fund managers which are more attractive than the insurance policies of the Department of Posts. In view of such a scenario, the Committee recommend that the Department of Posts should now come out of the euphoria of total universal obligation and begin looking at some practical solutions, namely insurance wherein it can reduce its deficits by generating healthier revenue by working on commercial lines. One of the areas could be selling non-competing products through post offices. The Commission also recommends that adequate awareness campaign have to be done by the DoP for popularising insurance schemes for the common man.

Action taken by Government

Revenue earnings which come through recoveries towards commission from other departments for agency functions done on behalf of these departments and organisation by the Department of Posts accounted for Rs. 103.91 crore (Final figure) in the year 2003-04 and Rs. 98.60 crore is projected for the year 2004-05 (Budget Estimates).

Revenue earned by the Department during the year 2003-04 was Rs. 4256.93 crore, and Rs. 4554.00 crore has been projected in Budget Estimates 2004-05 (instead of Rs. 4544.00 crore as indicated in this recommendation).

Based on the concern expressed by the Committee about the fall in receipts from recoveries, a detailed exercise has been initiated, in consultation with the Postal Accounts Wing and other concerned Divisions, to identify the cause of fall in revenues and to explore the scope for arresting this trend.

As far as the observations regarding Postal Life Insurance and Rural PLI about the attractiveness of their product *vis-a-vis* other life insurance products, need to create greater awareness etc. are concerned, the following clarifications are furnished for consideration:

The existing products available in PLI are more attractive than the other service providers because of low premium and high bonus. For example, bonus in PLI for Endowment Assurance (EA) policies is Rs. 77 per thousand of sum assured per annum for a policy whereas the same is Rs. 70/- per thousand of sum assured per annum in Life Insurance Corporation of India (LICI) for a comparable EA policy. Similarly, the premium rates in PLI are lower by 5% to 20% in various plans. Thus existing plans in PLI are more attractive in comparison to similar plans in LICI and other service providers.

PLI is providing life insurance cover to an identified category of clientele who are regular employees of Government (Centre/State), undertakings (Centre/State), nationalised banks, Railways, Government-aided educational institutions, universities, defence and paramilitary personnel and local bodies etc. who have access to regular medical facilities. Introduction of various new products are extremely necessary for such segment of clientele. PLI is currently facing great difficulties in creating new schemes while facing tough competition from other service providers who have entered the market with various attractive products. The LICI has more than one hundred schemes for the public, whereas there are only five schemes in PLI and RPLI.

Before participation of private companies in the insurance sector, the LICI, under Section 30 of the LIC Act, 1956, had got monopoly to transact life insurance business in India. However, as laid down in Section 44 (d) of the said Act, the provisions thereof are not applicable to Post Office Insurance Fund (POIF) run by the Postal Department (Central Government) who are in charge of its administration.

Earlier, the Controller of Insurance in Ministry of Finance used to function as an actuarial adviser to POIF. Accordingly, the Ministry of Finance, Department of Economic Affairs *vide* their letter No. 97 (25) Ins. II/93 dated 20.09.1993 had advised the Department to refer all policy matters of POIF, e.g., extension of scope so as to cover more clientele, introduction of new scheme/products etc. to Insurance Division for concurrence. Accordingly, on the recommendations of R.N. Malhotra Committee constituted by the Government on social reforms, a proposal for introduction of rural Postal Life Insurance in rural sector for the benefit of weaker sections and women of the villages was sent to the Ministry of Finance (Insurance Division) for concurrence. The scheme was approved by the Ministry of Finance under their letter No.17(2)/Ins.V/94/Vol.II dated 11.04.1994 and the same was introduced with effect from 24.03.1995.

After liberalization of the insurance sector, IRDA has been put in place to regulate the insurance sector since 1999. After the formation of the IRDA, the control function of the Insurance Division has been transferred from Ministry of Finance to IRDA. At present, Ministry of Finance, has no Controller of Insurance to examine new products. Now all new products of other companies are examined and approved only by IRDA. Since the PLI is not under IRDA, they have refused to do anything concerning PLI. As a result, the Department has not been able to introduce any new product, as Ministry of Finance has washed their hands off this function and not issued any new guidelines on this aspect.

The Department had referred a case for introduction of Group Insurance Scheme for the employees of the BSNL to the Ministry of Finance on 21.07.03. In fact, BSNL themselves approached the Department to run this scheme for their employees after they came outside the ambit of the CGEIS on formation of the Corporation. Ministry of Finance replied on 1.8.2003, asking that approval of IRDA be taken. This case remained in correspondence with IRDA and Ministry of Finance for more than a year, but the Department failed to get any response from Ministry of Finance. A meeting was held with Chairman of IRDA at Hyderabad on 30.12.2003, and after much persuasion, the IRDA wrote to Ministry of Finance on 25.03.2004 that special dispensation can be given to PLI for introduction of insurance scheme for the employees of BSNL. But so far, Ministry of Finance has not given any approval for introduction of this scheme.

On the one hand IRDA, refuses to take any case relating to PLI since PLI does not come under them while on the other hand Ministry of Finance is not permitting introduction of any new products, which is in the interest of public. This virtually means that PLI cannot introduce any new product; consequently PLI will be losing out in the market to the other private and multi-national insurance companies, who are introducing many new customised schemes to attract customers who have different requirements. A way out of this would be for Finance Ministry to allow PLI to introduce new products, which are worked out by a professional Actuary. However, no decision has yet been taken in the matter.

As far as creation of awareness is concerned, funds to following extent are earmarked for publicity:—

(i)	PLI Directorate	—	Rs. 8 lakhs
(ii)	Circles (PLI)	—	Rs. 28.08 lakhs
(iii)	Circles (RPLI)	—	Rs. 14.28 lakhs

Publicity is being done through telecasting advertisement on TV during prime time on popular TV channels and programmes. Besides, RPLI melas are being organised in villages to get on-the-spot business. Advertising is also being done through newspapers. The Department has also approached Directorate of Audio Visual Publicity to prepare a campaign plan to reach rural masses through Radio and TV. It has also prepared a Media Plan for its insurance products which is under submission for approval.

An agency system was introduced in PLI in October 2003 but the field units could empanel the same only by mid-2004. The working of the agents has been reviewed up to September 30, 2004 and 342 agents have procured a business of Rs. 69.3461 crore during 4-5 months. The response is encouraging and it is hoped that this will gather momentum in the coming months. The agents have penetrating reach in the rural areas to cover the maximum prospective clientele.

Here, it would be apt to bring out one more important point regarding the problems faced by field units in imparting training in insurance to the agents/staff through the institutes accredited by the IRDA. The IRDA has issued orders banning accredited institutes from training PLI/RPLI agents/staff through the institutes accredited by them. The Department has referred the case to the Chairman, IRDA for recommendation.

The Committee's recommendation about selling non-competing products through the post office is already being implemented by the Department. The sale of non-life insurance products through post offices has been introduced in select post offices in some Circles in the country. Under this arrangement, the Department functions as the marketing agent of M/s Oriental Insurance Corporation for identified products, on commission basis. This scheme is being gradually expanded after providing training in more and more post offices.

The Department is also focussing on optimising its retail capacity by promoting services across the counter, which are relevant to the needs of the community on behalf of other agencies/Departments/ corporate bodies etc. which do not have its reach, for a fee. Heads of Circles have been empowered in 2003 to approve customised retail packages on a cost plus basis. This has resulted in revenue from retail post enhancing from Rs. 0.69 crore in 1999-2000 to Rs. 33.65 crore in 2003-04. In the current year, the target is fixed at Rs. 53.15 crore and the achievement up to September is Rs. 20.04 crore.

Comments of the Committee

(Please *see* Para Nos. 22 & 23 of Chapter I)

Financial Receipts

(Recommendation No. 12)

The Committee note with serious concern that for the year 2002-2003, out of 38 services of the Postal Department only 8 services generated surplus, whereas the remaining services were running losses. Further, for the year 2003-04 out of 35 services of the postal department, only 11 services were in surplus and remaining 24 were in deficit. The Committee are of the opinion that in the era of severe competition and high expectations of customers from postal services and its products, the postal Department should rethink and reassess its working in order to identify reasons for incurring losses and formulate an efficacious strategy to get rid of its services from running into losses year after year. In such a situation, the Committee feel that Department will have to be always dependent on grant/rebate for running its postal network. The Committee, therefore would like to know the reasons for its services running into losses and desire that effective steps should be taken by the Department to overcome the recurring losses. They suggest that the DoP should have a relook at their range of products and services offered by them and optimise the bouquet of services/products depending upon the location of Post Offices.

Action taken by Government

In the context of the continuing losses of the Department, the Committee has sought to know the reasons for the services running into losses and steps being taken to overcome them. The reasons that contribute to the losses are many; however some of the important ones are listed below:

(a) The Department follows the 'apportionment method' of costing whereby the actual expenditure incurred by the Department for maintenance of its services is taken from the Demands for Grants and classified among different cost centres. Thereafter, it is apportioned on the basis of traffic and/or time factor needed in each product/service to assess cost. As long as the revenues earned from the products/ services are lesser than the expenditure on them, as assessed by the apportionment method of costing, these products will continue to register losses.

(b) Revenues from products/services are based on the tariff rates fixed for them, which in turn taken into account the USO factor, the market competition and resultant market conditions, and the nature and quality of the product/ services offered. In the case of the Department's products/ services, there has been no clear categorization till date as to what constitutes USO as far as the traditional postal products/services are concerned. Hence an effort is now being made to clearly define the nature and extent of USO. All products which fall outside the category of USO will have to be priced more commercially. Similarly, the possibility of re-engineering existing traditional products to identify value added features which can cater to special segments among customers also needs to be explored. This exercise has now been initiated.

(c) Fall in traffic in traditional products has contributed to the increase in per unit cost of products. This calls for a twin pronged strategy of giving more focussed attention to the marketing of traditional mails and also of improving quality of service so that volume of traffic increases, thereby contributing to reduction in the per unit fixed costs. In the case of the former, the Business Development Directorate has recently issued certain guidelines to Circles about the strategies to be adopted for marketing traditional products so that they receive as much focus as the premium products.

(d) Number of services are/were being provided by the Department at cost. The possibilities of increasing revenues through review of commission, re-engineering of processes, proper accounting of funds, etc. are being explored.

(e) Leakage of revenue is yet another area which has engaged the attention of the Department.

(f) There is an inherent subsidy in the norms prescribed for opening post offices in rural areas. However, post offices, once opened, register far greater losses than permissible as per policy. Feedback received from various sources indicate that this is primarily because there is no onus on the GDS to sustain or improve business volumes since the linkage between their emoluments and the business they generate/handle was removed a decade ago. This issue also merits serious attention since 83% of the network comprise extra-departmental offices.

(g) The Postal network was set up to cater to the Universal Service Organization (USO) of providing greater access to basic postal facilities. There are many post offices located in urban and rural areas which are located at distances that are lesser than the distance prescribed as per norms either due to historical reasons or because they were opened on the basis of the discretionary powers then available within the norms. The reasons for which many of these offices were opened no longer exist and hence there is room for streamlining such offices and optimizing resources.

(h) The structures, processes and work norms of the Department need to be geared to the changed scenario brought about by induction of technology so that output and resources earned per employee and per office are substantially enhanced. This also requires consolidation of resources to ensure optimum benefits from the induction of technology.

All post offices offer the same range of basic services across the country. However, premium and value added services are focused in those areas where there is a demand for them. Even Savings Bank facilities are not provided in all the post offices. Similarly, retail services like sale of application forms, collection of utility bills etc. are being provided where there is a demand for them. In the area of mail delivery also, it may be mentioned that all post offices are not delivery post offices, especially in Urban areas. Thsi facility is extended only through identified post offices to optimise resources while a large number of post offices function as Non-delivery Town sub offices. Thus, even at present, efforts are being made to tailor the bouquet of services offered through post office to suit local needs.

Comments of the Committee

(Please *see* Para No. 30 of Chapter-I)

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES ARE INTERIM IN NATURE

-NIL-

New Delhi;
1 *March,* 2005
10 *Phalguna,* 1926 *(Saka)*

M.M. PALLAM RAJU,
Chairman,
Standing Committee on
Information Technology.

ANNEXURE I

MINUTES OF THE NINETEENTH SITTING OF THE STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2004-2005)

The Committee sat on Thursday, 20 January, 2005 from 1100 hours to 1325 hours in Committee Room No. 'B', Parliament House Annexe, New Delhi.

PRESENT

Shri M.M. Pallam Raju—*Chairman*

MEMBERS

Lok Sabha

2. Shri Nikhil Chaudhary
3. Shri Mani Cherenamei
4. Shri Sanjay Dhotre
5. Shri P. Karunakaran
6. Dr. P.P. Koya
7. Smt. Nivedita S. Mane
8. Col. G. Nizamuddin
9. Shri Ashok Kumar Rawat
10. Shri Chander Shekhar Sahu
11. Shri P.C. Thomas

Rajya Sabha

12. Shri Vijay J. Darda
13. Shri Ashwani Kumar
14. Shri Balbir K. Punj
15. Smt. Sarla Maheshwari
16. Shri N.R. Govindarajar
17. Shri K. Rama Mohana Rao
18. Shri Motiur Rahman
19. Shri Sanjay Nirupam

SECRETARIAT

1. Shri Raj Shekhar Sharma — *Deputy Secretary*
2. Shri Shri K.L. Arora — *Under Secretary*
3. Shri D.R. Shekhar — *Assistant Director*

2. At the outset, the Chairman welcomed the Members to the sitting of the Committee. The Committee then took up the following Draft Reports for consideration:

(i) *** *** ***

(ii) Draft Report on Action Taken by Government on the Recommendations/Observations of the Committee contained in Second Report on "Demands for Grants (2004-05)" relating to Department of Posts.

(iii) *** *** ***

(iv) *** *** ***

3. The Committee adopted the above-mentioned Action Taken Reports with some amendments/modifications.

4. The Committee, then, authorised the Chairman to finalise and present the above-mentioned Reports to House on a date and time convenient to him.

The Committee, then, adjourned.

ANNEXURE II

[*Vide* Paragraph No. 5 of Introduction]

ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON THE SECOND REPORT (FOURTEENTH LOK SABHA)

(i) Recommendations/Observations which have been accepted by the Government:
Paragraph Nos: 3,5, 6, 9, 10

Total: 5

Percentage: 41.66%

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of the replies of the Government:
Paragraph Nos: 4, 7, 8, 11

Total: 4

Percentage: 33.33%

(iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:
Paragraph Nos: 1, 2, 12

Total: 3

Percentage: 25%

(iv) Recommendations/Observations in respect of which replies are of interim nature:
Paragraph Nos. Nil.

Total: Nil

Percentage: Nil