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BABU BEAT

When there is more than money at stake

Selling PSUs may be the only option for the Centre, but what about the impact of such moves on people?

RICHA MISHRA

The Union Government seems to have bitten off more than it can chew with its decision to sell its stake in Bharat Petroleum Corporation Ltd (BPCL).

While the sale of one of India's large public sector undertakings could help reduce our ever-widening fiscal deficit, what happens to the social obligations that PSUs meet, including that of employment?

In these challenging times where the job situation is bleak, it's an especially pertinent question.

There is concern about the fate of over 12,000 employees (6,500 are executives and an equal number workmen) once BPCL is sold. Not surprisingly, there have been widespread protests — including a very unique one in Kochi (BPCL owns Kochi Refinery) where college students have named the venue of an ongoing arts festival after the PSU.

The government has given 'in-principle' approval for strategic disinvestment of Government of India shareholding of 53.29 per cent in BPCL, except its equity shareholding of 61.65 per cent in Numaligarh Refinery Ltd (NRL). The NRL piece will be sold to a Central Public Sector Enterprise operating in the oil and gas sector.

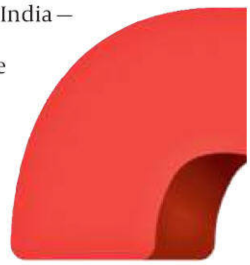
The Department of Investment and Public Asset Management (DIPAM), Ministry of Finance, in its guidelines on disinvestment, does talk about protection to employees.

It says that suitable clauses may be incorporated in the Share Purchase Agreement/Share Holders Agreement for the benefit of existing employees of the company and to protect such employees, post-disinvestment.

But once an entity is sold, whether these conditions can be enforced is a moot point.

"I do not think that the Government of India will be able to assure job security to BPCL employees at any level or even to the board members, beyond the minimum time period stipulated in the offer for sale. The new management in the private sector will definitely like to have its own senior management and minimum workforce to run the company in a most profitable manner," says RS Sharma, former Chairman and Managing Director of ONGC.

Echoing similar sentiments is UD Choubey, former Director-General, Standing Conference of Public Enterprises (SCOPE) — an apex body of the Public Sector Enterprises of India — who feels that there would be enormous complexity related with human resources and taxation issues in the sale of a PSU.



Dividend loss

What is causing additional concern is that unlike some of the other PSUs facing sale (Air India, for instance), BPCL is a profitable entity. As Choubey, who was also former CMD of GAIL (India), says, "I have also been of the opinion that disinvestment or for that purpose strategic sale of a profit making PSU is not the panacea for

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mobilising resources. There is a need for detailed analysis on how much dividend government exchequer loses because of disinvestment or likely to lose dividend from the sale of BPCL or such sale."

"Buying government shares by one PSU in another PSU will still be a better way to mobilise resources for the government, as it keeps the PSU identity intact," he says, adding that "before moving ahead, there is a need to do brainstorming with all stakeholders — professionals, experts, researchers, legislators and the rest."

The unions of BPCL, in a joint appeal to the company's Chairman and Managing Director, wrote "…the recent news of disinvestment of government stake in BPCL has shocked us all and we are feeling very insecure about ourselves and our family's future.." Their appeal includes asking the CMD to ensure that benefits availed by existing workmen, retired workmen, those who have opted for VRS and the legal heirs of the deceased workmen are protected in the event of privatisation.

It's an appeal that the CMD can do little about. Every owner wants a top management and board of their choice. So a change is inevitable.

According to Mukul Kumar, Convenor of Federation of Oil PSU Officers and Confederation of Maharatna Company Officers' Association, "Offering management control proves the perception that something is wrong in the way PSUs are run by respective administrative ministries…BPCL is one of the most profitable PSUs, having earned huge profits despite competition from top private companies and multinationals. It has continuously given dividends, with the average per year being 252 per cent in the past five years and average net profit of ₹7,057 crore since the last five years."

In fact, according to Kumar, "earning profit will become the sole motto of the company and all social service and outreach will be stopped, resulting in closure of unprofitable retail outlets, aviation fuelling stations, depots and terminals."

Given the current economic situation, the government's need to generate revenues through share sale of its PSUs is understandable. But a strategic sale of the golden goose may not be the right approach, feels Girish Arya, leader of the Bharatiya Mazdoor Sangh and in-charge of Public Sector Employees National Confederation.

Ashwani Mahajan, National Co-Convenor of Swadeshi Jagaran Manch, affiliated with the Rashtriya Swayamsevak Sangh, says the strategic disinvestment of public sector enterprises is not only an imprudent business decision but also against national interest.

Mahajan is of the view that a strategic disinvestment of BPCL is certainly not a good business decision, when the company is regularly reporting profits and the gross refining margins (GRM) of its refineries match the best in the global markets. "What benefit will a strategic investment bring? The example of Hindustan Zinc's profits multiplying multiple times after its privatisation is a bad example," he argues.

"The government must look at long-term solutions, instead of falling into the Washington Consensus trap and 'strategically' selling the equities to some corporate houses or MNCs," he says.

One thing is clear — there is a need for larger public deliberation and debate on the methods and timing of offloading government equities as it is not just about money.

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