

17.23 hrs.

SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) AMENDMENT BILL

[English]

MR. CHAIRMAN: The House shall now take up the next item. Shri Manmohan Singh to move the Bill.

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH): Sir, I beg to move:

"That the Bill to amend the Sick Industrial Companies (Special Provisions) Act, 1985, be taken into consideration."

The Sick Industrial Companies (Special Provisions) Act 1985 was enacted with a view to securing the timely detection of sick and potentially sick industrial companies. Accordingly, the Board for Industrial and Financial Reconstruction (BIFR) which was constituted in January, 1987 has been vested with wide powers for the speedy determination of the preventive, ameliorative, remedial and other measures which need to be taken with respect to such companies, and the expeditious enforcement therewith or incidental thereto. An Appellate Authority for Industrial and Financial Reconstruction (AAIFR) was also constituted and became operational in April, 1987.

The Act does not currently apply to Government industrial companies. In view of this, industrial companies in the public sector which are sick but can be revived as well as those which are chronically sick and cannot be turned around do not fall within the purview of the Act. This has been detrimental to the continued viability of parts of the public sector. As a consequence, it is desirable to apply the provisions of the Act to industrial companies in the public sector so that such sick industrial companies are referred to BIFR for the formulation of revival or rehabilitation schemes, or for winding up, as the Board may consider necessary. Accordingly, it is proposed to amend section 3 of the Act so as to cover such Government companies

within the definition of "Company" given in clause (d) of sub-section (1) of that section.

Sir, with these words, I commend the Bill for the consideration of the House.

MR. CHAIRMAN: Motion moved.

"That the Bill to amend the Sick Industrial Companies (Special Provisions) Act, 1985, be taken into consideration."

Further, there are amendments and I would like to know whether the hon. Members are going to move their amendments.

Shri Bhagwan Shankar Rawat - not present

Shri Dau Dayal Joshi - not present

Shri Girdhari Lai Bhargava - not present

Prof. Rasa Singh Rawat - not moving

Shri Mohan Singh - not present

Shri Basudeb Acharia - not present

Shri Madan Lai Khurana - not present

SHRI JASWANT SINGH (Chittorgarh): Mr. Chairman, Sir, before I commence my intervention, I would, with due regard, make a mercy appeal. It is also to 5.30 p.m. would you consider starting discussion on this important matter tomorrow as the first item?

MR. CHAIRMAN: That cannot be done.

(Interruptions)

SHRI SOMNATH CHATTERJEE (Bolpur): This is the freedom of inaction he wants. (Interruptions)

MR. CHAIRMAN: I do not think, that is possible.

SHRI JASWANT SINGH: All right, Sir.

Sir, in the objects of the Bill, technically

a very simple correction is being made in Clause 3 to bring within the ambit of this Bill public sector units which the hon. Finance Minister has chosen to call 'Government industrial undertakings'. As at the stage of introduction it was pointed out both by the leader of my party as also by me that the principle of this proposal legislation is not just welcomed by us, it is indeed acceptable to us. Our stand was made clear by the leader of the party and it bears reiteration that we support the change that is being brought about in the industrial thinking and philosophy of this Government. We support it not merely because it is such an out-right and wholesale rejection of Nehruvian doctrine of yester years - no longer relevant - but because we believe that the change was indeed necessary in the total thinking relating to fiscal, economic as also industrial policies of the Government of India. Indeed a great number of proposals which the Government has come forward with, are proposals that the BJP has been advocating for a very long time.

[MR. DEPUTY SPEAKER In the Chair]

15.28 hrs.

Now the Government industrial undertakings or yesterday's phrase public sector undertakings are being brought within the ambit of the BIFR. There are some preliminary observation that both are in order. What is not in order or what we are not to dwell on is the current status for example, merely in statistical terms, the status of the public sector units as to how many units there are or how much money has been mis-employed in those units or how many are currently, sick or are terminally ill. The numbers that are terminally ill, which the hon. Minister of Finance has said, are beyond recovery. But there are some aspects of the total concept which I find necessary to underline at the initial stages.

I am of the view that the economic geography is not a constant factor, the economic geography of India is not constant. And one great mistake was to work on the

basis of this arresting phrases, the beguiling phrase that commanding heights belong to the States. Therefore, without application of mind or thought to that, State would for ever be in command of a certain economic geography of this land irrespective of what changes were taking place within the land or without the land or what problems the States were confronted with.

And that once commanding would for ever remain so is a fallacy that has now unfortunately arrived at our doorsteps in very unhappy terms. The other great mistake which I believe was made was that public sector units have somehow within them are in built ability to recover. This I submit with respect Sir, is errant nonsense. It is sheer unsustainable economic nonsense. I submit that when the conceptual base is a void, a vacuum or a hollow; no structure can be built upon it even temporarily, leave alone forever which is what we have attempted to do so far as governmental undertakings, industrial undertakings or public sector units.

The third point which I would like to share with the hon. Finance Minister - whenever I share economic thoughts with him it is with very great hesitation that I do so and I have had occasion to say as earlier, but it is a process of education because when he intervenes for me, atleast it is an educational process - is that the present situation is not an autonomous, self-contrary economic drama. It is not beyond established economic and management principles. It is a wholly predictable response to the conceptual inanities and extravagances of the past four decades. In that way, in any sense not sustainable. And if I am not in error in submitting that then I feel that the measure that the Government has now introduced by way of this legislation is a long overdue measure. We have some difficulties with the measures itself which I will come to in a moment. Otherwise I feel that this is a welcome measure. It is yet another Nehruvian legacy which is now being buried. The problem is that the Government does not wish to own

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up the responsibility of buying this corpse, because most, including the concept itself of public sector units have now become like *lavarish lash* and there are no claimants dried. Therefore, this difficulty about their final rites. Which is what really leads me to my first difficulty with what the Government is attempting to do because we are after all examining four broad aspects. When looking at this particular legislation we are all looking at the totality of the functioning of the Government industrial undertakings now so classified by the hon. Finance Minister, which earlier were public sector units. We are by implementation also looking at the capacity or incapacity of the BIFR to address itself to this task. We are also, therefore age it by implication, looking at the potential that the BIFR has for enabling such recovery or rehabilitation to take place. And finally, we are looking at the very important aspect of rehabilitation, reestablishment of labour either rendered surplus or not needed by such public sector units or sick Industrial undertakings being reformed. But conceptually, I feel that the Government is in error not only because of what my leader, the hon. Shri Lai K. Advani during his brief intervention on that day had said but principally because I feel that the Government is being disingenuous. There is not a candid admission of past mistakes. As it is not a candid enough admission of past mistakes, therefore, the route suggested is both tangential and tentative. The obvious enough decisions that have to be taken are being routed via the BIFR. I submit that this route is tortuous. Why not act directly or on your own responsibility on that which is so self-evident? The hon. Finance Minister said that some of the public sector units or Government industrial units are incurably sick. And if they are already incurably sick, sending them or referring them to the BIFR is not administering a medicine or recovery.

That which is self-evident and self-evidently incurably sick will not recover merely because a reference is made to the BIFR. The BIFR is not going to be able to bring to

it any additional input of thought or action so as to render them no-sick or even recoverable.

I will come in a moment to the capacities or the incapacities of the BIFR. A word about BIFR. I had in a separate capacity an occasion, an opportunity to examine the functioning of the BIFR and the report indeed on that has already been submitted to the Government. The BIFR for this purpose we believe is an inadequate instrumentality and an inadequate instrument. I hold that the BIFR for this purpose is insufficiently staffed, it is technically and financially limited in undertaking this task and the whole procedure of the BIFR for the purpose is enormously time-consuming. Therefore in referring these public sector units which are really money guzzlers - guzzlers of your and my money - we are, instead of solving the problem, going to perpetuate or bureaucratised the problem.

One other point that I wish to submit is that the sickness of the Government industrial undertakings or public sector units is of course economic. But it is not merely economic. There is that very important aspect, for which the BIFR certainly does not have an answer, of work ethics. BIFR is not going to improve the work ethics of public sector units or Government industrial undertakings. The BIFR is not in a position to cure Government industrial undertakings or public sector units of sickness of management and sickness of management techniques. The BIFR certainly has no answer for these maladies.

Just because this is a part of the totality of the measures that the Government has undertaken about total economic reform, just a few words, I believe, are here relevant and necessary. We have held - the BJP and I personally - that these economic reform on which the Government is now set one inevitable, that they are irrevocable and I commend the hon. Finance Minister and the hon. Prime Minister for suggesting, and indeed candidly saying that they are now irreversible. But it is not enough. Because the corresponding, simultaneous other harmonious measures that needed to be taken (have not

been) they, do not convince us about either their efficacy or about their sense of urgency. I submit with due regard to the hon. Finance Minister that the logic of the reform, the logic of the momentum of reform that is being set in motion is not being followed by the Government that he represents.

[Translation]

When the entire village is on fire, there is not time to dig well.

SHRI MURLI DEORA (Bombay South): You have ignited the fire.

SHRI JASWANT SINGH: You are doing it for the last 40 years. Now to extinguish that fire.....(Interruptions)

SHRI MURLI DEORA: You are adding kerosene to it. (Interruptions)

SHRI JASWANT SINGH: Sir, they were setting fire for the last 40 years and now they say that they have (Interruptions)

I was helping in extinguishing the fire... (Interruptions)

[English]

Sir, I submit in all seriousness that of course the most important aspect of economic reform is the political management of reforms and it is perhaps because the Government is fighting shy on the political management of reform, it comes across in this manner of stop-go statements.

I submit that, in as important an endeavour, as has been undertaken by this Government, a method of political management which suggests simultaneous blowing hot and cold or simultaneous behaving like a stop-go signal will not work. Political management of such substantial economic reform is not a traffic control function. It cannot be achieved through the function similar to that of traffic policemen. It is a much wider and much more challenging task. Without going into any greater elaboration of this

point, I leave it, thereby suggesting to the Government that it is, at the present moment, not adequate; it is not carrying conviction; and because it is not carrying conviction, you have a situation where without an industrial dispute, the nation is being subjected to a whole day long general strike. That is because the political management of economic reform is not satisfactory. The labour sector should be sufficiently explained the necessity. The political leadership should courageously stand up, and admit the mistakes of the past and say, "these are the mistakes and if you persist with them, then they are disastrous". This is the line that has to be followed. It would be much better, much more honest, and a much more convincing line of action to take.

A matter of very great urgency, even much more urgent than political management is the management of bureaucratic reform. I submit that here the Government is failing dismally. I may illustrate what I mean by the phrase 'management of bureaucratic reform'. The great power that was wielding just last year, by all the Ministers of the Government of India - whether it was the Ministry of Commerce, Ministry of Finance, any Ministry, - was the power to say 'yes', and much more importantly, the power to say 'no'. To grant a favour became the *summum bonum*, the end of political power. But, much more importantly, the right to deny a favour bred corruption.

I now submit two things that have happened. The sensible and correct decision of economic reform of liberalisation, of decentralisation, of deregulation, has, in principle, been taken. But, as I submitted earlier, the simultaneous, corresponding and harmonious reform that ought to take place immediately and much faster in the bureaucracy than is required in the political leadership of the land is not taking place.

You have therefore transferred that power to say 'no' or 'yes', to just two segments of the Government. One is the bureaucracy and the other is the Ministry of Environment. I submit in all seriousness that

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it is these two segments of the Government which have now become the centres of corruption that are holding up everything that you wish to do. When you wish to move with a certain speed, the bureaucracy realises the power of saying 'no' slipping through its hands, if then sticks to it. The Ministry of Environment finds an opportunity of saying 'no' and they are also sticking to that power of saying 'no'. Why? With that power of saying ('no', comes severe corruption. Please apply yourselves, to what I am submitting. I am not an industrialist like my good friend, the hon. Member from South Bombay.

I am informed that though you have said that there would be advance licencing, for advance licencing also, there is yet another form. You have replaced some forms with yet another form. By advance licencing, you want to advance the process of creation of wealth, creation of jobs, creation of money so that the country may prosper and everyone else will go along in that movement of prosperity. But having eliminated theoretically, some forms, you have introduced this and now say that to obtain an advance licence, please file an application. One application has been replaced by another application. I am also informed - I do not know if I am correct in this - that if you do not need a licence, you have to apply and obtain a certificate to say that you do not need a licence. This kind of replacing one piece of paper by another piece of mandatory paper is not really deregulation or liberalisation. I might be mistaken in this. The honourable Member from South Bombay could well correct me. Take for example, the Reserve Bank procedure. I think, I had made this point earlier. The trade policy was a long overdue measure. You will not succeed - forgive my saying so until simultaneously and immediately you bring about reform in your RBI procedures, in your Customs procedures. It is not enough to say that we have just thought out our trade policy and, therefore, these will follow. There is no time for them to follow. They ought to have - simultaneously in step, if not a step ahead - taken

place. I submit it in all seriousness. The time, of course, is best judged by the hon. Minister for Finance himself. But having brought about virtually two devaluations, if we have a situation wherein the *havala* rates are roughly 25 percent higher than the devalued value of the rupee, then something is wrong somewhere.

Again my hon. friend from South Bombay would be better able to educate me on this subject - *havala* rates. But I am informed that the dollar is currently above Rs. 40 in *havala* and the pound is near about Rs. 50. If this is the situation, I foresee a danger that the rupee will finally and up at near about Rs. 50 a dollar and the pound will go up further. The logic of this is scrapping of the Foreign Exchange Regulations Act because the *havala* is making a non-sense of FERA. And if in any case a non-sense is being made of Foreign Exchange Regulations Act, in reality, in effect why are we persisting with laws that are both a non-sense and unenforceable? It is an inevitability and you have to move in that direction.

Just taking the time of the House, I will give one or two other examples. Why do you talk about breaking monopoly? Why, for example, does Government industrial undertakings or public sector units have monopoly? What possible economic logic can there be for the monopolies that the STC has? What logic can there be for the STC, for example, to have the monopoly of selling second-hand diplomatic cars at enormous profits? Why does the MMTC have the monopoly of trading in metals? You could bring all this, and you are breaking monopoly elsewhere. Why do you persist with State monopolies which are really appropriate to monopolies? I am given to understand that though it is not half as efficient in service and not half as edible, the ITDC is now extremely sacred. For simple things like what are called the airport lounge and restaurant, the Ministry for Tourism and Civil Aviation floated tenders.

SHRI INDERJIT (Darjeeling): Duty Free Shops.

SHRIJASWANT SINGH: And they gave better prices for those tenders and the ITDC clamours 'no'. Why should this be? Why should there be a preferential treatment? You do not want a preferential treatment to be any segment of the private industry. There should not be any preferential treatment to what are mistakenly called the Government Industrial undertakings. They are very inefficiently run. I do not want to elaborate as I spoke briefly about work ethics and management principles, etc.

I will conclude by a few suggestions. Here, I think, is the Major worry. Here is a Major worry, a major flaw in this legislation - the sick governmental undertakings or sick public sector units. This is a Central legislation. The Central Government is coming forward with it. The state in which the undertakings of the various States of the Union are is beyond belief. Normally, we have information with us only of the sickness of Governmental undertakings as of the Federal Government. Has the Government carried out an analysis of the extent of sickness of the public sector units or the so-called Governmental industrial undertakings of the various States of the Union and would the honourable the Finance Minister consider informing the Parliament of the totality of the dimension of the sickness that afflicts us, that confronts us really, by informing us that so far as federal units go, this is the extent of sickness in money terms, in recovery or curatively and this is the extent of sickness when it comes to the units of the various States of the Union and the total money and sickness involved? Sir, this is really a very substantial worry that I have. The Federal Government has come forward with the new Industrial Policy and a package of deregulation and liberalisation. I find that just as in the case of reform of bureaucracy, I am not receiving the signals from the States of the Union of a simultaneous and similar movement of economy. I submit with very great concern to the honourable the Finance Minister that no matter what reforms we may attempt to legislate from here, unless the States of the Union move in harmony with that reform, move with the impulse of the

Union Government and moves simultaneously, there will be no Union Government outside the States of the Union and the Union Government will be acting in a vacuum out on a limb. It is merely said that by legislating what we are legislating here, a cure will be found for the industrial or the economic sickness of the country and let the States be where they are. Unless the States are also infused with a similar will of reform of the economy, I apprehend, Sir, a very serious trouble for our economy. In all humanity, I wish to share this apprehension with the Union Minister because unless we address ourselves to this problem, we may not find any improvement in the situation. We are touching only the fringe of the problem. I want to have a very early clarification by the Union Government on rehabilitation of labour and where does it stand when it comes to reforms of these sick Governmental undertakings of public sector units? I personally feel that it is a very unhappy phraseology that we are now stuck with. But it is a self-inflicted wound by the Government. I also think that the word 'Exit Policy' is a very unhappy word. You cannot ask the work force to exit.

SHRI INDRAJIT GUPTA (Midnapur): It is a very apt expression.

SHRI JASWANT SINGH: It would be apt depending on how you look at it. I personally find that it is an unhappy term. No policy reform can have, as a component, any exit of labour. Because of the unhappiness of the choice of this phraseology, we are now stuck into a certain mental groove. I submit that alongwith coming out forthright, clearly and intelligibly on where does the Government stand in, as part of the total reform on rehabilitation of labour, we would be stuck in the groove of this Exit Policy and all that it suggests or mis-suggests about labour rehabilitation.

I will suggest three or four broad points to the Union Finance Minister, as I am not placing a policy framework, just as some corner stones of the articulation of that policy. I would submit that unless these were

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not, we would be faced with a very serious problem. If we simplistically apply the perception, or principles of industrialised western countries, we would be making a very great error. India is depending on how you look at it. You might well say that it is a poor country or not a poor country. But without doubt, it is a country of the poor. It is simplistic to say that mere reiteration of the mantra of market forces is all that we need. It is not so.

When 350 million Indians are outside the fold of market forces, then it is not enough for the Government, or anyone else for that matter, to merely reiterate and say that market forces will take care of everything. For those 350 million Indians, State is a necessary element and state intervention is absolutely unavoidable. But Sir, there are some prerequisites. That State intervention has to be by a State which is efficient, which is compassionate, which is caring and which is able to do what it says it will do. Past 40 years' experience tells us that the State of India is not just inefficient, it is not just callous, it is not just uncaring, in fact it is a corrupt, carnivorous State. Unless therefore, this nature of the State changes, the fate of those 350 million Indians who are outside the pale of the market forces, will not merely by unleashing the market forces, be improved.

I submit for the consideration of the Union Minister that in the process of economic reform those rendered as surplus or redundant should not be left without jobs and without income for any period of time. Secondly, compassion and concern for the personal dignity of those likely to be unemployed should dictate both our thought and our action.

SHRI SOMNATH CHATTERJEE (Bolpur): Do you think they are part of the 350 million Indians?

SHRI JASWANT SINGH: No, no.. Those 350 million people are below the poverty line. I am now on industrial labour. I am now

talking specifically. I am merely attempting, according to my thinking, to point out some cornerstones which should dictate the policy formulation of the Government. Those 350 millions do not even fall within the organised labour. Even if we are to rely on the fudged and unreliable statistics of the Government, those 350 million people do not have enough to eat. They are, of course, outside the pale of this consideration.

We are now talking of the labour which is going to be affected in the process of reform of these Government undertakings.

SHRI SOMNATH CHATTERJEE: Those who will go below the poverty line!

SHRI JASWANT SINGH: If rendered as surplus and without job. Therefore, what I am submitting to the Government is that firstly they should be taken care of and secondly, commission and concern for the personal dignity of those likely to be rendered as unemployed should dictate both our thought and action. That is why I found it necessary and we welcome the fact that the Government has sought 350 million dollar loan for the rehabilitation programme. But we would like to know the programme. My friends on the Left are passionately concerned on this and I respect their concern, though I do differ with them in principle on other aspects. But that does not mean that I do not respect their view. I greatly respect their passion and conviction that has motivated their entire public life.

SHRI INDRAJIT GUPTA: But you agree with the Government!

SHRI JASWANT SINGH: I also agree with the Government when I feel it is necessary. That is why I say that the 500 million dollar loan is a step that we greatly welcome. But we cannot welcome it in totality, unless you tell us how this 500 million dollar loan is going to be used. What are the components of that policy? (Interruptions) . Our overriding concern ought to be economically productive, rendered with human dignity and efficient employment of the great

Companies (Special Provisions)

asset of manpower that India has. All action must be taken to limit human distress that is likely to be caused in the process of economic reform. The labour rendered as either surplus or temporarily surplus must be trained, retrained or provided opportunities for quick rehabilitation in other employment avenues.

18.00 hrs.

I urge these several steps on the hon. Union Finance Minister. In my experience in parliament I have found without fail that those who are favoured by power and position routinely oppose those very steps by which they or their political interests or the system might be saved. I am not convinced that the nature of Parliament has changed so radically that suggestions made for the betterment will immediately be accepted. I am also not sufficiently convinced that yesterday's gods or centralisation, commanding heights of economy - whom we were asked to worship all along are suddenly being replaced by today's gods of market force. I am not convinced that centralised economy is totally dead in the context of India.

SHRI SOMNATH CHATTERJEE: Today, the God is replaced by a devil.

SHRI JASWANT SINGH: That I do not know. That is an agnostic thought to which my good friend has subscribed to. But then they are neither gods nor devils.

So, Sir, before you install this now god of market force, please ensure that the patent enough cruelties of capitalism do not obliterate, there 350 millions who are outside the pale of market force, of the labour who are now likely to be added to these 350 millions.

Thank you, Sir.

MR. DEPUTY SPEAKER: The House stands adjourned to meet again tomorrow, Today, the 3rd December at 11.00 A.M.

18.02 hrs.

The Lok Sabha then adjourned till Eleven of the Clock on Tuesday, December, 3, 1991/Agrahayana 11, 1913 (Saka).