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STANDING COMMITTEE ON INFORMATION TECHNOLOGY
(2004-2005)

FOURTEENTH LOK SABHA

MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY
(DEPARTMENT OF POSTS)

DEMANDS FOR GRANTS
(2005-06)

SIXTEENTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

April, 2005/*Chaitra,* 1927 *(Saka)*

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Presented to Lok Sabha on 21.4.2005
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*Nominated *w.e.f.* 24.3.2005.

INTRODUCTION

I, the Chairman, Standing Committee on Information Technology (2004-2005) having been authorized by the Committee to submit the Report on its behalf, present this Sixteenth Report on Demands for Grants (2005-2006) relating to the Department of Posts.

2. The Standing Committee on Information Technology (2004-2005) was constituted on 5 August, 2004. One of the functions of the Standing Committee, as laid down in Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha, is to consider Demands for Grants of the concerned Ministry/Department and make a Report on the same to the House.

3. The Committee considered the Demands for Grants pertaining to the Ministry of Communications and Information Technology (Department of Posts) for the current year i.e. 2005-2006 which were laid on the Table of the House on 23 March, 2005. The Committee took evidence of the representatives of the Department of Posts on 29 March, 2005.

4. The Report was considered and adopted by the Committee at their sitting held on 12 April, 2005.

5. The Committee wishes to express its thanks to the Officers of the Department of Posts for appearing before the Committee and for furnishing the information, that the Committee desired in connection with the examination of the subject.

6. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in the Part-II of the Report.

NEW DELHI;
20 *April,* 2005
30 *Chaitra,* 1927 *(Saka)*

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

PART I

REPORT

A. Introduction

The Department of Posts which forms a part of the Ministry and Information Technology is responsible for the planning, development, expansion, operation and maintenance of Postal Services in the country. It also discharges certain agency functions in respect of Saving Bank and Other Small Savings Schemes, collection of custom duty on Postal articles and disbursement of pension to Military and Railway Pensioners, Family Pension to Industrial Employees of coal, Mines etc. The Department administers Postal Life Insurance for the benefit of Postal, Telecom and other Central Government Employees and Employees of State Governments, Public Sector Undertakings, Nationalized Banks, Local bodies etc. The Department of Posts was formed as separate Department with effect from 31.12.84 by bifurcating the erstwhile Department of Posts and Telegraph.

2. The Department of Posts is to provide universal access to basic postal services in the country at affordable prices. Its objectives are to:

- ensure availability of basic postal services in all parts of the country, including tribal, hilly and remote areas.
- provide efficient, reliable and economic service.
- provide value-added services according to market requirements.
- modernize the services to handle the growing volume of work with efficiency and thereby enhance customer and employees satisfaction.
- be a forward-looking organization, and
- generate more resources and improve financial performance.

3. For the purpose of administration and management of services including implementation of various programmes of the Department, the whole country has been divided into 22 Postal Circles. Each circle is co-terminus with a State except the North Eastern States, Maharashtra Circle which includes Goa, West Bengal Circle which includes Sikkim and the Union Territory of Andaman and Nicobar Islands, Kerala Circle which includes the Union Territory of Lakshadweep and Punjab Circle which includes the Union Territory of Chandigarh. A Principal Chief Postmaster General/Chief Postmaster General heads each Circle. Each circle is divided into Regions comprising groups of field units, called Divisions (postal/RMS Divisions). Each Region is headed by a Postmaster General who is the Postal Manager of the area. In the Circles and Regions, there are other functional, supporting logistical units like Stamp Depots, Store Depots and Mail Motor Service.

4. As per the information submitted to the Committee, India Post is committee to fulfilling the Government's Universal Service Obligation in terms of providing basic Postal Services throughout the country, irrespective of terrain, at an affordable price. For meeting this requirement, it has set up a network of 1,55,669 Post Offices as on 31.03.2004, of which 1,27,119 are Branch Post Offices catering exclusively to the rural areas. Through these offices, it ensures daily delivery of dak at the doorstep of every customer anywhere in the country, collection of letters through Letter Boxes, and also sale of stamps and stationery through village postmen at the doorstep of customers in rural areas.

5. Besides providing access to affordable means of communication anywhere in the country, India Post also meets the emerging needs of specific segments of society like Commerce, Industry, Government and Institutional bodies, which demand quicker, value added services. This has resulted in the need to customize a number of products and services to meet these requirements and modernize Postal Operations through induction of technology.

6. The Department of Posts presented Demands for Grants under Demand No. 14 to Parliament on 23 March, 2005. The Committee took evidence of the representatives of the Department of Posts on 29 March 2005 on issues arising out of the Demands of Grants of the Department of Posts for the year 2005-06.

B. Budgetary Proposals and Thrust Areas

7. Demand No. 14 pertaining to the Department of Posts contains figures of Revenue as well as Capital Expenditure under the voted and charged and also under the Plan and Non-Plan sections as under:

Postal Service-Demand No. 14

(Rs. in Crore)

		Revenue	Capital	Total
Voted	Plan	32.55	306.22	338.77
		5.27*	9.96	15.23
	Non-Plan	6242.02	2.01	6244.03
	Total	6279.84	318.19	6598.03
Charged	Plan	0.00	—	—
	Non-Plan	0.02	—	0.02
	Total	6279.86	318.19	6598.05

*Allocation of North-Eastern Region

8. Out of the proposed Annual outlay for the year 2005-2006 of Rs. 6598.05 crore, Plan outlay is Rs. 354 crore, and Non-Plan outlay Rs. 6244.03 crore.

9. The Summary of Demands for Grants 2005-06, as compared to previous years as submitted by the Department of Posts, are given in the following table:

(Rs. in crore)

	Actuals 2002-03	Actuals 2003-04	B.E. 2004-05	R.E. 2004-05	B.E. 2005-06	%age inc/ dec of Col. 5 over Col. 3	%age inc/ dec of Col. 6 over Col. 5
1	2	3	4	5	6	7	8
Revenue Section							
Gross Expenditure	5476.15	5736.06	6027.3	6036.59	6274.59	9.39%	3.94%
Deduct: Recoveries	102.10	103.91	98.60	106.00	111.25	7.06%	4.95%

1	2	3	4	5	6	7	8
Net Expenditure	5374.05	5632.15	5928.71	5930.59	6163.34	9.43%	3.92%
Postal Receipts	4009.65	4256.93	4554.00	4455.00	4713.70	10.73%	5.81%
Deficit	1364.40	1375.22	1374.71	1475.59	1449.64	5.41%	-1.76%
Provision for North East							
Region under M. Head 2552	—	—	3.06	4.27	5.27	—	23.42%
Capital Section							
Gross Expenditure	42.25	48.36	171.84	163.98	308.23	537.37%	87.97%
Deduct: Revenue	0.00	0.00	0.00	0.00	0.00	0.00%	—
Net Expenditure	42.25	48.36	171.84	163.98	308.23	537.37%	87.97%
Provision for North East							
Region under M. Head 4552	0.00	0.00	6.90	5.85	9.96	—	70.26%

10. It is seen from the above table that the Gross Expenditure for 2005-06 is Rs. 6274.59 crore, an increase of about Rs. 238.00 crore, constituting 3.94% over RE 2004-05. According to the Ministry, the increase in provision is made to cater the expected additionalities mainly under salaries (Rs. 136.87 crore), Pension Charges (Rs. 58.00 crore), Office Expenses and Office Consumable (Rs. 7.30 crore), Supplies and Material (Rs. 4.00 crore), Maintenance (minor work) Rs. 3.50 crore, Other Charges (Rs. 1355 crore) etc. In this context, the Committee desired to know the reasons for steep and sudden increase in expenditure towards salaries, pension charges and other charges. The Department in a written note replied as under:

> "The percentage increase in the projected expenditure towards salaries, Pensionary charges and other charges is 3.38, 4.67 and 9.89 respectively. The increase in the BE projection is based on the trends of the previous years where the average year on year increase in salaries in between 3 to 4% and in pensions, it ranges from 5 to 16%. The percentage increase projected for the BE 2005-06 is a conservative increase over the RE projections for 2004-05. In the case of other charges, there are number of items which are being booked such as printing of stationery and forms,

interest on extra-departmental agents, group insurance scheme, cost of medicines for P&T dispensaries, payment to CGHS etc. The increase is largely on account of an increased projection for expenditure for printing of stationery, cost of medicines."

In this connection, the Secretary, DoP during evidence further explained:

"Actually, if you look at the financial position of the Department, from the Department's point of view, compared to the year 2000-2001 when the revenue was Rs. 2,358 crore it has gone up to Rs. 4,361 crore in 2003-2004. There is actually about Rs. 1,000 crore excess in the last four years, that is 30 per cent increase. Commensurately if you look at the expenditure part of it, it has gone up only by about 17 per cent. Essentially our expenditure, 90 per cent of it is fixed costs like salaries wherein we do not have much of an opportunity to reduce anything. Even out of the remaining 10 per cent, 90 per cent of it is discretionary like conveyance of mail, rent rates, taxes etc. If we try to squeeze further, then the qualitty of service may be affected. But still, we have been able to keep the expenditure under control. While it went up by 17 per cent, the income has gone up by about 30 per cent. This is a very positive feature."

11. Elaborating the demands under Capital Head for the year 2005-06, the representative of the Department informed the Committee during evidence as under:

"Now, we come to our capital demand for the Budget Estimates (2005-06). Our demand for the year 2005-06 in the capital head is Rs. 308.23 crore of which Rs. 306.22 crore is for the Plan head. The share of the North-East in this is expected to be Rs. 996 crore. The thrust areas of the Tenth Five Year Plan are basically modernization and expansion of our network. The Annual Plan outlay for 2005-06 for modernisation and expansion is Rs. 354 crore of which the share of the North-East is Rs. 15.23 crore. Our total Demands for Grants for the year 2005-06 is Rs. 6,598.05 crore of which our revenue demand is Rs. 6,274.59 crore, an increase of Rs. 3.95 percent over the Budget Estimates of 2004-05. Our capital demand is Rs. 308.23 crore, an increase of 83.94 per cent over the Budget Estimates of 2004-05".

12. The representative further informed:

"The Department of Posts has been guided by the thrust areas as defined by the PMO. They are:

(i) To ensure timely completion of task related to setting up finance marts as one stop shops for financial services

(ii) To ensure timely completion of proposed actions to have franchising arrangements to provide services in areas where post offices are not available.

(iii) To undertake computerization of postal activities;

(iv) To take necessary action for replacing/amending the Indian Post Office Act of 1898 to take care of the needs of competition, convergence and other new developments; and

(v) Institutional reform in terms of (a) decentralization (b) simplification, (c) transparency, (d) accountability and (e) e-governance."

13. Explaining the steps being taken by the Department to check the growing tendency of expenditure over the years, the Department informed as under:

"The Department of Posts is making every effort to control expenditure by observing economy measures strictly on the basis of guidelines issued by the MoF from time to time. Also the expenditure is being monitored and reviewed on a monthly basis at the level of Secretary (Posts). Though the total expenditure of the Department has been increasing, it is worth nothing that the rate of growth of expenditure on a year to year basis is actually reducing. In the year 2001-02, the percentage increase over the previous year was 6.15% which came down to 5.06% in the following year and then reduced further to 4.81% in 2003-04. The actual scope for controlling the expenditure in the Department of Posts is limited to only 3 to 5% of the total expenditure as 90 to 95% of the expenses is on mandatory items—pay and allowances 74%, Pensionary charges 19%, conveyance of mails 3%."

C. Utilization of Budgetary Allocations

The trend of utilization of budgetary allocations to Department of Posts of under Revenue as well as Capital section may be seen from the following table:

Revenue Expenditure (Major Head 3201)

Non-Plan

Rs. in crore

Year	Budget Estimates	Revised Estimates	Actual Expenditure	Unspent Balance
1	2	3	4	(Col.3-Col.4)
2000-2001	5221.50	4975.00	4886.43	88.57
2001-2002	5260.00	5183.95	5169.69	14.26
2002-2003	5274.45	5477.11	5470.74	6.37
2003-2004	5572.51	5787.29	5719.47	67.82
2004-2005	6007.10	6018.11	4824.04	1194.07

Note: Actual 2004-05 is upto Jan. 2005

Plan

(Rs. in crore)

Year	Budget Estimates	Revised Estimates	Actual Expenditure	Unspent Balance
1	2	3	4	(Co1.3-Co1.4)
2000-01	20.97	23.70	20.86	2.84
2001-02	25.83	25.83	24.91	0.92
2002-03	21.66	11.13	5.41	5.72
2003-04	21.50	17.50	16.59	0.91
2004-05	20.21	18.48	8.66	9.82

Note: Actual 2004-05 is upto Jan. 2005

Capital Outlay (Major Heads 5201)

Plan

(Rs. in crore)

Year	Budget Estimates	Revised Estimates	Actual Expenditure	Unspent Balance
1	2	3	4	(Col.3-Col.4)
2000-2001	87.03	96.30	54.76	41.54
2001-2002	94.91	63.26	57.42	5.84
2002-2003	113.34	74.37	40.5	33.87
2003-2004	119.52	50.37	46.71	3.66
2004-2005	169.83	161.97	24.24	137.73

Note: Actual 2004-05 is upto Jan. 2005

Non-Plan

Year	Budget Estimates	Revised Estimates	Actual Expenditure	Unspent Balance
1	2	3	4	(Col.3-Col.4)
2000-01	2.01	1.01	-1.47	2.48
2001-02	2.01	2.01	0.51	1.5
2002-03	2.01	2.01	1.75	0.26
2003-04	2.01	2.01	1.64	0.37
2004-05	2.01	2.01	0.33	1.68

Note: Actual 2004-05 is upto Jan. 2005

15. The Committee desired to know the broad parameters on the basis of which budgetary projections were made by the Department

under different Heads. The Department informed the Committee as under:

> "Budgetary projections are made for the various heads under Plan taking into account the priorities under the X Plan, the phased programme of expenditure approved by the competent authority, the annual outlay given to the Department and the state of preparedness to utilize the plan allocation during the year. These parameters are strictly followed when allocating funds for each activity".

16. In this context, the Committee enquired whether the Department had over analysed the reasons for non-utilisation/under utilization of the allocated funds under different Heads. According to the Department Non-utilization/under utilization of allocated funds is primarily due to the following reasons:

(i) "Time taken to complete the approval and codal formalities both at the Directorate and operational levels.

(ii) Booking expenditure under wrong heads of account, whereby expenditure levels are not correctly reflected.

(iii) Reduction in outlays (given in BE) at the RE stage, based on level of expenditure incurred by September each year.

(iv) Non-receipt of bills from procuring agencies, like DGS&D, on time.

(v) Due to curbs on funds utilization imposed by Ministry of Finance."

17. On being asked as to whether the budgetary allocations under various Heads of the Grant had been found to be sufficient enough to undertake the different activities under those Heads in the previous years or execution of any project/activity had been adversely affected because of shortage of funds, the Department intimated the Committee as under:

> "Since funds are allocated for each activity taking into account the total outlay available, and inter-se prioritization, it is possible that some activities do not receive as much allocation as they can utilize.

Some of the plan schemes/activities where more funds could have been utilized, had it been allocated, would include the following:

Name of the Plan Scheme	Name of the Plan activity	Remarks
(a) Modernization of operative/working systems	(1) Modernization of post offices (2) Modernization of Speed Post Centres (3) Modernization of Mail offices	In all these cases, funds allocated since the approval of the schemes, is proportionally lower than the total outlay allocated for the scheme/activity and the Department's capacity to utilize the funds."
(b) Modernization/upgradation of premium products	(1) Promotion of Premium products	
(c) Construction of buildings		

D. Financial Position of the Department

18. India has the largest Postal network in the world and on an average, a Post Office serves an area of 21.09 sq. km. and a population of 6585 people. To sustain such a huge network the total workforce of Department is stated to be 5,49,285 out of which 2,50,714 are departmental employees and 2,98,571 are Gramin Dak Sewaks that largely operate in rural areas.

(Rs. in crore)

Description	Actuals			Estimate	BE
	2001-02	2002-03	2003-04	2004-05	2005-06
Working Expenses	5,194.60	5,476.15	5,736.06	6,027.31	6,274.59
Less: Recoveries	85.98	102.10	103.91	98.60	111.25
Net Working Expenses	5,108.62	5,374.05	5,632.15	5,928.71	6,163.34
Revenue Receipts	3,697.11	4,009.65	4,256.93	4,554.00	4,713.70
Revenue Deficit	1,411.51	1,364.40	1,375.22	1,374.71	1,449.64

(i) Working Expenses

19. On being asked about the details of working expenses of the Department of Posts, the Committee was informed that the working expenses of the Department include salaries and wages, pension and other charges *i.e.* printing of stationery and forms, interest on extra-department agents, group insurance scheme, cost of medicine for P&T dispensaries, payment to CGHS etc. which amounts to Rs. 5,194.60 crore (actuals) in 2001-02 Rs. 6,027.31 crore (estimated) in the year 2004-05 and Rs. 6,274.59 crore BE in 2005-06.

20. Giving clarification during the evidence, Secretary, DoP informed that increase in expenditure is due to the increase in salaries, pension and other charges. Regarding sudden hike of the working expanses in the year 2005-06 from previous year, he further informed that the major factor which adversely affected the financial health was due to the 50 per cent merger of DA to the basic pay thereby increasing the salaries to Rs. 168 crore and pension to Rs. 125 crore hence adding the requirement to Rs. 293 crore in which Ministry of Finance have taken the burden only to the extent of Rs. 73 crore which has resulted in withstanding amount of the Department to the tune of Rs. 220 crore.

21. As regards to the curtailment in the expenditure it was informed through the written replies furnished to the Committee that the actual scope for controlling the expenditure in the Department of Posts is limited to only 3 to 5% as the total expenditure 90 to 95% of the expenses is on mandatory items.

(ii) Recoveries

22. As informed to the Committee during evidence, the Department of Posts is paid agency charges for the services rendered on behalf of other Government/Departments. These earnings are accounted for as recoveries. The Postal Life Insurance and the Rural Life Insurance constitute 65 per cent of the total recoveries. Pension Payments are made on behalf of a number of Departments including the Ministry of Railways, Ministry of Coal, Ministry of Mines, the Employees Provident Fund Organisation and the agency charges are paid for it. The Department have been paying pension for the Department of Telecommunication prior to the corporatisation of the same and they are even continuing to pay pension to the employee who retired from the Bharat Sanchar Nigam Ltd. The Department is still to be paid

compensation or agency charge for the pension being paid to the Department of Telecommunication employees. The Department also perform the job of booking and delivery of telegrams on behalf of the Bharat Sanchar Nigam Ltd. and for which they are to be paid the agency charges.

23. The Committee were further informed that as regards the telecom sector, the arrears were worked out to the tune of Rs. 100 crore on account of delivery of telegrams. On account of disbursement of pension, the rate has been fixed but the arrears are yet to be worked out. The Committee were assured to be furnished with the full details in this regard.

24. The rate of remuneration for the Savings Bank and Cash Certificate work is fixed by the Ministry of Finance. An Expert Committee had been set up by the Ministry of Finance in 1993-94 which had fixed the rates for that year and had recommended a 10 per cent escalation in rate per year. The representative of the Department stated during evidence:

> "Though initially we did get a 10 per cent escalation in the rate year-up to the year 2001-02, during the last two years, the increase has been only to the tune of 4.25 per cent and 3.88 per cent. Now, had we been given the 10 per cent escalation by the Ministry of Finance, our revenue deficit would have been lower by 48.8 per cent in 2003-04, 52 per cent in 2004-05 and as per our estimates, it would have been lower by almost 79 per cent in 2005-06.

On being asked whether the Department had taken up the matter, the witness stated:

> We have taken up the matter with the Secretary (Expenditure) about this. This is, in fact, my personal grievance. The Department has to really be able to show some good results. The person who is controlling my purse and the person who is also remunerating me are one and the same. Suppose, I am doing this work for some other private body and not for the Ministry of Finance, and if the remuneration is less, I would be facing serious audit objections on this as to how the remuneration has suddenly gone down from 10 per cent to 3 and to 4 per cent. Now, the same person is controlling the purse. Basically, our employees are really motivated and hardworking. By repeatedly keeping the deficit at

that level and saying that we are under-performing, the situation is a little demoralising. That really affects the overall health of this organisation. I really do not understand the logic behind this sudden decrease in the last 3 to 4 years and we have not got any response also for the references we made. When I am really encouraged and I am doing a good job, instead of motivating me, one after another, my support base is getting cut. That really affects the overall health of the organisation. I really would like to appeal to this Committee to keep this in mind because this is one of the aspects affecting the overall health of the organisation."

25. As informed by the Department, the various areas of recoveries and the Departments/Ministries from whom the recoveries are to be made are follows:

(a) Commission on Money on Western Union Money Transfer.

(b) Commission on payment of Military Pension—Ministry of Defence.

(c) Commission on sale of Non-postal stamps of Delhi Administration—Delhi Administration.

(d) Commission for payment of pension under CPFP—Ministry of Coal and Mines.

(e) Collection of Custom Duty—Ministry of Finance.

(f) Telegraphs share of combined office charges—Department of Telecommunications/Bharat Sanchar Nigam Ltd.

(g) PLI/RPLI—Ministry of Finance.

(h) APS Accounts and other Government Departments—Ministry of Finance.

26. Under the head recoveries, provisions for Rs. 111.25 crore have been made for the year 2005-06. This is Rs. 5.25 crore more than the previous year budget estimates *i.e.* Rs. 98.60 crore. However, the actual recovery was only Rs. 17.23 crore till January, 2005 out of estimated Rs. 98.60 crore.

(iii) Revenue Receipts

27. The revenue of the Department is derived from the earning from the under mentioned services. The revenue receipts, estimates

that are to be realized from these services during the financial year 2003-04, 2004-05 and 2005-06 are indicated below:

(Rs. in crore)

Particular of Revenue Receipts	R.E. 2003-04	Actual 2003-04	B.E. 2004-05	R.E. 2004-05	B.E. 2005-06
Sale of Stamps	1060.56	8947.4	1082.06	814.69	860.51
Postage realized in Cash	1080.72	1155.85	1183.66	1285.34	1343.81
Commission on MOs/POs etc.	310.00	318.13	315.00	320.00	336.00
Other Receipts	139.72	125.71	128.28	173.97	183.38
Remuneration for small saving work	1762.50	1762.50	1810.00	1861.00	1990.00
Total	4353.50	4256.93	4554.00	4455.00	4713.70

28. Major portion of the earning of the Postal Services come from the sale of stamps, Post cards, letter cards, envelopes paid in cash, remuneration for small saving works, commission realized on Money Orders and Postal Orders.

29. For the year 2005-06, revenue receipt of the Department has been projected at Rs. 4713.70 crore which is 5.81% more than the target of Rs. 4455.00 crore fixed for Revised Estimate 2004-05. The actual receipt for the year 2004-05 is Rs. 2991.94 up to January, 2005. In RE 2004-05, Rs. 4455.00 was estimated for revenue receipts whereas the actual upto January, 2005 is stated to be Rs. 2091.94 crore which is less than half of the RE. The Committee desired to know the reasons for such a low revenue receipts during the first 10 months of the year. In a written reply, the Department stated as under:

"During the first ten months of the year, the revenue receipt figures reflects only the revenue earned from postal operations. The revenue earned from postal operations constitutes approximately 59% of the total revenue of the Department. Over 41% of the revenue of the Department is earned from commission on account of small savings work from Ministry of Finance. The amount earned on account of this work was Rs. 1762.5 crore during the last financial year. The revenue projection for remuneration from Ministry of Finance is projected as Rs. 1861 crore in the RE. Based on the growth rate of the previous years both in terms of the number of accounts and the rate of remuneration, it is expected that the revenue target will be achieved."

30. During evidence, the representative of the Department elaborated further:

"The revenue receipts in the Budget Estimates of 2005-06 are estimated to increase by 5.8 per cent. Our revenue comes from our postal operations and also from the remuneration received from the Ministry of Finance for the savings bank and cash certificate work that we do on their behalf. While the revenue from the postal operations is expected to increase by about 5 per cent, our revenue from the savings bank and cash certificates is expected to increase by only 2.1 per cent. This is a graphical representations of the revenue profile of the Department of Posts. As you can see, in two years, the share of postal operations is expected to increase by about 2 per cent. Consequently and simultaneously, the savings bank and cash certificate proportion comes down."

31. On being asked by the Committee about the growth of the rate of return or the margins on Postal Operations *vis-a-vis* banking functions, the Secretary of the Department of Posts deposed as under:

"In the case of postal operations, the BD Directorate is making concerted efforts to mop the bulk mailers and the corporate mailers. That is why, we find the amount is increasing in spite of the fact that tariff has not been revised from 2002 and nothing is likely to happen in the current year. We projected it that way. In respect of savings bank, the rate is now being not given the way we want. Due to that, the net recovery, that is, coming to us will be reduced by 2 per cent. This is one factor. The other factor is now this facility is being thrown up to banks."

(iv) Revenue Deficit

32. As stated in the performance Budget, the Department is predominately labour oriented. The cost of Postal Services has been increasing steadily due to dependence of manual operations and rising

cost of manpower. The revision of postal rates have not been keeping pace with the steadily rising cost of operation. The rates of seven services *i.e.* Letter, Letter Card, Printed Postcard, Competition Postcard, Book, Pattern and Sample Packet, Book Packets containing Periodicals and Parcel were last revised with effect from 1st June 2002. At present, out of 43 services, only eleven services can recover full cost and leave some profit margin for the Department of Posts whereas remaining 24 services are running indefinite as their cost of operation is more than the average revenue realized. The amount of subsidy as per 2003-04 (Projection) is stated to be 1204.03 crore which ranges from 7.09% amounting to Rs. 3.92 crore in respect of 'book packets & sample packets' to 95.28% amounting to Rs. 46.60 crore in respect of 'Registered News Paper Single'.

33. 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 revenues by taking on new agency functions on commission basis.

34. The Department of Posts is operating one Major Head 3201 for working Expenses and one Major Head Revenue Receipts 1201. Deficit is worked out by deducting recoveries and receipts from the working expenses. Deficit for last 3 years is as under:—

(Rs. in crore)

Description	2001-02	2002-03	2003-04	2004-05 (RE)	2005-06 (BE)
3201- Working Expenses	5194.60	5476.15	5736.06	6036.59	6274.59
Less Recoveries	85.98	102.10	103.91	106.00	111.25
Net Working Expenses	5108.62	5374.05	5632.15	5930.59	6163.34
Revenue Receipts	3697.11	4009.65	4256.93	4455.00	4713.70
Revenue Deficit	1411.51	1364.40	1375.22	2723.53*	1449.64@

*Actuals upto January 2005.
@Projected.

35. As informed by the Department, the head-wise details of revenue deficit are not possible in the current accounting system of the Department of Posts. The revenue receipts are not booked head-wise though expenditure and recoveries are booked head-wise.

36. Explaining the reasons for the increasing revenue deficit over the years, the Department stated as under:

> "The Department of Posts is making all efforts to reduce the revenue deficit. The total revenue of the Department of Posts has been increasing from Rs. 3075.12 crore in 1999-2000 to Rs. 4256.93 crore in 2003-04, despite there having been no major tariff revision during the last few years. However, the expenditure of the Department has also increased in the same period from Rs. 4834.30 crore to Rs. 5784.42 crore. The scope for controlling expenditure is limited to 3 to 5% of the total expenditure as 90 to 95% of the expresses is on mandatory items—pay and allowances 74%, Pensionary charges 19%, conveyance of mails 3%.

37. Elaborating the measures being taken by the Department in this regard, the Committee were informed by the Department as under:

> "To control expenditure the Department is observing economy measures, strictly on the basis of the guidelines issued by Ministry of Finance from time to time. Besides, the status of Revenue Receipts and Expenditure of the Department is reviewed and monitored monthly at the level of Secretary (Posts). Also Department is taking all possible steps to generate more revenue receipts by giving special emphasis on promoting premium product services like Speed Post and Business Post etc., and introducing new services like International Money Transfer Scheme and other business activities in mail, parcel and financial services."

E. 10th Five Year Plan

38. The approved 10th Plan outlay for the Department of Posts for Plan Schemes was Rs. 1350 crore, wherein approved outlays for the first three years of the plan *i.e.* 2002-2003, 2003-2004 and 2004-2005 was Rs. 150 crore (for First two years) and Rs. 200 crore (third year). A provision of Rs. 354 crore has been made for the year 2005-06.

39. It may be further seen that out of total outlay of Rs. 1350 crore for the 10th Five Year Plan, Rs. 1066.50 crore (79%) is stated to be

earmarked for computerization, up-gradation of technology and modernization of Postal Network and its operation. Out of Rs. 354 crore earmarked for the 2005-06, Rs. 307.05 (86.7%) is earmarked for the same.

40. In this background, when asked about the year-wise allocation and actual expenditure under this head for the first three years of 10th Plan, the Department furnished the following:—

(Rs. in crore)

Sl.No.	Activity/Scheme	2002-03		2003-04		2004-05	
		Allocation	Actual Exp.	Allocation	Actual Exp.	Allocation	Actual Exp.*
1	2	3	4	5	6	7	8
1.	Computerisation of post offices, Accounts and Administrative offices and software Development	38.86	8.38	59.32	0.48	140.00	—
2.	Computerisation and networking of Mail Offices	13.32	0.82	0.82	0.58	5.00	—
3.	Upgradation of Customer Care Centre	11.57	0.08	11.57	9.47	0	—
4.	Modernization & upgradation of VSAT system	0.75	2.32	2.00	0.38	0.50	—
5.	Modernization of operative/working systems (improving ergonomics)	5.54	1.35	5.06	4.21	6.86	—
6.	Automatic Mail Processing Centre	24.00	11.15	0.05	0.60	1.00	—
7.	Mechanisation/Modernization of mail movement	0.30	0	15.31	12.52	0.47	
8.	Modernization/upgradation of premium products	1.25	0.35	2.30	3.15	3.02	
9.	Modernisation of circle stamp depots	0.26	0.60	0.01	0.47	0.66	

1	2	3	4	5	6	7	8
10.	Computerisation of International Mail processing	1.26	0.81	2.06	1.64	0	—
11.	National Data Centre	5.00	0	0.50	0	0.10	—
12.	Establishment of Parcel Post Centres	0.50	0	0.01	0	1.00	—
13.	e-Post	0.50	0.71	2.30	1.78	0.71	—
14.	e-Bill Post	0.50	0	3.0	0.06	0.25	—
15.	Improvement in Quality of Service	0	0	0	0	2.34	—
	Total	103.61	26.57	104.31	35.34	161.91	—

*Financial year is yet to be over.

41. Out of the total allocation of Rs. 1350 crore for the 10th Plan period. Rs. 704 crore was already approved for the various schemes for the first four years of the plan and for the last year *i.e.* 2006-07, the amount thus left is Rs. 646 crore. In this regard, the Committee enquired whether the Department would be able to spend huge amount to the tune of Rs. 646 crore in one year and if not then what measures had been taken for the prudent utilization of the amount. The Department in a written note furnished to the Committee, stated as under:

> "Rs. 836.27 crore out of the total of Rs. 1350 crore is earmarked only for the computerization of post offices/Postal Account offices/ Administrative offices. Funds under this scheme have been used only from 2004-05, as the scheme was approved by the Cabinet Committee on Economic Activities only by January 2004. Approximately Rs. 140 crore is expected to be utilized this year under this scheme, and Rs. 250.10 crore in the next year. The remaining amount of approximately Rs. 465 crore accounts for the major part of the balance outlay available for the last year. Other major amounts would be for 'Construction of buildings' (Rs. 115.40 crore) and 'Construction of AMPCs' at Kolkata and Delhi (Rs. 71.05 crore). In the former only approximately Rs. 47 crore has been used/allocated in the first 4 years and in the second only approximately Rs. 13 crore. Incidentally the balance funds available under Plan for the last year would be approximately Rs. 730.38

crore, because plan funds do not lapse and are available for use during the plan period, to the extent of the approved outlay. Since most or the unused plan funds are for the Computerization project, AMPC etc. and the major part of the these allocation are for purchase of hardware, efforts are being made to ensure their timely purchase after following codal formalities. In this context, action is being taken to secure approval of the competent authority for the Plan scheme. 'AMPC' at the earliest, to ensure that there is adequate time to complete the project. In the case of construction of buildings also, timely action is being taken to use the funds as per approval received; however, this scheme is being accorded lower priority by the Planning Commission. Hence it is unlikely that the outlay approved for this scheme for the 10th Plan will be fully utilized".

42. In view of the fact that the Department could not implement the activities/schemes as the actual expenditure had been much lower than the allocations, the Committee enquired about the major hurdles in implementing these activities/schemes and also desired to know the measures being taken to formulate the activities/schemes well in time to ensure utilisation of funds. The Department in this regard submitted the reply as under:

"The main reason for the poor performance under Plan in the first two years of the 10th Plan was the delay in receiving the scheme-wise outlay form the Planning Commission, and the consequent delay in obtaining the approval of the competent authority for the Plan schemes, before implementation of the activities could commence. Other reasons for the non/under-utilization of allocated funds include the following:—

(i) Time taken, each year, in securing approval for release of funds to Circles, for placing purchase orders etc.

(ii) Booking expenditure under wrong heads of account in post offices.

(iii) Delay in announcement of rate contracts by procurement agencies like DGS&D.

(iv) Non-receipt of bills from DGS&D on time, to book expenditure within the given year.

(v) Reduction in allocation at the RE stage by Ministry of Finance, based on level of fund utilisation up to September, or due to other economy orders.

(vi) Certain schemes like purchase of mail vans, mopeds/three wheelers etc. for postmen, for operational reasons, not being allowed to be implemented due to economy orders of Ministry of Finance.

(vii) Delay in firming up the technical requirements for certain schemes like Automatic Mail Processing Centres, National Data Centre etc."

F. Budgetary Allocations for North-East Region

43. On being asked by the Committee, the Department furnished the Year-wise allocation of funds and actual expenditure incurred in the North East in the last three years as under:—

(Rs. in crore)

Year	Funds allocated	Actual expenditure
2002-03	15.00	2.53
2003-04	8.98	3.91
2004-05	9.96	—
2005-06	15.23	—

44. The Committee desired to know as to what specific activities were being undertaken in the North Eastern region with the budgetary allocation under this head. The Department in a written reply stated as under:

"There are no separate plan activities specifically earmarked for the North East. The activities undertaken in the North East are part of each plan scheme, to the extent it is possible to implement them, as per the parameters fixed for each activity, be it computerization of Post offices, Postal Administrative offices, Mail offices, Customer Care Centres, Postal Stores Depots, Circle Stamps Depots or construction of buildings, supply of motor vehicles or even opening of post offices, promotion of philately and premium products and financial services. Accordingly, efforts are made to utilize 10% of the plan allocation to the extent possible under each scheme."

45. When asked about the reasons for making an allocation of Rs. 3.06 crore for 2004-2005 and subsequent enhancement in RE to Rs. 4.27 crore, the Department in a written submission stated as under:

> "Rs. 3.06 crore was the allocation made for the North East only in the Revenue segment in BE 2004-05 which enhanced to Rs. 4.27 crore due to the enhanced allocation under the Plan schemes 'Expansion of the Postal network' and 'Promotion of premium products'. The actual expenditure likely to be incurred in the Revenue segment is Rs. 1.73 crores, because funds to the extent of Rs. 2.6 crore, earmarked for 'Support to NRC post offices' can not be utilized in the current year as this new component is yet to be approved by the competent authority."

46. The Committee desired to know the reasons for low expenditure *vis-a-vis* allocations for North East region and also the steps being taken by the Department to utilise 10 per cent of plan allocations for the North East region. The Department replied as under:

> "The Department was required to utilize Rs. 135 crore in 5 years in the NE. In the first two years, since the overall Plan implementation did not take off as anticipated, the level of utilisation in the NE was also low. Therefore, the Department is required to utilise larger allocations in the remaining years. Since investments in the postal sector are not capital intensive, and computerisation of operations and categories of offices that are proposed to be covered during the 10th Plan have already been completed in the NE region, the Department had proposed the following activities in the Mid Term Appraisal to ensure increased utilisation of Plan funds.
>
> (i) Plan support for Branch Post Offices opened in Gram Panchayat villages fulfilling 21 norms (distance and population) in the NE for an amount of Rs. 4.38 crore.
>
> (ii) Plan support for sustaining 298 Branch Post Offices and 103 Departmental Sub Post Offices opened on Non Recoverable Component of Cost basis for 3 years and for recovering the arrears due from the NE region for a total amount of Rs. 17.26 crore.
>
> (iii) Computerisation of double handed post offices in NE, as a special case, to improve the infrastructure in that region for an amount of Rs. 9 crore.

(iv) Supply of 69 mail vans to stabilise mail and cash transmission in NE for an amount of Rs. 2.65 crore.

(v) Wet leasing/purchasing a plane for providing better connectivity in NE to overcome the problem of connectivity for all services including Speed Post for an amount of Rs. 45 crore.

Over and above this, the Department has also taken up with DONER to secure removal of the restrictions placed on purchase of mail vans for the NE and on Plan funds being allocated each year for construction activities, to facilitate the Department to increase its level of fund utilisation in the NE region."

47. During evidence, the Committee enquired as to what kind of works the Department was planning to take up with the special allocation earmarked for the North-Eastern States during the current financial year 2005-06 particularly when there were many post offices, specially in the hilly districts which were not having a permanent type of building or some of them were being housed in rental buildings and also there were even instances where the land for constructing post office buildings had been acquired but the buildings were yet to come up. The representative of the Department responded, during evidence, as under:

"We are required to spend 10 per cent of our money in the North-East. We did not have any special scheme for the North-East so far.

** ** **

Till the Ninth Plan, we were able to keep the ten per cent because the overall outlay was low. There is one project about computerisation which is coming to about Rs. 836 crore. Then we have another Rs. 70 crore earmarked for the AMPCs and another Rs. 10 crore for the National Data Centre. In this huge outlay, to find 10 per cent of it to be invested for the North-East came difficult because in the Tenth Plan whatever the parameters of the activities that were to be covered was already done in the Ninth Plan more systematically. So, it became very difficult to find new avenues. We had a discussion with the Department of North East to find new areas that could be taken up.

** ** **

In the same way, there is something called the non-recoverable component post offices. These were all the post offices, which were opened even through they do not fulfil the norms at some point of time. But the State Governments agreed under the particular scheme, to provide the gap between the income and revenue. But over the years, they have also not been able to provide it, and there were some audit objections about it all over the country and they were asked to be downgraded. From the Department, we took up the initiative that we would not like to reduce the post offices in the North Eastern States, given their special conditions. So, we requested the Department of North-East to take this up.

** ** **

Similarly, for opening post offices we found that there are a large number of places in the North-East, where they are fulfilling the distance and population norms but income norm is not met. So we are not able to open them...... . We have already proposed them in the mid-term appraisal that we would like to provide post offices where distance and population norms are fulfilled, but to please given us the money to sustain them at least upto the Eleventh Plan."

The witness further submitted:

"Recently, the Department of the North-East asked us about the constraints that we are facing which, if removed, we can spend more. We have told them, Why don't you do two things? Firstly allow us to have a new scheme where we will focus developing the North-East including the real estate, the construction of buildings and other facilities. The second one is for relaxing the ban and to allow us to purchase the vehicles at least for the North-East so that we can improve the connectivity and also support us post offices as well as the opening of more post offices."

G. Expansion of Postal Network

48. The postal network of 155669 Post Offices as on 31.03.04 comprises of 842 HOs, 25198 DSOs, 2510 EDSOs and 1,27,119 EDBOs. It is the worlds largest Postal Network.

Parameters distinguishing the different categories of POs and PSSKs are given below:

(i) **Extra Departmental Branch Offices (EDBOs):** Where the workload is between a minimum of 3 hours and a maximum of 5 hours and is manned only by part time Grameen Dak Sevaks (GDS) who are extra departmental employees. They are generally in rural areas and receive a subsidy of $66^{2}/_{3}\%$ or 85% as indicated in the norms.

(ii) **Extra Departmental Sub Offices (EDSOs):** Where the workload exceeds 4 hours and is manned by part time GDS who are extra departmental employees. These offices are also normally in rural areas and enjoy subsidy to the same extent as EDBOs.

(iii) **Departmental Sub Offices (DSOs):** They are Post Offices working for full eight hours and manned by full time Departmental employees. They are located in both urban and rural areas. The urban offices are required to be financially self-sufficient at inception and earn 5% over costs after the first year. The rural DSOs are allowed a meagre subsidy.

(iv) **Panchayat Sanchar Seva Kendras (PSSKs):** Outlets providing basic postal facilities like sale of stamps and stationery, booking of registered articles and undertaking delivery work for unaccountable articles, where so required. These outlets are maintained in collaboration with the Panchayats, and are manned by persons appointed by the Panchayat for a basic allowance of Rs. 600 per month, given by the Department, in addition to commission on articles booked and stamps/stationery sold.

(v) **Non-Recoverable Component (NRC) Post Offices:** These can be in the category of Extra Departmental Branch Offices (EDBOs) or Departmental Sub Offices (DSOs). These offices are opened, despite non-fulfilment of the income norm, on the assurance of a sponsor that the gap in revenue between income and cost for sustaining the office annually will be met in advance by the sponsor, each year. The scheme, withdrawn *w.e.f.* 1.4.03, was called the Non-Recoverable Component (NRC) scheme, as the sponsor was required to pay this component.

According to the Department,

"Expansion of the Postal Network is being undertaken through opening of Post Offices and Panchayat Sanchar Seva Kendras (PSSKs). Post Offices (POs) are opened subject to fulfilment of distance, population and income norms and availability of resources. Under the 10th Plan, post offices are required to be opened only by redeployment of existing manpower. The Department is also required to rationalize the network for the X Plan period. The Expenditure Finance Committee (EFC) recommended reduced targets for opening branch offices and sub offices in the first two years *vis-a-vis* past Plan period, and Plan support was also given only for the non-recurring cost of opening a post office (Rs. 4000/BO and Rs. 10,000/SO) as against the minimum annual requirement of Rs. 29,052/BO and Rs. 2,95,304/so for the recurring costs on opening post offices of either category with the barest minimum manpower. The Department was also asked to put up a fresh proposal for implementing the scheme in the last three years of the Plan, after an independent review of the postal network is completed by the Planning Commission, and keeping in view the policy directions contained in the X Plan".

49. On a specific query as to how many demands were pending with the Department for opening of new Post Offices in urban and rural areas, the Department informed that as on 30.11.2004, there were 80 justified proposals pending for opening post offices comprising 50 proposals for BOs and 30 proposals for DSOs. These requests are stated to be presently being met by redeploying existing manpower and relocating existing post offices that do not meet the distance norm.

50. The Committee enquired about the number of POs, BPOs, EDBOs, running at a loss the Department submitted as under:

"The entire rural network is provided 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. In the case of Departmental Sub Offices located in normal rural areas, an annual loss of Rs. 2400 per office per year is permissible while the permissible loss in remote, hilly, tribal and desert areas is Rs. 4,800 per office per year. However, every Post Office located in urban area is expected to be financially self-sufficient at the time of its opening and earn 5% over cost at the time of the first annual review for being retained."

51. On being asked by the Committee as to why there was no physical target for opening of post offices in 2005-06. The Department replied:

"There are no physical targets for opening post offices in 2005-06 because approval was given for the implementation Plan only for the first 2 years of the Plan. Targets for the remaining years were to be fixed only after receiving the recommendations of an independent committee set up for this purpose by the Planning Commission, and keeping in mind the directions contained in the 10th Plan, on rationalising the network."

52. To another question as to whether the redeployment and relocation of existing Post Offices were the only solution to meet the demand for justified proposal for opening POs, and also as to how the Department would provide postal facilities in rural areas without opening new Post Offices, the Department replied as under:

"The Department will open new post offices in rural areas, where justified, by relocation of existing BOs and also through franchising. The number of proposals that justify all the three norms for opening post offices during the remaining period of the 10th Plan can be met through redeployment of existing manpower and relocation of existing post offices. In addition, franchising postal services through agents appointed by the Department is yet another option. After the orders for relocation were issued in January 2003, over 31 Departmental Sub offices have been relocated to needy areas in 2003-04. This is now an ongoing exercise."

H. NRC Post Offices:

53. The Department in a written submission to the Committee, explained the concept of NRC post offices and their functioning as under:

"Non Recoverable Component (NRC) post offices are those Extra Departmental or Departmental post offices opened at the behest of a sponsor, who could be an individual or organization in the Government, public or private sector, who is willing to meet the gap between income and revenue from a post office that is opened without complying to the income norm of the Department for opening post offices. This NRC scheme was withdrawn from 1.4.03 because almost all the sponsors, which were mainly State Governments and State Government Undertakings had, over the last decade, steadily defaulted on their dues, and this had resulted in an audit para (now a para in the CAG's report), because the Department is not in a position to close down these offices in public interest, despite non receipt of the Sponsor's contribution".

The Department also submitted that:

"In the NE circle there are 103 Sub Post Offices and 298 Branch post offices which were opened with the State a sponsor. The State Governments are unable to meet their liabilities which amounted to Rs. 8.13 crore (up to 31.3.03), due to paucity of funds. Therefore rather than close down these post offices or downgrade them, keeping in view the need for communication facilities in these remote areas, it was decided to provide support for them under Plan from the NE component. Accordingly Rs. 2.60 crore was sought from Plan—this being the gap in resources required for maintaining these offices annually."

54. For the plan scheme under the head support for NRC Post Offices, no amount was allocated for X Plan whereas BE of Rs. 1.25 crore had been earmarked for Annual Plan of 2004-05 and again BE of Rs. 2.60 crore has been provided for the year 2005-06. When asked about the reasons therefor, the Department stated as under:

"The Department tries to meet its mandatory commitment of providing 10% of its budgetary allocation in the NE through implementation of as many of its plan schemes as possible in that area. However, there are limitations in the extent of activities that can be thus implemented since most of the potential areas have already been covered in the earlier years. There are currently no special schemes targeted solely for the North East and the level of capital investment required for most schemes is also low.

On the other hand, there is a need for better communication facilities and connectivity. Provision of a post office helps to meet this need to some extent. But, given the socio economic conditions, even existing post offices do not meet the income norms, adding to the deficit of the Department. In this context, the down gradation of NRC post offices also become a pertinent issue. Therefore, in consultation with Department of North Eastern Region (DONER) and the Planning Commission, it was suggested that these NRC post offices may be supported under Plan till they become viable. This will help meet the local needs and also the need of the department to utilize 10% of the plan funds in NE region in a gainful manner."

55. The Committee wanted to know about the total number of NRC Post Offices in India and also the total liability pending in respect of these Post Offices. In reply, the Department informed that as on 31.03.03, when the NRC scheme was withdrawn, there were 1453 post offices in the country of which 1218 were sponsored by the Government/public sector, 234 were sponsored by the private sector or individuals and 1 by another Central Government Department. The total liability pending as on 31.03.03 was Rs. 32.94 crore.

56. On being asked as to what necessary steps had been taken by the Department to recover the dues, the Department informed as under:

"Efforts have been made from time to time to recover the past dues through continuous interaction with the State Governments. This has continued even after the scheme was withdrawn, and a few Circles have been able to recover some amounts through such constant persuasions. Since 31.03.03, a sum of Rs. 1.05 crore has been recovered. Many States now express their inability to meet their dues, citing their poor financial condition.

Therefore, the matter has been taken up with the Inter State Council to recover their dues from the Plan support being given to State Governments. A proposal was also taken up with Planning Commission to support the NRC post offices in the NE, as a special case. The Planning Commission has provided an allocation of Rs. 2.56 crore/year, which is pending approval of the competent authority."

I. Computerization of Post Offices

57. The amount proposed by the Department and the amount actually provided by the Planning Commission for the scheme In Annual Plan for 2002-03 to 2005-06 are given below:

(Rs. in crore)

Year	Amount Proposed by the Department	Amount approved by the Planning Commission	Actual Expenditure
2002-03	261.04	38.86	8.38
2003-04	236.41	59.32	0.48
2004-05	239.27	140.00	140.55
2005-06	456.49	250.10	—

58. The total approved outlay for Xth Plan for computerization was Rs. 836.27 crore. However, the amount proposed from 2002-03 to 2005-06 was Rs. 1193.27 crore (Rs. 261.04 crore, Rs. 236.41 crore, & Rs. 239.27 crore and 456.49 crores) but the Planning Commission approved only Rs. 488.28 crore (Rs. 38.86 crore, Rs. 59.32 crore, Rs. 140.00 crore and Rs. 250.10 crore). The actual expenditure by the Department was Rs. 8.38 crore in 2002-03, Rs. 0.48 crore in 2003-04 and Rs. 140.55 crore in 2004-05.

59. The Committee enquired as to whether any study was carried out to see the feasibility of computerisation process in such a large scale. The Department replied to the Committee as under:

> "No external assessment has been done so far on the feasibility of the computerization process in such a large scale. Computerization was taken up of various postal operations from the Mid Term Review of the 8th Plan onwards, but on a very limited scale, and was primarily under taken for counter operations *e.g.* the introduction of the MPCMs for postal operations; SB operations were also computerized. However, only 506 HOs out of 845 HOs and 1266 SOs out of 25198 Departmental sub-post offices were provided some computers upto the beginning of the 10th Plan. The focus of computerization at that stage was on different activities in the post offices, and not on the post offices as a whole working in a networked environment."

60. On being asked about the reasons as to why no study was carried out before the introduction of computerization in Postal Services, the Department replied as under:

"A Working Group on the Postal Sector was constituted by the Planning Commission in April, 2001 to recommend, among others, identification of thrust areas for developing technological capabilities and their application, and also to identify new products/services for generating additional resources for the Department. The Working Group recommended induction of technology, modernization process re-engineering and ensuring quality of services at international levels.

While preparing the EFC proposal for computerization of post office in the 10th Plan period, the recommendation of this Working Group had been taken into consideration and the benefits gained by the Department out of its computerization initiatives taken in previous Plan periods has also been assessed. In fact, the Department has been providing Multipurpose Counter Machines to post offices from the 1990s. In addition computerization had also taken place in certain other areas, for example, Postal Life Insurance, Savings Bank etc. in the 1990s. By the end of the 9th Plan period, 506 Head Post Offices and 1266 Sub Post Offices were provided with computers for counter operations as well as for limited back office operations. Thus, the Department had almost ten years of experience of computerization before 10th Plan period. While preparing the EFC proposal, the feasibility of the scheme was examined and benefits experienced of computerization initiatives were considered by the Department. Some of the benefits were:

(a) More than 700 counters could be reduced.

(b) More transactions could be performed through such computerized counters as compared to manual counters.

(c) Customers could transact multiple business through the single counter system.

Thus, only after careful study of the benefits derived, the EFC proposal was prepared and approval of CCEA was obtained in January 2004.

There will be a mid-term evaluation of the scheme in the coming year. A High Powered Committee consisting of various stakeholders has also been constituted to monitor and guide the implementation of the programme. Thus there will be external assessment of the Plan programme."

61. When asked about the total physical target for Xth plan under the scheme and also whether the Department felt that the number was sufficient considering the huge network of postal Department and if not, what was the exact assessment of the Department in regard to the requirement of computerization, the Department stated that in the approved plan outlay, they had the target to computerize all Head Post Offices and 5595 large Sub Post Offices as well as all the 22 Postal Accounts Offices and 205 important administrative offices during the X Plan. It was further, stated that the Department would like to computerise all Departmental post offices at the earliest to obtain the full benefits of computerization. However, given the existing outlay, it has been informed that the remaining Post Offices will be computerized in the subsequent plans.

Details of Physical targets as submitted by the Department are as given below:

Sl.No.	Scheme	Unit	Number	
			Computerization	Networking
1.	Computerisation of POs	Head Post Offices	339	506
		Sub-Post Offices	5595	1266
2.	Computerisation of Circle Offices (COs)	COs	3	19
3.	Computerisation of Regional Office (Res)	ROs	37	—
4.	Computerisation of Divisional Offices (DOs)	DOs	205	—
5.	Computerisation of Postal Accounts Offices (PAOs)	PAOs	22	—

62. When asked as to whether all the physical targets would be met in the year 2004-05 the Department informed that they were optimistic to achieve its targets in 2004-05.

63. The Committee further noted that an ambitious target of 3000 POs, 3 PAOs and 100 AOs have been approved by Planning Commission. The proposal from the Department was Rs. 456.49 crore. In this regard when asked whether the amount proposed was justified, the Department in a written note furnished to the Committee, stated as under:

> "An allocation of Rs. 456.49 crore was sought in 2005-06 to computerise and network 4666 post offices, 3 PAOs and 225 AOs. The ambitious target was proposed keeping in mind the fact that there were only 3 years to complete the implementation of the entire project and there was need to make up the shortfalls since the scheme was cleared by CCEA only in January 2004. However, when the overall outlay was reduced *vis-a-vis* Department's proposals for BE 2005-06, the physical targets were also reduced proportionately. Since the prices of hardware have come down, it will be possible to easily meet the targets proposed in the 10th Plan."

J. Computerization & Networking of Mail Offices:

(a) Financial Targets and Achievements

(Rs. in crore)

Year	Amount proposed by Department	Allocation	Expenditure	% Expenditure
2002-03	19.13	13.32	0.82	6.15%
2003-04	3.81	0.82	0.578	70%
2004-05	12.12	5.00	1.37*	—
2005-06	5.52	1.87	—	—

*Anticipated

(b) Physical Targets

Year 2004-05	Target	Achievement*	%Achievement
Computerisation of HROs	10	10	—
Computerisation of CRCs	25	Nil	—
Track & Trace system for accountable articles	4 metros	Nil	—

*anticipated achievement.

64. The above table indicates that the anticipated expenditure was only Rs. 1.37 crore out of allocated sum of Rs. 5 crore in the year 2004-05. Further, with regard to the physical targets there were shortfalls in 2004-05 in computerization of Computerised Registration Sorting Centres (CRCs) and Track and trace System for Accountable Articles. In this connection, the Committee desired that to know the reasons in detail and also as to why decision had been delayed in regard to evaluation of the effectiveness of the software. The Department replied as under:

> "An allotment of Rs. 3.82 crores for Computerised Registration Sorting Centres (CRCs) could not be utilized as during mid-term appraisal a decision was taken to form a Core Group to recommend end-to-end solution for management of mail in computerized environment and integration/upgradation of softwares in use. This Core Group is also expected to look into the issues regarding software etc. for CRC. Hence, only the funds earmarked for computerisation of Head Record Offices were utilised in the current year."

65. In the year 2005-06 again for computerization of head record offices, an ambitious target of 15 and setting up of 40 CRCs have been kept with financial provision of Rs. 1.87 crore. In this regard, the Committee enquired whether the amount allocated would meet the requisite targets and if not as to what alternative mechanism had been devised by the Department. The Department replied as under:

> "The fund allocation for setting up 40 CRCs in 2005-06 is less than the projected amount of Rs. 31.5 crores. The existing provision in only earmarked for the related site preparation. Additional

demand will be projected in RE after the report of the Core Group is received. For HRO the allocated amount is sufficient to achieve the physical target."

66. With regard to the approximate amount incurred in computerizing a head record office, Computerization of a Registration Sorting Centre (CRC) and setting up of a Track and Tracing system, the Department informed as under:

"As per financial projection in 2004-05 approx. Rs. 7.1 lakhs are required for computerizing of one HRO. As for CRC Rs. 3.15 crores has been projected for 40 CRCs for financial year 2005-06. Thereby approx. amount required for one CRC is Rs. 7.8 lakhs including the hardware required for networking. In the case of Track & Trace, Rs. 37 lakhs was envisaged for setting up these facilities in the four metros. However, this projection is being reviewed by the Core Group taking into account the requirements for setting up this facility, factoring in the computerization undertaken in post offices, mail offices etc as well as the facilities available through the National Data Centre."

67. It was observed that during X plan, the proposed number of computerization of Head Record offices is 48, setting up of CRCs and networking of CRCs is 150 and Track and Trace System for Accountable Articles is 4. In this regard the Committee enquired as to how much target had been achieved so far and whether the Department was hopeful that the rest of the target would be achieved during the remaining period of Xth Plan and if not, what necessary steps were being taken by the Department to achieve the target in time. In this regard, the Department submitted their reply as under:

"10 HROs were computerized in 2003-04. 10 more HROs are likely to be computerized during the current year (2004-05). The physical target for 10th Plan for HROs is likely to be achieved. 69 CRCs were established in 9th Plan. In 10th Plan there is no physical achievement till 2004-05. During mid-term appraisal the target for setting up of 100 CRCs was proposed to be reduced to 75. Networking of CRCs will continue for 50 CRCs. The targets are likely to be achieved within 10th Plan."

K. Modernisation and Upgradation of VSAT System (Major Head 5201-104-02)

68. A satellite network for transmission of money orders between Post Offices was established during the 9th Plan. Approximately Rs. 3 lakh is spent for setting up of one VSAT unit which includes a

Dish antenna, one indoor unit and one Modem required for cabling a computer and peripherals like printer, UPS etc. Elaborating the stepwise functioning of VSAT system, the Department informed the Committee as under:

> "Money Orders are booked in the Meghdoot Software in the Post Offices Counters and are transmitted to the VSAT Computer. In the VSAT Computer, the MOs are authorized by the Postmaster concerned for transmission. The MOs are then transmitted through the VSAT system to a Central server which sorts the MOs for various destinations. On connection to the destination-wise VSAT by the Central server, the MOs are transmitted to the recipients VSAT/ESMO units. A print out of the MO is taken at the concerned destination VSAT/ESMO units, and then the MO is sent out for delivery to the addressee through the normal postal physical channel."

69. Explaining the physical target of the scheme, the Department stated that in the 9th Plan, the physical target to be achieved was installation of 150 VSATs which have been installed and were already in operation. Since the physical network was established only by the end of the 9th Plan, no further investment was proposed in the 10th Plan except making provisions for meeting the spill over liabilities.

70. According to the Department there are some pending payments relating to this network for which an allocation has been made in the Xth Plan. It is seen that an outlay of Rs. 3 crore has been provided in Xth Plan under this scheme for making this spill over payments on the VSAT system set up during the 9th Plan.

The B.E., R.E. and actual expenditure under this Plan scheme for the years 2002-03, 2003-04 and 2004-05, and BE 2005-06 are given below:

(Rs. in crore)

Year	BE	RE	Actual expenditure
2002-03	Rs. 0.75	Rs. 0.75	Rs. 2.32
2003-04	Rs. 2.00	Rs. 2.38	Rs. 0.389
2004-05	Rs. 0.50	Rs. 0.10	Rs. 0.08*
2005-06	Rs. 0.06	—	—

*anticipated expenditure.

71. On being asked about the total financial liability on the part of Department of Posts in the modernization and upgradation of VAST system with the break up between the amounts paid so far and the amounts yet to be paid, Department furnished the following details:

Amount Paid	Amount yet to be paid in the 10th Plan	Total liability
2.789 crores	Rs. 28 lakhs The amount is 10% pending payment for computers purchased during the 9th Plan for ESMOs.	3.069 crores.

72. When asked about the effectiveness of the VSAT system the Department submitted that:

"The system which had experienced certain software related problems previously, has been able to overcome them. As a result the traffic has picked up once again and on an average 55,000 to 60,000 money orders are being transmitted every day on the network. Efforts are being made from time to time to further refine the software to improve the quality of service. A recent innovation, under implementation, allows the Administration to ensure that the money orders booked in a given day have been downloaded and printed in the office of destination. This facility helps to monitor the smooth functioning of the software and expedite the redressal of any complaint received regarding non/delayed delivery of money orders."

73. To a question as to how much revenue has been realized through VSAT in last three years, the Department stated that it was estimated that a money order transmitted through the VSAT system would give a saving of Rs. 10.12 per money order and currently 60,000 money orders per day were being transmitted into the system.

74. In reply to a question as to whether any study had been undertaken to assess the effectiveness of VAST unit, the Department stated that:

"No formal study has yet been conducted to study the effectiveness of VSATs. However, the VSAT system is monitored on a daily basis both at the Circle and Directorate levels. The traffic is monitored daily, and efforts are being made to bring a distinct mail advantage in transmission of money orders. Various reports indicate that the system has successfully delivered money orders to the addressees on the same/next day. Local MOs meant for delivery within the district are currently not being transmitted through the system as per policy."

L. Decline in Mail Volume

75. The annual report of the Department of Post for the year 2004-2005 indicates the trend of mail traffic and the money order traffic and value as under:

Mail Traffic (in million)

	2002-2003	2003-2004	Increase/Decrease (in % age)
Registered	222.4	213.6	(-) 3.96%
Unregistered	8871.6	8421.6	(-) 5.07%
Total (1+2)	9094.0	8635.2	(-) 5.05%
Money Order Traffic and Value (in million)			
Money Order traffic	105.0	99.3	(-) 5.43%
Value of MOs transmitted	86500.0	68750.2	(-) 20.52%

76. In this regard, when asked about the reasons for the decline in mails over the years, the Department submitted that the declining trend in mail traffic was due to expansion of electronic means of communication by internet, telephone etc. and also due to private courier services. The reason for decline in money order was stated to be mainly due to increased reach of banks which offer alternate means of funds transfer in rural areas.

77. Responding to the question as to what necessary steps were being taken by the Department to improve the efficiency in delivery of mail, the Department submitted a written note as under:

(a) Two Automatic Mail Processing Centres are functioning at Mumbai and Chennai and two more are to be set up during the 10th Five Year Plan at Kolkata and Delhi to expedite the sorting work.

(b) Regular monitoring is being carried out through test lest letters/Circle Test letters run/national Test letters run and corrective steps are being taken wherever required.

(c) Regular check is exercised over the delivery of mails at all levels.

(d) Computerization of registration work is being undertaken in the phased manner under Plan project.

78. Further, regarding the monitoring of the delivery of mails, the Committee were informed that it was a continuous process and various mechanisms like all India Mail Survey, National Test Letter Run (NTLR), Circle Test Letter Run (CTLR), Divisional Test Letter Run (DTLR), posting of test letters/trial cards, review of mail arrangement during inspections and surprise visits etc. were used for monitoring of delivery of mails.

79. On a specific query about the provision to track local mails in Track and Tracing mechanism, it was stated by the Department that in the planned scheme of Track & Trace, only accountable articles could be tracked. However, the software issues were to be finalized, and the Core group formed under a representative of NIC was looking into these issues.

M. Training

80. The Budgetary allocation and actual expenditure under this Head are as under:

(Rs. in crore)

	BE	RE	Actual expenditure
2002-03	Rs. 6.65	Rs. 4.07	Rs. 2.37
2003-04	Rs. 11.28	Rs. 10.46	Rs. 7.34
2004-05	Rs. 9.85	Rs. 8.00	Rs. 7.56*
2005-06	Rs. 8.00	NA	NA

*anticipated expenditure.

81. With the induction of technology and the launch of new value added services, training has become necessary to train the existing manpower to handle the new requirements. The Department has kept training in the thrust area and had allocated Rs. 61.30 crore for Xth Plan.

82. In this regard when enquired about the details of the regular training courses and the categories of employees for whom such trainings were imparted, the Department in a written reply informed the Committee as under:

"Regular training courses are of two kinds: (a) Induction training and (b) In-service training. Induction training is given to certain category of staff at the entry level in the grade, which involves familiarising the personnel with the work of the department and enable them to handle the job assigned. In service training is intended to enable the staff and officers to handle greater responsibility as they grow in the organisation and also to update their skills/knowledge to meet the emerging requirements of the organization. Details of the above two categories of training provided are given below:

(a) Induction Training: This training is being given at entry level for all the staff and officers of the Department ranging from Gramin Dak Sevaks (BPM), postmen to Indian Postal Service Officers.

(b) In-service Training: This training is given to Postal Assistants, Inspectors and Supervisors for upgrading their existing skills, generally for a period of 2 weeks. For officers of Indian Postal Service, Executive Development and Managerial Development programmes are organised. Courses are also organised for Postal/Sorting Assistants and Inspectors on the following modules: Business Development Marketing, Financial Services, settlement of Savings Bank claims, Customer Care, Management of Philatelic Bureau and Marketing of Philately and training trainees.

Apart from the above, computer training is also given to Postal/Sorting Assistants, supervisory staff and Inspectors on operational madules namely: Meghdoot-Point of Sale & Postmen, Meghdoot-Sub Account & Treasury, Administrative Module, System Administration".

83. On being asked about the details of training centers in the country and training courses offered by them the Department furnished the requisite details to the Committee as under:

Sl.No.	Name of the institute and Jurisdiction	Training Courses Offered
1.	Postal Staff College India, Ghaziabad Entire country	Induction and in-service training to Group A and Group B Officers
2.	Postal Training Centre Saharanpur (Delhi, Haryana, Himachal Pradesh, Jammu & Kashmir, Punjab, Rajasthan, Uttaranchal and Uttar Pradesh)	Induction and in-service training to Postal/Sorting Assistants and Supervisory and Inspectorial staff.
3.	Postal Training Centre, Mysore (Andhra Pradesh, Karnataka, Kerala Tamil Nadu)	-do-
4.	Postal Training Centre, Vadodara (Chhattisgarh, Gujarat, Madhya Pradesh and Maharashtra)	-do-
5.	Postal Training Centre, Darbhanga (Bihar, Jharkhand, Orissa and West Bengal)	-do-
6.	Postal Training Centre, Madurai (Tamil Nadu)	-do-
7.	Postal Training Centre, Guwahati (North East Region)	-do-

84. To a pointed question as to whether the training brought any qualitative improvement in the functioning of the Department, the Committee were informed as under:—

"During the Xth Five Year Plan, thrust has been given to provide qualitative training covering the following areas, *viz*., Customer Care, Marketing Management, Leadership Qualities, change Management etc. This has been initiated keeping in view the need to meet the rising customer aspirations and the demands of competing in a highly competitive and commercial environment. Such training is being given not merely to officers in well established training institutions in the country, but even to postmen and Grameen Dak Sevaks BPMs. It is such inputs that have enabled the Department to cope with the fast changing scenario in the communication sector, and introduce technology and new products to compete with other service providers, and thereby enhance its revenues. To this extent, such training has helped to bring about a qualitative improvement in the functioning of the organisation."

85. When asked as to whether there were any customer care courses for the staff, in reply the Department stated as under:—

"At induction level the subject relating to Customer Care is included in the Induction training programmes of Group "C" Staff, Inspector of Posts and officers of Group 'A' & 'B' level. Postal Training Centres are also organizing special courses on Customer Care of one-week duration for the Postal/Sorting Assistants, as well as for supervisors and Inspectors of Posts. The following topics have been included in the curriculum of Customer Care courses: (1) Customer importance; (ii) Customer identification; (iii) Customer delight; (iv) Handling difficult customers, and (v) Citizens Charter."

86. Explaining the reasons for non-utilization of funds allocated in the year 2003-04 and 2004-05, the Department informed as under:—

"Annual Plan 2003-04: Against the allocation of Rs. 10.46 crores, only Rs. 7.34 crores could be utilized due to the following reason: The activity relating to training of GDS BPMs was included as supplementary activity in the Memo for EFC and all the Circles were assigned the task of achieving target of 10,000 GDS BPMs only during the month of December 2003.

Annual Plan 2004-05: the Building project for PTC Guwahati and the projects for augmentation of hostel facility at PTC Mysore and Saharanpur have been delayed due to the need for changes in the Schedule of Accommodation, Drawings etc to suit the actual requirements/standard norms and Budget allocations. Similarly the Software Development Centre proposed at PTC Mysore has now been proposed to be set up at Bangalore. Approval process for purchase orders for procurement of computer hardware for PTC Mysore and Saharanpur could not be completed on time, to facilitate the use of the funds in the current year. All these tasks will be completed during Annual Plan 2005-06. Therefore, Rs. 7.56 crores allocated at FG stage are likely to be fully utilised."

87. On the same subject, the representatives of the Department during evidence deposed as under:—

> "We do a lot of training but we just highlighted three aspects of our training which we thought were interesting for the Committee. We are now training Branch Post Masters. We are giving them in-service training both on the services that we provide and also on handling customers. This is because we are looking for the leverage to strengthen the reach of the network. So, we feel that it is important to train them. This year, so far 15,987 Branch Post Masters have been trained. Similarly, we have been training Postmen over the years. This is the final stage where 3700 and odd Postmen got training during the current year. What is interesting is that this entire training is imparted through distance package training. This has been done specially for the Postmen."

88. On being specifically asked to provide the content or the approach of the training and the general aspect of training, the witness, during evidence, stated as under:—

> "Postmen have maximum interface with the public have to be trained. We started distance learning package for the Postmen. In this, questionnaire and information material is prepared and sent to them in advance through post. They are supposed to study it and after that they are sent question paper. they are supposed to reply to the question paper, which are evaluated. After that, there is another four-day package-group learning, when all these Postmen who have cleared their examination are collected at a work place centre and there, they are given training of customer handling and relations and attitudinal changes. this is the emphasize given for Postmen's training. Similarly, it was felt that there is a need to training the Branch Post Masters 83 per cent of our Post offices are in rural areas. These people have also to be trained. For them, the training schedule is only for two days. There is no distance learning programme for them. But for this training, they are called to the nearest head Post Office where interaction takes place and they are giving training on the new schemes that are introduced. for example, collection of electricity bills, etc. Of course, what is ongoing in the department-for example. Savings bank or money order or whatever problems they have are discussed during the training and interaction. This we have been doing over the past two years for the Postmen and Post Masters and Staff."

89. To pointed question as to whether the Department was giving the whole emphasis as a strong service organisation, the representations of the Department replied as under:—

> "Yes Sir. That is the whole emphasise. I may also add that for Group 'C' employees also, we impart in-service programme, refreshers training programmes. Application of various softwares in the department. For example, Meghdoot bond of sale which is used for handing the counter-transfers. This type of training is imparted in six postal Training Centres at Saharanpur, Madurai, Darbhanga, Guwahati, Vadodara.
>
> We have been imparting that training to our staff. In regard to in-service training, we have achieved our targets. The fiscal targets are more than what our target was fixed. Similarly, we are giving training to our Group A And Group B officers in our staff college and they are also giving exposure to IIM. They are sent to Calcutta, Indore and Ahmedabad. It is also felt necessary that since this is a manpower-oriented Department, our officers have some training in legal matters. We have been holding training at the National Law School, Bangalore."

90. The Committee desired to know the quality of training imparted, the witness replied:—

> "...It depends on the day-to-day working. We do get the feed back. But, basically it is the day-to-day operations that have to indicate the improvement. It is for the next higher officer to assess as to how much impact the training has made".

91. On being asked as to whether the Department have considered hiring an independent agency to monitor, to get the feed back on the quality of training, the witness stated:—

> "We have been given certain names by the Department of Personnel and Training. We have to finalise it."

The witness further elaborated:—

> "We have two kinds of training. We have highlighted here about the training given at the work place. We have set up so far 39 work place computer training centres. There are 21 more in the pipeline in the current year and that makes it 60 work place centres,

which is more than one centre currently for every circle. this has enhanced the number of people who could be trained and we are bringing training closer to the work place. The plan is to bring the work place training centres right down to divisions and the head post offices, so that people can have easy access to training."

N. National Data Centre
(Major Head 5201-104.02.03)

92. With the computerization of different operations in the postal system, the Department have proposed to create a centralized data base which would be accessible to all postal units and which will facilitate effective access and data management the National Data Centre will carry out the activities for creating a centralized database which will enable all computerised operational and administrative units to accept data on a need to know basis. The various activities of the Department, such as Public Grievances, Speed Post track and trace, VSAT Money order transmission and financial services will be networked in the Central database. This will enable the management to have an effective MIS and also streamline the activities to provide value added services to the customers.

93. The National Data Centre is proposed to be located in the NIC Headquarter at CGO Complex with a disaster recovery system at NIC, Hyderabad. It will be hosted and maintained by the officers of NIC and Department of Posts. The NDC will be under the administrative control of Technology Division which is headed by DDG (Tech) and there are one Director (Tech), ADG (Tech) and DD (Tech) and 3 Desk Officers.

94. An outlay of Rs. 10 crores has been approved under Xth Plan. The details of the allocations and actual expenditure are as under:—

(Rs. in crore)

Year	Proposed to Planning Commission	Allocation received
2002-03	Rs. 10.00	Rs. 5.00
2003-04	Rs. 2.00	Rs. 0.50
2004-05	Rs. 5.00	Rs. 0.10
2005-06	Rs. 10.00	Rs. 10.00

Year	BE	RE	Actual expenditure
2002-03	Rs. 5.00	Rs. 0.20	Nil
2003-04	Rs. 2.00	Rs. 0.50	Nil
2004-05	Rs. 0.10	Nil	Nil
2005-06	Rs. 10.00	NA	NA

95. The Department informed the Committee that no targets were fixed since the scheme had not got the administrative approval of the competent authority.

96. On being enquired by the Committee about the delay in approval by the Competent Authority, the Department replied as under:—

> "This proposal was taken up only after the approval for Computerisation of post offices was received in January 2004. Thereafter, the NIC was consulted for technical inputs and a technical report prepared on the subject. After the receipt of the technical report, the EFC memo has been prepared and is being vetted".

97. To a further query as to whether the Department was considering for providing online services to customers the Department replied as under:—

> "The Department is proposing to provide online services to customers, in areas such as track & trace of speed post articles, and lodging of public grievances. Details of the financial services are still being worked out."

O. Speed Post

98. The Committee learnt that the Speed Post Services were introduced in 1986 linking seven metro cities with a view to provide fast and time-bound delivery services. Since then, Speed Post is offering the customers, time specific and assured delivery of letters, documents and parcels across the country and around the world. The Committee were informed that over the years the speed post revenue grew substantially from Rs. 77.98 crore in 1997-98 to Rs. 514.29 crore in 2004-05.

99. The Committee was further informed that with the computerisation of network and the innovative schemes like time bound guaranteed delivery, money back provision for delayed delivery, free pick up service, extended hours of booking facility in metro cities and big towns/cities the DoP will be able to increase revenue generation and efficiency in the segment.

P. New Initiatives by the Department:

100. In order to re-structure the Department in response to the emerging needs of customers, the Department has taken new initiatives by introducing various services which are as follows:

- National Bill Mail Service
- Parcel Division
- Implementation of Senior Citizens' Savings Scheme 2004
- Retailing of 5 Mutual Fund products of UTI launched from September, 2004 in select post offices.
- New initiatives in Marketing of International Money Transfer.
- Marketing of non-life products of M/s Oriental Insurance through select post offices.
- Launch of new premium products *i.e.* Logistics Post (above 50 kg consignment), direct Mail Service, e-Commerce.
- Financial Services such as 150 Postal Finance Marts, Sale of Government Securities, Disbursal of Micro-Credit to Self Help Groups.
- New Speed Post Services *i.e.* City Express, Post Express, Premium Speed Post.

101. Explaining the features of various new initiatives taken by the Department, the representatives of the Department informed the Committee during evidence as under:—

"We already had a Bill mail service when caters to printed matter as well as telephone bills, bills and such things. This was for a reduced tariff of Rs. 3. We were catering to the local needs. but what we discovered was that many corporate bodies were centralizing their printing of this material. So, to cater to that market, a new package has been developed which takes into account not only the bill Mail service but also the Express Parcel Post Service and the Speed Post Service. And then, it has been packaged together and then launched as a National Bill Mail Service which will cater to the evolved needs of the corporate sector."

About other schemes, the Committee were informed:

"Here, we have touched upon three new services which we have started implementing through the Post Offices. The first is the senior citizen savings scheme which after the provisions of the last Budget, both the Post Offices and the Banks are supposed to be providing these services. As of January, through Post Offices, we have been able to collect an investment of Rs. 8,300 crores.

the other is a tie up with UTI Mutual Funds and enhancing the portfolio of mutual funds that we are already dispensing. This again is a nascent area but with the provision of the new budget we help that this is an area where we see future growth.

then, we are marketing of non-life products of Oriental Insurance. All these products have been offered in select Post Offices, circles. This again is a new area for the Post Offices because it is not a area where you will have a walk in customer immediately. You need to market it. So, it has a very slow take off. But we are hopeful that we will see a future growth in these areas.

We have made significant progress in the matter of international money transfer. The Department has now got about 27 per cent of the South Asia market and in the current year thanks to very sustained marketing drive, we have been able to double the revenue to Rs. 10 crore, which is a very major push in the current year.

Logistics Post basically caters to the conveyance of goods which would be above 50 kilograms. Normally, we take the postal articles that are up to 35 kilograms. Basically, it will be a cargo service. At present we plan to introduce this service by outsourcing the transport arrangement".

101. On being asked by the Committee about the features of Direct Mail Service, the witness stated during evidence:

> "Basically, Direct Mail Service caters to the business segment send mail to their customers which are identical.
>
> So, there are two types of direct mails. One is, which is unaddressed mail, and the other, which is addressed mail. We intend to make a beginning by introducing direct mail, utilising the unaddressed option, at present. So, we have already taken the opinion of the Ministry of Law as to whether the Department of Posts within its present charter can undertake these activities. We have finalised our operational arrangement, and also our accounting arrangements. Now, this service is about to be introduced."

About E-commerce, the Committee were informed during evidence:

> "About the E-commerce, the Department of Posts has been in touch with the Confederation of the Indian Industries and our Secretary has had a meeting with top office-bearers of the CII, and a working group has been formed to formulate products, which the Industry would require in the current environment in the Department of Posts. At present, the thinking is that E-Commerce should be the area of focus. Here, what we propose to do is to ride on the reluctance of the Indian customers to make credit card transactions on the net."

102. Regarding the Postal Finance Mart, the representative of the Ministry during evidence stated as follows:

> "We are having our banking products, saving bank, and we have gone in for mutual funds. We are also planning to enter into new areas. We are having a Postal Life Insurance, etc. So, we have a whole lot of products and services, *viz*., banking, insurance, mutual funds, probably securities, money transfer. So, if all of them can be packaged and brought under one roof, and we can brand them, and give them the same level of facilities, offered by banks obviously, the people will be patronising us more.
>
> "This finance Mart is one of the areas by which we can retain the attention of the younger generation, the new generation and the upwardly mobile class and the large savers, and thereby we can bring them here."

**　　　　**　　　　**　　　　**

Therefore, the Finance Mart is a very good answer for meeting the challenges which are emerging. The first Finance Mart at Madurai has become very successful. We have replicated it as seven places, at Madurai, Trichy, Coimbatore being the larger, and at smaller places like Pudukkottai. We are finding all the ingredients successful there. Therefore, we suggested and submitted this to the PMO, and the PMO has identified it as the thrust area. This year, we are planning to do 150 of them. Eventually, we would like to do 300 of them, and all the 300 would be high level Finance Marts with central service technology, We are trying to link it up with one of the plan projects for our data centre. If it is done, we can offer banking from anywhere, then, I think, the Indian Posts would be way ahead in the financial services and meet the challenges of banking, be it public sector banks, multi-national bank or the new generation bank. This is the essence of the Finance Mart.

103. The Committee enquired about the criteria to be followed for identification of 150 locations of setting up of Financial Marts. It was stated that the Department was targeting at the second level cities which had enormous scope and they used a very peculiar logic and looked at the areas where the competitors were not very strong and people required support.

Regarding other financial services the Committee was informed:

"There two other financial services in the offing. One is the sale of Government Securities where the Department is planning to enter into secondary market for selling the Government Securities by tying up with one of the leading finance institutions. Another is that we are also to look to disburse micro credit to self help groups in collaboration with NABARD, it is pilot project".

Then there are three new competitively prized express mail products in the offering to be launched at the end of first and second quarters.

"the 'city express' will cater within the city."

Q. Domestic Travel Expanses

104. The Committee observed that over the years the domestic expanses of the Department was Rs. 30.09 crore in 2001-02, Rs. 32.31 crore in 2002-03, and Rs. 34.61 crore in 2003-04 and Rs. 26.80 crore in 2004-05 (upto January 2005). The Department has proposed Rs. 34.18 crore for the year 2005-06. When asked about the details of domestic expenses in a written note furnished to the Committee following details were furnished:

> "Domestic travel expenses are incurred by all categories of employees. Domestic travel is undertaken for training, inspection duty and at the higher level for attending conferences, meetings etc.
>
> The expenditure incurred on domestic travel is essential for the operational functioning of the Department.
>
> **Inspection Duty:** The Department of Posts has a very widespread network touching even the remotest corner of the country. In order to ensure the efficient working of the Department on both the administrative and operational side as well as the accounts and finance side, frequent and thorough inspections are essential. In many cases, the officer in-charge is responsible for offices spread over a vast area. To maintain proper administrative control, frequent inspections are undertaken.
>
> **Training:** The Department of Posts is functioning in a fast changing economic, social and technical environment. Though the Department is still in the process of modernisation, there is a need to training officers/officials of all levels in order to meet the challenges of the changed circumstances. There are only 6 Training Centres and 1 Postal Staff College to cater to all training requirements of the Department.
>
> **Meetings/Conferences:** At the senior level, there is a need to hold meetings and conferences to attend Technical, Evaluation Committee Meeting, Standing Committee Meetings, Review meetings etc."

105. It was further informed that Rs. 34.18 crore has been projected as the expenditure for domestic travel in the BE for 2005-06 based on the actual expenditure incurred in the previous year (2003-04). The

BE figure for 2005-06 is 0.42 crore is less than the actual expenditure incurred in 2003-04.

R. Advertising and Publicity:

106. The Committee were informed that the advertising and publicity work of the Department of Posts is undertaken through the DAVP and other approved agencies. Under the head "Advertising & Publicity", there has been a rise in financial allocation from Rs. 4.11 crore in 2003-2004 (actuals) to Rs. 6.29 crore in 2004-05 and then to Rs. 7.22 crore (BE) in 2005-06.

107. The Committee enquired about the details of the "Advertising & Publicity" works being done by the Department to promote its various products. In reply, the Department stated the following steps were taken for advertising and publicity:

(i) Advertisement of various products and services in national/local/regional/linguistic newspapers.

(ii) Jingles on local radio channels/FM.

(iii) Direct marketing through printing of brochures/mailers giving important information about the services.

(iv) Organising customer meets/conferences.

(v) Hoarding/glow signboards, banners at important locations in post offices and mail offices.

(vi) Participation in local mela/festival.

(vii) Celebrating Postal Week.

(viii) Production and telecast of TV commercials on Doordarshan and other private TV channels during prime time on popular TV programs.

(ix) Small Savings drives in rural areas.

(x) Advertising in cinema halls/local cable.

(xi) Puppet shows.

(xii) Bal Bachat Yojanas.

108. On being asked whether the allocation of Rs. 7.22 crore was sufficient for advertising and publicity of its numerous products and services it offered and if not what according to the Department was the actual requirements of funds in this regard and also whether the Department was satisfied with present level of advertising and publicity of its products, the Department in a written submission stated as under:

> "The Department is utilising the funds made available for publicity and advertisement of all its activities, products and services. However, for creating an appropriate impact and for developing the brand equity of the Department, a greater thrust is required."

109. During evidence, the Secretary, Department of Posts made following submission in this regard before the Committee:

> "For media plan, we were supposed to get Rs. 4 crore to Rs. 5 crore in the beginning. While we were planning, suddenly, we were told that because of the cut in the funds, we should not spent that much. Overall, last year, we could spend only Rs. 2 crore for the whole country in mail and other operations. On savings bank, we actually spent about Rs. 75 lakhs. It means, per State, it comes to Rs. 5 lakh to Rs. 6 lakh. A few advertisements in a year will totally wipe out the budget. Marketing does not mean giving out ads occasionally. We have to position the Department as a big player. While other people are advertising in TV and giving high profile adds and publicity campaigns, we are unable to participate in the same way. What we try to do is that we put in some small ads at a low cost, but that is not really impacting. We need to plough back our earnings a little for some of our activities. This is the support we need to get from those who are using us. On the one side, they want to use us and, on the other side, I am not being allowed to grow. That really affects our general health."

PART II

RECOMMENDATIONS/OBSERVATIONS

Budgetary Proposals and Thrust Areas

110. The Committee find that the budgetary allocation proposed by the Department of Posts under the Demand no. 14 for the year 2005-06 is Rs. 6598.05 crore, which comprises of expenditure of Rs. 6279.86 crore under revenue section and Rs. 218.19 crore under capital section. The analysis of the gross expenditure of the Department in the past years reveal the constant increase from Rs. 5476.15 crore in 2002-03 to Rs. 5736.06 crore in 2003-04 and again from Rs. 6036.59 crore in 2004-05 to BE of Rs. 6274.59 crore in 2005-06. Compared to the previous year of 2004-05, the gross expenditure at BE stage for 2005-06 is higher by Rs. 238 crore. The various factors, as stated by the Department, being responsible for increase are enhanced expenditures on account of salaries, pension charges, office expenses and office consumable, supplies and materials, maintenance etc. The Committee also note the submission of the representative of the Department during the evidence that the revenue of the Department has increased by 30 per cent but the expenditure has gone up by 17 per cent, which according to the Department is a very positive feature. The Department has also expressed their inability to contain the increasing trend of expenditure because 90 per cent of the expenditure pertain to the fixed cost like salaries, where they did not have much of the opportunity to reduce it and in other areas any effort to squeeze it further will affect the quality of the services being provided by the Department. While the Committee do appreciate the constraints being faced by the Department in controlling the gross expenditure under revenue section for various compelling reasons, it is still expected that the Department will give serious consideration to the issue of growing trend of expenditure over the years and devise some mechanism to monitor the expenditure being incurred under different heads so as to have effective control over the total expenditure to the extent possible. The Committee would also like to caution the Department not to be misled by the comparison of growth of revenue with the rise of expenditure as both these areas are to be analysed

independently with a view to achieving efficiency on both the counts. The Committee recommend that efforts should be made to control the overall expenditure on one side and ways and means should also be explored to increase the revenue of the Department on the other side.

111. The Committee note that certain thrust areas have been defined by the PMO for the Department of Posts. These areas include timely completion of tasks related to setting up of Finance Marts as one stop shop for financial services, timely completion of franchising arrangements to provide services in the areas not having post offices, undertaking computerization of postal activities, taking necessary action for replacing/amending the Indian Post Office Act of 1898 to take care of the needs of competition, convergence and other new developments and bringing institutional reforms in terms of decentralization, simplification, transparency, accountability and e-governance. The Committee trust that the Department will initiate all necessary steps in this regard to achieve the desired results at the earliest in all the thrust areas defined by the PMO which will not only make the Department a vibrant commercial organization but also provide speedy and smooth services to the public at large. The Committee would like to be apprised of the specific steps being taken by the Department in this regard.

Utilisation of Budgetary Allocations

112. The Committee are constrained to note the recurring nature of unspent balances left with the Department at the end of each financial year. The unspent balances in the Revenue Section under Non-Plan head had been Rs. 88.57 crore, Rs. 14.26 crore, Rs. 6.37 crore and Rs. 67.82 crore during the year 2000-01, 2001-02, 2002-03 and 2003-04 respectively. Similarly, unspent balances in the Capital Section under Plan head had been Rs. 41.54 crore, 5.84 crore, 33.87 crore, and 3.66 crore respectively under the same period. The figure projected as unspent balances for the year 2004-05 under both the above mentioned heads are Rs. 1194.07 crore and Rs. 137.73 crore respectively. The Committee observe that the trend of continuous under-utilisation of allocated funds both under the Revenue and Capital Sections is quite alarming. In the opinion of the Committee, the reasons put forth by the Department for such under-utilization such as the time taken to complete the formalities and getting approval, booking of expenditure under wrong heads of accounts

etc. are clear testimony of poor budgetary exercise prevalent in the Department coupled with the lethargic bureaucratic processes involving a lot of delay in completion of requisite formalities. The Committee, therefore, feel that the budgetary and administrative mechanisms of the Department needs to be revamped so as to avoid recurrence of past mistakes and to ensure optimum utilization of funds within the financial year. The Department should make serious efforts to procure and clear the bills of other Departments like DGS&D within the financial year so that the funds earmarked for that purpose are not left unutilized.

113. The Committee find that while on one side the Department has not been able to spend fully the allocated funds resulting in huge unspent balances, there have been, on the other side, certain activities such as modernisation of post offices, modernisation of speed post centers, modernisation of mail offices, promotion of premium products, construction of buildings etc., where more funds could have been utilized, if it had been allocated to the Department. The Committee's apprehension about the poor budgetary exercise in the Department, thus gets reinforced from the above stated contradictory situation with regard to utilisation of funds. The Committee would, therefore, like the Department to ensure that the assessment of requirement of funds under different major, minor and sub-heads of the Grant are made on realistic anticipations to make the budgetary exercise more meaningful and accurate.

Working Expenses

114. The Committee note that the working expenses of the Department have been Rs. 5194.60 crore, Rs. 5476.15 crore, Rs. 5736.06 crore, Rs. 6027.31 crore, and BE of Rs. 6274.59 crore in the year 2001-02, 2002-03, 2003-04, 2004-05, and 2005-06 respectively, thus registering an increase of Rs. 281.55 crore in 2002-03, Rs. 259.91 crore in 2003-04, Rs. 291.25 crore in 2004-05 and Rs. 247.28 crore in 2005-06 (BE stage). The reasons for hike of working expenses in the BE of the year 2005-06 are stated to be merger of 50 per cent D.A. to the basic pay, thereby increasing the salaries and pension, adding requirement of additional funds. The Committee, however, observe that increase of working expenses of the Department is a regular phenomenon as is evident from the figures cited above, therefore, the Committee are not convinced with the explanation of the Department that higher BE has been projected on this count only.

The Committee would therefore desire that the Department should explore the areas where the working expenses could be reduced without adversely affecting the operations of the Department particularly when the Department itself admitted to the scope of controlling the expenditure to the tune of 3 to 5 per cent.

Recoveries

115. The Committee note that the Department of Posts is paid agency charges for the service rendered by them on behalf of the other Government Departments and these earnings are accounted for as recoveries. The Postal Life Insurance and the Rural Life Insurance constitute 65 per cent of the total recoveries. The Department also makes pension payment on behalf of a number of Departments, including the Ministry of Railways, Ministry of Coal, Ministry of Mines, The EPF organization and agency charges are paid for it. The Committee also observe that various areas of recoveries to be made by the Department include, (i) Commission of money on Western Union Money Transfer; (ii) Commission on payment of Military Pension; (iii) Commission on sale of Non-postal stamps of Delhi Administration; (iv) Commission for payment of pension under CPFP; (v) Collection of Custom Duty; (vi) Telegraphs share of combined office charges; (vii) PLI/RPLI; (viii) APS Accounts and other Government Departments. According to the Department of Posts, arrears worked out for the job of booking and delivery of telegrams on behalf of the BSNL comes to Rs. 100 crore. Similarly, huge arrears are stated to be recovered by the Department of Posts from various Departments for rendering the above mentioned services. However, the actual details of arrears of recoveries in respect of each service were to be worked out by the Department. The Committee therefore, recommend that arrears of recoveries due on 31st March 2005 against all the Departments/organizations on account of different services/agency functions including those pertaining to disbursement of pension, may be worked out unit/service/Department wise and the matter of expeditious recovery of the arrears may be taken up at the highest level with the concerned Department/ organizations at the earliest. The Committee would also like to be apprised of the progress made in this regard with full details within a period of three months.

116. The Committee further observe that the Department of Posts provide agency services to the Ministry of Finance and in this regard an expert Committee set up by the Ministry of Finance in 1993-94

had fixed the rates of remuneration for that year. they had also recommended 10 per cent escalation per year but after the year 2001-02, the increase has been only to the tune of 4.25 per cent and 3.88 per cent during the last two years resulting in revenue deficit. Surprisingly, the Department did not get any response for the references made to the Ministry of Finance despite the fact that the matter was taken up with the Secretary (Expenditure). The Committee express their serious concern over such a state of affairs when the escalation rate fixed by the Expert Committee was reduced unilaterally by the Ministry of Finance which has adversely impacted the financial position of the Department of Posts. The unilateral decision taken by the Ministry of finance with regard to reduction of escalation rates without consulting/involving the service provider/ organization *i.e.* Department of Posts is, in the opinion of the Committee, highly unreasonable and needs to be rectified very soon. Taking into account the fact that working expenses of the Department are steadily rising year after year while in sharp contrast thereto, the escalation rate of remuneration have been reduced by the Ministry of Finance resulting in an adverse financial position to the Department, the Committee are constrained to recommend that the Department of Post should seriously take up the matter with the Ministry of Finance and Planning Commission at the highest level. In case no favourable response is received within a reasonable period of time, the Department should explore the possibility of placing the entire matter before the Cabinet.

Revenue Receipt

117. The Committee find that the revenue receipts of the Department was Rs. 4256.93 crore in the year 2003-04 which was projected at RE stage in the year 2004-05 to be Rs. 4455.00 crore. For the year 2005-06, revenue receipt of the Department has been projected (BE) at Rs. 4713.70 crore, which is 5.81 per cent more than the RE of the previous year. The Committee however observe that though Rs. 4450.00 crore was estimated for revenue receipts at RE stage in 2004-05, yet the actuals upto January 2005 was stated to be only Rs. 2091.94 crore which was less than half of the projected RE. The Committee thus observe that the Department is far behind the target of achieving the revenue receipts as projected in RE 2004-05 which clearly indicate that either unrealistic projections were made in this regard or the Department could not make concerted efforts to actualise the accruals within the financial year. While expressing

their desire to know the precise reasons for the less realization of revenue receipts than the projected level, the Committee would advise the Department to closely monitor the revenue receipts on monthly basis in order to ensure achievement of targets fixed at the BE stage for the financial year.

118. The Committee also note from the information submitted by the Department that revenue earned from postal operations constitute approximately 59 per cent of the total revenue of the Department, while over 41 per cent of the revenue is earned from commission from the Ministry of finance on account of small savings work. In the case of postal operations, the BD Directorate is making efforts to mop up the bulk mailers and corporate mailers thereby increasing the amount despite non-revision of tariff from the year 2002. The Committee feel that there is an urgent need for increasing the revenue earnings of the Department and therefore, they would advise the Department to explore the possibility of venturing into new areas of operation including selling of non-competing products so that financial health of the organization could be improved.

Revenue Deficit

119. The Committee's analysis reveal that out of 43 services provided by the Department, only eleven services can recover full cost and leave some profit margin, whereas 24 services are running in deficit as their cost of operation is more than the average revenue realised. The total subsidy during 2003-04 amounted to Rs. 1204.03 crore which range from 7.09 per cent amounting to Rs. 3.92 crore in respect of 'book packets and sample packets' to 95.28 per cent amounting to Rs. 46.60 crore in respect of 'Registered Newspaper Single'. Further, the Committee observe that the revenue deficit of the Department has been Rs. 1411.51 crore, Rs. 1364.40 crore, Rs. 1375.22 crore and Rs. 1374.71 crore (RE) during the years 2001-02, 2002-03, 2003-04 and 2004-05 respectively. However, the actual revenue deficit up to January 2005 for the year 2004-05 has been Rs. 2723.53 crore which is much higher than the BE projection of Rs. 1374.71 crore. Moreover, the Department has again projected revenue deficit of Rs. 1449.64 crore at BE stage for the year 2005-06. The Committee observe that the Department of Posts has not been able to minimize the revenue deficit despite the efforts stated to have been made by them. While the Committee do appreciate the universal service obligation of the Department to provide efficient and accessible

postal services in all corners of the country, the present day economic scenario, however, require each and every operating unit to be self-sufficient and therefore, the Department of Posts should also devise ways and means to make them commercially viable entity in the long run keeping their national obligation interact.

Tenth Five Year Plan

120. The Committee find that the approved Tenth Plan outlay for the Department of Posts for Plan Schemes is Rs. 1350 crore, wherein approved outlays for the first three year of the plan *i.e.* 2002-03, 2003-2004 and 2004-05 was Rs. 350 crore and a provision (BE) of Rs. 354 crore has now been made for the year 2005-06. Further, out of total outlay of Rs. 1350 crore for the Xth Five Year Plan, Rs. 1066.50 crore (79%) is stated to be earmarked for computerization, up-gradation of technology and modernization of postal network and its operations. Similarly, out of Rs. 354 crore earmarked for the 2005-06, Rs. 307.05 (86.7%) is earmarked for the above mentioned activities. However, performance of the Department in respect of fifteen important activities for which funds were allocated to the extent of Rs. 103.61 crore in the year 2001-2003 and Rs. 104.31 crore in the year 2003-04 have been abysmally poor as the actual expenditures have been very less. Surprisingly, the Department failed to utilize the funds in some of the critical areas like Computerization of Post Offices, Modernisation/Upgradation of VSAT system etc. The main reasons for poor performance in the first two years of the Tenth Plan are stated to be the delay in receiving the scheme-wise outlay from the Planning Commission including the delay in getting the approval of the competent authority to the plan schemes. The Committee are not convinced with the reasons for delay as the administrative hurdles could very well have been overcome had the Department put in focussed efforts in this direction. The Committee hope that the Department will at least now make concerted efforts for full and fruitful utilization of the budgetary allocations for the year 2005-06 so that implementation of the schemes and completion of activities are note delayed further.

Budgetary Allocations for North-East Region

121. The Committee observe that the Department of Posts was required to utilize Rs. 135 crore in five years period of Tenth Plan in the North-Eastern Region. However, the total allocation in the

first three years of the Plan has been Rs. 33.94 crore, while only a meager amount of Rs. 6.94 crore has been spent in the first two years thus leaving approximately Rs. 128 crore to be spent in the last three years of the Plan. If the amount of Rs. 15.23 crore allocated at BE stage for the 2005-06 is taken into account, the amount left to be spent in the last year of the Plan *i.e.* 2006-07 would be approximately Rs. 101 crore. It is beyond comprehension as to how the Department will be able to spend such a huge amount of Rs. 101 crore in a single year, when they could not even utilize the small annual allocation in the previous years. It is ironical that on one side there is substantial allocation for the North Eastern Region in the Tenth Plan and on the other side, admittedly there are no separate plan activities specifically earmarked for the North East. while expressing their dissatisfaction over the passive role of the Department in this regard, the Committee recommend that the Department of Posts should formulate, in a time bound manner, the special schemes for the North East in consultation with the Department of North Eastern Region (DONER), Planning Commission and the State Authorities etc., keeping in view the peculiar geographical terrains of the regions and also giving due regard to the fact that 10% of total Plan allocation is earmarked for the North East Regions only because of these specific reasons.

Expansion of Postal Network

122. The Committee feel that with the extensive reach all over the country, the DoP is very uniquely placed to reposition and re-invent itself as a one-stop-shop for multiple-services and products including postal services and products. This strength has to be optimally leveraged by an innovative and imaginative mix of offerings depending on the region and the local needs and demands, without diluting the USO objectives of Postal Services.

123. The Committee are happy to note that the Department of Posts has the largest Postal Network in the world with 155669 Post Offices as on 31.03.2004. The different categories of Post Offices run by the Department are—Extra Departmental Branch Offices (EDBOs), Extra Departmental Sub-Offices (EDSOs), Departmental Sub-Offices (EDBOs), Panchayat Sanchar Sewa Kendras (PSSKs), Non-Recoverable Component (NRC) Post Offices. although the expansion of the Postal Network was being undertaken by DoF through opening of Post offices and Panchayat Sanchar Sewa Kendras but under the Tenth

Plan, Post Offices are required to be opened only by redeployment of existing manpower and relocation of existing Post Offices. The Committee learn that an independent Committee has been set up by the Planning Commission for review of Postal Network and further physical targets will be fixed by the Department only after the receipt of the recommendations of the independent Committee. The Committee further observe that there are 80 justified proposals pending with the Department for opening Post offices comprising 50 proposals for DOs and 30 proposals for DSOs. The Committee appreciate the constraints of the Department with regard to cost benefit ratio of opening a Post Office but at the same time the Department is also expected to discharge its responsibilities regarding Universal Service Obligation (USO) which only ensures cost effective communication facility to the masses even in far flung areas of the country. The Committee would, therefore, like the Department to explore various options of expansion of Postal Network including franchising the Postal Services through agents so that the requirements of Postal Services at various places are met adequately and effectively.

NRC Post Offices

124. The Committee note that Non-Recoverable Component (NRC) Post Offices are opened at the behest of a sponsor, who is willing to meet the gap between income and revenue from a Post Office that is opened without complying with the income norm of the Department for opening Post Offices. This NRC scheme has, however, been withdrawn with effect from 1.4.03 because of the sponsors turning out to be defaulters in regard to payment of their dues. The Committee find that as on 31.03.03, when the NRC scheme was withdrawn, there were 1453 post offices in the country of which 1218 were sponsored by the Government/public sector, 234 were sponsored by the private sector or individuals and 1 by another Central Government Department. The total liability pending as on 31.03.03. was Rs. 32.94 crore. The Committee would, therefore, recommend that immediate necessary steps should be taken by the Department to recover these dues from the concerned Departments/ Institutions/Individuals on account of their liability in NRC Post offices opened on their sponsorships.

125. The Committee further observe that in the NE circle, there are 103 Sub-Post Offices and 298 Branch Post Offices which were

opened with the State as sponsor. The State Governments are unable to meet their liabilities which amounted to Rs. 8.13 crore as on 31.3.2003 due to paucity of funds. The Committee further learn that keeping in view the need for communication facilities in these remote areas, the Department decided to provide support for them under Plan from the NE component rather than closing them down. Accordingly, the Department has made provisions for Be of Rs. 2.60 crore from Plan Head for the year 2005-06 to maintain these offices. The Committee appreciate the initiative taken by the Department to make provision from Plan head to maintain the NRC Post Offices in the North East Circle. They also feel that this step of the Department not to close down 401 Post Offices in the NE Circle and to maintain them will provide great relief to the local inhabitants of that region.

Computerization of Post Offices

126. The Committee observe that the total approved outlay for Tenth Plan for computerization was Rs. 836.27 crore. The proposal made by the Department was for Rs. 1193.27 crore for the first three years of the Plan, but the Planning Commission approved only Rs. 488.28 crore. The Committee, however, note that the Department have miserably failed to achieve the target as the actual expenditure by the Department has been only Rs. 8.38 crore in 2002-03, Rs. 0.48 crore in 2003-04. The Committee are surprised to note that admittedly no external assessment or study has been undertaken so far on the feasibility of the computerisation process of the Post Offices in such a large scale. The Committee learn that the Department had the target to computerize all head Post Offices, 5595 large Sub-Post Offices, all 22 Postal Accounts Offices and 205 important administrative Offices during the Tenth Plan and the Department intended to computerize the remaining Post Offices in the subsequent Plans. The Committee observe that the Computerization and networking of Post Offices will bring efficiency in providing various services to the public which in turn will fetch more customers to the Postal units resulting in higher revenue generation. The Committee, therefore, recommend that the Department should take all necessary steps to achieve the targets fixed for the Tenth Plan and also for early computerisation of the remaining Post Offices along with interconnecting them through National Network.

127. The Committee feel that the DoP must approach its necessity to computerize more from the view of a multi-service and product provider rather than just Postal Services that would ensure the pace of computerization and the optimal usage of IT Infrastructure.

Computerisation & Networking of Mail Offices

128. The Committee note that during the Tenth Plan period, target fixed for computerisation of Head Record Offices is 48, setting up of Computerised Record Sorting Centres (CRC) and Networking of CRC is 150 and Track and Trace system for accountable articles is 4.

129. The Committee's analysis, however, reveal serious shortfalls in the area of computerisation and networking of Mail offices as the Department could utilise only 0.82 crore against allocation of Rs. 13.32 crore in 2002-03, Rs. 0.58 crore against allocation of Rs. 0.82 crore in 2003-04 and again only Rs. 1.37 (anticipated) against allocation of Rs. 5.00 crore in the year 2004-05. The Department's performance in the year 2004-05 has been very dismal as no achievements were made against the target of computerisation of 25 Computerised Registration Sorting Centres (CRC) and Track & Trace System for accountable articles in 4 metros. The Committee note that no systematic study was undertaken before initiating the computerisation process and as a result a decision was to be taken during mid-term appraisal to form a Core Group to recommend end-to-end solution for management of mail in computerised environment and integration/upgradation of software in use.

130. The Committee are of the firm opinion that it is sheer lack of preparedness on the part of the Department which resulted in failure in achievement of targets and thus necessitated mid-term revision of these targets. The Committee while expressing their anguish over the unsatisfactory performance of the Department, would recommended the Department to expedite submission of the report of the Core Group, analyse it and reformulate its policy and targets for computerisation and Networking of mail offices at the earliest.

Modernisation and Upgradation of VSAT System

131. The Committee observe that a Satellite Network for transmission of money orders between Post offices was established

during the Ninth Plan and an expenditure of Rs. 3 lakh was incurred for setting up of one VSAT unit which included a Dish antenna, one indoor unit and one modem for cabling a computer and peripherals like printer, UPS etc. A money order transmitted through VSAT System gives a saving of Rs. 10.12 and currently 60,000 money orders per day are transmitted through the system. The Committee also note that the physical target of installation 150 VSATs was achieved in the Ninth Plan period and provisions are made in the Tenth Plan only for meeting the spill over liabilities. Out of the total liability of Rs. 3.067 crore, the Department has already paid Rs. 2.709 crore.

132. The Committee appreciate that the Department achieved the target of installation of 150 VSAT system in the Ninth Plan period and the system is running successfully though initially some software related problems had emerged which were overcome subsequently. The Committee feel that the VSAT system not only provides efficiency by optimum utilisation of the available capacity in the barest minimum time but also provide saving of Rs. 10.12 per money order. The Committee, therefore, recommend that the Department should explore the possibility of operating VSAT system at a larger scale covering wider postal network and for this purpose, if required, more VSAT unit may be installed. The Committee would advise the Department to get a study undertaken in this regard.

Decline in Mail Volume

133. The Committee observe that the registered mail volume has gone down from 222.4 million in 2002-03 to 213.6 million in 2003-04 thus registering decline of 3.96% and similarly unregistered mail volume has also gone down from 8871.6 million to 8421.6 million registering decline of 5.07%. The Committee further note that the money order traffic has also come down by 5.43% in quantity terms and by 20.52% in value terms. The Committee express their concern over the decline of Mail valumes as it leads to under-utilisation of resources towards postal purposes. The Committee, therefore, recommend that the Department should strengthen its postal mechanism, keep close monitoring over processing and delivery of mails, expand the Track and Tracing mechanism so as to bring efficiency in postal services which could attract more and more business.

Training

134. The Committee recommend that the DoP must approach its Training and HRD development programme with the firm resolve that it will earn its recognition as a quality service provider to the Nation. The Training Programme thus have to be oriented towards ensuring quality at every stage of interaction with the public. They observe that it has became imperative for the DoP to impart training to the existing manpower to handle the new requirements in the wake of induction of technologies and launching of new value added services. The Department has, therefore, kept the training in the thrust areas with the allocation of Rs. 61.30 crore in the Tenth Plan. The Committee note that induction training is given at entry level to all the staff and offices with view to familiarising them with the work of the Department and to enable them to handle the job assigned while in-service training is imparted to staff and officer for upgrading their existing skills/knowledge to handle greater responsibility as well as to meet the emerging requirements of the organisation. In addition to these regular training courses, business development programmes are also organised alongwith computer training. Regular Training Courses are conducted for Group 'A' & 'B' officers at the Postal Staff College India, Ghaziabad and for Postal/Sorting Assistants, Supervisory and Inspectorial Staff at Postal training Centres located in Saharanpur, Mysore, Vadodara, Darbhanga, Madurai and Guwahati.

135. The Committee are happy to note that keeping in view the need to meet the rising customer aspirations and the demand of competing in a highly competitive and commercial environment, the Department has given thrust during Tenth Five Year Plan to provide qualitative training covering the areas of customer care, marketing management, leadership qualities and change management etc. and also the Customer Care courses of one week duration are offered covering the areas of customer importance, customer identification, customer delight, handling different customers and citizens charter.

136. The Committee are, however, concerned to note that actual utilisation of funds for training has been constantly much lower than the allocations at BE/RE stage at least in the first three years of Tenth Plan and that too when the Department itself has kept the training in the thrust area in Tenth Plan with allocation of Rs. 61.30 crore. The Committee's analysis further reveal that actual expenditure

of Rs. 2.37 crore and Rs. 7.34 crore in the year 2002-03, 2003-04, RE of Rs. 8.00 crore for the year 2004-05 and BE of Rs. 8.00 for the year 2005-06 taken together comes to Rs. 25.71 crore for the first four years of the Plan and thus the Department will be left with huge amount of Rs. 35.59 for the last one year of the Tenth Plan. The Committee also observe that due to procedural delays, the building project for PTC, Guwahati and augmentation of hostel facility at PTC Mysore and Saharanpur have not been completed.

137. The Committee, therefore recommend that the Department should analyse seriously all the causes responsible for the delay in the projects, constant under-utilisation of allocations in previous years, uneven annual allocations in the Plan period and other related factors and thereafter devise a well formulated programme not only to complete the pending projects but also to augment the facilities/ courses available in different Training Centres so that the Department could, with well trained personnel, make itself as a strong service organisation to the fullest satisfaction of the customers particularly when new services or products are being introduced by the Department in the market. The thrust assigned in the Tenth Plan for training bestows greater responsibility on the Department to discharge its obligation especially when surplus fund on this count is already available. The Committee trust that the Department will take immediate positive steps in this regard and keep the Committee apprised of the progress made.

National Data Centre

138. The Committee observe that the various activities of the Department such as public grievances, speed post, Track and Trace, VSAT money order transmission and financial service are proposed to be networked in the central data base which would be accessible to all postal units facilitating effective access to information and data management. The National Data Centre which is proposed to be located in the NIC headquarter at C.G.O Complex, New Delhi with the disaster recovery system at NIC Hyderbad, will carry out all the activities for creating the centralised data base. The Department is also considering providing online services to customers in the areas such as Track and Trace of speed post articles, lodging of public grievances etc.

139. The Committee appreciate the initiatives taken by the Department to establish the National Data Centre with the laudable objective of networking of various activities of the Department in the Central Data Base. The Committee are, however, concerned to note that no progress has been made in this matter, as is evident from nil utilization of budgetary allocation from the year 2002-03 onwards on this project, simply because the scheme had not got the administrative approval of the competent authority. The Committee expresses their dissatisfaction over the apathetic attitude of the Department on account of which the administrative processes could not be completed within a reasonable time. The Committee, therefore, recommend that the Department should complete all the formalities at a faster pace at least now and complete the project of setting up of National Data Centre at the earliest in order to facilitate the smooth and effective monitoring of various activities of the Department as well as fulfill the aspirations of the customers to have quick and accurate access to the requisite information. The Committee would also like to advise the Department to formulate a well-defined programme to provide the facility of online services to the customers in various areas at the earliest.

Speed Post

140. The Committee are happy to note that the share of speed post in express mail market has been constantly increasing from Rs. 77.95 crore in 1997-98 to Rs. 514.29 crore in 2004-05. While appreciating the efforts made by the Department in this regard, the Committee feel that there is still a huge potential and ample scope for expansion of speed post in the express market. The Committee, therefore, feel that with the computerization of Postal Network and induction of new Technology the Department should have a larger share of the express market.

New Initiatives by the Department

141. The Committee observe that keeping in view the emerging needs of the customers, a number of new initiatives is being undertaken by the Department by introducing various new services targeted to specific groups such as National Bill Mail services for Corporate Sector, Senior Citizen Savings Scheme for senior citizens, tie up with UTI mutual funds, Marketing of non-life products of Oriental Insurance, International Money Order, Logistics Post, Direct

Mail, e-Commerce, new speed post services, *i.e.* City Express, Post Express, Premium Speed Post etc. In addition, the Department is also proposing to open 150 Finance Marts, which will be a one point destination for availing services such as banking, Insurance, mutual funds, securities and money transfers.

142. The Committee are happy to note that the Department is trying to sustain itself through venturing into the financial services by introducing new service and products and by opening Financial Marts. The Committee, however, observe that differentiation of the same product under different names may create a little confusion to the targeted customers and as such they feel that the Department should categorise their services and products on rational basis so that the market goodwill of the Department of Post could be encashed effectively. The Committee would also like to put in a word of caution that these new financial services being new areas of operation of the Department should be initiated with utmost care and alertness.

143. The Committee are happy to note that the Finance Marts, opened in Tamil Nadu on trial basis are doing quite well and PMO has also identified the concept of Finance Marts as the thrust areas of the Department.

144. However, the Department is selecting second level cities for identification of 150 locations, which according to them have enormous scope having less competition. The Committee, therefore, recommends that extra care is needed in identifying the locations, as the success of Finance Marts would depend on the selection of right location. In this connection, the Committee desire that the Department should explore the possibilities of opening up Finance Marts in the precincts of the Community Information Centres (CICs) established by the Department of Information Technology (DIT) in consultation with them. The Committee also advise the Department to examine the feasibility of expanding the network of Finance Mart Network at maximum locations in subsequent stages.

Domestic Travel Expanses

145. The Committee note substantial amount is spent by the Department of Post on domestic travel year after, year i.e. Rs. 30.09 crore in 2001-02, Rs. 32.31 crore in 2002-03, Rs. 34.61 crore in 2003-04 and

Rs. 26.80 crore in 2004-05 (upto January, 2005). The expenses are stated to be incurred due to travels relating to Inspection Duty, Trainings, Meetings, Conferences which according to the Department are essential for the operational functioning of the Department.

146. While the Committee do not dispute the necessity of the domestic travel in the Department of Post being a service oriented organization, it is however felt that the amount of expenses on this count could be rationalized by the Department to some extent by using the latest modes of communication and cyber technology.

Advertising & Publicity

147. The Committee realize that the DoP enjoys a very familiar bond and recognition of the common man all over the country. This goodwill and the association has to be successfully branded and leveraged for the continuing growth of the organization for its close association of reliable service by the people of India. The Committee recommend that a strategic advertising campaign be planned in this direction.

148. The Committee note that under the head "Advertising & Publicity" there has been a financial allocation of Rs. 4.11 crore in 2003-04 and Rs. 6.29 crore in 2004-05. A sum of Rs. 7.22 crore has however been earmarked in BE of the year 2005-06. The Committee note that the Department had initially projected their requirement of funds to the tune of Rs. 4 to 5 crore for the media plan but the actual allocation was restricted to substantially lower level and therefore, the allocations happened to be very less in terms of the other competitors who are coming up with high profile advertisement in respect of their services/products in the market. While appreciating the fact that the small advertisement of the Department with low cost do not bring the desired impact on the targeted customers, the Committee strongly recommend the Department to ensure sufficient allocation of funds under this head for undertaking vigorous advertising campaign of their various service/products in electronic as well as print media to expand its market base.

NEW DELHI;
20 *April,* 2005
30 *Chaitra,* 1927 *(Saka)*

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

ANNEXURE I

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

The Committee sat on Tuesday, 29 March, 2005 from 1500 hours to 1730 hours in Committee Room '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 Kailash Joshi
6. Shri P.S. Gadhavi
7. Smt. Nivedita S. Mane
8. Shri Ashok Kumar Rawat
9. Shri Chander Shekhar Sahu
10. Shri P.C. Thomas
11. Shri Ram Kripal Yadav

Rajya Sabha

12. Shri K. Rama Mohana Rao
13. Shri Motiur Rahman

SECRETARIAT

1. Shri P. Sreedharan — *Joint Secretary*
2. Shri Raj Shekhar Sharma — *Director*
3. Shri K.L. Arora — *Under Secretary*

WITNESSES

Representatives of Department of Posts (DoP)

1.	Shri R. Ganesan	Secretary (P)
2.	Dr. Srinivasa Raghavan	Member (O)
3.	Shri G. Mohankumar	Member (P)
4.	Mrs. Jyotsna Diesh	Member (D)
5.	Smt. Rekha Gupta	JS & FA
6.	Shri Raghav Lal	CGM (BDD)
7.	Shri S.C. Sarma	CGM (PLI)
8.	Smt. Anju Dasgupta	Sr. DDG (PO&I)
9.	Smt. Kalpana Tiwari	DDG (PG)
10.	Smt. Devika Kumar	DDG (MM&TS)
11.	Smt. Rameshwari Handa	DDG (Estate)
12.	Shri. S. Sarkar	DDG (Tech.)
13.	Smt. Padmini Gopinath	DDG (FS)
14.	Smt. Kavery Banerjee	DDG (Phil.)
15.	Shri A.K. Sharma	DDG (Estt.)
16.	Shri Manjula Parasher	DDG (P)
17.	Smt. Shoba Koshy	DDG (PAF)
18.	Smt. Divya Malhotra	DDG (PAF)
19.	Mrs. Udita C. Kumar	Director (PA-II)
20.	Shri P.K. Swain	Director (FA)

At the outset, the Chairman welcomed the representatives of the Department of Posts, to the sitting of the Committee.

2. Thereafter, the Secretary, Department of Posts highlighted the salient features of the Demands for Grants of the Department for the financial year 2005-06, which was followed by a brief presentation on the same.

3. The Members sought certain clarifications on the issues relating to the Demands. The representatives responded to the same.

4. The Chairman thanked the witnesses for appearing before the Committee and furnishing valuable information, in connection with the Demands for Grants (2005-06) of the Department of Posts.

A verbatim record of the sitting has been kept separately.

The Committee, then, adjourned.

ANNEXURE II

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

The Committee sat on Tuesday, 12 April, 2005 from 1100 hours to 1500 hours in Committee Room '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. Shri Sohan Potai
9. Shri Tathagata Satpathy
10. Shri Ram Kripal Yadav

Rajya Sabha

11. Smt. Sarla Maheshwari
12. Shri K. Rama Mohana Rao
13. Shri Ekanath K. Thakur

SECRETARIAT

1. Shri P. Sreedharan — *Joint Secretary*
2. Shri Raj Shekhar Sharma — *Director*
3. Shri K.L. Arora — *Under Secretary*

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 "Demands for Grants (2005-2006)" relating to the Department of Posts.

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

4. The Committee, then, authorized the Chairman to finalize and present the above-mentioned Reports to the House in the light of the factual verification received from the concerned Departments/Ministry on a day convenient to him.

The Committee, then adjourned.