

What is the push behind the strategic disinvestment move?

Will the government's stand on privatisation of public sector units help the economy? What are the gains?

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The story so far: On November 20, the government announced that it would sell stakes in several public sector undertakings (PSUs) and even give up management control in some. The Central government will cede full management control to buyers in the case of oil marketing company Bharat Petroleum Corporation Ltd. (BPCL), Shipping Corporation of India (SCI) and Container Corporation of India Ltd (CONCOR). The government will transfer its 74.2% stake in THDC India Limited (formerly Tehri Hydro Development Corporation of India) and its 100% stake in North Eastern Electric Power Corporation Limited (NEEPCO) to another public sector unit and power distribution major, NTPC Ltd.

Why do governments divest stake in public sector undertakings?

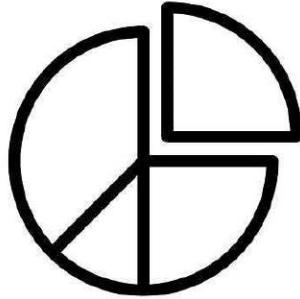
Some political parties that come to power believe that "the government has no business being in business". That is, the government's role is to facilitate a healthy business environment but the core competence of a government does not lie in selling fuel or steel at a profit. That is one reason that divestment is often a priority item in the election manifesto of such parties.

Two, with governments always having to spend more than they earn through taxes and other means, additional income from the proceeds of a stake sale is always welcome. This is especially so in the case of India now, where it has fallen to the government to spend higher amounts on infrastructure to boost economic growth, along with its commitments on health and education.

It is true that this is like selling the family silver and that at some point there would be nothing left to sell and cushion the fiscal deficit with, but the argument is, the government should not have been funding these companies in the first place.

What is a strategic sale?

A strategic sale by a government is one where the management control is ceded to the buyer. A divestment could be stake sale to a buyer, via an initial public offering or a direct deal, but in which the government still retains majority and management control.



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A strategic sale is also different from cases where the government transfers majority stake but only to another PSU over which it has control, as happened recently with HPCL (bought by Oil and Natural Gas Corporation) and with Tehri Hydro and NEEPCO in the latest round.

What is the history of disinvestment in India?

Since liberalisation began in India in 1991 under then Prime Minister P.V. Narasimha Rao, the country saw a steady flow of disinvestment decisions. However, privatisation, where buyers took over management control, began later under the National Democratic Alliance governments. Arun Shourie, the country's first Disinvestment Minister, gave an impetus to the exercise.

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He is credited with the privatisation of Maruti, Bharat Aluminium Company Ltd., Videsh Sanchar Nigam Limited and Hindustan Zinc through the strategic sale process.

Why sell a profitable public sector unit?

One counter to this question would be: why would a buyer pay a premium, or even be

interested in a loss-making unit? Air India is a case in point. The government has been unsuccessfully trying to sell the debt-laden and loss-ridden airline for a while now. Bharat Sanchar Nigam Limited, which made a loss of ₹7,500 crore for the first half of this fiscal, may not find a buyer easily, even if it were on the block.

What does the government get out of divestment?

In the latest round, the government stands to get a sum in the region of ₹80,000 crore from a stake sale in the five aforementioned units, which would take the total divestment value for the fiscal close to the ₹1.05 lakh crore amount it had planned.

India is currently facing an economic slowdown in which indirect tax collections are below par. The government has cut corporate tax rates hoping that companies will use these savings for price cuts or dividend payouts, or for investments that create jobs. As consumption is highly muted, the Central government may look to place more disposable cash in the hands of the taxpayer through lowering personal income tax rates. As a result of cut and to-be-cut tax rates, the government would have less and less cash for its own expenditure in infrastructure and the social sector.

Further, if the fiscal deficit goes out of hand, the sword of Damocles – of global rating agencies lowering the country's investment grade – could fall on India's neck. This would make any future foreign currency loans costlier, both for the country and for large Indian conglomerates whose fortunes rise and fall with the local economy.

Here is where proceeds from strategic sales give the government extra spending cushion.

This fiscal has been a year without precedent for the government on the fiscal front. The Reserve Bank of India gave the Central government a record dividend payout of about ₹1.76 lakh crore. The joy over this would have been short-lived as the government has had to execute a corporate tax cut – to mitigate the effects of a slowdown – and will suffer an annual loss of ₹1.45 lakh crore.

So at least meeting the year's disinvestment target, if not exceeding it, would give the government some respite from the string of bad fiscal news that has been flowing its way.



Why Russia is racing against time to finish a gas pipeline

Somewhere off the Danish coast, a 300-metre long vessel is rapidly laying an underwater pipeline that will carry natural gas from Russia to Germany. If all goes well, the pipeline will be pumping gas before December 31, but it's a big 'if'. America, allegedly, doesn't want the Nord Stream 2 pipeline finished. It has shiploads of its own gas that it wants to sell to Europe. So, there are fears it could kill the pipeline with sanctions. For Russia, every day now is a race against time...

WHO WANTS IT

Russia: Oil and gas are its main sources of income. Nord Stream 2 will carry 55 billion cubic metres of gas to Europe every year, without paying any fee to Ukraine

Germany: Its gas consumption is about to shoot up as it transitions from coal and oil to renewable energy. Russia is its biggest supplier

WHO DOESN'T

US: Fracking has made it a major producer of natural gas. It wants to dominate Europe's gas market

Ukraine: Charged Russia \$3 billion last year for transporting gas to Europe through its overland pipeline. Doesn't want Nord Stream 2, naturally



UKRAINE THREAT

Russia's contract to use Ukraine's pipeline ends on December 31. If Nord Stream 2 isn't ready by then, Ukraine will arm-twist it for a higher fee. It has demanded a 10-year contract while Russia only wants a 1-year extension

US THREAT

Sanctions. Ships laying the pipeline will stop work at once fearing US penalties. US allegedly derailed a new deal between Russia and Ukraine, in September

THE GAME

1,230km
Length of Nord Stream 2

147km
Remaining section. As it's a double line, 294km of pipeline remains to be installed

3km
Length of pipeline each ship can lay in a day



“ We're protecting Germany from Russia, and Russia is getting billions and billions of dollars in money from Germany

—US PRESIDENT DONALD TRUMP

For more: Der Spiegel, Brookings
Graphic: Karthic R Iyer

Disinvestment in five PSUs is welcome and overdue

With tax revenues under pressure, the government needs to do much more

On Wednesday, the Cabinet Committee on Economic Affairs (CCEA) approved the strategic disinvestment of five public sector enterprises, namely, Bharat Petroleum Corporation Ltd (BPCL), Container Corporation of India Ltd, Shipping Corporation of India, Tehri Hydro Power Development Corporation (THDC) and the North Eastern Electric Power Corporation (NEEPCO). The proceeds from these stake sales will help the Centre move closer to achieving its disinvestment target of ₹1.05 trillion for this year. Of the five companies, the stake sale in BPCL is likely to be the biggest draw. The sale will be of interest not only to domestic firms, but also to major international players as well.

But, with only four months to go, it is not clear whether these stake sales can be wrapped up by the end of the financial year. It should also not be another case of public sector firms stepping in to buy these entities in order to bail out the government. As it is, the sale of THDCIL and NEEPCO, the other two entities, to NTPC, is essentially a transfer of assets between various arms of the public sector. The government would benefit from drawing up a more ambitious, better laid out, medium-term plan for disinvestment, rather than approaching it as



merely an arrangement for plugging its revenue gaps. It should draw up a list of potential candidates and release an advance calendar, indicating the period of disinvestment. This would help draw in more buyers.

The Indian Express, November 22

ब्लास्ट के साथ गैस पाइप लाइन लीक, मचा हड़कंप

पोल लगाने के लिए ट्रैक्टर-ग्राइंडर से खड्डा खोद रहा था। उक्त जमीन में दबी गेल गैस की पाइप लाइन पर दबाव आने से रिसाव शुरू हो गया। तेज धमाके के बाद जिससे गैस तेजी से वातावरण में फैलने लगी।

हरिभूमि न्यूज ▶▶ सोनीपत

भारतीय गैस प्राधिकरण लिमिटेड (गेल) की पाइप लाइन गांव जेटडी के पास ब्लास्ट के बाद लीक हो गई। गैस रिसाव होने से आसपास के क्षेत्र में हड़कंप मच गया। राहगीरों ने गैस रिसाव की सूचना पुलिस को दी। पुलिस ने गैस कंपनी के अधिकारियों को अवगत करवाया। उसके बाद कंपनी के अधिकारी व कारिंदे मौके पर पहुंचे। उसके बाद रिसाव को रोका गया। हादसा बिजली का पोल लगाने के लिए खोदे गये गड्ढे के कारण हुआ।

बता दें कि बीसवां-मील-बहादुरगढ़ सड़क मार्ग पर गांव जेटडी के पास बिजली निगम के कर्मचारी पोल लगाने का काम कर रहे थे। पोल लगाने के लिए ट्रैक्टर-ग्राइंडर से खड्डा खोद रहा था। उक्त जमीन में दबी गेल गैस की पाइप



सोनीपत। गैस रिसाव वाली जगह पर मौजूद पुलिस कर्मी व कंपनी के कारिंदे।

फोटो: हरिभूमि

लाइन पर दबाव आने से रिसाव शुरू हो गया। तेज धमाके के बाद जिससे गैस तेजी से वातावरण में फैलने लगी। इससे आसपास के क्षेत्र में हड़कंप मच गया। दुकानदारों ने दुकान बंद कर दी और आसपास मौजूद लोग भी दूर चले गए। लोगों ने प्रशासन को मामले से अवगत कराया, जिस पर राई थाना पुलिस मौके पर पहुंची। पुलिस ने गेल गैस कंपनी के अधिकारी व कर्मचारियों को मौके पर बुलवाया। कंपनी कर्मचारियों ने मौके पर पहुंचने के बाद फाल्ट को दूर करते हुए गैस के रिसाव को रोका। जिसके बाद लोगों को राहत मिल सकी।

बिजली निगम की लापरवाही से हुआ हादसा

गैस कंपनी के अधिकारियों के बताये अनुसार बिजली का पोल लगाने के दौरान पाइप में लीकेज हुआ है। बिजली निगम के ठेकेदार की टीम ने बिना क्षेत्र की जानकारी जुटाए गड्ढा खोद कर पोल लगाने का काम शुरू कर दिया। गड्ढा खोदते समय पाइप लीक हो गया। पाइप लीक होने पर कर्मचारी वहां से चले गए। गैस लीक होने की जानकारी मिलने ही आसपास के दुकानदार व क्षेत्रवासी मौके पर एकत्रित हो गए हैं। जिन्हें बाद में पुलिस ने वहां से हटाया और रिसाव रोकने का काम शुरू किया गया।

कंपनी कारिंदे ने रिसाव को रोका

बिजली निगम के कर्मचारी पोल लगाने का काम कर रहे थे। उसी दौरान लाइन लीक हो गई। गनगीत रही कि बड़ा हादसा नहीं हुआ। मौके पर पहुंचकर कंपनी के कारिंदे ने रिसाव को रोक दिया। मामले की जांच की जा रही है।
-अशोक, प्रभारी राई थाना।