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PUBLIC SECTOR UNDER ATTACK

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PREFACE

One of the main features of the Government of India's economic and industrial policies especially during the last two years, is the downgrading and denigration of the public sector. This amounts to a dangerous reversal of the policies to which this country was committed so far.

Recently we have had the astonishing spectacle of Union Cabinet Minister, Vasant Sathe, publicly campaigning against the philosophy and "viability" of the public sector. His stand has been welcomed by the Forum of Free Enterprise and such other advocates of the private monopoly sector.

The Government is acting along the lines recommended earlier by the official committee headed by Arjun Sen Gupta (now serving with the World Bank), which had recommended even closure of loss-making units and replacement of collective wage bargaining by a wage-fixation authority.

Now privatisation of the public sector is being introduced apace and everyday brings fresh instances. Meanwhile the wage-revision demands of public sector workers are being stalled and no negotiations have begun.

In such a serious situation, this small volume is being published in the hope that it will help all trade unionists to understand the problem better and to mobilise the workers for united action to reverse the Government's disastrous policies, which are opening the floodgates for the entry of multinational corporations into the public sector in the name of new technology. The self-reliant economic development of the country is at stake.

This booklet has been prepared by M. S. Krishnan, Vice-President, AITUC, a veteran trade union leader especially of the Bangalore group of public sector industries, who needs no introduction to the working class.

New Delhi,
October 1, 1986.

INDRAJIT GUPTA
General Secretary
AITUC

During the last year or so and particularly after the advent of the Rajiv Gandhi Government, the Public sector in our country has come in for severe criticism and attack. Bourgeois papers write articles after articles to denigrate the public sector. They say that the public sector is largely running under "losses", and that the continuation of this position would lead to closure of the Public Sector enterprises. They blame the workers in general for the present situation. There are many private industrial entrepreneurs in our country who also join the chorus and are resorting to all sorts of machinations to gobble up the public sector and fatten themselves. Then there are also many bourgeois politicians who criticise and condemn the public sector and would prefer handing over this sector to the private monopolists. A vicious atmosphere is sought to be created against the public sector by all these forces. Even some so-called "progressive" social scientists, and economists have not hesitated to attack the public sector in our country. Some of them have questioned the mixed economy and some, in the name of "greater well-being of the people" are canvassing for a free market economy. Prime Minister Rajiv Gandhi himself has gone on record about his thinking regarding the public sector. He spelt this out in his interview to the "New York Times" He said "The Public Sector has opened into many areas which I feel it should not be. At the same time there are certain areas where the private sector cannot just function.....We will be developing public sector (to undertake jobs) that the private sector cannot do. But we will be opening up more to the private sector so that it can expand and the economy can go on freely".

1. PUBLIC SECTOR—ORIGIN

The development of the Public Sector in India has its own history. The British yoke was thrown away and India attained independence in 1947. Though we won political independence we had yet to grow economically independent. The British Imperialists had economically tied us to the chariot wheels of colonial exploitation and were solely interested in keeping our country economically backward and undeveloped.

“as hewers of wood and drawers of water”. They were totally opposed to the independent industrial development of India because they knew it would mean losing and ultimately cutting off the grip of foreign monopolies on Indian economy. It did not take long for the leaders of our country such as Pandit Jawaharlal Nehru to see through this game of the imperialists. It was this realisation that made the Government think of developing the public sector. It was almost unanimously accepted that without the active and vigorous intervention of the State, there could be no overcoming of the colossal backwardness and colonial pattern of economic development and no building of an independent economy. It was again this that brought about the idea of building a public sector to strengthen the economy and take it on the rails of self-reliance. Even the Indian bourgeoisie did not oppose this. They knew that they could not venture on investing capital in industries, particularly in core industries, many of which have long gestation periods resulting in uncertainties. They also did not possess enough capital to build such big industries. Besides the Indian private capital was shy and timid and lacked enterprising zeal.

In this background, during the Second Plan the Government spoke of building a “Socialistic pattern of society”. This was enunciated as follows :—

“Essentially, this means that the basic criteria for determining the lines of advance must not be private profit but social gain, and that the pattern of development and the structure of socio-economic relations should be so planned that they result not only in appreciable increases in national income and employment but also in greater equality in income and wealth. Major decisions regarding production, distribution, consumption and investment and in fact all significant socio-economic relationship must be made by agencies informed by social purpose. The benefits of economic development must accrue more and more to the relatively less privileged classes of society and there should be a progressive reduction of the concentration of incomes, wealth and economic power”. (Second Five Year Plan 1956, P. 22)

Through the Industrial Policy Resolution of 1956, key sectors like Oil, Steel, Machine Building, Electric Power Stations, etc., which constitute the foundation for industrial development and progress were reserved for the Public Sector. The Second Five Year Plan, for the first time, stressed on industrial development and that too in the Public Sector. These

decisions were taken, being fully conscious of the objectives of the Public Sector. In fact the major objectives of the public sector could be summarised as follows :—

- (i) to help in the rapid economic growth and industrialisation of the country and create the necessary infrastructure for economic development;
- (ii) to earn return on investment and thus generate powers for development;
- (iii) to promote redistribution of income and wealth;
- (iv) to create employment opportunities;
- (v) to promote balanced regional development;
- (vi) to assist the development of small scale and ancillary industries and;
- (vii) to promote import substitution, save and earn foreign exchange for the economy”.

The very idea of planning and investment in the public sector in a big way did raise eyebrows among the monopolists of our country and the multinationals. They in their own class interests tried their level best to halt the progress of the public sector. From the initial stages itself there has been a persistent, consistent and insistent attempt of the monopolists and multinationals to put spokes in the wheels of the development of the public sector. Or else how can one explain the strange behaviour of the Indian Iron and Steel Co., Burnpur (now a Government of India Undertaking) calling upon the Government to drop building steel plants in the State Sector on the most astounding ground that India does not need so much of steel? How can one explain the conduct of the Burmah Shell and Standard Vacuum Oil Co., who hurriedly agreed to further prospect oil, having known that Soviet Union and Rumanian Oil experts were visiting India? How can one explain the big monopolists of Coal agreeing to step up production when once the Government decided to open its own mines and requested the Soviet Union to supply a plant for manufacturing mining machinery? Or, how can one explain the Rourkela Steel Plant, to be built by West Germany, was still in blueprints, the Durgapur Steel Plant, to be built by the Britishers, was still looking out for a Bankers loan, while the Bhilai Steel Plant, to be built by the Soviet Union, was going up by leaps and bounds and hoped to complete construction ahead of schedule?

These very clearly show that the British imperialists, the multinationals were not interested in the establishment of any

industrial base in the public sector in our country. But despite them and their vile dreams the public sector has come to stay. Hence it is that the public sector in India has come into being and grown in the teeth of opposition by imperialism. It has an anti-imperialist edge and character. It has the purpose of developing a self-reliant economy in the country. This understanding is one of the basic reasons for the development of the public sector in our country.

2. GROWTH AND PERFORMANCE OF THE PUBLIC SECTOR

There has been a phenomenal growth of the public sector during the past 39 years. This is clearly evident from the figures supplied by the Government itself.

The investment in the public sector has grown from 29 crores as on 31-3-1951 in five enterprises, to Rs. 35,394 crores as on 31-3-1984 in 214 enterprises and further increased to Rs. 42,811 crores as on 31-3-1985 in 221 enterprises. The investment figure will surely be more since the number of public sector undertakings as on 31-3-1985 is actually 223. The following table gives the growth:—

Year	No. of enterprises	Investment in public sector (Rupees in crores)
1-4-1951	5	29
1-4-1956	21	81
1-4-1961	48	953
1-4-1966	74	2415
1-4-1969	85	3902
1-4-1974	122	6237
1-4-1979	176	15602
1-4-1980	186	18225
1-4-1981	185	21102
1-4-1982	205	24916
1-4-1983	209	30038
1-4-1984	214	35394
1-4-1985	221	42811

The volume of sales of the public sector enterprises has been growing during this period. During 1984-'85 growth of gross sales from the previous year was 15.64%. Sales as percentage

of capital employed in respect of manufacturing enterprises has grown from 124.76% in 1975-'76 to 162.58% in 1984-'85. However compared to 1983-'84, the ratio has shown a decline from 174.34% in 1983-'84 to 162.58% in 1984-'85. In absolute terms the gross sales of Public Sector enterprises has gone up from Rs. 11,688 crores in 1975-'76 to Rs. 54,668 crores in 1984-'85 indicating an average annual growth rate of about 36.77%.

The profitability of public undertakings is an extremely important indicator to debunk the arguments of both the well meaning and ill meaning opponents of the public sector.

The figures for the last ten years of the operating units clearly show an impressive improvement. The quantum of gross margin has progressively increased by about 630% from Rs. 1,013.85 crores in 1975-76 to Rs. 7,398.08 crores in 1984-'85, while the capital employed has increased by 304% during the same period. The ratio of gross margin to capital employed has increased from 11.26% to 20.33% in the same period, 20.33% being the highest achieved so far. The gross profit has also increased from Rs. 668.46 crores to Rs. 4637.35 crores in a period of 10 years, an increase of nearly 594%. Gross profit as a percentage of capital employed has also shown a marked improvement from 7.42% in 1975-'76 to 12.74% in 1984-'85.

It has also to be seen that despite wage increases due to the wage settlements during the period of 1983 and 1984, the gross profit of the public sector undertakings in 1983-'84, which was Rs. 3,565.40 crores, has increased to Rs. 4,637.35 crores in 1984-'85, an increase of 30.07%.

Even if one views the performance of these public sector units from the point of view of pre-tax profits (Gross profits minus interest) after setting off losses of loss-making concerns there is substantial improvement. From Rs. 305.65 crores in 1975-'76 it has risen to Rs. 2,119 crores in 1984-'85 after providing for interest charges of Rs. 2,518.35 crores.

Compared to 1983-'84, the pre-tax profit of public sector undertakings has shown an increase of Rs. 639.41 crores during 1984-'85. This is in spite of the fact that the interest charges in 1984-'85 was higher by Rs. 432.54 crores compared to 1983-'84.

The Dividends declared in the public sector have also increased from Rs. 21 crores in 1975-'76 to Rs. 83 crores in 1980-'81 and further increased to 177 crores in 1984-'85.

In respect of post-tax profit/loss, there has been an increase in the post-tax profit, though, in the years 1977-'78, to 1980-'81 there was a loss. The following chart gives the figures from 1975-'76:—

Year	(in crores of rupees)	
1975-76	+	18.87
1976-77	+	183.89
1977-78	-	91.07
1978-79	-	40.09
1979-80	-	74.29
1980-81	-	202.97
1981-82	+	445.92
1982-83	+	613.51
1983-84	+	240.14
1984-85	+	928.57

The generation of internal resources by public enterprises assumes great importance in the context of the 7th Five Year Plan. Finding adequate resources for financing the plan outlays becomes an important and painstaking job of the planners. The Seventh Plan envisages that the public sector (other than Railways and P & T) should generate Rs. 31,500 crores. In addition to this they are expected to contribute through additional resources mobilisation an amount of Rs. 11,490 crores. Though this appears to be a tall order, considering the several inherent limitations such as pricing imposed on certain goods and services, sick units of the private sector being nursed back to health, technological complexity including long gestation periods, inadequate availability of essential infrastructural inputs affecting capacity utilisation, impact of increase in prices of various inputs—the fact cannot be denied that the public sector has generated substantial internal resources. The following table gives the picture:—

Year	No. of enterprises generating internal resources	Total internal Resources generated (Rs. in crores)	Loans Repaid to			Net Resources available for reinvestment (Rs. in crores)
			Central Govt.	State Govt.	Total	
1980-81	102	1224.95	128.89	0.43	129.32	1095.63
1981-82	110	2261.31	335.94	2.50	338.44	1922.87
1982-83	115	2752.73	500.45	0.46	500.91	2251.82
1983-84	116	3277.69	448.45	1.24	449.69	2828.00
1984-85	124	4273.14	718.20	0.70	718.90	3554.24
Total -		13789.82	2131.93	5.33	2137.26	11652.56

° The total internal resources shown in column 3 includes depreciation, DRF written off and retained profits.

In this connection it has to be mentioned that the perspective projection by the planners, of internal resources generation for the 6th Plan has been by and large fulfilled. The 6th Plan envisaged a net internal resource generation of Rs. 5848 crores by the public sector excluding the enterprises under the Ministry of Defence. This is without taking into account price changes. The actual net internal resources generation by the public enterprises during the 6th Plan period has been Rs. 11,652.56 crores at current prices, the respective years including Rs. 430.26 crores generated by the enterprises under the Ministry of Defence. Even assuming that there has been an average increase of 50% in the prices from 1980-81 to 1984-85, the internal resources generation expected could be Rs. 8,872 crores. In actuality, omitting the contribution by the public enterprises under the Ministry of Defence, the internal resources generation increases by about Rs. 2,500 crores than anticipated. This shows the great contribution made by the public sector.

We can also take note of the fact that there has been a steady increase which the public sector has made by way of contribution to the exchequer through dividends, corporate tax, excise duty and customs and other duties. It shows that the contribution increased from Rs. 1,376 crores in 1976-77 to Rs. 4,567 crores in 1981-82. In 1984-85 it stood at Rs. 7,597 crores. The total contribution made during the 6th Plan period is Rs 27,557 crores (1980-81 to 1984-85).

On the basis of the figures published by the Government one sees that while the Government has invested in the public sector a total amount of Rs. 42,811 crores, the contribution to the exchequer from 1974-75 to date has been Rs. 39,095 crores and the generation of internal resources is Rs. 18,266 crores. That the Government has been able to get back what it has invested in these public sector undertakings despite all their weaknesses is clear from the above. The bourgeoisie and the monopolists cry hoarse that the public sector is not generating internal resources, not contributing to the coffers of the Government as much as the private sector does. The above figures belie all these statements though one must admit that the position can be improved.

One of the important objectives of the public sector is to see that the employment potential is increased. And also to see that these units come up in industrially backward areas. This has been done in a far greater measure, than what the private sector has done. The increase in employment is given in the following table:—

<i>Year</i>	<i>Employment in Lakhs</i>
1975-76	15.05
1976-77	15.75
1977-78	16.38
1978-79	17.03
1979-80	17.75
1980-81	18.39
1981-82	19.39
1982-83	20.25
1983-84	20.72
1984-85	21.07

Value added by manufacture is one of the indicators of the health of the company and its productivity. The economic justification and the contribution made to the economy are measured in terms of added value. From Rs 2,820 crores in 1977-78 the value added has steadily increased over the years and reached the figure of Rs. 10,048 crores in 1983-84 and Rs. 12,493 crores in 1984-'85 in enterprises producing goods. There has been a 24.34% increase in 1984-85 over that of 1983-84. This gives a fitting reply to those who go on shouting in season and out of season, that the workers in the public sector have not produced, that productivity is very low etc. etc.,

Capacity utilisation in the public sector enterprises has come in for sharp criticism since it is one of the important indicators for measuring productivity and performance of that unit. In this regard it is observed that as compared to 1983-84, the number of units having capacity utilisation of more than 75% has decreased from 88 in 1983-84 to 87 in 1984-85, and the percentage in relation to the total number of units has decreased from 51.2% to 48%. The units with capacity utilisation between 50% and 75% has also declined from 49 to 47. Utilisation decrease, though marginal, has to be viewed seriously and steps have to be taken to improve the utilisation of existing capacity, more than creating new capacity. The Government of India and the planning authorities have discussed this issue but due to internal contradictions and lack of clarity on policies they seem to be dithering on this issue.

Public sector means not only the public sector enterprises but also the nationalised Banks, General Insurance Corporation (G.I.C.), Life Insurance Corporation (L.I.C.) apart from many other Corporations in various other sectors of the economy. Among them the LIC, GIC and Banking Sectors have made tremendous strides since nationalisation. Today 93% of

Indian Banking is in the public sector comprising of 28 different institutions including seven subsidiaries of the State Bank of India.

There are 51,000 Bank Offices in India as against 8262 in June 1969. Today there are 61 offices for a million population. This means one Branch on an average for a population of 15,000 as against 65,000 in 1969, 60 per cent of the Branches came into existence after Bank nationalisation. Deposits have also gone-up by more than 16 times since 1969, from Rs. 4,700 crores, to Rs. 81,000 crores in 1985 (September). Bank advances or credit expanded from Rs. 3,017 crores to about Rs. 48,000 crores during this period. There has been a remarkable increase in priority sector advances during the post nationalisation period. This priority sector includes advances to Agriculture, Small scale industries, Transport, Small Business, Profession and self employed persons, education and export, accounting for about 43% of the total bank credit. Out of this, 25% of the advances have gone to the weaker sections namely landless agricultural workers, marginal farmers, artisans, living below the poverty line. All this was unthinkable before nationalisation. In a span of 15 years public ownership of Banks had achieved more than 15 times of what the private sector banking could not achieve in the previous 60 years.

The same is the history and development of L.I.C. and G.I.C.

3. BUILDING PUBLIC SECTOR-SOCIALIST COUNTRIES' ROLE & ASSISTANCE

In the development of the public sector the assistance and help of the Soviet Union and other Socialist countries has been immense and of great value. Bhilai, the flagship of Indian industry, came into being due to the help of the Soviet Union as a result of an agreement on 2nd February 1955. The "temples of modern India" as Nehru called them have been gleaning in the bright Indian sunshine. They include the steel plants in Bhilai and Bokaro, Heavy Machine Building Plants of Ranchi, Durgapur and Hardwar, Oil Refineries in Kolpali, Barauni and Mathura, Oil Fields in Gujarat, the Korba Aluminium Plant, Electric Power Stations in Neyveli. Korba and Bhakra, Coal Mines and opencast collieries, Air-craft building plants and many others. With this Soviet assistance more than 80 projects are either being built or have been completed. It is a matter of pride for India that the Bhilai and Bokaro Steel Plants, the Korba Aluminium Plant, the Neyveli Power Station are the largest in Asia. Besides, over 40 percent of Iron and Steel is produced in the factories built with Soviet help, more than half of the Power Generating equipment and

about one third of all aluminium produced in India. More than 99.3% of Soviet aid has gone to finance the public sector projects and that too in the core sector. Besides over these years, the Soviet Union and other socialist countries have been training personnel for the State sector projects and transferring latest technology. Today if India has the third largest number of technical personnel, it is mainly due to the unstinted assistance of the socialist world.

It is not only the quantity of socialist aid that is important but also the quality. As far as quantity is concerned even the 'aid' from America is quite substantial and is the largest. However there is basic difference in the two types of aids. The U.S. aid is mainly from the point of view of trade and business. Most of the aid is given to non-priority sectors. The emphasis of the U.S. administration is to see that more multinationals penetrate India and even if technology is transferred it is not the latest but one which has become obsolete. Number of instances of such transfer of technology can be enumerated. In fact the whole approach of U.S. aid is spelt out fittingly by Jhon Rhenise, the former Director of U.S. aid Mission to India. He said "aid comes wrapped in a host of regulations defining where, when and how it can be used. These often seem onerous.....". Its shape reflects the interests and opinions—the conventional wisdom if you will—of the American people as structured and articulated by the American Congress" (Commerce: Indo—U.S. Cooperation Survey, 1968). Though this statement was made in 1968, there has not been any change in their outlook and policy. Thus it is very clear as to who defines what should be the aid, what type it should be, and in which sector. It is USA which dictates and not India. How can such aid be disinterested? How can it help develop our economy and make it self-reliant?

The aid from Soviet Union and other socialist countries have immensely helped to develop the public sector and put India in the road to self-reliance. Today the import content in Bokaro Steel Plant is far less than what it was in respect of Bhilai. Most of the equipment is designed and supplied by other State Sector projects such as 'Mecon', set up with Soviet assistance. Now Mecon and such other large design organisations are receiving orders for designing steel plants in third world countries. Plants built in India with Soviet and socialist assistance are today manufacturing equipments and exporting them to Soviet Union and to other third world countries. The Heavy Engineering and machinery plants at Ranhi and Durgapur have manufactured 40,000 tons of equip-

ment on Soviet orders for projects which are being built in Bulgaria, Hungary, Sri Lanka, Cuba, Egypt, Turkey and other countries, as well as for the Soviet Union itself.

A very significant aspect of Socialist aid and assistance has meant huge public sector plants coming up in remote and backward parts of our country. Bhilai in Madhya Pradesh and Bokaro in Bihar were backward agricultural districts before the steel plants were established. To-day their whole face has changed. Modern towns and villages with electricity, roads, etc., and an excellent infrastructure have sprang up in these areas.

All this has been possible because of the very existence of the socialist system. This powerful socialist system where the toilers rule and exploitation of man by man has been done away with, has helped India and other developing countries to stand up to the machinations of imperialism and advanced capitalist countries. It has strengthened their hands to bargain with the imperialists and not to succumb to their pressures to change the pattern of economic development they have chosen.

U.S. imperialism wanted and even now wants India to pursue an "independent" economic policy meaning not to pursue a policy of developing a strong State sector but helping the private sector to develop. They fear that development of the public sector and that too in the core sectors of economy would mean India not only pursuing an independent economic policy but also an independent foreign policy, in favour of non-alignment and peace. That this U.S. blackmail did not work and that the public sector in India has enabled India to chart out and consistently uphold till now the policy of non-alignment in opposition to imperialist machinations against third world and newly liberated countries is part of history. But for the public sector in India and the might of the socialist system, would it have been possible for us to defend our territorial integrity in 1962, 1965 and 1971? Would it have been possible to face the threat of U.S.A. to bring the Seventh Fleet during the liberation of Bangla Desh? Would it have been possible to defeat the blackmailing tactics of U.S. imperialism which suspended all aid, when the foreign oil companies refused to refine crude oil imported on Government account?

4. PUBLIC SECTOR—ITS CHARACTER

The public sector or the state sector as it is called, is not a socialist sector, but a capitalist sector in countries like ours where the ruling class is developing capitalism, instead of

taking the country on a non-capitalist path. Just because the State has nationalised some industries such as Banks, L.I.C., G.I.C., etc., and just because they have also built several public sector industries, the character of the State sector cannot be that of a socialist sector. While it is true that investment is made in the public sector by the State, since the class character of the State itself is one which helps to build the capitalist system and capitalist relations, no significant change can be brought about in society. Socialist-nationalisation, on the other hand, lays the foundation for real socialisation of production, where all enterprises operate as links in a single system according to a plan drawn up in advance. Hence Lenin emphasised that "confiscation can be carried out by 'determination' alone, without the ability to calculate and distribute properly, whereas socialisation cannot be brought about without this ability" (V. I. Lenin Collected Works, Vol. 27. P. 334). In this regard, Engels says, "The capitalist relation is not done away with. It is rather pushed to a head. But, brought to a head, it topples over. State ownership of the productive forces is *not the solution of the conflict*, but concealed within it are the *technical conditions that form the elements of that solution*".

In our country the national bourgeoisie is holding the decisive positions of State power. Naturally it will use the state sector in order to further its own class interests and help rapid capitalist development. It will also use its political power to so orientate the projects in the State sectors as to help the private sector, immediately, as well as in the long run. Using its political power it will try to regulate the economy according to the interests of the bourgeoisie, its profit motive and try to consolidate its own position.

In India it is this process that is taking place during the last several years. However one should not forget that India, being a developing country is trying to build an independent self-reliant economy. This enables the capitalist class to resist the pressures of foreign monopoly capital to some extent. The assistance of socialist countries helps greatly in such resistance. Under such circumstances it would be wrong to think that there is no difference between the public and private sectors. It would be harmful to opine that the state sector has no progressive role to play. Today it is a state capitalist sector since the state is under the control of the national bourgeoisie. However it has an anti-imperialist edge due to historical reasons and due to the fact that it has come into being in opposition to imperialism. This character of the pub-

lic sector is aimed at defending and consolidating our independence, however vacillating the policies of the Government be. It is also developing in a situation where the socialist system exists in one third of the world and socialist forces are rapidly developing; with the further growth of democratic revolutionary and socialist forces in our country it is possible to use the public sector to play a progressive role in building a self-reliant economy and march to socialism.

The private sector in India cannot be expected to play such a role as the public sector due to its very class character. This is not to minimise the inherent contradictions of the public sector in a country like India, pursuing a capitalist path. One cannot minimise the attempts of the private sector and particularly the monopoly sections, to make use of the public sector for their own purposes, for self aggrandisement for fattening themselves.

Hence it is that the working class should take a positive attitude towards the public sector. While being conscious of the anti-imperialist character of the public sector, conscious of the weaknesses inherent in this sector, it should fight tooth and nail against all the machinations of the monopolies and pro-imperialist sections which desire to scuttle the public sector. It becomes necessary, to defend the public sector as well as to extend and democratise it in accordance with the call of the Hyderabad Convention of Public Sector Trade Unions, convened by the AITUC on June 30 and July 1, 1985.

5. CRITICISMS AGAINST THE PUBLIC SECTOR, AND ANSWERS

The public sector has come in for severe criticism from all and sundry. Economists, politicians, sociologists, the press and media have all joined the chorus in sharply attacking this sector. Some say that the Public Sector is running under loss and there is no point in continuing to help such units which make losses. If they can't be made viable they can be sold to the private sector. Vasant Sathe, Energy Minister of the Government of India recently wrote three articles in which he has made a scathing attack on the public sector. He has stated without caring to understand what socialism means and giving his own twist to the concept of public sector "The causes of our dismal performance primarily lie with the adoption of a wrong concept of socialism which equates over-employed, top-heavy, inefficient and unaccountable public sector with socialism" (Times of India dated 4.8.86).

He has called upon the Government "to do away with the artificial distinction between the public sector and private sector". Joining in this type of ignorant and unfounded criticism are the Birlas, the Tatas and other monopoly houses. There are others like Rajiv Gandhi, Prime Minister, who in the beginning toed the line of Vasant Sathe as is evident from his several statements, but later has come to the position of improving the efficiency of the public sector. Recently, when asked by his party men at the Executive Committee meeting of the Congress(I) whether the Government is likely to take a 'U' turn in its public sector policy, he is credited to have emphatically told the questioners "that there was no question of our party taking a 'U' turn on the policy of public sector". Asserting that the Government stood by its policy towards the public sector, the Prime Minister is supposed to have told the executive committee "that it was absolutely necessary that public undertakings worked efficiently and the public money put into them are not wasted or went down the drain" (Deccan Herald dated 23.8.'86). Though this statement is welcome, considering that the Prime Minister has made different statements at different times in different places one cannot be sure what his next utterance would be? In fact in a speech at Nainital he is supposed to have defended Vasant Sathe's statements. There are also the monopolists, the multinationals and their henchmen waiting on the wings and mounting their criticism on the public sector that it is inefficient, that the loss is due to the workers and their wages, that retrenchment of surplus labour is called for, and that wages of the existing labour be pegged. They are attempting to gain entry into the portals of public sector companies by purchasing their shares, by being Directors and Chairmen.

It is not enough to say that all these criticisms are unjust and that they are canards. It is necessary to examine the truth or otherwise of the statements, find out the real causes for the present state of affairs where, some loss making concerns do exist and where inefficiency persists. Let us take the bull by the horns and answer these criticisms.

That the situation in the Public Sector is not as bad as is sought to be depicted by the opponents of the public sector is crystal clear from the facts and figures given in the previous pages. After reviewing the various aspects of the performance of the public sector, the public enterprises survey for 1984-85 has the following to say. "It will be seen from the preceding discussions that the public enterprises as a whole have shown considerable improvement in their financial performance during the year under review. They have shown improvement

in almost all fronts. There has been a significant increase in investment, turnover, capital employed, gross profit and net profit. The gross profit as a percentage of capital employed increased from 11.94% in 1983-84 to 12.74% in 1984-85. Thus, in terms of percentage of gross profit to capital employed, the year 1984-85 ranks the second highest achieved so far, the first being 13.06% in 1982-83" (Public Enterprises Survey 1984-85 P. 303).

Profitability is considered as the most important indicator of efficiency in both the public and private sectors. A factor one cannot afford to forget is that in the state sector there is the public organisation of production which is not the same as the market oriented organisation in the private sector. This means the public sector has more far reaching goals than the private sector. This has been acknowledged by our leaders and planners even in the very early stages of development of the public sector. Some internationally renowned economists have also held that while the economic analysis has to take into account the profitability of a state sector undertaking, it cannot be considered as the sole indicator of the public sectors' success in fulfilling its social, political and economic tasks. This basic concept is intentionally forgotten by the rulers and many so called well meaning people.

Having in mind the above criteria in judging the performance of the public sector, the following can broadly be considered as reasons for the low profitability:-

(1) Private investments are mostly made in industries which provide returns at the earliest with as small an outlay as possible. On the other hand the very nature of the industries in the public sector such as steel which are mainly infrastructural projects require huge outlays and have long gestation periods. In fact the United Nations report of a seminar on Organisation and Administration of Public Enterprises held at Geneva in September-October 1966 says "The more complex, the more capital intensive and the more slow yielding an enterprise is, the greater the likelihood that it will be in the public rather than in the private sector".

(2) There are the passive elements (Buildings, Roads, installations, houses, etc.) as well as active elements (machinery and equipment) which go to build the public sector. In the basic industries such as steel, Heavy Engineering, Machinery Building, Power Generation, etc, the investments lead to an increase of the passive elements, resulting in slower growth rate of the public sector, when compared to the faster growth rate that could have been attained had only the investment

been made in the active elements which can easily transfer their value to the products made with their help. The small share of active elements in fixed capital has an adverse effect on the performance of the public sector.

(3) The quicker the public enterprises are constructed the earlier will it be possible to pay back the capital investments. This is a casualty in our country; and starting from the feasibility report to the sanctioning of the project it takes years. Highly complicated procedures in decision making, delay in placing orders for equipments and in obtaining them, technical errors in the designs of the enterprises, lack of coordination and delay in the construction of projects, all these lead to considerable increase in project costs over the original estimates. The excess of actual over planned expenditure was 78% in Durgapur, 80% in Rourkela, 83% in Bhilai and 64% in Ranchi. The Salal Hydro-Electric Project in Jammu and Kashmir, now in an advanced stage of construction with the first unit scheduled for commissioning in September this year has been afflicted by a cost over run of a staggering 929 per cent.

The originally estimated cost of Rs 55.15 crores for the project has now gone up to an incredible Rs 567 crores. According to the annual report (1985-86) of the programme implementation Ministry, which monitors the performance of all Ministries, the over-all cost run of 30 major power projects in the Central Sector costing over Rs 13,000 crores is anticipated to be 35 percent. The Kiel Karo Project in Bihar, Doyang Project in Nagaland, Ramagundam of Andhra Pradesh (N. T. P. C.), the Singrauli (U.P.), Korba (M.P.), Vindhyachal (M.P.), Farakka (West Bengal), and the Kopili Hydro Electric Project (Assam), all face very heavy cost escalation. Such unnecessary delay and increases in outlay naturally reflect on the performance.

(4) Under utilisation of capacities is one of the main factors for the low profitability in the public sector. This is the conclusion of the public sector enterprises survey 1984-85. This is mostly due to improper use of equipment, poor organisation of supply and sale and limited demand for the products manufactured. There is also a conscious attempt in some sections to keep the capacity at low levels so that the private sector can gain.

(5) Inventories control is one of the methods by which capital is not made stagnant, blocking of scarce funds is avoided, and costs are reduced. In this regard the public sector has still to go a long way in our country. The total value of inventories has increased from Rs 7,673 crores as on 31-3-1981 to Rs 12,630

crores as on 31-3-1985. Though the level has come down to 93 days in 1985, there is still much to be desired.

(6) The results of the commercial activity of a public enterprise also depends on the character of its finance. For example the interest on long term loans cuts into the profits of these companies. Thus, the net profit is calculated after deducting interest on the loans. The interest earned by the Government rose from Rs 124 crores in 1969-70 to Rs 2,518.35 crores in 1984-85, that is nearly 20.30 times. Besides one observes that while the pre-tax profit was Rs 2,119 crores the interest charges were as high as Rs 2,518.35 crores. Though the net profit was on the minus side from 1977-78 to 1980-81 the Government earned interest of Rs 755.13 crores, Rs 818.18 crores, Rs 1,004.03 crores and Rs 1,399.75 crores respectively. Thus it is amply clear that if the Government had advanced money as share capital instead of loans, profits would have greatly increased and the enterprises would not have been in the red. While the Debt Equity ratio is 1:1 in the public sector, in the private sector limited companies it is 0.5:1 as indicated by RBI's studies on Company Finances. This means that they prefer share capital to loans. It is from this point of view as well as also from that of comparing the public and private sectors, that the interest amount should be added back to profit for showing the real annual profit.

(7) Pricing Policy in the public sector has been most chaotic all along. There have been no principles or any accepted norms. The policy generally stated is that "the public sector should not run under losses" they should run on "no loss no profit basis". This has meant the public sector providing unexpensive inputs like power, transport, communications, etc., to the private sector at very low rates or provide raw materials like steel, fertilizers, coal, etc., at subsidised rates. This has meant that prices, tariff rates, etc., are fixed scientifically but only in a manner as to favour the private sector to the maximum extent. Till recently power was sold to Birlas HINDALCO by the U. P. Electricity Board at 1.9 paise/unit while its own cost of generation and transmission was far higher. Similarly electricity was being sold at a dirt cheap rate to INDALCO, Belgaum in Karnataka. This meant super profits for the Birlas and others and loss to the Electricity Boards. Steel was also being sold at a retention price fixed by the Government. This has been less than half the world price. If only the proper price for steel had been paid, HSL would not have been in the red. The same applies to Railway Freight charges, Heavy Machine Building Plant at Ranchi, bulk drugs etc., There appears to be no rela-

tion between the cost of production and prices. The private sector as is well known has chosen such areas where the capital turn over ratio is smaller. Besides they are also able to manouvre the prices as also sales. The public sector by its very nature is forced to opt out to commercially less viable areas of manufacture. That is why even the "Commerce" had to admit that "the phenomenal progress in India's private sector has become possible thanks to the structure created by the public sector".

Therefore it is, that the pricing policy in public sector assumes great importance. Profitability presumes a correct price policy. The Public Sector cannot make profits on the basis of blackmarketeering, black money operations, hoarding, etc., which are the choice preserves of the unholy private sector. Hence it is that the structure in the public sector, should reflect the "objective necessities of that sector in the process of its growth and development, and in stimulating national development". The Union Government recently presented a paper to the Parliament on administered prices and has called for a national debate on it. Whatever the debate may be the outcome of it should be that in fixing the actual price, the only correct basis can be the cost price of the product.

(8) While considering the performance of the public sector, the opponents or critiques of the public sector forget its social objectives and functions. A United Nations document says "National economic objectives, such as expansion of domestic production, import substitution, creation of employment, the satisfaction of regional demands, the generation of domestic exchange earnings, and in general, the promotion of development, may offer criteria more significant than those offered by commercial profitability" (Measures for improving the performance of Public Enterprises in Developing Countries, United Nations N. Y. 1969-P. 12). Such laudable social objectives never bother the private sector nor are they interested in the least in applying these objectives and functions. When some of these social outlays arising out of the objectives are beyond the means of a public enterprise it is bound to be reflected in its performance. Hence it is, that Governments' sanction subsidies to such enterprises.

Though profit is not the sole aim of the public sector, and it has to discharge its social functions as against the exploitative private sector, it is equally necessary for this sector which has grown in India to function in a viable manner and make profit. This requires several corrective measures on several

issues and not doing away with the public sector or diluting it as is sought to be done by the bourgeois government.

(9) The administration of the public sector in our country is in the hands of the Chairmen and Managing Directors or Managers of the Units, number of whom are retired IAS or ICS officers, retired or serving military personnel. Very few are persons with a technical background. Inheriting the philosophy of our erstwhile colonial administration most of these gentlemen who have neither ideology nor commitment to the public sector use it for enriching themselves and becoming the 'elite' in this bourgeois set up with all its vices. Number of these officers are consciously reactionary and pro-private sector. It is also the experience that quite a number of officers and executives in the public sector have been ex-employees in private sector concerns having collaboration with multinationals. The very approach of these officials is to function on the understanding of the philosophy of the private sector. They generally support collaboration with the multinational companies of U. S. A., West Germany and Japan and are not in favour of any dealings or agreements with the Soviet Union or socialist countries. They decry socialist aid and assistance as useless and irrelevant. This corrupt bureaucracy is kept there intentionally by the state run by the bourgeoisie so that it can use its influence, economic power etc., for its own purposes and not so much for national development. Those who are committed among them, those who are efficient and incorruptible are either shunted off to some other areas or downgraded. More than all the "Bureau of Public Enterprises" consisting mostly of the top bureaucracy of the Government of India, is given such powers that nothing moves in the public sector units without their sanction. In a capitalist oriented economy this has not only meant purposeful delay in implementing the projects, in seeing that they are not commissioned on schedule but also in not developing them or running them on efficient lines. One could have understood if more autonomy had been given to the public sector managements, with committed Managers who are technically qualified and who take the co-operation of the workers to run the enterprises on efficient lines. One cannot understand the unnecessary bureaucratic control of the BPE and the various Ministries of the Government. The earlier the BPE is done away with the better it is.

It is not only necessary to make changes in the administrative structure but essential to democratise the public sector to improve its performance and play its proper role. Demo-

cratisation of the management of public enterprises presupposes above all the elimination of wasteful expense of public property. It involves the establishment of control over the activity of executives, contractors, middlemen and other representatives of the national bourgeoisie. It also means effective participation of workers in the management at all levels. Though ruling circles come forth with dubious arguments such as workers participation in management is not possible "under present circumstances" due to workers lack of skill in management; the danger of split in management boards if members are selected on a class basis; damage to consumers interests if disputes are settled by raising wages, increase in prices; possibility of leak of information submitted to the board, etc., etc.,—the only answer to the present ills of management and the only way one can get out of the present rut is to implement a scheme of workers participation in management where the representatives of workers are elected from the shop floor level to the highest level (Board of Directors/management) and where workers have a say in all aspects of the running of the public sector enterprise namely, cost, price, credit, purchase, sales, planning, production, marketing and other financial matters.

It is not necessary to answer all the frivolous criticisms, against the public sector. However, let no mistake be made that the private sector which has launched its attack on the public sector, is any better. On the other hand the skeletons in the cup boards of the private sector are many and ghastly.

Take for example the issue of "sickness" of industries. About 98,000 industrial units or factories are sick today according to the Government. Almost all of them are in the private sector. And out of this 901 are considered to be "non-viable". Imagine the audacity of the private sector which loots the government by getting all types of concessions, loans, etc., from the Banks and other financial institutions, for establishing industries, makes them sick by sheer mismanagement, closes them rendering thousands unemployed and passes on the buck to the Government for rehabilitating them as though nothing has happened. And then becoming vociferous about the "mismanagement" in the public sector! It is highly regrettable that while the public sector which has taken over the sick textile units, nursed them back to health and provided continued employment to thousands of textile workers is sought to be continuously maligned by the private sector industrial entrepreneurs and monopolists who have mismanaged and committed fraud on society are allowed to go scot free without a scratch.

Is it also not a fact that the private sector refused to invest in the Heavy Industries and wanted the Government to invest in the public sector so that they could benefit by getting goods and services at a subsidised rate enabling the private sector to make more profits?

Is it not also a fact that the role and performance of the private sector in achieving the social objectives set forth by the Government has been dismal, compared to the public sector? While the laws of the land, be it the Minimum Wages Act, Factories Act, Gratuity Act, Bonus Act, are implemented scrupulously by the public sector so that the workers get a fair deal, the private sector has observed them more in the breach than in implementation. Employment potential has not increased in the private sector (on the other hand it is shrinking) and laws are violated with impunity. Such is the face of the private sector which is doing its worst to denigrate and dismantle the public sector. It is time the people of our country, the working class and progressive forces understand and appreciate this aspect so that we could build a powerful voice in favour of the public sector.

6. DANGEROUS ANTI-PUBLIC SECTOR POLICIES OF THE GOVERNMENT

Though Prime Minister Rajiv Gandhi stated recently that there will be no 'U' turn on the public sector policy, in effect, the economic policies of the Rajiv Gandhi government are resulting in a total reversal of the earlier policies. These policies mean more and more concessions to the private sector in general and the monopolists in particular. They mean increasing penetration of multinationals to the detriment of the interests of the country and the workers. They mean giving up the nation's accepted policy of self reliance and developing indigenous Research and Development (R&D). They mean downgrading and ultimately eroding the public sector by allowing large scale privatisation. They mean attack on the trade unions in the matter of wages and improving their standard of living. They further mean attack on elementary trade union as well as political and civil rights of the working class. Let us examine them in so far as they affect the public sector development.

The last Budget gave enormous concessions to the private sector. Rs. 1,000 crore concession to the private sector is no small concession. By one stroke the corporate tax was reduced from 55 to 50 percent, estate duty abolished, import liberalisation in a big manner spelt out, and more than all, the MRTP

limit was raised from Rs. 20 crores to Rs. 100 crores. All these concessions given to big business and financial tycoons help not the growth of the public sector but concentration of more and more wealth in the hands of a few. This policy has meant delicensing of 25 industries, decanalising 53 import items and putting on the O.G.L. (Open General Licence) 201 items. These policies of the Rajiv Gandhi Government are a continuation of the pro-big business policies of the Indira Gandhi government in a more vigorous manner. It is only the continuation of the earlier policies by virtue of which the Government surrendered to the dictates of the International Monetary Fund by accepting the several conditionalities. The conditionalities preferred growth of the private sector and multinationals as against the public sector.

The policy of import liberalisation has resulted already in disastrous consequences to the public sector. Instead of adopting indigenous technology for development of our industries, there is a mad rush for capital goods imports. In the first 6 months of the current financial year capital goods imports have more than doubled. The utter disregard for our country's development is exhibited by our importing, under the new dispensation, goods such as Steel, Structural, Chemicals, Industrial Fasteners and even egg powder! Such a policy directly affects the public sector since our capital goods industry is mainly in the public sector. Thanks to this policy, our capacity and ability to manufacture our own machines and equipment are being subverted.

To cite a few instances. The Heavy Engineering Plant at Ranchi built with Soviet help is capable of manufacturing all equipment necessary for a Steel Plant. Instead of giving orders to the HEC for its Rupees 4,000 crores modernisation plan, the Indian Iron and Steel Co., has entrusted it to a Japanese firm. Thanks to the Socialist Soviet Union which has placed orders with the HEC, the plant is continuing to live.

Bharat Heavy Electricals Limited, is another Soviet built public sector enterprise. It has been contributing its maximum by manufacturing electrical products for the power industry. Government, instead of helping it further to stand on its own legs, is desiring to replace this technology given by the Soviet Union by West German technology from Siemens. During the Janata regime the attempt to sell out to Siemens was defeated by the people. The Congress(I) Government is now carrying it out in instalments.

"BHEL is capable of adding 5,000 MW to our power generation every year. Yet the Government has chosen to ask Bri-

tain to manufacture two 500 MW sets for the Rihand Project and 30 more sets of various capacities to other countries including Canada and Australia. Orders have been placed, abroad already for at least 5,000 MW of equipment for power generation in the next two plans by which time we shall reach the 21st century of Prime Minister Rajiv Gandhi's promise through imported Swadeshi". The import bill for 1984-85 was about rupees 520 crores. 25 foreign companies account for rupees 272 crores in this. Again West Germany's account is rupees 122.75 crores. Such is the price the country is paying.

Another dimension of this policy of so called "self reliance" is that the "womb of India" has been opened up to Transnational Corporations. Collaboration with the multinationals has increased by leaps and bounds. And in 1985 the number of foreign collaborations stands at 1024. It was 580 in 1980-81. Out of them USA comes first with Japan following. It is likely that Japan will outstrip USA and put our country further into a deep crisis. The entry of transnationals in a big way in India among the third world countries, will, instead of helping the country to develop on its own, make it dependent and subservient. Facts show that the third world developing countries are being looted and exploited by the Transnationals. Fidel Castro, the revolutionary leader of socialist Cuba in his report to the Seventh Summit Conference of non-aligned countries has said "as can be noted..... for every new dollar invested in all the underdeveloped countries during the period 1970-1980, transnationals repatriated approximately 2.2 dollars to their home countries. In the specific case of US transnationals, on which more information is available, during 1970-1979 they invested 11,446 million dollars, and repatriated profits amounting to 48,663 million dollars, which means no less than 4.25 dollars return from the third world for every new dollar invested..... During the year 1980, the profits repatriated by US transnationals amounts to 7,325 million dollars. This makes a grand total of 56 billion dollars extracted from the underdeveloped countries from 1970 to 1980. On the other hand, the net flow of direct investments to the third world, considering the disinvestments, was almost 8 billion dollars". From the above it is clear that the transnationals take more than what they give to the underdeveloped countries. More, the public sector is denigrated and the private sector has the upper hand. Besides history is replete with instances where these transnationals using their economic dominance have succeeded in destabilising the country and establish such regimes as would allow them to plunder and loot. Chile is a case in point. That is why Fidel Castro has stated:

"There is no doubt that the growing activities of the transnationals in the territories of the underdeveloped countries constitute a real threat to the national sovereignty of those countries in as much as the penetration they are subjected to dangerously increases the degree of their dependence on the developed capitalist countries". India can allow these transnationals only at its peril.

Probably the most reactionary and reprehensible policy of the Rajiv Gandhi Government is to "privatise" the public sector. In the name of "raising resources", functioning the public sector "more efficiently and profitably", the public sector concerns are sought to be closed or sold off, if running under loss, are permitted to enter into joint ventures with the private sector, are thrown open to the monopolists by way of purchase of shares; are even allowed to get the private sector "to monitor" the public sector. Several dubious ways are being found out and implemented to finally subvert the nationally accepted policies of development of the public sector in the core sector as an important factor for the growth of self-reliant economy. The 1956 Industrial Policy is sought to be reversed totally by the implementation of the Rajiv Gandhi Government's economic policies.

The Public Sector concern Engineering Projects India Limited, which consists of hundreds of our brilliant engineers and technical personnel and which has to its credit 105 projects both in India and abroad and which has run into a loss due to the fraudulent transactions with contractors, by the top management, is sought to be closed. This was announced by Industries Minister N. D. Tiwari in February 1986. While the Akbar Hotel of ITDC has already been closed, the I.D.P.L. (Indian Drugs and Pharmaceuticals Ltd.) and the National Textile Corporation (N.T.C.) plants are also threatened with closure. This is ignoring the plea of the All India I.D.P.L. Employees Federation which has submitted a memorandum to the Prime Minister on February 21, 1986 pointing out the management's lapses which have resulted in the loss and also suggesting ways and means of putting it on right rails.

There are reports that the Government is planning to allow private sector shareholding in 10 leading public sector undertakings. These ten are National Thermal Power Corporation (N.T.P.C.), Bharat Heavy Electricals (BHEL), the Oil and Natural Gas Commission (O.N.G.C.), Hindustan Aeronautics Limited, National Fertiliser Corporation, Indian Petro-Chemical Corporation, Madras Refineries, Indian Oil Corporation and M.M.T.C. Mrs. Rohatgi the minister of state told the Rajya

Sabha on August 4, 1986, that the Government has offered to open the Mangalore Refinery in the Joint Sector and that 11 companies including Gulf based ones have evinced interest in becoming co-promoters. The Karnal refinery is also sought to be run in the Joint Sector. This is a total negation of the accepted perspective that public sector should control the "commanding heights of economy". The drilling operation in ONCC are now sought to be handed over to some monopolies.

The Steel Industry is in the core sector and in this sector the Private Sector should not be allowed according to the 1956 Industrial Policy resolution. This policy is now being given up. Steel Minister K. C. Pant has officially spoken on February 16, 1986, that the Government is opening up the steel industry to the private sector. The Government is planning to allow private sector to set up "large Mini Steel Plants". All this is explained off as steps aimed at overcoming the paucity of funds, for expansion of steel industry.

Jagdish Tytler, Minister of State for Civil Aviation recently announced in Bangalore that "Air Taxis" with a capacity of minimum of passengers (maximum can be anything) will be introduced all over the country. And obviously this service will be run by private companies. This is again giving a go bye to the policy of not permitting the private sector in the Air Transport Industry and helping the business tycoons of our country as well as outside. More over the Indian Airlines and Air India International which have earned a pride of place are being handed over to the Indian monopolists by giving them majority representation and the chairmanship on the Boards of Directors.

The story of the H.B.J. (Hazira—Bijapur—Jagadishpur) gas pipe line from Gujarat to U.P. is already well known. Though the Government constituted the Gas Authority of India to construct this prestigious project, it later floated a global tender in order to help some private multinational company. The Government has now awarded the Rs. 700 crore project to a French M.N.C. namely Spie Capag. Knowing full well the capability of the Soviet Union to lay the gas pipe line, knowing that the Soviet Union has constructed a gigantic gas pipe line from Siberia to Western Europe catering to the needs of France, West Germany, and other European countries besides the Socialist countries, knowing full well that the western countries were satisfied fully with the technology of the Soviet Union, and also knowing full well that a contract with a socialist country would not be as expensive as that of a private MNC, it was the incumbent duty of the Government of India to consult the Soviet Union before it handed over the project

to a multinational French firm. Not doing this only shows the biased outlook of the Government in encouraging the multinationals even in cases where it need not have been done. The Government has gone one worse. It has not only given the contract to the French MNC but has agreed to its condition that any company, be it private or public which desires to associate itself in this project has to enter into collaboration with the French firm. This is nothing but a shameful downgrading of our public sector to the detriment of the interests of our country.

Close on the heels of the H.B.J. Gas Pipe Project has come the Government's decision to force many Public Sector Undertakings to establish a joint venture consultancy firm with a non resident Indian firm based in America. In this joint venture the NRI firm of which one M. S. Pathak, former member of the Planning Commission of the Government of India and now with the Multinational Bechtel Corporation of USA, is the sole individual (the other individuals of this so called consultancy firm are yet unknown) and will hold 51 percent of the equity. The participating public sector enterprises including Engineers (India), Bharat Heavy Electricals, Oil and Natural Gas Commission, and Steel Authority of India will hold 49 percent. The question is not one of formation of a consultancy firm with the NRIs. The question is why should the public sector enterprises of our country hand over monitoring of management of some unknown NRI firms having connections with the multinational Corporations? When we have excellent engineers and technologists in our country and in these public sector undertakings where was the necessity to go to America? Does it not lead to unnecessary and heavy expenses by way of Retainers Fee, establishment charges etc.,? Does it not also mean that once this company is constituted, all other public sector projects will be channelled through it? More than all is it not a shameful sellout of our national honour and dignity to some foreign firm whose capacities and credibility are doubtful.

The public sector Maruti Car Company is permitted (or forced) to import machinery from abroad (Japan) when the same was being offered by a consortium of Engineering firms headed by the public sector HMT.

The Ordnance Factories of our country have been producing several components meant for defence equipment. Rightly, all along, the production of all such components was entrusted only to the ordnance factory. However, now private firms are being entrusted to manufacture such components. Will it not affect our concept of defence manufacture being in the public

sector? Even from the point of view of safety and security of our country how can such a measure be correct?

Sliding down the inclined plane, the Government has entrusted the functioning of guarding international Airports, Government offices, public sector enterprises to some private 'security' agencies. How can anybody be sure of the integrity of such private firms in the present context of terrorism, hijacking etc.? Similarly maintenance works in power stations, steel plants, railways and some public sector undertakings are being increasingly contracted out to private parties. In some public undertakings sweeping the factory which was all along being done by the permanent employees of the factory is given to private contractors. While the contractors loot the company they also exploit the workers by paying them less wages and by not implementing any law in favour of the workers.

It is now learnt that under the guise of quick service duplicate postal services between major cities are contemplated to be run by private carrier agencies. More, the services of the public sector Vayudoot Airlines is used for this purpose. Since such special services are beyond the reach of the common man it is only the big business houses that will be helped at the expense of the public sector.

The public sector has a vast research and development wing. There are eminent scientists and engineers in these as well as the various institutes of Technology and Science. Instead of mobilising fully all these scientists and technologists for developing indigenous technology, the Government of India is opening up the doors to foreign technology and downgrading our own R&D. This is evident from the agreement entered into with the Hemloc semi-conductors of USA for import of technology for producing polysilicon at the expense of Indian scientists who have successfully produced indigenous silicon technology. And that at a very high cost of Rs 92 crores. It is also evident from the opening of the strategic Telecom. communications sector to the US Transnational corporation including the notorious I.T.T.

The Government of India is totally unconcerned about the welfare of the workers due to closure of some sick units which were taken over earlier by the government but which could not run profitably mostly due to sheer mismanagement and malpractices of the bureaucratic management. Several Ministers and officers are openly saying that "public sector is not a hospital for sick industries", that they are "non—priority sectors" thus posing the threat of closure of several undertakings. The thinking of the Government and the officials is clear, namely they are not concerned with running the industries

nor concerned about protecting the workers from being thrown out of jobs.

The results of this policy are already showing up in a telling manner in many public sector industries. Bharat Electronics Limited is a premier electronic industry catering both to defence and civilian needs. It has both the equipments and components division. The development of both these divisions are essential for the viability of the industry. Since it is the only unit which has facilities for manufacturing components one expected that the Government of India would encourage BEL to rapidly develop its capabilities for producing, fabricating and processing of chips. The Silicon Foundry also could be developed. Unfortunately, this is not to be because the Government of India is permitting a large scale investment by the private sector to the tune of 5 billion rupees in this vital industry. With the liberalisation of imports, and relaxation in the OGL, Private Sector tied up with several multinational companies have emerged. The most talked about project that is coming today in Bangalore is Texas Instruments, which has already started work a chip design centre involving an investment of rupees 7 to 8 crores. This centre will be 100% export oriented and will be having its own satellite earth station to transmit design data to the company's main computer centres at Dallas (US) and Birmingham (UK). The direct impact of this new policy has meant closure of the semi-conductors and silicon division of the Bharat Electronics Limited in Bangalore, lack of work to the workers (mainly women), and obstacles in the growth of this premier public sector industry which has all the infrastructure. It has also meant the basic component sector going over to the private sector and multinationals. All understanding of self-reliance, development of the public sector, curb on multinationals is totally given up by the Rajiv Gandhi Government. All in the name of high technology and going over to the 21st century! The trade union movement has to study this and take it up in a big way.

The other side of the coin is the attack on job security, the attack on trade union and civic rights, the attack on the collective bargaining principles. The brazenly pro-private sector and pro-multinational policies of the government is bound to have its effect on the working class in the public sector and their conditions of living and working. The signs are already evident.

In several public sector units such as BEL and HAL there is insufficient work. What could be done inside the factory by the workers is now given to ancillary units. Several officers of the public sector have been running them 'benami'

namely in the name of someone else. Some Ministers have got sheds for their sons and relatives in the central and state sphere public undertakings. The very same workers working inside the factory are lured and sometimes forced to work for their bosses in the ancillaries. It is reported that even some jobs or some operations of certain components which cannot be done in the ancillary is got done in the main factory! The ancillaries pay less wages (some very low) to their workers and fatten themselves at the expense of the public sector. On the other side skilled workers inside the factory are starved of work due to this off-loading. This is the position in NGEF (Karnataka), BEL and HAL. While we are not opposed to development of small scale and ancillary industries, it should be noted that this should not be at the expense of the main factory workers; nor should it be misused by some spurious small scale industries who derive all the benefits to the detriment of other genuine small scale industries.

The Arjun Sen Gupta Committee's Report on the public sector is another instrument with which the workers of the public sector can be beaten and their bargaining capacities curtailed. This committee has of course recommended on several aspects of the functioning of the public sector, its organisational structure, autonomy, etc. Some of these suggestions could be considered so that the autonomy of the public sector managements is increased. However while taking care of the Chief Executives and functional Directors in respect of their tenure (to be increased from 3 to 5 years), their housing and remunerations, the committee has made retrograde recommendations regarding the workers. It says "it is therefore, suggested that the basic wage structure of the employees of public enterprises (covering basic pay, Dearness Allowance and certain standard allowances like HRA and CCA) should be determined on industry basis or on industry-cum region basis. This can be done either by a wage commission or through the mechanism of industry wise wage boards and settled for a period of five years". The healthiest and best method of settling all disputes regarding wages and other conditions of service has all along been through bipartite negotiations. There have been bipartite negotiations at both unit and national levels. This has also yielded fruits since both parties arrive at a settlement after understanding each other's position. However this recommendation virtually takes away the right to collective bargaining which has been won after struggle and sacrifice. The trade union movement in the public sector has to note this and gird up its loins against the

retrograde recommendations of the Arjun Sen Gupta Committee.

A conscious attempt is being made by the Government through the public sector managements to reduce the employment potential. Though the ban on recruitment has been partially lifted the fact is, that no recruitment goes on in these industries in the recent years. The posts which fall vacant due to retirement and natural separation are not filled up. Further, attempts are made to get rid of the existing employees, and particularly those who are on the verge of retirement, by giving them extra retirement benefits. The "golden handshake" as it is called is introduced through such schemes to push out the employees. While the trade unions are not opposed to increasing production and productivity they cannot accept these schemes in a submissive manner. It is time that the trade unions raise their powerful voice against these schemes which are opposed to the basic tenets of the public sector. It must be the endeavour of the trade unions not only to retain the existing employment potential but also see that it is increased by extension of the public sector. Extension of the public sector is necessary not only for increasing the employment potential. It is necessary even on the basis of going into the consumer sector, a paying sector. After all, why should only the Unilevers, Tatas and Birlas be allowed to garner all consumer industries and thrive? Why should the public sector get only the dust while the private sector gets the cake?

Computerisation is also coming in a big way in the public sector, particularly in the Banks. It has become a fad to get computers in all areas under the guise of improving efficiency of service. None says that there should be no computers at all. Or that we have to go back to the bullock cart age. But the question is in what areas, what type and how? How can the trade union movement accept computerisation if it throws out thousands of workers from their jobs? Bourgeois spokesmen say that more number of jobs are created by bringing in computers than are lost. However experience in USA and advanced capitalist countries tells a different story. Understanding all this and realising that it is a complicated problem one has to move cautiously. The Bank employees under the banner of the AIBEA have been waging a struggle in this regard. While a settlement has been entered into on areas where computers are essential, they are conducting a mighty campaign for alternative credit and Bank policy. Such an approach will help sustain and develop this public sector Banking industry

There is also a diabolical and deliberate attempt to take away hard-won civic and Trade Union rights of the workers of the public sector. Recently the managements of BEL, HAL, ITI and other Bangalore based public sector industries have got certified through the Regional Labour Commissioner of the Government of India an amendment to the Standing Orders, despite the stout opposition of the trade unions. By virtue of this amendment the workers in public sector industries cannot contest for elections on behalf of any political party, either Legislature or Corporation or Panchayat. Participation in processions of political parties entails disciplinary action. Such is the democracy that is flourishing in our country! The AITUC trade unions in Bangalore have already appealed against this certification and are conducting a campaign for withdrawal of this order. This is not sufficient—a powerful all India campaign has to be unleashed to defeat this undemocratic measure, since it is learnt that such a clause already exists in some public sector undertakings.

7. TASKS BEFORE THE TRADE UNIONS

As explained in the earlier paragraphs, despite the fact that the public sector has improved in its performance; despite the contribution of the workers, engineers, technical personnel and others for its development; in pursuance of the economic policies of the government a systematic attempt is being made to denigrate, and downgrade the public sector. Not caring for national honour or dignity, not interested in making the economy self-reliant, the private sector and multinationals are allowed to enter in a big way. At the same time crude efforts to decrease the employment potential, to curtail the right to collective bargaining and also to deny democratic and civic rights are being made.

The working class must become conscious and be vigilant about these aspects. They should come forward to conduct campaigns and struggles with a proper positive approach regarding the public sector.

We have already seen what the public sector is in the present set up. Let no mistake be made. Let there be no illusions. The public sector in a capitalist economy like ours is a state capitalist sector and not a socialist sector. It is governed and is acting within the framework of the laws of capitalism. At the same time it has a progressive role to play, the role of helping to develop a self-reliant economy, against neo-colonialism. Hence it is that the AITUC feels that we have to take a positive approach to the public sector despite our criticisms about

it. While the private sector criticises this sector in order to denigrate and take it over if possible, the trade unions of the AITUC criticise it from the point of view of correcting its weaknesses and deficiencies and extending it so that our country could march forward.

This means our attitude on matters of productivity and production should be more positive. In the service sector our approach should be, one of consciously improving the services so that the people's sympathy and support could be won. We should campaign for democratisation of the public sector, by involving the workers at all levels, while fighting the bureaucracy and its corruption. Where our cooperation is sought on issues of production and norms for the same, we should discuss them in depth with the workers and give consent to the norms on the basis of an agreed understanding. The trade unions should try to fulfill these obligations while pressurising the management to fulfill its commitment.

Of course the public sector workers have come out in glorious struggles to defend their rights and interests. The historic 88 days strike struggle of the one and half lakh employees of Bangalore based public sector industries in 1980-81, for wage parity with BHEL in which 3 were martyred due to police firings, still remains green in ones memory.

Number of militant struggles have been conducted since then. On April 9, 1986 more than 6 lakh Coal miners struck work against non-implementation of the agreement. The Bihar Electricity workers, the Iron Ore Mine workers of Barbil (Orissa), construction workers of the public sector NBCC and Bridge and Roof company have all conducted dharna, hunger strike and strikes during this period to realise their demands.

It is also a matter of pride that the policies of the Government of India are meeting with increased opposition by the working class, scientists, technologists including some Managers and other democratic sections of the people. In fact because of resistance by the scientists the Government of India has been forced to subunit the deal with the Hemlock Semi-conductor of USA to a CBI enquiry.

But what is necessary is to realise the great dangers facing the public sector. What is necessary is to realise that the Government of India's economic policies are downgrading the public sector. What is essential is to realise that the struggle to save the public sector, to defend, extend and democratise it, is part and parcel of the struggle to better the conditions of the workers and to have job security. What is also essential is to realise that such a struggle is a struggle against the depre-

dations of the multinational companies and monopolies, and for taking our country on the high road to self-reliance and charting out a new path in the interests of our people and our country. Let us address ourselves to these urgent tasks with enthusiasm, vigour and zeal. Let us build the broadest possible unity and a broad movement to achieve these objectives.

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