

NINETY-EIGHTH REPORT

COMMITTEE ON PUBLIC UNDERTAKINGS (1984-85)

(SEVENTH LOK SABHA)

PRODUCTIVITY IN PUBLIC UNDERTAKINGS

(MINISTRY OF FINANCE—BUREAU OF
PUBLIC ENTERPRISES)

[Action taken by Government on the Recommendations
contained in the 97th Report of the Committee on
Public Undertakings (Seventh Lok Sabha)]



Presented to Speaker on 19.11.1984

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Laid in Rajya Sabha on

LOK SABHA SECRETARIAT
NEW DELHI

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CORRIGENDA TO 48TH REPORT OF COMMITTEE
ON PUBLIC UNDERTAKINGS (1984-85)

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COMMITTEE ON PUBLIC UNDERTAKINGS
(1984-85)

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(iv)

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* Elected w.o.f. 23-8-1984 vice Miss Saroj Khaparde resigned,

**ACTION TAKEN SUB-COMMITTEE OF THE COMMITTEE
ON PUBLIC UNDERTAKINGS
(1984-85)**

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4. Shri B.D. Singh
5. Shrimati Margaret Alva
6. Shri Nand Kishore Bhatt
7. Shri Sushil Chand Mohunta

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this 98th Report on Action Taken by Government on the recommendations contained in the 97th Report of the Committee on Public Undertakings (Seventh Lok Sabha) on Productivity in Public Undertakings.

2. The 97th Report of the Committee on Public Undertakings was presented to Lok Sabha on 30 April, 1984. Replies of Government to all the recommendations contained in the Report were received by 10 October, 1984. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings on 16 November, 1984. The Committee considered and adopted this Report at their sitting held on 17 November, 1984.

3. An analysis of the action taken by Government on the recommendations contained in the 97th Report (1983-84) of the Committee is given in Appendix IX.

NEW DELHI :
17, November, 1984.

26 Kartika, 1906 (Saka)

MADHUSUDAN VAIRALE,
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 Ninety-Seventh Report (Seventh Lok Sabha) of the Committee on Public Undertakings on Productivity in Public Undertakings which was presented to Lok Sabha on 30 April, 1984.

2 Action Taken notes have been received from Government in respect of all the 29 recommendations contained in the Report. These have been categorised as follows :—

- (i) Recommendations/observations that have been accepted by Government.

Sl. Nos. 1, 3, 5, 7 to 26, 28 and 29.

- (ii) Recommendations/observations which the Committee do not desire to pursue in view of Government's replies.

Sl. Nos. 4 and 27.

- (iii) Recommendation/observation in respect of which the Government's reply has not been accepted by Committee.

Sl. No. 6.

- (iv) Recommendation/observation in respect of which final reply of Government is still awaited.

S. No. 2.

The Committee desire that final reply in respect of the recommendation for which only interim reply has been given by Government should be furnished to the Committee expeditiously.

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

A. Evolving Productivity Norms and Performance criteria models

Recommendations, Serial Nos. 5 & 7 (Paragraph Nos 1.49 and 1.51)

4. The Committee had noted that there was need for developing integrated productivity norms on the basis of inter-firm comparison of productivity and had urged that productivity norms should be evolved for all factors of production for each public undertaking in consultation with N.P.C., Productivity Boards and BPE. Further, the Committee had recommended that the performance criteria models should be finalised early for the undertakings under the remaining 6 Ministries which had not finalised them.

5. Government have stated in their reply that the observations of the Committee have been brought to the notice of the concerned Ministries.

6. The Committee are sorry to note that the Bureau of Public Enterprises has left it entirely to the Ministries concerned to evolve realistic productivity norms to measure the performance of the units against the performance parameters available in the Performance Criteria Models finalised by certain Ministries. They would have liked the Bureau to be the nodal point in the process of laying down productivity norms in the various public undertakings in consultation with the National productivity Council and Productivity Boards. The Committee feel that the Bureau of Public Enterprises would be in a better position to make available inter-firm comparisons and in-depth studies to the Ministries and public undertakings concerned for the purpose of evolving productivity norms for all factors of production. The Committee would watch with interest the results of exercise in this connection and would await the final report from the Ministry of Finance.

B. Setting up of Productivity Boards

Recommendation Serial No. 6 (Paragraph No. 1.50)

7. The Committee had recommended that apart from the productivity boards already set up for 7 industries, such boards should be set up for each of the other major industries such as Steel, Coal, Minerals, Metals, Chemicals & Fertilizers.

8. Government have stated in their reply that in respect of major public sector industries such as steel, coal, minerals & metals, chemicals & Fertilizers, a mechanism is already available in the form of a Standing Co-ordination Committee on Production & Productivity, with a cross section of Chief Executives of public enterprises, representatives of infrastructural agencies, such as railways and power, and Govt. department, as members. It has been stated further that as the productivity aspects are taken care of in different forums and in various manners, especially through Quarterly Performance Review meetings held in the administrative Ministries, the purposes envisaged for Productivity Boards referred to in the recommendation are, by and large, covered one way or the other. Moreover, in the absence of any study on the effectiveness or otherwise of the Productivity Boards already set up relating to 7 industries, it may not be appropriate at this juncture to consider any extension of this pattern to various other industries proposed.

9. The Committee do not feel satisfied with the reply of the Government. In this connection, the Committee would like to refer to Para 1.42 of their original Report wherein it has been stated that, as informed by NPC, Productivity Boards set up for seven industries for Industrial Machinery; Machine Tools; Paper pulp and Allied Industries; Cement; Leather and Leather Goods; Power Generation; Transmission and Distribution Equipment and Automobile and Ancillary Industries performed the following functions :—

- (a) Preparing plans incorporating technology, manpower, energy and marketing for achieving higher productivity and integrating the same with the national economic plans;
- (b) Identifying productivity constraints and advising the government, industry and trade unions on the measures to be taken to overcome the bottlenecks;
- (c) Monitoring implementation of productivity plans evaluating the actual results achieved and identifying the specific factors which have helped or hindered in achieving higher productivity;
- (d) Advising the government on policy issues such as establishing industry-wise norms for major inputs/factors of production, linking wages with productivity, instituting productivity awards for higher performance etc ; and

- (e) **Establishing a standard data base for evaluating productivity performance.**

The Committee feel convinced that all the above mentioned functions are not performed by the Standing Coordination Committee for the major industries referred to in the reply of the Government. These objectives are also not fulfilled by holding Quarterly Performance Review meetings by the Administrative Ministries. In the opinion of the Committee, the Productivity Boards, if set up in other industries will perform distinct functions and serve useful purpose in the matter of increasing productivity of the Public Undertakings. The Committee therefore, reiterate their recommendation and would like the Government to take early steps to set up Productivity Boards for the remaining industries.

C. In-depth Studies/reviews

Recommendations, Serial Nos. 8 and 15 (Paragraph Nos. 2.48 and 3.25)

10. The Committee had urged that Government should study in depth the problems faced by consumer goods and steel industries with a view to take remedial action. The Committee's examination of labour productivity in public undertakings had revealed that value added per man-month had been not only low but it was even less than the average monthly emoluments per employee in as many as 19 out of 95 undertakings. The Committee required that Government should critically review the working of these undertakings and launch schemes for their revival and take emergent measures to put them on sound footing.

11. Government have stated in their reply that the Administrative Ministries have already been requested to take necessary action to launch in-depth studies and to critically review the weakness of the enterprises so that remedial measures could be taken to place the functioning of the enterprises on a sound footing.

12. The Committee note that BPE has impressed upon the administrative Ministries/Undertakings to complete such indepth studies/reviews by 31st December, 1984. They would await the outcome of those in-depth studies/reviews and the action taken thereon.

D. Steps to improve Industrial relations climate

Recommendation, Serial No. 19 (Paragraph No. 3.27)

13. The Committee had desired that remedial measures to mitigate the problems of industrial relations should be taken expeditiously in order to improve the industrial relations climate in public undertakings.

14. Government have stated in their reply that the Ministry of Labour organised a meeting with the managements of Public Sector executives and the administrative Ministries on 15th May, 1984 and discussed issues relating to conciliation, enforcement of labour laws and non-implementation of Awards. Amendments to the Industrial Disputes Act, etc. including proposals relating to procedure and criteria for selection of collective bargaining agent and method of determining the representative character of unions, etc. are being looked into by that ministry so as to improve the industrial relations climate.

15. The Committee desire that the examination of issues relating to industrial relations by the Ministry of Labour should be completed expeditiously and appropriate action taken early. The Committee also desire that the Ministry of Labour should finalise their proposals for amendment of the Industrial Laws in the light of the suggestions of National Productivity Council Speedily and introduce legislation to that effect at the earliest opportunity.

E. Analysis of Machine-hour and man-hour utilisation

Recommendation, Serial No. 23 (Para No. 5.25)

16. The Committee had observed that even though it was not practicable to fix standard optimum level of utilisation of man-hour and machine-hour covering all types of industries, it could be done for each type industry and had recommended that this should be done early. They had further recommended that an analysis of the cases of enterprises where the utilisation of machine-hour and man-hour was very poor should be made for taking such steps for improvement as may be necessary.

17. Government have stated in their reply that the observations of the Committee have been brought to the notice of administrative

Ministries/Departments for advising suitably the enterprises under their administrative control

18. The Committee would like the Government to undertake an analysis of the cases of enterprises where the utilisation of machine-hour and man-hour is obviously very poor and take such steps expeditiously as may be necessary to improve the position.

F Review of implementation of guidelines

Recommendations Serial No. 26 (paragraph No. 5.28)

19. The Committee had observed that the guidelines issued by the BPE calculated to improve productivity were not being strictly followed by the undertakings and recommended that the Ministries should be more responsive to the guideline issued by BPE from time to time. The Committee trusted that a mechanism would be devised by BPE to review the progress made in implementation of its guidelines as a regular exercise.

20. Government have stated in their reply that the imperative need for the observance of the guidelines by the Public Sector Enterprises has been impressed upon the concerned administrative Ministries who have been advised to instruct the Government nominees in the Board of Directors of the Public Sector Enterprises under their administrative control to keep a watch on the compliance of the guidelines issued from time to time. They have been further advised to call upon the Financial Advisers to take special care in seeing that guidelines are complied with by the Public Sector Enterprises. Government have stated further that the Bureau of Public Enterprises on its part is reviewing the implementation of the guidelines on a selective basis.

21. The Committee would like to be informed of the results of the BPE's review in regard to the implementation of its guidelines by undertakings.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation SI No. 1 (Paragraph No. 1.45)

Achievement of Productivity growth in Public Undertakings is of crucial importance to the economy of the country. The public undertakings function in key areas of the industrial sector. Out of the total investment of the order of Rs. 30,000 crores in the Central Public Undertakings at present, about 80% of the investment is accounted for by the production enterprises. The need for productivity improvement in public undertakings received an impetus during the year 1982 when it was declared the "Productivity Year". It is in this context, the Committee went into the examination of productivity performance in Public Undertakings. Their examination has revealed that though there was improvement since 1982, there is substantial scope for further improvement. The Committee have dealt with in this report the areas which require better attention by the Public Undertakings and their administrative Ministries/Departments as well as the Bureau of Public Enterprises.

Reply of the Government

Government agrees that there is scope for further improvement in productivity. The observations of the Committee have been noted.

[Ministry of Finance, Bureau of Public Enterprises O.M. No. 8/1/84
BPE(ICR)—Part I dated the 29th Sept., 1984].

Recommendation, SI. No. 3 (Paragraph No. 1.47)

There is need for training and development of existing and new employees in sharpening their skills and orienting their attitudes to productivity as urged by the various non-official organisations. The Committee stress that all undertakings should draw up Corporate train-

ing Plans expeditiously as recommended by the Chief Executive Conference and integrate them with the overall Corporate Plans of the enterprises for effective implementation. The Committee note that 62 out of 96 production enterprises have in-house training facilities. The Committee desire that the proposed collection and dissemination of information regarding availability of training facilities among undertakings should be done early so that the small undertakings which do not have the facilities of in-house training may avail of them soon. The services of institutions like National Productivity Council, National Labour Institute and Public Enterprises Centre for Continuing Education should also be effectively utilised by the undertakings in promoting basic attitude and skills in regard to productivity techniques at all levels in the organisations of public undertakings.

Reply of the Government

The public sector enterprises have already been requested to draw up corporate training plans. About 40 enterprises have already confirmed that they have drawn such plans. The matter has been taken up with other enterprises in this regard. Information about training facilities available with different enterprises has also been collected and has been intimated to the small enterprises for being availed of. The training facilities available at importance institutes are being utilised. Every year the BPE brings out a brochure on the Executive Development Programme giving collaborative training programmes with such institutes.

[Ministry of finance, Bureau of Public Enterprises, O.M. No. 8/1/84/
BPE (ICR)—Part-I dated the 29th Sept., 1984.]

Recommendation Sl. No. 5 (Paragraph No. 1.49)

There is need for developing integrated productivity norms on the basis of inter-firm comparison of productivity. Although, performance criterion models have been finalised recently by 22 administrative Ministries for performance evaluation of the undertakings under their control, it appears that no attempt has been made to evolve realistic norms for productivity to measure the performance there against. The DG, BPE informed the Committee that BPE is taking up some inter-firm comparisons selectively and will attempt indepth studies. The Committee would urge that productivity norms should be evolved for

all factors of production for each public undertakings in consultation with N.P.C., Productivity Boards and BPE.

Reply of the Government

The observations of the Committee has been brought to be notice of the concerned Ministries vide DO No. 8/1/84/BPE (ICR)—Part-II dated the 14th July, 1984. (Appendix II).

[Ministry of Finance, Bureau of Public Enterprises, OM No. 8/1/84/BPE(ICR)—Part-I dated the 29th Sept., 1984].

Comments of the Committee

(Please see paragraph 6 of Chapter-I of the Report)

Recommendation Sl. No. 7 (Paragraph No. 1.51)

Further, the performance criteria models should be finalised early for the undertakings under the remaining 6 Ministries also. These should include productivity norms to be evolved for more effective and meaningful monitoring and review of the performance for appropriate action for improvement.

Reply of the Government

The observations of the Committee has been brought to the notice of the concerned Ministries vide D.O. No. 8/1/84—BPE (ICR)—Part-IV dated the 11th July, 1984 (Appendix III).

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 8/1/84/BPE (ICR)—Part-I dated the 29th Sept., 1984].

Comments of the Committee

(Please see paragraph 6 of Chapter I of the Report)

Recommendation Sl. No. 8 (Paragraph No. 2.48)

The Committee are glad to note that the ratios of net turnover to capital employed and gross profit to capital employed the two important indicators of capital productivity, made a significant improvement during the productivity year. The net turnover to capital employed in-

creased from 131% in 1979-80 to 159% in 1981-82. The gross profit to capital employed which worked out to 7.13% on an average during the 10 year period 1971-81 has notably increased to 12.1% in 1981-82 and further to 13.05% in 1982-83. The net turnover to capital employed, however, slightly declined to 157.5% during 1982-83 due to low turn-over of power corporation in the initial stages of operation. At analysis of individual groups of industries shows that this ratio has drastically declined by about 50% in consumer goods industries during 1982-83. This causes serious concern. Further Steel Sector is stated to be facing marketing problems. SAIL which made a profit of Rs. 39 crores in 1981-82 has incurred a loss of Rs. 106 crores in 1982-83 and has further increased its losses to Rs. 256.76 crores (provisional) during the first six months of 1983-84. The Committee would urge that Government should study in depth the problems faced by consumer goods and steel industries with a view to take urgent remedial action. Further, the fall in the ratio of net turnover to capital employed during 1982-83 as compared to 1981-82 in the case of textiles, (179% to 112%) medium and light engineering (118% to 107%) and agro-based (160% to 152%) enterprises indicative of the need for continuous management alertness to arrest the deteriorating trend in capital productivity.

Reply of the Government

The observations of the Committee have been noted by the Government. The Government agree with the Committee that there is need for continuous management alertness to arrest the deteriorating trend in capital productivity. The Administrative Ministries have already been requested to take necessary action to launch indepth studies, critically reviewing the weaknesses of the enterprises so that remedial measures could be taken to place the functioning of the enterprises on a sound footing *vide* D.O. letter No. BPE/14(31)/Adv. (F)/84 dated 10-9 1984. (Appendix IV).

[Ministry of Finance, Bureau of Public Enterprises O.M. No. 8/1/84/
BPE/(ICR)—Part-I dated the 29th Sept., 1984].

Comments of the Committee

(Please see paragraph 12 of Chapter I of the Report)

Recommendation Sl. No. 9 (Paragraph No. 2.49)

It is commonly believed that public undertakings are over-capitalised. One of the reasons for large capital in public undertakings is the need for greater investment in infrastructural development when the units are set up in backward areas for bringing about a progressive reduction in regional inequalities and promoting balanced growth in the country. In these circumstances, the capital-output ratio of the units is bound to be adverse. A representative of SCOPE urged before the Committee that the element of additionality in capital investment on account of infrastructural development in backward areas should be identified and separated as is done in the case of nationalised industries in U.K. where this additionality is stated to be subsidised. The Committee are not clear as to what extent the effect of this additionality is offset by various concessions given for entrepreneurs setting up industrial units in backward areas. The Committee wish to recall that in their 49th Report (1981-82) they had suggested a critical study of the capital output ratio in each undertaking by the BPE to identify the problems and to take steps to improve the capital efficiency. In reply they had been informed by the BPE that indepth study of the capital output ratio and other relevant issues would be undertaken on a selective basis. The Committee desire that such indepth studies should take into account the additionality of investments necessitated in backward areas and also the concessions enjoyed in setting up industrial units in such areas. The Committee would await the results of the studies and action taken to improve the capital efficiency of enterprises where it is low at present.

Reply of the Government

The observations of the Committee will be kept in mind and when indepth studies are conducted the additionality of investments in backward areas and also the concessions enjoyed in setting up industrial units in such areas would be taken into account.

[Ministry of Finance Bureau of Public Enterprises O.M. No 8/1/84/
BPE (ICR)—Part-I dated the 29th Sept., 1984].

Recommendation Sl. No. 10 (Paragraph No. 2.50)

Obviously the major reason for the capital productivity being low in public undertakings is the malady of under-utilized capacity. Out of

96 production enterprises, the number of undertaking having capacity utilization higher than 75% has increased from 36 in 1980-81 to 45 in 1981-82 and further to 55 in 1982-83. However, the Committee regret to note that in many undertakings the capacity utilisation still remains lower than 50% due to power shortages, industrial relations problems, equipment failures,, shortage of raw materials and Management shortcomings. The production loss on account of interruption due to power shortages in steel plants and fertilizer units along was Rs. 140 crores in 1981-82 and Rs. 258 crores in 1982-83. In this connection, the Committee would like to draw attention to their recommendation made in 92nd Report (7th Lok Sabha) on National Thermal Power Corporation that the central power generating companies should be empowered to supply power direct to central undertakings wherever necessary and feasible. The Committee hope that with the implementation of this recommendation and the steps proposed to be taken by Government such as investment in balancing facilities and captive power plants as suggested by Cabinet Committee on Infrastructural facilities. periodical review and follow-up action by Co-ordination Committee, the capacity utilisation in undertakings will further improve.

Reply of the Government

Government constantly strives towards upgrading the capacity utilisation of Public Enterprises and have taken various steps in this regard. With the measures already taken or those under way, it is hoped that there would be further improvement in the capacity utilisation.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 8/1/84/BPE (ICR)—Part-I dated the 29th Sept., 1984].

Recommendation, Serial No. 11 (Paragraph No. 2.51)

Incidentally, the Committee wish to point out that as many as 18 out of 96 undertakings have not furnished information to the Committee regarding capacity utilisation for the year 1979-80, 12 undertakings for the year 1980-81 and 11 for 1981-82. The Committee desire that the reasons for not furnishing the information by these undertakings should be ascertained and if capacity utilisation in those undertakings is found low necessary remedial steps should be taken early.

Reply of the Government

The reasons for not furnishing the information by some of the undertakings have been examined and it is noted that in some cases the enterprises had just come under government control after nationalisation and, therefore, information relating to earlier years was not furnished by those enterprises; in some other cases, the enterprises came into commercial production either in 80-81 or 81-82 and thus, the information relating to earlier period was not relevant for the purposes of assessment of capacity utilisation; and in a few other cases the concept of capacity was not strictly applicable.

Government have already taken a number of steps in regard to such enterprises as are characterised by continued low capacity utilisation. Among the various steps taken, mention could be made of the following, such as—

- (i) In-depth study of enterprises showing continuously poor performance by expert study groups constituted by the administrative ministries/departments, to go into the detailed working of those enterprises and recommend steps to be taken to improve their performance;
- (ii) Provision of captive power plants and balancing facilities
- (iii) Modernisation and rehabilitation of plants ;
- (iv) Approval of diversification schemes ;
- (v) Close monitoring of the performance of the enterprises by the administrative ministries/departments etc. ;
- (vi) Implementation of various recommendations made by the Expert Committee on Public Enterprises after processing and acceptance by Government.

[Ministry of Finance, Bureau of Public Enterprises O.M. No. 8/1/84/
BPE(ICR)-Part-I dated the 29th Sept., 1984.]

Recommendation Sl. No. 12 (Paragraph No. 2.52)

Heavy inventory represents avoidable blocked up capital. The Committee find that position in this respect in certain undertakings is very

unsatisfactory. Notwithstanding the fact that the overall inventory position in public undertakings has gradually improved from 183 days of production at the end of 1968-69 to 101 days at the end of 1982-83, there are as many as 11 undertakings where the inventory level is over 365 days and 27 other undertakings where it is over 200 days. Apparently, there is lack of proper inventory management and control in these undertakings. The Committee are particularly concerned over the accumulation of finished goods inventory. They desire that there should be an integrated approach to marketing and inventory management. The feasibility of combining these functions at the functional directors' level in the Board of Public Undertakings may be accordingly considered. Further, decisions should be taken without further delay on the recommendations made in April 1982 by the Expert Committee on Public Enterprises regarding material and maintenance management, for speedy implementation.

Reply of the Government

Continuous efforts are being made to improve the inventory position in public enterprises. As a step in that direction, inventory management was one of the subjects that was taken up for deliberations in the conference of the Chief Executives of Public Enterprises held in May 1984. Regarding the specific case of Tungabhadra Steel Projects Limited, the unit is in contract industry involving erection of projects etc. Its major portion of the inventories, the Company has stated, is in the form of work in progress. Because of the nature of the industry, while a substantial portion of the parts might have been supplied and erection completed by the Company but it remains in the form of WIP inventory till the entire project is completed. More than 80% of the payment is already made by the customer for such completed jobs and as such, there is no blockage of Company's capital in the inventories to that extent.

Material requirements are primarily planned based on production programme which in turn are generally based on market forecast. Therefore, while marketing and materials management are closely linked this way, there are other functional areas like production, design and finance which have similar or even closer linkages. Activities relating to materials like material procurement, its linkage with production planning, material specifications and drawings, budget etc., have all impor-

tant bearing on the levels of inventories. Therefore, there should not only be close coordination with marketing but with other areas also such as above. The Committee on Public Undertakings in its 40th Report (Third Lok Sabha) had expressed that while it was difficult to suggest any ideal organisation pattern which would suit all the public sector enterprises, it was in favour of the enterprises having an integrated organisation of material management functions under the overall control of a person of sufficiently high status as that of the head of the Finance or Production Departments.

In view of the above, integration of marketing and inventory management functions is not considered as the most appropriate organisational and management approach.

The recommendations of the Expert Committee on Public Enterprises are under the consideration of Government. The observations made in this regard by the Committee on Public Undertakings have been noted.

[Ministry of Finance, Bureau of Public Enterprises, O.M.No. 8.1.84/BPE(ICR)-Part-I dated the 29th Sept. 1984.]

Recommendation Sl. No. 13 (Paragraph No. 2.53)

Introduction of standard costing techniques and integrated cost and financial accounting system to allow of usage and rate variance analysis are essential to control waste of material and economise on cost. further, value analysis by interdisciplinary team of executives could result in economy and better use of resources to attain increased productivity of capital. The Committee regret to note that only 27 out of 96 production undertakings have introduced standard costing system and 33 have a system of value analysis. Although BPE issued guidelines in this regard as far back as in 1963, no follow up action appears to have been taken to ensure that those important systems are introduced in all the production enterprises. According to the Director General, National Productivity Council there has been deliberate attempt on the part of the undertaking to contain cost of production. It is needless to point out that cost effectiveness and judicious use of resources is a must for the success of any industry. The Committee hope that there would be no more laxity in introducing these vital systems in the interest of productivity and cost control.

Reply of the Government

The observations of the Committee have been noted. The contents of the recommendation have already been brought to the notice of all the administrative Ministries concerned and they have been advised to remedy the situation in the public enterprises under their control vide D.O. letter No. 14(32)/Adv.(F)/84 dated 5.7.1984. (Appendix V)

[Ministry of Finance, Bureau of Public Enterprises O.M. No. 8.1.84/BPE(ICR)-Part-I dated the 29th Sept., 1984.

Recommendation Sl. No. 14 (Paragraph No. 2.54]

Technology is an important factor of production contributing to increased productivity. In-house R&D could be introduced in area like product development, product diversification, energy conservation, optimising production capacity, improving the quality and consumption of inputs, adoption of new technology, technology upgradation and modernisation. According to the information made available to the Committee only 62 undertakings have an in-house R&D unit. In many undertakings the awareness of the importance of R&D is lacking. The Committee hope that suitable measures will be taken to promote R&D activities in these undertakings. They suggest that the desirability of establishing an apex body for each sector of public undertakings should be studied with a view to evolving common approach to basic problems of allied undertakings.

Reply of the Government

Government agrees with the observations of COPU that technology is an important factor of production contributing to increased productivity. Development of in-house R&D is desirable to promote technology development.

The undertakings where in-house R&D has been established or considerable R&D activity is being carried out in close association with national/regional research laboratories, belong to the core sectors viz., Steel, Petroleum, Fertilizer & Chemicals, Coal, Mines & Metals, Electrical, Power equipment, Electronics etc. Some of the ministries dealing with these undertakings have high-powered Science & Technology committees to process the proposals of R&D activities and development of

facilities for adoption of new technology, technology upgradation, product development, diversification, energy conservation, optimisation of production capacity, improving the quality and consumption of inputs, etc. Department of Science & Technology and Department of Electronics are also associated in the development and monitoring of suitable R&D programmes. Thus there appears to be no immediate need to establish apex bodies on R & D in these core sectors.

Yet it is true that many of the smaller public sector enterprises and undertakings in Engineering sector are lacking the awareness of the importance of R & D and do not have sufficient programmes of R & D nor adequate in-house facilities of R & D to achieve the various objectives of improving production and productivity. The Committee's recommendations to promote R & D activities in such undertakings where the awareness of the importance of R & D is lacking has been taken note of. The mechanism for establishing proper linkage between public sector enterprises and the National/Regional laboratories is being evolved for ensuring better R & D inputs in PSEs.

In the case of engineering sector where at present the R & D activities are conspicuously lacking, the main reason for such deficiency is the nature of the industry itself. Most of the engineering industries have a very diversified production activity and the diversified products require a very large field of R & D. The undertakings in the engineering industry are not in a position to develop R&D facilities for covering such large diversified production activity and the products. Setting up of an apex body to look after R & D requirement of all small public undertakings and those in the engineering sector may not lead to any useful outcome at this stage in the midst of the wide diversity of activities. However, it is hoped that as per the advice of COPU, there will be increased awareness and efforts to augment in-house R & D activities in these undertakings.

[Ministry of Finance, Bureau of Public Enterprises, O.M.No. 8.1.84/
BPE (ICR)-Part-I dated the 29th Sept., 1984.]

Recommendation Sl. No. 15 (Paragraph No. 3.23)

The Committee's examination of labour productivity in public undertakings has revealed that value added per man-month has been not only low but it is even less than the average monthly emoluments per

employee in as many as 19 out of 96 undertakings. Such undertakings cannot but be sick and they are sick. The Committee require that Government should critically review the working of these undertakings and launch schemes for their revival and take emergent measures to put them on sound footing.

Reply of the Government

The Administrative Ministries have already been requested to critically review the weaknesses of the enterprises so that remedial measures could be taken to place the functioning of the enterprises on a sound footing *vide* D. O. letter No. 14 (31)/Adv. (F)/84 dated 10.9.1984 (Appendix IV).

[Ministry of Finance, Bureau of Public Enterprises, O.M. No.8/1/84/BPE(ICR)-Part-I dated the 29th Sept., 1984.]

Comments of the Committee

(Please see paragraph 12 of Chapter I of the Report)

Recommendation, No. 16 (Paragraph No. 3.24)

Productivity is a definite casualty in an organisation where there is too much of surplus labour. At the instance of the Committee on Public Undertakings, BPE issued instructions in 1971 to review the existing manpower and the organisation machinery in public undertakings for taking effective steps to reduce surpluses at least over a period. However, an assessment made by BPE in 1978 showed that 46 out of 163 undertakings had surplus staff of varying magnitude. Productivity studies undertaken by NPC in some undertakings has shown an excess of 10 to 15% hands in each organisation. Thus no serious efforts appear to have been made to adjust the manpower according to requirement and productivity deploy the surplus manpower. One of the reasons for emergence of surplus staff is stated to be indiscriminate and improper recruitment in the initial stages and elaborate and unproductive working methods and systems adopted in the organisations. These factors can certainly be taken care of by management with proper planning and industrial engineering. The matter of transfer of surplus labour and staff from one undertaking to another can be seriously considered by the management of the Companies in particular and

generally by the administrative Ministries. having more than one undertaking in order to relieve the situation. The Committee would like to be informed of the measures taken by Government as a result of its findings in 1978 to contain and productively utilise the surplus labour in undertakings and the progress made so far as a result of thereof.

Reply of the Government

Government agrees that the emergence of surplus staff could be contained by adopting proper manpower planning and application of industrial engineering techniques and in this regard guidelines had already been issued by BPE for the enterprises to follow. The matters regarding surplus staff are periodically covered in various reviews of the performance of PSEs.

2. The magnitude of the problem of surplus staff in the Public Sector Enterprises was reviewed by the Government some time back and as a follow-up action it was impressed on such undertakings as were characterised by over-staffing that while every effort should continue to be made by them, including consideration of voluntary retirement schemes, redeployment of staff etc., Government was of the view that an effective thrust to the solution of this problem could be made by the Public enterprises themselves generating employment potential at or around their location. For this purpose, it was impressed on the Public Enterprises that appropriate authorities of the Government could be approached for grant of facilities in the form of additional finances and requisite relaxation from the industrial policy.

3. Voluntary retirement scheme has also been in operation. A few proposals are under consideration of Government; one relating to National Hydro Electric Power Corporation Ltd. has since been approved and relating to two other enterprises, similar proposals are under examination.

Government is hopeful that through various measures as enunciated above, the problem of surplus staff would get minimised in the near future.

[Ministry of Finance, Bureau of Public Enterprises, O.M.
No. 8/1/84/BPE (ICR)—Part-I dated the 29th Sept., 1984].

Recommendation Sl. No. 17 (Paragraph No. 3.25)

Productivity linked incentive schemes if devised carefully will yield good results. The Committee find that there are a large number of undertakings which have not introduced any such scheme and on the other hand in many of the undertakings which already have a scheme, the incentive appears to have degenerated into additional wage, having been linked to production even below the threshold level. It is not clear whether BPE has issued any guideline in this regard. The Committee would urge that the administrative Ministries should review in consultation with BPE the productivity incentive scheme already in operation in the undertakings under their control in order to make it scientific and result-oriented and also ensure that such a modified scheme is introduced in all undertakings. The Committee regret to note that the undertakings have not shown any enthusiasm to link wages including DA and bonus to productivity as recommended by them in their 28th Report (1981-82). Although some sort of clause relating to productivity is incorporated in the wage agreements, this is not actually put into practice. The Committee hope that the administrative Ministries will ensure effective implementation of the Committee's recommendation in its true spirit in future.

Reply of the Government

The observation of the Committee has been brought to the notice of the concerned Ministries/Public Enterprises *vide* O.M. No. 4 (16)/84-BPE (WC) dated 24th September 1984. (Appendix VI).

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 8/1/84/BPE (ICR)—Part-I dated the 29th Sept., 1984].

Recommendation, Sl. No. 18 (Paragraph No. 3.26)

The Committee regret to note that the scheme of workers' participation started in 1975 at shop floor and plant level with a view to improving labour productivity has not yet taken roots in public undertakings. Only 75 undertakings have so far introduced the scheme. Even among these, in many undertakings the scheme has largely remained ineffective for want of proper acceptance of the scheme. There is scope for improvement in the periodicity and the scope of meetings between workers and management as revealed by the survey carried out

by BPE in 1982. The Committee would urge that effective steps should be taken to bridge these gaps. The Committee also recommend that the experiment of Board level participation if found to yield desired results should be intrrodue in all undertakings early.

Reply of the Government

The question of workers' participation in the management has been under active consideration of the Government. The whole question was reviewed last year by the Ministry of Labour and they have brought out in December, 1983 a comprehensive Scheme in this regard. The Scheme covers workers' participation at Board level also. The Scheme has been circulated to all the public sector enterprises for implementation. Labour Ministry which is the nodal agency in this respect are periodically monitoring the progress of the implementation of this Scheme.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 8/1/84/BPE(ICR)—Part-I dated the 29th Sept., 1984].

Recommendation, Sl. No. 19 (Paragraph No. 3.27)

The total number of mandays lost in 76 production enterprises during 1982-83 was 3611837 which resulted in a production loss of Rs. 846 crores. One of the major reasons for the mandays lost is stated to be industrial unrest. NPC has pointed out some problem areas in this connection. The Committee desire that remedial measures to mitigate these problems should be taken expeditiously in order to improve the industrial relations climated in public undertakings.

Reply of the Government

NPC had, in the context of industrial relations, suggested that the existing industrial relations law are required to be examined from the point of view of areas like multiplicity of unions, inter union rivalries, external interferences in trade unions, lack of confidence between management and labour, absence of proper environment of participation and sharing the gain of productivity and delay in settlement of disputes through adjudication, conciliation etc.

The Ministry of Labour organised a meeting with the managements of public Sector executives and the administrative Ministries on 15th May, 1984 and discussed issues relating to conciliation, enforcement of labour laws and non-implementation of Awards, Amendments to the Industrial Disputes Act, etc. including proposals relating to procedure and criteria for selection of collective bargaining agent and method of determining the representative character of unions, etc. are being looked into by that Ministry so as to improve the industrial relations climate.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 8/1/84/BPE (ICP) -Part-I dated the 29th Sept., 1984].

Comments of the Committee

(Please see paragraph 15 of Chapter I of the Report)

Recommendation Sl. No. 20 (Paragraph 4.24)

There is admittedly substantial scope for augmenting productivity in public undertakings by better management even granting the environmental and infrastructural constraints faced by them. The sample studies conducted by NPC reportedly show that there is scope for achieving energy conservation by 7 to 25%, materials conservation by 4 to 15% and also considerable scope for bringing down down-time of machines by better management. There is, however, stated to be a need for greater role clarity, performance standards and objective measurements at the top level for improving the managerial productivity. The Committee hope that the performance criteria models evolved by administrative Ministries recently will fulfil this requirement to some extent. The Committee note the suggestions made by SCOPE for bringing about healthy corporate management style and the suggestions made in the Action Plans for improvement in management techniques. The Committee trust that these suggestions will be implemented in right earnest keeping in view the need to improve managerial productivity in public undertakings.

Reply of the Government

The Government is conscious of the need for improving managerial productivity in public enterprises. Some of the measures already

underway, such as laying down micro projectives of public enterprises, setting up benchmarks for performance evaluation, concretising action plans for improvement in various functional areas of management, timely filling up of top level posts etc., are expected to help in improving managerial effectiveness.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 8/1/84/BPE (ICP)—Part-I dated the 29th Sept., 1984].

Recommendation Sl. No. 21 (Paragraph No. 4.25)

The Committee have been informed that the reward and punishment system in public undertakings is neither objective nor timely. The Committee would expect improvement in this regard after a critical study by the Boards of Management and administrative Ministries/Department.

Reply of the Government

The System of reward and punishment obtaining in public sector enterprises is basically in the form of promotions and supersessions. Promotions, after a particular level, are determined more by merit than by the considerations of seniority. For the determination of merit, in some enterprises, a system of 'performance appraisal' has been developed, which is growth and development based and performance oriented. Further, the National Productivity Council (NPC) have informed that they are in the process of bringing out a study on productivity linked reward system in the public enterprises. As soon as the contents of the study are made available, it will be examined and if necessary circulated among the administrative Ministries and the public sector enterprises. Meanwhile, NPC have already started conducting training programmes and assisting individual enterprises in designing their appraisal and counselling system based on organisational structure and job requirements. This is expected to help the public enterprises to evolve a proper rewards and punishment system.

[Ministry of Finance, Bureau of Public Enterprises O.M. No. 8/1/84/BPE(ICP)—Part I dated the 29th Sept., 1984]

Recommendation Sl. No. 22 (Paragraph No. 4.26)

Succession planning to top posts in public undertakings appears to be inadequate. According to SCOPE at one point of time nearly 35

posts of Chairman or Managing Director of public undertakings remained vacant over a long period. As on 31-12-83 the number of posts of Chief Executives vacant was 13. Long delay in making top appointments could result in lack of direction and control in the enterprises. The Committee would urge that succession planning should be done well in time to fill up the posts of top executives as nearly 60% of these posts are expected to fall vacant during the next three years. The Committee are not convinced of the reasons for changing the earlier practice of giving 5 years tenure to top executives. They desire that Government should re-examine this issue having regard to the need to give a reasonable period of tenure to top executives for efficient functioning of the undertakings and in order to maintain continuity in implementation of various schemes and plans. Frequent changes in incumbents of Chief Executives is detrimental to efficient performance by undertakings.

Reply of the Government

Top priority is given to the task of succession planning for the Board level posts and periodical assessments are made about Level I (chief executives) and Level II (functional Directors) posts that are likely to fall vacant due to superannuation so that action could be initiated to fill up such posts well in time. The Public Enterprises Selection Board also has made advance recommendations for future vacancies and administrative Ministries/Departments of the concerned Public Enterprises where such vacancies are likely to arise are requested to initiate action to process such cases sufficiently early so that the vacancies can be filled as and when they arise.

Government is also keen that the Board level posts do not remain vacant for long. However, some time lag in filling vacancies which arise from promotion of Level II officers to Level I and from lateral movement of Level I and II officers from one public enterprise to another is inevitable because the selection process can begin only after such vacancies have actually arisen. Similarly, advance requirement action is not possible for newly created posts.

The matter was considered at the highest level in the Government and it has been decided that the existing policy of giving a tenure

of two years to the incumbents of the top posts in public enterprises should be continued.

[Ministry of Finance, Bureau of Public Enterprises O.M. No. 8/1/84-BPE(ICR)—Part-I dated the 29th Sept., 1984]

Recommendation Sl. No. 23 (Paragraph No. 5.25)

Optimal utilisation of man-hours and machine-hours is crucial to attaining desired level of productivity. The data on utilisation of man-hour and machine-hours are, therefore, necessary to have a meaningful management control. Such data in relation to labour-hour utilisation were, however, available from only 63 out of 96 enterprises and in relating to machine-hour utilisation from 58 enterprises. In view of the usefulness of these data in analysing the reasons for under-utilisation and taking steps for improvement, the Committee hope that these will be compiled by all the production undertakings in future. The machine-hour utilisation was less than 75% in 30 out of 58 enterprises and labour utilisation in 14 out of 63 enterprises during 1981-82. The Committee agree that it is not practicable to fix standard optimum level of utilisation covering all types of industries. But, certainly it can be done for each type of industry and this should be done early. Thereafter, an analysis of the cases of enterprises where the utilisation of machine-hour and man-hour is very poor should be made for taking such steps for improvement as may be necessary.

Reply of the Government

The observations of the Committee have been brought to the notice of administrative Ministries/Departments for advising suitably the enterprises under their administrative control, *vide* copy of O.M. No. PM/10/84-Prod. dated 7-8-1984. (Appendix VII)

[Ministry of Finance, Bureau of Public Enterprises O.M. No. 8/1/84/BPE(ICR)—Part-I dated the 29th Sept., 1984]

Comments of the Committee

(Please see Paragraph 18 of Chapter I of the Report.)

Recommendation Sl. No. 24 (Paragraph No. 5.26)

Performance review meetings which are required to be held by the administrative Ministries once in a quarter, if held regularly, will contri-

bute to productivity increase in public undertakings. The Committee are dis-appointed to note that these meetings are not held systematically and as frequently as required. The Committee on Public Undertakings (1981-82) pointed out this lapse. Still there appears to be no improvement in this regard. The Committee have referred to this lacuna in the number of reports presented during the past two years. During their examination of various undertakings, they have come across cases where performance Review Meetings were held by the Ministries but BPE and Planning Commission were not associated with such meetings as per guidelines of BPE. Some of the Ministries also did not attach due importance to such meetings. The Committee urge that the administrative Ministries should hold performance Review Meetings in future regularly as per the guidelines of BPE. There should be some fool proof arrangement in the administrative Ministries and the enterprises to take follow up action on such reviews to make them more meaningful.

Reply of the Government

The observations of the Committee have been brought to the notice of the administrative Ministries/Departments, for taking appropriate action, *vide* this Ministry's O.M. No. PM/10/84-Prod'n. dated the 7th July, 1984. (Appendix VIII)

[Ministry of Finance, Bureau of Public Enterprises O.M. No. 8/1/84/BPE(ICR)—Part-I dated the 29th Sept, 1984]

Recommendation Sl. No. 25 (Paragraph No. 5.27)

The National Workshop on Higher Production and Productivity held in 1980, pointed out the system and procedures of Government which inhibited productivity improvement. The Government have since taken steps to change some of the systems and procedures. The Committee believe that implementation of those measures will clear the way for productivity growth in public undertakings.

Reply of the Government

Various measures taken by Government or under way to change some of the systems and procedures would help in achieving higher productivity in public enterprises. Government is paying continuous

attention to improve production and productivity in public enterprises.

[Ministry of Finance, Bureau of Public Enterprises O.M. No. 8/1/84/BPE(ICR)—Part-I dated the 29th Sept., 1984]

Recommendation Sl. No. 26 (Paragraph No. 5.28)

The Committee regret to note that the guidelines issued by the BPE calculated to improve productivity are not strictly followed by the undertakings and feel that the Ministries should be more responsive to the guidelines issued by BPE from time to time. The Committee trust that the Director-General of BPE would take stock of the present position and as assured by him, a mechanism implementation of the guidelines issued by BPE so far and to monitor the progress in this report as a regular exercise.

Reply of the Government

The imperative need for the observance of the guidelines by the Public Sector Enterprises has been impressed upon the concerned administrative Ministries who have been advised to instruct the Govt. nominees in the Board of Directors of the Public Sector Enterprises under administrative control to keep a watch on the compliance of the guidelines issued from time to time. They have been further advised to call upon the Financial Advisers to take special care in seeing that the guidelines are complied with by the Public Sector Enterprises. The Bureau of Public Enterprises on its part is reviewing the implementation of the guidelines on a selective basis.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 8/1/84/BPE(ICR)—Part-I dated the 29th Sept., 1984]

Comments of the Committee

(Please see Paragraph 21 of Chapter I of the Report)

Recommendation, Sl. No. 23 (Paragraph No. 5.30)

There is a criticism that the results of the BPE Surveys are not comparable with those of the Corporate sector studies carried out by the Reserve Bank of India and other organisations engaged in corporate

finance studies as the definitions adopted by BPE are quite different for a number of standard financial concepts and ratios. The Committee desire that BPE should look into the substance of this criticism in consultation with RBI and other institutions engaged in corporate finance studies and make such modifications as necessary in their system and methodology of their compilation.

Reply of the Government

The Bureau of Public Enterprises have adopted standard definitions for various financial concepts and ratios though it is true that the definitions adopted by certain organisations engaged in corporate finance studies do not tally with some of the definitions adopted by BPE in the Annual Surveys. However, the Government appreciates the desire of Committee that BPE should look into the substance of the criticism in consultation with RBI and other institutions engaged in corporate finance studies and make such modifications as are necessary in their system and methodology of their compilation. The Bureau of Public Enterprises has already initiated discussion with RBI in this regard. Based on the outcome of the discussions changes as are considered necessary will be given effect to.

[Ministry of Finance, Bureau of Public Enterprises O.M. No. 8/1/84 BPE(ICR)—Part I dated the 29th Sept., 1984.]

Recommendation Sl. No. 29 (Paragraph No. 5.31)

The Committee are glad to note that in pursuance of their recommendation in the 46th Report (5th Lok Sabha), BPE has brought out a separate chapter on Production and Productivity Management in Manufacturing Enterprises in its Annual Survey. However, they find that this chapter deals with only capacity utilisation. They would like that this Chapter should include other aspects of productivity which are at present scattered at several places in the Annual Survey.

Reply of the Government

This recommendation has been taken note of for preparation of future Annual Surveys of Public Enterprises.

[Ministry of Finance, Bureau of Public Enterprises, O.M. No.8/1/84 BPE(ICR)—Part I dated the 29th Sept., 1984.]

CHAPTER III

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

Recommendation Sl. No. 4 (Paragraph No. 1.48)

The Committee find that only 40 out of 96 production enterprises have a separate unit to look after productivity aspects. Productivity activities in certain enterprises are reportedly looked after by the Production Planning or Technical Services Departments. A survey conducted by BPE in 1975 revealed the difficulties faced by the management of public undertakings in regard to productivity management. Admittedly, these difficulties are mostly within the control of the management and are mainly due to the fact that the management does not give due importance to the subject. Development of productivity culture is of prime importance and the basic requirement for promotion of productivity in an undertaking. Efforts in this direction are lacking in many undertakings. The Committee, therefore, recommend that there should be a separate productivity cell in each enterprise to institutionalise productivity management as a core activity and this should be headed by an officer fairly at higher level and in big undertakings even by a Director.

Reply of the Government

The advisability of setting up Industrial Engineering Department (which is also termed as Management Services/Productivity Services Department) by each of the Public Enterprises was emphasised in the guidelines issued by BPE under letter No. 1(7)/DAP(P)/69 dated 18 January, 1971 and O.M. of even number dated 29 January, 1971.

Depending on the types of activities. The structuring of the Department would have to be decided by the management. The managements would be the best judge to decide whether the productivity functions are to be grouped under one integrated cell or decentralised in various

departments or distributed over different functional units in the same organisation, such as production planning, technical services etc. Again, depending on the nature and scale of activity, the productivity services could be managed by an officer at a fairly high level in the departments or functional units or the functions could be placed directly under a director for a more coordinated approach in a big undertaking. Government agrees with the observations that productivity should be viewed as an important management function and treated as an institutionalised core activity to get the optimum results. Formation of a separate productivity cell in each enterprise or any other pattern of institutionalised system could, however, be left to the management's discretion.

Public Enterprises, however, are being suitably advised to step up activity in the area of productivity management on the basis of the observations made by the Committee on Public Undertakings.

[Ministry of Finance, Bureau of Public Enterprises O.M. No. 8/1/84 BPE(ICR)—Part I dated the 29th Sept., 1984].

Recommendation Sl. No. 27 (Paragraph No. 5.29)

The Committee feel that in the BPE Annual Surveys, the productivity growth figures should be given both in terms of current as well as constant prices along with productivity norms or targets to enable realistic appraisal performance. Further, the overall position of productivity ratios in relation to all production enterprises should be given for over a period of 10 years in order to study the productivity trend in the undertakings.

Reply of the Government

This has been carefully considered by the Government. It is felt that it is not practicable to implement this recommendation. Productivity could relate to various elements such as labour productivity, capital productivity, machine productivity etc. It is not practicable to compile the productivity ratios of various input factors as stated above in respect of each and every enterprise. Reporting of the overall position of productivity ratios in relation to all production enterprises over a period of ten years is therefore highly impracticable, more so if these are to be given in terms of current as well as constant prices. Further, in Vol. 3 of the Survey, various management ratios such as value added per man-

month, ratio of value added to capital employed, ratio of value of production to capital employed etc., which also have a bearing on the overall productivity of the enterprises are also given. These are considered to be adequate for assessing the productivity trend in Public Enterprises. In view of this, Government have not found it possible to accept this recommendation.

[Ministry of Finance, Bureau of Public Enterprises O.M. No. 8/1/84
BPE (ICR)—Part I dated 29-9-84].

CHAPTER IV

RECOMMENDATION IN RESPECT OF WHICH REPLY OF GOVERNMENT HAS NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation Sl. No. 6 (Paragraph No. 1.50)

The Committee recommends that apart from the productivity boards already set up for 7 industries, such boards should be set up for each of the other major industries such as Steel, Coal, Minerals & Metals, Chemicals & Fertilisers.

Reply of the Government

It may be observed that in respect of major public sector industries such as steel, coal, minerals & metals, chemicals & fertilisers, a mechanism is already available in the form of a Standing Co-ordination Committee on Production and Productivity, with a cross section of chief executives of public enterprises, representatives of infrastructural agencies, such as railways and power, and Government departments, as members. The Committee meets generally twice a year for evolving strategies to give a thrust to the productivity efforts. The Standing Co-ordination Committee is assisted in its efforts by sectoral groups under each cognate group of industry, which meets generally at the end of every quarter to discuss matters of common interest, covering *inter alia* technology aspects, production and productivity constraints, etc.

A reference could also be made here to the quarterly review of performance of public enterprises held in the administrative Ministries with the chief executives of public enterprises including the participation of representatives of BPE and Planning Commission. These meetings are now a regular feature of performance appraisal system of Government for considering the various aspects of performance of public enterprises including productivity provided in Action Plans and Performance Criteria Models and for initiating appropriate follow-up action. In-depth studies and Inter-firm comparison studies are also being carried out for improving the performance of PSEs wherever necessary.

It is felt that as the productivity aspects are taken care of in different forums and in various manners, the purposes envisaged for Productivity Boards referred to in the recommendation are, by and large, covered one way or the other. Moreover, in the absence of any study on the effectiveness or otherwise of the Productivity Boards already set up relating to 7 industries, it may not be appropriate at this juncture to consider any extension of this pattern to various other industries proposed

[Ministry of Finance, Bureau of Public Enterprises, O.M. No. 8/1/84
BPE(ICR)—Part I dated the 29th Sept., 1984].

Comments of the Committee

(Please see paragraph 9 of chapter I of the Report)

CHAPTER V

RECOMMENDATION IN RESPECT OF WHICH FINAL REPLY OF GOVERNMENT IS STILL AVAILED

Recommendation, Sl. No. 2 (Paragraph No. 1.46)

Corporates planning is an essential Management tool *inter alia*, for improved productivity. A survey conducted by BPE in 1977 revealed that only 70 public enterprises had evolved their Corporate Plans. Some undertakings were not even aware as to what is really meant by Corporate Planning. The Committee are surprised to hear from the Director General, BPE that this sort of ignorance must be continuing even now. The Committee are glad to know that BPE organised a National Seminar in January, 1978 and sponsored 3 courses during 1982-83 for executive development with Corporate Planning as a specific subject. Although the responsibility mainly rests with the administrative Ministries to ensure that 'Corporate Plan' is evolved in all undertakings under their control, the Committee felt that BPE should play an active role as recommended by the Fazel Committee by assisting in the preparation and scrutinising the Corporate Plans at least until all the undertakings are on their own able to draw up, in a systematic and regular manner, the Plans with a special thrust on productivity. The Committee hope that as assured by its DG, the BPE will undertake a survey to ascertain the present position in this respect in public undertakings and take suitable action under intimation to the Committee.

Reply of the Government

As assured by the DG, BPE, a survey has been sponsored by BPE with Institute of Public Enterprise (IPE) Hyderabad to ascertain the present position of Corporate Planning in public enterprises. The outcome of this survey would be intimated to the Committee. The Committee's observations regarding role of BPE in Corporate Planning is under examination.

[Ministry of Finance, Bureau of Public Enterprises O.M. No. 8/1/84/
BPE(ICR)-Part-I dated the 29th Sept., 1984.]

NEW DELHI ;
17 November, 1984
26 Kartika, 1983 (Vaka)

MADHUSUDAN VAIRALE,
Chairman,
Committee on Public undertakings.

APPENDIX I

Minutes of the 19th sittings of the Committee on Public Undertakings held on 17.11.1984.

The Committee sat from 11.00 to 12.00 hrs.

PRESENT

Shri Madhusudan Vairale—*Chairman*

MEMBERS

2. Shri Kamuluddin Ahmed
3. Shri Ramnath Dubey
4. Shri Multan Singh Chaudhary
5. Shri D. K. Naikar
6. Shri T. S. Negi
7. Shri B. D. Singh
8. Smt. Margaret Alva
9. Shri Nand Kishore Bhatt
10. Shri Sushil Chand Mohunta
11. Shri Gulam Mohi-ud-Din Shawl

SECRETARIAT

1. Shri N. N. Mehra—*Joint Secretary*
2. Shri M. K. Mathur—*Chief Financial Committee Officer*
3. Shri G. S. Bhasin—*Senior Financial Committee Officer*
4. Shri Rup Chand—*Senior Financial Committee Officer*

The Committee considered the following Action Taken Reports, as approved by the Action Taken Sub-Committee and adopted the same :

1. Ninety-eighth Report on Action Taken by Government on the recommendations contained in the 97th Report of CPU (1983-84) on Productivity in Public Undertakings.

x

x

x

x

x

x

The Committee authorised the Chairman to present these Reports to the Hon. Speaker. They desired that the Hon. Speaker may be requested to order the printing, publication and circulation of the above mentioned Reports of the Committee. The Committee further desired that the Hon. Speaker may be requested to direct that matters of factual nature or patent errors may be corrected in these Reports under Direction 71A (4) before publication and circulation.

The Chairman took the opportunity of thanking the Members of the Committee for their cooperation in conducting the work of the Committee during the year. The Members of the Committee present thanked the Chairman for providing able guidance and leadership in the work of the Committee.

The Committee then adjourned.

APPENDIX II

(Vide reply to recommendation at Sl. No. 5 of Chapter II)

K. V. RAMAKRISHNAN
JOINT SECRETARY

D.O. No. 8/1/84/BPE(ICR)-Part-II
Ministry of Finance,
Bureau of Public Enterprises,
New Delhi, the 14th July, 1984

Dear Shri

This has reference to D.O. letter dated 20.12.1983 (Annexure) from Shri C. Venkataraman, Special Secretary & Director General, Bureau of Public Enterprises, enclosing a copy of the Performance Criteria Models as finalised by 22 administrative Ministries in respect of public sector undertakings under them.

2. The Parliamentary Committee on Public Undertakings in their 97th Report submitted to Lok Sabha on 30th April, 1984 have referred to above mentioned Performance Criteria Models and have given a recommendation as given below :

"There is need for developing integrated productivity norms on the basis of inter-firm comparison of productivity. Although, performance criteria models have been finalised by 22 administrative Ministries for performance evaluation of the undertakings under their control, it appears that no attempt has been made to evolve realistic norms for productivity to measure the performance there against. The DG, BPE informed the Committee that BPE is taking up some inter-firm comparisons selectively and will attempt indepth studies. The Committee would urge that productivity norms should be evolved for all factors of production for each public undertaking in consultation with NPC, Productivity Boards and BPE".

3. In the context of above recommendation of COPU, it is requested that all Ministries may immediately evolve realistic norms

productivity to measure the performance of the units against the list of performance parameters already available in the finalised Performance Criteria Models. While fixing such norms/targets, the Ministries/public enterprises could also take into account available results of analysis of inter-firm comparisons wherever they are applicable.

4. The Lok Sabha Secretariat had conveyed that COPU has desired that the action taken report by Government should be given within 4 months i. e. by 30.8.84. In view of above, it is requested that early action may please be taken to by your department/ministry in this regard and the consolidated statement of finalised norms sent to BPE.

With regards,

Yours sincerely,

Sd/-

(K.V. RAMAKRISHNAN)

PS. The finalised performance criteria models were communicated to BPE by your Ministry *vide* reference

dated

from

Annexure to Appendix II

C. VENKATARAMAN

SS & DG, BPE

D.O. No. 8(58)/80-BPE(ICR)

Ministry of Finance,

Bureau of Public Enterprises,

New Delhi, the 20th Dec. 1983.

Dear Shri

This has reference to D.O. No. 8(58)/80-CM-II dated the 31st December 1980 from DG, BPE to Secretaries of the administrative Ministries forwarding the recommendations of Union Secretaries Workshop held in IIM Ahmedabad in November, 1980 on the subject of performance criterion models and targeted rates of return to be earned by the public enterprises.

This exercise has since been completed by 22 administrative Ministries in respect of all major public enterprises under them. 40

finalised performance criterion models have been compiled by BPE in a single volume which is enclosed for your kind information.

It is suggested that the finalised performance criterion models for respective enterprises under your Ministry could be put to use in the quarterly Performance Review Meetings taken by you if it is not already started as in some of the administrative Ministries.

I would like to take this opportunity to acknowledge the efforts put in by your Ministry in evolving these performance criterion models in consultation with public enterprises and the Bureau of Public Enterprises.

With regards,

Yours sincerely,

Sd/-

(C. VENKATARAMAN)

APPENDIX III

(Vide reply to recommendation at Sl. No. 7 of Chapter II)

K.V. RAMAKRISHNAN
JOINT SECRETARY

D.O.No.8/1/84/BPE(ICR)-Part-IV
Ministry of Finance,
Bureau of Public Enterprises,
New Delhi.
Dated, 11th July, 1984

Dear Shri

This has reference to D.O. letter No. 8(58)/80-GM-II dated 31.12.1980 from the Director General, Bureau of Public Enterprises on 'Finalisation of Performance Criteria Models and Targeted rate of return' (Annexure)

2. So far 23 administrative Ministries have finalised the performance criteria models and rates of return in respect of public enterprises under their control. These had been compiled into a single volume by the BPE, a copy of which is enclosed for your information.

3. The Parliamentary Committee on Public Undertakings in their 97th Report presented to Lok Sabha on 30.4.84 on 'Productivity in Public Enterprises' have referred to the above document and have given the following recommendation in respect of Ministries where the above exercise has not yet been finalised :—

"Further the performance criteria models should be finalised early for the Undertakings under the remaining 6 Ministries also. These should include productivity norms to be evolved for more effective and meaningful monitoring and review of performance for appropriate action for improvement".

4. In the light of above recommendation of COPU, I would request that your Ministry may immediately take up the task of preparation of performance criteria models and fixing targeted rate of return in respect of Public Sector Units under your Ministry where this action

is pending. While carrying out above exercise you could perhaps draw upon the results of similar exercises done by other Ministries and incorporate special features as particularly applicable to your organisation. After the performance criteria models are finalised identifying the parameters on which the performance of PSU is to be assessed, the next step would be to fix quantitative norms against each of them, which could act as the reference for performance evaluation. COPU has requested BPE that action taken may be submitted by 30th August, 1984. In the light of above, I would request very early action from your Ministry under information to BPE.

Yours sincerely,

Sd/-

(K.V. RAMAKRISHNAN)

To

1. Shri R. P. Khosla,
Secretary,
Ministry of Social Welfare,
NEW DELHI.
2. Shri B. G. Deshmukh,
Secretary,
Min. of Labour & Rehabilitation,
NEW DELHI.
3. Shri M. G. Padhye,
Secretary,
Ministry of Irrigation,
NEW DELHI.
4. Shri K.T.V. Raghavan,
Principal Secretary & Chairman,
Ministry of Railways,
NEW DELHI.
5. Shri H. M. S. Bhatnagar,
Addl. Secretry (Insurance),
Ministry of Finance,
NEW DELHI.

Annexure to Appendix III

D.O. No. 8/(58)/80-GM-II
 DIRECTOR GENERAL, BUREAU OF PUBLIC
 ENTERPRISES

&

ADDITIONAL SECRETARY TO THE GOVT. OF INDIA
 MINISTRY OF FINANCE
 NEW DELHI-110001

Dated : 31-12-80

I am sending herewith a copy of the report on the Union Secretaries' Workshop on Performance Criteria in Public Enterprises which was organised by the Bureau of Public Enterprises in collaboration with the Indian Institute of Management, Ahmedabad on 2-3 November, 1980. The focus of this Workshop was to identify the criteria—physical, financial, commercial personnel and in other dimensions—of performance against which the performance of public enterprises in 15 important sectors such as Engineering and Manufacturing, Airlines; Shipyards; Cement; Steel; Coal; Zinc; Copper; Aluminium; Chemicals and Fertilizers could be assessed. The performance criteria models prepared for these 15 sectors by the Bureau of Public Enterprises in consultation with the public enterprises were presented during the workshop for discussion and modification.

2 You may kindly recall that this Union Secretaries' Workshop was held as a follow up of the Workshop for the Chief Executives held earlier in December, 1979 in Calcutta. *The consensus in the Chief Executives' Workshop was that in the absence of an 'agreed' criteria of performance between the Government and the public sector i.e. between the Administrative Ministries/B.P.E. and the Public Enterprises, full use was not being made of the existing Management Information System already introduced and Corporate Plans wherever they were prepared—in assessing the performance of public enterprises in an objective and constructive manner.* The absence of a "required rate of return" to be generated by public enterprises is another important gap to be met. This should be worked out appropriately in respect of each enterprise relevant for a period extending 2-3 years—which should form part of the performance criteria of the enterprises.

3. Along with the Report on the Ahmedabad Workshop. I am also sending a set of models on performance criteria for the 15 sectors mentioned above incorporating the modifications suggested by the participants in the Workshop. Some more work is still required to be done to bring about further refinements in these models by the administrative ministries in consultation with the public enterprises concerned to make the models suitable for individual public enterprises in each sector. Similar models would also have to be prepared for the public enterprises in the other major sectors.

4. The aim of this exercise is visualised to assist both the Government agencies supervising the public enterprises as well as the public enterprises themselves. Thus, once the performance criteria is formulated, the BPE's Annual Report to Parliament could be prepared having regard to the performance criteria identified in respect of each sector and each enterprise in those sectors. Administrative Ministries can also make use of the models, including the required rate of returns not only but also in assessing their performance during every quarter through the system of performance review which has already been established in most Ministries. This will also assist the public enterprises to evaluate their own performance as well as to formulate their own corporate plans and have these plans agreed to by the respective Ministries.

5. I should like to reiterate that the models of performance criteria suggested are not intended to be a substitute of the existing Management Information System prevailing in the enterprises in various sectors. The existing MIS will provide the wherewithal for the performance evaluation exercise. Indeed, these models are essentially a statement of attainable objectives which can be translated into annual targets relevant to each enterprise. Thus the existing Management Information System would actually help in making the assessment of public enterprises' performance—as against the targets, objectives and norms in important areas of public enterprises management suggested in the models—in a more realistic and purposeful manner.

6. I shall be grateful if you could have these models examined and finalised in consultation with the public enterprises under your administrative control at an early date so that we could adopt the criteria of performance evaluation in respect of individual enterprises in the various sectors from the financial year 1981-82 onwards. It

would help if a Joint Secretary could be entrusted with the coordination of this work relating to public enterprises in your Ministry/Department. I would be grateful if the name of the coordinating Joint Secretary could be advised to us. In the BPE, Shri A.S. Bhandari, Joint Secretary has been entrusted with the task of keeping close liaison with the Joint Secretary to your Department and to offer any further clarification that may be required. It would help if the work can be completed in the next 3 months i.e. by 31st March, 1981.

7. I should like to take this opportunity of conveying my sincere thanks to you and your Ministry/Department for the success of the Union Secretaries' Workshop. Your contribution to the early finalisation of the performance criteria models, including appropriate "required rate of return" in respect of each enterprise under the control of your Ministry, would be deeply appreciated.

8. Wish you all the best in the New Year.

Yours sincerely,
Sd/-
(P.K. BASU)

APPENDIX IV

(Vide reply to recommendation at Sl. No. 8 of Chapter II)

D.O. No. 14/(31)/Adv(F)/84

**SPECIAL SECRETARY TO THE GOVERNMENT OF INDIA
&
DIRECTOR GENERAL, BUREAU OF PUBLIC ENTERPRISES
MINISTRY OF FINANCE
NEW DELHI-110003**

10th September, 1984

Dear,

The Committee on Public Undertakings (COPU) in its 97th Report (1983-84) (Seventh Lok Sabha) on 'Productivity in Public Undertakings' has made the following recommendations :

"2.48. The Committee are glad to note that the ratios of net turnover to capital employed and gross profit to capital employed the two important indicators of capital productivity, made a significant improvement during the productivity year. The net turnover to capital employed increased from 131% in 1979-80 to 159% in 1981-82. The gross profit to capital employed which worked out to 7.13% on an average during the 10 years, period 1971-81 has totally increased to 12.1% in 1981-82 and further to 13.05% in 1982-83. The net turnover to capital employed, however, slightly declined to 157.5% during 1982-83 due to low turnover of power corporations in the initial stages of operation. An analysis of individual groups of industries shows that this ratio has drastically declined by about 50% in consumer goods industries, during 1982-83. This causes serious concern. Further, Steel Sector is stated to be facing marketing problems. SAIL which made a profit of Rs. 39 crores in 1981-82 has incurred a loss of Rs. 106 crores in 1982-83 and has further increased its losses Rs. 256.76 crores (provisional) during the first six months of 1983-84. The Committee would urge that Government should

study in depth the problems faced by consumer goods and steel industries with a view to take urgent remedial action. Further, the fall in the ratio of net turnover to capital employed during 1982-83 as compared to 1981-82 in the case of textiles, (17% to 112%) medium and light engineering (118% to 107%) and agro-based (160% to 152%) enterprises is indicative of the need for continuous management alertness to arrest the deteriorating trend in capital productivity."

"3.23. The Committee's examination of labour productivity in public undertakings has revealed that value added per man-month has been not only low but it is even less than the average monthly emoluments per employee in as many as 19 out of 96 undertakings. Such undertakings cannot but be sick. The Committee require that Government should critically review the working of these undertakings and launch schemes for their revival and take emergent measures to put them on sound footing "

2. While noting with satisfaction the significant improvement in the turnover to capital ratio in 1981-82 as compared to 1979-80, the Committee has observed that this ratio has declined in the consumer goods industries during 1982-83 by about 50%. They have also taken note of the marketing problems faced by SAIL. The Committee have, therefore, suggested that the Government should take urgent action to study in depth the problems faced by consumer goods and steel industries with a view to initiate urgent remedial action. They have also urged the need for continuous management alertness to arrest the deteriorating trend in capital productivity in the case of textile, medium & light engineering and agro-based enterprises.

3. During the course of their examination of labour productivity, the Committee have expressed concern that in not a few enterprises the value added per man-month was lower than the average monthly emoluments per employee. Since such enterprises cannot but be sick the Committee has recommended that Government should critically review the working of these enterprises, launch schemes for their revival and take such measures on an urgent basis as would place them on a sound footing.

4. I would, therefore, request you to take immediate necessary action to launch in depth studies, critically reviewing the weakness of the enterprises so that remedial measures could be taken to place the functioning of the enterprises on a sound footing. Should the in-depth studies/critical review indicate that such remedial measures are not feasible then the reasons why it should be so, should also be clearly indicated. For the exercise to be meaningful it would be essential to complete such in-depth studies/reviews by 31st December, 1984.

Yours sincerely,

Sd/-

(S.D. Srivastva)

As per list attached.

1. Shri P.K. Basu,
Deptt. of Steel.
2. Shri S.B. Lal,
Secretary,
Deptt. of Coal.
3. Dr. S.S. Sidhu,
Secretary,
Deptt. of Indl. Dev.
4. Shri Harbans Singh,
Secretary,
Deptt. of Textiles.
5. Shri R.P. Khosla,
Secretary,
Deptt. of Social Welfare
6. Shri B.G. Deshmukh,
Secretary,
Ministry of Labour & Rehabilitation.
7. Shri D.V. Kapur,
Secretary,
Deptt. of Heavy Industry.
8. Shri S.P. Mukherji,
Secretary,
Deptt. of Agriculture & Co-operation.

9. **Shri H.C. Sarin,**
Secretary,
Deptt. of Defence Production.
10. **Shri P.K. Basu,**
Secretary,
Deptt. of Mines.
11. **Shri Prakash Narain,**
Secretary,
Ministry of Shipping & Transport.

APPENDIX V

(Vide reply to recommendation at Sl. No. 13 of Chapter II)

No. BPE/14(32)/Adv. (F)/84
GOVERNMENT OF INDIA
MINISTRY OF FINANCE
Bureau of Public Enterprises

New Delhi, the 5th July, 84

OFFICE MEMORANDUM

SUBJECT : —*Introduction of systems of Standard Costing and value analysis.*

The Committee on Public Undertakings in its 15th Report, 4th Lok Sabha had recommended introduction of standard costing in the public sector enterprises after laying down physical consumption norms. This recommendation was accepted by the Government and communicated to all the Administrative Ministries vide BPE OM No. 46/Adv. (F)/BPE/68/12 dated the 12th September 1968. A similar recommendation in the 40th Report of COPU (3rd L.S.) for implementation of value analysis system was accepted and communicated to all the Ministries vide BPE O.M. No. 21/1/75-BPE/M.M dated 31st January, 1975. No doubt, some enterprises have already introduced these essential management tools, but many are yet to do so, as may be seen from the latest observation of COPU (7th L.S.) in its 97th Report (1983-84) reproduced below :

“The Committee regret to note that only 27 out of 96 production undertakings have introduced standard cost system and 33 have a system of value analysis. Although BPE issued guidelines in this regard as far back as in 1968, no follow up action appears to have been taken to ensure that these important systems are introduced in all the production enterprises. According to the Director General, National Productivity Council, there has been no deliberate attempt on the part of the undertakings to contain cost of production. It is needless

to point out that cost effectiveness and judicious use of resources is a must for the success of any industry. The Committee hope that there would be no more laxity in introducing these vital system in the interest of productivity and cost control”.

2. The position in regard to introduction of Standard Costing system is still not very satisfactory. It is, therefore, advised that all Ministries/Departments may urgently review the position in the public enterprises under their control and wherever repetitive production process are involved, take immediate steps to introduce standard costing system which is a powerful management tool. Similarly value analysis is an area where public enterprises do not appear to devote as much attention as is necessary. This shortcoming should also be remedied.

3. Financial Advisers of respective Ministries/Departments are requested to take particular interest in remedying the situation in the public enterprises under their jurisdiction. Any assistance required in this regard, the BPE would be glad to render, including identification of consultants for the purpose.

Receipt of this letter may be kindly acknowledged.

Sd/-
(B. SWAMINATHAN)
(Adviser Finance)

All Secretaries of the
concerned Ministries.

APPENDIX VI

(vide reply to recommendation at Sl. No. 17 of Chapter I)

No. 4(16)/84-BPE (WC)
GOVERNMENT OF INDIA
MINISTRY OF FINANCE
Bureau of Public Enterprises

New Delhi, the 24th Sept., 84

OFFICE MEMORANDUM

SUBJECT :—*Review of the existing Production Incentive Scheme by the Public Enterprises/administrative Ministries—Recommendations of the Committee on Public Undertakings (1983-84) contained in their 97th Report.*

The Committee on Public Undertakings (1983-84) in their 97th Report on Productivity in Public Undertakings, presented to the Seventh Lok Sabha on 30th April, 1984, have made the following observations :—

“Productivity linked incentive schemes if devised carefully will yield good results. The Committee find that there are a large number of undertakings which have not introduced any such scheme and on the other hand in many of the undertakings which already have a scheme, the incentive appears to have degenerated into additional wage, having been linked to production even below the threshold level. It is not clear whether BPE has issued any guideline in this regard. The Committee would argue that the administrative Ministries should review in consultation with BPE the productivity incentive scheme already in operation in the undertakings under their control in order to make it scientific and result-oriented and also ensure that such a modified scheme is introduced in all undertakings. The Committee regret to note that the undertakings have not shown any enthusiasm to link wages including DA and bonus to productivity as recommended by them in their 28th Report

(1981-82). Although some sort of clause relating to productivity is incorporated in the wage agreements, this is not actually put into practice. The Committee hope that the administrative Ministries will ensure effective implementation of the Committee's recommendation in its true spirit in future".

2. The observations of the Committee are brought to the notice of the administrative Ministries for effective implementation. Administrative Ministries and the public enterprises should also ensure early action to review the existing incentive schemes in consultation with the Bureau of Public Enterprises in order to make them scientific and result oriented. The procedure laid down in the BPE's O.M. dated 3.3.1984, however, should be complied with both in respect of the modification of the existing schemes or adoption of the new incentive scheme.

3. Ministry of Industry, Ministry of Energy, Ministry of Chemicals & Fertilizers, etc. are requested to bring the foregoing to the notice of the public enterprises under their administrative control for immediate necessary action.

Sd/-
(B. Swaminathan)
Adviser (Finance)

To

All Administrative Ministries/Depts. of Govt. of India.

APPENDIX VII

(*Vide* reply to recommendation at Sl. No. 23 of Chapter II)

No. PM/10/84-Prod.
GOVERNMENT OF INDIA
MINISTRY OF FINANCE
Bureau of Public Enterprises

New Delhi-110003

Dated the 7th August, 1984.

OFFICE MEMORANDUM

SUBJECT :—*97th report of Committee on public Undertakings on productivity—Optimal utilisation of man-hours and machine-hours.*

The undersigned is directed to invite reference to the observations of the Committee on Public Undertakings in their 97th report on Productivity in Public Enterprises, *vide* Sl. No. 23 of Recommendations, para No. 5.25 of the Report.

2. Ministry of Industry etc.. are requested to take note of the above observations of the Committee on Public Undertakings and suitably advise the enterprises under their administrative control for compliance of the recommendations of the Committee on Public Undertakings.

Sd/-

(I. M. Aga)

Adviser (Production)

The administrative
Ministries/Departments of
the Government of India.

APPENDIX VIII

(Vide reply to recommendation at Sl. No. 24 of Chapter II)

No. PM/10/84-Prod.
GOVERNMENT OF INDIA
MINISTRY OF FINANCE
Bureau of Public Enterprises

New Delhi-3.

Dated the 7th July, 1984.

OFFICE MEMORANDUM

Subject :—*Quarterly Performance Review Meetings.*

The Committee on Public Undertakings in their 97th report (1983-84) on Productivity in Public Undertakings had observed as follows :—

“Performance review meetings which are required to be held by the administrative Ministries once in a quarter, if held regularly, will contribute to productivity increase in public undertakings. The Committee are disappointed to note that these meetings are not held systematically and as frequently as required. The Committee on Public Undertakings (1981-82) pointed out this lapse. Still there appears to be no improvement in this regard. The Committee have referred to this lacuna in the number of reports presented during the past two years. During their examination of various undertakings, they have come across cases where performance review meetings were held by the Ministries but BPE and Planning Commission were not associated with such meetings as per guidelines of BPE. Some of the Ministries also did not attach due importance to such meetings. The Committee urge that the administrative Ministries should hold performance review meetings in future regularly as per the guidelines of BPE. There should be some fool proof arrangement in the administrative Ministries and the

enterprises to take follow up action on such reviews to make them more meaningful".

2. Attention of the Ministry of Industry etc. is invited in the above context to the guidelines on the subject of performance review of public enterprises issued under O.M. Nos. 2(34)/69-BPE(GM) dated 7 July, 1969, BPE/GL-003/75/I & R/16(4)/72 dated 11 March, 1975 and BPE/GL-005/PA/GENL/1/80-Prod. dated 4 August 1980. The relevant paras (b) and (c) of August 1980 guidelines are reproduced below.

"(b) the system of holding quarterly performance review meetings by the administrative Ministries with the Chief Executives of Public Enterprises already installed in many of the Ministries/Departments should be made a regular feature in all the Ministries/Departments. In such review meetings attended by representatives of Planning Commission and BPE among others, any managerial deficiencies/lacunae which come to light might be brought to the attention of the Cabinet Committee on Economic Affairs for their information and directions, and

(c) if in such review meetings any specific measures requiring inter-ministerial coordination at the Cabinet level are identified, these may be brought up for consideration of the Cabinet Committee on Economic Affairs for directions".

3. Ministry of Industry etc. are requested to kindly take note of the above observations of the Committee on Public Undertakings for taking appropriate action.

Sd/--

(I. M. Aga)

Adviser (Production)

The administrative Ministries/
Departments of the Govt. of India.

APPENDIX IX

(*Vide* Para 3 of the Introduction)

Analysis of the Action Taken by Government on the Recommendations contained in the 97th Report of the Committee on public Undertakings (Seventh Lok Sabha) on productivity in public Undertakings

I	Total number of recommendations	29
II	Recommendations that have been accepted by the Government (<i>Vide</i> recommendations at S. Nos. 1,3,5,7 to 26, 28 and 29)	25
	Percentage to total	86.20%
III	Recommendations which the Committee do not desire to pursue in view of Government's replies (<i>Vide</i> recommendations S. Nos. 4 and 27)	2
	Percentage to total	6.90%
IV	Recommendation in respect of which final reply of Government has not been accepted by the Committee (<i>Vide</i> recommendation at Sl. No. 6)	1
	Percentage to total	3.45%
V	Recommendation in respect of which final reply of Government is still awaited. (<i>Vide</i> recommendation at Sl. No. 2)	1
	Percentage to total	3.45%

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