

COMMITTEE ON PETITIONS

(THIRTEENTH LOK SABHA)

TWENTY NINTH REPORT

(Presented to Lok Sabha on 22.7.2003)

**LOK SABHA SECRETARIAT
NEW DELHI**

July, 2003/Vaisakha, 1925 (Saka)

CONTENTS

Composition of the Committee on Petitions

I. INTRODUCTION

II. REPORT:

- (i) Representation requesting to open a branch of nationalized bank at Gobindanagar, Bankura, West Bengal.
- (ii) Representation requesting for the removal of disparities in the facilities and benefits available to the Airports Authority of India (AAI) formed by the merger of the International Airports Authority of India and the National Airports Authority
- (iii) Gist of the representation requesting for introduction of the Employees Provident Fund (EPF) Scheme for siding labourers working for the Food Corporation of India.
- (iv) Action taken by the Government on the recommendations of the Committee on Petitions (Thirteenth Lok Sabha) contained in their Twenty First Report on the Petition regarding the move for privatization of the National Aluminium Company Ltd. (NALCO).

III. MINUTES

- (i) Minutes of the sitting of the Committee held on 2.1.2003.
- (ii) Minutes of the sitting of the Committee held on 14.7.2003.

COMPOSITION OF THE COMMITTEE ON PETITIONS

Shri Basudeb Acharia - *Chairman*

Members

2. Shri S. Bangarappa
3. Shri Ambati Brahmaniah
4. Shri Ram Rati Bind
5. Shri Bikram Keshari Deo
6. Shri Anant Gudhe
7. Shri Babubhai K. Katara
8. Shri P.R. Khunte
9. Shri P.R. Kyndiah
10. Shri G. Mallikarajunappa
11. Shri Sis Ram Ola
12. Shri Shriniwas Patil
13. Shri Sunder Lal Patwa
14. Dr. Bikram Sarkar
15. Shri C. Sreenivasan

SECRETARIAT

1. Shri John Joseph - Additional Secretary
2. Shri R.C. Ahuja - Joint Secretary
3. Shri Brahm Dutt - Deputy Secretary
4. Smt. Neera Singh - Under Secretary
5. Smt. Jagriti Tawatia - Sr. Executive Assistant

TWENTY NINTH REPORT OF THE COMMITTEE ON PETITIONS
(THIRTEENTH LOK SABHA)

INTRODUCTION

I, the Chairman, Committee on Petitions, having been authorised by the Committee to present the Report on their behalf, present this Twenty Ninth Report of the Committee to the House on the following matters:-

- (i) Representation requesting to open a branch of nationalized bank at Gobindanagar, Bankura, West Bengal.
- (ii) Representation requesting for the removal of disparities in the facilities and benefits available to the Airports Authority of India (AAI) formed by the merger of the International Airports Authority of India and the National Airports Authority.
- (iii) Gist of the representation requesting for introduction of the Employees Provident Fund (EPF) Scheme for siding labourers working for the Food Corporation of India.
- (iv) Action taken by the Government on the recommendations of the Committee on Petitions (Thirteenth Lok Sabha) contained in their Twenty First Report on the Petition regarding the move for privatization of the National Aluminium Company Ltd. (NALCO).

2. The Committee considered and adopted the draft Twenty Ninth Report at their sitting held on 14th July, 2003.

3. The observations/recommendations of the Committee on the above matters have been included in the Report.

NEW DELHI;

14th July, 2003.

23 Asadha, 1925(Saka)

BASUDEB ACHARIA
Chairman,
Committee on Petitions.

CHAPTER - I

REPRESENTATION REQUESTING TO OPEN A BRANCH OF NATIONALISED BANK AT GOBINDANAGAR, BANKURA, WEST BENGAL

1.1 Smt. Sandhya Bauri, M.P. and 68 other residents of Gobindanagar, Bankura, West Bengal, had submitted a representation requesting therein to open a branch of a nationalised bank at Gobindanagar.

1.2. In the representation, the petitioners inter-alia submitted that they had approached the appropriate authority on several occasions to open a branch of a nationalised bank at Gobindanagar, Bankura, West Bengal, but no initiative was taken in this regard. They had also suggested the name of Syndicate Bank because the Bank had opened their new branches in several places around greater Kolkata and there was no branch of this Bank in their town. But the authorities did not respond to their representation.

1.3. The petitioners, therefore, requested the Committee to look into the matter and give them an opportunity to get the service of a Nationalised Bank in Gobindanagar which was a vast developing area.

1.4. The Ministry of Finance (Department of Economic Affairs – Banking Division) were requested on 30 may, 2001 to furnish their comments on the points raised in the representation. In response, the Ministry vide their O.M. dated 19 October, 2001 stated as follows:-

“The matter was looked into in consultation with United Bank of India, the lead bank of the district. United Bank of India has reported that they have conducted a thorough survey at Gobindanagar through its Regional Office to assess the business opportunities and viability of a new bank branch at the center. The survey revealed that Gobindanagar is situated at a distance of around 2 kms from the Bankura town, which is the Head Quarters of Bankura district, West Bengal. The total area of Gobindanagar is around 2 sq kms with a population of around 23000, mostly engaged in agricultural activities and some are in business and service. There are two bank branches of nationalized banks near Gobindanagar, one belongs to Bank of India at Katjhuridanga at a distance of around 800 meters from Gobindanagar and the other belongs to UCO Bank at Rajgram at a distance of around 1.5. kms. from Gobindanagar. These two bank branches are catering to the banking needs of the entire area including Gobindanagar. The business and the profitability of these two branches are not considered good. The business potential of the area will not justify for opening of another branch of United Bank

of India in that area, as the proposed branch as well as the existing two branches of the nationalised banks will suffer from inadequacy of business and profit. In the circumstances the bank has regretted its inability to accede to the request for opening a Branch at Gobindanagar at this stage.”

1.5. Meanwhile, the Committee decided to undertake on-the-spot study visit to Kolkata for obtaining first hand information in the matter. Accordingly, the Committee undertook a visit to Kolkata on 8 November, 2001 and held discussion with the petitioners.

1.6. During their on-the-spot study visit, the Committee were informed by the petitioners that the area of Gobindanagar is about 12 sq. kms and there is no bank branch at Gobindanagar area. The nearest cluster of banks of State Bank of India, Oriental Bank of Commerce, UCO Bank, United Bank of India, Canara Bank, MGB at Bankura are 2.5 to 3 kms away from Gobindanagar. Beyond that distance, there are 12 branches of other Nationalised Banks and Gramin Bank in the jurisdiction of Bankura Municipality. There are 5 Bank – Branches at the out-skirts of Bankura situated far away from Gobindanagar.

1.7 The petitioners also informed the Committee that while Syndicate Bank has no branch in Bankura district town, it has more branches at neighbouring centres such as Asansol, Raniganj, Durgapur, Burdwan and Kharagpur. 40% to 50% of people of Bankura town serve in or have business transactions with these places. The persons in Bankura, who receive cheques of Syndicate Bank have to pay more cost.

1.8 As regards, approaching only Syndicate Bank to open its branch at Gobindanagar, the petitioners informed the Committee that Syndicate Bank has its network in South India. It will also firmly connect Gobindanagar with South India, which would help a large number of students who take admission in professional Colleges in South India, especially Bangalore and other Cities like Manipal in Karnataka. Also, a large number of patients go to South India for their treatment.

1.9 The Committee, thereafter, took oral evidence of the representatives of the Ministry of Finance (Department of Economic Affairs – Banking Division) on 19 June, 2002. During the evidence, the Committee desired to know as to why it had not been possible to accede to the request of the residents of Gobindanagar to open a branch of a Nationalised Bank at Gobindanagar. In response the witness stated:-

“Opening of bank branches is dependent upon and is covered by section 23 of the Banking Regulation Act under which licence has to be obtained by the bank concerned from the Reserve Bank of India. The policy framework for opening of bank branches has been laid down by the Reserve Bank of India and this covers four categories of branches; branches in rural areas, branches in semi-urban areas, branches in urban areas and branches in metropolitan areas. There are very well laid down guidelines for this. The policy guideline indicates that it is for the

Boards of the banks to take a decision as to whether they would want to open a branch taking into account of the business potential, the profitability and such other connected issues.”

He further stated:

“In so far as Gobindanagar is concerned, a survey has been carried out by the United Bank of India. This place has a population of about 23,000 covering an area of about two square kilometres. According to the RBI norms, this falls in the semi-urban category. This place is two kilometres from Bankura town which is the district headquarters. The district headquarters itself has 14 branches and therefore, people residing in this area have access to this town where there are 14 branches. Apart from that, there are two other branches in close proximity to this place. One is the branch of the Bank of India which is about 800 metres away and there is a branch of UCO Bank which is 1.5 kilometres away. This is basically the position regarding banking in that area where there are enough banking institutions.”

He added:

“In so far as opening up of a branch of Syndicate Bank is concerned, we have taken up the matter with the management of the Syndicate Bank. They have informed us that they are not currently considering opening of any further branches in the eastern region where there are already a number of other branches and where they have a shortage of staff on this point of time. There has been VRS in the last financial year as a result of which there is shortage of staff. So, they are saying that they are not considering any proposal for opening a branch in Gobindanagar.”

1.10. When the Committee desired to know if any arrangement could be made to provide certain basic banking facilities like opening of an account, withdrawal and deposit of cash, making fixed deposits etc. by United Bank of India and UCO Bank as they have proximity to this place, the witness replied:

“United Bank of India incidentally was one of our weak banks. Earlier, we had classified three public sector banks as weak banks, namely, Indian Bank, United Bank of India and UCO Bank. Fortunately for us, all these three banks have turned the corner and have now become self-sustaining operations. But United Bank of India cannot be expected to take on the liability of an additional branch at this point of time. They should really concentrate on consolidating their present operations. In so far as UCO Bank is concerned, the branch of UCO Bank which is 1.5 kilometres from Gobindanagar has been operating at a loss for the last 20 years and we cannot expect much more from that bank because they have been in that area now for more than 20 years and each has been a year of loss for them. We do not know the current position. I am talking of the financial position year before last when it was running at a loss. The Bank of India branch which is 800 metres away from Gobindanagar is technically in profit in the sense that through the pricing mechanism policy, they have been shown as profit. But as a matter of fact, the local business is not sufficient to provide the real profits that are required

for the sustainability of the branch. It is by a different mechanism that it has been shown as being in profit. Whereas it is a fact that people in Gobindanagar do require banking service, what we are saying is that there are enough number of branches all round, both in close proximity to this area as well as in Bankura town to which most of them would be commuting because there are service people and teachers who are going to the town. There are enough facilities for them there. There are 14 branches of nationalised banks and cooperative banks in that town. So, there should not be any problem as we see at the present moment.”

1.11. When asked about the salient features of the survey conducted by the Bank, the General Manager of United Bank of India stated:

“After the receipt of the petition, we conducted a survey of that area and have found that the locality, Gobindanagar, is a part of the Bankura town, it is a semi-urban area and the total number of branches in Bankura town is about 15 including RRBs. Keeping in view the population of 1.40 lakhs, the population per Branch in Bankura town comes to around 9000 which is much below the national average. So, we have found that this area is adequately banked. Regarding the potentiality, keeping in view the branches nearby and the position of the branches, we do not find that there will be adequate business to sustain a branch of a nationalised bank or even a RRB in that area. On the basis of viability, we feel that it will not be viable enough to open a branch of a nationalised bank in that particular centre.”

1.12. When pointed out that instead of having a separate branch, a sub-branch with a staff of 2-3 persons can be opened to provide basic facilities in the area, the witness replied:-

“This being a semi-urban area, the difficulty is that there cannot be a satellite branch because the satellite branch pertains to the rural sector. So far as extension counters are concerned, extension counters are not permissible in market places. There are certain barriers in having extension counters in private houses, etc. However, if there is any educational institution which has a very large number of transactions then an extension counter could be feasible and in that case, may be some banking facility could be provided within this area. That seems to be the only possibility as I foresee.”

1.13. The Committee pointed out that if facilities are given to the people, then things will move up, after some time people will become banking conscious and savings will come up. The Committee desired to find out a way to open some kind of facilities to the people of Gobindanagar, to which the General Manager, RBI stated:-

“So far as urban centres or semi-urban centres are concerned, if it is a question of giving certain facilities like keeping a deposit account, giving draft facilities, etc. no credit facilities are to be sanctioned at an extension counter. This is normally sought to be done particularly with educational institutions, etc. Where the staff is there and the same bank hours are followed. So, in order to provide some window we say that extension counter can be opened at the request of the

institution and the bank has to be a principal banker. That is the facility we are giving. Probably, one feasibility which could be explored is that the lead bank is to see whether an extension counter could be opened, if required in Gobindanagar, which could also service other people nearby. There is no problem in that. That we will discuss with them.

The other alternative is in case it is considered that existing branch is not centralised, and if there is a branch, which will be able to meet the requirements in Gobindanagar, if there is any scope the bank can consider where it can be shifted to a convenient place then they can come to that place. In this case shifting does not require our permission, the bank can decide on that depending on the obligations, etc. after giving due notice to the customers. This is another alternative. We can ask the United Bank to explore that also.”

1.14. When asked about the number of educational institutions which are there in Gobindanagar as per the survey conducted by them, the witness stated that there is one Medical College and a degree College. He further assured that the minimum requirement of the public, which is like keeping of savings account, fixed deposits, getting a draft issued will be done. There will be no problem on that.

1.15. When the Committee desired to know if Syndicate Bank could be persuaded to have a flexible approach, the witness informed that the medical college is having a State Bank of India Counter. He also assured to convey the sentiments expressed by the Committee and ask them to consider it. He further added:-

“We will ask the Syndicate Bank again, Sir. But as things stand, it does not seem to be a very hopeful kind of option. I thought that it would be fair to tell you that it may not really lead to anything getting done immediately.”

1.16. When asked if United Bank of India can do that, the witness replied:-

“It might be a better option if the Medical College requests for an Extension Counter and also provides premises for that, then it might be a very feasible kind of option.”

Observations/Recommendations

1.17. The petitioners have submitted that as there is no bank branch at Gobindanagar, the residents of Gobindanagar, Bankura, West Bengal, had approached appropriate authorities on several occasions to open a branch of a nationalised bank at Gobindanagar. They had also suggested the name of Syndicate Bank because this Bank had opened their new branches in several areas around greater Kolkata. But the appropriate authorities did not respond to their request.

1.18. In this context, the Committee are informed by the Ministry of Finance (Department of Economic Affairs, Banking Division) that Gobindanagar is situated at a distance of around 2 kms. from Bankura town. The total area of Gobindanagar

is around 2 sq. kms with a population of around 23000 who are mostly engaged in agricultural activities and some are in business and service. There are two branches of nationalized banks near Gobindanagar, one belongs to Bank of India at Katjhuridanga at a distance of around 800 meters from Gobindanagar and the other belongs to UCO Bank at Rajgram at a distance of around 1.5 kms from Gobindanagar. The Committee are also informed that there are about 14 branches of nationalized/rural/co-operative banks operating in the town of Bankura which is about 2 kms from Gobindanagar.

1.19. During the course of oral evidence before the Committee, the representatives of the Ministry of Finance (Department of Economic Affairs – Banking Division) informed the Committee that as far as Syndicate Bank is concerned they are not considering opening of any branch in the Eastern Region, as there is a shortage of staff because of the implementation of the Voluntary Retirement Scheme (VRS) in the financial year before last. The Committee were also informed that the Ministry had classified three public sector banks as weak banks, namely, Indian Bank, United Bank of India and UCO Bank. Though, these Banks have now become self-sustaining, still, United Bank of India cannot take the liability of an additional branch at this point of time. The UCO bank branch, which is 1.5 km away from Gobindanagar has been operating at a loss for the last 20 years, and the Bank of India Branch which is 800 metres away from Gobindanagar is in profit through the pricing mechanism policy but, as a matter of fact, the local business is not sufficient to provide real profits that are required for the sustainability of the Branch.

1.20. The representatives of the Ministry and Reserve Bank of India were candid in admitting before the Committee that the people of Gobindanagar need and deserve better banking facilities. They mooted the following possible suggestions:-

- (i) Opening of a Branch by Syndicate Bank in Gobindanagar.
- (ii) One of the Branches of Bank of India and UCO Bank which are located within a distance of 800 metres and 1.5 kms. could be shifted to Gobindanagar.
- (iii) An extension counter of a nationalised bank could be opened in any institution like Medical College or Degree College located in Gobindanagar, which could provide space and infrastructure facilities.

The Committee feel that shifting of existing Branches of UCO Bank and Bank of India may cause inconvenience to their customers. Similarly it

could be a difficult task to force educational institutions to provide space and infrastructure to open a bank branch or counter. They, therefore, would like the Government to consider the proposal of opening a branch of Syndicate Bank at Gobindanagar earnestly with a view to redressing the grievance of the petitioners and meeting the basic banking needs of the residents of Gobindanagar. The Committee would like to be apprised of the concrete action taken in this regard within six months from the date of presentation of the report.

CHAPTER-II

REPRESENTATION REQUESTING FOR THE REMOVAL OF DISPARITIES IN THE FACILITIES AND BENEFITS AVAILABLE TO THE EMPLOYEES OF THE AIRPORTS AUTHORITY OF INDIA (AAI) FORMED BY THE MERGER OF THE INTERNATIONAL AIRPORTS AUTHORITY OF INDIA AND THE NATIONAL AIRPORTS AUTHORITY.

2.1 Shri S.R. Santhanam, All India President and other office bearers of the Airport Authority Employees Union (AAEU), T4- I.N.A. Colony, New Delhi submitted a representation requesting for the removal of disparities in the facilities and benefits available to the employees of the Airports Authority of India (AAI) formed by the merger of the International Airports Authority of India and the National Airports Authority.

2.2 The petitioners in their representation *inter-alia* submitted that in 1994 by repealing the National Airports Authority Act and the International Airports Authority of India Act, Parliament had enacted the Airports Authority Act. Consequent upon the merger of the National and International Airports Authorities by the Airports Authority of India Act, 1994, an executive order had been issued to appoint a Committee (Justice Jain Committee) to go into the various aspects of the single point administration; the merger of Divisions and other inter- related functions of these Authorities.

The petitioners stated that the management of the Airports Authority of India continued to maintain separate identities of the National Division and the International Division under the Airports Authority Act, 1994 without framing the common terms and conditions of service in the unified industry of the Airports Authority of India (AAI). The management of AAI had settled the wages of Officers/Executives but the wage settlement of the Workers had been kept pending. The management had recognized the Airports Authority Employees Union (AAEU) for a period of 5 years from 1997 within the code of discipline. Also, a Pay Anomaly Committee had been appointed by the AAI in April, 2000 with the condition that the entire process of merger would be completed within 30 days.

The petitioners contended that the AAI management had not fulfilled their commitments towards the worker category of employees as a responsible employer after the merger of both the authorities i.e. the National Airports Authority and the International Airports Authority.

2.3 The petitioners, therefore, placed the following demands before the Committee on Petitions :-

- (i) release ad hoc payments amounting to Rs.75,000/- for Group 'C' employees and Rs. 60,000/- for Group 'D' employees pending their wage settlement ;
- (ii) remove imbalances/disparities in the Airports Authority of India formality of the merger of the National Airports Authority and the International Airports Authority of India ;
- (iii) maintain transparency in the general administration;
- (iv) provide an attractive Pension Scheme and Postal Life Insurance Scheme for the employees of AAI;
- (v) keep similar in-service uniforms of both the male and female employees of AAI;
- (vi) stop leasing and the privatization of Airports;
- (vii) reduce non-plan expenditure and construct more staff quarters; and
- (viii) allocate separate government funds for the working of the Central Industrial Security Force (CISF) in AAI

2.4 The Ministry of Civil Aviation were requested to furnish their comments on the points raised in the representation. In response, the Ministry of Civil Aviation furnished their reply vide O.M. No. H-11013/008/2000-AAI dated 8.8.2001 wherein they stated that the matter was part of industrial relations issues under negotiations. The AAEU expected that their office bearers should be allowed to represent in the decision making on all issues concerning various Committees such as Uniform Committee, Employment Assistance Committee, Allotment Committee, etc. The General Secretary of AAEU wanted that the AAI management should hold discussions with them only and not with the General Secretary of the erstwhile International Airports Authority of India Workers Union (IAAIWU). The intra union rivalry had gone to such an extent that the management had been not in a position to remove the disparities arising out of the merger of the International Airports Division and the National Airports Division. One Group or the other threatened to disrupt industrial peace.

2.5 As regards the process of wage negotiations, the Ministry of Civil Aviation stated that the Airports Authority of India had constituted a Committee consisting of the representatives from the management and the recognized Union- AAEU, in

April, 2000 for settling the anomalies and wages for non-executives as on 01.01.1997. Wage negotiations could not be started due to intra-union rivalry and disruption of industrial peace. Failing to resolve the issue, the management then referred the matter to the Chief Labour Commissioner (Central) in July, 2000 for intervention and advice. Thereafter, meetings were held in the Office of the Chief Labour Commissioner inviting both the groups for discussion four times in the month of August, 2000. But the Deputy Chief Labour Commissioner (Central) observed in the proceedings dated the 30th August, 2000 that though a suggestion was made to form a negotiating team with two representatives from both the alliance partners i.e. IAAIWU and AAEU ; the discussions had been inconclusive. The Chief Labour Commissioner concluded that no relief could be given by them since the two factions of the recognized unions were not agreeing to any of their proposals and so the discord in the Union and rivalries did not constitute an industrial dispute.

2.6 The Ministry of Civil Aviation further stated that as the best efforts made by the AAI management and the Chief Labour Commissioner to persuade the union to resolve their discords did not succeed and since the employees were getting restive for early implementation of the revised wage structure with effect from 01.01.1997, the management requested the President of the recognized Union to nominate a representative and cohesive team in consultation with the constituent unions so that the issues of anomalies and long term wage settlement were resolved. A meeting was fixed for 22nd January, 2001 for initiating the process of settlement of wages. During this period one of the factions filed a suit before the Sub-Judge Civil at Tis Hazari Courts. While allowing the suit maintainable, the Civil Judge, Delhi pronounced a judgment in the hearing on 17.01.2001 that in the interest of justice, the Defendant No. 1 “AAI is hereby directed not to proceed with the wage negotiations on 22.01.2001”. Consequently, the wage settlement meeting scheduled for 22nd January, 2001 was deferred. Again on 08.02.2001, the learned Civil Judge issued directions to AAI to go ahead with the wage negotiations with two members each from IAAIWU and AAEU who were at liberty to nominate members of their choice for the purpose of negotiation with the management. The AAI management, accordingly, requested the President, AAEU and the General Secretary, IAAIWU to nominate two members from their factions. However, AAEU resorted to hunger strike at Kolkata Airport in February, 2001. The AAI management held several rounds of discussions with the Union as per the orders of the Civil Judge. Finally in the 16th meeting of the wage negotiations Committee held in June, 2001, an agreement was arrived at on the following points between the two factions of the Union and the management of AAI: -

- Adoption of revised pay scales;
- Fitment formula for fixing the pay in the revised scales;
- Payment of variable Dearness Allowance;

- Payment of House Rent Allowances;
- Payment of City Compensatory Allowance;
- Limiting domicile medical treatment for reducing medical expenses;
- Reduction in Overtime; and
- Induction and Career Progression aiming at proper restructuring and anomaly removals.

2.7 On the question of the release of ad hoc payment of wages, the Ministry of Civil Aviation informed that vide letter dated 01.09.2000, the Deputy Chief Labour Commissioner had advised the management to grant some interim relief to the workmen against the wage revision as a goodwill gesture. A lump sum amount of Rs. 20 to 40 thousand and enhancement of Interim Relief from 10% to 22% were made to Group 'B', 'C' and 'D' Employees of AAI.

2.8 On the question of the introduction of Pension and Postal Life Insurance Scheme, the Ministry of Civil Aviation stated that there was a proposal to introduce a Pension scheme in the AAI and a Consultant had been appointed by the management who gave about 12 presentations to various groups of employees and the management. However, the Union and the Officers' Association had not agreed to the scheme presented by the Consultant.

2.9 As regards, the distribution of uniform to staff without discrimination between male and female employees, the stoppage of leasing of airports, allocation of government funds for the CISF, and construction of staff quarters by AAI, the Ministry informed the following position: -

- uniforms were provided to the employees in consultation with the representative of the Union. AAI was procuring uniform material from reputed manufacturers by inviting open tenders through press and it had been their endeavour to provide the best quality of dress material to their employees;
- the unions had been assured by the management that the interests of the employees would be duly protected on leasing and privatization of the Airports;
- the induction of CISF in AAI relates to the safety and security of airports and the Passenger Service Fee had already been increased from Rs.125/- to Rs. 200/- for embarking domestic passengers and a Passenger Service Fee of Rs. 200/- had been imposed on outbound international passengers to meet the increased outlay on security matters; and
- AAI had been constructing quarters for its employees and allotments would be made in accordance with the rules. A representative of the union had been included in the Allotment Committee of Quarters.

2.10 The Committee perused the comments furnished by the Ministry of Civil Aviation and decided to take oral-evidence of the officials of the Ministry of Civil Aviation and examine the issues raised by the petitioners. Accordingly, the

Committee took the evidence of the representatives of the Ministry at their sitting held on 2nd January, 2003.

2.11 The Committee desired to know during the oral evidence the reasons behind the merger of the National and International Airports Authorities. The representative of the Ministry of Civil Aviation stated that there was a need for integrating the functions of the Airports. In all the international and national airports, more or less all activities were similar. So, the merger was essential.

2.12 In a subsequent written note dated 18th March 2003, the Ministry of Civil Aviation stated that the AAI was presently in existence as one identity. The International Airport Division and the National Airport Division were two Divisions and as such identification had existed in all the business establishments.

2.13 On a query regarding the necessity to maintain the separate identities of the International Airport Division and the National Airport Division, the Ministry in their note stated that since four metro airports were being re-structured it had become essential from the industrial relations point of view to maintain this identity.

2.14 When the Committee enquired during the oral evidence about the modalities worked out as regards the merger of both the Airports Authorities, the Chairman of AAI explained as follows: -

“After the formation of the Airports Authority of India on 1st April, 1995, the Jain Committee was appointed by the then Chairman of AAI to advise him on the modality of integrating the two units and also advise him on the terms and conditions which were existing; and how to bring parity between the two sets of employees. The Jain Committee gave its first report in 1996. The recommendations of the Jain Committee finally came in 1997. The Committee had a representative from the Ministry of Civil Aviation who is a retired Joint Secretary; and a nominee was also taken from the Department of Public Enterprises (DPE) , who is a retired Joint Director. The Committee’s recommendations were taken into consideration while finalizing the adoption of unified pay scales and other terms and conditions. This had basically come from the origin that the International Airports Authority had come into existence in 1972 from out of the Civil Aviation Department. The National Airports Authority came into existence in 1986 from the Director General of Civil Aviation (DGCA) or from the same Department. There have been various pay revisions in the International Airports Authority on the basis of a public sector pay revision as per Department of Public Enterprises (DPE) guidelines. In the National Airports Authority, which came into existence, we adopted the central pay scales, which were in existence at that time. So there were a lot of anomalies when the Airports Authority came into existence.”

2.15 With reference to the service conditions enumerated in the Airports Authority of India Act, 1994, the Ministry of Civil Aviation in a written note stated that in terms of Section 18 of the said Act: -

“....every officer and other employee of the International Airports Authority or the National Airports Authority who becomes an officer, or as the case may be , other employee of the Authority, as referred to in this section, shall hold his office or service therein by the same tenure, at the same remuneration, upon the same terms and conditions, with the same obligations and with the same rights and privileges as to leave, passage, insurance, superannuation scheme, provident fund, other funds, retirement, pension, gratuity and other benefits as he would have held under the International Airports Authority or, as the case may be, the National Airports Authority if its undertaking had not vested in the Authority and shall continue to do so an officer or other employee as the case may be, of the Authority or until the expiry of a period of one year from the appointed day if such officer or other employee opts not to be the officer or other employee of the Authority within such period.”

2.16 Subsequently in a written note, the Ministry of Civil Aviation stated that the Jain Committee which had been constituted to look into the modalities of the merger of the International Airports Authority and the National Airports Authority by an Act of Parliament in 1994 *inter- alia* recommended on the following matter:-

- (i) Organizational structure and rationalization of scales of pay and designations for adoption in the both the Divisions of AAI;
- (ii) Promotion Policy;
- (iii) General Terms and Conditions of Service;
- (iv) Matters relation to Air Traffic Controller (ATC) Cadre;
- (v) Integration of Technical and Communication streams into a common Electronics stream;
- (vi) Rationalization of scales of pay and structure of other cadres;
- (vii) Matters pertaining to payment of House Rent Allowance, TA/DA, City Compensatory Allowance, and other benefits; and
- (viii) Matters pertaining to Employees’ Conduct, Discipline and Appeal Regulations.

2.17 When the Committee desired to know the nature of anomalies between the two workers unions of AAI, the Ministry informed in their note that the anomalies raised by the unions included the following:-

- (i) Full and complete use of unified designations and re-designation of few posts;
- (ii) Treating the combined service on merged grades for the purpose of promotion to the next higher grade;

- (iii) Re-designating all non-executives in the pre-revised pay grade of Rs.3300-5820/- as Superintendents and placing them in the non-functional pre-revised grade of Rs.3450-6100/- on completion of 2 years service as Superintendent;
- (iv) Continuing promotions of both Divisions i.e. National and International Divisions as per existing rules;
- (v) New induction in both Divisions should be on the unified new designation of Senior Assistant in Group C posts, where Diploma in Engineering is the entry level qualification;
- (vi) Removal of anomaly in case of Accounts Assistant in both Divisions and rationalizing it;
- (vii) Up-gradation of certain isolated cadres to ensure promotional avenues;
- (viii) Merger of cadre of Assistant Operator in the pre-revised pay grade of Rs.2500-3660/- with the pre-revised pay scale of Rs.2720-4400/- w.e.f 01.04.1996 and up-gradation subject to qualifying test;
- (ix) Up- gradation of 40% posts of Operators as Senior Assistant;
- (x) Up- gradation of 40% posts in all Group D cadres to the next higher grade; and
- (xi) Removal of few anomalies existing in certain isolated grades like Draftsman, Caretaker, Operator-cum-Driver, etc.

2.18 On a query regarding the position of removal of anomalies based on the Jain Committee's recommendations, the Chairman, AAI stated during the oral evidence as follows:-

“ After studying the report of the Jain Committee, unified pay scales were adopted w.e.f. 01.04.1996 by an Order of 9th February, 1998, which took into consideration the recommendations of the Jain Committee as also the circumstances prevailing because one set of people were saying that they came out of Civil Aviation Department in 1972; and that they had gained certain benefits over the other employees who joined subsequently. Those anomalies, which were there, after adopting unified pay- scales and other unified terms and conditions of service like LTC, medical reimbursement, etc. have been adopted uniformly for both sets of employees from 01.04.1996.”

He added:

“ All these matters have been resolved and settled, first with the adoption of unified pay scales w.e.f 01.04.1996 by an order of February, 1998 and subsequently when the pay scales are now revised effective from 01.01.1997, which are resolved in June, 2001. All these anomalies have been resolved.”

2.19 In their note, the Ministry of Civil Aviation also stated that the AAI management had discussed and counselled the rival groups of the recognized union to follow the code of conduct as specified for recognition. However, the management's efforts did not yield any result and the matter was referred to the Chief Labour Commissioner (Central) for intervention. The management continued to counsel the rival groups. On completion of five years of the recognition period, fresh referendum was conducted in October, 2002 and the majority union was given recognition for a period of five years from October, 2002. The AAI Board had been kept apprised about the status of intra-union rivalries and two officials of the Ministry of Civil Aviation had been included in the Board. Regular meetings were being held with the recognized union to resolve the issues concerning the employees. All major issues had been resolved with the settlement of wages and anomalies.

2.20 The Committee then desired to know as to whether an alternative Pension Scheme had been introduced for the employees of AAI. To this, the Ministry of Civil Aviation informed in their note that as per rules, the Pension Scheme had not been applicable where the facility of Contributory Provident Fund was applicable. However, some organizations had evolved a Self- Contributory Pension Scheme. One such Scheme had been evolved in AAI by a Consultant. However, the unions did not favour this scheme. On the suggestions of the employees, an alternative Pension Scheme was being worked out and the same would be implemented once a consensus was evolved.

OBSERVATIONS/RECOMMENDATIONS.

2.21 The Committee note that the Airports Authority of India had been constituted by the merger of the International Airports and the National Airports Authorities *vide* the Airports Authority of India Act, 1994. The Airports Authority of India had been constituted for the better administration and cohesive management of the Airports/ Civil Enclaves, the Air Transport Services and other matters connected therewith or incidental thereto. Besides, the formation of the Airports Authority of India envisages the integrated development of all the Airports in the country.

2.22 The Committee also note that a Committee headed by Justice Jain was constituted to work out the modalities of the merger of the International and National Airports Authorities. This Committee gave its recommendations in regard to the organizational structure, rationalization of pay- scales, designations of officials, promotion policy, conduct and discipline of the employees, allowances like TA/DA, CCA, etc. and other matters of general administration. The Committee are informed that the AAI constituted a Committee consisting of the representatives of the AAI management and those of AAEU and IAAIWU for settling down the wage anomalies and wages of the non-executives as on 01.01.1997. However, certain differences existed between the employees unions of the Airports Authority and the International Airports Authority. The wage negotiations could not be started due to intra-union rivalry. In this context, the Committee note that the AAI management discussed and counselled the union AAEU and IAAIWU but the management's efforts did not yield any result. Consequently, the intervention of the Chief Labour Commissioner (Central) had been sought in July, 2000, who concluded that inter-union rivalry did not constitute an industrial dispute.

2.23 The Committee note that with the adoption of the unified pay- scales w.e.f 01.04.1996 by an order of February, 1998 and revision of the pay-scales w.e.f 01.01.1997 and an agreement between the two rival factions of the employees union in June, 2001 most of the anomalies have been resolved.

2.24 The Committee note that AAEU and IAAIWU agreed in regard to the adoption of the revised pay-scales; fitment formula for fixing the pay in the revised scales; payment of variable dearness allowance, house rent allowance and city compensatory allowance; reduction in medical expenses and overtime and career progression aiming at restructuring and removal of anomalies, in June, 2001. Furthermore, in October, 2002 a fresh referendum had been conducted which gave recognition to the majority union for a period of five year. The Committee, therefore recommend that appropriate steps

should be taken by the management so as to ensure that the rightful service facilities/benefits to all the employees and workers of the International Division and the National Division are provided by adhering to the provisions of the Airports Authority of India Act,1994. The Committee also recommend that periodic and timely discussions should be held with the representatives of the employees unions based on the principle of collective bargaining to obviate any occurrence of labour impasse in the organization.

2.25 As regards the Pension Scheme for the employees of AAI, the Committee are informed that the facility of Pension is not applicable, however, a Self- Contributory Pension Scheme had been evolved for the employees by a Consultant. Since the employees did not favour this Self-Contributory Pension Scheme, an alternative Pension Scheme is being worked out which would be implemented once a consensus is evolved on it. The Committee would like the management to initiate negotiations with the unions with a view to finalize a workable Pension Scheme for the employees of AAI within a time bound manner. The Committee would like to be apprised about the outcome in this regard within two months of the presentation of the report to the House.

CHAPTER-III

GIST OF THE REPRESENTATION REQUESTING FOR INTRODUCTION OF THE EMPLOYEES PROVIDENT FUND (EPF) SCHEME FOR SIDING LABOURERS WORKING FOR THE FOOD CORPORATION OF INDIA.

3.1 S/Shri Sardar Ali Mondal and Barkat Hossain Mandal, on behalf of 64 workers working as siding labourers for the Food Corporation of India at Railway Rake Point, Bankura, in their representation dated 2nd October, 2001, addressed to the Chairman, Committee on Petitions, had stated that the workers had been working as siding labourers for the Food Corporation of India at Railway Rake Point, Bankura since 1989. They had requested the officials of the Food Corporation of India, New Delhi for introduction of the Employees Provident Fund (EPF) Scheme for them but no action was taken on their request. They, therefore, requested for intervention of the Committee on Petitions to introduce the EPF Scheme for the workers.

3.2 The Ministry of Labour with whom the matter was taken up have, vide their O.M. dated 10th March, 2003, furnished their comments intimating inter-alia that an enquiry under para 26-B of the Employees Provident Fund Scheme, 1952 was initiated against the Food Corporation of India to decide the entitlement of the employees under the Scheme. The Regional Provident Fund Commissioner, Durgapur, has decided that siding labourers working for the Food Corporation of India shall be entitled to EPF membership as per the provisions of the EPF Scheme, 1952.

3.3 The Committee are happy to note that Regional Provident Fund Commissioner has decided that siding labourers of FCI should be entitled to PPF membership. The Committee would like the FCI to ensure that concerned workers get due benefit of the scheme early.

CHAPTER - IV

ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS OF THE COMMITTEE ON PETITIONS (THIRTEENTH LOK SABHA) CONTAINED IN THEIR TWENTY-FIRST REPORT ON THE PETITION REGARDING THE MOVE FOR PRIVATISATION OF THE NATIONAL ALUMINIUM COMPANY LTD. (NALCO).

4.1 The Committee on Petitions in their Twenty-first Report (Thirteenth Lok Sabha) presented to Lok Sabha on 22nd November, 2002 had dealt with a petition regarding the move for privatization of the National Aluminium Company Ltd. (NALCO).

4.2. The Committee had made certain observations/recommendations in the matter and the Ministries of Mines and Disinvestment were requested to implement those recommendations and furnish their action taken notes for the consideration of the Committee.

4.3. Action taken notes have been received from the Ministries of Mines and Disinvestment in respect of all the recommendations contained in the Report.

4.4. The Committee will now deal with action taken by the Government on some of their observations/recommendations.

4.5. In paragraph 20 of the Report, the Committee made the following observation:-

“The Committee note that the National Aluminium Company Ltd. (NALCO) had been established by the Government of India in 1987 with the objective of meeting the domestic demand of Aluminium and exporting Alumina. NALCO has created the largest Aluminium Complex of Asia by utilization of one of the best quality bauxite ores in the world. The company has a bauxite mine at Panchpatmali; Alumina Refinery at Damanjodi and Aluminium Smelter and Captive Thermal Plant at Angul in Orissa. It is a world class company with strong fundamentals and distinct track record. It also has a competitive edge in the Aluminium market world-wide. With its world-class deposits and modern processing techniques, NALCO is a highly profitable Public Sector Undertaking. The State-of-the-art technology of NALCO was obtained from M/s.Pechiney of France, a world leader in this field. NALCO is one of the lowest cost producers of Aluminium in the world. The company has given India self-sufficiency in Aluminium, an important non-ferrous metal. The company’s low cost power production has been an additional advantage to the people

at large. It has even made significant contributions towards the socio-economic development of the country and export performance in the international market of Alumina. Presently, the company is one of the most efficiently managed public enterprises.”

4.6. In the action taken note, the Ministry of Disinvestment have stated that the NALCO’s profitability rests on its inherent technological advantages namely:

- (i) Best Bauxite mines in Asia
- (ii) New technology
- (iii) Good siting of Refinery near the mines, thereby lowering the carriage costs, and
- (iv) Siting of Smelter near coal fields thereby lowering power cost.

However, these natural resource and technological advantages are not being fully exploited. The cost of power, other consumables and labour per MT of Hot Metal has been higher than the cost incurred by international and domestic private producers. NALCO has contributed significantly to the development of Orissa. However, there are many similar examples of commitment to social development within the private sector also. In any case, social expenditure can best be targeted through a “Disinvestment Fund” proposed to be established from the proceeds of disinvestments.

OBSERVATION/RECOMMENDATION.

4.7. The Committee need hardly emphasize that NALCO is perceived as a symbol of “Oriya Pride” and it is one of the industrial units which carry out their entire manufacturing activity within the State of Orissa. With the implementation of its developmental programmes, NALCO has established and maintained amenities and services to the local communities. The families/people displaced due to the establishment of the industrial units of NALCO and its mining works have been given due compensation by the Company. The Ministry of Disinvestment have echoed the fact that NALCO has significantly contributed towards the development of Orissa. Such commitment to social development is rarely seen in private Industrial Units. The Committee, therefore, would like that NALCO remains as a PSU and continues to work for economic and social development of the community residing in the vicinity of the NALCO units..

4.8. In paragraphs 21 to 25 of the Report, the Committee made the following observation/recommendation:-

“The Committee note that Government of India presently holds 87.15% equity stake in NALCO. As on 31.03.2002, the number of employees in this Company is 6,500. Although the company has been making profits

since 1988-1989, it has made Profit-after-Tax above Rs.500 crore per year in the last few years.

(para 21)

The Committee were informed that NALCO is now undergoing major expansion programmes for doubling its alumina refining plant capacity and a 50% increase in the capacity of the Smelter. The capacity of its power plant is also being expanded from 720 MW to 960 MW by June, 2003. According to the Secretary, Department of Mines (Ministry of Coal & Mines) the cost of expansion project is about Rs.4000 crore and it is almost nearing completion.

(para 22)

The Committee note that the NALCO produces about one-third of the primary aluminium produced in the country. The expansion project currently under implementation for the company would further increase the market share in the primary aluminium market. Thus, the NALCO is expected to dominate the primary aluminium market in India for quite some time to come.

(para 23)

The Committee further note that the NALCO's ore is one of the best ores in the world and therefore from regulatory point of view, the Government control over the company may be desirable to conserve the exhaustible material for the downstream industries and as a safeguard against indiscriminate mining for short-term gains. There are only two large groups which are manufacturing aluminium in the country. One is HINDALCO and INDALCO and another is NALCO."

(para 24)

The Committee note that the Finance Minister in his Budget Speech for the year 2000-2001 has inter-alia stated that one of the elements of the Government policy towards the Public Sector Undertakings was 'to bring down Government equity in all non-strategic Public Sector Undertakings to 26% or lower, if necessary'. However, in the case of NALCO, the Committee do not find sufficient reasons to lower the equity to 26%."

(para 25)

4.9. In their action taken note, the Ministry of Mines informed that the number of employees in NALCO is 6673 as in January, 2003. The Profits After Tax (PAT) during the last five years are:-

1997-98	Rs.546.97 crore
1998-99	Rs.248.25 crore
1999-2000	Rs.511.53 crore

2000-2001	Rs.655.83 crore
2001-2002	Rs.409.35 crore

As regards, the expansion in the capacity of alumina refinery, the Ministry of Mines have stated that the capacity has been increased from 8.00 lakh tpy to 15.75 lakh tpy. The smelter expansion project has been mechanically completed and 120 pots commissioned. The remaining 120 pots will be commissioned after completion of the 8th unit of CPP. The 7th unit of CPP has been completed.

The Ministry of Disinvestment in their action taken notes have stated that PAT, as a ratio of sales peaked in 1996 at 30%. By 1999, the ratio had declined to 15% and in 2002, the ratio was 16%. The Net Profit margin as a percentage of sales had also come down from 25.74% in 1999-2000 to 18.40% in 2001-02. With an expected capacity expansion of 50%, interest and depreciation cost would increase further pressure on profit margins. In any case profitability alone is not an appropriate criterion for judging whether a PSU should be disinvested. In a dynamic business environment, profits can get eroded with liberalization and increased competition. This has happened with several PSUs as in the case of SAIL, HOCL, HMT and HCL.

NALCO is the largest domestic producer of Alumina, which is a low value added intermediate product. However, it sells around 61% of Alumina converting it into Aluminium. It has a share of around 35 to 40% of the domestic Aluminium market. HINDALCO, which currently has a 51% share of the domestic market has been expanding its Aluminium capacity of 2.75 lakh TPA by one fourth to 3.42 lakh TPA. BALCO, which has a share of 13% of the domestic market, has been expanding its capacity four fold from 1 lakh TPA to 4 lakh MTPA of Aluminium. NALCO is also expanding its capacity from 2.3 LTPA to 3.45 LTPA. As the current domestic demand is less than 6 lakh TPA, there is likely to be a situation of over supply in the domestic market. There will be adequate domestic competition to protect the consumer interest. Currently, NALCO sells 61% of the alumina it produces as Alumina and the rest after conversion to Aluminium thereby not realizing the potential of good quality bauxite ores available with it. Alumina is a low value addition product. In comparison HINDALCO, a private domestic producer, only sells Aluminium, thereby maximizing value addition.

The regulation of mining reserves does not require direct public ownership. Adequate powers are available under the Mines and Minerals (Development and Regulation) Act 1957 to specify the conditions under which a mining lease is granted. With HINDALCO and BALCO, the two major domestic private producers, both actively seeking to expand Bauxite mining, regulatory

requirements with respect to depletion of natural resources would need to be tackled outside the framework of public ownership.

OBSERVATION/RECOMMENDATION.

4.10. The Committee have not been impressed by the belaboured reply of the Ministry of Disinvestment for justification of the disinvestment process in NALCO. They reiterate that there are no sufficient reasons to lower Government equity in NALCO to 26%.

4.11. In paragraphs 29 to 31 and 33 of the Report, the Committee made the following observations/recommendations:-

“The Committee also note that in September, 2001, the Ministry of Disinvestment brought before the Cabinet Committee on Disinvestment a Memorandum seeking disinvestment in two phases. The first phase was 30 per cent disinvestment through the Initial Public Offerings (IPO) route, that is, to the public at large and the GDR or ADR. This was to be followed by disinvestment through strategic sale to bring down the equity with the Government to 26 per cent. In pursuance of that decision, the Ministry of Disinvestment subsequently initiated the action for disinvestment. But in July, 2002, the Ministry of Disinvestment again went before the Cabinet Committee on Disinvestment saying that the exercise for strategic sales should also be started simultaneously in partial modification or by way of clarification of the earlier decision. The interpretation of the Department of Mines of the earlier decision was that one has to follow the other, that is, the IPO will be completing first 30 per cent and the strategic sale can be affected after that is completed. But the Ministry of Disinvestment felt that for the best realisation of the value, it is desirable that the exercise is started simultaneously so that to the Strategic Partner, who is going to buy, there is a clear signal that there is no waiver on this policy and it is going to be disinvested and strategic sale is in the offing. Their logic is that if the strategic sale signal is given, the price at which the initial shares will be sold to the public will also be very high. Otherwise, the price will be depressed.

(Para 29)

The Committee note that the Department of Mines had suggested to the Ministry of Disinvestment that the decision of the Cabinet Committee on Disinvestment taken by them in September, 2001 with regard to disinvestment of NALCO in two phases should be adhered to. However, the Ministry of Disinvestment did not appear to have given any serious thought to the suggestion of the Ministry of Coal and Mines (Department of Mines) and decided in July, 2002 to revise their decision of September,

2001 by opting the process of strategic sale simultaneously with IPO on the plea that if the strategic sales' signal was given, the price at which the initial shares of NALCO will be sold to the public will also be very high.

(Para 30)

The Committee further note that the Secretary, Department of Mines, in support of his suggestion that the decision of September, 2001 of the Cabinet Committee on Disinvestment should be adhered to has stated that "if 30 percent is diffused in capital market, to the retail shareholders, the real value of the share will come up. Today, there is no benchmark. We do not know what is the real price of the share in the eyes of the investor. How does an investor assess this company? So, once we dilute the equity to the public at large, then perhaps the benchmark will be possible which will be helpful for the subsequent strategic sale also." The Secretary, Department of Mines is also on record stating that if the earlier decision was adhered to, that would be less controversial, easily implementable and in time.

The Committee are constrained to observe that though the Department of Mines, the Administrative Ministry, pleaded for adhering to the September, 2001 decision of the CCD, which was in accordance to the recommendation of the Disinvestment Commission, the Ministry of Disinvestment stuck to the decision taken by them in July, 2002."

(Para 31)

"During the course of oral evidence, the Secretary (Department of Mines) has also stated that NALCO has offers from many other well renowned companies for joint partnership. In this case, an alternative model could have been strategic partnership and not of strategic sale. The management and control of the Company could have been transferred to the Strategic Partner so that the Government would have retained equal or a little more shareholdings than the Strategic Partner. It may be possible to involve the joint Strategic partner to set up green field projects by bringing in technology, investment and larger plants in the country from outside. The Committee regret to note that the Cabinet Committee on Disinvestment (CCD)/Inter-Ministerial Group (IPG) did not consider the said proposal of the Department of Mines.

The Committee, therefore, recommend that the Government should give a fresh look and thought to the disinvestment decision of NALCO."

(Para 33)

4.12. In their action taken note, the Ministry of Disinvestment have stated that disinvestments decisions are taken by the CCD and not by the Ministry of Disinvestment. The decisions on the modalities for the disinvestment of NALCO

were taken by the CCD. Experience since 1991-1992 has shown that the true potential of a PSU is not reflected in the market price established through public offer of minority shares. 12.85% of NALCO 's equity is available with the public. However, its share price remained dormant for long and started increasing only once the Government's resolve to adopt the strategic sale mode of disinvestment was manifested in the case of IBP and VSNL in the first week of February, 2002. NALCO 's share price again shot up when the market reacted favourably to the news of appointment of an Advisor, in March, 2002. This indicates that unless a public offer is clubbed with a strategic sale, there is unlikely to be an increase in the share price. Market sentiment depends substantially on a clear road map for privatization through strategic sale. It may be noted that a fall in sales realization even by Rs.10 per share, which is only around 12% of the current market price, reduces the potential sales realization by Rs. 193 crore on a public offer of 30% for NALCO.

The Ministry have further stated that a decision to have one Global Coordinator and Advisor (GCA) for all the three stages (with co-book-runners for public offers) was expected to convince the public and the investor of the seriousness of Government's resolve for privatization. It is on this basis that the CCD, in its meeting held on 11th July, 2002, decided that the process for strategic sale and public offering in NALCO should be initiated, simultaneously.

The Ministry have also added that the strategic sale along with the transfer of control of management is expected to further the productive use of existing assets and facilitate efficiency enhancing incremental investments. It is well known that greater the controlling power reserved by the Government in a Joint Venture, lower is the price paid by the strategic partner. As per the declared policy on disinvestment, Government is to exit from the ownership and management of non-strategic industries. Hence, the rationale for continuation of Government in a Joint Venture is unclear.

OBSERVATION/RECOMMENDATION.

4.13. The Committee are unhappy to note that the Government have not mentioned anything in their reply about their recommendation for reviewing the decision of disinvestment in NALCO. The Committee would, therefore, like the Government to re-examine and re-consider the matter at the highest level in the Government.

4.14. In paragraph 34 of the Report, the Committee made the following recommendation: -

“While reviewing the decision, the Government should also keep in mind the following factors:-

- (1) NALCO ore is one of the best and cheapest in the world;
- (2) NALCO has the asset of more than Rupees twenty-two thousand crore;
- (3) Expansion programme being undertaken at the cost of Rs.4000 crore is nearing completion;
- (4) NALCO is expected to dominate the primary aluminium market in India;
- (5) NALCO was set up in an underdeveloped and backward region for the economic development of that area.
- (6) The control of Government is desirable to
 - (i) control the exhaustible material for the downstream industries;
 - (ii) safeguard against indiscriminate mining for short term gains;
- (7) NALCO is a continuously profit making unit since inception.
- (8) In the interest of the Indian economy and in the interest of competition and also for removal of regional backwardness, the NALCO be retained in the Public Sector.
- (9) NALCO has provided direct employment to 6500 employees in addition to indirect employment generation in various parts of the country.”

4.15. In their action taken note, the Ministry of Disinvestment stated that Government has consciously taken the decision to disinvest its equity in NALCO as a part of its overall strategy to exit the ownership and management of non-strategic industries. The experience in disinvested PSU shows that there has been a near secular improvement in operational efficiency soon after the transfer of management control. Both profits and Turn Over have increased. There has been no case of employee retrenchment. Long pending wage settlements have been achieved and wages and allowances have increased. Disinvestment has proved to be efficiency enhancing and therefore good for economic growth. Some of the specific reasons as to why disinvestment of NALCO will follow this general trend have been listed below:-

- (i) The assets available with NALCO would be productively used by the new management for further enhancing the value of NALCO.

- (ii) As the sale of the company would ensure continuance of the business, the underdeveloped and backward region of the area would get the necessary support for growth, as existed prior to disinvestment.
- (iii) Sufficient powers are available with the Government, under the Mines and Minerals (Development and Regulation) Act, 1957, to ensure that indiscriminate use of mining reserves is avoided.
- (iv) The current dominance of NALCO as a domestic producer is slated to change with implementation of the expansion plans of other domestic producers. In such a dynamic situation only efficient producers will be able to remain in business.
- (v) Profitability should not be mistaken for efficiency. Indian producers of Aluminium are protected by import tariffs of around 27%. With the opening up of the domestic market consequent to membership in World Trade Organization (WTO), the industry has to face competition from imports.
- (vi) The sale of equity will harness additional resources for Government enabling it to finance its programme for social and economic development.
- (vii) The legitimate interest of the 6500 NALCO employees will be fully protected. No retrenchment will be permitted for the first year. Any separation subsequently will be permitted only with appropriate benefits being the higher of those available under the Department of Public Enterprises (DPE) guidelines or as per the VRS/VSS prevailing in the company at the time of disinvestment. Government will retain residual powers in the Transaction Agreements to ensure this is complied with.
- (viii) Employees will get upto 2% of the equity at a concessional price. The value of this equity at a conservative market price of Rs.80 per share is more than Rs.100 crore.
- (ix) Expansion and growth will facilitate additional employment on site and in ancillary industries and services.
- (x) The revenue of the State Government from Sales Tax will increase with expansion and diversification into value added products; and

- (xi) In case the successful bidder is an International Investor this will be one of the largest case of Foreign Direct Investment in the country.

The Ministry of Disinvestment have , finally, stated that the disinvestment of NALCO is in the public interest.

OBSERVATION/RECOMMENDATION

4.16. The Committee are not convinced by the view of the Ministry of Disinvestment that the status of this company is slated to change with implementation of the expansion plans of other domestic producers. Disagreeing with the reasons given for disinvestment of the Government holdings in the profit-making PSUs, the Committee recommend that concrete efforts should be made by the Government to make NALCO a dominant player in the national/international market. As recommended earlier, the Committee would like the Government to continue NALCO as a PSU.

NEW DELHI;

14th JULY, 2003
23 Asadha, 1925 (Saka)

BASUDEB ACHARIA
Chairman
Committee on Petitions
Lok Sabha

MINUTES OF THE SIXTY-FOURTH SITTING OF THE COMMITTEE ON PETITIONS (THIRTEENTH LOK SABHA) HELD ON 2ND JANUARY, 2003 IN COMMITTEE ROOM 'B', GROUND FLOOR, PARLIAMENT HOUSE ANNEXE, NEW DELHI.

The Committee sat from 1500 to 1630 hours.

PRESENT

Shri Basudeb Acharia - Chairman

MEMBERS

2. Shri S. Bangarappa
3. Shri Ambati Brahmaniah
4. Shri Babubhai K. Katara
5. Shri P.R. Kyndiah
6. Shri Sadashivrao Dadoba Mandlik
7. Shri Sis Ram Ola
8. Dr. Bikram Sarkar
9. Shri Anant Gudhe

SECRETARIAT

1. Shri S.C. Rastogi - Joint Secretary
2. Shri Brahm Dutt - Deputy Secretary
3. Shri J.S. Chauhan - Under Secretary
4. Smt. Neera Singh - Assistant Director

...p/2.

WITNESSES

REPRESENTATIVES OF THE MINISTRY OF CIVIL AVIATION

1. Shri K. Roy Paul - Secretary
2. Shri Raghu Menon - Joint Secretary
3. Shri Anurag Goel - Joint Secretary
4. Shri O. Ravi - Director
5. Shri Harbhajan Singh - Director

REPRESENTATIVES OF INDIAN AIRLINES LIMITED AND AIRPORTS AUTHORITY OF INDIA

1. Shri Sunil Arora - Chairman & Managing Director, Indian Airlines Limited.
2. Shri S.K. Narula - Chairman, Airports Authority of India

- | | | | |
|----|----------------------------|---|--|
| 3. | Shri H.S. Bains | - | Executive Director, International Airports Division |
| 4. | Shri P. Rajendran | - | Executive Director, National Airports Division |
| 5. | Shri M.C. Kishore | - | Company Secretary, Airports Authority of India |
| 6. | Shri V. Kashyap | - | Deputy Managing Director, Indian Airlines Limited. |
| 7. | Shri Kapil Kaul | - | Director (Personnel), Indian Airlines Limited |
| 8. | Shri Vikram Badshah | - | Director (Corporate Affairs), Indian Airlines Limited |
| 9. | Ms. Sushma Chawla | - | Director (Finance), Indian Airlines Limited |

....p/3.

2. At the outset, the Chairman welcomed the representatives of the Ministry of Civil Aviation to the sitting of the Committee and invited their attention to provisions contained in direction 58 of the Directions by the Speaker.

3. The Committee then took oral evidence of the representatives of the Ministry of Civil Aviation on the points arising out of the following cases:-

- (i) Representation regarding non-implementation of self contributory superannuation pension scheme to all eligible pensioners of Indian Airlines Limited; and
- (ii) Representation regarding removal of imbalances/disparities in settlement of wages etc. in Airports Authority of India (AAI)

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

5. The Committee, thereafter, discussed the future programme of the Committee and decided to undertake an on-the-spot study visit to Kolkata, Visakhapatnam and Chennai from 3rd to 6th February, 2003.

The Committee then adjourned

MINUTES OF THE SEVENTY-SIXTH SITTING OF THE COMMITTEE ON PETITIONS (THIRTEENTH LOK SABHA) HELD ON 14TH JULY, 2003 IN COMMITTEE ROOM NO.53, FIRST FLOOR, PARLIAMENT HOUSE, NEW DELHI.

The Committee sat from 1400 to 1610 hours.

PRESENT

Shri Basudeb Acharia - Chairman

MEMBERS

2. Shri Ram Rati Bind
3. Shri Anant Gudhe
4. Shri Shriniwas Patil
5. Dr. Bikram Sarkar

SECRETARIAT

1. Shri Brahm Dutt - Deputy Secretary
2. Smt. Neera Singh - Under Secretary

WITNESSES

**REPRESENTATIVES OF THE MINISTRY OF RAILWAYS
(RAILWAY BOARD)**

1. Shri R.K. Singh - Chairman, Railway Board
2. Smt. Vijayalakshmi Vishwanathan - Financial Commissioner
3. Shri Kanwarjit Singh - Member Engineering
4. Shri Sudhir Mathur - Executive Director/Finance
5. Shri S.K. Choudhary - Executive Director/ Traffic (Commercial)
6. Shri B.S. Sudhir Chandra - Member Staff
7. Shri K. Biswal - Executive Director (Estt.)
8. Shri K.K. Sharma - Joint Secretary
9. Shri U.V. Acharya - Additional Member/Staff

REPRESENTATIVES OF THE MINISTRY OF COMMERCE & INDUSTRY
(DEPARTMENT OF COMMERCE)

- | | | | |
|----|------------------------------|---|--|
| 1. | Shri Deepak Chatterji | - | Secretary |
| 2. | Shri V.K. Gauba | - | Deputy Secretary |
| 3. | Shri S.D. Kapoor | - | Chairman-cum-Managing Director (MMTC Ltd.) |
| 4. | Dr. B.B.L. Madhukar | - | Director (Personnel) (MMTC Ltd.) |
| 5. | Shri G.P. Sharma | - | Chief General Manager (Personnel) (MMTC Ltd.) |

REPRESENTATIVES OF THE MINISTRY OF ROAD TRANSPORT & HIGHWAYS

- | | | | |
|----|------------------------------|---|--|
| 1. | Shri Ashok Joshi | - | Secretary |
| 2. | Shri Santosh Nautiyal | - | Chairman–National Highway Authority of India. |
| 3. | Shri Nirmaljeet Singh | - | Member – National Highway Authority of India. |

At the outset, the Committee considered the Draft Twenty-eighth, Twenty-ninth and Thirtieth Reports of the Committee and adopted the same with some minor verbal changes. The Committee then authorized the Chairman to finalise the Reports and to present them to the House on 22nd July, 2003.

2. The Chairman, thereafter, welcomed the representatives of the Ministry of Railways (Railway Board); Ministry of Commerce & Industry (Department of Commerce) and the Ministry of Road Transport & Highways, respectively, to the sitting of the Committee and invited their attention to the provisions contained in Direction 58 of the Directions by the Speaker, Lok Sabha.

3. The Committee then took oral evidence of the respective representatives of the above Ministries on the following subjects:-

- (iii) Representation regarding conversion of Achalpur-Murtizapur narrow gauge railway line into broad gauge in Vidarbha area of Maharashtra (Ministry of Railways);
- (iv) Representation regarding grievances of Loco Running Staff in Eastern Railways (Ministry of Railways);

- (v) Representation requesting to thwart the move for sale of MICA Plant and Machinery of MMTC (Ministry of Commerce); and
- (vi) Representation requesting to review notification dated 8.2.2002 and change National Highway (NH) 60 for alignment at Laxman Nath, Orissa (Ministry of Road Transport & Highways).

4. A verbatim record of the proceedings was kept.

The Committee then adjourned
