



WATER, ENVIRONMENT AND MANAGEMENT

Privatisation of engineering maintenance services

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1. INTRODUCTION

The maintenance services for engineering assets have been found deteriorating day by day turning in-efficient and costly due to major drawbacks with public sector who has been controlling them. If these services are privatised which has distinct advantages for achieving ultimate good and if Government shifts its role from agent to facilitator a remarkable improvement in service levels and reduction in cost for operation and maintenance of the public utilities is possible. Hence I believe that privatisation should be implemented by incremental method and introducing incentives to encourage private sector for participation and framing policies carefully to take care of inherent limitations of privatisation which work against socialism.

2. NECESSITY TO SHIFT TO PRIVATISATION

2.1 It has been found that the Government organisations, boards, corporations, local bodies who have been controlling services like water supply, electricity, roads & highways, collection of octroi & such revenues are patently haunted with inefficient civic staff, field managers who work under the work culture which applies to the bureaucracy of Government, breeding carelessness and lethargy amongst youths, vested interests & dubious methods used to dupe the civic authorities and absence of professional approach due to either lack of talents or placements of improper personnels for improper jobs - if not both - all influenced by politicians detrimental to interest of public service.

2.2 It is an established fact that in most of the States in India it has not been possible to recover the entire cost of operation & maintenance plus debt service from beneficiary population through direct water charges & the controlling public bodies have to run their water works on deficit basis (Ref: 1)

2.3 A study by advisory board on energy has assessed that fuel losses alone due to poor quality of roads account for nearly Rs.6000 crores per year while annual allocation of Rs.400 crores for 33689 km. highways is quite inadequate for proper maintenance. (Ref: 3).

2.4 The case study of electricity boards is indicative enough to establish that State Electricity Boards/Electricity Departments even after neutralising the effect of low tariff for agriculture sector have shown losses increasing every year while private sector has been registering incremental profits. It is a statutory requirement that they should generate the minimum surplus of 3% on its capital base. (Ref: 2).

2.5 One of the municipal councils has proposed privatisation of octroi collection with confidence to improve revenue by about 50% enabling them to meet demands for civic amenities by the public and justified the privatisation for doing away with inefficient staff and vested interests through massive refund rackets experienced by it (Ref:3)

2.6 One of the Hill States in India experienced 10% increase in tourist flow when privatisation has been attempted in tourism & power sector by it (Ref: 3)

2.7 It is but obvious from above observations and experiences that privatisation will pay dividends, improve service level and work towards up gradation of living standards of society and hence should be favoured for implementation by the administrators & planners responsible for growth of Nation & well being of masses.

3. ADVANTAGES OF PRIVATISATION.

3.1 Privatisation in its true sense means involvement of the market forces to ensure a high degree of competition leading to maximisation of efficiency.

3.2 The private enterprise is endowed with necessary freedom to formulate their own policies, implement them with their own managerial skills and import professionals, skilled labourers if necessary, resulting in an orchestrated co-ordination to achieve desired goals or results. They deploy the scarce resources economically ~~and encourage dedicated personnel with them~~ and encourage dedicated personnels with them and achieve the targets bringing down the cost-benefit ratio yet giving efficient service. In the Government or PSUs the policy makers, administrators, executives are all different & further subject to frequent changes wiping out the elements of consistency, co-ordination by orchestrated efforts coupled with in-efficient over staffing resulting in poor service at high cost.

3.3 The private enterprise shall attempt to exploit the skills of labour & talents employed by them and placement of right kind of people for right kind of job is possible with them. This obviously will give them profits & reputation for good service which are absolutely necessary for their survival through competition. These forces when skillfully applied to maintenance services supplemented by the Govt. by giving necessary incentives the results would be encouraging.

3.4 Private agency shall be able to formulate & implement successfully through skills of finance management the differential tariff structure for services by them to different classes of people/society. Public finance can be raised by concessions in tariff in return and all these can have automatic control through competition and relevant market forces in respective service sector.

4 LIMITATIONS OF PRIVATISATION.

4.1 Since survival of the fittest is base of privatisation, it is but obvious that due to market forces survival of poor class of society will be difficult while local incompetent private agencies shall not survive. Local employment opportunities will reduce giving rise to frustration among people who hope for Govt employment. The cumulative effect will be public unrest and law and order situation which a popular Government can ill-afford in a democratic set up.

4.2 Since cross subsidy is not available in private sector while certain services

demand for high investment coupled with motive of private sector to make profits the services may not be available at affordable rates or affordable levels-if not both. As larger section of masses, particularly rural believe that the Government is obliged to give them all amenities and services at subsidised rates-if not free, it will be very difficult for Govt. to convince the masses that they should pay for services through private agencies & that their rates are reasonable.

5 ROLE OF THE GOVERNMENT.

5.1 The Government is committed for social welfare and growth of Nation as well as upliftment of lower classes of society by providing them bare minimum needs for survival. As such privatisation of maintenance of engineering services should be carefully implemented circumventing the ills of it and to maximum advantage.

5.2 The Government of India is considering number of proposals to encourage private sector participation in highway projects and to do this National Highway Act 1956 is thought to be amended. In order to exempt companies engaged in construction of toll based highways projects & to attract large firms and business houses the MRTTP Act 1969 has been amended in September 1991. The Govt is also considering that the activities connected with construction, maintenance and development of roads may be treated as 'industrial concern' in the Industrial Development Bank of India Act 1964 and the Industrial Finance Corporation Act 1948 in order to facilitate loan from leading institutions to private/public sector (Ref:3) Very recently the cabinet has approved the housing policy which underlines the role of the State as facilitator in enhancing the housing stock instead of undertaking construction work (Ref:3)

5.3 All these steps by the Government are pointer towards its transformation from role of agent to role of facilitator. Such other schemes like tax exemptions, finance availability at subsidised interest rates should definitely allviate problems in privatisation and should be attempted by the Government. However, all steps to privatisation should be taken by incremental method with open mind to change as per experiences and response from public and not at one stroke.

6 HOW TO PRIVATISE

6.1 Privatisation of engineering maintenance services should be attempted in a gradual way with consistent policy and improvements should be introduced in light of experiences & public response in order to achieve ultimate goal in a time frame of say 10 to 15 years.

6.2 A control panel comprising of 50% members of private agency and Government each is to be drawn up. An undertaking for different kinds of services are to be formed under companies Act. Technical, financial, legal and managerial decisions in respect of engineering maintenance services should be controlled by the panel.

6.3 The engineering managers should be de controlled from bureaucratic and administrative controls and the control panel of just optimum size represented by concerned disciplines should have all kinds of powers for efficient management of engineering maintenance services.

6.4 At a point of time when establishment will reach optimum level some funds can be diverted for modernisation & automation of total system to improve service level and overall efficiency.

6.5 Funds to sustain privatisation can be raised by (1) Higher Taxation (2) Foreign Borrowings (3) From Indian Investing Public (4) Indian Private Sector Enterprises. However first two options are hard to implement in view of higher taxation already present and fear of equity participation from foreign investors who would like to control managerial aspects as well as shall have eye on higher profits which shall be frowned upon by Indian counterparts as well as Indian public. Indian investing public shall pour the funds if profits are ensured which can be done by the Govt. by proper management of cross subsidies available to the Govt and slow uptake for reduction of funding share when profit levels stabilise in a course of time. Indian private sector enterprises can bring funds as well as managerial skills and can be controlled & used to the benefit of objects of privatisation. However this sector will be willing to participate if it is not imposed with number of conditions and bureaucratic or administrative procedures on the pretext of controls by Government

6.6 Employment and retrenchment of personnels should be carefully planned with properly designed voluntary retirement schemes resulting in golden shake hand and attractive tax rebates in the event of capital gains from re-investments of such large sums earned by retiring employees for making him live comfortably. Wages salaries and benefits should invariably be linked with production and profits.

6.7 It is felt that a scheme can be drawn up on above lines with a time frame of about 10 years with good element of acceptability by masses apart from improvement in social life of people and hence should be attempted.

7 CONCLUSION

The situation demands that the Government should seriously think of privatisation of engineering maintenance services and use its governance power to introduce & implement policies complementary to private sector working for efficient & economic service levels and work as facilitator rather than agent. It should encourage private sector by framing suitable taxation policy, subsidised finance availability to participate in this vital sector of public service working towards dividends in cash kind and social upliftment of masses

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9. REFERENCES

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