17

STANDING COMMITTEE
ON FINANCE

(2001)

THIRTEENTH LOK SABHA

DEPARTMENT OF DISINVESTMENT

DEMANDS FOR GRANTS
(2001-2002)

SEVENTEENTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

April, 2001/Vaisakha, 1923(Saka)

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Shri Shivraj V. Patil *Chairman*

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3. Shri Sudip Bandyopadhyay
4. Shri Ajoy Chakraborty
5. Smt. Renuka Chowdhury
6. Shri G. Putta Swamy Gowda
7. Shri Rattan Lal Kataria
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12. Shri Rupchand Pal
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14. Shri Prakash Paranjpe
15. Shri Raj Narain Passi
16. Dr. Sanjay Paswan
17. Shri Annasaheb M.K. Patil
18. Shri Varkala Radhakrishnan
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20. Shri Ram Singh Rathwa
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41. Shri N.K.P. Salve
42. Prof. M. Sankaralingam
43. Shri Amar Singh
44. Shri Ranjan Prasad Yadav
45. Solipeta Ramachandra Reddy*

SECRETARIAT

1.	Dr. (Smt.) P.K. Sandhu	*Joint Secretary*
2.	Shri P.K. Grover	*Deputy Secretary*
3.	Shri S.B. Arora	*Under Secretary*
4.	Shri N.S. Hooda	*Assistant Director*

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*Nominated to the Committee w.e.f. 9 April, 2001

INTRODUCTION

I, the Chairman, Standing Committee on Finance having been authorised by the Committee to submit the Report on their behalf, present this Seventeenth Report on Demands for Grants (2001-2002) of the Department of Disinvestment.

2. The Demands for Grants of the Department of Disinvestment were laid on the Table of the House on 20 March, 2001. Under Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha, the Standing Committee on Finance are required to consider the Demands for Grants of the Ministries/Departments under its jurisdiction and make Reports on the same to both the Houses of Parliament.

3. The Committee took oral evidence of the representatives of the Department of Disinvestment at their sittings held on 4 and 18 April, 2001 in connection with examination of the Demands for Grants (2001-2002).

4. The Committee considered and adopted the Report at their sitting held on 23 April, 2001.

5. The Committee wish to express their thanks to the Officers of the Department of Disinvestment for the co-operation extended by them in furnishing written replies and for placing their considered views and perceptions before the Committee.

NEW DELHI;
23 April, 2001
3 Vaisakha 1923(Saka)

(SHIVRAJ V. PATIL)
***Chairman*,**
Standing Committee on Finance

REPORT

Policy and Procedure of Disinvestment

1. The Department of Disinvestment was set up vide Notification No. CD/551/99 dated 10 December, 1999 precisely for the work of implementation and monitoring of disinvestment of public sector undertakings . Following functions are stated to have been assigned to the Department:

(a) All matters relating to disinvestment of Central Government equity from Central Public Sector Undertakings.
(b) Decisions on the recommendations of the Disinvestment Commission on the modalities of disinvestment, including restructuring.
(c) Implementation of disinvestment decisions, including appointment of advisors, pricing of shares and other terms and conditions of disinvestment.
(d) Disinvestment Commission.
(e) Central Public Sector Undertakings for purposes of disinvestment of Govt. equity only.

2. The Disinvestment Policy of the Government is stated to have been evolved over a period of time. In the interim budget of 1991-92, the government took a policy decision to divest up to 20% of the Government equity in selected public sector Enterprises (PSEs) in favour of public sector institutional investors to broad base the equity, improve management, enhance availability of resources for those PSEs and yield resources for the exchequer.

3. In the Industrial Policy Statement of 24 July, 1991 the government stated that it would divest part Government holdings in selected PSEs but did not place any cap on the extent of disinvestments. Nor did it restrict disinvesments in favour of any particular class of investors. The objective for disinvestments was to provide further market discipline to the performance of public enterprises. Then in the Budget of 1991-92 the cap of 20% for disinvestment was reinstated with the modified objectives “to raise resources, encourage wider public participation and to promote greater accountability”.

4. The Rangarajan Committee on the Disinvestment of shares in public sector Enterprises which gave its report in April, 1993 recommended that the percentage of equity to be divested could go upto 49% for industries explicitly reserved for the public sector and in exceptional cases, where separate identity had to be

maintained for strategic reasons, the disinvestment could take place to the extent of 74%. In all other cases, it recommended 100% divestment of Government stake. Holding of 51% or more equity by the Government was recommended only in six scheduled industries; viz: I) Coal and Lignite ii) Mineral oils iii) Arms, Ammunition and Defence equipment, iv) Atomic energy v) Radioactive Minerals, and vi) Railway transport.

5. The salient features of the disinvestment policy of the Government are as under:

1. To restructure and revive potential viable public sector Enterprises (PSEs).
2. To close down PSEs which cannot be revived.
3. To bring down Government equity in all non-strategic PSEs to 26% or lower, if necessary.
4. To fully protect the interests of workers.
5. To emphasize increasingly on strategic sales of identified PSUs.
6. To use the entire receipt from disinvestment and privatisation for meeting expenditure in social sectors, restructuring of PSUs and retiring public debt.

6. In line with the above policy structure, the Government is stated to have decided to adopt a more systematic approach towards disinvestment by classifying the Public Sector Enterprises into different categories for the purpose of disinvestment and in line with the international practices, using different methods of disinvestment for different companies. For this purpose in August 1996, a Disinvestment Commission was established as an independent, non-statutory, expert advisory body to recommend the mode of disinvestment and percentage of disinvestment etc for each PSU referred to it by the Government. The Commission gave its report on 58 PSUs out of 72 PSUs referred to it.

7. In 1998-99, the Government decided to bring down its share holding in the PSUs to 26% in the generality of cases as recommended by Disinvestment Commission in its Reports. But the Government would retain majority holding in PSEs involving strategic considerations and that interests of workers would be protected in all cases. The word ‘privatisation’ was used for the first time in the disinvestment policy formulated during 1999-2000, wherein the government decided to strengthen strategic PSUs, privatise non-strategic PSUs through

gradual disinvestment or strategic sale and devise viable rehabilitation strategies for weak units.

8. Committee have been informed that the Government of India is carrying out disinvestments in accordance with the prescribed procedure to ensure complete transparency. The procedure is reviewed from time to time and modified with a view to accelerate the process further. There is extensive provision for consultations between various stakeholders and there are different layers in which decisions are made collectively. Proposals for disinvestments in any PSU, based on the recommendations of the Disinvestment Commission or in accordance with the declared Disinvestment Policy of the Government, are placed for consideration of the Cabinet Committee on Disinvestment (CCD) headed by Prime Minister. The Cabinet decisions are then implemented under the overall supervision of the Core group of Secretaries headed by the Cabinet Secretary and to implement the decisions of CCD, the Core Group sets up an Inter Ministerial Group (IMG) headed by Secretary, Department of Disinvestment or Secretary of the administrative Ministry/Department and consisting of officers of the Joint Secretary level of the concerned Ministries, of Department of Economic Affairs, Department of Public Enterprises, CMD of the Company, and Director (Finance) of the Company, as convener.

9. To obtain high quality professional advice, an "Advisor" is appointed for each case through a competitive bidding, to assist in implementing the transactions. In addition, legal counsel, asset valuer etc, are also appointed to render appropriate advice in the transaction.

10. When asked by the Committee about the different modes of disinvestments, the Government in a written reply have stated as under:-

(a) <u>Capital Markets – offer for sale to public at fixed price</u>: suitable for companies not in need of significant technical, managerial and marketing inputs.

(b) <u>Capital Market – offer for sale to public through book building</u>: suitable for companies for which institutional interest is expected to be substantial and for companies not in need of significant technical, managerial, marketing inputs etc. Till now no PSE has been put through to this process.

(c) Capital Markets _ Market operations: suitable for companies which have a sizeable floating stock with good intrinsic value and good future prospects. In this case Government equity is sold through brokers, but there is a possibility of price rigging.

(d) Capital Market –International offering: suitable for companies having its stock listed in the international markets or companies with active traded stock in domestic markets with good future prospects and are of international repute e.g., VSNL,MTNL, GAIL. But it is a time consuming process.

(e) Strategic Sale : Suitable for companies in non-core sector and where Government of India is willing to give significant management control, eg. BALCO, Modern Food. Its major advantage is increase in residual Government of India shareholding. But major disadvantages are that it is time consuming and issues relating to management and labour etc, need to be resolved.

In addition to these, following are other methods of disinvestment that may be adopted for disinvestment of PSUs:-

(i) Warehousing

(ii) Reduction in equity-Buy back of shares

(iii) Reduction in Equity – Conversion of equity into another instrument, asset sale and winding up.

(iv) Gross – Sale : where PSUs buy their shares mutually,

11. During evidence, when asked about the level of transparency, in disinvestment procedure, the Secretary to the Department of Disinvestment stated:

> 'We have far too little experience to say that we have full-proof process. The Hon'ble Minister for Disinvestment had answered in Parliament that we are in the process of preparing 'Disinvestment Manual" on the basis of experience so far.'

12. When the Committee expressed apprehension about "The strategic sales" under Indian conditions which had inherent limitation and could easily degenerate into a charge of fostering "crony capitalism" the witness stated that the issue of 'strategic disinvestment or disinvestment in market had been discussed extensively

in the Rangarajan Committee Report in 1993. It was also provided in the Report of the Disinvestment Commission wherein they have said that in about 85% of the cases you go in for 'strategic disinvestment' and only in about 15% of the cases shares could be sold in market

13. Asked about the checks and balances in the process of disinvestment, the Secretary to the Department of Disinvestment hasstated that checks and balances have been created in the process of disinvestment by creating different committees in the government. It is not only the cabinet Committee on Disinvestment and in core group of Secretaries which are there, below them, there is the Inter-Ministerial Group which is either headed by Secretary, Disinvestment or by the Secretary of the Administrative Department. These Committees are deciding the checks and balances that are required.

14. The Committee desired to know how it was ensured by government that the interest of workers has been protected while making disinvestment, the Department of Disinvestment replied in a note as follows:

"Share Purchase/Shareholders' Agreement generally incorporates the concerns of the Government regarding employees protection. Normally, the following clauses are kept in the Agreement:

(1) The Parties envision that all employees of the company on the date hereof shall continue in the employment of the company.

(2) The Company shall not retrench any part of its labour force for a stipulated period from the closing date other than any dismissal or termination of employees of the Company from their employment in accordance with the applicable staff regulations and standing orders of the Company or applicable Law.

(3) Typically the agreements include a recital stating that the strategic partner recognizes that the Government in relation to its employment policies follows certain principles for the benefits of the members of the Schedules Castes/Scheduled Tribes, Physically Handicapped persons and other socially disadvantaged sections of the society and that the strategic partner shall use its best efforts to cause the company to provide adequate job opportunities for such persons. Further, in the event of any reduction in the strength of the employees

of the company, the strategic partner shall use its efforts to ensure that the physically handicapped persons are retrenched at the end.

(4) Subject to the above Clauses (1 to 3) any restructuring of the labour force of the company shall be implemented in the manner recommended by the Board and in accordance with all applicable laws. The strategic partner in the event of any reduction of the strength of its employees shall ensure that the Company offers its employees an option to voluntarily retire on terms that are not in any manner, less favourable than the voluntary retirement scheme offered by the Company on the date of the agreement.

15. In reply to a specific query as to whether the workers or their recognised unions are consulted in any way before embarking upon the process of disinvestment, the Committee were informed by the Department of Disinvestment in a written reply as follows:-

"Meetings are held with the representatives of the workers unions to ascertain their view points and address their apprehensions."

16. During 2001-2002, a target of disinvestment at Rs. 12000 crores has been set. In regard to the procedure followed in making disinvestment, the Department of Disinvestment stated in a note as under:

"At present disinvestment in about 30 public sector undertakings/subsidiaries of PSUs is in different stages of implementation. Many of these transactions are scheduled to finalise in the fiscal year 2001-2002. The prescribed procedure is revised from time to time for further expediting the process and streamlining the procedure."

17. The Committee take a serious note of the fact that no comprehensive policy of Government on disinvestments has been formulated till date. Only approval of Cabinet in specific cases has been obtained on different occasions. The Committee are of the opinion that there is a need to have an informed discussion on the subject in order to enable the Government to take a holistic view.

18. The Committee regret to note that the policy of the Government in regard to disinvestments lacks consistency. As admitted by the Ministry, even the prescribed procedure is revised from time to time. The Committee desire that the Government should dispel all doubts raised in different quarters with regard to transparency, maturity and finesse of procedure adopted for disinvestment. In the opinion of the Committee the 'strategic sale' route needs to be reviewed in particular. They also desire that widest possible consultations must be held with the workers at an appropriate stage invariably, with a view to fully safeguard their interests in all the cases of disinvestment. The Committee would also like to be apprised of the amount utilized for meeting expenditure in social sectors, restructuring PSEs and retiring public debt out of the amount so far realized from disinvestments as per the declared policy of the Government.

Demand No. 20

Major Head : 3451
Sub-Major Head : 00.90
Minor Head :52
Detailed Head : 52.00.11

Department of Disinvestment

Domestic and Foreign Travel Expenses

Domestic Travel Expenses

19.

(Non-Plan) (In thousands of Rs.)

Year	B.E.	R.E.	Actuals
1999-2000			
2000-2001	5000	1000	160
2001-2002	4000		

Detailed Head : 52.00.12

Foreign Travel Expenses

20.

(Non-Plan) (In thousands of Rs.)

Year	B.E.	R.E.	Actuals
1999-2000			
2000-2001	5000	3000	95
2001-2002	4000		

21. The expenses covered under the head 'Domestic Travel Expenses' are the traveling allowance of officers on transfer from one station to another and for attending various meetings within the country. The reason given for fixing the BE of 2001-2002 at Rs. 40 lakhs was stated to be that the full strength of the officers of the department joined quite late and so the funds allotted for 2000-2001 could not be fully utilized. Since all the officers of the Department have joined now, the Govt. felt that expenditure of Rs. 40 lakhs proposed for 2001-2002 will be fully utilized. It has also been stated that the requirement is need based, so cannot be spent otherwise and requisite provision has to be made so that there is no problem at the eleventh hour.

22. The expenditure incurred on the officers of the Department who travel outside the country for training, consultations, discussions, studies, meetings etc. is covered under the head 'Foreign Travel Expenses'. From the table given above, it is seen that the BE for 2000-2001 was fixed at Rs. 50 lakhs which was reduced to Rs. 30 lakhs at RE stage and the actual expenditure incurred was only Rs. 95,000. The RE for 2001-2002 has been fixed at Rs. 40 lakhs. The reason given for this variation in allocation and utilization is that being a new Department and having no past experience or data, the amount could not be projected accurately. Moreover, the travel depends on factors like the need for training, the number of meetings fixed in foreign countries etc. With the joining of full strength of the officers in the Department, there my be occasions when the officers will have to travel abroad for meetings, road shows etc.

23. The Committee perturbed to note that during 2000-2001, out of total outlay of Rs. 3.11 crore, Rs. 1 crore i.e. nearly one-third was provided for domestic and foreign travel. Similarly, during 2001-2002, out of a total outlay

of Rs. 3.17 crore, Rs. 80 lakhs i.e. about 25% has been provided under these heads. The Committee do not feel that such huge amounts should be needed just for traveling allowance of officers on transfer, for attending various meetings within and outside the country and for training purposes. They are of the firm view that there is ample scope for containing the allocations on this account particularly when services of advisors and consultants from outside the Department are utilized for disinvestments.

No wonder then that the budget estimates and revised estimates in respect of domestic and foreign travel expenses have totally proved unrealistic during 2000-2001. The committee strongly urge the Government to make earnest efforts to project the estimates under these heads realistically.

Demand No. 20
Major Head : 3451
Sub-Major Head : 00.090
Minor Head :52
Detailed Head : 52.00.28

Department of Disinvestment

Payments for Professional and Special Services

24.

(Non-Plan) (In thousands of Rs.)

Year	B.E.	R.E.	Actuals
1999-2000			
2000-2001	5000	2000	7,93,51
2001-2002	4000		

25. It has been stated that the specific nature of services which are engaged from outside the Govt. have been included under payments for professional and special services. In the process of disinvestments a number of advisors appointed for the transaction are also covered under this category.

26. The BE for 2000-2001 was fixed at Rs. 50 lakhs which reduced to Rs. 20 lakhs at RE stage. Subsequently, due to a decision taken in March, 2001 that all expenditure to the advisors, issue of advertisement etc. is to be borne by the Department, an additional fund allocation of Rs. 800 lakhs was sought through

supplementary demand for grants. The actual expenditure incurred under this head during 2000-2001 amounted to Rs. 7.93 crores. Earlier the expenditure involved in the process of disinvestments on items like issue of advertisements, appointment of legal advisors, asset valuers, accounting advisors etc. were incurred by the public undertakings concerned who were reimbursed later by the government. However, due to the opinion of Ministry of Law, it was decided that the Department of Disinvestment would incur such expenses, It was also decided that where the public undertakings have already spent money, the Department should reimburse the same immediately. Based on this decision an additional fund of Rs. 100 crores is stated to have been sought during 2001-2002 in addition to Rs. 50 lakhs provided for in the budget.

27. The Committee are constrained to note that the budgetary allocations under the Head 'Payment for Professionals and Special Services' show wide variations. The budgetary allocation of Rs. 50 lakhs during 2000-2001 were reduced to Rs. 20 lakhs at the RE stage against which the actual expenditure has been as high as Rs. 7.93 crores. For meeting this expenditure, the Government had to go in for supplementary grants. Although, the additional requirement is stated to have been due to the opinion of the Ministry of Law that the expenditure on advertisement, appointment of legal advisors, asset valuers etc. will now have to be met by the Department of Disinvestment, the Committee are of the opinion that such contingencies should have been anticipated at the time of RE at least. Not only that the Budget estimates for 2001-2002, inspite of this decision, were projected at Rs. 50 lakhs only an additional fund of Rs. 100 crores has already been sought for 2001-2002. The Committee deprecate the projection of budgetary allocations under this head by the department in a manner which can be termed anything but serious. The Committee desire that allocations should be made in a realistic way taking into account the anticipated changes in the policy or procedure under consideration of the Government.

Demand No: 20
Expenditure under total Major head 3451
Department of Disinvestment

28.

(In thousands of Rs.)

Non-plan

Year	B.E	R.E.	Actuals
1999-2000			2574
2000-2001	31100	18400	9131
2001-2002	31700		

29. Committee have been informed that actual expenditure during 2000-2001 has been Rs 91.31 lakhs, whereas the BE for the same period was fixed at Rs 311 lakhs which was reduced to Rs. 184 lakhs at RE stage. The BE of 2001-2002 has again been fixed at Rs. 317 lakhs, which is more than three times the actuals of 2000-2001. The reasons for scaling down of funds at RE stage are stated to be that the full strength of officers and staff joined quite late and the Department being new and having no past experience of the level of expenditure required under domestic and foreign travel, at RE stage, less provision was made keeping in view the progress of expenditure under these heads upto that stage.

30. Asked about the main factors for provision of Rs.317 lakhs in BE during 2001-2002 which is higher than even the BE for 2000-2001, the Committee have been infomed that while there is reduction of allocation during 2001-2002 compared to 2000-2001 in domestic travel, foreign travel, office expenses, publication and other administrative expenses totalling to Rs. 39 lakhs, the same has been off set by higher allocation of Rs 45 lakhs under the head salary. This is due to the fact that during the year 2001-2002 the full sanctioned strength of the Department will join hence there is higher allocation of Rs 6 lakhs in the total budget inspite of reduction under various heads.

31. On being asked the reasons for the Government, having not been able to make realistic Budget Estimates, the Committee were informed that in a new Department, having no past data of expenditure, it was very difficult to quantify the expected expenditure under various heads of accounts.

32. The Committee have noted that Department of disinvestment as a separate entity came into being in December 1999 and actual expenditure during 1999-2000 was only Rs. 25.74 lakhs. They are surprised to note that the BE of 2000-2001 was fixed at Rs. 311 lakhs which was reduced considerably to Rs. 184 lakhs and at the end of the year the actual expenditure incurred was merely 91.31 lakhs. Moreover the BE of 2001-2002 has again been fixed at Rs. 317 lakhs which is more than three times the actuals of 2000-2001.

33. The Committee are not convinced with the argument that this was due to the fact that the officers and staff joined quite late during 2000-2001. In fact it is not clear from the reply of the Government whether the full strength of staff has actually been deployed or it would be completed during 2001-2002. The Committee, therefore, are led to the conclusion that the Budget Estimates of the Department are being prepared in a totally unrealistic manner. There is a tendency in the Department to make higher budgetary estimates, year after year and reducing these at the Revised Estimates stage and ultimately ending up by spending only a small amount. This does not speak well of a Department which is supposed to be monitoring proper implementation of various disinvestment programmes of public sector undertakings and is itself failing to make its own budgetary allocations realistically. The Committee desire that the entire budgetary exercise should be taken up with due seriousness so that at least at the time of Revised Estimates, the ground realities are reflected in the allotted funds.

Demand No. 20

Major Head : 3475
Minor Head : 39
Sub-Major Head :

Disinvestment Commission

Total under Major Head 3475

(In thousands of Rs.)

34. Non Plan

Year	B.E	R.E.	Actuals
1999-2000			4714

2000-2001	10400	5000	25.55
2001-2002	8700		

35. Disinvestment Commission was appointed by Government of India vide its notification No. 11013/3/96 Admn. Dated 23 August, 1996 for a period of three years to advise the government on all aspects of disinvestment of any public sector undertakings and to overall supervise the implementation of Govt. decisions for disinvestment of any PSU. The Commission while advising the government on the disinvestment matters, will also take into consideration the interests of shareholders, workers, consumers and others having a stake in the relevant Public Sector Undertakings. The Committee were informed by the Secretary, Department of Disinvestment during evidence that In 1998 the terms of reference of the Disinvestment Commission were changed. The work of monitoring the implementation of the disinvestment process was taken away from it. This work was thought to be belonging to the executive and thus given to the Dept. of Disinvestment.

36. The actual expenditure for 1999-2000 was Rs 47.14 lacs and the BEs for 2000-2001 was fixed at 104 lakhs which was reduced to less than half at Rs. 50 lakh at RE stage and finally the actual expenditure was half of the RE. The reasons for reduced actual expenditure of Rs 25.55 lakhs during 2000-2001 has been stated that the Commission ceased to exist from 30-11-1999 following demission of office by former Chairman and since then the Commission has not been reconstituted. The fixing of BE of 2001-2002 at 87 lakhs has been done in the hope that commission will be reconstituted soon. It has also been stated that once the full Commission is in position, the expenditure under all- sub heads of appropriation will go up as compared to last financial year.

37. During evidence, when asked, whether there was any proposal to reconstitute the Commission or has it been considered redundant, on this, the Secretary, Disinvestment clarified that ‘in the last one and half years, there have been many proposals to reconstitute the Commission, but the government felt, after constituting the Dept of Disinvestment that we must go through each and every recommendations of the Disinvestment Commission and take a view. The Government felt that all the recommendations of the Disinvestment Commission should be examined and we should move forward before the Disinvestment Commission is reconstituted. But the

Govt is committed to re-constitute the Disinvestment Commission which I am sure we will constitute very soon.'

38. On the reasons for delay in re-constitution of the Commission, the Secretary, further elaborated that ' 72 Undertakings were referred to Disinvestment Commission. They gave reports in the case of 58 undertakings. The Govt. has not taken final decision on all the 58 undertakings. Therefore, the reconstitution of the Disinvestment Commission has got delayed but it is not as if the work of the disinvestment has stopped. The Govt. wanted to constitute the Disinvestment Commission. This has been the main reason why it has got delayed.

39. On a query made by the Committee, the Department of Disinvestment stated in a written note that due to non-existence of the Disinvestment Commission, the disinvestment process has not been affected. The Department of Disinvestment is working on obtaining Government orders on the recommendations of the Disinvestment Commission and in implementing these orders.

40. The Committee observe that the Disinvestment Commission ceased to exist from 30.11.1999 following demission of office by its former Chairman and it has not been reconstituted since then. They have also been informed that the reconstitution of the commission has been delayed because the Government has not taken final decision on all the 58 undertakings on which the Commission had given its recommendations. Obviously this process is likely to take some time. Besides as stated by the Government themselves, the non-existence of the Disinvestment Commission has not affected the disinvestments process. The Committee, therefore, do not agree with the Government's contention that the Commission is likely to be reconstituted very soon. In the circumstances, the Committee are at a loss to understand as to why substantial amounts should be allocated for the Disinvestment Commission year after year when its reconstitution is not very imminent, just to remain under-utilised at the end of the year. They recommend that the scarce resources should be utilized more prudently for some important development projects of the Government.

NEW DELHI;
23 April, 2001
3 Vaisakha, 1923(Saka)

(SHIVRAJ V. PATIL)
***Chairman*,**
Standing Committee on Finance

APPENDIX I

MINUTES OF THE SEVENTH SITTING OF STANDING COMMITTEE ON FINANCE (2001)

The Committee sat on Wednesday, the 4th April, 2001 from 1500 hrs. to 17.30 hrs.

PRESENT

Lok Sabha

Shri Ajoy Chakraborty

Shrimati Renuka Chowdhury

3. Shri G. Putta Swamy Gowda
4. Shri Rattan Lal Kataria
5. Shri Brahmanand Mandal
6. Shri M.V. Chandrashekhara Murthy
7. Shri Kamal Nath
8. Shri Rupchand Pal
9. Shri Prakash Paranjpe
10. Shri Raj Narain Passi
11. Dr. Sanjay Paswan
12. Shri Varkala Radhakrishnan
13. Shri Pravin Rashtrapal
14. Shri Ram Singh Rathwa
15. Shri S. Jaipal Reddy
16. Shri T.M. Selvaganpathi
17. Shri C.N. Singh
18. Shri Kirit Somaiya
19. Shri Kharebela Swain

Rajya Sabha

1. Shri Ranjan Prasad Yadav
2. Dr. Biplab Dasgupta
3. Shri Suresh A. Keshwani
4. Dr. Manmohan Singh
5. Shri Narendra Mohan
6. Shri Praful Patel
7. Shri N.K.P. Salve
8. Shri Amar Singh

SECRETARIAT

1. Shri P.K. Grover	*Dy. Secretary*
2. Shri S.B. Arora	*Under Secretary*
3. Shri N.S. Hooda	*Assistant Director*

WITNESSES

Department of Disinvestment

1. Shri Pradip Baijal, Secretary
2. Sh. Amitabha Bhattacharya, Joint Secretary
3. Sh. P.K. Basu, Joint Secretary
4. Sh. K.K. Gupta, Joint Secretary
5. Sh. G. Ganesh, Member Secretary, Disinvestment Commission

In the absence of the Chairman, the Committee chose Shri Kamal Nath to act as Chairman for the sitting under Rule 258(3) of the Rules of Procedure and Conduct of Business in Lok Sabha. He then welcomed the members of the Committee and official witnesses of Department of Disinvestment and invited their attention to the provisions contained in Direction 55 of the Directions by Speaker, Lok Sabha. The Committee then took oral evidence of the representatives of Department of Disinvestment on the Demands for Grants (2001-2002).

2. A verbatim record of the proceedings has been kept.

The witnesses then withdrew.

The Committee then adjourned.

2. At the outset, the Chairman welcomed the representatives of Department of Disinvestment to the sitting of the Committee and invited their attention to the provisions contained in Direction 55 of the Directions by the Speaker.

3. The Committee then took further evidence of representatives of Department of Disinvestment on Demands for Grants (2001-2002) of the Department of Disinvestment and other related matters.

4. The evidence was concluded.

5. A verbatim record of proceedings has been kept.

The witnesses then withdrew.

Committee then adjourned.

APPENDIX III

MINUTES OF THE TENTH SITTING OF STANDING COMMITTEE ON FINANCE

The Committee sat on Tuesday, 23 April, 2001 from 1500 to 1700 hours

PRESENT

Shri Shivraj V. Patil — *Chairman*

MEMBERS

Lok Sabha

2. Smt. Renuka Chowdhury
3. Shri Brahmanand Mandal
4. Shri Kamal Nath
5. Shri Prakash Paranjpe
6. Dr. Sanjay Paswan
7. Shri Annasaheb M.K. Patil
8. Shri S. Jaipal Reddy
9. Shri C.N. Singh
10. Shri Kirit Somaiya
11. Shri Kharebela Swain

Rajya Sabha

12. Shri Krishna Kumar Birla
13. Shri K. Rahman Khan
14. Shri Suresh A. Keswani
15. Dr. Manmohan Singh
16. Shri N.K.P. Salve
17. Shri Amar Singh
18. Shri Solipeta Ramachandra Reddy

SECRETARIAT

1. Dr. (Smt.) P.K. Sandhu — *Joint Secretary*
2. Shri P.K. Grover — *Deputy Secretary*
3. Shri S.B. Arora — *Under Secretary*
4. Shri N.S. Hooda — *Assistant Director*

2. At the outset Chairman welcomed the Members to the sitting of the Committee. Then the Committee took up for consideration and adoption of the following draft reports on Demands for Grants (2001-2002) of (I) Ministry of Finance (Departments of Economic Affairs & Expenditure), (II) Ministry of Finance (Department of Revenue), (III) Ministry of Planning, (IV) Ministry of Statistics and Programme Implementation and (V) Department of Disinvestment.

3. The Committee took up for consideration the draft report on the Demands for Grants (2001-2002) of Department of Disinvestment and adopted the same with the modifications shown in the *annexure I.*

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8. The Committee authorised the Chairman to finalise the draft Report in the light of modifications as also to make verbal and other consequential changes arising out of the factual verification and present the same to both the Houses of Parliament.

Committee then adjourned

ANNEXURE

Reference Para 3 Pre-page :-

The Para Nos. 17 and 18 of the draft Report on Demands for Grants (2001-2002) of the Department of Disinvestment may be substituted as under:-

17. The Committee take a serious note of the fact that no comprehensive policy of Government on disinvestments has been formulated till date. Only approval of Cabinet in specific cases has been obtained on different occasions. The Committee are of the opinion that there is a need to have an informed discussion on the subject in order to enable the Government to take a holistic view.

18. The Committee regret to note that the policy of the Government in regard to disinvestments lacks consistency. As admitted by the Ministry, even the prescribed procedure is revised from time to time. The Committee desire that the Government should dispel all doubts raised in different quarters with regard to transparency, maturity and finesse of procedure adopted for disinvestment. In the opinion of the Committee the 'strategic sale' route needs to be reviewed in particular. They also desire that widest possible consultations must be held with the workers at an appropriate stage invariably, with a view to fully safeguard their interests in all the cases of disinvestment. The Committee would also like to be apprised of the amount utilized for meeting expenditure in social sectors, restructuring PSEs and retiring public debt out of the amount so far realized from disinvestments as per the declared policy of the Government.