

12.06 hrs.

CALLING ATTENTION TO MATTER OF URGENT PUBLIC IMPORTANCE

**Violation of agreement in regard to protecting the
Interest of workers by the Management of BALCO and
Modern Food Industries (India) Ltd. and steps taken
by the Government in regard thereto.**

Title: Shri Basudeb Acharia called the attention of the Minister of Disinvestment to the situation arising out of violation of agreement in regard to protecting the interest of workers by the management of BALCO and Modern Food Industries (India) Ltd.

MR. SPEAKER: Next item is Calling Attention Notice by Shri Basu Deb Acharia.

...(Interruptions)

SHRI BASU DEB ACHARIA (BANKURA): Sir, I call the attention of the Minister of Disinvestment to the following matter of urgent public importance and request that he may make a statement thereon:

"The situation arising out of violation of agreement in regard to protecting the interest of workers by the Management of BALCO and Modern Food Industries (India) Ltd. and steps taken by the Government in regard thereto."

MR. SPEAKER: Mr. Minister, you can lay the statement on the Table of the House.

...(Interruptions)

THE MINISTER OF COMMUNICATIONS AND INFORMATION TECHNOLOGY AND MINISTER OF DISINVESTMENT (SHRI ARUN SHOURIE): Sir, I lay the statement on the Table of the House...*(Interruptions)*

MR. SPEAKER: The statement is laid on the Table of the House.

...(Interruptions)

*SHRI ARUN SHOURIE : Sir, in all cases of strategic sale, adequate provisions are made in the Transaction Agreements entered into with the Strategic Partner (SP) for protection of employees' interest. The provisions with respect of BALCO ensure that there would be no retrenchment for a period of one year from the closing date other than dismissal or termination in accordance with the applicable regulations and laws, that any restructuring of the labour force shall be implemented only in the manner recommended by the Board of the company and in the event of any reduction of the strength of the company's employees, the SP shall ensure that the company offers its employees an option to voluntary retire on terms that are not less favourable than the Voluntary Retirement Scheme offered by the company just prior to disinvestment. Adequate provisions for penalizing any breach of the Agreement also exist. In addition the recital to the Agreement states that the SP would use its best efforts to provide adequate job opportunities for members of the Scheduled Castes/Scheduled Tribes, physically handicapped persons and other socially disadvantaged categories of persons and that in the event of reduction in the strength of the employees of the company, the SP shall use its best efforts to ensure that the physically handicapped persons are retrenched at the end. A provision was also introduced for sale of upto 5% of the equity share capital of the company to the employees of the company. In the case of MFIL, the Shareholders Agreement provides that there would be no retrenchment for a period of one year from the date of Agreement unless the affected employee is given benefits, which are the higher of the Voluntary Retirement Scheme offered by the company just prior to disinvestment or the benefits available under law.

* Laid on the Table and placed in Library. See No. LT - 7949/2003

In the case of BALCO, the Transaction Agreements were entered into on 2nd March 2001 and the provisions for protection of employees' interest will continue to be available for a period of three years till 1st of March 2004. In the case of MFIL, the Agreement was entered into on 31st January 2000. The provision against retrenchment of employees was applicable for a period of one year from the date of Agreement. Government of India sold the entire residual equity of 25.995% on 28th November 2002 through exercise of the Put Option available in the Transaction Agreements and has exited from the company.

During the meeting of the Central Trade Unions with the Hon'ble Prime Minister, held on 18th October, 2002, some of the trade union leaders had complained that workers of Bharat Aluminium Company Ltd. (BALCO) and Modern Food Industries (India) Ltd. (MFIL) have been laid off/retrenched without a fair deal. In view of this, a decision was taken that a small group consisting of representatives of the trade unions, employees and the Government would be constituted to visit these industries and to look into this issue. Accordingly, a team has been constituted comprising of Shri Hasubhai Dhawe, President Bharatiya Mazdoor Sangh; Shri Sharad S. Patil, Secretary General, Employers Federation of India; Shri

Sanjeev S. Ahluwalia, Joint Secretary, Ministry of Disinvestment and Shri K. Chandramouli, Joint Secretary, Ministry of Labour. The team has so far visited BALCO's head office/factory at Korba on 13-14th February 2003 and one unit of MFIL located at Mumbai on 29th April 2003. The report of the Committee is yet to be submitted.

In the case of BALCO, the representative of the Ministry of Disinvestment has reported that there was no significant labour disputes which could be identified as being outstanding with respect to disinvestment. The VRS implemented by the company post disinvestment is being given in five instalments since the company was cash strapped due to the 67 days strike immediately after disinvestment in March and April 2001. However, after consultations with the employees, the company had initiated a VRS scheme payable in five/six monthly instalments and has subsequently also given interest at the rate of 7% per annum on the delayed payments. Immediately, after disinvestment the management negotiated a wage settlement which was pending since 1999. As against the normal period of ten years, the settlement was limited to only five years and workers have been benefited by a minimum of 20% of their wages due to this settlement. In the case of MFIL, the company management has denied that the VRS offered by the company after disinvestment, in which 853 employees have been given VRS, was compulsory in any way. As stated by the company, the VRS implemented after disinvestment is even more beneficial than the norm prior to disinvestment. The average level of wages has increased from a level of Rs. 6,200 per month at the time of disinvestment to Rs.8,000 per month after disinvestment under a wage settlement agreed by the new management with the employees. The employees of MFIL have also alleged that the Strategic Partner (SP) has sold assets and discontinued the bakery business in violation of the terms of the Shareholders Agreement, which will be gone into by the Fact Finding Committee.

The performance of both BALCO and MFIL has improved after disinvestment. Government is told that the capacity of BALCO will be expanded four-fold from the existing capacity of one lakh tonnes per annum of Aluminium at an estimated investment of Rs. 6,000 crores. The cost of various input materials per ton of aluminium produced has been reduced leading to a reduction in the manufacturing cost from Rs. 38,672 per metric tonne of Aluminium to Rs. 27, 597 per metric tonne. The capacity utilization has improved. For instance, the Hot Metal production peaked at 8490 metric tonne in December 2002, the second highest since inception, and the highest since 1986. Consequently, the level of profit has also increased. MFIL was a loss-making public sector undertaking prior to disinvestment. The Strategic Partner has injected funds for financial restructuring and has invested around Rs. 12 crores on safety, quality control and modernisation. Sales have increased significantly since disinvestment. In the year 2001, the company registered a growth in sales of 52%. The SP has submitted before BIFR that it will become profitable by the end of December 2004 and that its net worth will be positive by December 2007. The improvement in the performance of these companies indicates that there has been considerable efficiency enhancement and these companies are now able to compete effectively, which is the only sustainable way of ensuring growth of productive employment opportunities.

MR. SPEAKER: Shri Basu Deb Acharia, please go ahead.

...(Interruptions)

SHRI BASU DEB ACHARIA : Sir, you bring the House to order first. How can I call the attention of the Minister in this situation?...(Interruptions)

अध्यक्ष महोदय : आप प्रश्न पूछ सकते हैं। बसुदेव आचार्य जी, आप मंत्री जी से प्रश्न पूछिये।

...(व्यवधान)

MR. SPEAKER: I go to Item No.12. Shri Nitish Kumar.