

Fourteenth Loksabha**Session : 5****Date : 02-08-2005****Participants : Chidambaram Shri P., Reddy Shri Suravaram Sudhakar, Chidambaram Shri P., Dasgupta Shri Gurudas, Swain Shri M.A. Kharabela, Acharia Shri Basudeb**

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Title: Shri Gurudas Dasgupta called the attention of the Minister of Finance to the situation arising out of the Government's move to disinvest the Government equity shares of profit making public sector undertakings, particularly BHEL.

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12.40hrs.

SHRI GURUDAS DASGUPTA (PANSKURA): Sir, I call the attention of the Minister of Finance to the following matter of urgent public importance and request that he may make a statement thereon:

“The situation arising out of the Government's move to disinvest the Government equity shares of the profit making public sector undertakings, particularly BHEL.”

*THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): Mr. Speaker, Sir, sale of a small proportion of the Government's shareholding in profitable Central Public Sector Enterprises (CPSEs) while retaining majority ownership with the Government along with full management control is within the guidelines of the National Common Minimum Programme (NCMP). There are a number of large, profitable, unlisted CPSEs, which would gain by getting listed on domestic stock exchanges through an Initial Public Offer of a small proportion of the shareholding of the Government. Listing on stock exchanges would enable these CPSEs to access the capital markets in future for their own capital investment requirements. There are also a number of listed, profitable CPSEs in which the shareholding of the public is very limited. Enlarging the shareholding of the public in such CPSEs provides an opportunity to investors to invest in these CPSEs. It also provides greater liquidity for the trading of these CPSE shares. Employees of the CPSEs would also get an opportunity for

* Also placed in Library. See No. LT 2403/05.

investing in these shares through reservation of a part of the offered shares for subscription by them.

Government has also decided that the realisation from the disinvestment of a small proportion of the Government's shareholding would be channelised into the National Investment Fund (NIF) which will have a permanent corpus. The NIF is proposed to be professionally managed so as to provide sustainable returns to the Government without affecting the corpus. Income from the NIF would be used to finance select social sector schemes and to meet the capital investment requirements of profitable and revivable CPSEs.

In May 2005 the Government decided on an 'Offer for Sale' of 10 per cent equity of BHEL out of Government's shareholding of 67.72 per cent through the 'book building' process. It was also decided that up to 15 per cent of the equity offered for sale will be reserved for the employees of BHEL. However, letters have been received from workers unions and others opposing disinvestment in BHEL. The objections are under consideration. No further decision has been taken in the matter. ... (*Interruptions*)

SHRI GURUDAS DASGUPTA : Sir, the hon. Member makes a remark that there is an understanding. No, there has been no understanding. We beg to differ on the issue.

Sir, I am not raising this Calling Attention to seek a categorical reply from the hon. Minister. I understand that he has his own difficulty and he wants to take his time. Therefore, I do not want to ask if this proposal for disinvestment is being put on the hold temporarily and it will be revived at an appropriate time. I do not ask this question, nor do I ask the question if the Government has permanently shelved the proposal because there has been opposition to the proposal. I am ready to accept the difficulty of the Government. Let the Government buy time to make up its own mind.

I am raising this Calling Attention for a different reason. I am raising the Calling Attention to express deep concern and also strong resentment in the highest forum of Indian democracy. Things were discussed outside. There have been differences of opinion and there have been sharp exchanges. I am raising these feelings in this national forum because I feel this should be raised appropriately[k8].

What [r9]is my concern? My concern is that the Government is following -- most unfortunately I have to say so -- the policy of the earlier Government. There has been a change of Government, change of personalities, but the people expected and we do also expect, because we support the Government, that there will be a change of policy too.

The earlier Government had disinvested 33 per cent of the equity in Bharat Electronics. Following the same pattern, maybe with less degree, the Government have decided or is going to decide, which is on the hold for the time being as the hon. Minister says, to disinvest 10 per cent of the equity. Therefore, the question definitely is that it is the policy, which is being continued further.

I understand that this is not privatisation. The hon. Minister has been making the statement. But it is a creeping privatisation, it is a privatisation by stages. If the hon. Minister does not agree with my word of creeping privatisation, at least he should agree that it turns the character of BHEL and it becomes a joint venture. When the 47 per cent of the shares owned by the Government is disinvested and 53 per cent or 57 per cent remains with the Government, it is at least a joint sector.

Should the Government allow this and why the Government should not? Forty-three per cent of the shareholding will have the representative on the Board. They may be private corporates, they may be foreign corporates and the representatives of the 43 per cent of the shareholding, having their representation on the Board, will have a look into the management, into the policy, into the decision making, into its own strategy for improvement. It means the rivals of BHEL will have the advantage, through their representation on the Board, to know what is its immediate strategy and that is going to surely undermine one of the tallest public sector companies, that is, Bharat Electronics.

The Government may say and it is saying so that it will raise Rs.2000 crore needed for the social sector of the country. It is true that the Government can raise the money because the market price of shares of BHEL is

quite high. But what is the economics? If the Government gets Rs.2000 crore today, it loses the dividend that the Government is getting.

My dear Speaker Sir,...

MR. SPEAKER: I hope everybody treated me in that way.

SHRI GURUDAS DASGUPTA : Sir, I appreciate your intervention, even being in the Chair you can intervene.

Sir, the point is that the dividend is going to decline. In one year, BHEL has paid Rs.500 crore, which means, in a period of four to five years, they will give the Government more than what the Government gets today by one time sell-off. Therefore, it may be a momentary gain for the Government, a temporary gain for the Government. Even if it is economics, there may be politics also to tell the world that the Government has not deviated from the policy of disinvestment as was being followed by the earlier Government.

If it is because of political move to inform the world at large of Government's commitment to economic reforms, then I do not have any say, but if it is economics then it is bad economics because for earning Rs.2000 crore, the Government is going to lose the dividend over the years[r10].

BHEL is one of the monuments of national pride. It has its order book full for three years, and the value is Rs. 33,000 crore. BHEL is ahead of most of its rivals. While Siemens has got the orders worth Rs. 2,677 crore, and ABB has got orders worth Rs. 1,584 crore; BHEL has got the orders worth Rs. 33,000 crore. Therefore, should a public sector undertaking of such a worldwide competitive predominance be affected by a step of the Government and handover at least 47 per cent of the shareholding to private corporates? The point that is being raised is that we need money for social sector. I admit that the Government needs money for the social sector, but what is the money that they need? Shri Kalyan Singh is here. He had gone out. I am so kind of him that he has come back. It is fine. At least he finds some interest in BHEL. The point is this. His Committee recommended that Rs.1 lakh crore is needed for Employment Guarantee Programme to be implemented in the country. If Rs.1 lakh crore is needed annually for the social sector for introducing employment for all, then Rs. 2,000 crore is a peanut. Therefore, disinvestment cannot be only one of the effective routes to mobilise domestic resources, to mobilise funds for the economic development, particularly for the social sector. That is where the Left has a difference; that is where we differ. We must mobilise the resources. The basic thing is that for 15 years the tax : GDP ratio of the country is only 10.1 per cent.

MR. SPEAKER: You have to seek clarifications, and not to give information.

SHRI GURUDAS DASGUPTA : I am coming to that. Therefore, if the Government is serious to finance the social sector, it must improve the tax GDP ratio. We know only 40 per cent of the tax potential of the country is realized. Without broadening the tax base, without increasing the incidence of tax on those who have a capacity to pay, without ensuring that tax default does not take place, without putting soft finger on the black money, the Government is following the path of the BJP Government for raising funds.

Therefore, my only question to the Government is this. Why is it being disinvested? If it is being disinvested for the social sector, will it meet the purpose? If it does not meet the purpose, why is the Government deliberately maintaining the tax GDP ratio at little more than 10 per cent? What about taxing the people? What about taxing the rich? What about stopping the tax avoidance? What about improving the tax collection? Without taking that course, it is a peanut. Therefore, I have a hunch, I have a feeling that this is being done not to raise funds for the social sector; it is being done because the Government would like to give a political message to the world that it is for disinvestment. Its commitment for public sector seems to have been diluted. That is the reason why I raised the Calling Attention. I ask him the only question. Why tax GDP ratio has not been improved?

SHRI SURAVARAM SUDHAKAR REDDY (NALGONDA): Mr. Speaker, Sir, while agreeing with the points raised by Shri Gurudas Dasgupta, I would like to remind ... (*Interruptions*)

SHRI GURUDAS DASGUPTA : My friend should know that there is a difference between a loss-making and profit-making undertaking. ... (*Interruptions*)

MR. SPEAKER: You do not have to reply.

... (*Interruptions*)

MR. SPEAKER: Nothing will go on record except what Shri Sudhakar Reddy says.

(*Interruptions*) ...*

MR. SPEAKER: Shri Sudhakar Reddy, please put a question. Would you like to put your question or not?

SHRI SURAVARAM SUDHAKAR REDDY : Sir, I am being interrupted. ... (*Interruptions*)

MR. SPEAKER: Please put your question. If you do not want to put a question, I will call the other Member.

SHRI SURAVARAM SUDHAKAR REDDY : Sir, it is not only a question of disinvestment in BHEL but also a question of honouring the commitment made to the public sector and ideals of Pandit Jawaharlal Nehru, the architect of modern India, by the hon. Finance Minister and the UPA Government. ... (*Interruptions*)

MR. SPEAKER: You have to ask only a clarificatory question.

SHRI SURAVARAM SUDHAKAR REDDY : They have to honour the commitment made in the National Common Minimum Programme.

* Not Recorded.

I would like the hon. Finance Minister to give reply to the following few points: What is the investment of the Government of India in BHEL and what is its worth today? What is the profit through BHEL till today?

Is it not amounting to killing the goose that give the golden eggs if the Government wants to sell 10 per cent of the equity of BHEL?

Is it essential to disinvest *navaratnas* and *miniratnas* to simply raise a sum of Rs. 1,800 crore to Rs. 2,000 crore for the so-called social welfare activities? I would like to know from the Finance Minister whether he considered the proposal of collecting Rs. 1,900 crore of excise and customs duties for which notices were issued last year alone. Is it not wise to explore the other possibilities?

Thank you, Sir.

MR. SPEAKER: I am going to allow only those who have given the notice.

Now, Shri Basu Deb Acharia. He has given a notice at 10 a.m.

... (*Interruptions*)

MR. SPEAKER: Please wait. This is the trouble.

Another hon. Member has given a notice at 11.10 a.m. I would also allow him to speak. Please cooperate.

I wanted to mention the time. That shows when the Member is alert.

Now, Shri Basu Deb Acharia.

SHRI BASU DEB ACHARIA (BANKURA): Sir, the hon. Finance Minister has stated that the sale of small portion of Government's shareholding in profitable Central Public Sector Undertaking is within the guidelines of the National Common Minimum Programme. What the National Common Minimum Programme has stated is that the profitable Public Sector Undertakings, which are called *navaratnas*, would not be disinvested and they would not be privatised. But here, Sir, the Government has taken a decision, in the month of May, to disinvest 10 per cent share of the Bharat Heavy Electricals Ltd. During the NDA regime, the Government had already disinvested 33 per cent of the share of BHEL. Now, Sir, with this 10 per cent, it will become 43 per cent. Today, it is 43 per cent. Tomorrow it can again be raised up to 49 per cent, and then gradually it will be privatised.

Sir, BHEL is such a profitable company whose order book position is full for the next three years and they have got orders worth Rs. 33,000 crore. The decision to disinvest 10 per cent of the share of the Bharat Heavy Electricals Ltd. is contrary to what has been promised in the National Common Minimum Programme. It is also being stated that the fund raised through the sale of the shares of the Public Sector Undertakings would be utilized in the social sector and also for the revival of sick Public Sector Undertakings[[lh11](#)].

13.00 hrs.

I would like to know from the Finance Minister that out of Rs.23,000 crore that the Government has realised by selling the shares of Public Sector Undertakings, how much has been utilised for the revival of sick

Public Sector Undertakings?

MR. SPEAKER: How much has been utilised for the social sector?

SHRI BASU DEB ACHARIA : My information is that not a single paisa has been utilised for the revival of the Central Public Sector Undertakings. Where has this fund of Rs.23,000 crore gone?

This question was raised in this House in the past also that the Government should publish a White Paper. I would like to know whether the Government will bring a White Paper so that the people will be able to know the process of valuation and the utilisation of the fund, what has happened to the fund and how was the valuation done in the past. That is why, a White Paper is necessary. I would like to know from the hon. Finance Minister whether he would bring a White Paper to make this transparent before the people of our country.

MR. SPEAKER: Mr. Kharabela Swain, giving notice at 11.10 a.m. is too late. Even then I am allowing you.

SHRI KHARABELA SWAIN (BALASORE): Thank you, Sir. I would just take a minute.

I would like to know whether a White Paper has been published by the Ministry of Disinvestment. If so, what are its recommendations? Has it found any anomaly with regard to the similar policy undertaken by the earlier Government? When the social sector infrastructure is starving of fund, is it a good policy to get a huge amount of money bound with the Public Sector Undertakings? Even if some of the Public Sector Undertakings are profit-making, is it a business of the Government to do business? Should the Public Sector Undertakings remain public because the trade unions want them? Who determines the policy of this Government? Is it the Party which rules it?... (*Interruptions*) Or, is it the outside Parties having less number and more clout and who say that they are supporting the Government? My last question is this. Is disinvestment as a policy good in West Bengal and bad in Delhi? This is one question to which I would like to know the answer from the hon. Minister.

MR. SPEAKER: That will be theoretical.

SHRI GURUDAS DASGUPTA : We know why his heart burns. We are aware why the BJP's heart is burning. ... (*Interruptions*)

MR. SPEAKER: The hon. Minister will now reply.

SHRI KHARABELA SWAIN : I want to know whether he is determining the policy of this Government or the Minister is determining the policy.

... (*Interruptions*)

MR. SPEAKER: Mr. Kharabela Swain, you have already supported.

... (*Interruptions*)

MR. SPEAKER: You are all senior Members. You have helped the Minister in a considerable manner.

... (*Interruptions*)

MR. SPEAKER: Mr. Hannan Mollah, nothing is being recorded. I do not think Mr. Chidambaram needs anybody's help.

*(Interruptions) ...**

* Not Recorded.

SHRI P. CHIDAMBARAM: My respectful submission is that my statement is quite clear and does not contain any ambiguity. Therefore, without getting into a debate on the merits and demerits of the policy, which is not the scope of a Calling Attention Motion, let me straightaway answer the questions raised by the hon. Members.

Sir, the earlier disinvestments in BHEL were done between December 1991 and March 1994. Why is the Government proposing a disinvestment of 10 per cent in BHEL[m12]?

The reasons are in Paragraph-1 of my Statement. There can be genuine disagreements on the reasons but I submit that the reasons are contained in Paragraph-1 of my Statement. Monetising a part of the owners holding at an appropriate time at an appropriate price, is, in my view, good economics. But, as I said, it is possible that there can be an opposite point of view. I would not agree that monetising a part of Government stake at an appropriate time at an appropriate price, is bad economics.

Mr. Gurudas Dasgupta asked as to why are you not taxing the rich. Tax rates are proposed by the Government, and decided by the Parliament. The tax rate that we proposed will bring this year, both on the income tax and the corporate tax, an increase of about 30 per cent. A 30 per cent rise in the direct tax income in a year, I believe, is responsible taxation. While we will gain more revenues, we will also incentivise people to increase the wealth of the country by more production of goods and services. In fact the tax to GDP ratio has risen under the UPA Government. For the first time in 2004-05, the direct taxes ratio has crossed four per cent. If all goes well, this year the direct taxes to GDP ratio will cross five per cent. Two milestones will be crossed, one in 2004-05, and one in 2005-06. In fact the Government ought to be complimented for improving the tax to GDP ratio in two successive years. Those were the only two questions which Mr. Gurudas Dasgupta asked.

Now, I turn to Shri Sudhakar Reddy. I will not be killing the goose that lays the golden egg. Sir, the dividend is a return on the par value of the share whereas the monetised value of the share is several times higher. Therefore, I submit, with great respect, that monetising a part of the owners holding at an appropriate time at an appropriate price is a good economics.

The goose will continue to lay golden eggs. Some golden eggs will go to the Government, and some will go to the people of this country including workers.

Is it essential to disinvest in the Navaratnas? Obviously, it is not essential to do this or to do that. If the idea, the National Investment Fund, is broadly acceptable, as I believe it is, one of the sources of money to build up this

Fund, which I said will be a permanent corpus, will be the sale of a small proportion of Government shareholding while keeping majority ownership and full management control^[t13].

The next question was this. Is it not wise to collect arrears? Of course, it is. Believe me, your Government in the last year had collected more arrears than in any previous year. I had given these figures in Parliament. We have collected more by way of direct tax arrears and indirect tax arrears than in any previous year. This year, as I said, we will collect a tidier sum. Mr. Basu Deb Acharia asked me this. Is it not contrary to the NCMP? Sir, I said, I cannot convert this into a debate. In my respectful submission, what I said in Paragraph-1, is within the guidelines of the NCMP. But I recognize that there is another point of view, and that is why we entertain objections and we hold discussions.

A question was asked as to how much of the disinvestment money was used. The answer is, as long as the disinvestment revenues were taken into the revenue account, all of it was used, and some more was borrowed also. It is only when you put it in a corpus, and use the returns of that corpus, you will be able to hold the Government accountable for the use of the money. In fact, the method that we are proposing is far better than the method that I proposed in 1996-97 with the consent of the CPI which was a part of the then Government when we set up the Disinvestment Commission. But that has led to a number of controversies, like the one that Mr. Acharia has raised, and legitimately. That is why the Government came forward with the idea that disinvestment revenues will not be taken into the current revenue, and we put into a corpus, and the corpus would remain a permanent corpus. Nobody is questioning the creation of the corpus. The difference of opinion is on what should be the source of money that goes to the corpus. I agree that there is a genuine difference. As there is a genuine difference, we are entertaining these differences, and we are holding discussions.

Will you bring a White Paper? I believe, it is a good suggestion. Let me consult others in the Government. If the decision is to bring a White Paper, all I can say is my Department is ready.

Mr. Swain asked as to whether the Ministry of Finance has published the White Paper. The answer is 'no'. Who determines the policy? The Government determines the policy subject to the Parliamentary control. I believe, I have answered all the questions.

SHRI KHARABELA SWAIN : The control is only from the Left.... (*Interruptions*)

प्रो. विजय कुमार मल्होत्रा (दक्षिण दिल्ली) : सर, हम सिर्फ यह जानना चाहते हैं कि ...(ब्यवधान)

MR. SPEAKER: Now, we will take up Item No. 16, Shri Ajoy Chakraborty.

... (*Interruptions*)

PROF. VIJAY KUMAR MALHOTRA : I just want to know whether the disinvestment is on or off. ... (*Interruptions*)

MR. SPEAKER: No, you need not answer. You quietly inform him later on. He will inform you later on.

... (*Interruptions*)

MR. SPEAKER: You are the Deputy Leader of the Party.

... (Interruptions)

मोहम्मद सलीम (कलकत्ता-उत्तर पूर्व) : अध्यक्ष जी, माननीय सदस्य को थोड़ी देर में बात समझ में आती है। एक-दो घंटे का ब्रेक देना पड़ता है।
... (ब्यवधान)

MR. SPEAKER: Item No. 16, Shri Ajoy Chakraborty.

... (Interruptions)

SHRI KHARABELA SWAIN : I do not know whether he will be able to answer this question because he does not know whether the disinvestment in BHEL is on or off.... (Interruptions)

प्रो. विजय कुमार मल्होत्रा : सी.पी.एम. ने कहा कि श्रीमती सोनिया गांधी ने उन्हें एन्शोर किया है। इसलिए हम यह जानना चाहते हैं कि क्या यह मामला खत्म कर दिया है अथवा ऑन है।

MR. SPEAKER: Can any Government close its options?

... (Interruptions)

MR. SPEAKER: Nobody can close its options.

... (Interruptions)

SHRI ANIL BASU (ARAMBAGH): Mr. Advani has got no option (Interruptions)

SHRI KHARABELA SWAIN : Sir, you always say that please speak from the seat but the Minister does not speak from his seat. He is now veering towards the Left. ... (Interruptions)

MR. SPEAKER: It does not apply. His seat is here.

... (Interruptions)

SHRI P. CHIDAMBARAM: My seat is there.... (Interruptions)

MR. SPEAKER: Except Shri Ajoy Chakraborty, nothing will go on record.

(Interruptions) ...*

* Not Recorded.