Emerging Issues And Problems of Disinvestment in Public Enterprises

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ABSTRACT

The public Enterprises in has been phenomenal and tremendous growth in India. Economic Reforms have started in 1980s, but it has got consistent shape only since 1991. The government of India adopted the policy of economic reforms and declared the policy of disinvestment in selected Public sector enterprises. They were established to attain the commanding heights of the economy of the Country and achieve rapid growth of industrialization and economic development. In which some of the public sector enterprises became White elephant and they are in least profit or in losses, some of them are became sick Industries. In 1991, The UPA government declared that all disinvestment will be transparent, and the govt. have adopted the policy of economic reforms and declared the policy of disinvestment in which it was decided that twenty percent equity of such enterprises will be disinvested and they will be sold to financial institution. Indian industry was unshackled from the cloches of regulation and control under structural reforms. Industrial licensing was virtually abolished except for a select list of hazardous and environmentally sensitive industries. Private sector was allowed to enter new areas previously reserved for the public sector. The most important feature of the industrial reforms has been to ease the entry of foreign direct investment in several sectors of the economy. Access to foreign technology was made the relatively free. Private initiative was encouraged in the development of infrastructure such as power, roadways, telecommunications, insurance, shipping and ports and airports and civil aviation. Automatic approval of foreign investment of up to 51% of equity was allowed and foreign technology agreements permitted for 35 priority industries including engineering, chemicals, food processing and tourism. Foreign investment was also liberalized in other sectors such as export houses, hospitals, sick industries, hotels and other related industries.

KEYWORDS:
Disinvestment, Privatization, Employees issues, Restructuring, Political issues, Modes of disinvestment, Disinvestment proceeds, and Consumer issues.

INTRODUCTION:

The government adopted the policy of economic reforms since 1991 and started the disinvestment process in selected Central Public Units. However, from 1991 to 1999 the Government had primarily sold minority shares in Public Sector Undertakings (PSUs). The disinvestment process, however, was accelerated after the Department of Disinvestment was set up on December 10, 1999 with the responsibility of dealing with all matters relating to disinvestment. With the strategic sale of PSUs, transfer of management control started. The Department of Disinvestment was subsequently elevated to the status of a full-fledged Ministry of Disinvestment on September 6, 2001. It was decided that 20 per cent of equity of such enterprises will be disinvested incrementally and they will be sold to financial institutions, banks and employees etc. The main objectives of the disinvestment policy was Setting up a Disinvestment Proceeds Fund and formulating the guidelines for the disinvestment of natural assets companies, Modernization and up gradation of PEs, Creation of new assets, Generation of employment, Retiring of public debt.

PROGRESS OF DISINVESTMENT PROCEEDS:

Since the start of the disinvestment process in 1991-92, all governments fixed unachievable targets but have had little to show by way of achievement. Target-setting, albeit of a more realistic nature, will, however, continue to have its supporters. After all, working any programme within the constraints of the budget exercise gives it a sense of urgency - a time frame - which it might otherwise lose. On the other side, doubts remain whether the PSE sale programme should be part of the annual budget exercise. The present practice of appropriating the public sector sale proceeds under capital receipts, according to critics, is not sound either from a fiscal standpoint or from the point of the units put up for sale. It is likely that the government spends the money anticipating the receipts which do not materialise. The individual companies expect the whole or at least a greater part of the sale consideration to be invested in them. That does not happen under the present arrangement. Moreover, budgetary goal-setting has fostered a few unhealthy practices: in early 1999 the government-owned oil companies were forced to invest in each other. The targets might have been reached but the whole exercise was false show.
TABLE Target and Achievement of Disinvestment (Rs in crore)

<table>
<thead>
<tr>
<th>Years</th>
<th>No. of Companies in which Equity sold</th>
<th>Target (Rs in crore)</th>
<th>Achievement</th>
<th>Methods of Disinvestment/privatization</th>
<th>% Target</th>
<th>DIFERENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-92</td>
<td>47</td>
<td>2,500</td>
<td>3,038</td>
<td>Minority shares sold by auction in bundles of &quot;very good&quot;, &quot;good&quot;, and &quot;average&quot; companies</td>
<td>121.5</td>
<td>+538</td>
</tr>
<tr>
<td>1992-93</td>
<td>35</td>
<td>2,500</td>
<td>1,913</td>
<td>Bundling of shares abandoned. Shares sold separately for each company by auction</td>
<td>76.5</td>
<td>-587</td>
</tr>
<tr>
<td>1993-94</td>
<td>-</td>
<td>3,250</td>
<td>-</td>
<td>Equity of 7 companies sold by open auction but proceeds received in 1994.</td>
<td>Nil</td>
<td>-3500</td>
</tr>
<tr>
<td>1994-95</td>
<td>13</td>
<td>4,000</td>
<td>4,843</td>
<td>Sale through auction method, in which NBIs and other persons legally permitted to buy, hold or sell equity, allowed to participate.</td>
<td>121.1</td>
<td>+843</td>
</tr>
<tr>
<td>1995-96</td>
<td>5</td>
<td>7,000</td>
<td>3,62</td>
<td>Equity of 7 companies auctioned and Government piggybacked in the IDBI fixed price offering for the 15th company</td>
<td>5.2</td>
<td>-6638</td>
</tr>
<tr>
<td>1996-97</td>
<td>1</td>
<td>5,000</td>
<td>300</td>
<td>GDR(VSNL) in international market</td>
<td>7.6</td>
<td>-4620</td>
</tr>
<tr>
<td>1997-98</td>
<td>1</td>
<td>4,800</td>
<td>902</td>
<td>GDR(VSNL) in international market</td>
<td>18.8</td>
<td>-3898</td>
</tr>
<tr>
<td>1998-99</td>
<td>5</td>
<td>5,000</td>
<td>5,371</td>
<td>GDR(VSNL)/Domestic offerings, with the participation of HIs (CONCOR, GAIL). Cross purchase by 3 Oil sector companies i.e. GAIL, ONGC &amp; Indian Oil Corporation</td>
<td>107.4</td>
<td>+371</td>
</tr>
<tr>
<td>1999-00</td>
<td>2</td>
<td>10,000</td>
<td>1,860</td>
<td>GDR—GAIL, VSNL—domestic issue, BALCO restructuring, NHIL’s strategic sale and others</td>
<td>18.6</td>
<td>-8140</td>
</tr>
<tr>
<td>2000-01</td>
<td>4</td>
<td>10,000</td>
<td>1,871</td>
<td>Strategic sale of BALCO, EJMC, KRL, HCL, PCL, (MRL)</td>
<td>18.7</td>
<td>-8129</td>
</tr>
<tr>
<td>2001-02</td>
<td>10</td>
<td>12,000</td>
<td>5,632</td>
<td>Strategic sale of CMD (51%), HTLC(74%), VSNL(25%) &amp; HP (33.58%), PPL(74%) and other modes: ITDC, HCL, STC, MMTC</td>
<td>46.9</td>
<td>-6368</td>
</tr>
<tr>
<td>2002-03</td>
<td>6</td>
<td>12,000</td>
<td>3,348</td>
<td>Strategic sale: HZL 26%, MHIL 26%, PCL 25%, HCL, ITDC, Maruti: control premium from renunciation of rights issues, shares to employees in HZL &amp; CMC</td>
<td>27.9</td>
<td>-8652</td>
</tr>
</tbody>
</table>

As described in above table regarding targets and achievements the Government has been setting the targets of disinvestment in Public Enterprises (PEs) and has been announcing it through its budgets. It may be found that the achievements in this regard have not been satisfactory. Details of targets and achievements of disinvestment in PEs are given in the table of previous chapter. It is clearly evident from the data that the amount realized of total disinvestments from 1991-92 to 2004-05 stood at Rs 47832 crore against a hefty target of Rs 96,800 crores.

The amounts realized against the target set were only 49.42 per cent. The investment made by central Government as on March 31, 2002 was of the order of Rs 452250 crores. The total amount realized from disinvestment worked out to be a smear 0.58 per cent of the total investment. The achievement of disinvestment has been falling short of the target. Except in 1992, 1995, 1999 and 2004, the achievements have been unsatisfactory. Reasons for Slow Achievements: The reasons for such a low proportion of disinvestment achievement as against the target set were identified and presented below:

- People were not taken into confidence before disinvestment was started; therefore whole move was opposed by people and parties in opposition.
- The unfavorable market conditions are the main responsible for this downward trend of disinvestment hence the receipt generated was poor.
- The amount realized through disinvestment were not paid to the enterprise concerned for its expansion and improving efficiency but the Government has been using such disinvestment proceeds to bridge the budget deficit.
- The Government was not transparent about its approach towards sequencing the restructuring and methods of disinvestment of PEs.
- The offers made by the Government for disinvestment of PEs’s are not attractive and stringent bureaucratic procedures discourage the private sector interest.
- The Government does not have a clear cut policy on disinvestment of its PEs’s when the disinvestment process was started.
- The valuation process, procedures and surplus employees are other major attributes. It was estimated that there were 19.94 lakhs employees in the PE’s and nearly 25% of the are surplus.
- No knowledge potential people or specialists were consulted before startup.
● No social obligation was considered during disinvestment.

EMERGING ISSUES AND PROBLEMS THROUGH DISINVESTMENT

During the 1999-2000, a proposal of disinvestment was mooted through the issue of Golden share concept. According to this concept, Government will disinvest all the 100 per cent shares to the private individual and retain only one share with itself known as golden share. The golden share will have power to have a nominee in the board and the power to all types of management decisions, which, according to government will go against the interest of implemented. As more expansion to public enterprises was motivated, many weakness and shortcomings crept into country’s public sectors. The expansion became in discriminate, even ill throughout. The public enterprises began to set up in non-infrastructure and non-core areas of the economy like hotels, scooters etc. The poor performance of the public sector in India became the hallmark. The mode of functioning of PSUs became more bureaucratic rather than commercial. The root cause in their standing, functioning, performance and disinvestment gave rise to many issues and some of the issues of national importance are discussed below:

NEED FOR RESTRUCTURING:
The rapid development of market and its enabler such as information technology, telecommunication and computers intensified the competition both internationally and nationally making public enterprises more efficient, responsive, and productive in consonance with the market. This raised the need for restructuring of public sectors. An issue on which there has been much debate is whether PSUs restructuring is to be done prior to disinvestment or is to be done after disinvestment by the private management. Experience suggests that a healthy and competitive PSUs can fetch better price in the market in comparison to a sick PSUs. But then the question arises about the advisability of further putting money in PSUs, and the capability and the competence of the present management to undertake the restructuring, which they had done before. While a restructured PSU would most likely fetch better price in the market, one should make a cost to benefit analysis to find out the extent of incremental social and financial benefit the government would receive by selling the restructured units. However, the experience in the market has shown that at the pre-disinvestment stage, government should undertake organizational, financial and labour restructuring to enhance the value of the unit and leave the business restructuring to the strategic buyer who should decide what to drop and what to retain depending upon the objective of this strategic purchase. It appears to be unlikely that restructuring of the PSUs would be undertaken properly timely, and boldly. In fact, the government will have to take active interest and take quick decision in this regard. With the present Government system and bureaucracy as it is, the objective of effective restructuring may not be possible. Therefore, there is a need for constituting a professionally Restructuring Authority.

EMPLOYEES' ISSUES IN DISINVESTMENT:
The issue of employees is one the significant issue in disinvestment of public sector unit’s. Global experience shows that if the privatised companies grow rapidly, labour restructuring may not be required but a general fear among the employees at the time of disinvestment is that they may be retrenched or their pay scales and services conditions may be adversely affected. A number of protections are available to the employees under various labour laws. These labour laws are applicable to the company irrespective of whether it is in the Public Sector or in the Private Sector.

The provisions of Industrial Disputes Act, 1947 are applicable to the company even after disinvestment. The company will remain an industrial establishment even after the disinvestment and all the provisions of Industrial Disputes Act will automatically applied to the company. The trade unions may have an apprehension that workers of a PSU enjoy more protection under the law of the land than those in the private sector. As a matter of fact, as long as venture is “industrial establishment”, the provisions of Industrial Disputes Act are applicable to that venture, irrespective of it being in public sector or private sector.

At times, some trade unions demand assurances regarding peripheral development after the disinvestment of the company, which are being enjoyed by the villages adjoining the plant. Contract labourers also demand regularisation of their jobs before the disinvestment.

NEEDS OF EMPLOYEES RESTRUCTURING:

Often protected from competition and subsidized by their public sector owners, PSUs frequently employs more people than required for efficiency, pay wages, and benefits that are higher than their counterparts in the private sector, and have large, unfunded pension liabilities. These factors have led to lower labor productivity and higher labour costs than private investors can accept.

Overstaffing many infrastructure and other government owned companies have employed more workers than they needed to deliver services efficiently and effectively. This was because the public sector often was seen as a vehicle for creating jobs in the absence of a private sector, partly for reasons of patronage and partly for meeting developmental or social objectives. Subject to weak performance incentives and to “soft” budget constraints, public sector managers often were also able to avoid dealing with the difficult restructuring and adjustment issues.

Labor Contracts and the Public Sector Wage Premium are also often in need of reform or modification. Labor contracts create acceptable terms and conditions of employment, including the health, safety, or social wellbeing of the workforce, and may have been negotiated many years previously. Some labor contracts and practices, however, may cause an enterprise to operate in less productive ways or at a higher cost than is
required. For instance, public sector employees are often paid better than their private sector counterparts, particularly at the lower skill levels, and often receive tangible and intangible benefits—such as job security, seniority rights, special pension arrangements, subsidized housing, and health and educational services that private firms do not provide.

**VALUATION MODELS OF PUBLIC SECTORS UNITS:**
The valuation of investments is in practice generally made with methodologies, which are recognized as classics, like, for example, the discounted cash flow (DCF) valuation, which determines the value of a company discounting its future cash flows. The valuation of companies for minority or majority acquisitions, mergers or negotiations about a new financing round are examples of the practical use of those methodologies. Models like discounted cash flow valuation or comparable company analysis are abundantly employed to valuate companies in practice. To ensure that the government does not get shortchanged and the tax-payer is not cheated, it is imperative that the valuation process of public sector stocks is not only transparent, but also based on detailed deliberations regarding the appropriate valuation model to adopt in each case, after taking into account (and bringing on record) the various assumptions regarding the numerous variables which have an intimate bearing on the valuation decision. Nevertheless, in numerous occasions, models are not free of problems because there is subjectivity and various assumptions taken, which can lead to inexact values of the public sector target. With a general and not complete character, the following problems can be pointed out which are mentioned below;

Valuations of public sector units have become a sensitive and subjective issue. These come handy to those who want to politicize the disinvestment transaction. We find that there was no appropriate pricing of shares and complete transparency in the valuation of shares. In all the cases of strategic sale, sale of equity in Modern Foods, BALCO, VSNL, there was a lot of criticism. Since the valuation was not transparent. VSNL’s 25% shares were sold to TATA Group in Rs 1439 crores and the management was handed over to TATA Group. TATA Group has also purchased 20% shares of this company in open market by paying Rs 1,151 crores. So Tata’s total holding in VSNL is 45%. After having this holding Tata Group decided to purchase 20% to 26% shares of Tata Tele Services in 1,200 crores. TATA has 100 per cent shareholding in Tata Tele Services. This, 1,200 crores rupee will be paid from Reserve and surplus of VSNL, whose management is in the hands of Tata Group. This reserve was created out of profits of VSNL. It was an undistributed profit of VSNL before disinvestment. On this money there was a claim of the shareholders (Govt./Public). This should be distributed as Bonus to shareholders of VSNL. Right price for ITDC hotels were not charged. One public sector hotel in New Delhi was sold for Rs 70 crores. After one month, the private owner of the same, sold a very small portion of the hotel for commercial complex in Rs 70 crores. The cast of disinvestment in Balco is eye-opener. Balco was sold to Sterlite Industries for Rs 551.5 crores. The price settled was really much less. The Global adviser undervalued the company by Rs. 302 crore. The C&AG in its audit review pointed out its undervaluation.

**MECHANISM OF DISINVESTMENTS:**
The moot question which arises in disinvestment is as how to disinvest. There are several methods of disinvestment, which have been followed from time to time by the government. During the initial period the government continued to disinvest 3 to 5 per cent of the equity in different non strategic PEs every year. These incremental disinvestment, or more popularity known the minority privatization was more governed by the compulsion of financing the fiscal deficit of the government. This policy was based on the assumption that the induction of private share holders will after the corporate culture in these enterprise and provide them a stronger commercial consideration in response to normal shareholder’s expectations.

Another method of disinvestment is to sell the equity as widely as possible in the market so that the government stake will come down to 49 percent and the balance 51 per cent will be held by the public. The best management will be elected by the shareholders democratically and there will be no concentration of economic power. However due to problems persisting with the primary and secondary market for a long time and the low market price of the PSUs stocks, this could not be pursued further.

During last few years, there was also a discussion to create a cross- holding within the sector by selling the equity of the non-strategic PEs to other PEs like ONGC, IOC, etc., who has large amount of reserves. Through this method the public sector character of the PEs could be maintained and more autonomy in management could be provided. This policy was opposed by the rich PEs and also the bankers and could not make much headway. During 1998-99, the finance ministry came out with a novel method of disinvesting PEs stock by selling it to a Special purpose vehicle (SPV). According to this proposal, financial institutions and banks would float SPV in form of mutual fund and subscribe the equity of profit making PEs in excess of 49%, and retail these shares to the public at the opportune time when the market picks up. It was thought that the PEs would be outside the definition of PEs and therefore can manage their affairs more professionally with more autonomy. However due to political compulsion like loss of control, tax problem, etc, this proposal could not be implemented. However, this proposal could not be implemented because it needed amendment to the Indian Companies Act, which permits only the issue of equity share and preference share and not golden share. After a lot of deliberation and experiments with different forms of disinvestment, the Department of Disinvestments proposed strategic sale of almost all PE’s in the non-strategic areas to highest bidders who will be allowed to
purchase up to 74% of Government equity in the company. Initially the government stake in this PE’s could be brought down to 51% and later on further to 26%. It was believed that the perception of shareholders value in these PSUs would change automatically once the government reduces its stake to fewer than 51%. In 2002-03, the disinvestment mechanism was broadened to include offer for sales of residual shares in privatized PE’s and a minority portion of government equity in select PE’s. There was an initial public offering by Maruti Udyog Ltd. In June 2003, this received an overwhelming response from institutional and retail investors. Dredging Corporation of India ltd., GAIL and ONGC. Therefore it can be concluded that the real problem lies in proper selection of the mechanism keeping in mind the prevailing market condition, the image of the PE concerned, the political approach and opposition, return to the stakeholder, wider participation of the employees, as well as public, in general. The strategic sales of PEs, though tried in several cases, have not been quite successful and invited criticism from the C&AG, the political parties, the academicians as well as the public, in general, as it could not fetch the reasonable price. The latest method adopted, i.e., offer for sale through IPO has been more successful. Moreover, there should be greater involvement of employees as well as small investors in this process, whether mechanism is adopted. It will be more relevant and beneficial to offer their equities to employees of the PE concerned as it was done by Margaret Thatcher, the PM of U.K and was welcome by all and sundry.

UTILIZATIONS OF DISINVESTMENT RECEIPTS:
The Experts and market players and the institutional investors normally link the PSUs disinvestment with the fiscal correction exercise of the government this puts the government at a back foot in terms of getting the best price and value for the share. The market players perceives that the center would divest its share even at a low price, in order to meet fiscal gap. This presents a wrong picture in the market, because of this reason that in the past government had to withdraw from the market after offering its shares in some companies. Regarding utilization of disinvestment proceeds, there has been apprehension about its proper use, either it should be used for the repayment for government debt, which was initially taken to finance this PEs, or this money should be used for restructuring loss-making PEs. The fact lies in that the disinvestment proceeds have been mainly used for meeting budgetary deficit. The Disinvestment Commission emphasized to create disinvestment fund and had recommended, in its first report that, entire proceeds should go into the disinvestment fund, so that the fund not be used to meet budgetary deficits or revenue gaps. About six years back Government announced that it would set up disinvestment fund and the disinvestment proceeds will flow to this fund. The fund has not been established so far. Every finance minister during 1990s has taken credit, in his budget, for disinvestment. However, from 2001-02 the center has not assumed any receipt from disinvestment in the budget. As and when there is disinvestments, it will be included in the Government receipt to make the financial position much better later on. There have been only promises on the part of Minister concerned that the investment proceeds will be properly used for meeting expenditure in social sectors, restructuring using PE’s and retiring public debts. However, it has also been reiterated from time to time that disinvestment proceed will be used for providing additional budgetary support for the plan, primarily in the social and infrastructure sectors. But, in practice, it appeared to be tall talk and unfulfilled promises. In fact, the money realized that the disinvestment become a part of the consolidated fund of India. With the result, it remains unknown as to where this money has been used. So far the Government has not provided any clear-cut statement on this issue. Another important issue in this regard is that the disinvestment proceeds should be separated from the capital receipts in the budget. The Disinvestment Commission has, in fact, made this important suggestion on, long back but the government has separated it so far.

PARLIAMENTARY APPROVAL FOR THE DISINVESTMENT/PRIVATIZATION:
Public Sector units were established by special statute of a state or central government. A legislative act is passed by defining the sphere of work and mode of management of the undertakings. A public corporation is a separate legal entity created for a specific purpose. It is rightly stated that “A public corporation is clothed with the powers of the government but possessed of the flexibility and initiative of private enterprise.” In India DVC, ONGC, FCI, Air India, Indian Airlines are some of the corporations established by special acts of parliament. The question of parliamentary approval arose in the previous session of parliament, which saw a heated debate in Rajya Sabha over disinvestment policy of the government. A point was made that when certain companies were nationalized, they were done through legislation, and therefore legislation is required to undo what has been done. In India, most of the PEs have been established under the enabling provision of the Companies Act, 1956, which stipulates that if government share-holding is 51 per cent or more it becomes a government company (there are some exceptions like FCI, ONGC etc., a mentioned above, which have been created by specific Acts). The Delegation of Financial Power Rules of the Ministry of Finance, which lay guidelines for New Service/New instrument of service for taking budgetary approvaks, stipulates that for setting up a new company or splitting up an existing company, approval of parliament is required. It also lays down a detailed schedule indicating monetary limits, depending upon paid up capital of the company, beyond which parliamentary approval is required for additional investment or loan to an existing company. The logical conclusion is, when a Government company is set up with Parliament’s approval, it can be dismantled only with its express approval. One notable feature regarding disinvestment during 2003-04 has been severe opposition, in parliament, to the strategic sale in PEs, which are being run as public corporations. The Supreme Court, in its
judgment dated September 16, 2003, in the case of disinvestment in Hindustan Petroleum Corporation Ltd. (HPCL) and Bharat Petroleum Corporation Ltd. (BPCL) restrained the Central Government from proceeding with disinvestment that would have resulted in HPCL and BPCL ceasing to be Government companies without appropriately amending the statutes concerned. Several cases were substantially filled challenging strategic sale in other PEs in various high courts. Government has petitioned the Supreme Court to transfer all these cases to itself for a definitive verdict on the common issues. The Courts in India have held have that PEs are “state” within the meaning of Article 12 of the Constitution. The Supreme Court has lifted the corporate veil and held that a Government company may symbolize the state, “It is immaterial for the purpose whether the corporation is created by statute or under the statute. The test is whether it is an instrumentally or agency of the Government and not as how it is created. When Government is disinvesting the shareholding in a PEs, it is basically shedding its properly right. A question arises whether it is being done with due process law. Article 300 A of the Constitution stipulates that no person will be deprived of his property save by the authority of law. How do we interpret the ‘property right of state’? Can the ‘property right of people of India’, inherent in a Government company be shed without the authority of law? The constitutional traditions of most advanced democracies provide that the privatization must be approved by parliament. French constitution states that the rules governing nationalization of enterprise and transfer of ownership of public enterprise to private sector shall be set by law.

POLITICAL ISSUES RELATED TO DISINVESTMENT:
India's policies towards the public sector and the PSEs evolved at a time when it was thought that government could be more balanced and better informed than the private sector in managing the economy. India was not a 'loner' in holding such a view. Almost all countries that now wear the badge of economic advancement held similar views at that time. There was no coordination between Disinvestment Ministry and concerned ministry in which disinvested PEs comes. There was a quarrel between Disinvestment Minister, Arun Shourie and Pramod Mahajan, when the question of disinvesting the equity of HPCL and IPCL came in parliament; Arun Shourie was on one side and Petroleum Minister Ram Nayak was on another side. Even on many cases different components of NDA Government were not unanimous on disinvestment of particular PE. Any plan of disinvestment initiated by Arun Shourie is neither based on cost nor it is backed by efficiency that is why this disinvestments policy faced criticism by different components of National Democratic Alliance Government. Even coordinator of NDA Government, George Fernandez, criticised and rather obstructed the new disinvestment plans pf PEs started by Arun Shourie to be implemented. George Fernandez also raised question on the working of marketing system of two public sector oil refineries. In 2004, UPA Government came in power and formed the Government. But in pressure of leftist parties the government has closed down the Ministry of Disinvestment and Disinvestment Commission. UPA Government has initiated review of disinvestment of 15 PEs under the administrative control of the Ministry of Heavy Industries and Public Enterprises. Along with the review of disinvestment cases, the previous government had decided to sell-of, would also be drawn up. Due to these controversies investors / bidders are hesitating to purchase the shares of PEs offered for strategic sale.

CONSUMER ISSUES POSTDISINVESTMENT:
Privatization and consequently, competition are expected to bring in efficiency and better quality of services to the consumers, there are authorities created under the CPA (Consumer Protection Act) 1986 to protect consumers by ensuring that they are not exploited by the monopolistic service providers prevalent in the provision of infrastructure services after disinvestment. There is also a need to empower the consumers so that their effective participation in the regulatory process is effective. It is not possible for regulators to protect consumer interests unless civil societies assist them in giving support through information dissemination, research, feedback, etc.

CONCLUSION
However, the decision of disinvestment of selected PEs of the then NDA Government, for which even the road map was prepared, is being reviewed by the present UPA Government, led by Dr. Manmohan Singh. The leftist group, which is supporting the government, is opposing to disinvestment, as such, on the ideological ground. With the result, the present ground has not only scaled down the target from Rs 14,500 crore in 2003-04 to only Rs 4000 crore in 2004-05, but also decided not to undertake the disinvestment of profit making PEs. Thus, the momentum regarding disinvestment gathered during the NDA Government has definitely slowed down. With the result, the prospect of disinvestments appears to be slowed down in the near future.

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