

# CHAPTER V

## MEMORANDUM OF UNDERSTANDING

### **1. DPE/Guidelines/V/1**

#### **Delegation of Powers to Public Sector Undertakings Signing Memoranda of Understanding with the Government.**

Government have been considering for quite some time the question of giving greater autonomy to the Public Sector Enterprises consistent with their accountability. As one of the measures to give greater autonomy to Public Sector Enterprises, Government have entered into Memoranda of Understanding with the number of Public Sector Enterprises. For the year 1988-89, MOUs have been signed with eleven Public Sector Undertakings (SAIL, ONGC, BHEL, NLC, Indian Airlines, Air India, HMT, HEC, MMTC, STC, MUL). More PSUs will be signing Memoranda of Understanding from 1989-90 onwards.

2. Government have decided to delegate enhanced financial and administrative powers to MOU signing companies as indicated below:

#### **(i) Wage Revision**

These enterprises can finalize wage revisions within the broad guidelines laid down by the BPE and if any enterprise proposes to give benefits beyond these guidelines prior approval of the Government should be obtained.

#### **(ii) Incentive Schemes**

Where Productivity Linked Incentive Schemes are in operation and the employees are also paid bonus under the provisions of the Bonus Act, there is an existing ceiling of 32% of both bonus and such incentives. MOU signing companies can evolve incentive schemes within the broad guidelines laid down by BPE subject to the condition that the total of bonus and incentive shall not exceed to the 35% of the wages.

#### **(iii) Voluntary Retirement Scheme**

A Voluntary Retirement Scheme applicable to all Public Sector Enterprises has separately been finalized and communicated to all Public Sector Enterprises. MOU signing companies are authorized to implement schemes of voluntary retirement even departing from the parameters of the model Voluntary Retirement Scheme provided the compensation to be paid can be found from the internal resources of the company.

#### **(iv) Transfer of Functional Directors**

At present Functional Directors are appointed with the approval of ACC against specific posts. MOU Signing companies shall have powers to transfer Functional Directors from one charge to another in consultation with the Secretary of the administrative Ministry and with the prior approval of the Minister.

**(v) Foreign Tours of Functional Directors**

At present foreign tours of CMDs as well as Functional Directors require prior approval of the administrative Ministry. It has now been decided that while the CMDs would continue to obtain the approval of Ministries for tours outside the country, the chief executives can authorise business visits abroad of Functional Directors.

3. If any company has already been delegated powers higher than what is mentioned in para 2 above, it will continue to exercise such higher powers.
4. Orders regarding enhanced financial powers to incur capital expenditure and expenditure in foreign exchange will be issued separately.

**(DPE O.M. No. BPE 1(18)/88-Fin. (PPU) dated 19th October, 1988)**

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