POLICY
STATEMENT
ON

PRIVATISATION & INDUSTRIAL SICKNESS

ADOPTED AT THE
GENERAL COUNCIL MEETING

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ON PRIVATISATION

Privatisation happens to be one of the major planks of the so-called economic reforms being carried on by the Government of India as per conditionalities of World Bank and IMF. The entire policy measures the Government of India have been to generate conditions for privatisation and dilution of the Governmental ownership and control even for those units who are even otherwise economically viable and profitable.

1.0 PRIVATISATION: VARIOUS FACETS

1.1 The strategy adopted in the policy of Government of India is broadly three pronged. First, pushing the sick units towards privatisation and/or closure and liquidation via BIFR mechanism; secondly, disinvestment of shares in profitable PSUs and utilisation of the proceeds to bridge the the fiscal deficit and thirdly, gradual offloading to contractors a big portion of work so long done departmentally by permanent workers. whose pace has increased manifold during last Four years.

1.2 In case of sick units, Govt pleads inability to provide funds for revival on ground of resource crunch. In case of disinvestment of shares of profitable PSUs their argument is to mop up fund for financing "development activities" in other fields although the sale proceeds are basically used for bridging the fiscal deficit. Reduction of regular jobs and handing over them to contractors in the name of increasing the competitive capacity of the public sector units has become a major thrust in the policy package.

2.0. SICKNESS/BIFR ROUTE

2.1 So far as the sickness - BIFR route of privatisation is concerned, govt acted quite fast in declaring more than 60 public sector enterprises as sick soon after declaration of New Economic Policy. Of them 47 sick units have already been referred to BIFR. In most of the cases the Govt of India's representative in the BIFR sessions flatly refused to act as a promoter and hence refused to undertake any financial responsibility for the revival/modernisation of the sick units. Added to this was that as soon as a sick PSU is referred to BIFR, its credit line from the govt owned financial institutions and banks gets cut off thus completely crippling down the sick units, debarring it from using its existing manufacturing/production capacity and earning at least a part of its running cost.

2.2 Discrimination in respect of government orders to PSUs is not limited to sick PSUs alone. Even in respect of well-run PSUs also, government departments are pursuing a negative approach in the matter of orders. Many PSUs which were once established only for feeding the government departments or govt run establishments such as wagon-building, refractory, telecom, MAMC, electronic, engineering etc, are now facing a volte face from the concerned government departments and establishments, which are now switching over to imports or multinational companies. And such an approach towards revival of sick PSUs define the hell-bent attitude of the government of India to privatise and/or close down the sick PSUs and creating condition even for the non-sick units to become sick, to place them in the privatisation route.

2.3 The plea of resource-crunch being made by the Government of India for their refusal to fund the revival scheme of the sick PSUs in most of the cases also does not hold good. If the total time consumed by the process of bungling by the govt representative in the BIFR session and the time consuming mechanism of BIFR in respect of any particular sick PSU is taken into consideration alongwith the money spent on idle wages for the workers of the concerned PSU together with other establishment expenses, and the minimum fund needed for the revival of that particular unit is weighed alongwith, it would be crystal clear that, the governmental intention to do away with the sick PSUs and not the resource crunch is the villain for the present malady of sick units made to be destined for privatisation or closure.

3.0 DISINVESTMENT

3.1 The new industrial policy statement of 1991 declared governmental decision for disinvestment of selected public sector shares to the tune of 20% stated to be for mopping up additional resources and encouraging wider public participation in PSU. Accordingly, during 1991-92, 5% to 20% of the equity in 31 PSUs was placed for disinvestment in two phases.

3.2 During 1991-92, total number of PSU shares disinvested constitute 8% of the total Government holding in 30 PSUs and Rs 30,380 million was procured. During 1992-93 govt could mobilise only Rs 19120 millions (Rs.1912 Crores) by disinvesting around 5% shares of 16 enterprises. In 1993-94, government's effort to disinvest shares did not receive much response. In 1994-95, however, the government of India could net around Rs 40,000 million(Rs.4000 crores) through disinvestment of 2 to 20% shares of five companies which included three oil companies, one in steel and another in fertilizer.

3.3 Pricing of PSU shares offered for disinvestment and bundling of shares with a proper mix of different strata of companies in terms of performance attracted severe criticism from all corners owing to scandalous exposure of the entire disinvestment exercises by the top bureaucrats in the concerned ministries. The entire exercise was authored by the concerned officials at the helm to benefit the pre-arranged buyers and other players in the market and not the government exchequer. The Comptroller and Auditor General of India(CAG) had to come out with stringent criticism and estimated that the under-realisation of money from the sale of PSU shares during 1991, and 1992 alone was a hovering Rs 34417 million (Rs.3441.7 Crores) and such amount almost trebled during next two instalments of disinvestment.

3.4 A more recent study, made by Parliamentary Standings Committee of Industry, estimated a loss of Rs 10,000 crores (Rs one lakh million) to national exchequer in disinvestment exercise in PSU shares carried on by the Government of India till 1994-95. This shows that even the stringent observation of CAG on PSU share disinvestment during 1991-92 could not deter the recalcitrant officials in the helm of the govt in their hell-bent exercise of passing on public wealth to private hands in the process of disinvestment. Not only that, the Parliamentary Standing Committee, of course dominated in terms of number by the representatives of the ruling party has also questioned the very procedure adopted for disinvestment and use of the fund generated therefrom which is exclusively used to sustain government's current expenditure instead of reinvesting the same for modernisation and upgradation of PSUs. The Public Accounts Committee also in its recent observation expressed dissatisfaction over government's inaction on the recommendation made by PAC on action to be taken on the basis of CAG's exposure on disinvestment scam. It is but natural that the Govt of India has tendered a deaf ear to all such recommendations and observations since govt has already committed itself to dismantling the whole PSU network infavour and to the advantage of monopoly and foreign capital and the Parliamentary Committees could not persuade them away from the dictum of their Fund/Bank masters. The profile of the out flow of PSU shares in the process of disinvestment shows that the major foreign institutional investors evinced much interest on PSU disinvestment and as revealed in 'Public Enterprise Survey 1993-94, companies like M/s Morgan Stanley, Jaguar Fund, Jardine Fleming, Commonwealth Equity Fund, Fledgling Nominees International Ltd, Barclays Wedd Investment Mangement Ltd etc are among the successful bidders for public sector shares.

4.0 CONTRACTERISATION

Another route of privatisation of PSUs, i.e. the process of contraterisation and off-loading of permanent areas of work to contract system remains to be a continuing phenomenon in the PSUs since long. Notable is that the said process gained momentum with the initiation of the new policy regime. As on the date in the major public sector industries like steel, coal, BHEL, Railways, number of contract workers swelled phenomenally during the period in a big way. In public sector steel industry employing around two lakh permanent workers, the number of contract workers reached to a figure over 80 thousand In coal industry also employing 7 lakh permanent workforce, the strength of contract workers both direct and indirect crossed the figure in terms of lakhs. In many of the central PSUs jobs being done departmentally since long is being handed over to contractor and a plea is being made everywhere that in a competitive atmosphere, contracterisation is one of the possible means to economise on cost.

5.0 DIRECT SELL-OUT

Besides above privatisation effort by the Government has also taken the route of direct sell out of PSU units on various pretexts. The effort taken by the Government of India to privatise Indian Iron & Steel Co (IISCO) is one such example where an integrated steel company with its huge assets valuing to the tune of Rs 12000/- crores was sought to be handed over practically in exchange of Rs 120 crores. Plea taken by the Govt. of India was that the steel plant needs urgent modernisation and govt did not have the required fund for the same. The govt failed to see or refused to see the huge assets possessed by the concerned unit, if utilised judiciously, can itself provide for necessary resource for modernisation. However owing to united opposition of the trade Union movement, such move of privatisation of IISCO could not yet materilaise. Recently the Union Steel Ministry has made a move to privatise one of the profit making iron-ore mines under NMDC producing high quality iron ore at Bailadila of Madhya Pradesh, and hand over the mine (deposit II/B) to Nippon Dendro Ispat Ltd.

6.0 POLICIES TUNED FOR PRIVATISATION

6.1 Side by side with direct move of privatising the public sector units, the policy measures of the government of India are being so designed as to create condition for the public sector units to become unviable. In the face of stiff and united opposition against privatisation of financial sectors, the government of India has taken such measures as to allow unhindered entry of foreign and monopoly capital in the financial sector like Banking, Insurance and the like. The recommendation of Malhotra and Narasimham Committees on the financial sector reforms underline the strategy of the Government of India on privatisation of the financial sector operation.

6.2 Particularly many of the multinational Banking and insurance companies who are showing keen interest on the potential of the Indian market are having much larger financial capability and turnover even more than the size of annual budget of many nation-states. Their unhindered entry and concessions and liberties proposed to be granted to them would definitely pose a palpable threat to the existence and viability of the Public Sector Banking, Insurance and Financial Institutions. And it must be noted that the real impact of privatisation of the financial sector is not only limited to the particular sector but also extends to the development of the economy as whole.

6.3 Same is the case with Airline operation and the 'open sky policy' adopted by the Government of India allowed private operators in Air transport service, in advantageous terms thereby creating tremendous pressure on the economy of Indian Airlines and Air India. Public Sector Indian Airlines has to operate also on uneconomic loss making routes whereas those private operators have no such compulsion.

6.4 Similarly conditionalities laid down by the Govt of India for private participation in the telecom sector are so designed as to make it a compulsion even for the aspirant indigenous companies to collaborate with multinational companies, and ensure total grip of the multinational companies on the major part of our telecom operation, with Indian companies as their junior partner. Privatisation drive by the Govt of India in the strategically sensitive telecom sector is in fact directed towards foreignisation or transnationalisation of the sector having severe ramification on the defence and security of the country.

6.5 The essence of the Governmental strategy in this respect is to make the PSU compete with unequal terms given the social responsibilities they have to undertake as a PSU, with the private and foreign capital, and get into difficulties affecting their economy and financial effeciency.

7.0 PRIVATISATION : STATE OWNED UNDERTAKINGS.

The anti-PSU policy being pursued by the Government of India is also having its impact on the future and economy of the state owned undertakings and institutions. Besides the over - all influence of the Central Government Policy on public sector, the new economic policy of Government of India has left the State Governments with greater financial constraints. As per new policy of so-called liberalisation, much of the responsibilities of social welfare and infrastructure, so long jointly shouldered by both state and Centre have been thrown upon the State Governments. But devolution of responsibility over the State Govt was not matched with similar devolution of financial powers and hence the states are left-with dried up condition. Many of the State owned undertakings and institutions numbering about 875 are facing move of privatisation by the respective State governments. Power sector have been in the front-line of such move, several generating centres of State electricity boards are being sought to be handed over to the private hands in the states. Efforts are on also in various states to privatise the State owned Transport Service and also the professional education institutes. In this process, many State owned units having potential to operate profitably have been sought to be privatised. The move of the UP Govt in privatising UPTRON Colour TV unit at Ghaziabad and the State owned cement industry are the examples of such move where both the industry possess potential to operate profitabily.

8.0 PRIVATISATION : AN INTEGRAL PART OF NEP

8.1 The whole gamut of privatisation move, if analysed in proper perspective would reveal that it is not the financial crunch being faced by the Government that is leading to such privatisation move. The privatisation is an integral part of the New Economic policy introduced by Govt. of India in 1991 as per design of World Bank and IMF and is backed by the same philosophy of 'Minimum or No Government' role in economic activity. In fact throughout eighties at the agies of World bank and IMF this theory of 'Minimum or No Government' role in economic activity has been practised in various countries of the World.

8.2 Privatisation has already become an international phenomenon, being triggered off as an integral part of structural adjustment programme (SAP) piloted by World Bank/IMF and other international agencies of transnational capital. It is also guided by the false concept of the capitalist class that benefit of Scientific and Technological Revolution cannot be harnessed to the fullest extent through public sector mechanism.

8.3 It is not unnatural then that the Rangarajan Committee chaired by C Rangarajan, then Governor of Reserve bank of India recommended that Equity disinvestment in general should be under 49% in industries reserved for public sector and over 74% in other cases. The committee recommended in specific terms that the foreign investor and non-resident Indians should also be allowed same terms and considerations as Indians for purchasing PSU shares.

8.4 Alongwith, this the areas reserved for public sector have been drastically pruned and the list of industries exclusively reserved for public sector has been scaled down from 29 to only eight. And even in many of those eight industries still kept reserved for public sector, like Coal, Iron-ore mining, Copper mining, Railway Transport etc, substantial portion of the operation have also been thrown for privatisaiton through mass-scale contracterisation and farming out of jobs to outside agencies.

8.5 All these changes, alongwith changes and amendments in Company's Act, Sick Industries Companies Act, MRTP and FERA legislations are all directed inter alia towards creating conditions for complete dismantlement of Public Sector net work of the country, which inspite of all its limitations represent whatever strength the Indian Economy possesses. And instead of venturing genuine reform to free the PSUs from those limitations through freeing them from violent political and bureaucratic interference freeing the management from the dominance of feudal culture in functioning, generating purpose-oritentedness in management and introducing strictest system of Accountability and re-orienting trade and fiscal policy suitably for public sector development democratising management of PSU s and ensuring workers participation in management at all levels on equal terms and the like, such steps are being taken by the govt of India that too in the name of reform as would push them to further endemic difficulties.

9.0 PRIVATISATION VIS-A-VIS EMPLOYMENT

9.1 The spokesmen of the new policy argue that privatisation of PSU and increased private participation would be synonymous with increase in efficiency and economic growth and would generate greater employment. The balance sheet of private sector operation does not at all subscribe to this optimistic note of the govt spokesmen regarding private ector's role in employment generation and economic growth. During the two decades period from 1970 to 1991, the employment growth rate in organised sector was all along much higher in public sector at 2.9% whereas in private sector it was only 0.7% (CMIE report 1992 August) Profit minted by the private sector during the same period was much higher, which had little contribution towards over all economic well being of the country. As per observation of World Bank(World Bank Report

1991), average pre-tax profit in Indian Private Sector Companies is around 20% against a mere 4 percent in South Korea. This is inspite of the fact that Indian Labour productivity lagged much behind during the concerned period.

9.2 It is not without any reason that the Parliamentary Standing Committee on Industry has raised an alarm while criticising the Government for ignoring the 'link between capital formation and employment generation' and has warned of a scenario where large number of workers would face retrenchment while employment generation in newly organised industries may be only marginal. Such an observation regarding future prospect of employment generation in the new privatisation-oriented economic regime made by the Parliamentary Standing Committee is further substantiated by the observation of Federation of Indian Chambers' of Commerce and Industry (FICCI) and All India organisation of Employers (AIOE) in a study paper presented by them for Joint Consultation with Central Trade Unions on Employment generation. The said paper presented by FICCI / AIOE, in the background of New Economic regime could find only rural / agricultural Sector to be the source of further employment generation and not the industrial sector. Above position can well exemplify the bleak employment generation potential of the New Economic policy of Govt of India standing on the Pillars of privatisation and withdrawal of Government from economic activity and this also leads one to the conclusion as to what state of situation the Privatisation effort of the Central Govt. would lead the economy to.

9.3 Probable immediate impact of large scale privatisation on Employment in the background of Govt's frantic effort to further liberalise the labour-related legislation can be guessed from the observation of Shri S. Venkataratnam of International Management Institute made in his paper on Adjustment thorugh privatisation. Shri Venkataratnam observed that, "if 20% of the workforce is considered surplus in organised sector, it could mean a loss of five million (fifty lakhs) jobs over 26 million. If the job loss is considered to be restricted to manufacturing sector alone it could mean a loss of 2.4 million (24 lakhs) out of total 12million". The position is further clarified by the main proponent of the New Economic policy himself. Dr. Manmohan Singh, Finance Minister of India clarified before a group of labour Economists that "the traditional approach to Labour of providing the workers the maximum security in terms of employment and wages was not workable in the given situation" (Business and political Observer 13-1-95).

10.0 BOGEY OF INEFFICIENCY RAISED AGAINST PSUS

10.1 Inefficiency of operation of the public sector industries, reflected in terms of losses, block of funds, inadequate turnover, heavy indebtedness etc are often being cited as arguments to justify the privatisation move of PSUs with a projection that elimination of PSUs would be move congenial for Economic growth. Irony is that it is the same set or sets of people in the governance and bureaucracy, who have been at helm in different ministries and ruling party and exercised power of governing the entire public sector network. Now they, instead of taking concrete steps for identifying the root cause of malfunctioning of PSUs and the remedial measures became agile to eliminate the PSUs as a whole.

10.2 In Indian context in particular, what is to be understood is that, if the development is to cover fairly wide section of populace, it cannot be achieved without state's active intervention in economic sphere and without the public sector set up. Rather elimination of public sector from vital areas of industrial operation and infrastructural area would further aggravate inequality and distortion in the society which already existed due to erroneous governance and erroneous prioritisation in economic sphere. What is required is to address the problem more objectively and prioritise on measures to generate purchasing power among the mass of the people languishing below poverty line, on the one hand and strengthen the public sector net work on the other by revamping its management in all aspect instead of handing over the entire economy to monopoly houses and foreign capital.

10.3 At the same time, the trade union movement, while exposing the erroneous policy of Govt. of India in respect of Public Sector, cannot afford to ignore the question of serious malfunctioning and mismanagement of various PSUs. The T.U. movement must take up more vigorously the issue of effective and efficient management of public sector units and stoppage of coorrupt practice etc. as a part of the struggle against privatisaiton and in defence of public sector.

And such taking up should not be limited to exposure of mismanagement and inefficiency and corruption alone but concrete alternatives have to be put forward by the TU movement on all aspects of PSU management such as financial Management, ways and means of generation of resources other than 'short-cut' methods of disinvestment, full capacity utilisation and raising of input productivity reduction of waste and rejection, reduction of unproductive expenditures, proper management and disposal of non performing assets etc. Such exercises for alternatives have to be carried on industry/unit wise, which require good amount of self introspection as well. As such the whole issue of revamping public sector management and raising its effeciency have to made one of the major agendas of the trade union movement against privatisation.

11.0 STRUGGLE AGAINST PRIVATISATION

11.1 The entire trade union movement has been consistently opposing the privatisation efforts of Govt of India and such opposition got reflected in numerous agitation and struggle both at micro and macro level. It is because of the said struggle inspite of frantic effort of the govt of India not a single public sector unit could be privatised as yet (although winding up orders have been issued by BIFR for a few PSUs which were again stalled by court order).

11.2 Against privatization, movement at the enterprise level has attained a new dimension with the executive and, technocrats gradually joining in the anti-privatisation struggle along with the workers.

11.3 In many of the sick PSUs awaiting privatisation alternative revival packages could be developed and pursued jointly by the officers and the workers, which has given the movement an added strength. Not only that, the antiprivatisation struggle also has drawn even the INTUC and BMS unions in the united action at enterprise level and in some cases also in the national level action programmes. Struggle against sickness and privatisation has created a new awareness regarding the real face of the New Economic policy of the Govt even among those section who were otherwise kept themselves away from united struggle. Inspite of many limitations, the broadening of unity in the struggle against privatisation and consistent effort of the trade union movement, could in some PSUs, reverse the stand taken by the govt not to act as a promoter. The case of Scooter India, Braithwaite etc. could be cited as examples.

12.0 ISSUES BEFORE THE MOVEMENT

12.1 The situation arising out of the Privatisation move of the Govt of India, and the anti-privatisation struggle have brought forth certain question and problems as well before the movement which need to be addressed.

12.2 The trade union movement against contracterisation and in defence of the contract workers' rights and interest have also brought forth certain issues, before the whole movement. Organising the controct workers and the struggle in defence of their rights and interests, for better wages and basic social security measures, and struggle for absorption of contract workers engaged in permanent areas of work, should be considered to be the integral part of our movement against contracterisation. It is the experience of the past movements that wherever in an enterprise the movement of permanent workers takes initiative to organise the contract workers also, and both the movement develops in proper harmony, effective resistance against contracterisation can develop. Moreover it is also seen that in an enterprise, where permanent workers movement are ill organised or not strong enough, the contract workers movement however organised it may be, do not yield much result and it becomes difficult to sustain. In CITU activities in many enterprises, two extreme trends are noticed; either the contract workers issues are totally neglected by permanent workers, or we concentrate on contract workers movement neglecting the organisa_tional work among permanent workers. Both the trends are not congenial for proper growth of organsation and the movement and cannot pose an effective challenge against contracterisation in PSUs.

12.3 In the process of disinvesting PSU shares, Govt has decided to disinvest some shares to the workers of the concerned unit at concessional price in order to make the workers a party to their game of disinvestment and blunt the edge of the opposition of the T.U.movement. In many undertakings, the management arranged to provide for interest-free loans recoverable in easy installments for the workers willing to purchase company's shares. Fact remains that the trade union movement inspite of its firm opposition to the disinvestment of PSU shares failed to prevent a substantial section of workers of PSUs from getting swayed away by offer of PSU shares to them. This is true even in respect of the members of CITU union. Not only the general members, even among leadership level comrades of many CITU unions vascillation was there in firmly opposing the move and exposing the real face of the Govt's plan to offer PSU shares to the workers. Such a situation demonstrates severe shortcomings in our effort to educate even our union level leadership, not to speak of common members.

12.4 The disinvestment process has brought another debate to fore. Even within public sector trade union movement an opinion has sought to surface among a section of PSU unions, that unions should demand allotment of atleast 26% shares of the particular PSU to its workers and if such allotment is made then the workers would have definite say on the policy issues and can influence the events. Proponents of such ideas fail to see that in present day society equity participation by the workers even to the tune of 26% cannot ensure workers' decesive say in Governmental policy decision regarding PSUs. Moreover shares allotted to workers would not remain with the workers indefinitely and would ultimately flow to the hands of private and foreign capital given the prevailing inflationary situation. Proponents of such idea of controlling PSUs through workers participation, indirectly and may be unknowingly become a victim of the game plan of disinvestment.

12.5 From some section, ideas are also being mooted particularly in respect of the sick PSUs facing privatisation threat, that workers' Co-operative may be a viable alternative to save a sick unit from liquidation. Such ideologues also fail to see or realise the root cause of sickness of the industry and Government's proactive policy to turn them further sick by blocking all avenues of their survival and such units cannot be revived unless govt policy in respect of those units is reversed. Workers Co-operative cannot become an alternative for survival of sick industrial unit be it private or public sector. It is not mere the question ownership or management of the concerned unit that relates to the question of survival or revival of a sick unit, it is also the question of necessary investment, funds for modernisation, and proper backing from Govt policy for its viable operation and many other factors which determine the prospect of survival. Workers' Cooperative cannot offer solution particularly in the capital intensive sectors, as is the case of most of PSUs, and idea of Cooperative is nothing but an exercise of futility besides helping the govt and the employers class to push through their move by diluting the opposition of working class movement.

12.6 The struggle against New Economic Policy of Govt of India has led to forging broader unity in the trade union movement, as well as between the workers, employees, and the executives, in the industry and services. It could to a comparatively better extent raise the conciousness of the workers beyond the movement for economic demands only to struggle on policy issues. Through the struggle could act in slowing down the process of privatisation to some extent, the movement is yet to gain such height in terms of its coverage depth and strength as can reverse and/or defeat the process altogether. That is why inspite of the present opposition from the trade union movement, the same policy is being pursued by the Govt and owing to such situation revival of sick units and saving the jobs of lakhs of the workers in those units have been blocked by Govt's arrogant refusal to act as promoter. In many cases workers are not getting salary regularly. Such a situation is continuing since long and has started creating a notion among many of us as if no alternative remains, other than privatisation. Sometimes even private buyers are not coming up, even after advertisement by Operating Agency appointed by BIFR. Ideas also surfaced within our movement, as to whether review of our outright opposition to privatisation is necessary or we should adopt a mean path.

12.7 Similar situation becomes more problematic, in case of state owned industrial units suffering from endemic sickness, and state governments, owing to the biased policy of central govt are facing acute resource crunch and fail to pump required fund for revival of those state owned units. What stand the trade unions should take in case of state government's move for privatisation of those units is often the question, posed from different quarters within the trade union movement.

12.8 To get the correct answers to these questions, it must be understood that,New Economic policies of Govt of India is nothing particularly Indian but it is a part of the global design being pursued by the World bank and IMF, which gained momentum owing to unipolarity of world, consequent upon collapse of socialist regimes in Soviet Union and East Europe. India's economic relations with them had great bearing on Indian Economy. It must also be understood, the crisis in the Indian Economy in the background of which the Fund / Bank authored policy is being sought to be translated by the Govt of India is the result of the pursuance of the capitalist path of development being pursued by the Indian rulers since independence, and the whole problem has got its bearing with the capitalist system as such, which would continue to remain crisis-prone althrough, ofcourse with varying intensity. In course of our struggle against these policies, the working class msut be made conscious of the basic fact, so that, in the process of struggle, working class comes again and againm face to face with capitalist path of development and the capitalism itself, as the main obstacle to their advance. Hence struggle against such policy has to be a prolonged one and needs to be broadened further in terms of unity and working class consciousness much beyond its present horizon. Therefore, all out opposition to all the facets of this New Economic policy including Privatisation has to be carried forward and message of such opposition has to be taken to grass root level. Industry wise or unit wise struggles against privatisation have to be integrated with nation wide struggle against the policies. There is no scope for dilution of our principled opposition to general move of privatisation. May be considering specificity and peculiarity of situation some sections of the movement may have made compromise on certain aspect relating only to such specific situation but such compromise should be considered more a weakness rather than strength of the overall movement and can no way be generalised and considered to be the general stand of the trade union movement.

ON INDUSTRIAL SICKNESS

1.0 Industrial development is a continuous process and can be ensured by constantly revolutionising the forces of production and utilising the benefits of Scientific and Technological Revolutions. To keep an industrial unit economically productive on sustained basis, it is necessary to upgrade it continuously by implementing the newly discovered process of production and switching on to new products. Those units with obsolete technology or whose products no longer attract the consumers are bound to face sickness. Therefore, technological upgradation, modenrisation and diversification of products are some the most important pre-conditions to avoid industrial sickness. However, these are internal factors. There are external factors as well.

2.0 The most important external factor is the economic and industrial polices of the Government of the country. Sudden ill-conceived changes in the policy of the Government in the matters of import or export, customs or excise duties and on top of all, opening the core sectors of the industry to indigenous and foreign monopoly capital and extending liberal concessions to these forces and imposing uneven market competition on the industries already suffering from technological obsolesence are major external factors which bring industrial sickness.

3.0 Industrial sickness came into focus as a serious problem in our country in 1970. The Industrial Reconstruction Corporation of India (IRCI) was formed by the Central Governmnet in 1971 which was converted into Industrial Reconstruction Bank of India in 1984 and formation of such other Financial Institutions followed. With the aggravation of the problem the Board for Industrial and Financial Reconstruction (BIFR) was formed and the same became operational from 15th May 1987.

4.0 The entire gamut of industrial sickness cannot be put under a single category. The problem has several distinct features. The Government's attitude and policy towards industrial sickness has undergone sea change after the introduction of NEP. Again sickness in private sector and public sector has got distinct uncommon features and implications.

5.0 DIFFERENT FEATURES

5.1 Sickness in private sector which constitutes the lion's share of the whole issue is largely due to dishonest means practiced solely out of proft motive. The private entrepreneurs shift capital and assets to more profitable ventures thereby turning a particular unit sick and then obtain relief, concessions and fresh fund from the Banks and FIs. A report of the BIFR has noted, "Many sick units belong to the large industrial houses. These houses have numerous other units which are healthy and have considerable resources." It further went on to say, "We have noticed numerous instances where hundreds of crores of rupees of banks and institutional funds are locked up in sick units of such industrial houses while simultaneously the FIs sanction and finance new projects, entailing very large outlays by them. Thus Mr. R. Ganapati, the former Chairman of BIFR once remarked,"Industrial sickness has become a profitable business to the private entrepreneurs."

5.2 The Government have not only failed to take necessary action against such criminal act of the industrial houses but have practically sided with them and further have joined in the orchestrated villification campaign against the trade unions and workers in attributing responsibility for the sickness.

6.0 NEP AND SICKNESS

6.1 With the introduction of Fund/Bank prescribed economic policy by the Central Government the issue of industrial sickness has attained several new dangerous dimensions. Prior to this the Government at least used to talk of rehabilitating the sick units due to pressure of the T.U. Movement. But now they have adopted a policy to close down such units. Moreover the public sector has been brought under the jurisdiction of BIFR with the purpose of facilitating closure of so called sick PSUs. It may be noted that during the debate in Parliament while enacting SICA, to a suggestion to bring the public sector under the purview of the Act the Government said, "the government itself will be the BIFR so far as public sector is conerned."

6.2 In May, 1993 the Government constituted a committee headed by Dr.Omkar Goswami to suggest steps to deal with the sick units. The committee submitted its report to the Government on July 13, 1993 recommending wide-ranging measures against the interest of the workers and sick units. Noteworthy is the fact that no Government appointed committee submits report so hurriedly.

6.3 The recommendations, inter-alia, were to declare unit sick for default of 180 days on repayment to term lending institutions, irregularities in cash credit on working capital for 180 days, grant permission to secured creditors to move High Courts or Recovery Tribunals, rapid winding-up and quick sale and distribution of the assets of sick units. As per the committee, BIFR should act as a fast-tract agency and occasionally as arbitrator and Section 25(0) of I D Act should be deleted so that no prior permission for retrenchment from the appropriate governments is required to be obtained.

7.0 DEFINITION AND CAUSES

7.1 Sick Industry is deffned as per provision of Sick Industrial Companies (Special Provisions) Act, 1985 which has been amended in December 1993. This is for non SSI units. For SSI units, it is defined as per the definition formulated by the Development Commissioner for Small Scale Industries. On the other hand RBI has its own defined norms to identify sick units. Further RBI also classify non-SSI weak units. The parameters applied for defining sick units by these agencies are not free of defects and suffer from various deficiencies. They only consider the financial aspect and neglect other various technical aspects.

7.2 As per report of banks quoted in a Labour Ministry presentation on the reasons of sickness in 2349 non-SSI sick/weak units, 67.1 per cent is due to deficiency in managmeent, 7.5 per cent is due to fall in demand and 25.4 per cent is due to reasons like power shortage, non-availability of raw-materials, financial bottlenecks, change in Government policy etc.

7.3 The Reserve bank observed, "that major causes of sickness are obsolescence of plant and machinery,lack of managerial skill, shortcomings in project planning and implementation at the initial stage and delay in financing."

7.4 The main causes of sickness in the public sector are wrong policies of the Governmnet, lack of democratic functioning, uncalled for bureaucratic interference, inefficient, corrupt management practices causing serious damage to production and productivity.

7.5 Most of the sick public sector units suffer from Technological obsolescence and very low per capita capital investmeent. According to Labour Ministry report, per employee capital employed in the sick CPSUs is Rs. 13,093.00 only as against about Rupees one crore or even more in the modern industries. These are all very important factors which must be taken into consideration while discussing sickness in public sector.

7.6 It is to be noted that under the NEP steps taken by the Govt. granting concessions to MNCs to capture our market allowing them heavy exemption in duties and imposing extra duties on indigenous products, refusing orders to our PSUs, reckless imports etc. are causes of alarming increase in sickness.

8.0 MAGNITUDE OF THE PROBLEM

8.1 The data on industrial sickness is compiled by the Reserve Bank of India on behalf of the Government. The available data from the RBI source is absolutely outdated and also suffers from limitations. As per RBI, upto September, 1992 total number of sick and weak units was 2,35,868.

8.2 However, according to the Survey Report of the Federation of Indian Chambers of Commerce and Industry (FICCI) around 3 lakh units as on March '94 are sick or weak. Total assets including plant, machinery and outstanding Bank loans locked up with these sick or weak units as on March '94 has been estimated at Rs.50,000 crores. The outstanding Bank loan alone is Rs.15,000 crores. However it is important to note that actual number of sick units in the country would be much above even the survey report of FICCI. Because the Economic Survey for 1991-92 recored the total number of sick/ weak units 2,21,097 as at the end of March, 1990 which was exclusive of 1,25,571 SSI sick units which were reportedly not traceable or not in existence.

8.3 All the abuses to and maligning of the public sector by the Government and operators of the private sector not withstnading, 81 per cent of the sick or weak large and medium-scale sick units have been in private sector accounting for 72.7 per cent of the total outstanding Bank credit to the non-SSI sick or weak units.

8.4 The SSI account for around 50 per cent of our export earnings. Regarding providing employment, as per Government Handbook on Statistics, 1992, 52.4 per cent employees in the manufacturing sector belong to the SSI.

8.5 This sector has been hit hard by the NEP due to withdrawal of all protections on account of duties and taxes. The result has been that now 99 per cent of the total sick or weak units are in SSI sector. However, according to RBI data the outstanding Bank credit with sick / weak SSI units accounts for only 26.6 per cent as on September 1992.

9.0 THE SICK UNITS WITH BIFR

9.1 As per figure available upto 30th September '94 total number of sick units referred to BIFR was 2207 out of which 1602 cases have been registered. In 603 cases of sickness, registration has been denied on technical ground. Out of the total registered cases, for 463 units revival schemes have been drawn but not implemented fully and for 343 cases winding up has been recommended. Rest of the cases are awaiting disposal. Since 1990 the registered cases of sick units with BIFR has increased from 962 to 1639 upto December 1994. In 1994 alone 193 cases have been registered as sick units which constitute an increase of 27 per cent from the pevious year.

9.2 Of the total cases of sick units registered with BIFR since 1987, Maharashtra topped the list with 261 cases, next Andhra Pradesh with 190 cases and third is West Bengal with 159 cases. However, during the single year of 1994 Uttar Pradesh registered 25 cases, Tamil Nadu 18 cases, Andhra Pradesh 17 cases, Maharashtra 16 cases, Madhya Pradesh 15 cases, Gujarat 12 cases, Rajasthan 11 cases, Karnataka 9 cases, Punjab 8 cases, West Bengal 6 cases, Haryana and Bihar 4 cases each.

10.0 FUNCTIONING OF BIFR

10.1 The BIFR has really been turned into a rehabilitaiton centre for the retired bureaucrats. It has totally failed to attain its declared objective namely, to help to formulate schemes to rehabilitiate the sick units. Mr. R. Ganapati, former chairman of BIFR has commented, "An organisation which does not meet its objectives has no business to exist (Indian Express). It has been said that,"By giving extension to retired bureaucrats, allowing them to retain their houses in posh Delhi colonies....BIFR become a refuse for retiring bureaucrats."

10.2 In the situation the BIFR functions in a typically bureaucratic manner. Trade unions are not given proper hearing in the proceedings of BIFR. The revival schemes submitted by the employees jointly alongwith the management in public sector is never seriously considered by BIFR. The BIFR proceedings on sick PSUs are really not guided by the provision of SICA but by the policy decisions of the government. The BIFR can form companies and transfer assets to them or transfer assets to some other willing company or to the emloyees as a part of rehabilitation package. But it does not look into these aspects and does not exercise these powers. BIFR can freeze financial assets of FIs and Banks for 7 years in the particular sick units if they are unwilling to accept BIFR wisdom on revivality of specific sick units. But it does not exercise such power. On the contrary it is unduly harsh with the workers and invariably imposes conditions like retrenchment, wage freeze, increase in work load while giving lot of concessions to the promoters.

10.3 Non-cooperation by Banks and FIs has become a major barrier in execution of rehabilitation schemes. According to the Review published by BIFR in January '95 " greater reluctance on the part of banks and financial institutions (is there....) to support sick companies in the wake of RBI guidelines on provisioning against non-performing assets."

Thus during last two years, the number of enterprises being wound up by the BIFR under Section 20(4) of SICA has increased. Shockingly it is noticed that the representatives of Banks and FIs are openly telling in the BIFR hearings that "they are under Govt. instructions/guidelines not to support revival schemes on their own wisdom."

11.0 SICK INDUSTRIES IN PUBLIC SECTOR

11.1 As on 31.3.1994 the total number of public sector undertakings was 246 with a total investment of Rs.1,64,332 crores having 20.69 lakhs of regular employees. During 1993-94 the net profit earned by the PSUs was Rs.4,435 crores as against Rs.3,271 crores in 1992-93 - an increase of 35.58 per cent.

11.2 So far 160 PSUs have been referred to BIFR out of which 64 are CPSUs and 96 are state govt. PSUs. Uptill now BIFR have approved the revival packages for 7 CPSUs, recommended to Highcourt for closure of one unit. Moreover, winding up notices have been issued to 8 sick units. Further, advertisements have been released to news papaers for new promoters for some more units which amounts to step forward for privatisation.

11.3 It is to be noted that sick PSUs mainly pertain to traditional sectors like jute, textile, engineering etc. Further, many sick public sector units are taken over units in sick condition from the private sector. For instance, out of the total sick CPSUs 22 are located in the state of West Bengal out of which 15 were taken over from the private sector by the Government of India in sick condition.

12.0 DELAY AFFECTS REVIVAL

12.1 Long delay in arriving at a decision in many cases have damaged the prospect of revival of sick units. The BIFR itself has acknowledged that inordinate delay is caused in deciding the cases due to abnormal consumption of time by Banks and FIs and government and its other agencies in submitting reports. In case of sick CPSUs the experience is that the Government representative present in the hearings always comes out with the stock reply, "We need time for taking decision at appropriate level." Now in the process the situation in a given case of sickness continuously deteriorates both on technical and financial accounts. Financial liabilities increase and condition of plant and machineries corrode. In the situation the possibility of revival of the sick unit becomes increasingly difficult. Because while increasing the liabilities it involves more and more investment for revival.

12.2 In this connection another question is also very pertinent. The more the delay, more is the sufferings of the employees. During the period of pendency of case with BIFR the employees of the sick units are deprived of many benefits and in some cases even the wages. Further the employers almost invariably default in respect of PF, ESI payment taking undue advantage of the provision of section 22(1) of SICA which prohibits any legal proceedings against any industrial unit which has been registered and pending with

BIFR. Commenting on this aspect the BIFR itself has noted, "Promoters are anxious to get their units registered because once such registration has been effected and the process of enquiry with their sickness started, their comapnies get protection from court proceedings initiated by creditors."

12.3 In this connection it is to be noted that once a sick unit is referred to BIFR its credit-worthiness gets completely eroded and it becomes impossible for such units to get even working capital from Banks and FIs and government also refuse to release fund and ultimate result is that the unit is compelled to stop its existing capacity of production and activity comes to grinding halt.

13.0 FUNCTIONING OF TRIPARTITE COMMITTEES

13.1 In the Special Tripartite Committee, the trade unions demanded that in order to undertake case by case detailed study of the sick units of different industries, the Industrial Tripartite Committees should be revived and accordingly the Labour Ministry reconstituted and revived the six Industrial Tripartite Committees.It is highly condemnable that the Govenment did not take these committees seriously and whatever decisions were taken have not been honoured by the Govenrment.

13.2 Two important decisions taken by the tripartites were that if revival schemes are jointly prepared by the management and employees, then the BIFR is required only to approve the same. But the experience is so that even such schemes are not accepted by the Government and hence by BIFR too. Again the Special Tripartite Committee was assured by the govt of ensured flow of working capital for units referred to BIFR till final decision by the BIFR, but this decision has also not been honoured by the Govt.

13.3 Moreover schemes which have been approved by the Group of Ministers (GoM) also could not be implemented for want of necessary funds from the Government and even the Banks and FIs are simply refusing to provide fund on the plea of RBI guideline formulated as per directive of the Government.

13.4 One major hurdle in reviving the sick CPSUs is the flat refusal of the Central Government to act as Promoter. BIFR is practically refusing to consider the techno-economically viable revival schemes for the sick CPSUs taking plea from the said refusal of the Govt. The Board's view is that the primary question is not the scheme for revival but Promoter to implement the scheme. Thus it is a clear ploy of the Central Government to create a compelling situation for privatisation or closure of sick CPSUs by denying to act as Promoter and also refusing to help to secure fund from Banks and FIs for funding rehabilitation schemes of sick units.

14.0 NATIONAL RENEWAL FUND AND DISINVESTMENT

14.1 Although the Trade Union movement has succeeded in stalling Government's move to formally launch the so called Exit Policy, the Voluntary Retirement Scheme (VRS) together with National Renewal Fund (NRF) have been practically working as the Exit Policy only. Because the so called 'voluntary retirement' is neither voluntary nor retirement. It is actually forced retrenchment. Various coercive means are applied by the managmeent to compel the workers to opt for VRS. Upto June, 1994 the number of employees retired under so-called VRS in CPSUs is 70,286. The fund provided under NRF has been spent to pay the dues to these retired employees.

14.2 On the other hand Government have disinvested its share from the profit making public sector units and spent the money realised out of such disinvestment for meeting the government's budget deficit.

14.3 Here the point is that if the fund provided under NRF together with the disinvested money would have been spent for reviving the sick PSUs, many of the sick units could have been easily rehabiliated.

15.0 FIGHT AGAINST SICKNESS : ROLE OF TUs

15.1 The Trade Union movement took up the issue of industrial sickness with due importance. But for the intervention of the movement the siutaiton could have been far more serious. The Government have been continuously making statements at different national and international fora that sick public sector untis will be closed down. The IMF and World Bank have also been pressurising the Government to close down the so called unviable public sector units identified by them! However, the Govenrment so far have not been able to close down a single public sector sick unit. Even the implementation of BIFR's winding up orders could be stalled due to effective intervention of the trade union movement.

15.2 Another important feature is that in most of the sick units the trade unions and in good number cases even the Officers' Associations have come together and developed united movement demanding revival of the units. The revival schemes prepared by the employees jointly were praiseworthy. Some of such schemes received deep appreciation under techno-economic consideration.

15.3 The questiion of reviving the sick units through Workers' Co-operative has become a matter of more or less serious controvertial issue and the Govt. has also been deliberately adding confusion to it. However it should be noted that the employees or for that matter the trade unions in the sick industries have not supported any idea of Workers' Co-operative to run the sick units. Therefore it is clear that such idea floated from certain quarters and so called offer of the Govenrment for the same is not in conformity with the reality. It is particularly impractical to think of running the technically sofisticated, big and multi-units industry with workers' Co-operative. More so in the face of intense market competition with the unrestricted entry of MNCs and in the age of highly capital intensive technologies, without due backing from the Govt and without ensuring necessary investment and funds for keeping the industry technologically upgraded no unit can survive. Thus cooperative is no answer to the problem of revival of sick units of hi-tech capital intensive industries.

16.0 ISSUES TO BE ADDRESSED TO

16.1 The fact which must be recognised while conducting our movement for revival of sick industries is that, this problem has got its root with the policy perspective of the Government. This is particularly so for the public sector units. Therefore the merits and demerits of the individual cases of sick units cannot be the sole consideration in isolation of the policy of the Govt. At the same time, move of the Govenrment to privatise sick units under the threat of closure must be fought resolutely. Any slackness in this regard would ultimately weaken the fight against the Fund\Bank dictated

NEP. Privatisaton of sick units cannot be solution to the problem of sickness. In many cases it has been identified that private entrepreneurs come forwrd to take over sick units with the motive to grab the assets of the sick units and not for running the same. Private companies producing same product offer to buy sick unit with ultirior motive to destroy the same and establish monopoly for his own product in the market. It is therefore necessary to look into such motives behind the move for privatisation of sick units.

16.2 In almost all the sick units trade unions of different affiliations as also the officers associations are unitedly organising agitations and approaching the Government for rehabilitation of the sick units. But in the absence of positive policy of the Government these industrywise approach is not yielding desired result. It is therefore, necessary that the question of sickness as a whole should be taken up first by the trade unions jointly with the Government for formulating a policy for rehabilitation of sick industries.

16.3 The BIFR appoints the listed Banks and Financial Institutions (FI) as 'Operating Agency'(OA) and the OA is asked to examine the possibility of reviving the sick units.It is to be noted that the OAs examine the viability question mainly from financial angle. But alongwith financial side, the technical side should also receive priority consideration. It would be appropriate and effective if a tripartite committee is constituted for each sick industry to diagnose the causes of sickness and prepare rehabilitation schme.

16.4 Among other considerations, the major criterion to declare an industrial unit sick is whether its net worth has become negative due to accumulated losses. Here the point is that in many cases the accumulated losses mainly consist of GOI loan, interest and penal interest. For instance in case of Hindustan Fertilizer, upto 1993-94 the total accumulated losses was Rs.2,227.85 crores out of which Govt. of India loan was Rs.916.53 crores, interest on loan was 801.77 crores and penal interest Rs.325.93 crores. Thus more than 50 per cent of the total accumulated losses was on account of interest and penal interest. Therefore, waival and holiday for outstanding interest and non- plan loan repayment respectively would itself go a long way in reviving the sick units. In other words capital restructuring of sick units should be considered on priority basis.

16.5 Once a rehabilitation scheme for any sick industry is prepared by the management, it is necessary for the trade unions to study the same with sufficient care to see whether the scheme would really be viable from Techno-Economic point of view. A tendency has been noticed in some managments to some how get a scheme sanctioned without considering its viability on long term basis. On implementation of such unviable schemes the unit remains sick or become sick within short period which creates more complicacy. The case of IDPL is instance in point.

16.6 To ensure proper implementation of rehabilitation scheme and check foul play with the money sanctioned for the purpose as also to guard against mismanagement, it is necessary to ensure workers' participation in management or atleast a joint Monitoring Committee in the sick units where rehabilitation scheme would be put to implementation.

16.7 The Industrial Tripartite Committees generated some hope amongst the workers and trade unions of the sick units in public sector. However given the experience of the functioning of these tripartiates, it has become an urgent necessity to take appropriate decision in this regard. Either united pressure must be mounted on the Govt. by the trade unions to honour the decisions of these committees or question of boycotting the committees should be considered jointly for which pressure will have to be built up from grass-root level.

16.8 It has been noticed that Government takes the plea of fund crunch to finance sick units. But they do not mind to spend much more for import of the product spending precious foreign exchange which the sick units can produce on revival. Such points need to be highlighted in our fight to revive sick units.

16.9 In this connection another point is very pertinent to be taken into consideration. Under section 18(c) of SICA a sick unit can be amalgamated with any other healthy industrial unit. There are many cash rich units in the same industry having sick units. The amalgamation process could be very effective to revive such sick units. But shockingly while the Government is allowing the cash rich public sector units to go for disinvestmenet and even permitting to go for joint venture abroad, it is not approving proposals for amalgamation of sick and healthy units even in the same industry under the same ministry, demonstrating its naked anti-PSU stance.

16.10 Trade unions shall have to seriously consider the stand to be taken behind genuine move for reviving the sick units. Whereas technological obsolescence is one of the major causes of sickness, revival of such units needs adequate technological upgradation and in that case restructuring of workforce and integration of skill become a vital question. Further BIFR maintains that when Govt. as promoter would be ready to offer concessions like capital restructuring, derating of name plate capacity and other financial assistance including waival of loan and interest, the workers will have to receiprocate. Moreover disinvestment of PSU shares and reviving sick units in joint sector are two inter-related questions of similar nature and difficult to take different stands. Becuase once share of a PSU is disinvested it surely becomes a joint sector. So if the movement cannot prevent disinvestment of share of PSUs then opposition to revival of sick units in joint sector is difficult to justify.

16.11 Given the experience and track record of BIFR in handling sick units, it has become necessary to think seriously to consider whether repeal or atleast suitable amendment of SICA is to be demanded or what other step should be thought of in this regard.

16.12 Finally weakness in our movement is still quite deep in realising proper solidarity support of the trade union movement as a whole, in appreciation of the issue of industrial sickness as a national problem. We must seriously consider as to how the TU movement of healthy units of the same industry can be activised to support the struggling workers of the sick units. Else there is a danger of our movement getting devided between sick and healthy units even within the same industry.

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