

ADMINISTRATIVE REFORMS COMMISSION

Report

PUBLIC
SECTOR
UNDERTAKINGS



OCTOBER 1967

GOVERNMENT OF INDIA



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REPORT

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CHAIRMAN

ADMINISTRATIVE REFORMS COMMISSION
GOVERNMENT OF INDIA
NEW DELHI

October 17, 1967

My dear Prime Minister,

I have the pleasure of presenting to you another Report, the Report on Public Sector Undertakings. The Commission has already presented two reports, one on Lokpal and Lokayukta and another on Planning Commission.

The Commission had appointed a Study Team to examine the problems relating to public sector undertakings and make suitable recommendations. A copy of the report submitted by the Study Team is enclosed.

Public undertakings constitute the pivot of Government effort to speed up economic progress and bring into existence a socialist pattern of society. The investment made in, and encouragement given to, public undertakings are unprecedented and high hopes have been raised of their performance. While it has to be recognised that they have made considerable contribution to the economy of the country, it is equally evident that their performance has not been up to the mark. The size of cumulative and annual losses that a number of them have incurred, cause concern. The quality and price of goods manufactured have not in many cases given full satisfaction. It is said that the Indian peasant, the poorest in the world, is made to pay the highest price in the world for the fertiliser he purchases.

There are very many reasons for this state of affairs; the principal one pertains to organisation and management. A public undertaking has to be worked with public spirit. The management and labour have both to realise that public undertakings are the property of the people, to be run for general good, and that personal gain, selfish ends and sectional interests have to be eschewed. Keeping this point in view, the Commission has made recommendations for improving administrative efficiency and industrial relations.

Public undertakings have to work on business principles and employees therein must depend on merit, and not on inbuilt security. At the same time the promotional prospects must be such as to facilitate the lowest employee to rise to the highest position, if he has the requisite qualifications and ability. The practice of deputing Government officers for temporary service in public undertakings should cease. The Commission has made recommendations for the proper selection of personnel, their training and for providing them with adequate prospects.

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The best way to enable an undertaking to be run with the greatest efficiency is to confer on it maximum possible autonomy and hold it accountable for performance. In this connection, I would refer to a few of the more important recommendations we have made in our Report. We have recommended the setting up of 'sector corporations', one for each specified major area of enterprise having as its main function the promotion and development in that area including the setting up of new projects. The units in the corporation will have operational autonomy and the sector corporation on its part will provide for and coordinate common service activities like research and consultancy, training and sales promotion. A reorganisation of the Bureau of Public Enterprises has been recommended with a view to making it a more effective service agency for the Ministries and the public undertakings. Another recommendation breaking new ground relates to the constitution of several Audit Boards for conducting efficiency audit as well as for making appraisal of performance. Each Audit Board would deal with certain specified areas of enterprise.

The control and supervision of Parliament have to be made more effective and purposeful. We have therefore suggested that time must specifically be set apart for discussion by Parliament of the working of the public undertakings.

The Commission considers the work done by the Study Team to be of great value and thanks its Chairman and the members.

The Secretary of the Commission, Shri V. V. Chari, has done his work in so painstaking and methodical a manner that he deserves special appreciation.

Yours sincerely,

K. Hanumanthaiya

Shrimati Indira Gandhi,
Prime Minister,
New Delhi.

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