

Privatisation

7.62 Through the decade of the 1990s, there has been an increasing consensus on the merits of privatisation. The aggregate balance sheet assets of all public sector companies amounts to roughly Rs.22 lakh crore, This suggests that relatively modest improvements in the efficiency of their functioning would have a significant impact upon GDP growth. Hence, policies on privatisation are an important component of policies for efficiency and productivity.

7.63 The privatisation process began in 1991-92 with sale of minority stakes in some

PSUs. From 1999-2000 onwards, the focus shifted to strategic sales. Table 7.22 highlights the actual disinvestment proceeds as compared with targets for the year.

7.64 Table 7.23 summarises the transactions which have taken place in 2002-03, which have given proceeds of Rs.3,342 crore.

7.65 One of the major concerns often expressed with respect to privatization is that with a transfer of management into private hands, the interest of employees might suffer. Government has chosen to put in requirements into the shareholder agreements, executed as a part of strategic

Table 7.22 : Disinvestment in public sector undertakings

Year	Target (Rs. crore)	Achievements (Rs. crore)
1991-92	2,500	3,038
1992-93	2,500	1,913
1993-94	3,500	-
1994-95	4,000	4,843
1995-96	7,000	362
1996-97	5,000	380
1997-98	4,800	902
1998-99	5,000	5,371
1999-00	10,000	1,829
2000-01	10,000	1,869
2001-02	12,000	5,632#
2002-03	12,000	3,342@

Figures inclusive of amount realized by way of control premium, dividend/dividend tax and transfer of surplus cash reserves prior to disinvestment etc.
@ Till 31.1.2003.
Source : Ministry of Disinvestment.

Table 7.23 : Disinvestment proceeds during 2002-03

Sl. No.	Name of PSUs	Percentage of equity disinvested (Percent)	Proceeds realised/ to be realized (Rs. crore)
1	Hindustan Zinc Ltd.	26	445
2	Maruti Udyog Ltd.	4.2*	1,000
3	IPCL	26	1,491
4	Modern Food Industries (India) Ltd.	26	44
5	Indian Tourism Development Corporation-(Ten hotels)	100	273
6	Hotel Corporation of India-One Hotel	100	83
7	Hindustan Zinc Ltd.	1.46	6
Total			3342@

* 4.2 percent reduction from 49.74 through rights offer renunciation and Control premium. @ Till January 31, 2003.
Source: Ministry of Disinvestment.

sales, to ensure that there is no retrenchment of employees at least for a period of one year after privatisation, and even thereafter, retrenchment to be possible only under the Voluntary Retirement Scheme (VRS) as applicable under Department of Public Enterprises (DPE) guidelines or the Voluntary Separation Scheme, which was prevailing in the company prior to disinvestments, whichever is more beneficial for the employee. These provisions have been included to enhance employees welfare.

7.66 It is interesting to note that while much is made of the likely adverse impact of disinvestments on employment, in fact, over the last 10 years, as reported by the PSE Survey 2000-01, public sector undertakings have seen a net reduction in employment from a level of 2,179 million employees in 1991-92 to a level of 1,742 million in 2000-01, or a reduction of 20 percent over this period. Till March 31, 2001, 3.69 lakh employees had opted for VRS. In comparison, the retrenchment of employees after disinvestment has been marginal.

7.67 In eight disinvested PSUs and five disinvested ITDC Hotels, against an initial employee strength of 27,967 at the time of disinvestments, only 2,119 employees were retrenched through VRS, and another 910 for other reasons. As against a total of 3,029 post disinvestment separations, 855 fresh appointments have been made resulting in a net reduction of 2,174 employees or about 7.8 percent employees, compared to the employment level at the time of disinvestments.

7.68 The current direction of privatisation policy is summarised in a suo-motu statement laid in both the Houses of Parliament on December 9, 2002, Government has announced its policy that the main objective of disinvestment is to put national resources and assets to optimal use and in particular to unleash the productive

potential inherent in our public sector enterprises. The policy disinvestment specifically aimed at :

- (i) Modernization and upgradation of Public Sector Enterprises,
- (ii) Creation of new assets,
- (iii) Generation of employment,
- (iv) Retiring of public debt.
- (v) To ensure that disinvestment does not result in alienation of national assets, which, through the process of disinvestment, remain where they are. It will also ensure that disinvestment does not result in private monopolies.
- (vi) Setting up a Disinvestment Proceeds Fund.
- (vii) Formulating the guidelines for the disinvestment of natural asset companies,
- (viii) Preparing a paper on the feasibility and modalities of setting up Asset Management Company to hold, manage and dispose the residual holding of the Government in the companies in which Government equity has been disinvested to a strategic partner.
- (ix) Government is taking the following specific decisions:
 - (a) To disinvest through sale of shares to the public in Bharat Petroleum Corporation Limited (BPCL);
 - (b) To disinvest in Hindustan Petroleum Corporation Limited (HPCL) through strategic sale.
 - (c) To allot, in both cases of BPCL and HPCL, a specific percentage of shares to the employees of the two companies at a concessional price.