National Monetisation Pipeline

A CRITICAL EVALUATION

National Monetization Pipeline:
A Critical Evaluation

A report based on an online discussion series on the national monetization pipeline held in September 2021 attended by economists, representatives of political parties, union members and ex-public servants

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Introduction

In August 2021 the NDA government unveiled its grand design to put chunks of the nation's public assets on lease for private profits. The plan has been named the ***National Monetization Pipeline,*** *the idea being, to lease or monetise infrastructural assets ranging from roads, railways, ports, telecom, gas, power and so on, to raise 6 lakh crore over the course of four years. The Finance Ministry has gone out of its way to appeal to private players that since the pipeline only lays out brownfield assets, there would not be risks or logjams for capital pertaining to land acquisition or building of fresh assets. The top 5 sectors (by estimated value) capture ~83% of the aggregate pipeline value over four years from 2022-2025. These top 5 sectors include: Roads (27%) followed by Railways (25%), Power (15%), oil & gas pipelines (8%) and Telecom (6%).*

The plan has been celebrated and ushered with open arms in certain circles. One called it a "bold and audacious" move, akin to an "invitation to a party" for private players. A former Secretary of the Road Transport and Highways Ministry in fact said that the government really had no other option as it either could take the "unpalatable" step of printing more money or cut back on its plans. The only way out for generating resources, he believed, was to monetise public assets. He in fact lamented that it has taken this long.

But then there are many who have resisted the euphoria and have raised alarm. They have expressed their misgivings about the entire plan and for good reasons. By opening up chunks of public assets for a private "party" wherein corporates are invited to bet on the assets they liked, are we going back to another Company Raj on our 75th year of freedom?

While an over-complacent government was largely missing in action when the tragic second wave swept through the country, in fact has used the pandemic as its pretext to justify raising necessary resources through monetization.

The document released by Niti Aayog says:

"In the wake of Covid – 19 however, there is a pressing need on the public outlay towards social sector priorities and economic stimuli initiatives, thereby necessitating exploring of alternatives mechanisms such as Asset Monetization with an increased vigour."

Far from drawing the right lessons from the pandemic, the government in fact has insisted on relying on its neoliberal handbook, i.e., limited state expenditure on social welfare and a further (rather fundamentalist) reliance on the market to lift us out of the crisis. Those are the same prescription that has wreaked havoc by putting millions across the globe at the mercy of unaffordable private healthcare, dwindling social security and precarious jobs.

This is why the monetization plan cannot be understood in isolation and much rather is the continuation, in a more reckless manner, of the policies of privatization that were set on foot since 1991. It was said that the Nehruvian welfare state model had outlived its utility for the economy and it was said that liberalization was an idea whose time had come - either adapt or perish. It was said this was necessary to remove the limits (or regulations) and unleash the aspirational drive towards individual and in turn national growth. The crucial role that the PSUs played in nation building have been erased, downplayed or even tarnished over the years. What has also been sidelined is the question of affordability of services and their accessibility in remotest areas which has only been possible because PSUs have operated beyond the pale of profit motive alone. By its very presence in each sphere - from steel to higher education, from health to airways - it has had the effect of setting the benchmark for even the private sector to operate. It has been able to counterbalance (through regulations) the exigencies of an unbridled market and risks of monopolies. Instead what has been the trend is the handing over of public sector units to private hands and a withdrawal of the state.

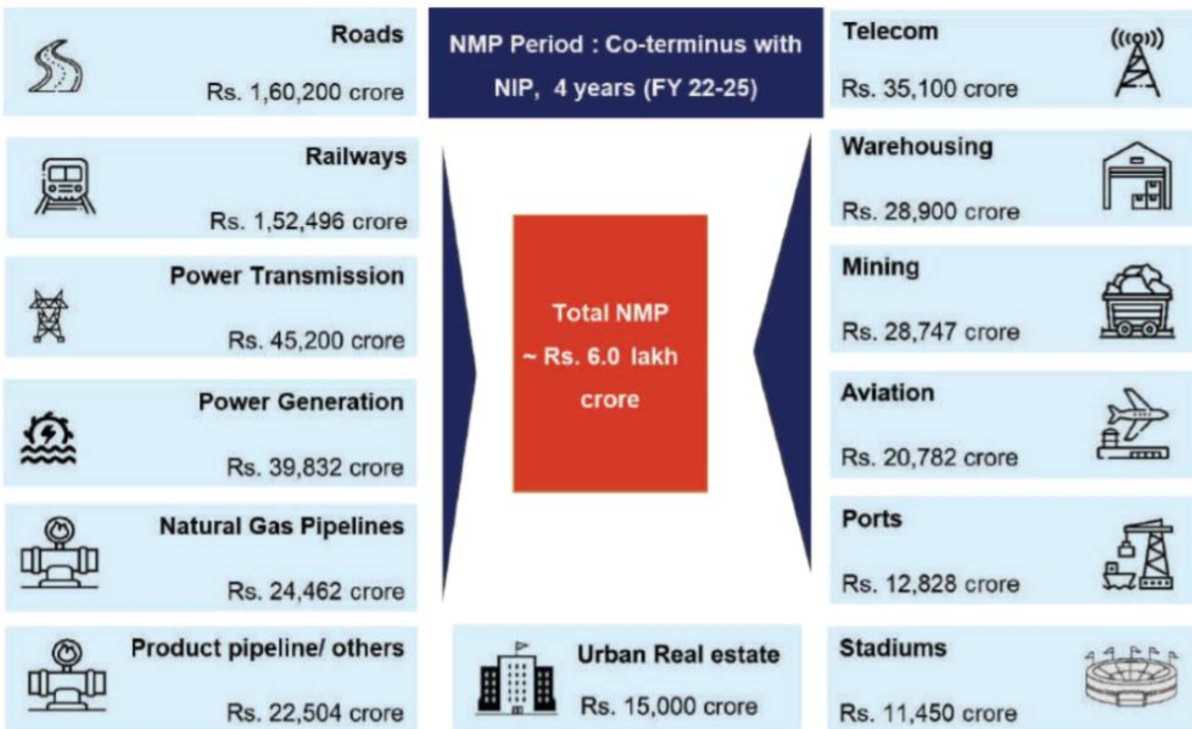
This has been undertaken in several phases. While from 1990 to 2000 disinvestment has been happening largely in the form of sale of minority shares, from 1999 to 2004 under NDA 1 this took the form of "strategic sale". From 2004 onwards the trend has been to list large, profitable CPSEs on domestic stock exchanges. What were measured steps, have now turned into a cascading torrent of privatization, monetization and sale of PSUs handing them over to big business. So much so that the Prime Minister today openly says that "government has no business to be in business". In this latest and more brazen phase we see favouring of a few chosen corporate houses to hand over public assets. Monetization being the crudest manifestation wherein assets built with public money are to be handed over for pittance to private players on "lease". While much of this is done in the name of "efficiency" of the private sector, the catastrophic failures of the private sector (say for example the YES Bank debacle) are carefully hidden away from public scrutiny.

What is worse is that the fate of the national assets built over seventy years with people's money was decided with no participation of the people or even their representatives in the parliament. None were consulted, there was no public debate. Not even in the media. We hardly find any critical evaluation of the pipeline in our airtime. All we see mostly are positive stories - of its potential to raise employment, of "efficient utilisation", of its potential contribution to growth and so on. Public is either left confused, or left in the dark as to what it entails for them, for their pocket and their lives. Particularly in a country like India, where inequality - both wealth and caste-based - ought to be a deciding factor for any public policy, more discussion was needed to assess the impact of monetization of public assets.

Is it constitutionally mandatory to discuss it in the parliament? No. But as Praveen Chakrabarty, from the opposition ranks said, procedurally, morally, ethically and politically it was imperative that before launching it in a press conference, such a decision should have been discussed not just inside the parliament but also outside. Legally when it comes to matters of budget whether expenditure or revenue, it is the prerogative of the parliament to discuss such matters, after all that is what the parliament is there for, that is why the union budget is presented. It is rather unfortunate that not even the public sector employees whose fate are going to be directly affected by such a decision were consulted.

But then this has become quite the norm today says Mr. Chakrabarty. Even the decision of huge corporate tax cuts was never discussed in the parliament. It was announced just six months after the budget was presented simply in a press conference just on the eve of Modi's US visit for the "Howdy Modi" rally in 2019! The finance ministry itself said that it would cost the government exchequer 1.5 lakh crores per year! And today, with the monetization plan, the Finance Minister intends to raise the exact amount per year by putting public assets on the block, yet again with no debate or discussion about its ramifications for the country!

The purpose of the report is to compile some of the apprehensions, misgivings, criticisms and concerns that have been raised about the implications of such a pipeline, for the people, particularly for the marginalised; and to assess where it stands with respect to our constitution obligations. The report is not for a deep dive into the points, but is only an attempt to put together the varied range of opinions that have called into question the pipeline as an unsound public policy.



Break-up of overall pipeline as presented in the Niti Aayog document on NMP Vol II

Who Benefits from the Pipeline?

- How Different is Lease from ownership?
- Who will be financing these private takeovers?
- Risks of gross undervaluation of assets
- Question of regulations
- Road to Oligopolies: Favouring a few

Aware of the possible outcry that a straightjacketed sale may cause, Mr Thomas Isaac, the former Finance Minister of Kerala, in fact says that the government has deliberately taken the route of couching it under terms like "lease" or "monetization". We know that the union Finance Minister while announcing the NMP went at lengths to stress as to how this was not akin to privatization. She said that "it aims to unlock value in brownfield projects by engaging the private sector, transferring to them revenue rights and not ownership in the projects, and using the funds so generated for infrastructure creation across the country". The Vice Chairman of Niti Aayog also dwelled upon the model of "structured contractual partnership as against privatization or slump sale of assets." The primary ownership of the assets, as per the announcement, "continues to be with the Government" wherein the assets need to be handed back to the public authority "at the end of transaction life."

Niti Aayog CEO Amitabh Kant also stressed on the same saying under privatization or sale of assets the private sector is the whole-sole owner enjoying complete autonomy over future sale with no control or oversight from the government. In it the private sector owns them in perpetuity with no option of buy back or hand back. In NMP, however, he states that the arrangements are akin to the PPP model through structural contractual partnerships.

In reality, how different is "lease" from "ownership"?

Experts in the domain believe that the claim that the assets are just being leased for a stipulated period of time and that it would be returned to public hands at the end of it is not more than a "gimmick" and Mr Praveeen Chakravarty said we must consciously not fall in the trap of such clever wordplay. Let's take the example of a highway that is being leased. The temporary owner will be investing in these assets (say in relaying the roads) because unless they develop it, they won't be able to make profits. Now, almost no private sector will ever agree to give back an asset after say three years while they have made investments on it. Unless of course they have a long term contract that is renewable after the expiry at their discretion. This would entail extensions in perpetuity wherein once the assets return to the government, they would be sent back to the market for further rounds of monetization. Which effectively would mean that the asset would never come back to public hands. As CP Chandrasekhar would put it, while the government may continue to call itself the owner or project the same to the public they intend to fool, but it would never manage these assets and provide the services they deliver. This is nothing but privatization.

Again, there is a conceptual hogwash in the government's attempt to distinguish monetization from sale. It says that unlike monetization, sale would entail transfer of legal ownership through disinvestment of stakes. But then we know that the sale of minority equity, for instance, does not lead to a change in managerial control or ownership, writes R Nagaraj. So, the attempts of the government to distinguish the two on the basis of ownership per se is both forced and misplaced.

Who will be financing these private takeovers?

How would the finances be mobilised for the monetization process to be underway? For economists like Arun Kumar or Thomas Isaac, the answer is simple - from the banks, i.e. by using people's money. No investor will be paying entirely from their savings. Whole lot of changes will be unfolding not only in the banking sector that are being privatized, but also there will be creation of new financial institutions that will finance these takeovers for private profiting. Thomas Isaac warns us that we are looking at a situation where public money will be mobilised for private takeovers of assets.

One can actually ask, why then can't the government itself mobilise resources from the public financial institutions? Well, they won't, because then the government would be borrowing. And in neo-liberal logic that is not allowed! So, here is a situation where public financial institutions will be financing takeover of public assets for the private sector at concessional rates which is nothing but the worst kind of primitive accumulation being allowed. Government achieves two objectives, this way. One, they keep fiscal deficit under control (by neither going for borrowing nor through increased spending) making international capital happy. And two, domestic capital is also happy because they are virtually getting the assets for free.

Critics have been apprehensive about private borrowing because of bitter experience in not so distant past. After the 2005-2011 boom period, several of the companies that had borrowed money for investments in infrastructure, were in deep crisis because of which public banks were saddled with huge NPAs. There is no guarantee that the same won't repeat.

The other route envisaged under NMP for raising the resources is the Infrastructure Investment Trust (InvIT) that is structured as a mutual fund wherein the idea is to tap into the stock market. While this may look enticing on paper, but in reality as experts have said the Indian bond market is not matured enough. Long term investments of this nature are subject to risks and hence require regulatory framework, better assessment of such projects to protect public as well as private investment, and transparency as to who would be held accountable in case of failures.

Risk of Gross undervaluation

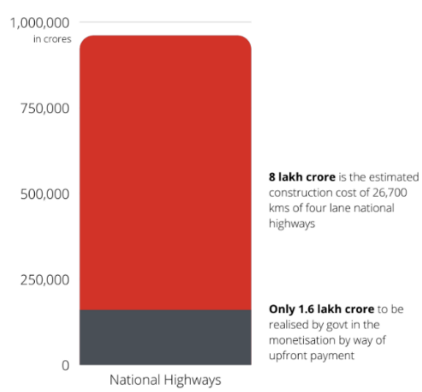
If one calculates the capital cost of the assets at today's price and compares with the price that has been targeted for realisation by the government in this pipeline, one can get a sense of the undervaluation and this is a worry that has been echoed even from sections who are not necessarily against the idea of monetization in principle. This is particularly true for assets that are profitable wherein the government should at least get the initial investment. There is no information about how the figures were calculated, what is the time period of lease and the expected earnings of the private company from the leased assets. It becomes more murky particularly when past experience has shown that the revenue sharing model is more often than not in favour of the private players.

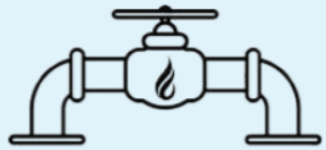
Summary

26,700 km	20%	Rs 1,60,200 crore	27%
Asset Length to be monetized	Asset Length as a percentage of Potential Asset Base (%)	Indicative Monetisation Value over FY 2022-2025 (Rs crore)	Share in overall NMP in value terms (%)

Share of Highways being moentised as presented in Niti Aayog NMP Document Vol II.

For instance, 22% of the National Highways aggregating 26,700 km is going to be monetised. The government announced that it would realize a sum of Rs 1.6 lakh crore from the said asset as upfront price. But, we must ask what exactly was the capital cost involved for such a huge infrastructure. If we draw from the estimate made by the ministry of road transport and highways in 2019 as the capital cost even today, the construction cost of 26,700 km of four lane national highways comes to not less than Rs 8 lakh crore!



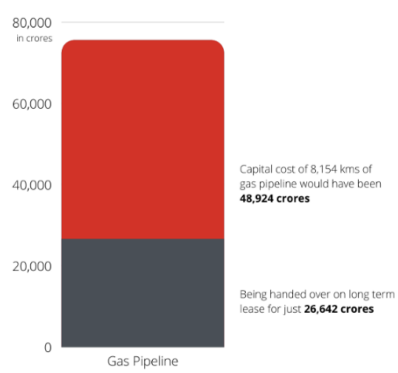


Summary

8,154 km	25%	Rs 24,462 crore	4%
Assets for monetisation in FY22-25 (km)	Asset planned for monetisation as a % of asset base (FY22-25)	Indicative monetisation value in FY22-25 (Rs crore)	Share in overall NMP in value terms (%)

Share of Gas pipelines being moentised as presented in Niti Aayog NMP Document Vol II.

Let us take another example. Around 50% of the existing natural gas pipeline is going to be leased out under the monetization plans. That is equivalent to about 8,154 km of gas pipeline. Given that it costs about Rs.6 crore to build a kilometre of gas pipeline, the capital cost of building 8,154 km would have been about Rs. 48,924 crore. But this pipeline is now being handed over on long term lease for just Rs.26,642 crores!



And finally, operational and utilisation levels of the infrastructure, as noted by Prof Kumar, also depend on the overall state of the economy. The utilisation of power transmission grids network is linked with and depends on the utilisation in indigenous power generation capacity and manufacturing activities in the country. Can the Power Grid Corporation be blamed for the consistent decline in the indigenous manufacturing sector and the resultant gross underutilisation of power?

Question of regulations: Is there any regulatory or accountability mechanism?

It is important to ask as to what are the legal frameworks and regulatory mechanisms if any while launching such a grand scale lease-fest. The question of regulation is crucial given the concerns around accountability and transparency. Now over here what we mean is regulation that sets prices and quality of services taking citizen's interests in mind and not the market-friendly regulations that in fact facilitate privatization by uncoupling the public services and projects from the political/democratic processes of accountability which are said to be "stifling business environment". The distinction is important because even though much of the opposition today are against the outright sale or monetization of assets creating monopolies, they would not for instance mind sale through lowering of government holding or selling of shares and more market-friendly regulations. Only that the present government has crossed even this threshold and is out rightly business-friendly wherein it working towards the gains of only some favoured elites.

Even those, like Andy Mukherjee, who are not necessarily against the idea of monetization per se, have mooted their apprehension that without bureaucratic capability and sound regulatory acumen, the pipeline could easily transform into one that transfers taxpayer-funded assets to a handful of cronies who already have monopolistic hold over large swathes of infrastructural assets. Given the promotion of monopolies and oligopolies be it in airports or in telecom, and the clear preference of the present government in promoting a favoured few corporates, such apprehensions on questions of transparency and fair play are valid.

Critics have expressed alarm, noticing a sense of desperation from the government's headlong dive into this pipeline. There are those who have asked whether India has the legal and regulatory mechanisms to truly de-risk politically sensitive infrastructure before inviting the private players to put a price tag on the assets. Even after due diligence with regard to environmental, land acquisition and construction clearances, weak regulatory structures may have costly repercussions.

For instance, unless a regulator fixes the price, the private sector can charge any rate from the monetised assets to add to their profits particularly in assets that are natural monopolies, like railway stations, says economist Arun Kumar. The question is what is a fair price particularly when gold plating is possible from the end of the private players. In instances of gold plating, often regulators also fail to determine the fair price, but even then without a regulator in place the private sector can charge exorbitantly. A regulatory oversight is also essential to ensure quality of service and maintenance, etc. The matter of concern thereby would be the contracts that would be written up for these assets. Roughly 400 assets are going to be monetised and each requires a contract. The assets being of differing nature, there would not be one standardized contract. Each of these contracts would be important in determining the terms of the monetization and the details should be made public by the government.

Road to Oligopolies: Are we making way for backdoor entry of a few favoured corporates?

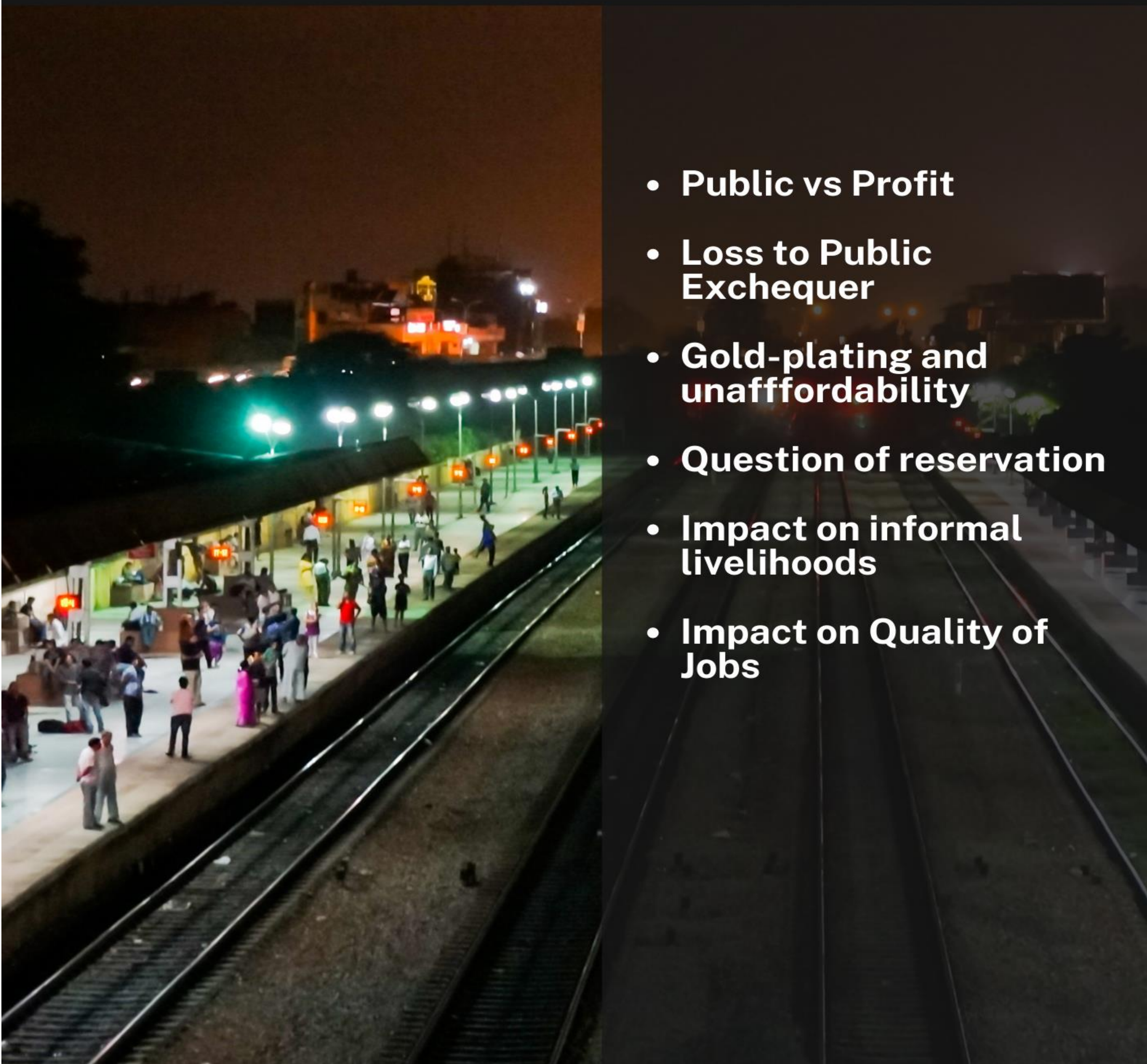
At a time when the macro-economy is weak, when globally economic climate is straining under the pandemic, to speak of monetization of assets is akin to distress sale as it would have the effect of beating down prices. Such a fire sale is not when one can expect "fair value" for public assets. One may wonder, what is the idea of putting big capital assets such as roads, railways, pipelines on the bloc at a time when private investment is extremely constrained? Mr Chakravarty says, this is because it is nothing but a backdoor entry for friends of the government in the facade of a monetization process!

The government intends to raise 1.5 lakh crores through monetization of railways. Now, privatising railways is in itself a terrible idea. But even if for the moment we step aside from the logic of such privatization and look at it purely from the lens of economics, it is imperative that we ask a few questions. For any competitive bid it is crucial that there are enough bids for the asset to get the valuation that it deserves. In today's economic conditions how many private sector people would actually have the wherewithal to bid for such capital intensive assets? That too at a time when they are not even investing in their own businesses. This is already clear from the government's own experience last year. Bids were invited last July to induct 151 trains over 12 clusters via public private partnership (PPP). But in all only 5 bids were received for three clusters namely Cluster-2 (Mumbai-2), Cluster-3 (Delhi-1) and Cluster4 (Delhi-2). And no bids were received for the remaining 9 clusters forcing the Ministry of Railways to scrap the tender. So, it is obvious that there will not be enough bids even in this monetization process, but yes, there will be friendly bids at friendly prices and valuations!

At a time when we have witnessed a record negative GDP growth in contemporary Indian history to propose that we would be raising money by monetising capital intensive public assets is nothing but a sham and is only a way to allow backdoor entry for the favoured friends of the government to get access to public assets at throw away prices given that the valuation of these assets at a time of economic downturn will be much lower than their real value.

Economist CP Chandhasekhar echoes the same from past experiences of disinvestment. He says that in the process of encashing the presumed value of the assets, the valuation would be kept low to attract investors. Given that expected upfront payments have been declared before the bidding commences, the actual sale prices are unlikely to be very much higher. This will result in concentration of ownerships and is a headlong path towards monopolies and oligopolies.

WHO WILL BE ON THE RECEIVING END OF THE PIPELINE?



- Public vs Profit
- Loss to Public Exchequer
- Gold-plating and unafffordability
- Question of reservation
- Impact on informal livelihoods
- Impact on Quality of Jobs

Public vs Profit: Larger national or social interest shall be buried

Public sector units were a product of a constitutional principle of state policy that is intended to ensure that the ownership and control of material resources of the community are so distributed so as so to subserve the common good and that the operation of the economic system does not result in the concentration of wealth and means of production to the detriment of the public at large. PSUs thereby played a crucial role in giving us self reliance in several sectors (the true meaning of atmanirbhar), by laying the foundations of the nation by means of building a developmental infrastructure, generating surplus for investment, providing employment opportunities, and in addressing regional and social disparities. Both in quantitative and the immeasurable social contributions, the PSUs carry a legacy that is difficult to surmount or even valuate.

In a country like India where poverty levels are high and markets are fragmented, where large numbers of disadvantaged households are yet to secure access to the basic needs of life, private enterprise which is largely profit-driven can not be expected to provide these services at affordable prices. Hence, emphasizes Prof Arun Kumar, it is extremely important to have a large public sector to support the poor and the economy. Whenever the market fails, the public sector must be there to step in. And that is precisely what our lessons were from the 2008 crisis or more recently the pandemic. In such moments of crisis, it is the public sector that came to the aid of the people, be it in transportation, in distribution of food, provision of oxygen or in health facilities.

For instance, at a time when the most draconian lockdown was imposed and millions of migrant workers were stranded without work and food, in the face of mounting criticism, it is ultimately the vast network and capacities of the Indian railways that the government banked upon to transport the migrants from one corner of the country to another for free. Mr Praveen Chakrabarty asks, if we could even have imagined such an exercise if the railways were in private hands? The lesson of the pandemic was that we are a collectivity and that we have to deal with our problems collectively as was the vision when the constitutional foundations of the country were being laid. Hence an efficient and well functioning public sector, in the words of Prof Arun Kumar, is of crucial significance. Monetization of such assets militates against the very fundamentals of a welfare state.

Loss to public exchequer

Our past experience of involving the private sector has been bitter when it comes to revenue sharing. So, the issue over here is not just the risk of undervaluation of assets lowering the upfront payment, but also the skewed revenue sharing that follows. The Comptroller and Accountant General have flagged multiple such instances over the last decade wherein the private sector have been allowed to literally cheat the public exchequer of billions of rupees. That seems to be the definition of “ease of business”, bleeding public money to benefit private players.

A clear demonstration of the above is the Airport Authority of India that entered into deals with GMR and GVK to manage airports. The CAG has flagged multiple times that the AAI to start with had been cheated in the low one-time licence fee for the four prime airports - Delhi, Mumbai, Bangalore and Hyderabad that accounted for 90% of air traffic. Beyond that, the private sector operators also duped AAI of billions of rupees by its opaque revenue sharing.

Gold-plating: inaccessible and unaffordable for the people

The government claims to raise 6 lakh crores from the monetization of the assets on the bloc. To understand the implication of this in the easiest terms, it can be said that the private companies would at the least like to raise this amount that they have already paid to the government as soon as possible and then they would also account for profits and interests. To maximize their profit over a limited time frame, investors would predictably raise prices, limit competition or cut back on upkeep. What this would necessarily translates into is the shifting of the burden on the people, the consumers, in the form of higher and exorbitant user charges and also deterioration of the maintenance of the assets.

The most infamous case of this kind was the monetization of infrastructure and natural resources in Bolivia. So much so that they monetised even the river and the private company hiked water charges increasing water bill nearly eight times. It led to Cochabamba protests as mass anger ultimately resulted in regime change. So the fallout of such monetization is fairly obvious. It is the people who will have to pay dearly for such moves.

Another instance we could take lessons from is the fallout of the privatization of poles and wires in New South Wales (Australia) where electricity prices doubled five years after the privatization. So much so that in 2017 the government had to step in with the Energy Affordability Package was announced "to save NSW households and small businesses hundreds of dollars a year off their energy bills through increasing rebates and removing unnecessary retailer fees."

Rail transport in Singapore is yet another instance to draw lessons from. The performance of the Mass Rail Transport between 2011 and 2017 was checkered with multiple high-profile rail disruptions under private hands which led to widespread public criticism. Finally the Singapore government had to step in to take control over the operating assets, nationalize its suburban trains and signaling systems because the main private operator had grossly underinvested in maintenance that had led to the frequent breakdowns leaving the passengers stranded and angry.

If we are to learn from global experience, such moves have been disastrous in say the United Kingdom or Argentina with train fares overshooting the cost of flights and irrational decisions of companies adversely affecting the efficiency of trains. Again, Railtrack, a company in the UK in charge of signalling tracks and stations, for instance, did not always reinvest its profits in the railway infrastructure, leading to a deterioration of the tracks and accidents. Finally, public outcry compelled the government there to take over. Contradicting the hyperbole around private "efficiency", the British rail network was plagued by crowded trains, cancelled services, and high fares till finally most of it was nationalised again in the middle of the pandemic when companies gave way owing to dwindling profits and the government had to run it to keep essential services afloat.

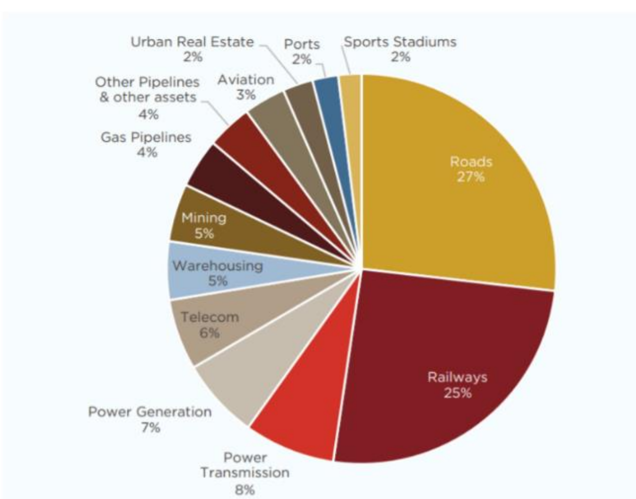
We must bear in mind that when a private company takes over a road or a highway (for instance) they do not do so for national interest or social concerns, but for profits, says Mr Chakravarty. And they would thereby be eager to recover their investments. So they levy tolls and exorbitant user charges often through gold plating. In the logic of neoliberalism, our primary worth is not as citizens, but as consumers. So the roads that are made with our, the taxpayers' money, to use the same we are forced to pay multiple tolls as user charges says Kanhaiya Kumar, another strong critic of privatization from the opposition ranks.

Consequently it is not merely the cost of commuting that goes up. It also raises the prices of the milk, the vegetables that are transported along that road. The result of such a policy will most obviously be inflationary. At a time when the economy is in shambles and the demand is already in depths, it is obvious that we cannot afford to add an inflation impact to the economy through privatization of transportation.

Impact on the marginalised: The question of reservation

Reservations are a unique part of the protective and welfare provisions of the Constitution for the SCs/STs/OBCs. The Constituent Assembly introduced those provisions after elaborate discussions, keeping in view the deep-rooted discrimination meted out to those communities for centuries. The historical injustices done to them cannot be expected to be corrected without affirmative action and it is with this thought that it was factored in all public policy and in recruitment in public services.

Much of the public sector in fact serve as livelihood option for India's poorest and marginalised sections. Be it the railways, or road construction and so on provide employment to millions. And more importantly, highlights Beena Pallical of NCDHR, the entire affirmative action, the reservation policy is pegged on the public sector. What would be the fate of reservation for the historically oppressed castes is hanging by the thread today.



Share of sectors in terms of indicative monetization value as presented in Niti Aayog NMP Document Vol II. Roads and Railways are the biggest blocs in the NMP plan

The biggest bloc (52%) earmarked for monetization are railways (25%) and roads (27%). While it is riddled with discrimination , the railways nonetheless is the largest public sector where Dalits, Muslims and adivasis have over the decades gotten significant representation as stakeholders, writes Tamoghna Halder. 2020 data suggest that about 25% of the employees in railways come from SC/ST background. This is a clear outcome of its adherence to its obligations as an equal opportunity employer that had to follow the reservation policy in the hiring process. The fact that the private sector does not have to adhere to any such principles is bound to have detrimental impact on the representation of marginalized sections post monetization or lease.

Now let us take the example of highways. Despite protests and dharnas it is the Dalits who over time have borne the brunt of forcible land acquisition for highways. That is a reality even under the government. And once built on Dalit land using largely Dalit labour, most of these expressways cater to four-wheelers and prohibit the movement of two-wheelers which was what most from marginalsied communities can afford. It is not difficult to conclude that under the logic of private investment and driven purely by profit motive, such exclusions are only going to be far more rampant and there would be no public accountability mechanism in place after monetization.

Priya Dharshini from Centre for Financial Accountability refers to a study that that looked at the top 300 listed companies and found that 53% had a 10:1 ratio for male and women employees. Only 39 of the 300 companies had disclosed about having employees from historically marginalized sections. The worst hit are those who are differently abled. Over 70% of the companies had 0 or less than 1% employees who were differently abled. She added that this illustrates how there is a gulf of difference between the motives of pure profit driven interests and the interest of social inclusion for which public sector could at least be held accountable to a certain degree.

Privatization of the PSUs has the effect of shrinking the space available for reservations for the SCs/STs/OBCs, which incidentally negates the commitment given by the BJP in its 2019 Election Manifesto ("*we remain committed to ensuring the benefits of Constitutional provisions to the Scheduled Castes, Scheduled Tribes and Backward Classes*").

Ripple effect: Its cascading impact on the informal livelihoods

The impact of monetization won't just be on the organized labour force. Once in private hands, they would try to "unlock value" from every square inch of the space which would translate into putting a lock on the opportunities availed by millions of unorganized workers. Let us just take an example of the railways and visualise their fate after the lease.

We are aware that lakhs of hawkers and vendors eche out a living by selling products or catering to railway passengers. A majority of them in fact belong to the marginalised communities. The Indian Railways in its guidelines with regard to commerce at least recognizes on paper the use of its space for small businesses run by those from Dalit or advasi background: "…in case of small and roadside stations, preference will be given to Scheduled

Caste/Scheduled Tribe candidates." But in private hands, we can be certain of the fact that the hawkers will no longer have access to privately managed platforms as such rights would be "monetised" in favour of bigger players who would be willing to pay for their square inch. Smaller fishes would be dispensable and most likely they wouldn't even be allowed to board the trains owned by private companies.

Impact on quality of jobs: Question of social security & rights

Even before outright privatization or monetiastion, over the years the logic of privatization has been slowly and steadily infused through contractualisation of jobs. Permanent employment in the Central Public Services has reduced from 1.61 million to 1.13 million between 2006-07 and 2016-17. The situation has further escalated in the last few years. While the share of daily-wage workers rose by 178% from 2015-16 to 2019-20, that for contractual workers rose by 86%. For the same period, the count of permanent employees in CPSEs reduced by 25%. Given the current employment situation, we ought to be mindful of the fact that privatization would lead to further acceleration of the same process and thereby further depletion of secure jobs. Also, crucially, it is the nature of employment that has been under sea change from a secure government employment to a contract based employment. With the backdrop of the labour laws being diluted, it would mean loss of whatever remains in the name of social security.

The recruitment and human resource policies in public undertakings have for decades been known to be transparent in a manner that enables aggrieved employees to seek legal remedies. Since such practices are not adopted in large swathes of industrial activity in the private sector, the public sector provides a minimum benchmark for such practices in industry. The pipeline would further erode such benchmarks and would mean a downgrading of the quality and security of job tenure across the block.

Culmination of a Neo-Liberal Ill-Logic

- Interrogating the question of "efficiency"
- Questioning the idea of “unlocking of value”
- Levelling down profitability

What we see unfolding today in India is an accelerated version of a three decade old move towards privatization of public sector units and the withdrawal of the state from its roles in commandeering key sectors of the economy including crucial public services. This was a motion that was brewing since the 1980s, was set in motion since 1991 and have been accelerated brazenly in recent years.

On the face of it, yes, privatization is the selling of public assets to a private entity, or in this instance, giving it on lease. But that is the most obvious and the final step. It is important to look how in the last 30 years ground has been prepared for privatization by making acceptable the logic or justification of privatization. There are few tropes that have been manufactured and oft-repeated to turn them into commonsense. The monetization pipeline in fact uses several of these - efficiency, under-utilisation, productivity etc - to justify the handing over of assets to private hands.

Interrogating the question of "efficiency"

An argument that has been repeated ad nauseum since the 1990s is that PSUs are necessarily "inefficient". And this is peddled without any justification or reference to the facts or the specific contexts in which particular PSUs operate. For instance, the People's Commission against Privatization of Public Sector in its interim reports recounts how the Visakhapatnam Steel Plant of the Rashtriya Ispat Nigam Ltd., unlike its private sector competitors, has for years not been allotted captive iron ore mines. Such deliberate undermining of PSUs to benefit the private sector is carefully tucked away in the talks of "efficiency".

While there are ways in which the governance practices in PSUs need to be improved, but the Commission in their defense says that it is important to recognize that each loss-making PSU has its own reasons for losses. And more importantly given the role of PSUs in the country which are basically the extensions of the state, they ought never to be evaluated in terms of profit or loss. Public sector banks operate in the most backward areas where no private player would invest because of their non profitability. Indian railways for instance had to undertake huge "losses" to facilitate the transport of millions of stranded migrant workers across the country during the lockdown. But rightfully, these are never understood in the same parameters of profitability as a private sector firm is. So many a time the question of "losses" are not a matter of "efficiency", but the role that PSUs are expected to play. To blame PSUs for their shortcomings and justify disinvestment will defeat the primary purpose of setting them up as instruments of the State under Articles 12 and 19 to enable the State to fulfil its functions as as a socialist welfare State.

Questioning the idea of "unlocking of value"

In the Monetization Pipeline plan, the government speaks of "unlocking of value" through monetization. Prof. Dinesh Abrol, remarks that the kind of value that the PSUs have unlocked for the country over the decades is what has made the foundation the country stands on today. It is the constitutional commitments reflective the five year plans that paved the way for the PSUs. They were not created through the process of the market, but through planning.

Moreover, today the market that we see today is no longer the regulated market. It is of the speculative kind under the aegis of international finance capital. So, “unlocking” has a very different meaning today.

One of the justifications of the government is that presently the assets’ capacity are not being utilised properly. And that in private hands they would be “better utilised”. But some of these assets are underutilised because of the downturn in the economy.

For example, the utilisation of power transmission grids network is linked with the manufacturing activities in the country. So, if the indigenous manufacturing sector is itself in crisis, then the resultant underutilisation is not the Power Grid Corporation’s “inefficiency”. And in such instances, there is no sense in claiming that if a private sector takes them over, they will be better utilised.

Similarly, sectoral experts claim, even as far as gas pipelines are concerned, while it has certainly been operating under capacity, but that is simply because there has not been enough supplies. Argument being that the situation won’t change even if a private player comes to run the pipes. There will be no additional utilisation from beyond what Gail has been clocking so far.

The number of private companies facing liquidation cases goes against the claim of private being always “efficient”. Quoting the March 2021 data of IBC, Priya Dharshini says that we have close to 4376 companies that are in NCLT going in for resolution. Out of those only close to 300 are resolved, while we have 1277 companies that are being liquidated. That is just to illustrate in brief the volatility of the private players. Yet we hear over and over again even in the finance minister’s announcement of the monetization pipeline as to how PSUs are failing in utilisation of the assets. It is nauseating to hear the government itself bragging about its failures.

Then again, there are misleading and deceptive claims by the government that the assets identified for monetization are those that are either languishing or are under-utilised. Most of the infrastructural assets that are on the block - be it highways, electricity transmission lines, oil and gas pipelines, railway networks and stations, ports, or telecom-towers - far from ‘languishing”, these are all assets that have witnessed consistently increasing users over the decades.

Deliberate levelling down of profitability of PSUs for sale

The tried and tested tactic for putting PSUs up for sale has been to deliberately run down their profitability. Even with the caveat that public sector units do not run purely on profit motive, it is rather disturbing to see a practised pattern of pushing PSUs systematically into losses and thereby whip up the discourse of inefficiency to facilitate sale at a far less valuation handing them over to private hands at pittance.

We of course know the instance of BALCO which used to yield fairly high profits. Prof Arun Kumar refers how its profits were reduced to 500 crores and then the asset of nearly 30000 crores was sold off for 5000 crores. And there are several other instances.

A cash-rich PSUs like the Oil and Natural Gas Corporation (ONGC) is being squeezed dry by the present government with the aim of privatising them. The BJP government has forced ONGC to declare "special dividends" for the government, resulting in the company's cash levels decreasing steeply by

92% from 2016-17 to 2017-18. In 2016-17, ONGC paid a dividend of Rs 7760 crore, while in 2017-18, it was a record Rs 8470 crore. The Modi government also got the ONGC to bail out the debt-ridden Gujarat State Petroleum Corporation (GSPC), owned by the Gujarat government. Furthermore, ONGC was also forced to acquire, in January 2018, the central government's share of 51.11% in HPCL for Rs 36,915 crore. ONGC had to borrow Rs 35,000 crore for this purpose.

Air India, again, writes V Sridhar, was driven to the ground in the last few decades through deliberate policy by successive governments. The reckless haste with which aircraft were purchased – 111 aircraft in one shot by Air India and Indian Airlines in 2005-06 – was what made its debt reach unmanageable levels. The Open Skies policy of the government, which allowed private airline companies to engage in predatory behaviour further drove the public sector airline to ground.

Similar are the concerns around the road to privatization of the Life Insurance Corporation of India. Domestic savings play a very important role in the development of the economy and as such it is necessary for the insurance industry remain a monopoly of Government for cross subsidization and meeting the requirements of the poorer and vulnerable sections of the population. But LIC was forced to buy 51% stake of the IDBI Bank, which has 28% bad loans, the intensions behind it being doubtful.

Yet another example is the tragic and deliberate undermining of BSNL as illustrated by K. Sebastian, General Secretary, Sanchar Nigam Executives Association. Over the last two decades consciously making it non-viable and unprofitable despite being one of the biggest players in the telecom sector only to give advantages to the corporate sector. It was ridiculously not allowed to participate in the 4G tender saying that it would vitiate the level playing field and later it was denied the allotment by citing that it didn't participate in the tender process! The private sector having 90% market share are allowed to run using western and Chinese technology but the same has been denied to BSNL using security reasons and in the name of "Make in India".

It is a shame that after deliberately running it down to a skeletal existence, today the present government's "revival plan" for BSNL is to monetise its assets, handover its towers to private hands, and a voluntary retirement scheme (VRS) for its workforce. It is not for nothing that the BSNL employees stand in stiff opposition to the government's plan to monetise 2.86 lakh kms of optical fibre laid under the BharatNet project as well as 14,917 mobile towers owned by it and MTNL. It marks the first organized resistance to the pipe-dreams of the present government or the National Monetization Pipeline.

Conclusion

The government would do better to not follow the neoliberal handbook in its attempts to deal with the current crisis. It should rather pay heed to the people's interest instead of that of the corporates alone. As such, instead of depending on the lease and sale of public assets to generate the required revenue for investing on social infrastructure, it should look for other avenues. While monetization puts the burden back on the shoulders of the people by making way for higher user charges, the government should follow more redistributive measures and deploy wealth tax and higher corporate taxes to generate the requisite revenue.

As is evident from the arguments compiled in this report, the monetization of public assets is a move that is to the detriment of the common people, the historically marginalized sections, and the health of the public assets themselves. Such moves may lead to short term gain in terms of a few lakh crores as upfront payment, but in the longer run it only leads to under-valuation of assets, concentration of wealth in fewer hands, losses to the public exchequer and above all it makes public services unaffordable and inaccessible for the majority of our citizens.