

CHAPTER II **PERSONNEL POLICIES**

(b) Composition of Board of Directors

2. DPE/Guidelines/II(b)/2

Inclusion of State Government representatives on the Boards of Directors of Public Enterprises.

The undersigned is directed to refer to this Ministry's O.M. No. 2(158)/70-BPE(GM) dated 13th October, 1972, on the composition of the Board of Directors of public enterprises wherein the broad principles which the administrative Ministries should follow in this respect, had been spelt out. This O.M. was silent on the question of nominating representatives of the State Government on the Board of Directors of the Central Public Enterprises.

2. The appointment of a representative of a State Government on the Board of Directors for the Central Public Enterprises has been pressed by a number of State Governments particularly by the states where major Public Enterprises are located. This issue is undoubtedly a very delicate matter involving the larger concept of Centre-State relationship. However, it is a fact that so long as the company is located in one State only, it would be desirable to have representative of the concerned State Government on the Board of Directors of the concerned enterprise. There are several matters particularly concerning law and order, industrial relations, State taxation, etc., where the representative of the State Government would provide useful input. In the case of multi-unit enterprises operating in many States, however, it would neither be desirable nor practicable to have a representative of the State Government from all States and it would be discriminatory to select only from a particular State. In other words, in such multi-unit enterprises, there is no need at present to include any representative of the State Government on the Board of Directors of the concerned enterprises.

3. In view of the delicate nature of the subject, the decision on the above lines is being brought to the notice of the administrative Ministries through this confidential circular.

(BPE O.M. No. 2(4)/75-BPE(GM-I) dated 22nd May, 1975)