

**GOVERNMENT OF INDIA
DISINVESTMENT
LOK SABHA**

UNSTARRED QUESTION NO:1385
ANSWERED ON:26.02.2003
DISINVESTMENT POLICY
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Will the Minister of DISINVESTMENT be pleased to state:

- (a) whether the PHD Chamber of Commerce and Industry has suggested any mid-term disinvestment policy to the Government;
- (b) if so, the details thereof;
- (c) the reaction of the Government thereto;
- (d) whether the complaints of fraud and under-assessment in place of competition are on the increase in disinvestment process; and
- (e) if so, the remedial measures taken by the Government in this regard?

Answer

MINISTER OF COMMUNICATIONS AND INFORMATION TECHNOLOGY AND MINISTER OF DISINVESTMENT (SHR SHOURIE)

(a) & (b) In a background paper for a Round Table on 'Disinvestment : The Tasks Ahead', the PHD Chamber of Commerce and Industry has suggested that:

- A medium-term disinvestment policy over a period of 3-5 years should be evolved.
- Private shareholding should be brought into profit making public enterprises in all areas except atomic energy and some defence related industries.
- Public enterprises engaged in producing consumer goods and services or some minor producer goods should be sold.
- Disinvestment in the loss making / sick PSUs will require business restructuring, financial and personnel restructuring.
- Government equity should be brought down to 26 per cent in banking insurance and aviation.
- The sale of public sector equity should be to the general public should be at discounted rates.
- Large public sector utilities in power, telecom, oil and gas, transport and financial services should be sold through the public offering at discounted prices. Other public sector units can be disinvested through strategic sale.
- Public offer is preferable to buy-back of shares for mopping up public savings.
- Instances of asking the cash rich PSUs to buy-out the shares of other PSUs should be adopted only in cases where it leads to synergy and makes the PSU more competitive.
- Where the fear of creation of monopolies exists, the company may be reorganised (split-up) where feasible and where it helps improve efficiency. It can then be offered to more buyers/ investors.
- Valuation of PSUs must be carefully done to avoid controversies.
- Some kind of social safety net to PSU workers may be provided.
- There has to be a proper competition policy to cover unfair and restrictive trade practices and issues like transfer pricing. The competition policy must also cover mergers and acquisitions.

(c) The disinvestment policy and procedures are continuously reviewed and modified as necessary in the light of experience and the views expressed by stakeholders and experts. Several of the concerns highlighted in the paper of the PHD Chamber of Commerce have already been addressed by the Government. The disinvestment policy is stable in the medium term and a medium term target is also defined. Government has already classified non-strategic industries which can be disinvested. The restructuring of PSUs prior to sale is done as required. The level of equity to be retained in a particular PSU is determined after taking into account the level of competition in that particular industry and the need for regulation. The Government adopts either the strategic sale or public offer

option, or a combination of both, as appropriate on a case by case basis. Participation of PSUs in disinvestment is not allowed except in specific cases approved by the Government. Government is committed to protecting the employee interest and provisions to this effect are incorporated in the transaction documents entered into at the time of strategic sale.

(d) No, Sir.

(e) Does not arise.