

Public Enterprise Policy

19. The Government has granted enhanced autonomy to nine selected PSEs referred to as "Navaratnas". These are IOC, IPCL, ONGC, BPCL, HPCL, NTPC, SAIL, VSNL and BHEL. Two more enterprises, GAIL and MTNL, have also been given the same status. These PSEs, subject to certain guidelines, now have freedom to incur capital expenditure, decide upon joint ventures, set up subsidiaries/offices abroad, enter into technological and strategic alliances, raise funds from capital markets (international and domestic) and enjoy substantial operational and managerial autonomy. The Boards of these PSEs have been broad-based with induction of non-official part-time professional directors. All the measures have been taken with the objective of making the PSEs competitive. Greater operational, financial and managerial autonomy has also been granted to 97 other profit-making enterprises referred to as "Mini-Ratnas", for

making them more efficient and competitive.

20. In order to award more functional autonomy to PSEs and distance the role of Government from issues of micro-management, 696 guidelines, issued for PSEs over the last three decades have been withdrawn. A High Powered Committee has been set up for examining compensation packages for public sector executives. The Committee is expected to submit its report by June 30, 1998.

21. 50 PSUs were referred to the Disinvestment Commission for its advice and recommendations. The Commission has submitted seven reports till March, 1998, covering 41 enterprises. Disinvestment has been recommended at varying levels for 12 PSUs, strategic sales of various proportions for 21 enterprises and "no disinvestment at present" for 8 enterprises. The recommendations are presently under various stages of implementation by the concerned departments (Box 7.2).

BOX 7.2

Major Recommendations of the Disinvestment Commission

- The Disinvestment Commission was set up in August, 1996, for suggesting the modalities for undertaking disinvestment of equities for select PSUs.
- Fifty PSUs were referred to the Commission for advice and recommendations.
- Till March, 1998, the Commission has submitted 7 reports covering forty-one PSUs.
- The Commission has recommended disinvestment at varying levels for 12 PSUs, namely, MFIL, GAIL, MTNL, CONCOR, PHL, ET&T, HVOC, HCIL, RICL, R-Ashok and U-Ashok and NALCO.
- Strategic sales in various proportions have been recommended for 21 enterprises, namely, BALCO, ITI, HTL, KIOCL, ITDC, BRPL, MFL, HCL, SCI, EIL, EPIL, HPL., IBP, NEPA, HZL, PPCL, FACT, HLL, IPCL, NFL and SAIL.
- For 8 enterprises, namely, ONGC, MOIL, OIL, RITES, PGCL NTPC, NLC and NHPC, the Commission has advocated no disinvestment for the present.
- Greater operational autonomy and induction of non-official directors at managerial levels for selected PSUs in line with the recommendations of the Commission.
- The dismantling of the Administered Price Mechanism (APM) for petroleum products is being done in a phased manner. This was recommended by the Commission as a necessary pre-condition to disinvestment for companies dealing with petroleum products.
- The Commission has also given its views on important issues like creation of Disinvestment Fund, revamped VRS, Employee Pension-cum-Insurance Scheme, counselling service for employees availing of VRS and safeguards to officers and staff for bonafide commercial decisions.
- The recommendations of the Commission are currently under various stages of implementation in the Departments concerned.