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**STANDING COMMITTEE ON
INFORMATION TECHNOLOGY
(2011-12)**

FIFTEENTH LOK SABHA

**MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY
(DEPARTMENT OF POSTS)**

**[Action Taken by the Government on the Recommendations/Observations of the Committee
contained in their Fifteenth Report (Fifteenth Lok Sabha) on 'Modernisation of Post Offices']**

TWENTY-SIXTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2011/Agrahayana, 1933 (Saka)

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*Presented to Lok Sabha on _____
Laid in Rajya Sabha on _____*



**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2011/Agrahayana, 1933 (Saka)

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COMPOSITION OF STANDING COMMITTEE ON INFORMATION TECHNOLOGY

(2011-12)

Shri Rao Inderjit Singh - Chairman

Lok Sabha

2. Shri Rajendra Agrawal
3. Smt. Sarika D.S. Baghel
4. Shri Nikhil Kumar Choudhary
5. Shri H.D. Devegowda
6. Shri Charles Dias
- *7. Shri A. Ganeshamurthi
8. Shri Rajen Gohain
9. Smt. Darshana Jardosh
10. Dr. Tarun Mandal
11. Shri P.R. Natarajan
12. Shri Tapas Paul
13. Shri Tathagata Satpathy
14. Shri Rajiv Ranjan Singh *alias* Lalan Singh
15. Smt. Seema Upadhyay
16. Vacant
17. Vacant
18. Vacant
19. Vacant
20. Vacant
21. Vacant

Rajya Sabha

22. Shri M.P. Achuthan
23. Shri Mohammed Adeeb
24. Shri Salim Ansari
25. Shri Rajeev Chandrasekhar
26. Shri Rajkumar Dhoot
27. Shri Prabhat Jha
28. Prof. Alka Balram Kshatriya
29. Shri Ravi Shankar Prasad
30. Shri P. Rajeeve
31. Shri Jesudasu Seelam

SECRETARIAT

1. Shri T.K. Mukherjee - Joint Secretary
2. Smt. Sudesh Luthra - Director
3. Dr. Yumnam Arun Kumar - Under Secretary

* Nominated to the Committee w.e.f. 29th November, 2011.

INTRODUCTION

I, the Chairman, Standing Committee on Information Technology (2011-12) having been authorized by the Committee to submit the Report on their behalf, present this Twenty-sixth Report on Action Taken by the Government on the Recommendations/Observations of the Committee contained in their Fifteenth Report (Fifteenth Lok Sabha) on 'Modernisation of Post Offices' of the Department of Posts (Ministry of Communications and Information Technology).

2. The Fifteenth Report was presented to Lok Sabha/laid on the Table of Rajya Sabha on 23 November, 2010. The Department of Posts furnished their Action Taken Notes contained in the Fifteenth Report (Fifteenth Lok Sabha) on 4 March, 2011.

3. The Report was considered and adopted by the Committee at their sitting held on 18 November, 2011.

4. For facility of reference and convenience Recommendations/Observations of the Committee have been printed in bold in Chapter-I of the Report.

5. An analysis of Action Taken by the Government on the Recommendations/Observations contained in the Fifteenth Report (Fifteenth Lok Sabha) of the Committee is given at *Appendix-II*.

New Delhi;
12 December, 2011
21 Agrahayana, 1933 (Saka)

RAO INDERJIT SINGH,
Chairman,
Standing Committee on
Information Technology

CHAPTER I

REPORT

This Report of the Standing Committee on Information Technology deals with the action taken by the Government on the Recommendations/Observations of the Committee contained in their Fifteenth Report (Fifteenth Lok Sabha) on 'Modernisation of Post Offices' relating to the Ministry of Communications and Information Technology (Department of Posts).

2. The Fifteenth Report was presented to Lok Sabha/laid in Rajya Sabha on 23 November, 2010. It contained 23 Recommendations/Observations.

3. Action Taken Notes in respect of all the Recommendations/Observations contained in the Report have been received from the Department of Posts and are categorized as under:-

(i) Recommendations/Observations which have been accepted by the Government Para Nos.:- 1, 2, 9, 10,12, 14, 15, 16, 17, 18, 19, 20, 22 & 23	Total	14
	Chapter	II
(ii) Recommendations/Observations which the Committee do not desire to pursue in view of the replies of the Government Para No.:- Nil	Total	Nil
	Chapter	III
(iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee and require reiteration Para Nos.:-3, 4, 6, 7, 8 & 13	Total	06
	Chapter	IV
(iv) Recommendations/Observations in respect of which the replies of the Government are of interim in nature Para Nos.:- 5, 11 & 21	Total	03
	Chapter	V

4. The Committee had examined the subject 'Modernisation of Post Offices' and made 23 Recommendations/Observations in their Fifteenth Report (Fifteenth Lok Sabha). The recommendations primarily emphasized on spreading and strengthening of IT infrastructure, modernizing the mail transmission, improving service delivery levels, training of manpower, increasing awareness of the people regarding the services provided by Post Offices and giving the right ambience to customers. The Committee, however, regret to note from the Action Taken Notes that in as many as nine recommendations/observations which have been categorized under 'Not Accepted' /'Interim', the Department has not been able to take conclusive action. The analysis of the Action Taken Notes indicates that the Department is not progressing satisfactorily in fulfilling its vision of having technology enabled Post Offices. Even though the Department has embarked upon the plan for modernization of Post Offices since the Eighth Five Year Plan, it has underperformed over the years in achieving both its financial and physical targets. The dismal performance of the Department has been extensively dealt with and critically commented by the Committee in their Reports on Demands for Grants, the most recent being the Twenty-fourth Report, wherein, the Committee have pointed out that with the existing pace, it will take considerable time for the Department to computerize all the Post Offices in the country . The Committee are of the opinion that a lot needs to be done by the Department in its mission to modernize its Post Offices and therefore re-emphasize that all their energy should be channelized to identify the loopholes in their plans so as to overcome various challenges afflicting the process of modernization of Post Offices. This has been amply corroborated in comments made by the Committee in the succeeding paragraphs of the Report

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

6. The Committee will now deal with action taken by the Government on some of their recommendations.

I. Status of Computerisation of Post Offices and Broadband Connectivity

Recommendations of the Committee (Para Nos. 3, 4 & 6)

7. The Committee had recommended as under:-

The process of computerisation or transformation from physical to digital network of Post Offices was initiated in Eighth Five Year Plan and as per the Department the ambit of computerisation has increased in each of the successive Plans and as on 31st March, 2010, there are a total of 12,604 Departmental Post Offices which have been computerized out of the total 25,538 Departmental Post Offices, the percentage of achievement being only 49.35 per cent. Most of the work of Post Offices is carried out by the Extra Departmental Post Offices and at present out of total 1,55,035 Post Offices 1,29,497 are Extra Departmental Post Offices. If the number of Extra Departmental Post Offices is also taken into consideration, the percentage of computerization of Post Offices comes to just 8.13 per cent. The Committee note that the Department has big plans with regard to enlarging their savings and insurance activities. The Department proposes to set up Post Bank of India. The Committee note that the aforesaid ambitious plans of the Department cannot be achieved without networking of the Post Offices. The Department claims to achieve the 100 per cent computerization of Post Offices by September, 2012. With the existing status of computerization the details of which have been given above, the Committee have doubts about the achievement of the targets by the stipulated timeframe i. e. by September, 2012. The aforesaid apprehension of the Committee is further reinforced by the fact that the Department cannot computerize even a single Post Office during the financial year 2009-10 as status of computerization of Post Offices remained static during the aforesaid period. The Committee cannot but express their unhappiness over the status of computerization of Post Offices. The Committee exhort the Department to take the desired initiatives at least now so as to step up the pace of computerization of Post Offices in the country.

(Recommendation No. 3)

Broadband Connectivity

From the information provided by the Department, the Committee note that out of 12,604 Departmental Post Offices computerized so far, the broadband/dial-up connectivity could be provided to just 9483 Post Offices i.e. 75.23 per cent. The detailed information provided by the Department further indicates that 1305 locations have been connected through 2 Mbps leased line and another 8177 computerized Post Offices are using dial-up connectivity. The Committee observe that the purpose of computerization is

achieved only when the broadband connectivity is provided. Moreover, the availability of adequate and efficient broadband service is the prerequisite to achieve the objective of networking of Post Offices. The coverage of only 75.23 per cent of the Departmental Post Offices in the country having broadband connectivity is not a satisfactory position. Moreover, the aforesaid position does not cover the Extra Departmental Post Offices which are handling the major work of the Posts as indicated in the earlier part of the Report. The Committee again emphasize that the challenges before the Department are going to increase manifold with the rapidly evolving technology and to face this, the Department has to put in place an effective networking system by having electronic linkages of all the Post Offices in the country and this can only be achieved by providing the broadband connectivity to all the Post Offices. Otherwise, the vision of the Department such as 'Anywhere, Anytime Banking', Speed-Net Service, Upgradation of Customer Call Centres, Project Arrow etc. would always remain a mission yet to see their successful and complete implementation. In view of this, the Committee strongly recommend to take all the initiatives so that the broadband connectivity is provided to all the computerized Post Offices.

(Recommendation No. 4)

The analysis of Circle-wise data with regard to computerization as well as broadband connectivity of Post Offices as furnished by the Department indicates that achievement with regard to computerization is outstanding in Assam, North-East and Kerala. In Assam, the achievement is 100 per cent, in North-East and Kerala the achievement is 90.45 and 71.19 per cent respectively. The national average in this regard is 49.35 per cent. The under-performing Circles where the achievement is lesser than the average are Andhra Pradesh, Bihar, Chhattisgarh, Rajasthan and Uttar Pradesh. With regard to broadband connectivity, the data furnished by the Department indicates that connectivity is maximum in Delhi i.e. 70.83 per cent followed by Kerala, Haryana, Gujarat and Tamil Nadu which have 54.42, 51.33, 50.99 and 51.06 per cent connectivity respectively. In all the remaining Circles, the connectivity is less than 50 per cent. It is surprising to note that in Delhi which has very good broadband penetration, 30 per cent of Post Offices computerized so far could not be provided broadband connectivity. More disturbing is the fact that Assam and North-East which have achieved 100 per cent and 90.45 per cent of the computerization have only 41.09 per cent and 31.34 per cent of the broadband connectivity respectively. As such, the purpose of providing 100 per cent computerisation to such Circles is defeated. From the aforesaid position, the Committee conclude that the adequate measures have not been taken by the Department to provide broadband connectivity to the computers already installed in various Post Offices. The Committee exhort the Department to take all the desired initiatives which include taking up the issue with BSNL i.e. the Government telecommunication service provider for providing broadband connectivity to the computers in all the Circles.

(Recommendation No. 6)

Replies of the Government

8. The Department of Posts has stated as under:-

“12604 Departmental Post Offices –have been computerized up to 31.03.2010, out of the 25,538 Departmental Post Offices as detailed below:
Status of Computerization of Post Offices up-to 31.03.2010

S.No.	Category of Post Offices	Number
1	Head Post Offices	839
2	Above double handed Sub Post Offices	6671
3	Double handed Sub Post Offices	4498
4	Single handed Sub Post Offices	596
	Total	12604

Action has been taken for computerization of 1720 Post Offices during the current financial year under Plan Scheme of Computerization of Class B (Double handed) Sub Post Offices under XI Plan – Project for computerization and networking of Post Offices.

All operations of PLI and RPLI have been computerised. After the procurement of proposals from customers, the same are entered and data is uploaded in the National Data Centre being maintained by NIC. Further, all premium collection is also uploaded to the National Data Centre. All claims are sanctioned through National Data Centre itself.

The National Data Centre is repository of all information on PLI/RPLI. It is connected to all the Circles, Regional Offices , Divisional Offices and Head Post Offices and data transfer is done through Broadband connectivity amongst these offices.

(Reply to Recommendation No. 3)

- (i) Broadband connectivity has been provided in 10530-computerized Post Offices out of total 12604 computerized Post offices up-to 31-03-2010.
- (ii) Department is in the process of issuing RFP for a Network Integrator for providing network connectivity to the Departmental Post Offices to be completed by September, 2012. The connectivity will be given through various modes like MPLs, Broadband, leased line etc.

(Reply to Recommendation Nos. 4 & 6)

9. While observing the absence of a comprehensive IT network covering all the Post Offices which would entail non-fulfillment of automation plan of Posts, the Committee had recommended that the Department should ensure speedy electronic linkages of all the Post Offices by providing broadband connectivity to the computerized Post Offices. The Committee are surprised to note from the Action Taken Note that instead of taking concrete action, the Department has merely informed the Committee about the issuance of Request for Proposal (RFP) for network integrator for providing network connectivity to all Departmental Post Offices by September 2012 through various modes like Multi Protocol Label Switching (MPLS), Broadband, lease lines etc. without giving the details of their plans and the ways to achieve the set target within a stipulated timeframe. Moreover, the Committee note that the computerization of Departmental Post Office has remained static i.e. 12,604 out of 25,538 Departmental Post Offices (49.35 per cent) since 2009. This clearly indicates slippage on the part of the Department in the achievement of physical target. The Committee cannot understand as to why the Department could not computerize even a single Departmental Post Office since 2009 especially when it has been emphatically highlighted by the Committee in their Original Report that to cater the growing needs and demands of the people, it is inevitable on the part of the Department to improve the various services offered to the clientele by modernizing them. The Committee, therefore, re-emphasize the Department to take all possible steps to pace up the process of computerization Post Offices in the Country.

Regarding the electronic linkages of all the Post Offices, the Committee note that as on 31st March, 2010, broadband connectivity has been provided to 10,530 Computerized Post Offices i.e. 83.54 per cent. However, the Department is conspicuously

silent on the issue raised by the Committee regarding the mismatches between the status of computerisation and the provision for broadband connectivity to the computerized Post Offices in the various States/UTs. For instance, the Committee had pointed out that in Delhi only 70 per cent of Post Offices computerized so far could be provided with broadband connectivity. In Assam and North-East which have achieved 100 per cent and 90.45 per cent of computerisation, the percentage of broadband connectivity was only 41.09 and 31.34 per cent respectively. The Committee while deploring the inaction on the part of the Department to provide broadband connectivity to already computerized Post Offices reiterate that the Department should have a thorough review/assessment to identify the drawbacks so that corrective measures can be taken to ensure that the status of computerisation and the provision of broadband connectivity complement each other.

II. IT Induction – Postal Operations during Eleventh Plan

Recommendations of the Committee (Para Nos. 7 & 8)

10. The Committee had recommended as under:-

The Committee find that the Department has ambitious plans with regard to upgradation of various services viz. Communications Services, Transport Services, Financial Services and Value Added Services. To achieve the objective, Rs. 2700 crore was allocated by the Ministry of Finance during the Eleventh Plan. The aforesaid allocation was reduced to Rs. 2572.60 crore while framing EFC Memo. Out of Rs. 2572.60 crore, the Cabinet Committee's approval could be obtained for only Rs. 978.52 crore and that too in February, 2009 whereas Eleventh Plan commenced on 1 April, 2007. Out of this, Rs. 628.66 crore was for IT Project Phase-I, Rs. 210.86 crore was for Automatic Mail Processing Centres and the remaining 139 crore was for Project Arrow. Due to late approvals of the schemes, there were huge gaps between the projected outlay, allocation made at BE Stage, RE Stage and the actual expenditure during each of the year. Out of total allocation of Rs. 2572.60 crore Rs. 446.47 could only be utilized during first three years of the Eleventh Plan, the percentage utilization being just Rs. 17.35 per cent. The Committee have consistently been raising serious concern over the whole planning process in the Reports on Demands for Grants of the last three years. In spite of that the approval of the various programmes is being badly delayed resulting into huge shortfalls in the financial as well as physical

achievements, particularly the IT Induction Programme of the Department. The Committee disapprove the way the schemes are being proposed and approvals made whereby almost full three years of the Plan were lost in getting approvals. Even when the fourth year of the Plan is going to expire approvals for the substantial allocation for Phase-II are still awaited. The Committee again emphasize that the Department need to relook its procedure for getting approvals for the different schemes and a specific time limit for getting approval at each of the stage should be fixed. Since the approvals for Phase-I are now in place, the Committee exhort the Department to take all the initiatives so that the allocations provided are meaningfully utilized.

(Recommendation No. 7)

Financial and physical achievements under IT Project Phase-I

From the data made available by the Department, the Committee note that there are huge shortfall in financial and physical achievements during each year of the Eleventh Plan under different programmes of IT Induction. The major part of the allocation is made for computerization and networking at BE stage. During the year 2008-09, Rs. 240 crore were allocated for the aforesaid programme. The allocation was reduced to Rs. 142.50 crore at RE stage. The Department could not ensure full utilization of even the reduced outlay and there was shortfall of Rs. 4.77 crore. Similarly, during the year 2009-10 even when the major approvals were in place, the allocation at BE stage was Rs. 255 crore which was reduced to Rs. 118.01 crore at RE stage. The actual expenditure during the year 2009-10 has been indicated as Rs. 152.70 crore. Similarly, huge reduction at RE Stage under the other Programmes of IT Induction like Upgradation and Modernization of Software Centre at Postal Training Centre, Annual Maintenance Contract, Consultancy for Comprehensive Technology Plan and Strategy, Upgradation and Modernization of Postal Accounts Offices, Computerisation of Administrative Offices and Project Management Unit was made. With regard to physical achievements, the Committee again note the huge shortfalls. Out of the target of computerisation of 5,143 Double-handed Post Offices, the achievement was 2920 Post Offices. In case of Single-handed Post Offices the achievement was further worse. Out of the target of 11497 Post Offices, the achievement was just 554 Post Offices. So far as supply of computers to Divisional Sub-Post Offices is concerned, the achievement was just 156 out of the target of 305. Even where the computerisation had been done, the electronic linkages could not be completed. The reasons in this regard as indicated by the Department are that the computerization which has been implemented till date focused on supply of hardware to bigger Post Offices in a LAN (Local Area Network). The major software for postal operations (Meghdoot) and for Banking operations (Sanchay Post) were of standalone mode working within the Post Offices in a LAN connectivity. The Committee conclude from the aforesaid scenario that there are serious problems in implementation of various IT Projects. The Department has tried to justify

the shortfalls by stating that approvals were in place only in the year 2009 i.e. after passing of almost three years of the Eleventh Plan. On one hand, it has been stated that due to inadequate allocation during Eleventh Plan, there were shortfall in achievement of targets. On the other hand, the allocation made are being reduced at RE stage and there is still under spending during each of the year as explained above. With the present pace of IT Induction Programme, the Committee feel that it would take more decades to get the 100 per cent Post Offices computerized. While expressing serious concern over this, the Committee exhort the Department to take all the initiatives so that at least now progress are made in various activities related to IT Induction in Postal Operations.

(Recommendation No. 8)

Replies of the Government

11. The Department in their Action Taken Note have *inter-alia* stated as under:-

(i) Initially Rs. 2700 crore were allocated for Technology Upgradation of Post Offices for the entire Eleventh Plan. However, while framing the EFC memo, the requirement of funds was restricted at Rs. 2505.86 crore and further EFC on Project Arrow was approved for Rs. 225 crore.

(ii) The scheme relating to setting up of Automated Mail Processing Centres (AMPCs) was approved by Hon'ble Minister of Finance on 19-1-2010. The delay in implementation of the spill over (from the Tenth Plan) component of the scheme occurred due to the decision of the Expenditure Finance Committee (EFC) to re-process the case. Orders have been placed to the vendor concerned for supply, installation and commissioning of sorting machines in Delhi and Kolkata. The process for finalization of the Request for Proposal (RFP) for the proposal to set up AMPCs at Mumbai, Chennai, Bangalore and Hyderabad has also been initiated.

(Reply to Recommendation No. 7)

(i) IT Project Phase-I

An outlay of Rs. 628.66 crore was made for the Department for covering 5143 double handed Post Offices during the Phase I covering the period from 2008-09 and 2009-10. On receipt of the approval of Expenditure Finance Committee for the Phase –I in the month of January 2009, the Cabinet Committee's approval was obtained in the month of February 2009 and the schemes could be implemented in full swing from 2009-10.

(ii) Status of computerization of Post Offices up-to 31-03-2010

12604 Post Offices computerized up-to March 2010 (839-HPOs, 6671-Above-double handed Sub Post Offices,4498-Double handed Sub Post Offices and 596-Single handed Sub Post Offices)

Ministry of Finance has clarified that during the current Financial Year 2010-11,expenditure up-to Rs. 150 Crore can be made by the Department of Posts from the Plan funds allotted to it for the activities approved by CCEA as per the recommendations EFC I. A total expenditure of Rs. 149.62 crore has been incurred on this account till December, 2010.

(iii) The plan schemes relating to mail operations are at various stages of implementation at this stage. All efforts are being made to achieve the physical and financial targets set for these schemes.

(Reply to Recommendation No. 8)

12. While observing that due to late approvals of the schemes, there was huge shortfall between the projected outlay, allocations made at BE, RE stage and the actual expenditure during each of the first three years of Eleventh Plan, the Committee had emphasized that the Department should streamline its procedures for approvals for the different schemes and a specific timeline be fixed for seeking approvals so that the allocations provided are meaningfully utilized. However, the Committee are dismayed to find that the Department has not addressed the issue raised by the Committee. The Action Taken Note has only mentioned about the restrictions of requirement of funds for 'Project Arrow' and the initiative taken by the Department for finalization of Request for Proposal (RFP) for setting up of Automated Mail Processing Centres (AMPCs) at Mumbai, Chennai, Bengaluru and Hyderabad without furnishing detail of status of utilization of the provided outlay. The Committee are also not convinced with the justification given by the Department that the delay in implementation of the spillover (from the Tenth Plan) component of the scheme occurred due to the decision of the Expenditure Finance Committee (EFC) to re-process the case. The Committee are of the opinion that the Department should have expedited the reprocessing of the case and should have pursued

the matter more vigorously with the Expenditure Finance Committee. The Committee, therefore, reiterate their recommendation and exhort the Department to address the issue more seriously and ensure that projects/schemes are cleared in a time bound manner followed by optimal utilisation of outlay provided and achievement of the stipulated physical targets.

III. Project Arrow

Recommendation of the Committee (Para No. 13)

13. The Committee had recommended as under:-

The Committee have been informed that the Department of Posts had appointed TUV India Posts Limited to conduct audit/customers' and staff satisfaction survey in 50 Project Arrow Phase-I Post Offices to evaluate performance of Post Offices in 18 parameters. As per the findings of the aforesaid survey, there is remarkable improvement in the services offered by the Post Offices. Besides, the average customer satisfaction as well as employees' satisfaction is also good in the aforesaid Post Offices. The Committee have further been informed that the Department has decided to conduct external audit for Post Offices under Phase-II and Phase-III as well and the Request for Proposal for external audit is under preparation. The Committee appreciate the efforts being made by the Department to monitor the performance of the Post Offices covered under Project Arrow. The Committee emphasize that external audit for Post Offices covered under Phase-II and Phase-III should be expedited and the findings communicated to them. Besides, the Committee also emphasize that the findings of the survey which indicate great improvement in the various services should be publicized by the Department so that the public at large is aware of the efficient services being provided by these Post Offices. This would certainly help the Department in increasing their customer base and enhance revenue generation of the Post Offices.

Reply of the Government

14. The Department in their Action Taken Note have *inter-alia* stated as under:-

The proposal for undertaking an external audit by an external agency initially was included in EFC Project Arrow Phase-III, but had to be dropped when the outlay was restricted from Rs. 887 crore to Rs. 65 crore. Even during 2010-11 it was proposed in the EFC of Project Arrow Phase IV to undertake external

audit. However due to reduction of BE outlay by Ministry of Finance from Rs. 660 crores to Rs. 480 crores, no funds could be earmarked for audit hence the same could not be taken up during the current financial year.

15. The Committee are concerned to note that the Department had to drop their proposal to conduct external audit for Post Offices under Phase-I, II and III of project 'ARROW' due to restriction of outlay by the Ministry of Finance. The Committee strongly are of the view that there is an urgent need to review the various projects being undertaken with the Government funding through various mechanisms like External Audit/Surveys by external agencies etc. In view of this, the Committee strongly emphasize to convey their concerns to the Ministry of Finance and Planning Commission and the external audit for the project should be carried out expeditiously.

The Committee in the earlier recommendation had desired that the findings of the survey done by TUV India Posts Limited which indicated remarkable improvement in various services offered by Posts should be publicized by the Department so that the public at large is aware of the efficient services being provided by the Post Offices. The Department in the action taken note has chosen not to respond to such an important issue which could have definitely helped the Department in increasing their customer base and enhancing revenue generation. The Committee again emphasize that the Department should take action on the recommendation of the Committee and the Committee be informed accordingly.

CHAPTER-II

RECOMMENDATIONS / OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Para No. 1)

India Posts is in the process of modernisation to keep pace with the emergence of several significant changes that have been brought by liberalization and globalization as well as by the demographic shift towards urbanization. As per the Department, modernisation of Post Offices means spreading and strengthening of IT infrastructure, modernizing the mail transmission, improving service delivery levels, training of manpower, increasing awareness of the people regarding the services provided by the Post Offices and giving the right ambience to customers. A number of steps have been initiated by India Posts since the Eighth Five Year Plan and the Department is quite optimistic that by September, 2012, it would be able to create a platform for automated delivery of Postal Transportation, Financial, and Premium Value Added Services to all the Post Offices in the Country. The Committee are of the opinion that to achieve the mission of modernization of Post Offices, technology has to play a vital role by building the last mile infrastructure in the rural areas. In addition to this, India Posts needs to unlock the various obstacles in the urban areas. In the succeeding paragraphs, the Committee have dealt at length how far India Posts has been able to achieve the objectives of being a technology-enabled service covering urban, rural and remote areas, increased market share and revenue, improved service delivery as well as motivating and improving the skills of the workforce.

Action Taken by the Government

- (i) The Cabinet Committee on Economic Affairs approved on 26.08.2010 the proposal of the Department for the IT modernization project (Phase-II) for computersation and networking of all the departmental post offices and all branch post offices, establishment of data centre and disaster recovery centre and development of integrated scalable modular software enabling the Department of Posts to achieve the mission of modernization of Post Offices by induction of technology and to achieve the objectives of being a technology enabled service covering urban, rural and remote areas increased market share and revenue, improved service delivery as well as motivating and improving the skills of the workforce. The Project is expected to be completed by September 2012.
- (ii) Under this project there is a proposal to provide an appropriate rural ICT device to each Branch Post Office through which the Branch Postmaster can access MGNREGS muster roll to be paid through Branch Post Offices to the MGNREGS wage earners. Postal Life Insurance/Rural Postal Life Insurance operations will also be computerised to ensure better after sales service to customers.
- (iii) The Department of Posts has undertaken new initiatives as part of the 11th Plan to improve the quality of mail operations, which include a proposal to set up automated mail processing centres, restructuring of the existing mail network, carriage of mail through a

dedicated freighter aircraft in the NE Region, creation of a National Address Data Base Management System, mechanization of mail delivery etc.

(Ministry of Communications & Information Technology /Department of Posts O.M. No. 5-15/2010-CP dated 4th March, 2011)

Recommendation (Para No. 2)

Overview of Modernisation of Post Offices from Eighth to Eleventh Five Year Plan (upto 2009-10)

The Modernisation of Post Offices took its root during the Eighth Five Year Plan with the initiation of computerisation in the Post Offices in a limited way and continued in the Ninth Five Year Plan with the induction of 'Meghdoot' and 'Sanchay Post' software for postal and banking operations. With the induction of IT in its modernisation vision, the Department has intensified its efforts during the Tenth and Eleventh Plan. However, the analysis of the progress made by India Posts with regard to its vision of having technology enabled Post Offices reveals several areas of concern. The Committee note that over the years, India Posts has not been able to optimally achieve its financial and physical targets. This observation can be substantiated by the fact that during Eighth and Ninth Plans the financial achievement was 68.70 and 75.14 per cent respectively. The trend of underutilization of Outlay continued during the Tenth Plan too, as it was again 68.01 per cent and during the Eleventh Plan (upto 2009-10) it was 61.70 per cent. In terms of physical achievement too, the Department under-performed. During Eighth Plan, the Department could not supply 2340 MPCMs. Similarly under achievement has been witnessed in case of computerisation of accounting and inventory function—MIS (at Circles). In case of procurement of Mail Motor Service Vans, the achievement was only 13 out of the target of procuring 19 vans. Underachievement of the physical targets continued during Ninth Plan also as out of 1730 targeted ESMOs, only 282 ESMOs could be installed. In Tenth Plan, underachievement is seen under-performance relating to providing computerisation facilities to 100 Divisional Offices. The trend of underachievement of physical targets persisted even in Eleventh Plan (upto 2009-10) as the Department could not extend the instant money order service in the targeted 3621 Post Offices. In case of IT induction, the achievement could be made only in 6233 Post Offices out of a physical target of 11670 Post Offices. From the foregoing, the Committee cannot but conclude that a lot needs to be done by the Department in its mission to modernize its Post Offices. In this regard, the Committee are of the opinion that the Department besides fulfilling its Universal Service Obligation to provide basic facilities throughout the country at an affordable price, the foremost task before them is to have inter-connectivity of its Post Offices and this can only be achieved if all the Post offices in the country are computerized. However, with the trend of under performance of the Department both financially and physically over the years, there are big challenges for the Department especially taking into account the increasing penetration by private sectors into logistic and parcel delivery as well as reduction in the dependence of the people on communication services of India Posts with the emerging technological changes brought by e-mail, mobile telephony etc. Nevertheless, the Committee recommend that the Department should conduct a SWOT (Strength, Weaknesses, Opportunity and Threats) analysis to identify the Department's internal

strength and weaknesses and explore the opportunities and threats facing the Department externally and take corrective measures accordingly. The Committee feel that the Department should use its advantage of having a wider outreach to capture the market throughout the country. The Committee feel that the absence of a comprehensive IT network covering all the Post Offices would entail non-fulfillment of its automation plan which in turn would affect the service delivery system. Therefore, the Committee emphasize that the speedy electronic linkages of all the Post Offices should be taken up by the Department at the earliest.

Action Taken by the Government

(i) Department is in the process of issuing an RFP for Network Integrator for providing network connectivity to all the Departmental Post Offices. The connectivity will be given through various modals like MPLS, Broadband, leased line etc. In case of the approximately 1,30,000 Extra Departmental Post Offices, Department has decided to provide Rural Handheld Devices which will have connectivity through Broadband, GPRS, WIFI etc depending on the availability. The Rural ICT solution will also be capable of offline transaction where on-line connectivity is not possible with facility for uploading data from nearest Departmental Post office having connectivity. The networking is expected to be completed by September 2012.

(ii) The department could procure only 13 out of the target of 19 mail motor service vans during the 8th Five Year Plan due to the ban imposed on procurement of new vehicles by the Ministry of Finance from time to time. The Department had to approach Ministry of Finance every time for relaxation in this regard. However, the Department has augmented its fleet of MMS vehicles during the subsequent Plans after obtaining necessary approvals from Ministry of Finance and has procured 50 vehicles during the current Plan upto 2009-10.

(iii) With a view to overcome the challenges posed by the private players in the mail market, the Department has undertaken new initiatives to improve the quality of mail related services. It has also initiated a project wherein the existing mail network is being optimized, processes in mail operations are being standardized and an effective performance monitoring mechanism is being developed.

(Ministry of Communications & Information Technology /Department of Posts O.M. No. 5-15/2010-CP dated 4th March, 2011)

Recommendation (Para No. 9)

IT Project Phase II

The Committee note that the Department has ambitious plans under IT project Phase II which envisages building up of a comprehensive IT solution for all the operations viz postal banking insurance and retail operations. The project objectives as informed to the Committee are Robust IT solution including infrastructure and applications, multiple channels of access – POS ICT Call centres, web mobile, Integrated customer support, High

service delivery standards, Technology platform for inducting new services and products. In this connection, the Department has proposed an overall outlay of Rs. 1877.20 crore to be incurred in the financial years 2010-11, 2011-12 and 2012-13 (upto September, 2010). As regards the status of approval of EFC phase II, the Committee have been informed that the proposal for IT project phase II was recommended by EFC on 28 June, 2010 and is under process for obtaining approval of the competent authority. The detailed information provided by the Department further indicates that Department of Expenditure and Planning Commission recommended for scaling down the proposal to the extent of availability of funds and the Department was advised to opt for the outsourced model for some of the components. As such the total outlay has been scaled down to Rs. 187720 crore and the project has been phased to be rolled out in the financial year 2010-11, 2011-12 and 2012-13. The year 2010-11 is the fourth year of the Eleventh Plan and half of the year has already passed and the Department is still to obtain the approvals for the Phase II. Further Phase II is in continuation of the phase I and envisages computerization of all the Post Offices in the country. Various modernized services like mobile banking integrated customer support ATM facility etc. can only be provided when there is complete networking of the Post Offices. In view of this, the Committee strongly recommend that earnest action should be taken to complete the computerization process and make the computers broad band enabled so that the modernized facility could be provided to the customers as envisaged under phase II of the project. All the procedural difficulties should be sorted out with the various Ministries so that the approval of phase II are in place and the programme is implemented with full swing.

Action Taken by the Government

The Cabinet Committee on Economic Affairs has on 26.08.2010 approved the proposal of the Department for the IT modernization project (Phase-II) for computerisation and networking of the remaining departmental post offices and all branch post offices, establishment of data centre and disaster recovery centre and development of integrated scalable modular software. Hardware has been supplied to the Departmental Post offices up to double handed level. It is proposed to computerize the Departmental Single handed Post Offices during the current financial year. 3 RFPs namely for Rural ICT SI, Financial Services SI and Change management Vendor have been since issued. The vendors will be responsible for implementation of the Project by September 2012.

(Ministry of Communications & Information Technology /Department of Posts O.M. No. 5-15/2010-CP dated 4th March, 2011)

Recommendation (Para No. 10)

Establishment of Project Management Unit

The Committee have been informed that a Project Management Unit (PMU) has been established. The PMU would ensure availability of skills for strategic planning to

conceptualize the mission, project development, project management, project finance etc. Besides, three Committee viz. Steering Committee, Working Committee and Functional Teams have been formed to monitor the project. The Committee have also been informed that the Steering Committee meets once in a month while the Working Committee meets once in a week. The Functional Teams meet at least once in a week. While appreciating the aforesaid mechanisms to monitor the implementation of Phase-II of the project, the Committee strongly emphasize that various procedural hurdles should be addressed so that clearance for IT Project Phase-II are obtained and project is implemented under the supervision of various monitoring mechanisms.

Action Taken by the Government

The Cabinet Committee on Economic Affairs has on 26.08.2010 approved the proposal of the Department for the IT modernization project (Phase-II) for computerisation and networking of the remaining departmental post offices and all branch post offices, establishment of data centre and disaster recovery centre and development of integrated scalable modular software. Hardware has been supplied to the Departmental Post offices up to double handed level. It is proposed to computerize the Departmental Single handed Post Offices during the current financial year. 3 RFPs namely for Rural ICT SI, Financial Services SI and Change management Vendor have been since issued. The vendors will be responsible for implementation of the Project by September 2012.

(Ministry of Communications & Information Technology /Department of Posts O.M. No. 5-15/2010-CP dated 4th March, 2011)

Recommendation (Para No. 12)

Project Arrow

The Committee note that the Department of Posts has launched a scheme 'Project Arrow' in April, 2008 with the objective of providing a new outlook to Post Offices by modernizing exterior and interior designs of the Post Offices, upgrading the infrastructure and enhancing core operations including IT enabled services and processes. No separate allocation was made for Project Arrow. The Department spent Rs. 151 crore on 1000 Post Offices i.e. 50 Post Offices in Phase-I, 450 Post Offices in Phase-II and 500 Post Offices in Phase-III. During the year 2010-11 another 500 Post Offices were identified to be covered under Project Arrow for which Rs. 86 crore were approved. However, Rs. 60 crore were allocated and as such funds have been released for modernizing only 371 Post Offices in Phase-IV. The Department has also informed that funds to the tune of Rs. 24 crore have been sought for first batch of Supplementary Grants and on the receipt of the same, the remaining 129 Post Offices would be covered. As regards, the plans of the Department during Eleventh Plan, the Committee have been informed that a total of 4,500 Post Offices were to be covered during Eleventh Plan with the outlay of Rs. 887 crore. The Department was able to spend Rs. 325 crore and for the remaining 562 crore, the Department has taken up the matter with the Planning Commission and the Ministry of Finance for further allocation of outlay. Further, the Committee have been informed that the Project Arrow has a big impact and revenue has actually gone up in 1,500 Post Offices covered by the Project Arrow. The Committee are unable to comprehend the reasons for not allocating

outlay for the 'Project Arrow' particularly when the Finance Minister in the Budget Speech (2009-10) has assured that the 'Project Arrow' would receive full Government support. Moreover, there has been huge shortfall in expenditure earmarked for IT-Induction projects of the Department due to late approval of the programme. As such, the outlay approved for the Eleventh Plan could have been earmarked for 'Project Arrow' which according to the Department has been a success. As such, the Committee strongly recommend that the initial plan of extending facilities by Project Arrow to 4,500 Post Offices should be maintained and the Ministry of Finance and Planning Commission should be pursued to give the desired allocation for the Programme. The concerns of the Committee in this regard should be duly communicated to the Ministry of Finance and Planning Commission.

Action Taken by the Government

The Department with the intention to cover 4500 post offices under Project Arrow during XI Plan had taken up the matter with the Planning Commission and also Ministry of Finance for providing additional funds to the extent of ₹ 562 crores over and above the XI Plan outlay vide D.O. letter No. 4-8/2008-CP dated 31st October, 2008 addressed by Secretary (Posts) to Secretary, Planning Commission. In response Planning Commission had intimated that efforts will be made to provide the additionality at the RE stage of the Annual Plan 2009-10 vide letter No. M-13040/2008-C&A/DCH/11/08/CD-650 dated 26th December, 2008 received from Deputy Chairman, Planning Commission, New Delhi addressed to the Hon'ble MOS(C&IT).

The issue was also taken up with the Ministry of Finance requesting for providing additional funds of ₹ 562 crores under the plan activity Project Arrow Phase III over and above the existing plan fund allocation vide letter No. 4-8/2008-CP dated 30th October, 2008 addressed to Secretary (Expenditure), Ministry of Finance by Secretary (Posts) (Annexure – III). In response Ministry of Finance has intimated that due to fiscal situation and increased expenditure under salaries and pensions and due to revision of pay consequent on implementation of Sixth Pay Commission has added to physical burden hence it will not be possible to provide any additional allocation in the current financial year vide D.O letter No. 12/9/PF.II/2008 dated 10th November, 2008 received from Secretary, Ministry of Finance addressed to Secretary (Posts).

Apart from this additional funds to the extent of ₹ 512 crore was also sought for covering 4500 post offices during the Mid Term Appraisal of Eleventh Plan from Planning Commission. However, Planning Commission in its Mid Term Appraisal memo has not indicated anything about providing additional funds for this activity. Due to all above constraints Department had to scale down the proposal to cover 4500 post offices under Project Arrow and restrict it to the extent of funds available. Thus only 500 and 530 post offices could be covered in 2009-10 and 2010-11 respectively. Further due to restriction of BE outlay at ₹ 800 crores for 2011-12 and priority being given to the Induction of Technology in Post offices in 2011-12 no funds could be earmarked for this activity. However, the concern of the Committee has been taken note of and the matter is being taken up with Ministry of Finance and Planning Commission.

(Ministry of Communications & Information Technology /Department of Posts O.M. No. 5-15/2010-CP dated 4th March, 2011)

Recommendation (Para No. 14)

Mail Operation

Automatic Mail Processing Centres

The Committee note that the Department as an initiative to modernize mail operations proposes to set up Automatic Mail Processing Centres (AMPCs) during the Eleventh Plan. While it is possible to sort only 100 articles per hour manually, the AMPCs can sort 36,000 articles per hour. In this direction, the Department has initiated the process for setting up of AMPCs in Delhi and Kolkata and orders have been placed to the selected vendors for supply, installation and commissioning of the AMPCs in these cities. Further action has also been initiated for preparation of Request for Proposals with respect to setting up of AMPCs in four other metro cities. The Committee observe that setting up of AMPCs would help in quicker delivery of mail articles in the country. Moreover, setting up of these Processing Centres is urgently required keeping in view the fact that private sector has entered into the domain of mail services in the country and the Department has to provide competitive service to the customers. As such, the Committee strongly recommend that all the efforts should be made to set up these Centres expeditiously in various metro cities.

Action Taken by the Government

The department has expedited the activities relating to setting up of AMPCs in the metro cities. The site preparation at Delhi and Kolkata for the installation of sorting machines is likely to be completed in the next 3 to 4 months and the machines are expected to be commissioned in the first quarter of financial year 2011-12. The process for finalization of the RFP for setting up of AMPCs at four other metro cities has also been initiated.

(Ministry of Communications & Information Technology /Department of Posts O.M. No. 5-15/2010-CP dated 4th March, 2011)

Recommendation (Para No. 15)

Redesigning of Pin Code

The Department had introduced six digit numeric code way back in 15th August, 1972. The first three digits denote the sorting unit, while the last three digits denote the delivery Post Office. Now, it has been decided that Pin Code should be redesigned to be able to take care of present and future requirements of digits addressing, taking advantage of the current and evolving technologies. As such it has been decided to re-design the Pin code and introduce Pin Plus, a numeric code combining 6 digits of the current Pin Code with an additional 5 digit – the first 2 digits would denote the Postman beat and the other 3 digits would denote delivery point on the beat. The Committee have further been informed that the Postman Beat Code has already been implemented in mails being posted by certain large mailers like telephones. A further improvement on this 6+2 digit Pin Code is the 6+2+3 Pin Code. The last 3 digits is the Delivery Point Identification (DPI). This scheme has not yet been implemented since it is felt that at this stage it should be implemented only after the

6+2 pin plus gets accepted. The Committee find that it has been mentioned in the Outcome Budget 2010-11 that the Department has embarked upon a comprehensive plan for popularization of Pin Codes through various media during the Eleventh Plan period to improve delivery efficiency by redesigning the PIN Code for specific delivery beats. In this regard, the Committee would like to be apprised about the initiatives taken by the Department for popularization of the redesigned Pin Code. The Committee would also like to be apprised about the feedback of implementation of the Postman Beat Code based on which 8 digit Pin Code would be fully operational by the Department. The Committee hope that the aforesaid initiatives would certainly improve the delivery of mails.

Action Taken by the Government

In order to popularize the usage of Pin codes, the Department had launched an awareness campaign through the print and electronic media across the country during the current Plan about the advantages and critical role of Pin codes in faster processing and delivery of mail. The Department has also published an All India Pin Code Directory and has released the Compact Disk (CD) version of the same as well. The directory is available for sale to the public at selected post offices across the country. The postman beat codes (6 + 2) have been incorporated in the address data base that has been developed for use by the automated sorting machines at Delhi & Kolkata. Using the beat code data, the sorting machines would be able to sort mail upto the beat level at mail processing centres, which in turn, would expedite mail delivery. The use of postman beat code is also being popularized through advertisements.

(Ministry of Communications & Information Technology /Department of Posts O.M. No. 5-15/2010-CP dated 4th March, 2011)

Recommendation (Para No. 16)

Mail Business Centres

The Committee note that the initiative taken by the Department to provide efficient mail business services under one roof was the setting up of Mail Business Centres. At present 142 Mail Business Centres are functioning in the country. During Eleventh Plan, the Department proposed to implement a plan scheme relating to Setting up of Mail Business Centres that involved redesign of the existing Mail Business Centres/Mail Offices and optimizing the countrywide mail network of the Department which includes 412 mail offices. Under the aforesaid scheme the existing MBCs as well as new MBCs are envisaged to be restructured with a view to streamline core mail operations and develop them as integrated mail business entities. During the year 2009-10, the physical target for setting up of 150 MBCs was reduced to 50 only. The Department in this regard has informed the Committee that now the process for selection of consultant for the project has been completed and the roadmap for implementation of the project is being prepared with the help of the consultant. The Committee express serious concern over the way important schemes are being implemented by the Department. Even when the scheme related to Mail Business Centre is operational and the three and a half precious year of Eleventh Plan have already been over, the Department now has decided for selection of the consultant

for the project. The Committee are of the firm view that the process of consultation should be undertaken before the project is started and not in the middle of the implementation of the project. Since personal communication is fast being replaced by B2B and B2C segment of mail, and where parcel and logistics are new areas of growth, the Committee emphasize that all the initiatives should be taken for the targeted setting up of Mail Business Centres as well as restructuring of the existing MBCs. The concrete action taken in this regard should be communicated to the Committee.

Action Taken by the Government

The proposal relating to the plan scheme on “Setting up of Mail Business Centres” had a component pertaining to selection of a Consultant for the proposed restructuring of the existing mail network. After approval of the scheme, the process for selection of the Consultant was initiated and the same was completed in March 2010. Accordingly, the Mail Network Optimization Project for restructuring of the existing mail network was launched in the six metro cities during March – May 2010. The project was later extended to seven more cities. As part of the project, the processes relating to Speed Post operations have been examined afresh, streamlined and standardized and the transit time (between booking and delivery) between cities currently covered under the project is being regularly monitored. Subsequent to restructuring of the erstwhile operational network of Speed Post, 89 hubs have been made operational. A performance management mechanism has also been developed to monitor the performance of the cities. The Track and Trace system for Speed Post has also been improved. The project is being extended to all major cities across the country for the purpose of operational monitoring relating to Speed Post. A plan has also been drawn for optimization of the mail network relating to the first class mail (unregistered and registered) and streamlining of the processes therein.

(Ministry of Communications & Information Technology /Department of Posts O.M. No. 5-15/2010-CP dated 4th March, 2011)

Recommendation (Para No. 17)

Modernisation of Financial Services

The Post Office Savings Bank (POSB) with 206 million savings account (as on 31.03.2009) and having 100 years of experience in handling savings bank work is the oldest and largest banking institution in the country. In spite of un-paralleled reach of Post Bank as compared to any other banking agency in the country, the preference of the customer today particularly in urban areas is commercial banks as acknowledged by the Department. Better connectivity, network for ATM, liquidity, dematerialization, market determined interest rates and availability of credit are the main factors for choice of commercial banks as compared to posts. In spite of the various initiatives taken by the Department with the huge allocations made out of government funding the IT-Induction programme has not been to the desired level. The detailed analysis of which have been given in the previous part of the Report. While the Department has the network of 1.5 lakh Post Offices only 12571 Post Offices have the computerized banking system using ‘Sanchay Post Software’

and are working in local area network based technology. The scheme Core Banking Solution (CBS) i.e. 'Anytime Anywhere Banking' for post office small savings have been included in the Eleventh Five Year Plan. Technology consultant have submitted the Feasibility Report for implementation of Core Banking Solutions. As per the Report, India Posts require an integrated Core Banking Solution which would enable real time processing capability, multi channel integration, flexibility to launch new products and services, interface with internal and external applications, strong MIS capability and superior data management and security functionalities. The Department propose to provide Core Banking Solution initially in 4000 identified branches which would gradually extend to cover the entire network through various technology led solutions-offline capabilities, multiple channels, mobile hand held devices (rural ICT), cards, and centralized data centre. The Department is having detailed discussions and interactions with various commercial banks and technology providers such as Infosys Technology, Oracle and Tata Communications for implementation of Core Banking Solution. The Committee conclude from the aforesaid position that now when more than three and a half years of the Plan period have already been passed, there is no headway on the scheme. The Committee again emphasize that computerization and networking of Post Offices is the prerequisite for providing Core Banking Solutions which would provide the customer various modern facilities as at present are available to the customer from the commercial banks and other private sector banks and organizations. As such, the Department has to work on a mission mode to ensure the computerization of Post Offices followed by implementation of Core Banking Solution. The consultations with the various commercial banks and other technology providers should follow the concrete action on the part of the Department so that the Core Banking Solutions become reality in the Eleventh Plan.

Action Taken by the Government

Department of Posts in consultation with Technology consultants proposes to implement Anywhere Anytime banking in all Departmental offices. Towards implementing Core Banking Solutions, the Department has issued a RFP on 21.12.2010 for selection of Financial Services System Integrator. The Financial Services System Integrator will provide trunk solution for implementation of Core Banking Solutions in all Departmental offices by September, 2012. The RFP for Financial Services System Integrator includes in its scope of work deployment of CBS software with alternate delivery channels, deploying ATM switch, setting up ATMs, setting up Circle Processing Centers, data migration to CBS and training. The scope of work includes installation of 1000 ATMs covering all Head Post Offices and some major SOs.

(Ministry of Communications & Information Technology /Department of Posts O.M. No. 5-15/2010-CP dated 4th March, 2011)

Recommendation (Para No. 18)

Accrual Accounting System

As informed by the Department, the Twelfth Finance Commission had recommended an operational framework and a detailed roadmap for its implementation. Accordingly, the Department of Posts has signed an MoU on 25th June, 2009 with ICAI-ARF in two identified Head Post Offices in New Delhi viz. New Delhi Head Office and Naraina Industrial Estate Head Office. The Committee have also been informed that Comprehensive Scope Evaluation Report (CSER) submitted by the ICAI-ARF on Pilot Study is under consideration with the Department. The Committee feel that the introduction of Accrual Accounting System is one of the basic requirements for the introduction of Core Banking Solution and since the Department has an ambitious plan of introducing it in 4000 identified Post Offices in the Eleventh Plan, the Committee expect that the Comprehensive Scope Evaluation Report (CSER) submitted by the ICAI-ARF on Pilot Study are examined expeditiously so that Accrual Accounting System could be introduced in the various Post Offices in the country at the earliest.

Action Taken by the Government

Comprehensive Scope Evaluation Report (CSER) submitted by ICAI-ARF on Pilot Study on implementation of Accrual Accounting System has since been approved by the Department of Posts.

(Ministry of Communications & Information Technology /Department of Posts O.M. No. 5-15/2010-CP dated 4th March, 2011)

Recommendation (Para No. 19)

Modernization in Service Delivery Levels with regard to financial services

The Committee observe that various initiatives have been taken by the Department to facilitate expeditious remittance of money. Such initiatives include introduction of i-MO facility in 6361 Post Offices under which a person can send money from Rs. 1000 to Rs. 50,000 in one transaction, introduction of e-MO which has been introduced *w.e.f.* 10.10.2008 and it facilitates remittance of MOs electronically. The limitation of this facility that Post Offices should have connectivity by WAN/Broadband. Another facility is introduction of MO-Videsh in Eurogiro network is used by India Posts under the name MO Videsh for outward and inwards international money remittance. Operation of International Money Transfer Service is another service provided by Posts in association with a multinational company – Western Union Financial Services International which provide the customer the facility of receiving remittances from 205 countries and territories on a real time basis. The Committee note that all these initiatives are steps in the right direction. However, these facilities need to be expanded to more number of Post Offices so that these facilities are available in every nook and corner of the country. The Department should prepare the concrete proposals in this regard.

Action Taken by the Government

The number of iMO sites has been expanded to over 9000 post offices.

Expansion of IMTS depends on the assessment of business by Western Union in consultation with India Post.

(Ministry of Communications & Information Technology /Department of Posts O.M. No. 5-15/2010-CP dated 4th March, 2011)

Recommendation (Para No. 20)

Electronic Clearance Service

The Committee find that Electronic Clearance Service is in operation at 15 centres where Reserve Bank of India manages clearing Houses and 50 other centres where State Bank of India, Punjab National bank etc. are managing Electronic Clearance Service on behalf of Reserve bank of India. Electronic Clearing Service is being offered in the Department of Posts at all the 15 locations of Reserve Bank of India and 21 locations of State Bank of India in connection with payment of monthly interest under 'Monthly Income Scheme' (MIS). The Committee further note that the aforesaid facility is available to only 5 lakh depositors whereas the customer base is 22 crore accounts. The Committee exhort the Department to take the desired action so that the Electronic Clearance Service is available to every depositor of Posts in the country.

Action Taken by the Government

Department of Posts is working on introduction of Core Banking Solution in Post Office Saving Bank to facilitate all POSB account holders. The project is at advanced stage and once the CBS is introduced, ECS facility will be made available to all POSB account holders at all locations identified by RBI and other Nationalized Banks.

(Ministry of Communications & Information Technology /Department of Posts O.M. No. 5-15/2010-CP dated 4th March, 2011)

Recommendation (Para No. 22)

Technological initiatives to make the disbursement of wages under MNREGA effective-financial inclusion for the unbanked rural masses

The Committee observed that disbursement of wages to laborers under Mahatama Gandhi National Rural Employment Guarantee Act (MNREGA) is being made by Post Offices and commercial banks. State Government have been given the option to either use Post Offices or the banks for the aforesaid purpose. The Committee find that whereas the number of bank branches in the country are 72156 as compared to 1.55 lakh branches of Post Offices, the share of banks in this regard is more than the Post Offices. With regard to the amount of wages disbursed during the year 2009-10, the Committee have been

informed that out of total amount of Rs. 21625.18 crore, an amount of Rs. 8864.98 crore was disbursed through Post Offices and Rs. 1276.02 crore was disbursed through bank accounts. The detailed deliberations with the representatives of the Department of Rural Department has indicated that there are certain bottlenecks regarding disbursement of wages by Posts which include delay in submission of wage list to Post Offices by State Government, mistakes in preparation of wage list, problems relating to clearance of cheques, non-availability of rolling funds in every districts, lack of proper security to keep wages money, bulk submission of wage list/pay orders at one go etc. Moreover, a study done by Dreze and Khera has revealed that payment by banks is better than Post Offices. The Secretary, Posts, during the course of deliberations have acknowledged that many labourers preferred to use banks rather than Post Offices. Keeping in view the various problems being faced in the disbursement of wages under MNREGA, the Committee have decided to undertake detailed examination by selecting the subject in this regard. In the context of use of technology for the effective disbursement of wages under MNREGA, the Committee would like to emphasize that the preference of banks over Post Offices even in disbursement of wages under MNREGA is obviously due to effective and fast services provided by banks. The detailed analysis of the various aspects related to disbursement of wages under MNREGA would be done separately by the Committee as stated above. Here the Committee would like to strongly recommend that the Department should take all the initiatives, particularly with the use of latest technology and networking of Post Offices to address to the various problems being faced in the disbursement of wages under MNREGA. With the reach of Post in every nook and corner of the country, great opportunities are being provided by the Government. The Department has to act professionally and use this opportunity by opening Post accounts of BPL persons. Besides, technological intervention, better services can be provided by helping the customers in rural areas in opening the accounts like filling of various forms, completing the formalities of surety etc. Moreover, coordination with State Governments and local bodies particularly in rural areas will further help Posts in addressing the various bottlenecks being faced in disbursement of wages. The Department has to take all the initiatives for effective disbursement of wages under MNREGA so that the State Government opt for Posts for disbursement of wages under MNREGA. The desired initiatives on the suggested lines should be taken and the Committee informed accordingly.

Action Taken by the Government

Under the IT project of Department of Posts, it is proposed to provide an appropriate rural ICT device to each Branch Post Office through which the Branch Postmaster can access MGNREGS muster roll to be paid through Branch Post Offices to the wage earners.

The Department has issued a RFP for Rural Service System Integrator (RSI) and an EOI for Rural Handheld Devices (RH).

The RSI will develop a solution for MGNREGS enrolment and wage payment. The application will have enablement to connect to the database of Ministry of Rural Development/ the State Government on MGNREGS. The Devices to be supplied to EDBOs will have networking through available connectivity like GPRS, Broadband etc. The solution will also have enablement for working in offline mode when online is not available with

facility for uploading data from nearest Departmental Post office having connectivity. The solution will be fully implemented by September 2012.

As far as co-ordination with State Government and local bodies is concerned, it is submitted that periodical co-ordination meetings are held with State Government authorities and remedial measure are taken whenever any inefficiency is noticed in the system.

(Ministry of Communications & Information Technology /Department of Posts O.M. No. 5-15/2010-CP dated 4th March, 2011)

Recommendation (Para No. 23)

Training of Manpower

With the growth and development of Information Technology, skill based training has become a pre-requisite for the success of any organisation. The Committee note that the Department of Posts in order to hone the skills of its employees has prepared a comprehensive scheme for the Eleventh Plan with an Outlay of Rs. 130.66 crore. The scheme include imparting of institutional in service training, technology training, business orientation programmes, capacity building and development of infrastructure. From the information provided by the Department, it is understood that the Department has set up training centres for officials belonging to Group 'A' and other officials such as Group 'B' Inspectors, Postal Assistants, Sorting Assistants, Postmasters, Assistant Superintendent of Post Offices, Accounts Personnel, etc,. However, the Committee are constraint to note that nothing seem to have been done regarding the training of the Extra Departmental Employees or Grameen Dak Sewaks. The Committee feel that since the Department of Posts is embarking on the ambitious project of networking of all its Post Offices in rural areas through introduction of Rural ICT, the training of this category of employees is inevitable.

The Committee also feel that the Department has a monumental task of providing suitable training to its employees to complement with its automation plan for financial services viz. proposals of setting up of Core Banking Solution, introduction of Accrual Accounting System, etc. Therefore, the Committee recommend that the Department needs to take all the necessary steps to equip all its employees with the skills necessary for matching with the modernisation of its Post Offices. The Committee feel that enhancing and transforming the human resources through training would make the Department more customer friendly and techno-savvy.

Action Taken by the Government

IT & Modernization program in addition to IT induction will lead to change in processes. Almost all categories of staff will be impacted by IT induction. As a part of the IT & Modernization program necessary training on the new hardware, software and revised processes will be provided. It is also proposed to provide user guides, operating manuals etc with actual screen shots for each operation (step by step) for easy understanding by trainees and also make it available in regional language and English. Provision for re-training

of employees based on their feedback and level of comfort with the system is also proposed.

(ii) As a part of the Rural ICT component of IT induction and modernization the Branch Post Masters in the country will be trained in usage of devices and the accompanying software. This training will adopt “train the trainer” approach wherein officers of the Department will be trained to impart training to Branch Post Masters. Technicians are proposed to be located at Divisional Head Quarters for a specific duration to support the Branch Post Masters after training. Suitable trainings are proposed for various levels on the software and process in Core Banking Solutions and the new accounting systems as a part of the IT Modernization project.

(iii) As changes will impact a large number of employees Change Management will be an integral part of the program to bring all the staff on board so that the new way of working is adopted.

(iv) In 2010-11, 40,000 Branch Post Masters and GDS were covered by training programmes to sensitize them to the new developments in the Department as a part of the XI Plan Scheme for HRD.

(Ministry of Communications & Information Technology /Department of Posts O.M. No. 5-15/2010-CP dated 4th March, 2011)

CHAPTER –III

**RECOMMENDATION / OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO
PURSUE IN VIEW OF THE REPLIES OF THE GOVERNMENT**

--NIL--

CHAPTER –IV

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

Recommendation (Para No. 3)

Status of Computerisation of Post Offices

The process of computerisation or transformation from physical to digital network of Post Offices was initiated in Eighth Five Year Plan and as per the Department the ambit of computerisation has increased in each of the successive Plans and as on 31st March, 2010, there are a total of 12,604 Departmental Post Offices which have been computerized out of the total 25,538 Departmental Post Offices, the percentage of achievement being only 49.35 per cent. Most of the work of Post Offices is carried out by the Extra Departmental Post Offices and at present out of total 1,55,035 Post Offices 1,29,497 are Extra Departmental Post Offices. If the number of Extra Departmental Post Offices is also taken into consideration, the percentage of computerization of Post Offices comes to just 8.13 per cent. The Committee note that the Department has big plans with regard to enlarging their savings and insurance activities. The Department proposes to set up Post Bank of India. The Committee note that the aforesaid ambitious plans of the Department cannot be achieved without networking of the Post Offices. The Department claims to achieve the 100 per cent computerization of Post Offices by September, 2012. With the existing status of computerization the details of which have been given above, the Committee have doubts about the achievement of the targets by the stipulated timeframe i. e. by September, 2012. The aforesaid apprehension of the Committee is further reinforced by the fact that the Department cannot computerize even a single Post Office during the financial year 2009-10 as status of computerization of Post Offices remained static during the aforesaid period. The Committee cannot but express their unhappiness over the status of computerization of Post Offices. The Committee exhort the Department to take the desired initiatives at least now so as to step up the pace of computerization of Post Offices in the country.

Action Taken by the Government

12604 Departmental Post Offices –have been computerized up to 31.03.2010, out of the 25,538 Departmental Post Offices as detailed below:

Status of Computerization of Post Offices up-to 31.03.2010

S.No.	Category of Post Offices	Number
1	Head Post Offices	839
2	Above double handed Sub Post Offices	6671
3	Double handed Sub Post Offices	4498
4	Single handed Sub Post Offices	596
	Total	12604

Action has been taken for computerization of 1720 Post Offices during the current financial year under Plan Scheme of Computerization of Class B (Double handed) Sub Post Offices under XI Plan – Project for computerization and networking of Post Offices.

All operations of PLI and RPLI have been computerised. After the procurement of proposals from customers, the same are entered and data is uploaded in the National Data Centre being maintained by NIC. Further, all premium collection is also uploaded to the National Data Centre. All claims are sanctioned through National Data Centre itself.

The National Data Centre is repository of all information on PLI/RPLI. It is connected to all the Circles, Regional Offices , Divisional Offices and Head Post Offices and data transfer is done through Broadband connectivity amongst these offices.

(Ministry of Communications & Information Technology /Department of Posts O.M. No. 5-15/2010-CP dated 4th March, 2011)

**Comments of the Committee
(Please see Para No. 9 of Chapter I)**

Recommendation (Para No. 4)

Broadband Connectivity

From the information provided by the Department, the Committee note that out of 12,604 Departmental Post Offices computerized so far, the broadband/dial-up connectivity could be provided to just 9483 Post Offices i.e. 37.13 per cent. The detailed information provided by the Department further indicates that 1305 locations have been connected through 2 Mbps leased line and another 8177 computerized Post Offices are using dial-up connectivity. The Committee observe that the purpose of computerization is achieved only when the broadband connectivity is provided. Moreover, the availability of adequate and efficient broadband service is the prerequisite to achieve the objective of networking of Post Offices. The coverage of only 37.13 per cent of the Departmental Post Offices in the country having broadband connectivity is not a satisfactory position. Moreover, the aforesaid position does not cover the Extra Departmental Post Offices which are handling the major work of the Posts as indicated in the earlier part of the Report. The Committee again emphasize that the challenges before the Department are going to increase manifold with the rapidly evolving technology and to face this, the Department has to put in place an effective networking system by having electronic linkages of all the Post Offices in the country and this can only be achieved by providing the broadband connectivity to all the Post Offices. Otherwise, the vision of the Department such as ‘Anywhere, Anytime Banking’, Speed-Net Service, Upgradation of Customer Call Centres, Project Arrow etc. would always remain a mission yet to see their successful and complete implementation. In view of this, the Committee strongly recommend to take all the initiatives so that the broadband connectivity is provided to all the computerized Post Offices.

Action Taken by the Government

(i) Broad band connectivity has been provided in 10530-computerized Post Offices out of total 12604 computerized Post offices up-to 31-03-2010.

(ii) Department is in the process of issuing RFP for a Network Integrator for providing network connectivity to the Departmental Post Offices to be completed by September, 2012. The connectivity will be given through various modes like MPLs, Broadband, leased line etc.

(Ministry of Communications & Information Technology /Department of Posts O.M. No. 5-15/2010-CP dated 4th March, 2011)

Comments of the Committee (Please see Para No. 9 of Chapter I)

Recommendation (Para No. 6)

The analysis of Circle-wise data with regard to computerization as well as broadband connectivity of Post Offices as furnished by the Department indicates that achievement with regard to computerization is outstanding in Assam, North-East and Kerala. In Assam, the achievement is 100 per cent, in North-East and Kerala the achievement is 90.45 and 71.19 per cent respectively. The national average in this regard is 49.35 per cent. The under-performing Circles where the achievement is lesser than the average are Andhra Pradesh, Bihar, Chhattisgarh, Rajasthan and Uttar Pradesh. With regard to broadband connectivity, the data furnished by the Department indicates that connectivity is maximum in Delhi i.e. 70.83 per cent followed by Kerala, Haryana, Gujarat and Tamil Nadu which have 54.42, 51.33, 50.99 and 51.06 per cent connectivity respectively. In all the remaining Circles, the connectivity is less than 50 per cent. It is surprising to note that in Delhi which has very good broadband penetration, 30 per cent of Post Offices computerized so far could not be provided broadband connectivity. More disturbing is the fact that Assam and North-East which have achieved 100 per cent and 90.45 per cent of the computerization have only 41.09 per cent and 31.34 per cent of the broadband connectivity respectively. As such, the purpose of providing 100 per cent computerisation to such Circles is defeated. From the aforesaid position, the Committee conclude that the adequate measures have not been taken by the Department to provide broadband connectivity to the computers already installed in various Post Offices. The Committee exhort the Department to take all the desired initiatives which include taking up the issue with BSNL i.e. the Government telecommunication service provider for providing broadband connectivity to the computers in all the Circles.

Action Taken by the Government

(i) Department is in the process of issuing RFP for a Network Integrator for providing network connectivity to the Departmental Post Offices to be completed by September, 2012. The connectivity will be given through various modes like MPLs, Broadband, leased line etc.

(ii) Broad band connectivity has been provided in 10530-computerized Post Offices out of total 12604 computerized Post offices up-to 31-03-2010.

(Ministry of Communications & Information Technology /Department of Posts O.M. No. 5-15/2010-CP dated 4th March, 2011)

**Comments of the Committee
(Please see Para No. 9 of Chapter I)**

Recommendation (Para No. 7)

IT Induction – Postal Operations during Eleventh Plan

The Committee find that the Department has ambitious plans with regard to upgradation of various services viz. Communications Services, Transport Services, Financial Services and Value Added Services. To achieve the objective, Rs. 2700 crore was allocated by the Ministry of Finance during the Eleventh Plan. The aforesaid allocation was reduced to Rs. 2572.60 crore while framing EFC Memo. Out of Rs. 2572.60 crore, the Cabinet Committee's approval could be obtained for only Rs. 978.52 crore and that too in February, 2009 whereas Eleventh Plan commenced on 1 April, 2007. Out of this, Rs. 628.66 crore was for IT Project Phase-I, Rs. 210.86 crore was for Automatic Mail Processing Centres and the remaining 139.00 crore was for Project Arrow. Due to late approvals of the schemes, there were huge gaps between the projected outlay, allocation made at BE Stage, RE Stage and the actual expenditure during each of the year. Out of total allocation of Rs. 2572.60 crore Rs. 446.47 could only be utilized during first three years of the Eleventh Plan, the percentage utilization being just Rs. 17.35 per cent. The Committee have consistently been raising serious concern over the whole planning process in the Reports on Demands for Grants of the last three years. In spite of that the approval of the various programmes is being badly delayed resulting into huge shortfall in the financial as well as physical achievements, particularly the IT Induction Programme of the Department. The Committee disapprove the way the schemes are being proposed and approvals made whereby almost full three years of the Plan were lost in getting approvals. Even when the fourth year of the Plan is going to expire approvals for the substantial allocation for Phase-II are still awaited. The Committee again emphasize that the Department need to relook its procedure for getting approvals for the different schemes and a specific time limit for getting approval at each of the stage should be fixed. Since the approvals for Phase-I are now in place, the Committee exhort the Department to take all the initiatives so that the allocations provided are meaningfully utilized.

Action Taken by the Government

(i) ₹ 2700 crore was allocated for Technology Upgradation of Post Offices for the entire eleventh plan. However, while framing the EFC memo, the requirement of funds was restricted at ₹ 2505.86 crore and further EFC on Project Arrow was approved for ₹ 225 crore.

(ii) The scheme relating to setting up of Automated Mail Processing Centres (AMPCs) was approved by Hon'ble Minister of Finance on 19-1-2010. The delay in implementation of the spillover (from the 10th Plan) component of the scheme occurred due to the decision of the Expenditure Finance Committee (EFC) to re-process the case. Orders have been placed to the vendor concerned for supply, installation and commissioning of sorting machines in Delhi and Kolkata. The process for finalization of the Request for Proposal (RFP) for the proposal to set up AMPCs at Mumbai, Chennai, Bangalore and Hyderabad has also been initiated.

(Ministry of Communications & Information Technology /Department of Posts O.M. No. 5-15/2010-CP dated 4th March, 2011)

**Comments of the Committee
(Please see Para No. 12 of Chapter I)**

Recommendation (Para No. 8)

Financial and physical achievements under IT Project Phase-I

From the data made available by the Department, the Committee note that there are huge shortfall in financial and physical achievements during each year of the Eleventh Plan under different programmes of IT Induction. The major part of the allocation is made for computerization and networking at BE stage. During the year 2008-09, Rs. 240 were allocated for the aforesaid programme. The allocation was reduced to Rs. 142.50 crore at RE stage. The Department could not ensure full utilization of even the reduced outlay and there was shortfall of Rs. 4.77 crore. Similarly, during the year 2009-10 even when the major approvals were in place, the allocation at BE stage was Rs. 255 crore which was reduced to Rs. 118.01 crore at RE stage. The actual expenditure during the year 2009-10 has been indicated as Rs. 152.70 crore. Similarly, huge reduction at RE Stage under the other Programmes of IT Induction like Upgradation and Modernization of Software Centre at Postal Training Centre, Annual Maintenance Contract, Consultancy for Comprehensive Technology Plan and Strategy, Upgradation and Modernization of Postal Accounts Offices, Computerisation of Administrative Offices and Project Management Unit was made. With regard to physical achievements, the Committee again note the huge shortfalls. Out of the target of computerisation of 5,143 Double-handed Post Offices, the achievement was 2920 Post Offices. In case of Single-handed Post Offices the achievement was further worse. Out of the target of 11497 Post Offices, the achievement was just 554 Post Offices. So far as supply of computers to Divisional Sub-Post Offices is concerned, the achievement was just 156 out of the target of 305. Even where the computerisation had been done, the electronic linkages could not be completed. The reasons in this regard as indicated by the Department are that the computerization which has been implemented till date focused on supply of hardware to bigger Post Offices in a LAN (Local Area Network). The major software for postal operations (Meghdoot) and for Banking operations (Sanchay Post) were of standalone mode working within the Post Offices in a LAN connectivity. The Committee conclude from the aforesaid scenario that there are serious problems in implementation of various IT Projects. The Department has tried to justify the shortfalls by stating that approvals were in place only in the year 2009 i.e. after passing of almost three years of the

Eleventh Plan. On one hand, it has been stated that due to inadequate allocation during Eleventh Plan, there were shortfall in achievement of targets. On the other hand, the allocation made are being reduced at RE stage and there is still under spending during each of the year as explained above. With the present pace of IT Induction Programme, the Committee feel that it would take more decades to get the 100 per cent Post Offices computerized. While expressing serious concern over this, the Committee exhort the Department to take all the initiatives so that at least now progress are made in various activities related to IT Induction in Postal Operations.

Action Taken by the Government

(i) IT Project Phase-I

An outlay of ₹ 628.66 crore was made for the Department for covering 5143 double handed Post Offices during the phase I covering the period from 2008-09 and 2009-10. On receipt of the approval of Expenditure Finance Committee for the Phase –I in the month of January 2009, the Cabinet Committee's approval was obtained in the month of February 2009 and the schemes could be implemented in full swing from 2009-10.

(ii) Status of computerization of Post Offices up-to 31-03-2010

12604 Post Offices computerized up-to March 2010 (839-HPOs,6671-Above-double handed Sub Post Offices,4498-Double handed Sub Post Offices and 596-Single handed Sub Post Offices)

Ministry of Finance has clarified that during the current Financial Year 2010-11,expenditure up-to ₹ 150 Crore can be made by the Department of Posts from the Plan funds allotted to it the activities approved by CCEA as per the recommendations EFC I. A total expenditure of ₹149.6225 crore has been incurred on this account till December, 2010.

(iii) The plan schemes relating to mail operations are at various stages of implementation at this stage. All efforts are being made to achieve the physical and financial targets set for these schemes.

(Ministry of Communications & Information Technology /Department of Posts O.M. No. 5-15/2010-CP dated 4th March, 2011)

Comments of the Committee (Please see Para No. 12 of Chapter I)

Recommendation (Para No. 13)

The Committee have been informed that the Department of Posts had appointed TUV India Posts Limited to conduct audit/customers' and staff satisfaction survey in 50 Project Arrow Phase-I Post Offices to evaluate performance of Post Offices in 18 parameters. As per the findings of the aforesaid survey, there is remarkable improvement in the services offered by the Post Offices. Besides, the average customer satisfaction as

well as employees' satisfaction is also good in the aforesaid Post Offices. The Committee have further been informed that the Department has decided to conduct external audit for Post Offices under Phase-II and Phase-III as well and the Request for Proposal for external audit is under preparation. The Committee appreciate the efforts being made by the Department to monitor the performance of the Post Offices covered under Project Arrow. The Committee emphasize that external audit for Post Offices covered under Phase-II and Phase-III should be expedited and the findings communicated to them. Besides, the Committee also emphasize that the findings of the survey which indicate great improvement in the various services should be publicized by the Department so that the public at large is aware of the efficient services being provided by these Post Offices. This would certainly help the Department in increasing their customer base and enhance revenue generation of the Post Offices.

Action Taken by the Government

The proposal for undertaking an external audit by an external agency initially was included in EFC Project Arrow Phase-III, but had to be dropped when the outlay was restricted from ₹ 887 crore to ₹ 65 crore. Even during 2010-11 it was proposed in the EFC of Project Arrow Phase IV to undertake external audit. However due to reduction of BE outlay by Ministry of Finance from ₹ 660 crores to ₹ 480 crores, no funds could be earmarked for audit hence the same could not be taken up during the current financial year.

(Ministry of Communications & Information Technology /Department of Posts O.M. No. 5-15/2010-CP dated 4th March, 2011)

Comments of the Committee (Please see Para No. 15 of Chapter I)

CHAPTER –V

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

Recommendation (Para No. 5)

The Post Offices are located in every nook and corner of the country. As such providing broadband connectivity to far-flung and difficult areas is the biggest challenge before the Posts so far as the issue of broadband connectivity is concerned. The Department has informed that the steps have been taken to ensure that the system can work in offline manner and the encrypted data can be uplinked from the nearest Post Office having appropriate connectivity. The Committee have also been informed that the Department is exploring of having the connectivity through VSAT in North-East and Andaman and Nicobar Island. The Committee note that all the steps are in the right direction and need to be continued. Besides, the Committee also emphasize that the Department should take up the issue of providing broadband connectivity in the far-flung and difficult areas with BSNL. Proper coordination with BSNL would help the Department in finding solution to the problem of connectivity in such difficult areas. The desired initiatives on the suggested lines should be taken by the Department and the Committee informed accordingly.

Action Taken by the Government

In case of the approximately 1,30,000 Extra Departmental Post Offices, Department will issue an RFP for Rural ICT Hardware who will have responsibility for providing Rural Handheld Devices which will have connectivity through Broadband, GPRS, WIFI etc depending on the availability. The Rural ICT solution will also be capable of offline transaction where on-line connectivity is not possible with facility for uploading data from nearest Departmental Post office having connectivity. VSAT option for Post Offices in different terrain will be explored by the Network Integrator also. The Rural ICT Solution is expected to be fully implemented by September 2012.

(Ministry of Communications & Information Technology /Department of Posts O.M. No. 5-15/2010-CP dated 4th March, 2011)

Recommendation (Para No. 11)

Consultancy service from M/s Accenture Service Private Limited

The Committee have been informed that M/s Accenture Services Pvt. Ltd., the consultant engaged for IT modernisation of the Department to accomplish its aggressive growth and profit targets has submitted 16 Reports. Out of which, 10 Reports have been accepted by the Department and the remaining are in the process for acceptance. The Committee note that the Current State Assessment Report has highlighted that in six areas of operations, namely Mails, Banking, Postal Life Insurance, Finance and Accounts, Human Resource and Technology carried out by the Department, the majority of the work are being carried out manually. Besides, there are multiple siloed application deployed which

do not integrate resulting in duplication of work efforts carried out by the Department. Further, the Report has highlighted that the network, IT security and Data Centre infrastructure are insufficient. The Committee feel that each of the observations made by the M/s Accenture Services Pvt. Ltd. are very significant and the Department needs to address each of the issue at the earliest. The concrete action in this regard should be taken and the Committee informed accordingly.

Action Taken by the Government

(i) M/s Accenture Services Pvt Ltd, the IT consultant, had submitted 16 reports. Out of which 14 had been accepted by the Department. The other two reports are under process of Acceptance.

Following action is taken on the observations made by the IT Consultant:

Based on the DPR and other reports, proposal for the IT modernisation project (Phase-II) for computerisation and networking of all the post offices, establishment of data center and disaster recovery center and development of integrated scalable modular software etc was submitted to the Cabinet Committee on Economic Affairs and was got approved. The project is expected to be completed by September, 2012. The Department is in the process of issuing RFPs to implement the project.

(ii) The bench marking report and Advanced Financial System (AFS) feasibility and DPR reports received from by M/S Accenture relating to Insurance Division has been approved with a few suggested changes.

(iii) The report submitted by the Consultant regarding mail operations has been examined in detail. The Division is regularly working with the Consultant in this regard and necessary inputs with respect to “the to be processes” for mail operations under the integrated IT platform have already been provided. Assessment of the hardware requirement for the mail processing centres has also been worked out.

(Ministry of Communications & Information Technology /Department of Posts O.M. No. 5-15/2010-CP dated 4th March, 2011)

Recommendation (Para No. 21)

Rural ICT Devices

Most of the work of Post Offices is carried by the extra Departmental Post offices and at present out of total 155035 Post Offices 129497 are extra Departmental Post Offices. The Committee have been informed that for modernization and computerization of Extra Departmental Post Offices, Rural Information and Communication Technology solution (Rural ICT) has been designed in consultation with the IT consultant and has been incorporated in the draft EFC which has been circulated. The proposed solution envisages that each of the rural office will have a mobile hand held device which will have the ability to perform all the transactions of the Post Offices. A data centre is also proposed to be set up with which these devices can exchange data based on available connectivity options such as GPRS, Encrypted SMS, broadband etc. The device will be able to connect with central server and perform synchronously or asynchronously depending upon the available

connectivity. The Department propose to roll out first pilot in the seventh month after the approval of the project followed by roll out of first phase in six selected circles. The final roll out would commence after fourteen months and would cover all the remaining circles to be completed by September, 2012. The detailed examination has further revealed that one of the query made by the Department of Expenditure and Planning Commission on the draft EFC was that the Department of Posts should test the robustness of Rural ICT devices before induction in the Post Offices. Not only that the availability of power, internet connectivity and training of the 'Grameen Dak Sewaks' who would be using such devices are the big challenges before the Department. In view of this, the Committee strongly recommend the concerns of the Department of Expenditure and Planning Commission should be properly addressed before the roll out of the project. Besides, there is an urgent need to take advance action for the training of Grameen Dak Sewaks who will use the device so that the system becomes functional after the roll out. The Committee again reemphasize that unless the extra Departmental Post Offices are covered by the modernization programme, complete IT solution for the different services cannot be found. As such, the Department should address to the procedural issues with regard to clearance of the project and take all the desired initiatives for the successful implementation of the project.

Action Taken by the Government

As stated in para 9 & 10, the procedural issues have already been sorted out and CCEA has approved the IT Modernization Project on 26.08.2010.

The Department has issued a RFP for Change Management Vendor who will evaluate the training requirements, co-ordinate the training of the employees including GDS employees and also assess the impact of training on the officials. The Change Management process will continue till the completion of the Project by September 2012.

The Department has issued an Expression of Interest for the Rural Handheld Devices to be supplied to EDBOs. A field trial of the shortlisted devices is under progress in 5(five) pilot circles in which the GDS are using the device and evaluating the same. The technical specifications in the RFP will be based on the field trials. The solution will be fully implemented by September 2012.

(Ministry of Communications & Information Technology /Department of Posts O.M. No. 5-15/2010-CP dated 4th March, 2011)

New Delhi
12 December, 2011
21 Agrahayana, 1933 (Saka)

RAO INDERJIT SINGH,
Chairman,
Standing Committee on
Information Technology.

**STANDING COMMITTEE ON INFORMATION TECHNOLOGY
(2011-2012)**

MINUTES OF THE THIRD SITTING OF THE COMMITTEE

The Committee sat on Friday, the 18th November, 2011 from 1100 hours to 1300 hours in Committee Room '53', First Floor, Parliament House, New Delhi.

PRESENT

Shri Rao Inderjit Singh –Chairman

MEMBERS

Lok Sabha

2. Shri Rajendra Agrawal
3. Smt. Sarika D.S. Baghel
4. Shri Nikhil Kumar Choudhary
5. Shri Charles Dias
6. Smt. Darshana Jardosh
7. Shri Tapas Paul
8. Shri Rajiv Ranjan Singh *alias* Lalan Singh
9. Smt. Seema Upadhyay

Rajya Sabha

10. Shri M.P. Achuthan
11. Shri Salim Ansari
12. Shri Mohammad Adeb
13. Shri Rajkumar Dhoot
14. Shri P. Rajeeve

SECRETARIAT

- | | | | |
|----|---------------------|---|------------------|
| 1. | Shri T.K. Mukherjee | - | Joint Secretary |
| 2. | Smt. Sudesh Luthra | - | Director |
| 3. | Dr. Sagarika Dash | - | Deputy Secretary |

2. At the outset, the Chairman welcomed the Members to the sitting of the Committee convened to consider and adopt one draft Action Taken Report *****.

3. The Committee, thereafter, took up for consideration and adoption of the draft Action Taken Report on the Recommendations/Observations contained in the Fifteenth Report on the subject 'Modernisation of Post Offices' and adopted the same without any modification.

4. The Committee then authorized the Chairman to finalize the above mentioned Report in the light of factual verification made by the Department of Posts and present the same to the House on a date convenient to him.

5. ***** ***** ***** ***** .

(The representatives of the Department of Telecommunications were then called in)

6. ***** ***** ***** ***** .
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7. ***** ***** ***** ***** .

A copy of verbatim proceedings of the sitting has been kept.

The Committee, then, adjourned.

***** Matter not related to the Report.

**ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE
RECOMMENDATIONS/OBSERVATIONS CONTAINED IN THEIR FIFTEENTH REPORT
(FIFTEENTH LOK SABHA)**

[Vide Paragraph No. 5 of Introduction]

- | | | | |
|-------|---|------------|-------|
| (i) | <p>Recommendations/Observations which have been accepted by the Government</p> <p>Para Nos.:- 1, 2, 9, 10, 12, 14, 15, 16, 17, 18, 19, 20, 22 & 23</p> | | |
| | | Total | 14 |
| | | Percentage | 60.90 |
| (ii) | <p>Recommendations/Observations which the Committee do not desire to pursue in view of the replies of the Government</p> <p>Para No.:- Nil</p> | | |
| | | Total | Nil |
| | | Percentage | 0.00 |
| (iii) | <p>Recommendations/Observations in respect of which replies of the government have not been accepted by the Committee and require reiteration</p> <p>Para Nos.:- 3, 4, 6, 7, 8 & 13</p> | | |
| | | Total | 06 |
| | | Percentage | 26.09 |
| (iv) | <p>Recommendations/Observations in respect of the reply which is of interim nature</p> <p>Para Nos.:- 5, 11 & 21</p> | | |
| | | Total | 03 |
| | | Percentage | 13.01 |