

PART III

Rationalisation of the Functions, Activities and Structure of the Department of Public Enterprises

DEPARTMENT OF PUBLIC ENTERPRISES

The Bureau of Public Enterprises (BPE) was set up in 1965, in pursuance of a recommendation of the Estimates Committee, to provide policy and overall guidance to the central public sector undertakings and to make a continuous appraisal of the performance of these undertakings. In 1990 BPE was made a full fledged Department of Public Enterprises and presently it is part of the Ministry of Heavy Industry and Public Enterprises. The Secretary of the Department of Heavy Industry also functions as the Secretary of the Department of Public Enterprises.

The organisational structure of the department, along with the allocation of functions, is set out below:

- (i) Finance Division – Wage policy, issues relating to Navratnas & Miniratnas, purchase preference, Annual Survey of PSEs, restructuring of sick PSUs, disinvestment, board level appointments, etc.
- (ii) Management Division – General management, policies of PSEs, performance appraisal of top executives, search committees for selecting part time directors, training and skill development of PSE executives, etc.
- (iii) MOU Division - Preparation of MOUs for 108 PSEs (150, if subsidiaries are also taken into account), through the mechanism of adhoc task forces (ATF)
- (iv) Permanent Machinery of Arbitration – consists of two Joint Secretary level officers (one position is vacant now) drawn from the Law Ministry, to ‘arbitrate’ on disputes between PSEs, so as to avoid costly litigation. The pre and post arbitration support is extended by the Finance Division.
- (v) Administration and Coordination Division: Budget, Parliament work, reservations, vigilance policies for PSEs, etc.

Except for arbitration matters all other areas come under the charge of the Joint Secretary, who in turn reports to Secretary (HI&PE).

The emphasis in the earlier years was more on controlling the functions of the PSEs and on securing a certain measure of uniformity in the approach to various issues, through an elaborate network of guidelines. With the recent change in the economic policy and the opening up of many sectors to competition, the role of the DPE has, out of necessity, to shift from the erstwhile control mode to that of a supportive role. To some extent this has already happened. In the last few years there has been a greater delegation of powers to PSEs resulting in the scrapping of nearly 700, out of the total of 900 guidelines. Even the remaining guidelines, numbering 196, need to be

constantly reviewed with the objective of delegating more powers to PSEs; thus enabling these to take business decisions quickly and without delay.

Equally importantly, it is also necessary to examine to what extent the functions now discharged by the DPE can be transferred to the administrative ministries. These functions were possibly vested in a “neutral” agency like the BPE/DPE on the presumption that an administrative ministry would adopt a soft approach towards its PSEs. If past experience is any guide, building such checks and balances has not been a very productive experience. Moreover in the emerging competitive scenario, it is necessary that the levels in decision making should be kept to the minimum. The functions now vested in the DPE would therefore merit indepth examination with the objective of transferring, as many of these as feasible, to the administrative ministry.

The task of preparing MOUs can as well be left to the concerned administrative ministries, which can take recourse to outside expertise, as the DPE itself is now doing through the mechanism of the ATF. Likewise, areas like performance appraisal of top executives, training and skill development of executives, constituting search committees for selecting panels of non-official directors etc. are also best left to the administrative ministries. In matters of restructuring of sick undertakings as well as joint venture formation or disinvestment, the administrative ministries can deal directly with the Department of Disinvestment. Preparation of the annual survey can be entrusted to SCOPE, an organisation in which all PSEs are members. In arbitration cases, the pre and post arbitration support can be extended by the concerned administrative ministries. In such an arrangement, the arbitrators can well be located in the Law Ministry.

Viewed this way, it will be sufficient if the DPE is vested with the task of monitoring compliance with a decreasing number of guidelines and some functions like wage policy, including pay revision at board and below board level. For this purpose, a small unit – Joint Secretary, supported by a Director (Finance), and two Deputy Directors with necessary support staff should be sufficient. The other positions in the Finance Division as also the Management Division, MOU Division and the Administration and Coordination Division can all be abolished. The small unit headed by the Joint Secretary can be made part of the Department of Heavy Industry and the Department of Public Enterprises abolished.