

SECOND REPORT
COMMITTEE ON PUBLIC UNDERTAKINGS
(1999-2000)

(THIRTEENTH LOK SABHA)

SENIOR LEVEL POSTS IN PUBLIC
UNDERTAKINGS—APPOINTMENT
AND RELATED MATTERS

MINISTRY OF HEAVY INDUSTRIES
AND PUBLIC ENTERPRISES
(DEPARTMENT OF PUBLIC ENTERPRISES)

*[Action Taken by Government on the recommendations
contained in the 4th Report of Committee on Public
Undertakings (12th L.S.) on Senior Level posts in Public
Undertakings—Appointment and Related Matters]*



Presented to Lok Sabha on 25.04.2000
Laid in Rajya Sabha on 25.04.2000

LOK SABHA SECRETARIAT
NEW DELHI

April, 2000/Chaitra, 1922(S)

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COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS
(1999-2000)

Prof. Vijay Kumar Malhotra—*Chairman*

MEMBERS

LOK SABHA

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3. Shri Sudip Bandyopadhyay
4. Shri Surinder Singh Barwala
5. Shri R.L. Bhatia
6. Shri Shiv Raj Singh Chauhan
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SECRETARIAT

1. Shri M. Rajagopalan Nair — *Joint Secretary*
2. Shri S. Bal Shekar — *Deputy Secretary*
3. Shri Raj Kumar — *Under Secretary*
4. Shri Tirthankar Das — *Reporting Officer*

* Ceased to be Members of the Committee consequent upon their retirement from Rajya Sabha w.e.f. 2nd April, 2000.

INTRODUCTION

1. The Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Second Report on Action Taken by Government on the recommendations contained in the Fourth Report of the Committee on Public Undertakings (Twelfth Lok Sabha) on "Senior Level Posts in Public Undertakings—Appointment and Related Matters".

2. The Fourth Report of the Committee on Public Undertakings was presented to Hon'ble Speaker on 26th April, 1999 and later on laid on the Table of Lok Sabha on 26th October, 1999. Replies of the Government to the recommendations contained in the Report were received on 7th February, 2000. The Committee on Public Undertakings considered and adopted this Report at their sitting held on 27th March, 2000. The Minutes of the sitting are given in Appendix-IV.

3. An analysis of the action taken by Government on the recommendations contained in the 4th Report (1998-99) of the Committee is given in Appendix V.

NEW DELHI;
April 3, 2000

Chaitra 14, 1922(S)

VIJAY KUMAR MALHOTRA,
Chairman,
Committee on Public Undertakings.

CHAPTER I

REPORT

The Report of the Committee deals with the action taken by Government on the recommendations contained in the Fourth Report (Twelfth Lok Sabha) of the Committee on Public Undertakings (1998-99) on "Senior Level Posts in Public Undertakings—Appointment and related matters" which was presented to Hon'ble Speaker on 26th April, 1999 and later on laid on the Table of Lok Sabha on 26th October, 1999.

2. Action Taken notes have been received from Government in respect of all the 11 recommendations contained in the Report. These have been categorised as follows:—

- (i) Recommendations/Observations that have been accepted by Government:
Sl. Nos. 3, 7, 8 and 11 (Total: 4)
- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies:
Sl. Nos. 9 and 10 (Total: 2)
- (iii) Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee:
Sl. Nos. 2, 4, 5 and 6 (Total: 4)
- (iv) Recommendations/Observations in respect of which final replies of Government are still awaited:
Sl. No. 1 (Total: 1)

3. The Committee will now deal with the action taken by Government on some of the recommendations in the succeeding paragraphs.

Recommendation (Serial No. 2)

4. The Committee in their Fourth Report have recommended about the time taken to fill up Board level posts in Public Undertakings as follows:

"The Committee have been informed that the procedure for appointment to Level I (Chairman, Managing Director, Chairman-cum-Mg. Director) posts in the public sector enterprises is lengthy and time consuming and most of the appointments are delayed for a period ranging from 6 months to 12 months. There were 17 vacancies of Chief Executives and 43 vacancies of Functional Directors as in January, 1999. The Committee deprecate such delays in appointments to top level posts in PUs which adversely affect their functioning. A time limit of four and a half months is stated to have now been fixed

from the occurrence of the vacancy till the selection and offer of appointment is made. This 4½ months period includes the time required for selection by PESB, administrative Ministry to take the view of PESB's recommendations, vigilance clearance from CVC and ACC's approval. The Committee recommend that Government should now ensure that whenever such vacancies occur in PSEs, the same should be filled up within the prescribed time limit of 4½ months and cases of delays in appointment beyond this time limit should be brought out in the Annual Report of the Ministry of Personnel, Public Grievances and Pensions alongwith reasons therefor."

5. The Department of Public Enterprises in their action taken reply on the above recommendation has stated as follows:—

"The Ministry of Personnel, Public Grievances and Pensions, Department of Personnel & Training has issued detailed guidelines vide O.M. No. 27/12/EO/94(ACC) dated 30-7-1999 prescribing time schedule for processing the cases relating to filling of Board level posts in PSEs (copy annexed as Appendix I). Further, all the Ministries have been addressed drawing their attention to the recommendations of the Committee on Public Undertakings that the prescribed time limit should be adhered to while processing the cases for Board level appointments in PSEs (copy annexed as Appendix II). However, the processing of cases at the level of the administrative Ministries gets delayed if the Central Vigilance Commission needs more time than what is prescribed in the guidelines for conveying vigilance status of the candidates recommended by the PESB, for various reasons. In some cases, the decision at the level of the administrative Ministry or the ACC may get delayed because during the processing/consideration of proposal, complaints against the recommended candidates may be received and those required to be looked into before taking a decision. It may not be appropriate to include the cases where the prescribed time schedule is not adhered to, in the Annual Report of the Ministry of Personnel, Public Grievances & Pensions because the posts concerned would belong to PSEs under the administrative control of the various Ministries. Merely because the secretariat functions are performed in the Ministry of Personnel, Public Grievances & Pensions, it may not be appropriate to incorporate the cases of delays in the appointment of Board level posts in PSEs in the Annual Report of the Ministry of Personnel, Public Grievances & Pensions."

6. The Committee note that the Department of Personnel and Training has issued to all the administrative Ministries and departments on 30 July, 1999 consolidated guidelines for processing the cases of Board level appointments in Public Enterprises after a review of the existing guidelines and after incorporating certain modifications. According to the fresh

guidelines the Public Enterprises Selection Board shall keep an accurate record of the dates on which Board level vacancies in each Public Undertakings are likely to arise so that action for filling its inability to incorporate information in their Annual Report regarding the cases where the prescribed time schedule for filling up the vacancies has not been adhered to along with the reasons therefor. The Committee feel that it should be the duty of the Department of Personnel to ensure that all the guidelines that have been issued by them are implemented in letter and spirit by the administrative Ministries concerned and there should be a constant watch over the aspect of strict adherence to the guidelines by the implementing agencies. It should be the combined effort of the Department of Personnel and also the administrative Ministries concerned to ensure that undue delay does not occur in filling up the Board level posts in the Public Sector Enterprises and the Department of Personnel cannot get away merely by stating that necessary guidelines have been issued. It should be the duty of the Department of Personnel to collect information about the progress made in respect of filling up of each vacancy and to publish the information in the Annual Report of the Department of Personnel about the cases where the guidelines could not be followed. This would ensure transparency and accountability in the matter of filling up of these vacancies which is very much necessary, as timely filling up of these vacancies has a direct bearing on the well-being of the enterprise concerned in particular and on the health of the national economy in general. The Committee wish to impress the Government that no appointment should be delayed purely on grounds of examining the complaints received against the persons selected for appointment to Board level posts. The Committee are of the considered view that information relating to cases where the prescribed time-schedule for filling up Board level vacancies had not been adhered to should be incorporated in the Annual Report of the Department of Personnel positively alongwith the reasons therefor from the current year itself. The Committee also recommend that information relating to all cases of appointments to Board level posts in various undertakings under each Ministry alongwith the time taken to fill up the posts and also the reasons for delay, if any, should be incorporated in the Annual Reports of the respective Ministries as well.

Recommendation (Serial No. 4)

7. In their Fourth Report, the Committee have recommended about the need for making appointments to the Board level posts only through the Public Enterprises Selection Board as follows:—

"As per guidelines issued by the Government, Joint Secretary in the Ministry cannot be appointed as CMD/Chairman of a Schedule-A Public Sector Undertaking. However, a notable exception in this regard came to the notice of the Committee recently when the Joint Secretary of the Ministry of Civil Aviation was appointed as CMD of Indian Airlines by exempting his appointment from PESB procedure.

The Committee express their anguish over the appointment which blatantly violate the established rules and procedures and expect this to be rectified. The Committee desire that the appointments to top management posts in PSEs should be made through PESB only and under no circumstances such appointments be allowed to by-pass the procedure outlined by PESB."

8. The Government have in their action taken reply on the above recommendation stated as follows:—

"The selection to Board level posts in PSEs is generally made through the PESB and only under special and rare circumstances like the poor health of the PSE etc., the selection is made by-passing the PESB procedure."

9. The Committee are not satisfied with the reply of the Government as it is very vague and incomplete. The Committee have not been informed as to how the Government has made efforts to rectify the appointment made by direct selection in respect of the post of Chairman-cum-Managing Director of Indian Airlines by by-passing the PESB procedure. The Committee do not understand as to what is meant by the vague phrase—"poor health of the PSE etc."—which has been used to explain away the act of by-passing the Public Enterprises Selection Board by the Government in making the above-said appointment. The Committee feel that once a set of systems and procedures has been established to fill up top level positions, there should be no stipulation made alongwith it to enable the by-passing of the system which would really make the whole legally established system redundant. The Committee consider such a stipulation to be an anathema to the concept of Equality before law that has been engendered in the Constitution of India to ensure the Fundamental Right to Equality to all. The Committee feel that the Rule of Law will be restored in the matter of appointments to top level posts in PSUs only when this kind of unreasonable stipulations are scrapped off from the procedures, as such provisions could only enable the proliferation of nepotism, favouritism, corruption and inefficiency. The Committee do not understand as to how suddenly 'the poor-health of the PSE' came to afflict the functioning of the PESB only when it came to the matter of filling up the vacancy of CMD in Indian Airlines, while the same PESB was approached to fill up several other posts in other PSUs during the same period and most of those PSUs were not so much in the pink of their health. This clearly indicates that there was no sudden disabling illness and no "special and rare circumstances" which existed then to justify the by-passing of PESB. The Committee feel that it is all the more necessary to select a person only through PESB, especially when the selection relates to a sick company, as every sick company requires a very competent person to revive it. The Committee also find that there is no indication in the reply as to the period for which such appointments have been made by by-passing the PESB and they consider that even if the appointments are made for a very brief period as a stop-gap arrangement, it is not at all justified to ride

rough shod over the established rules in this fashion. The Committee, therefore, recommend that immediate action should be taken to scrap the provision for by-passing PESB procedure so that all recruitments to top level posts in Public Undertakings are done on an equal footing by only one agency and the Committee expect a positive action in this regard within three months of presentation of this Report. The Committee further recommend that in all cases where appointments have been made by-passing the PESB, fresh action should be initiated to fill up all those posts through PESB on a regular basis, treating the appointments made earlier as ad-hoc.

Recommendation (Serial No. 5)

10. Regarding the need for filling up the vacant post of Chairperson of PESB and also the association of experts on the Selection Board, the Committee in their Fourth Report has recommended as follows:—

“The Public Enterprises Selection Board (PESB) consists of one part-time or full time Chairperson and three full time members. According to the present provisions, the three full time Members of the PESB shall be : (a) A distinguished former Chief Executive of a PSE (b) A distinguished behavioural scientist with experience in selection of top management personnel (c) A distinguished former civil servant with experience in management of PSEs or in the areas of finance, industry or economic affairs. But the Committee regret to find that the constitution of the Public Enterprises Selection Board (PESB) is not in accordance with its provisions as most of its members are retired civil servants. They have been informed that in the Board headed by Shri N. Vittal, three out of four persons comprising the Board were ex-IAS officers and only one was a former Chief Executive of a public sector undertaking. The contention of the Secretary, Personnel that they had been appointed under the three different categories provided for the PESB's composition is not at all convincing. As PESB is meant to make recruitments for Level I and Level II posts in PSEs, its members are supposed to be professionals and experts in various fields of industry, trade, finance etc. The Committee desire that the composition of the PESB should be strictly in accordance with the requirement of the provision. They also desire that the post of Chairman, PESB which has been lying vacant since September 3, 1998 should be filled up without any further delay under intimation to the Committee. The Committee also urge upon the Government to consider induction of outside advisers in the PESB Selection Committee depending upon the field and undertaking for which the selection is made, as is the practice in UPSC.”

11. The Government in their action taken reply on the above recommendation have stated as follows:—

“As per Resolution No. 27(21)-EO/86 (ACC) dated 3.3.1987 {(as amended *vide* No. F. 27(8) EO/93(ACC)} PESB shall consist of one part time or full time Chairperson and Members shall be persons who have had a long and distinguished career in management of public or private corporations or public administration and have a proven record of achievements, preferably, in the field of personnel, finance, production or marketing; and the three full-time Members of the PESB shall be:—

- (a) A distinguished former Chief Executive of PSE;
- (b) A distinguished person with experience in selection of top management personnel;
- (c) A distinguished former civil servant with experience in management of PSEs or in areas of finance, industry or economic affairs.

While making appointments of persons as Chairperson and Members of PESB, the aforesaid considerations are kept in view.

Further, the post of Chairman, PESB stands filled since 22.2.1999.

The PESB is a professional body and its members and Chairman have long experience and wide exposure in diverse fields along with practical experience in matters of selection to top management posts. A former Chairman of the PESB had rich experience in Telecommunication and Electronics Sectors. Another former Chairman was a renowned metallurgical engineer of international repute with long experience in public sector. He was the Chief Executive of a large PSU for over a decade, besides being the Chairman of SCOPE, the approved body of Central PSUs in the country. The present Chairman has been a senior Secretary in the Government of India. Former Members of the PESB have been senior Secretaries in the Government of India with rich experience at the State and Central levels. As secretaries they have had wide exposure to Industry Sector besides holding the posts of Chief Executives in Public Sector Undertakings both under the Central Government and the State Governments. The present member, PESB has been the former Managing Director of a leading company in the automobile sector. Taking into account these facts, it is felt that no useful purpose would be served by inducting outside advisors on the line of the practice in the UPSC which is a Constitutional body. Moreover, the PESB is responsible for making selections only to very senior level posts in PSUs. The Board, in the course of selection meetings is invariably assisted by the Chief Executive of the concerned PSU for selection of functional Directors and by the

Secretaries of the concerned administrative Ministries for the selection of Chief Executives. For these reasons it is not considered necessary or appropriate to associate outsiders with the selection process for Board level appointments."

12. The Committee note that the post of Chairman of the Public Enterprises Selection Board had been filled up on 22 February, 1999 by appointing a retired Secretary to the Government of India after it remained vacant for about five months. The Committee also find that one post of a full-time Member of PESB is still vacant and even now the PESB does not have the full complement of its strength. They recommend that Government should always initiate advance action to replace any member or a Chairperson who would be either retiring or demitting office in future. Accordingly, the Committee recommend that the post of member of PESB now lying vacant should be immediately filled up with a professional manager of long standing experience.

The Committee find that the qualifications prescribed for the post of Chairman and two of the Members have been couched in ambiguous terms and have been worded in such a manner which leaves ample scope for appointment of civil servants, who had been all through their careers' only 'Generalists'. Since the PESB is a professional body, and its Chairman and Members should have long practical experience in the management of public enterprises, the Committee are of the view that the PESB should have more 'Specialists' as compared to the 'Generalists' in its Board. The Committee therefore, recommend that while making appointments to PESB, not more than one civil servant should be there on the Board and also the post of Chairman should be held by a distinguished former Chief Executive of either a Public Sector Enterprise or a Private Sector Enterprise. The Committee recommend further that immediate steps should be taken to revise the qualifications stipulated for being the Chairman and Members of the PESB and the rules should be thoroughly recast to give majority representation to only professionals.

Recommendation (Serial No. 6)

13. Regarding the need for making the PESB a statutory body, the Committee in their Fourth Report recommended as follows:

"Public Enterprises Selection Board (PESB) is responsible for making appointments to Level I and Level II posts in public sector enterprises. The Committee are astonished to note that PESB has not been vested with any authority and its recommendations are not always acted upon by the administrative Ministries. PESB is merely a recommendatory body. What perturbed the Committee more is that PESB's recommendations are sometimes not only reversed by the Administrative Ministries, but also by the Appointments Committee of the Cabinet (ACC). The Committee are of the firm opinion that there should be transparency in the process of recruitment for these

posts. They, therefore, strongly recommend that PESB should be made a statutory body like UPSC with sufficient authority."

14. The Government in their Action Taken Reply in respect of the above-mentioned recommendation have stated as follows:

"With reference to the recommendation of the Committee on Public Undertakings that the PESB should be made a statutory body like UPSC with sufficient authority, it is submitted that various Ministries/ Departments having a large number of Public Sector Undertakings under their administrative control were requested to furnish their views on the recommendations of the COPU. The general view is that the number of PSUs coming within the purview of PESB is likely to be reduced in the future, because of the proposed disinvestment of Government's shareholdings in many PSEs and possible closure/ downsizing of sick/unviable PSEs. A new Department of Disinvestment has already been set up recently to expedite/ streamline the process of disinvestment. In view of the changing circumstances, it is not considered necessary to make the PESB a statutory body like UPSC with sufficient authority."

15. The Committee are not at all convinced with the reply of the Government that it is not considered necessary to make the Public Enterprises Selection Board a statutory body on the lines of the Union Public Service Commission by endowing it with sufficient authority, as a number of Public Enterprises are likely to be disinvested and also in view of the possible closure/downsizing of sick and unviable Public Enterprises. In this connection, the Committee wish to point out that there are 248 Public Sector Enterprises which operate in India and the number of Undertakings among them proposed for disinvestment is only around 45 at present. The Committee feel that the possible reduction in the number of Public Undertakings should not be the sole reason as to why Public Enterprises Selection Board can not be constituted on the lines of Union Public Service Commission. The Committee are of the considered view that the recommendation of the PESB should be binding on the Government. The Committee, therefore, urge upon the Government that necessary steps should be taken to provide sufficient authority to PESB on the lines of UPSC so that it is made really a professional body which would make objective recommendations regarding appointments to top level posts in Public Sector Enterprises without any fear or favour. If needed, this may be done through a law.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 3)

The Committee have been informed that the incumbents for the posts of Chief Executives in most of the prestigious public undertakings are from within the undertakings and usually it is an internal candidate who makes it to the top position. However, it is noticed that during the period from January 1, 1997 to August 13, 1998 only 23 posts of CMDs were recommended to be filled up from within the respective PSEs while in 34 cases, such posts were recommended to be filled up from outside the concerned undertaking. The Committee recommend that for efficient functioning of PSEs, preference should be given to candidates from within the undertaking so long as competent persons are available and the appointment of officers of the Organised Services to the posts of Chief Executives should be avoided.

Reply of the Government

In terms of the Government of India Resolution dated 3.3.1987, it is the normal policy of the Government to appoint through fair and objective selection procedure outstanding professional managers to Level I and Level II posts in the Central PSUs. As per the mandate given to the PESB unless markedly better candidates are available from outside, internal candidates employed in the Public Sector Enterprises are to be given preference for appointment to Board level positions. Regarding appointment of officers from the Organised Services to the posts of Chief Executives in special circumstances recruitment could be made from the officers of Organised Services on absorption/deputation basis. Such circumstances, for instance, could be where it is considered necessary to place a Member of Organised Service in a Public Sector Enterprise or where because of the nature of the Enterprise it is difficult to attract good professional managers on tenure basis. The PESB follows this practice.

[Ministry of Heavy Industries & Public Enterprises (Department of Public Enterprises) OM No. 2(28)/99-GM dt. 7.2.2000]

Recommendation (Serial No. 7)

The Committee note with concern that despite the instructions issued by the Department of Public Enterprises in March, 1992 that the number of Government Directors on a Board should in no case exceed two, the fact remains that out of 242 public sector enterprises, in 38 PSEs, the number of Government Directors exceeds the limit. The Secretary, Department of

Public Enterprises stated before the Committee that this was so because in some cases one or more Ministries other than the administrative Ministry and/or State Governments also have an interest. The Committee do not agree with this argument since the instructions clearly stipulate that it would be preferable to have only one Government Director from the concerned Administrative Ministry on each Board and in case of PSEs where it is considered essential to give representation on the Boards to other concerned Government Agencies/Ministries/State Governments, only one representative from the Group could be appointed on Board as Part-time Government Director. The number of Government Directors should in no case exceed two. The Committee express strong displeasure over the deviations in this regard in some of the undertakings. They, therefore, desire that the number of Government Directors in these 38 PSEs should be brought down within the prescribed limit under intimation to the Committee. In cases where a Ministry or a State Government has some special interest in regard to some particular matter concerning a public undertaking, their representative could be called as a special invitee to the Board meeting when that matter is to be considered.

Reply of the Government

The policy of the Government is that the number of Government Directors on the Board of a PSU should in no case exceed two. All the administrative Ministries/Departments have again been advised to implement this policy.

As regards appointment of State Government nominees on the Boards of PSUs, the existing policy provides that if a Company is located in one State only, it would be desirable to have representative of the concerned State Government on the Board of Directors of the concerned enterprise. In the case of multi-unit enterprises operating in many States, however, there is no need to include any representative of the State Government on the Board of Directors of the concerned enterprises. To change the existing policy may lead to avoidable difficulties as the issue involves Centre-State relations. Further, there could be demand from various States to include their representatives in the list of Special Invitees to Board meetings of PSUs, which have units in their States. The same holds good in the case of representatives of other Ministries/Departments. The concept of Special Invitees may result in having too many special invitees in every Board meetings, particularly in the cases of multi-unit PSUs, with the result that the effective functioning of the Boards would get adversely affected.

[Ministry of Heavy Industries and Public Enterprises (Department of Public Enterprises) O.M. No. 2(28)99-GM dated 7.2.2000]

Recommendation (Serial No. 8)

The Committee are dismayed at the lack of seriousness on the part of the Government in making appointments of non-official Directors in the public sector enterprises. The DPE guidelines on the subject provide that the number of non-official part-time Directors should be at least one third of the actual strength of the Board. According to Department of Public Enterprises themselves, induction of non-official Directors would help in improving the performance of PEs. In spite of this it is astonishing to note that out of 242 public sector enterprises, 111 PSEs do not have adequate number of non-official Directors on their Boards. The Committee have been informed that among these 111 PSEs, 18 are sick, 4 are likely to be restructured through disinvestment/Joint Ventures and 2 are under construction. As the non-official Directors are drawn from technocrats, management experts, consultants and professional manager having sufficient experience in industry and trade etc., the Committee are of the firm opinion that shortage of non-official Directors on the Board deprives the undertakings of expert guidance of seasoned professionals and technocrats. This is particularly true in the case of sick/potentially sick undertakings or those which are to be restructured. The Committee, therefore, recommend that the strength of non-official Directors in PSEs should be brought to the level stipulated in the guidelines without further loss of time and at the same time care should be taken that persons having vested interests directly or indirectly in a particular industry are not inducted to the Boards of the PSEs.

Reply of the Government

The recommendation has been accepted. All the concerned Ministries/ Departments have been advised to appoint non-official part-time Directors as provided in the OM No. 18(6)91-GM dated 16.3.92. As regards the recommendation that persons having vested interests should not be inducted into the boards of PSUs, the Government already ensures that there is no conflict of interest on appointment of the selected persons as non-official Directors on the Boards of PSUs.

[Ministry of Heavy Industries and Public Enterprises (Department of Public Enterprises) O.M. No. 2(28)99-GM dated 7.2.2000]

Recommendation (Serial No. 11)

As per the existing instructions, if a top executive of a public enterprise on his retirement joins a private firm, no contract should be placed with that firm, without the approval of the Board of Directors of the concerned enterprise, for a period of two years following the retirement of that officer. It has been brought to the notice of the Committee that of late many former top executives and Directors of the public sector undertakings after retirement have joined the competitors of the very undertakings they had served. In some cases, the executives are stated to

have negotiated their future assignments while in service by showing favour to the competitors. The Committee, therefore, feel that the existing instructions on the subject issued 30 years ago need to be reviewed/modified with a view to placing restrictions on the Chief Executives and Directors joining the competitors or private firms immediately after retirement.

Reply of the Government

The existing instructions on post retirement employment of top level executives of PSUs have been reviewed and instructions have been issued to the effect that the following proviso may be incorporated in the rules and regulations of the PSUs and the terms and conditions of appointment of full time Directors:

"No functional Director of the company including the Chief Executive, who has retired from the service of the company, after such retirement shall accept any appointment or post, whether advisory or administrative, in any firm or company, whether Indian or foreign, with which the company has or had business relations, within two years from the date of his retirement without prior approval of the Government".

[Ministry of Heavy Industries and Public Enterprises (Department of Public Enterprises) O.M. No. 2(28)99-GM dated 7.2.2000]

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES

Recommendation (Serial No. 9)

The Ministry has inherent power to monitor and review the performance of undertakings under its administrative control. But the autonomy of the public sector enterprises should not be limited by Government control. Although, as many as 696 guidelines of DPE were cancelled in December, 1997, yet there are a number of formal and informal controls from the administrative Ministry. The Committee are of the view that in an environment of stiff competition in the post liberalization era, the public sector cannot function efficiently without sufficient freedom of operation and level playing field. A system should, therefore, be evolved whereby the interference of the Government is confined only where it is essential without minimising Government's right to have needed information for evaluating the performance of undertakings. As per extant practice, MoU is signed annually. A suggestion has been made before the Committee that instead of signing the MoU annually, MoU should be signed for longer period, say 3 to 5 years, and also the Management should be made accountable for achieving the targets with reference to the corporate plans of the PSEs. The Committee desire that a high powered body consisting of representatives of Department of Public Enterprises, Ministry of Finance, SCOPE etc. should be constituted to go into the question of granting more autonomy to the public enterprise as also extending the period of the MOUs being signed by the undertakings with the administrative Ministry. The findings of this high powered body should be intimated to the Committee.

Reply of the Government

The Government has already recognised the need to give sufficient freedom of operation to the public enterprises. All the guidelines issued in the past have been reviewed by a Committee headed by the then Chairman, PESB and on the basis of the recommendations made by that Committee as many as 696 guidelines have been cancelled in December, 1997. The Government is also withdrawing from various other areas like wage negotiations with the workers. Even in regard to pay revision of executives, sufficient flexibility is available to the PSUs. However it may not be possible to extend complete freedom and level playing field on general basis to all the PSUs because some of the enterprises are not in a position to generate internal resources to meet their expenditure without resorting to budgetary support. Wherever the PSEs are in a position to

generate resources, they have been given enhanced powers under the Navratna and Miniratna schemes.

As regards the suggestion of extending periodicity of MoUs, it may be stated that the MoUs are presently being signed for one year because of following considerations:—

- (i) The present economic and business environment is very dynamic and there are rapid changes in the national and international markets which provide new opportunities and threats to the PSUs. In such a scenario it would be desirable to have target setting process for one year which is neither too short nor very long. Any micro-economic planning with a longer period may not be very realistic and would rather jeopardize the long term interest of the company. The micro level planning (MoU, budget etc.) would therefore appropriately be for one year as it would allow having realistic targets.
- (ii) Currently almost all performance appraisals both for the management and the company are done on annual basis. ACRs of executives are recorded on annual basis and the companies declare their results annually. The ACRs of Chief Executives of MoU signing companies are linked with the MoU score. Any change in the period of MoU would create difficulties in this regard also.
- (iii) The targets in the MoUs are linked to the performance budget of the concerned administrative Ministry which is finalised on annual basis.

In view of the position stated above, there may be no need to appoint a High Powered Body to look into these aspects.

(Ministry of Heavy Industries and Public Enterprises (Department of Public Enterprises) O.M. No. 2(28)99-GM dated 7.2.2000)

Recommendation (Serial No. 10)

The general policy of the Government is to have combined post of Chairman-cum-Managing Director in the public sector enterprises and under special circumstances, part-time Chairman and full-time Managing Director are appointed. The Committee feel that having part-time Chairman and full time Managing Director in a public sector enterprise results in divided responsibility at the highest echelon of management. They are of the opinion that in order to avoid dual responsibility at the top level, both the posts of Chairman and Managing Director should be entrusted to one person in undertakings having single unit. In multi-unit companies, the undertaking should be headed by a Chairman and each unit should be headed by a Managing Director.

Reply of the Government

The policy of the Government is that a PSU should normally be headed by a Chairman-cum-Managing Director, but in particular cases there should be no ban to the appointment of part-time Chairman in which case there should be a full time Managing Director who will be the Chief Executive. In order to enable the part-time Chairman and full time Managing Director to function in a supportive manner so that they may be able to give their best in the direction of the affairs of the public enterprises, clear guidelines on the role and responsibilities of the part time Chairman have been issued in December, 1982 (copy enclosed). Therefore the question of dual authority and division of responsibility has already been considered and necessary instructions issued by Government.

As regards the recommendations that each unit of multi unit companies should be headed by a Managing Director it may be pointed out that many of these PSUs have large number of operating units. For example NTPC has 8 units, IOC has 6 units, BHEL has 14 units, BEL has 9 units and ITI has 6 units. It may therefore, be not possible to have a Managing Director (a full time Board level post) for each of these units in addition to the posts of functional directors like Director (Finance), Director (Personnel), Director (Marketing) etc, because as per the policy relating to composition of Board of Directors, the number of full time Director cannot exceed 50% of the actual strength of the Board which normally varies from 8—15.

[Ministry of Heavy Industries and Public Enterprises (Department of Public Enterprises) O.M. No. 2 (28)/99-GM dated 7.2.2000]

CHAPTER IV
RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF
GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE
COMMITTEE

Recommendation (Serial No. 2)

"The Committee have been informed that the procedure for appointment to Level I (Chairman, Managing Director, Chairman-cum-Managing Director) and Level II (Functional Director) posts in the public sector enterprises is lengthy and time consuming and most of the appointments are delayed for a period ranging from 6 months to 12 months. There were 17 vacancies of Chief Executives and 43 vacancies of Functional Directors as in January, 1999. The Committee deprecate such delays in appointments to top level posts in PUs which adversely affect their functioning. A time limit of four-and-a-half months is stated to have now been fixed from the occurrence of the vacancy till the selection and offer of appointment is made. This 4-1/2 months period includes the time required for selection by PESB, administrative Ministry to take the view on PESB's recommendations, vigilance clearance from CVC and ACC's approval. The Committee recommend that Government should now ensure that whenever such vacancies occur in PSEs, the same should be filled up within the prescribed time limit of 4-1/2 months and cases of delays in appointment beyond this time limit should be brought out in the Annual Report of the Ministry of Personnel, Public Grievances and Pensions alongwith reasons therefor."

Reply of the Government

"The Ministry of Personnel, Public Grievances and Pensions, Department of Personnel & Training has issued detailed guidelines vide O.M. No. 27/12/EO/94(ACC) dated 30.7.1999 prescribing time schedule for processing the cases relating to filling of Board level posts in PSEs (copy attached). Further all the Ministries have been addressed drawing their attention to the recommendations of the Committee on Public Undertakings that the prescribed time limit should be adhered to while processing the cases for Board level appointments in PSEs (copy enclosed). However, the processing of cases at the level of the administrative Ministries gets delayed if the Central Vigilance Commission needs more time than what is prescribed in the guidelines for conveying vigilance status of the candidates recommended by the PESB, for various reasons. In some cases, the decision at the level of the administrative Ministry or the ACC may get delayed because during the processing/consideration of a proposal, complaints against the recommended candidates may be received and those require to be looked into before taking a decision. It may not be

appropriate to include the cases where the prescribed time schedule is not adhered to, in the Annual Report of the Ministry of Personnel, Public Grievances & Pensions because the posts concerned would belong to PSEs under the administrative control, of the various Ministries. Merely because the Secretariat functions are performed in the Ministry of Personnel, Public Grievances & Pensions, it may not be appropriate to incorporate the cases of delays in the appointment of Board level posts in PSEs in the Annual Report of the Ministry of Personnel, Public Grievances & Pensions."

[Ministry of Heavy Industries & Public Enterprises (Department of Public Enterprises) O.M. No. 2(28)/99-GM dt. 7.2.2000].

Comments of the Committee

(Please see Paragraph No. 6 of Chapter-I of the Report)

Recommendation (Serial No. 4)

"As per guidelines issued by the Government Joint Secretary in the Ministry cannot be appointed as CMD/Chairman of a Schedule A public sector undertaking. However, a notable exception in this regard came to the notice of the Committee recently when the Joint Secretary of the Ministry of Civil Aviation was appointed as CMD of Indian Airlines by exempting his appointment from PESB procedure. The Committee express their anguish over the appointment which blatantly violate the established rules and procedures and expect this to be rectified. The Committee desire that the appointments to top managements posts in PSEs should be made through PESB only and under no circumstances such appointments be allowed to by-pass the procedure outlined by PESB."

Reply of the Government

"The selection to Board level posts in PSEs is generally made through the PESB and only under special and rare circumstances like the poor health of the PSE etc., the selection is made by-passing the PESB procedure."

[Ministry of Heavy Industries & Public Enterprises (Department of Public Enterprises) OM No. 2(28)/99-GM dt. 7.2.2000.]

Comments of the Committee

(Please see Paragraph No. 9 of Chapter-I of the Report)

Recommendation (Serial No. 5)

"The Public Enterprises Selection Board (PESB) consists of one part-time or full time Chairperson and three full time members. According to the present provisions, the three full time Members of the PESB shall be: (a) A distinguished former Chief Executive of a PSE (b) A distinguished behavioral scientist with experience in selection of top managements personnel (c) A distinguished former civil servant with experience in management of PSEs or in the areas of finance, industry or economic affairs. But the Committee regret to find that the constitution of the Public Enterprises Selection Board (PESB) is not in accordance with its provisions as most of its members are retired civil servants. They have been informed that in the Board headed by Shri N. Vittal, three out of four persons comprising the Board were ex-IAS officers and only one was a former Chief Executive of a public sector undertaking. The contention of the Secretary, Personnel that they had been appointed under the three different categories provided for the PESB's composition is not at all convincing. As PESB is meant to make recruitments for Level I and Level II posts in PSEs, its members are supposed to be professionals and experts in various fields of industry, trade, finance etc., the Committee desire that the composition of the PESB should be strictly in accordance with the requirement of the provisions. They also desire that post of Chairman, PESB which has been lying vacant since September 3, 1998 should be filled up without any further delay under intimation to the Committee. The Committee also urge upon the Government to consider induction of outside advisers in the PESB Selection Committee depending upon the field and undertaking for which the selection is made, as is the practice in UPSC."

Reply of the Government

"As per Resolution No. 27(21)-EO/86 (ACC) dated 3.3.1987 [(as amended vide No. F. 27(8) EO/93(ACC)] PESB shall consist of one part-time or full-time Chairperson and three full-time Members; the Chairperson and Members shall be persons who have had a long and distinguished career in management of public or private corporations or public administration and have a proven record of achievements, preferably, in the field of personnel, finance, production or marketing; and the three full-time Members of the PESB shall be:—

- (a) A distinguished former Chief Executive of PSE;
- (b) A distinguished person with experience in selection of top management personnel;
- (c) A distinguished former civil servant with experience in management of PSEs or in areas of finance, industry or economic affairs.

While making appointments of persons as Chairperson and Members of PESB, the aforesaid considerations are kept in view.

Further, the post of Chairman, PESB stands filled since 22.2.1999.

The PESB is a professional body and its members and Chairman have long experience and wide exposure in diverse fields along with practical experience in matters of selection to top management posts. A former Chairman of the PESB had rich experience in Telecommunication and Electronics Sectors. Another former Chairman was a renowned metallurgical engineer of international repute with long experience in Public Sector. He was the Chief Executive of a large PSU for over a decade, besides being the Chairman of SCOPE, the approved body of Central PSUs in the country. The present Chairman has been a senior Secretary in the Government of India. Former Members of the PESB have been senior Secretaries in the Government of India with rich experience at the State and Central levels. As Secretaries they have had wide exposure to Industry Sector besides holding the posts of Chief Executives in Public Sector Undertakings both under the Central Government and the State Governments. The present Member, PESB has been the former Managing Director of a leading company in the automobile sector. Taking into account these facts, it is felt that no useful purpose would be served by inducting outside advisors on the line of the practice in the UPSC which is a Constitutional body. Moreover, the PESB is responsible for making selections only to vary senior level posts in PSUs. The Board, in the course of selection meetings is invariably assisted by the Chief Executive of the concerned PSU for selection of functional Directors and by the Secretaries of the concerned administrative Ministries for the selection of Chief Executives. For these reasons it is not considered necessary or appropriate to associate outsiders with the selection process for Board level appointments."

[Ministry of Heavy Industries & Public Enterprises (Department of Public Enterprises) OM No. 2(28)/99-GM dt. 7.02.2000]

Comments of the Committee

(Please see Paragraph No. 12 of Chapter—I of the Report)

Recommendation (Serial No. 6)

"Public Enterprises Selection Board (PESB) is responsible for making appointments to Level I and Level II posts in public sector enterprises. The Committee are astonished to note that PESB has not been vested with any authority and its recommendations are not always acted upon by the administrative Ministries. PESB is merely a recommendatory body. What perturbed the Committee more is that PESB's recommendations are sometimes not only reversed by the administrative Ministries, but also by the Appointments Committee of the Cabinet (ACC). The Committee are of the firm opinion that there should be transparency in the process of recruitments for these posts. They,

therefore, strongly recommended that PESB should be made a statutory body like UPSC with sufficient authority."

Reply of the Government

"With reference to the recommendation of the Committee on Public Undertakings that the PESB should be made a statutory body like UPSC with sufficient authority, it is submitted that various Ministries/ Departments having a large number of Public Sector Undertakings under their administrative control were requested to furnish their views on the recommendations of the COPU. The general view is that the number of PSUs coming within the purview of PESB is likely to be reduced in the future because of the proposed disinvestment of Government's shareholdings in many PSEs and possible closure/downsizing of sick/unviable PSEs. A new Department of Disinvestment has already been set up recently to expedite/streamline the process of disinvestment. In view of the changing circumstances, it is not considered necessary to make the PESB a statutory body like UPSC with sufficient authority."

[Ministry of Heavy Industries & Public Enterprises (Department of Public Enterprises) OM No. 2(28)/99-GM dt. 7.2.2000]

Comments of the Committee

(Please see Paragraph No. 15 of Chapter—I of the Report)

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation (Serial No. 1)

"Public Sector Enterprises (PSEs) in India have been envisaged to play a vital role in the development of the national economy. The success of the public undertakings depends to a large extent on the quality of its managerial personnel. It was precisely to evolve a sound managerial personnel policy for the public sector enterprises apart from advising the Government on appointments to the top management posts that the Public Enterprises Selection Board was set up in August, 1974. However, the Committee are perturbed to note that even after about 25 years of its constitution, PESB has failed to evolve a sound managerial personnel policy for the PSEs. It is only now that a concept paper is being evolved to reorient the entire managerial personnel policy. The concept paper would deal among other things with formulations of job specifications with reference to the key Result Areas set by the Administrative Ministries for Board level posts, assessment of a person to perform based on key result areas, identification of training needs for PSU executives and specific areas of expertise for appointments of non-official Directors. The Committee recommend that the process of reorienting the entire managerial personnel policy should be expedited and finalised within three months of presentation of this Report under intimation to the Committee."

Reply of the Government

"A number of steps have been taken by the PESB recently which would help in evolving a sound managerial policy by way of ensuring proper succession planning, career progression, placement of the right persons for the right job, development of human resources etc. These include identification of training needs of the PSU executives, formulation of job description/job specifications by professional experts with reference to key Result Areas identified by the Administrative Ministries for Board-level posts. In this exercise, the PESB enlisted the assistance of the MDI. A number of interactive sessions were held by the PESB with the Directors (Human Resources), Directors (Finance) and the Chief Executives of the Navratna PSUs to discuss the developmental and training needs of the PSU executives. Based on the deliberations, a 'Draft Concept Paper' has since been submitted by the Committee of Experts. This draft was further

discussed at the last session with the Chief Executives of Navratna PSUs on 8.12.1999 wherein, the following two issues were taken up for focussed discussion:

- (i) Reviewing the present systems and procedures relating to Performance Appraisal; and
- (ii) Career and succession Planning in the Navratna PSUs.

The consensus of opinion was that the above issues should be further examined by a Group of Experts comprising the Directors (HR) of all the Navratna PSUs. Thereafter, in order to operationalise the Concept Paper, another round of discussion will be held in the PESB with the Chief Executives of all the Navratna PSUs wherein the follow up action on the two issues under discussion will be finalised."

[Ministry of Heavy Industries & Public Enterprises (Department of Public Enterprises) OM No. 2(28)/99-GM dt. 7.2.2000]

NEW DELHI;
April 3, 2000

Chaitra 14, 1922(S)

VIJAY KUMAR MALHOTRA,
Chairman,
Committee on Public Undertakings.

APPENDIX I

(Vide Para 5 of Chapter 1 of the Report)

F. No. 27(12) EO/94 (ACC)

Government of India
Ministry of Personnel, Public Grievances & Pensions
Department of Personnel and Training

New Delhi, the 30th July, 1999

OFFICE MEMORANDUM

The undersigned is directed to refer to this Department's D.O. letter of even number dated 23.5.1997 and the Office Memorandum of even number dated 31.12.1997 circulating the guidelines for processing the cases relating to Board level appointments in Public Sector Enterprises. Those guidelines have been reviewed and certain modifications have been made. The consolidated guidelines for processing the cases of Board level appointments in Public Sector Enterprises are contained in the Annexure to this Office Memorandum.

Sd/-
(K. RAJENDRAN NAIR)
Establishment Officer & Additional Secretary to the Government of India

To
All Ministries/Departments

ANNEXURE

**GUIDELINES FOR PROCESSING CASES OF BOARD LEVEL
APPOINTMENTS IN PUBLIC SECTOR ENTERPRISES**

- (a) The Public Enterprises Selection Board (PESB) shall keep an accurate record on the dates on which Board level vacancies in PSEs are likely to arise and their updated job descriptions, so that action for filling the posts can be initiated six months before each of the vacancies arises. In case an Administrative Ministry fails to respond within ten days to a request made by the PESB to notify a vacancy and furnish updated job descriptions, etc., action shall be taken *suo motu* by the PESB to circulate the vacancy.
- (b) There is often a delay at the level of the Administrative Ministry in advertising the vacancy. PESB is, therefore, authorised to bring out the advertisement through the DAVP, and to send the bill on advertising charge to the Administrative Ministry/PSE for payment, in order to obviate such delay.
- (c) An extensive and updated data bank shall be maintained by PESB on the particulars of the officers working in the various PSEs who may fall within the zone of consideration for various posts.
- (d) The entire selection procedure of the PESB shall be completed within a maximum period of 60 days.
- (e) Participation by the Administrative Ministries/Departments in the Selection Committee constituted by the PESB shall be at the level of Additional Secretary and above only.
- (f) PESB, while sending its recommendations to the Administrative Ministry, shall endorse a copy to the CVC so that the latter can initiate advance action for obtaining vigilance clearance. The Administrative Ministry would furnish complete information on the candidates recommended by the PESB within 15 days of the receipt of the PESB's recommendations; and the CVC would give clearance or otherwise within the next 15 days. The responsibility to furnish complete information shall lie with the administrative Secretary of the Ministry concerned. The CVC may, separately, liaise with the CVOs to ensure that the requisite vigilance clearances are sent in time.
- (g) If the CVC does not get the required information on the candidates recommended by the PESB from the administrative

Ministry within the prescribed period of 15 days from the date of receipt of PESB's recommendations, the CVC shall bring the matter to the notice of the Cabinet Secretary who would suitably take up the issue with the Secretary of the Administrative Ministry within the next 10 days. In spite of that if the administrative Ministry fails to furnish the required information to the CVC in the next 15 days, the CVC would inform the EO about its inability in giving clearance or otherwise on the candidates, and the EO would submit the position to the ACC for such action as deemed fit.

- (h) The CVC, while examining the antecedents of an officer already working for the Government/PSU, need not necessarily review/enquire into the officer's record from the very beginning. If a person is functioning in a particular post, the appointment to which was done after vigilance clearance, the CVC may then limit its enquiry to the period spent in that particular post without going into the officer's entire past career.
- (i) There are sometimes a spate of complaints against individuals whose names are being considered/finalised by the PESB. CVC should normally not take cognizance of anonymous or pseudonymous complaints received up to six months prior to the initiation of the selection/promotion process. Further, petty complaints, if any, against such officers should be disposed of quickly.
- (j) The Department of Public Enterprises shall issue instructions to all public sector enterprises to use the institution of Chief Vigilance Officer to keep an updated vigilance information of all senior Board level officers and those likely to come in the zone of consideration for such appointments, and those should be updated on a continuing basis.
- (k) For shortlisted officials, which shortlisting is done six weeks prior to the interview, vigilance clearance may be sought immediately by administrative Ministries on being intimated by PESB about shortlisting. ○
- (l) Administrative Ministries, when processing, should take vigilance clearances from all the candidates recommended in the panel by PESB rather than inviting vigilance clearance for only the candidate at serial number one.
- (m) The CVC shall send a copy of the vigilance clearance to the Establishment Officer.

- (n) A copy of the vigilance clearance would also be sent to the Department of Public Enterprises, which would be responsible as the nodal Department for maintaining a computerised data bank for monitoring/updating vigilance clearance in respect of all Board level existing appointees.
- (o) Administrative Ministries/Departments while forwarding their proposals to the Establishment Officer should come up with a clear statement with regard to the vigilance clearance, particularly in those cases where the CVC refers certain complaints to the Administrative Ministries/Departments to decide.
- (p) A total time of 30 days is fixed for approval/processing by the Administrative Ministry/Department. On expiry of ten days after this period, the Establishment Officer (E.O.) shall remind the Administrative Ministry/Department. If even after another 20 days (i.e. a total of 60 days after submission of panel by the PESB) the Administrative Ministry/Department is unable to finalise its recommendations. E.O. shall automatically circulate the recommendations of the PESB for obtaining the approval of the ACC in those cases where vigilance clearance has been received from the CVC.
- (q) In cases where proposals are referred to the ACC, a time limit of 15 days is fixed for processing by DOPT and another 30 days for obtaining the approval of the ACC, where needed.
- (r) The Establishment Officer shall be responsible for monitoring the implementation of the PESB's recommendations.



APPENDIX II

(Vide Para 5 of Chapter 1 of the Report)

K. RAJENDRAN NAIR
ESTABLISHMENT OFFICER
&
SECRETARY (ACC)

Tele. No. 301 2370

भारत सरकार
कार्मिक और प्रशिक्षण विभाग
कार्मिक, लोक शिकायत तथा पेंशन मंत्रालय
नई दिल्ली

GOVERNMENT OF INDIA
DEPARTMENT OF PERSONNEL AND
TRAINING
MINISTRY OF PERSONNEL, PUBLIC
GRIEVANCES
AND PENSIONS
NEW DELHI

D.O.No.27(17)EO/99(ACC)

Dated the Sept., 1999

Your kind attention is drawn towards this Department's guidelines conveyed vide O.M.No. 27(12)EO/94(ACC) dated 30.7.1999 regarding processing of the proposals relating to filling of Board level posts in Public Sector Undertakings. In these guidelines a time limit has been prescribed for the administrative Ministries/Departments/PESB, CVC, Department of Personnel and Training and the ACC to process the cases. The Committee on Public Undertakings (CoPU) has recommended that the Government should ensure that whenever Board level vacancies in PSEs occur, the time limits prescribed in the above mentioned guidelines are adhered to.

2. In view of the above, I request you to kindly look into the matter personally and submit the proposals for obtaining the approval of the ACC alongwith CVC clearance and other necessary information, to this Department within the time schedule prescribed in the above mentioned guidelines so that the prescribed time limit is adhered to in all the cases.

Yours sincerely,

Sd/-
(K. RAJENDRAN NAIR)

To

- (i) All Secretaries to the Govt. of India
- (ii) Secretary, PESB
- (iii) Secretary, CVC

APPENDIX III

(Vide Para 5 of Chapter—III of the Report)

COPY OF BPE D.O. No. 18(2)/82-GM DATED DECEMBER 18, 1982

Responsibilities of Part-time Chairman in PSEs

You would have seen the BPE's Office Memorandum of even number dated December 18, 1982—revising the extant guidelines on the remuneration of part-time Chairman of the Public Enterprises. While reviewing the remuneration to be paid to the part-time Chairman, Government also reviewed the role and responsibilities of the part-time Chairman, which have not so far been spelt out in specific terms. It has, however, been felt necessary that the role and responsibilities of part-time Chairman should be spelt out in clearer terms in order to enable the part-time Chairman and the Chief Executive to function in a supportive manner so that they may be able to give their best in the direction of the affairs of the public enterprises. The part-time Chairman should guide the Board of Directors in the discharge of the role entrusted to them in respect of formulating corporate policy and the corporate plan, their implementation and evaluation with a view to improving the enterprise's performance. The part-time Chairman can call for information, but this should be appropriately done through the MD and not directly from the officers. As Chairman of the Board of Directors, the part-time Chairman will also evaluate the work of the Chief Executive in implementing the policies laid down by the Board for improving the enterprise's performance. A healthy relationship should develop between the part-time Chairman and the M.D. It will be improper for the MD to withhold information from the part-time Chairman. The part-time Chairman cannot issue directives as the management of Public Enterprises is vested under the Companies Act with its Board of Directors.

2. The role and responsibilities of the part-time Chairman outlined above could hereafter be conveyed appropriately as and when a part-time Chairman is appointed in a Public Enterprise.

APPENDIX IV

(Vide Para 2 of Introduction)

**MINUTES OF THE 5th SITTING OF THE COMMITTEE ON PUBLIC
UNDERTAKINGS HELD ON 27th MARCH, 2000**

The Committee sat from 1600 hrs. to 1715 hrs.

CHAIRMAN

Prof. Vijay Kumar Malhotra

MEMBERS

Lok Sabha

2. Shri Surinder Singh Barwala
3. Maj. Gen. (Retd.) B.C. Khanduri
4. Shri B.B. Ramaiah
5. Shrimati Sangeeta Kumari Singh Deo

Rajya Sabha

6. Shri H. Hanumanthappa
7. Shri Gopalsinh G. Solanki
8. Shri Jibon Roy
9. Shri Ranjan Prasad Yadav
10. Shri K. Kalavenkata Rao

SECRETARIAT

1. Shri M. Rajagopalan Nair — *Joint Secretary*
2. Shri S. Bal Shekar — *Deputy Secretary*
3. Shri R.C. Kakkar — *Under Secretary*
4. Shri Raj Kumar — *Under Secretary*

2. The Committee considered the Draft Action Taken Report on the recommendations contained in the Fourth Report of the COPU (12th Lok Sabha) on 'Senior level posts in Public Undertakings—Appointment and related matters' and adopted the same with some modifications.

3. The Committee authorised the Chairman to present the Report to Parliament after its finalisation.

4. The Committee also decided to cancel their next sitting scheduled to be held on Wednesday, the 5th April, 2000 and decided to have the next sitting on Monday, the 10th April, 2000.

The Committee then adjourned.

APPENDIX V

(Vide para 3 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE FOURTH REPORT OF THE COMMITTEE ON PUBLIC UNDERTAKINGS (TWELFTH LOK SABHA) ON "SENIOR LEVEL POSTS IN PUBLIC UNDERTAKINGS—APPOINTMENT AND RELATED MATTER".

I. Total number of recommendations:	11
II. Recommendations that have been accepted by the Government (vide recommendations at Sl. Nos. 3, 7, 8 and 11) Percentage to total:	4 36.36
III. Recommendations which the Committee do not desire to pursue in view of the Government's reply (vide recommendations at Sl. Nos. 9 and 10) Percentage to total:	2 18.18
IV. Recommendations in respect of which replies of the Government have not been accepted by the Committee (vide recommendations at Sl. Nos. 2, 4, 5 and 6) Percentage to total:	4 36.36
V. Recommendations in respect of which final reply of the Government are still awaited (vide recommendations at Sl. No. 1) Percentage to total:	1 9.09