PRIVATISATION OF PUBLIC SECTOR UNDERTAKINGS: OPPORTUNITIES AND CHALLENGES

TABLE OF CONTENTS:

“Government has no business to be in business”

-Prime Minister Narendra Modi address on February 24, 2021

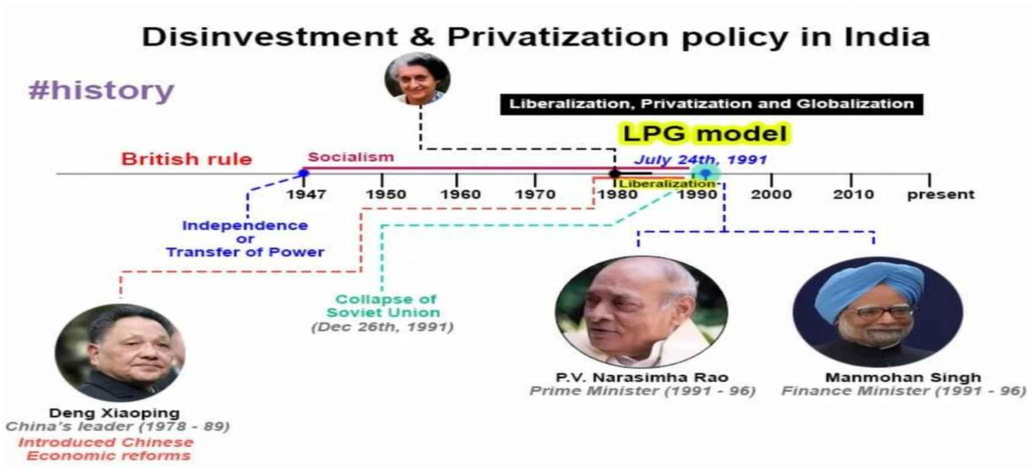
INTRODUCTION:

If we look today, then we see shiny bright markets, various cars running on the road, big big malls and enumerous brands!! There was a time, when we saw just Fiat and Ambassador on roads and now, Audi, BMW, Jaguar, Mercedes!!

Before there was just one telephone in house and now we have every hand with phone!! Can you see the change? A Revolution? Yes…. This is not a Spain flu, this is not 1920 great depression, not even the Ukraine War, this is an economic transformation!! Now the economy has been a complete transformation from an introvert socialist to an extrovert parachute, which is ready to accept the change. Now, Government is acting in service sector, they rely on taxes and use that money to run services like education, health care, infrastructure, etc.

Privatisation: The privatization of any organisation mainly refers to transferring the power of authority from Government to the Private hands.

HISTORY:



Earlier, India worked on socialist economy, because there was a fear that Capitalism works on profit and social welfare will be disrupted and will not work towards the welfare of the people. Government on the other side, follows democracy, that is by nature they are for the public and this is how government became the owner of the public sector undertakings like Steel Authority of India Ltd, Gas Authority of India Ltd, Hindustan Petroleum Corp., ONGC, Container Corporation of India, Air India, etc and these became the crown jewels of India’s socialist legacy.

THE TIMES OF INDIA

14 TOP BANKS ARE NATIONALISED

Ordinance follows unanimous Cabinet decision

Kamaraj, Chavan happy

‘Syndicate’ in disarray as Morarji goes

Nationalised banks

Assam flood worsens: heavy havoc

Public sector undertakings are running in India for approximately 70 years and the top 14 banks were nationalized by Prime Minister Indira Gandhi in 1969. And she again, exactly when she became the Prime Minister of India for the 3rd time, i.e. around 1980, the Liberalisation started with the introduction of the Sixth five-year plan and ended her father’s Nehruvian Socialism.

1991- from the collapse of Soviet bloc, Gulf War, twin deficit, all such dire situations lead to airlifting of the National Gold Reserves of India. Exactly at that time, the Chinese leader Deng Xiaoping introduced the Chinese Economic reforms. Then, on July 24,1991, the budget speech of all things changed the course of Indian history. India’s Finance Minister, Manmohan Singh announced that India has faced no soft options and is ready to embrace the markets through its economic policy reforms- Liberalisation, Privatisation and Globalization.

The policy as enumerated in the interim budget 1991-92 of Chandrashekar Government (November 1990 – June 1991) was to divest up to 20 per cent of the government equity in selected PSEs in favour of public sector institutional investors. Privatisation arrived in India’s political economy along with the 1991 bailout conditionalities, and has since yo-yoed in and out of favour.

Privatisation, the 13-letter politically combustible phrase, the Jimmy Amarnath of India’s unfinished reforms agenda, has made yet another comeback into popular discourse. Typically, through history, the phrase and the idea of privatisation waxed and waned with political expediency. Derived from the German word ‘privatiserung’, used in 19th Century Austria, the construct acquired currency during the Thatcher era.

It is not the first time Modi has uttered the Thatcherism. In a 2012 interview, the then Gujarat Chief Minister, speaking on the role of government, had said exactly that and wooed middle-class imagination. Indeed, a few months after taking over, Modi reiterated the mantra to CEOs at the USIBC meet in Washington.

Rangarajan Committee on Disinvestment:

The Rangarajan Committee on the 'Disin-vestment of shares in PSEs' (April 1993) emphasized the need for substantial disinvestments. The major recommendations of the committee were: It stated that the percentage of equity to be divested could be up to 49% for industries explicitly reserved for the public sector.

It recommended that in exceptional cases, such as the enterprises, which had a dominant market share or where separate identity has to be maintained for strategic reasons, the target public ownership level could be kept at 26%, that is, disinvestments could take place to the extent of 74%.

In all other cases, it recommended 100% divestment of government stake. Holding 51% or more equity by the government was recom•mended only for six Schedule industries, namely:

(i) Coal & Ignite,

(ii) Mineral oils,

(iii) Arms, ammunition and defence equipment,

(iv) Atomic energy,

(v) Radioactive minerals and

(vi) Railway transport.

Since then, GoI continuously used it as an opportunity to press its foot on the privatisation accelerator.

WHY NOW?

So as the Americans would say 'what gives', what accounts for the shift in language and strategy, the re-convening of the idea? The answer to why now is illustrated by the politics of economics. Economic policy under Modi is not anchored in any particular ideology but is rather entrepreneurial — it rests on the linear coefficient of possibilities and political dividends.

After the setback in Bihar and Delhi polls, following the jibe of suit-boot ki sarkar, Modi expanded welfare economics and wrapped it in Hindutva politics. In 2021, the BJP is better placed in the Rajya Sabha and the opposition is emasculated. The conversion of the 2014 popular mandate into popular authorisation allows political entrepreneurship.

The shift is driven by economic realities. Why privatisation matters now is embedded in the detailing of Budget 2021 documents. The gap between the government's income and expenditure shot up from Rs 7.96 lakh crore to Rs 18.48 lakh crore and is expected to be capped at Rs 15.06

lakh crore. To bridge the deficit, the government will borrow Rs 12 lakh crore this year — that is, around Rs 3,287 crore a day or `136 crore an hour every day.

Although the economy is ostensibly on a path of recovery — assuming there are no socio-economic disasters ahead — the level of borrowings and deficit will hurt cost competitiveness and economic growth. To pave a path towards a low-cost high-growth economy, the government must cut its borrowings and shrink debt and deficit levels. And the moolah mantra is obviously privatisation. It affords the monetisation of assets, caps erosion of public wealth, frees resources for human and physical infrastructure and promises the upside of enhanced growth as enterprise productivity improves.

WHY IS PRIVATISATION IMPORTANT?

For any economy, privatisation is important because it creates jobs and builds a healthy competition in the market. Privatisation works for maximising profit by improving the standards of customer services and goods.

The main aim of privatisation is as follows:

1. Providing a strong momentum to the inflow of FDI

2. Improving the efficiency of public sector undertakings (PSUs)

HOW PRIVATISATION CAN BE DONE?

1. Transfer of ownership

2. Disinvestment

However, there are six methods of privatisation.

- Public sale of shares
- Public auction
- Public tender
- Direct negotiations
- Transfer of control of enterprises that were controlled by the state or by municipalities
- Lease with a right to purchase

The term Privatisation refers to a wide range of activities. Those include:

(a) CONTRACTING. The state contracts with a private organization, for-profit or non-profit, to provide a service or part of a service.

(b) FRANCHISE. A private fin-n is given the exclusive right to provide a service within a certain geographical area.

(c) VOUCHERS. Government pays for the service. However, individuals are given redeemable certificates to purchase the service on the open market. These subsidize the consumer of the service, but services are provided by the private sector.

(d) SUBSIDY. The producer of the service is subsidized by the government contributing financially or in-kind to a private organization to reduce the cost of private provision to consumers.

(e) SERVICE OR "LOAD" SHEDDING. Government stops providing a service and lets the private sector assume the function.

(f) ASSET SALE OR LEASE. Government sells assets such as airports, gas utilities, or real estate to private firms, thus turning physical capital into financial capital.

(g) VOLUNTEERS. Volunteers are used to provide all or part of a government service.

(h) SELF-HELP. Community groups and neighbourhood organizations take over a service or government asset such as a local park. The new providers of the service are also directly benefiting from the service.

(i) PRIVATE INFRASTRUCTURE DEVELOPMENT AND OPERATION. The private sector builds, finances and operates public infrastructure such as roads and airports, recovering costs through user charges.

(j) DEREGULATION. State regulations are eliminated from a government monopolized service to allow private providers of the service to compete.

WHAT ARE THE CHARACTERISTICS OF PRIVATIZATION?

The characteristics of privatisation are as follows:

1. It limits government participation in economic activities and safeguards the private sector.
2. It establishes economic democracy and allows private sectors to operate in economic activities freely.

CATEGORIES OF PRIVATISATION:

1. CPSEs: CPSEs (Central Public Sector Enterprises) are the enterprises which share 51% or more stocks with Central Government or other CPSEs.

2. PSBs: PSBs (Public Sector Banks) are the Banks which works under the control of the Central Government or other PSB and share 51% or more stocks with them.

3. SLPEs: SLPEs (State Level Public Enterprises) are the enterprises working under the control of State Government or other SLPEs and share 51% or more stocks with them.

Status of PSUs

As we have discussed earlier that there are almost 300 PSUs at the time working in India. The work performance and efficiency of every PSU is different from the others. So the government has provided four statuses of the PSUs falling under which they are provided different advantages and they have to achieve the given parameters to be eligible for them. The four statuses are being provided below respective to their ranks:

(i) Maharatna

It is the highest status of PSUs. To gain the status of Maharatna, a PSU must fulfil the following criteria and gets benefits as follows:

- The status of Maharatna is a promotion of a PSU from Navaratna.
- The PSU must have the average turnover of ₹ 20,000 crore per annum for the last three years.
- The company must have the average annual worth of ₹ 10,000 crore for the last three years.
- The enterprise must also have the average annual profit of ₹ 2500 crore during the last three years.
- The Maharatna PSUs are provided the power to expand their operations and increase their investments up to ₹ 5000 crore.
- They can decide their investment up to 15% of their net worth in a project.

Some Maharatna PSUs are:

National Thermal Power Corporation (NTPC)

Bharat Heavy Electricals Limited (BHEL)

Gas Authority of India Limited (GAIL)

Indian Oil Corporation Limited (IOCL)

Bharat Petroleum Corporation Limited (BPCL)

(ii) Navaratna

Navaratna is the second highest status given to any PSU in this criterion. An enterprise needs to secure at least 60 out of 100 marks to be eligible for this status. The marks are given according to six parameters which are discussed below with the benefit of Navaratna status in the last:

- Net worth or net profit is given maximum 25 marks
- Inter-Sectoral comparison based on Net profit to net worth is given 20 marks
- Manpower, Production and Services are given maximum 15 marks
- Turnover is given maximum 15 marks
- Gross Margin on Capital employed is given maximum 15 marks
- Earnings from each shares are given 10 marks
- Navaratna can increase their investments up to ₹ 1000 crore.

Some Navratna PSUs are:

Power Grid Corporation of India Limited (PGCIL)

Oil India Limited (OIL)

Bharat Electronics Limited (BEL)

Hindustan Petroleum Corporation Limited (HPCL)

National Aluminium Company (NALCO)

(iii) Miniratna 1

Miniratna category 1 is the 3rd highest status given to any PSU. The PSU getting profits continually for last 3 years and having a positive net worth during the same period is considered to be eligible for Miniratna status of category 1 and 2. The condition for Miniratna 1 is as follows:

- In the last 3 years, the PSU must have gained profit continuously.

  Or

- Must have gained the profit of at least ₹ 30 crore in one of the last 3 years.
- Miniratna 1 has the power to invest up to ₹ 500 crore.

Some Miniratna 1 PSUs are:

Airports Authority of India (AAI)

Bharat Sanchar Nigam Limited (BSNL)

South Eastern Coalfields Limited (SECL)

Indian Railway Catering and Tourism Corporation (IRCTC)

India Tourism Development Corporation (ITDC)

(iv) Miniratna 2

Miniratna 2 is lowest status of a PSU under these categories. This status puts the condition as follows:

- The PSU must have made profit continuously for the last three years.
- The company should also have a positive net worth during the given period.
- The PSU under this status can invest up to ₹ 300 crore in a project.

Some Miniratna 2 PSU's are:

Rajasthan Electronics & Instruments Limited

Central Mine Planning and Design Institute

National Film Development Corporation of India (NFDC)

Bharat Pumps & Compressors (BPC)

Ministry of new and renewable energy (MNRE) and Solar Energy corporation of India Ltd (SECI)

WHAT ARE THE BENEFITS OF PRIVATISATION?

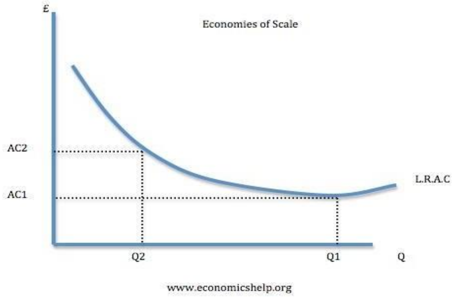
The pros of privatisation are as follows:

1. Improved performance of the employees and customer experience
2. Politics does not interfere
3. Short-term outlook
4. Encouragement for shareholders to invest because of returns
5. Increased competition
6. The government will increase the revenue from the sale and will help in generating financial resources.
7. Optimum utilization of resources and will understand value of time and money.

DISADVANTAGES OF PRIVATISATION:

Although privatization will bring many positive changes in the economy yes it has some dark side too. None of them can be ignored.

1. Natural monopoly



A natural monopoly occurs when the most efficient number of firms in an industry is one.

2. Public interest

There are many industries which perform an important public service, e.g., health care, education and public transport. In these industries, the profit motive shouldn't be the primary objective of firms and the industry. The best example to this can be, American School system. The privatisation should have led to competition among schools in a way providing best education with minimal cost. But privatisation in such sector turned its tables as the profit motive led to disaster as the education became unaffordable to poor.


The New York Times

EDUCATION

College May Become Unaffordable for Most in U.S.

By TAMAR LEWIN DEC. 3, 2008

The rising cost of college — even before the recession — threatens to put higher education out of reach for most Americans, according to the biennial report from the National Center for Public Policy and Higher Education.

Over all, the report found, published college tuition and fees increased 439 percent from 1982 to 2007 while median family income rose 147 percent.


The Atlantic

Americans Have Given Up on Public Schools. That's a Mistake.

3. Government loses out on potential dividends.

Many of the privatised companies in the UK are quite profitable. This means the government misses out on their dividends, instead going to wealthy shareholders.

4. Problem of regulating private monopolies.

Privatisation creates private monopolies, such as the water companies and rail companies. These need regulating to prevent abuse of monopoly power. Therefore, there is still need for government regulation, similar to under state ownership.

5. Fragmentation of industries

In the UK, rail privatisation led to breaking up the rail network into infrastructure and train operating companies. This led to areas where it was unclear who had responsibility. For example, the Hatfield rail crash was blamed on no one taking responsibility for safety. Different rail companies have increased the complexity of rail tickets.

6. Short-termism of firms

   As well as the government being motivated by short term pressures, this is something private firms may do as well. To please shareholders, they may seek to increase short term profits and avoid investing in long term projects. For example, the UK is suffering from a lack of investment in new energy sources; the privatised companies are trying to make use of existing plants rather than invest in new ones.

7. Red-Tapism is the root of the PSUs and that is why it takes long time for any operation to be accomplished.

8. Treating with same pace: The PSUs generally don't acclaim employees according to their performances and the best performer is treated in the same way as a worst or average performer. Thus, the employees of PSUs are often found irresponsible and they lack of accountability. They also found blaming one another for their faults.

9. Loosing of power- PSUs are often managed by the related ministry and Board of directors lose their power which causes failure to the achievements.

10. Wastage of resources- PSU's are insensitive to employees and accept the employees for employment in large number. This leads to wastage of money paid as salary.

RECENT IMPLEMENTATIONS:

Among the selected CPSEs, strategic disinvestment of Government's shareholding of 53.29 per cent in Bharat Petroleum Corporation Ltd (BPCL) was approved, moved synchronously till September. This led to increase in the value of shareholders.

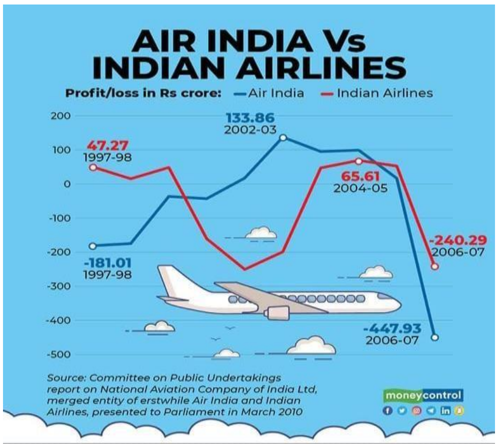
Indeed, for the 34 entities identified by the Niti Aayog, the phrase used was strategic disinvestment. The number of operating CPSEs has gone up from 236 in 2014 to 249 in 2019 — and since 2016 the only big tag disinvestment of a public sector unit has been that of HPCL to the government-owned ONGC.

Now, whether we should do Privatisation or not, mostly depends on the political ideology. Due to this political ideology, if anything gets classified into left-wing and right wing, there cannot be any simple answer. So, we shall have a look of Privatisation from a neutral point of view.

Analysis of the Privatisation of Air India:

Jehangir Ratanji Dadabhoy (JRD) Tata founded the airline in 1932 and named it Tata Airlines. In 1946, the aviation division of Tata Sons was listed as Air India, and in 1948, Air India International was launched with flights to Europe.

The international service was among the first public-private partnerships in India, with the government holding 49 per cent, the Tatas keeping 25 per cent and the public owning the rest.



In 1953, Air India was nationalised and for the next over four decades it remained the prized possession for India, controlling the majority of the domestic airspace.

With the opening up of the aviation sector to private players in 1994-95 and private entities offering cheaper tickets, Air India gradually started losing market share.

As part of its broader privatisation and disinvestment push, in 2000-01 the NDA government under Atal Bihari Vajpayee tried to sell a minority stake or 40 per cent stake in Air India.

Singapore Airlines along with the Tata group showed interest in buying the stake, but eventually, Singapore Airlines pulled out mainly due to opposition to privatisation by trade unions. Hence, derailing the disinvestment plan.

The subsequent 10 years of Congress-led UPA governments from 2004-14 did not pursue any privatisation agenda, including that of Air India.

A Turnaround Plan (TAP), as well as a Financial Restructuring Plan (FRP), were approved for Air India by the previous UPA regime in 2012. Air India started suffering losses every year since its merger with Indian Airlines in 2007-08.

Cut to 2017: The Narendra Modi-led NDA government had been putting its weight behind the privatisation of CPSEs since it came to power in 2014.

Here is a chronology of Air India privatisation plan:

June 2017: The Cabinet Committee on Economic Affairs (CCEA) gave in-principle approval to the consideration for strategic disinvestment of Air India and its five subsidiaries. A Panel of Ministers or Air India Specific Alternate Mechanism (AISAM) was constituted for this purpose.

March 2018: Government invites EoI from investors for buying 76 per cent stake in Air India, remaining 26 per cent to be with the government. The deal would also include 100 per cent in Air India Express and 50 per cent in ground handling arm AISATS. The last date to bid was May 14. The buyer was required to take Rs 33,392 crore or close to 70 per cent of the beleaguered carrier's debt on its books.

May 2018: No bids received for Air India.

June 2018: Government decides to go slow on Air India sale till oil prices soften.

January 2020: Government floats EoI for Air India privatisation. Government to fully exit Air India by selling 100 per cent. The deal would also include 100 per cent in Air India Express and 50 per cent in ground handling arm AISATS. The last date to bid was extended 5 times until December 14. As per the EoI, of the airline's total debt of Rs 60,074 crore as of March 31, 2019, the buyer would be required to absorb Rs 23,286.5 crore.

September 2021: Income Tax department allows new owners of Air India to carry forward losses and set them off against future profits.

October 8, 2021: Government announces Tata group makes a winning bid of Rs 18,000 crore for Air India. Government inks share purchase agreement with Tata Group for the handover of Air India.

Why Privatising India's Rail Network is a bad Idea?

As per an economic survey, if you invest Rs 1 in the railways, it generates Rs 5 in the economy. The Chinese government invests 11 times more in its infrastructure than India, and today, three Chinese public sector companies are among the top five in the Fortune 500 rankings.

As per the report by the Comptroller and Auditor General of India, or CAG, the operating ratio of the railways was 101 percent for the fiscal year 2019-20. This means that if its income was 100 and expenditure was 101, the government reported the operating ratio to be 98.36 percent. Furthermore, the railways have to set aside money for its pension fund from its own revenues. The required appropriation to the pension fund in 2019-20 is Rs 48,350, and if we add this figure then the operating ratio will worsen to 114.19 percent. Similarly, in 2020-21, the required appropriation to the pension fund is Rs 51,000 crore in revised estimates, adding which would take the operating ratio to 131.49 percent.

To cope up with the increased demands of an industrial economy, we need dedicated freight corridors and express lines, but the railway can’t mobilise resources on its own. And the private sector is not

forthcoming when it comes to investing in infrastructure. So, the only support that remains is capital expenditure from the government.

In 2017, the rail budget was merged with the union budget with the idea that the railways would meet its revenue expenditure from its revenue earnings and the ministry of finance would provide the Gross Budgetary Support, or GBS, as usual for the Capex.

The standing committee on railways for 2019-20 noted that the annual plan for 2020-21 of the ministry of railways was pegged at Rs 1,61,042 crore, comprising GBS of Rs 70,250 crore, internal resources of Rs 7,500 crore, and Extra Budgetary Resources, or EBR, of Rs 83,292 crore. But, in the revised budget, the GBS was reduced by Rs 41,000 crore to just Rs 29,250 crore.

In the budget speech in 2021, the finance minister laid down ambitious plans for the railways. There was a proposal of a National Rail Plan, or NRP, for India. It is a 30-year plan from 2021 to 2051, which envisages investments of Rs 38.5 lakh crore. The plan is to create a “future ready” railway system by 2031.

The Narendra Modi government has never been serious about funding public institutions. Since coming to power in 2014, they have been opening up channels to put up the public sector for sale. Amending the Foreign Direct Investment, or FDI, policy in August 2014, the government included the construction, operation and maintenance of 10 areas of railways, including electrification, signalling system, and freight terminals, and brought them under 100 percent FDI through automatic route which means the buyer or investor doesn’t require prior approval from the Reserve Bank of India or the government.

According to the NRP, all freight trains will be privatised by 2031, along with 30 percent of the 750 railway stations. All profit-making AC coaches will also be privatised. Only loss-making second class passenger trains will be left with the railways. Interestingly, the private player just has to invest in running the trains. The driver and guards will be from the railways as will be the tracks. The railways will also maintain the stations, while the bookings will be done by the Indian Railway Catering and Tourism Corporation, or IRCTC, a subsidiary of the Indian Railways.

This means the Indian Railways will run only loss-making passenger trains while all profit-making trains will be operated by the private sector. As the profit is only from AC trains, won't the railway losses increase by this?

What will the railway earn from privatisation in the first place? It will collect only haulage charges, including fees for using station premises, railway engines, tracks, signals, and overhead electricity as well as driver salaries. The private parties will be free to quote any prices and could resort to dynamic pricing, as happens in the air travel business. If you ask at least what percentage of profit comes back to the public with all the private investment, the answer is that there is no data.

It is important to highlight the case of Reliance Infrastructure, which abandoned the Delhi Airport Link Metro in July 2012 after just over a year of operation because it didn't earn the expected profit. The Delhi Metro Rail Corporation, or DMRC, had an agreement with Reliance for the development and maintenance of the airport line on a 50-50 investment sharing basis. The total cost of the project was Rs 5,800 crore, and the DMRC contributed Rs 2,915 crore. The rest was to be borne by Reliance but, through major cost cuttings, they withheld the complete investment. After completion, the metro project was found to have a weak structure with leakages and defects. On top of that, Reliance fixed Rs 150 as fare, expecting that 44,000 passengers would use their services a day. But that didn't happen and there was no profit. Reliance closed the operations midway and the DMRC had to take over. After repairs they reopened the line with a fare of Rs 50, and the passengers returned.

It has been proven time and again that the private sector doesn't come forward to invest in infrastructure because it has a long gestation period, and they must wait for profit to arrive. The Indian Railways is driven by a social obligation to provide basic transport facilities to people, and lays the foundation for several small and medium scale economic activities. So privatising the railways means privatising profit and burdening the public sector with losses.

This is the first part of a two-part series on the government's privatisation plan for the Indian Railways.

WHERE CAN PRIVATISATION NOT BE DONE?

1. Those industries which can easily lead to monopoly should not be privatised. The best example can be BPCL (Bharat Petroleum Corporation). This is such type of industry wherein it is impossible for a normal people to enter such business and compete. Also, Oil, gas and petroleum are natural resources which are the property of country and to sell to private company shall be equal to selling a part of country. Apart from that, BPCL is a profit making company and not a loss making, so selling it means in long-term loss to country and a monopoly can be created. So, it should not be privatised.


mint

BPCL Q4 net profit at ₹11,940 cr, co announces final dividend of ₹58/sh

(Photo: Mint)

2 min read . Updated: 26 May 2021, 08:24 PM IST

Edited By Aparna Banerjea

BPCL's revenue from operations rose 21.5% on a year-on-year basis to ₹98,755.6 crore for the March quarter


FINANCIAL TIMES

SIGN IN

US healthcare reform

US healthcare is literally killing people

It is an exaggeration, but not a gross one, to blame the system entirely for mortality rates

Reforming American healthcare will require an almighty effort © Getty

July 12, 2019 9:00 am by Tim Harford

It is astonishing how far the debate on healthcare has moved in the US, at least for the Democrats.

2. When there is profit motive, the indutry can be destoryed if privatised. Health can system which is for the treatment of patients if run by a profit motive or defense sector in which weapon manufacturing company if run for profit motive, then privatisation will ruin the whole industry.

3. The sector where rules and regulations are difficult to implement, such sector should not be privatised.


FINANCIAL TIMES

SIGN IN

UK infrastructure

Rail privatisation: the UK looks for secrets of Japan's success

Unlike in Britain, fares and subsidies have been tightly controlled under private ownership

The bulk of Japan's ultra-reliable railway network operates without a single yen of public subsidy © Bloomberg

January 28, 2019 5:00 am by Robin Harding in Tokyo

Birmingham, Takeshi Omori realised, is not so very far from Tokyo. In 2017 his employer JR

The greatest example to this is Railways of UK. The privatisation of Railways in UK where infrastructure development was alloted to one company, maintenance and other services to other company, led to hindrance where for each improvement and change, every company's approval was required.

On the other hand, the privatisation of railways in Japan became a successful example.whereby it divided the railways in 6 regions and sold them to one private company, managing that particular regions and took measures not to increase the fare prices.

4. The place where corruption is there, then privatisation in such cases would have no impact on such particluar industry.

HOW DID CHINA MIGRATED FROM ABJECT POVERTY TO PROSPERITY WITH PRIVATISATION?

It is instructive to know how China migrated from abject poverty to prosperity. It sequenced its reforms for growth — it first modernised its agriculture, opened FDI into real sector and captured global trade. When India attained Independence, it liberated political rights but shackled economic liberties. Post 1991, it opened up the financial sector but constrained FDI in manufacturing. It joined GATT and then WTO without acquiring the bandwidth to meet competition. And till recently, it kept farming, its largest private sector, under fetters. The consequences are manifest in the data on income and inequality.

THE CONCLUDING LINES: EVALUATION OF PRIVATISATION

Some suggestions should always be welcomed in case of making the implementation at its best. And a continuous supervision should be done in order to make privatisation a successful step. However, whether privatisation should be done or not is particularly a diplomatic answer. Some of the suggestions are represented herewith below:

An industry like telecoms is a typical industry where the incentive of profit can help increase efficiency. However, if you apply it to industries like health care or public transport the profit motive should be less important.

It depends on the quality of regulation. Do regulators make the privatised firms meet certain standards of service and keep prices low? There should be a continuous alarm to such practices.

Is the market contestable and competitive? Creating a private monopoly may harm consumer interests, but if the market is highly competitive, there is greater scope for efficiency savings. So, in a way when there are high chances of monopolistic forming, then privatisation is not the correct rejoinder.

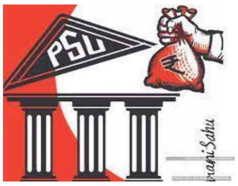
Can you create incentives in a nationalised firm? For example, performance related pay could replace the profit incentive.

We are actually functioning as little-little gated republic and not as a Government Umbrella shield. In simple terms, it is like every state is working for its own benefit and not as a centralized nation as a whole. So, looking at the geographical boundaries of state, privatisation should be bifurcated as per the state sections or any other convenient area-wise methodology and not as service wise diversion. Example to this as already mentioned- Japan’s Rail Network services.

Further, Privatisation should not be done by breaking down the subsidiaries and divesting the national carrier to different parties. This was a good call when the government refused Celebi for acquiring Air India’s ground handling unit, Air India Air Transport Services Limited (AIATSL). At present AIATSL is the largest ground handling service provider at airports across the country.

Lastly, People often don't understand the engine that drives corruption. Particularly in India, they assume government equals corruption, private companies equal efficiency. But government officials are not genetically programmed to be corrupt. Corruption is linked to power. So, its better to bifurcate such power through privatisation.

If such contentions were considered before implementing privatisation, then this kind of "***separate but equal***" will surely be "Unity in equality"!!



Privatisation is a bitter pill, but it is a pill that will cure!!

---- Thankyou -----

References :

https://www.drishtiias.com/to-the-points/paper3/strategic-disinvestment-1

https://byjus.com/commerce/privatisation/#:~:text=For%20any%20economy%2C%20privatisation%20is,of%20customer%20services%20and%20goods.

https://economictimes.indiatimes.com/definition/privatization

https://en.wikipedia.org/wiki/Public_sector_undertakings_in_India

https://infinitylearn.com/surge/english/article/pros-and-cons-of-privatization/

https://blog.ipleaders.in/privatisation-indian-railways-how-bonafide-need/#:~:text=Increased%20fares,-Increased%20fare%20prices&text=The%20private%20players%20would%20be,a%20loss%20to%20road%20transport.

https://youtu.be/IHRj6n9tZZU

https://www.livemint.com/companies/news/the-story-of-two-of-india-s-biggest-privatisations-air-india-and-bpcl-11639895239695.html

https://www.livemint.com/companies/news/the-story-of-two-of-india-s-biggest-privatisations-air-india-and-bpcl-11639895239695.html