From New Delhi by Susan Maitra

Kicking the sacred cow

A polemical salvo by Union Energy Minister Sathe boosts moves to overhaul the public sector.

'We can't go on the way are," is the way Union Minister for Energy Vasant Sathe headlined the first of a three-part analysis of the crux of India's economic problems that is presently circulating in the Parliament and the Congress Party, and which was published in the *Times of India*.

The straight-talking Mr. Sathe, a senior Congress (I) leader, pulls no punches when he documents the miserable levels of productivity in the core infrastructure and basic industrial sectors of the economy—the power, coal, and steel industries—and points to the betrayal of the founding fathers' vision of a "socialist democracy" this represents.

In Australia, 30,000 workers produced 145 million tons of coal annually, while in India nearly 700,000 cannot match that output, Sathe reports. Similarly, in steel, while 14,500 workers at South Korea's Pohang steel plant produce 9 million tons of steel a year, 125,000 steelworkers in India cannot produce 6 million tons.

Moreover, per capita availability of these basic items is abysmally low—an average 180 KWH of electricity per capita, for instance, compared to 7,000 KWH in developed countries. But the averages are illusory. For 80% of the Indian population living in rual areas, the average is more like 30 KWH per capita. Ditto for steel. The production is not only limited, but so costly that 90% of the population is unable to buy and use electricity or steel at all.

"The causes of our dismal performance," Sathe states bluntly, "primarily lie with the adoption of a wrong concept of socialism which equates an overemployed, top-heavy, inefficient and unaccountable public sector with socialism." To top it off, he adds, "We started treating it as a holy cow." Naturally, reverent local capitalists were not slow to grab the teat, with its regular, free flow of contract funds.

Sathe's salvo will undoubtedly spark a lively and useful debate, coming as it does in the midst of determined government moves to clean up the mess. Most important, Sathe has challenged the politicians to lead in this urgent nation-building drive—pointing out that there is no "monetarist" solution. Efficient production of basic infrastructural goods—cheap and in quantity—is the only basis for creating the new industries to expand employment and raise living standards.

The the fate of the Seventh Plan is crucially dependent on the public sector generating a surplus. In the latest measure to make this possible, the government announced a plan for capital-restructuring of the public-sector companies in which accumulated losses through March 31, 1986 are to be written off. No small matter. It is estimated here that the cumulative losses of just five of the heavy engineering units add up to about $700 million!

The idea is to free these units of past burdens to given them a chance to implement new productivity-oriented measures to improve their performance according to strict new criteria of profitability demanded by the government. All the units are being asked to prepare concrete plans, detailing their production programs for the next period and longer-term perspective. Depending on the viability of the unit, its management, and plan, further concessions such as interest and loan-repayment holidays will be granted.

Another major initiative is a policy now being debated in Parliament to control administered prices, for the prices of products produced in the public sector. Establishing new criteria for setting administered prices, linked strictly to capital and current costs of production, will eliminate a major (inflationary) racket by which public-sector managers paper over huge, chronic losses.

In other moves, the Department of Public Enterprises set a startling precedent recently when—for the first time—the head of a public sector unit, the heavy engineering firm Burn Standard, was suspended in connection with the squandering of public funds.

A measure of the government's determination to kick the sacred cow is the fact that it has refused to bow to a noisy, populist attack on its decision to enter a joint venture with U.S.-based non-resident Indians (NRI), a potent economic factor here these days, to provide management consultancy to the public-sector companies.

The proposal forwarded by a group of NRIs in early 1985, was accepted after a government study advised that there was a "widening gap" between the expertise available in India for project management, and recommended that such a joint venture could serve not only Indian companies, but be a base for offering such services to third countries. Opponents argue that it foreshadows a foreign takeover of the public sector, and an attack on India's self-reliance.