

THE DEPUTY CHAIRMAN: That is why I have allowed.

SHRI GHULAM NABI AZAD: And see that is the reply.

THE DEPUTY CHAIRMAN: Now, we take up the Calling Attention.  
Mr. Dipankar Mukherjee.

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**CALLING ATTENTION TO MATTER OF URGENT PUBLIC IMPORTANCE**

**Issues arising out of decision of VSNL Board to invest Rs. 1200 crores in**

**Tata Tele Services Ltd.**

SHRI DIPANKAR MUKHERJEE (West Bengal): Madam, I beg to call the attention of the Minister of Communications and Information Technology on the issues arising out of the decision of the VSNL Board to invest Rs. 1200 crores in TATA Tele Services Ltd.

[The Vice-Chairman, Shri Suresh Pachouri, in the Chair.]

THE MINISTER OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRI PRAMOD MAHAJAN): Sir, the Government has disinvested 25 per cent Government equity in Videsh Sanchar Nigam Ltd. to a strategic partner, M/s. Panatone Finvest Limited through due disinvestment process. The Share Purchase Agreement (SPA) was signed on 6<sup>th</sup> February, 2002 and the Share Holder Agreement (SHA) was signed on 13<sup>th</sup> February 2002. The strategic partner paid the consideration on 13<sup>th</sup> February, 2002 and took over the management control of VSNL.

A notice for convening the 127<sup>th</sup> meeting of the Board of Directors of VSNL for 28<sup>th</sup> May, 2002 was received on 21<sup>st</sup> May, 2002. Agenda for the meeting included an agenda item B.11 "to consider inter-corporate investment up to Rs. 1200 crore in the equity of an Indian company holding Basic Service Operator (BSO) license." No details about the targeted company were given in the agenda item.

The Board meeting was attended by one of the two Government nominee Directors, namely Shri Rakesh Kumar, Sr. DDG (SU), Department of Telecommunications- Shri Y.S. Bhawe, Joint Secretary, Department of Information and Technology, the other Government nominee Director could not attend the meeting as he was on tour abroad.

The Government Director, Shri Rakesh Kumar, has informed that during the meeting, a presentation was made by Director (Operations) of VSNL, giving justification for the need for making such an inter-corporate investment without mentioning the targeted company. The Government

Director has further informed DoT that during the meeting, he made several observations and raised objections on the above matter.

Immediately after the Board meeting, VSNL informed the Stock Exchange that the Board of Directors of VSNL had approved the inter-corporate investment of up to Rs. 1200 crores in the equity share capital of Tata Tele Services Ltd. A committee of three Directors, viz. Shri Subodh Bhargava, Shri S.K.Gupta and Shri N. Srinath was constituted to undertake all such acts and deeds in relation to such inter-corporate investment.

On 29<sup>th</sup> May, 2002, the Government nominee Director through a letter addressed to VSNL disputed the fact that it was a unanimous decision as he had raised objections during the meeting. Further he did not give any positive consent to the proposal. He also raised certain other issues regarding late receipt of notice and incomplete agenda material.

However, VSNL through a letter of 30<sup>th</sup> May, 2002, refuted the above position mentioned by the Government nominee Director. The Government nominee Director in rebuttal reiterated his stated position through his letter dated 31<sup>st</sup> May, 2002 that the decision was not unanimous.

On 31<sup>st</sup> May, 2002, the Department of Telecom, wrote to VSNL that without prejudice to the stand of the Government Director and notwithstanding what transpired and happened so far, the scope and the terms of reference of the Committee appointed by VSNL Board may be again set out and redefined to include full analysis and consideration of the desirability of such an investment by VSNL in Tata Tele Services Limited and, thereafter, the matter may be taken to the Board for a final decision. It was also suggested that one of the Government Directors may be made a member of the said Committee.

After further exchange of correspondence, VSNL accepted the suggestions of the Department of Telecom and on the issue of the investment in Tata Tele Services Ltd., VSNL Board has constituted a Committee in consultation with the Government, which includes a Government nominee Director, Shri Y.S. Bhavé, together with Shri Subodh Bhargava, Shri S. K. Gupta and Shri N. Srinath. The scope and terms of reference of the Committee are as follows:

- a) to study and decide the quantum and the valuation/price at which the investment will be made by VSNL in TTSL at various points of time;

- b) to decide the trenches and periodicity of investment in TTSL;
- c) to negotiate, finalise and execute shareholders' agreements and other contractual arrangements with TTSL to best protect the interests of VSNL in respect of the investment;
- d) to determine conditions of draw down of the investment to TTSL linked to defined milestones to be achieved by TTSL;
- e) to play a constructive role in the manner in which TTSL utilizes and applies the investment;
- f) to identify and quantify any additional investment opportunities which are more attractive and submit the same to the Board for its consideration;
- g) such other functions may be delegated to it by the Board from time to time.

The Committee is expected to submit its report by 15<sup>th</sup> August, 2002.

The first meeting of the Committee was held on 29<sup>th</sup> July. The next meeting will be on 8<sup>m</sup> August, 2002.

Further, the Department of Telecom (DoT) has been informed by the Government Director that during the 128<sup>th</sup> Board Meeting of VSNL held on 29<sup>th</sup> July, 2002, the VSNL Board has agreed to take on record various letters from Government Director (dated May 29, May 31 and July 25, 2002) indicating his objections/observations and reservations on the proposal of VSNL for inter-corporate investment up to the level of Rs. 1200 crores in the equity of an Indian company holding BSO licence.

Through active participation by the nominated Government Director in the Committee and both the Government Directors on the Board, Government will make all efforts to protect its 26 per cent equity interest in the Company.

SHRI DIPANKAR MUKHERJEE: Sir, I refer to the last paragraph of the Minister's statement, wherein it is stated, "Through active participation by the nominated Government Director in the Committee and both the Government Directors on the Board, Government will make all efforts to protect its 26% equity interest in the Company." I am afraid, Sir, when I call the attention of the Minister, it is not only for protecting the interests of the 26 per cent equity left, but the issue is much bigger. I would also like to

point out to the House that as he is well aware-he is the Parliamentary Affairs Minister also-whether it is one per cent or 100 per cent of equity, the President of India holds the share and for this whole thing, the controlling authority is the Minister of Communications. So, whatever has happened in between regarding the dilution of equity, it is the Minister of Communications who is actually accountable to Parliament and through him, all of us, Parliament itself, are accountable to the shareholders of this company, that is, the people of this country. It is not only a question of protection of the 26 per cent of rights.

Before I start, I just wanted to know for my information. After whatever action has been taken in hindsight by the Government, where does it stand? The VSNL informed the Stock Exchange that the VSNL had approved this inter-corporate investment of Rs. 1200 crores. Have they got back this information? What is the status so far as the decision of the Board is concerned?

Sir, I think this, a document from the Department of Disinvestment, is circulated to all the Members of Parliament. I treat the Government as an indivisible entity. I do not know whether the present Government thinks so or not. I doubt it. I will come to that afterwards. Now, in this Disinvestment Policy and Procedure, which is circulated by the Ministry of Disinvestment among all the Members of Parliament, it is very clearly indicated that the shareholders' agreement is entered into among the President of India, acting through the Joint Secretary of the Administrative Ministry, the company, the strategic partner and the other principals as applicable. So, on paper, it is the Ministry of Communications. The Joint Secretary of the Ministry of Communications has signed the shareholders' agreement. What is the shareholders' agreement? I quote from this Policy and Procedure of Disinvestment Ministry. "It defines the rights and obligations of the party. Concerns of the Government on protection of employees' right, future investment business plans and the precautions against assets stripping are generally reflected in it."

My question is, as an Administrative Ministry, who has signed the shareholders agreement, with what clauses would the Minister come to the House? Which clauses have protected the future investment plans and what are the precautions against assets stripping? What were the clauses governing the future investment and business plans? How was it that there was no safeguard within the shareholders agreement after the whole thing has happened? I am treating this as a sample case. But, the whole dubious

process of disinvestment which has been done in this country for disposal of public assets. Now, here is a sample case. After the diversion of Rs. 1200 crores, the Government has become alert and taken certain action. But, what about the shareholders' agreement ? Is there no such inherent inbuilt protection to see that the interests of the shareholders are protected? Is there no such safeguard to see that the interests of the people, whose assets are there, have been protected? How is it that the shareholders' agreement has not taken into consideration the safeguards which the Government intends to take, that is, the formation of a Sub-Committee in the Board? So far as the future investment plans are concerned, what are the protections against the assets stripping ? What was the precaution against the assets stripping? I have a quotation wherein, the Minister has said something, and I agree with him. Is it not a clear case of assets stripping? This is the fundamental question. What is the real cost according to the Administrative Ministry so far as selling of the VSNL is concerned? What is the real cost involved? As a layman, I can say that it is Rs. 1436 crores. I do not want to go into the technicalities. For technicalities part, someone else will have to see the company law experts. So, the amount involved is Rs. 1436 crores, plus the controlling share of the company. A decision was taken about Rs. 1200 crores. It is being reviewed, I can say. It is not a real advice. So, the amount involved is Rs. 1436 crores, 25 per cent share, plus the management control of such a company, which is having a profit of, probably, more than Rs. 2,000 crores. So, Rs. 1200 crores has gone. What is the actual cost? Supposing, the Sub-Committee comes to the decision of Rs. 1200 crores, can we disinvest it? What is the exact cost? What was the property? Has the property, which has been there, been assessed? The Minister may be knowing better because some of the major properties are located in Mumbai. I would like to know whether the property itself cost more than Rs. 1200 to Rs. 1300 crores. What was the cash which was handed over to this company? Out of Rs. 4,700 crores, Rs. 4,000 crores were withdrawn. How much cash was given alongwith this company? Is it an international practice? Well, I am not aware of this practice. Dr. Manmohan Singh is not here. Had he been here, he would have given us some idea about it. Internationally, when you do this acquisition or merger, is it with the cash surplus that the company is being given for a management control and you are leaving the strategic management? What is the policy? You may say it is the Minister of Disinvestment or the Government as a whole. What is the policy of disinvestment? What is the objective of disinvestment? The major objective

1.00 p.m.

of disinvestment is to see that the Government gets the money because the Government cannot give resource, technology and management. It is for the input. It was not for the output purposes. What is the purpose if the Government reserves the peoples' money, which is there, which has been collected through years, and these reserves are handed over to them, i say that it is a sample case. Sir, in the case of BALCO, Rs. 400 crores reserves were there. I do not know what has happened to that. I do not know what happened to the assets of Modern Food. If this is a sample case, has the Government done the same thing? So, what protection is there for assets stripping? What is being done with these assets which have already been handed over? The Ministry has to give a clear-cut reply as to how they have checked up the assets stripping. What is the real cost? Sir, I am sure, the Minister will clarify what exactly is the commercial property which has gone as a reserve surplus, and what precautionary measures are being taken right now? If there is no protection in that clause of the shareholders agreement, then such assets stripping would not be carried out for other assets also, apart from the cash. Who will know about it? After one year, everyone will forget. The company is no longer under the Parliamentary control, and we will not know about it. If assets are being stripped, what precautions are there? Who will know the position? After one year, everyone will forget about it. The company is no longer under the control of Parliament. We won't be knowing as to which assets have been stripped. What precautions are there? Sir, so far as the company is concerned, the decision has been taken. Does the Minister still feel that this is not a case of asset stripping? I want to know whether any due diligence is being done of the company where this money is being invested; if that is not being done, why is it not being treated as an asset-stripping case; and why is it not being treated as a case where *mala fide* intentions are involved? I put this question because there is no due diligence! How has the figure of RS. 1200 crores been arrived at? He had said all this at the Press conference. He may tell us whether it is correct or wrong, but this is the best description of what he had said.

Madam, I quote what the Minister had said at the Press conference-it is from the *Hindustan Times*, dated 1<sup>st</sup> June:

"We did not sell the company for stripping of cash to prop up a loss-making sister firm whose business prospects and profitability are not known."

Forget about the due diligence. Will the Minister explain on what basis the company was not being sold? He should come to Parliament and tell us--I know he is not answerable to the Parliament, he is answerable to the Government shareholders, i.e. the people of India--whether he has this information; and whether he will substantiate the facts here that the company in which the money is being invested is a sister firm, a loss-making firm, whose business prospects and profitability are not known. What type of company is this? He has the information. He has said all this at the Press conference. Let him tell the facts. I would like to have the replies only from him.

Sir, I want to make a final point. Forget about the shareholders' agreement. Forget about everything. Forget about the disinvestment objective. Has the disinvestment policy or the disinvestment process or this dubious process changed the working of the Cabinet system? These are fundamental questions. Sir, I want to put three or four queries, and I would like the Chair, if necessary, to give a direction. Does the Cabinet system of governance still hold good? His Ministry, the Ministry of Communications, is the administrative Ministry for this company; he is accountable to the Parliament and, through the Parliament, to the Ministry, for the 26 per cent equity; whatever the Government holds. He holds a Press-conference on 31<sup>st</sup> May, saying what I have just quoted above. On 4<sup>th</sup> June, another Cabinet Minister, the Minister of Disinvestment, holds a Press conference. There is nothing personal. He holds a Press conference and says, "VSNL disinvestment totally transparent." I am not talking about the allocation of business. He had also said—I am quoting from the *Hindu*:

"But he was more than forthcoming in saying that the shareholders' agreement in the case of VSNL disinvestment exercise was 'tight enough' not to warrant any renewal. He justified the position that the investment decisions of the new VSNL management were governed by the relevant provisions of the Companies Act. That led to the board of management to take all such decisions."

"As far as the disinvestment process is concerned, we are satisfied, and through the controversy we have been fortified."

"Through the disinvestment decision we have been fortified." Who has been fortified--the Disinvestment Minister, the Cabinet, the Government of India or the Minister of Communications? What exactly is happening? Who is fortified? How that Press conference was held--on this company-- by someone else who is not accountable to Parliament for that? I would like to know from the hon. Minister--he may say that he is not answerable because the Minister of Disinvestment had said that--whether the Press conference was authorised by the Government at any level, at his level or at the Prime Minister's level, that on the issue of VSNL disinvestments, it was he who would be speaking at the Press conference. Was it an authorised Press conference? Did Shri Pramod Mahajan authorise the Disinvestment Minister to speak? If he was not authorised, in what capacity did he talk about a post-disinvestment company? It is still under the administrative control of Shri Pramod Mahajan.

The last and the major point is: Whose property is this? At the same Press conference, the Disinvestment Minister said that he was addressing the Press after receiving clearance from the Union Home Minister,--Shri L.K. Advani was not the Deputy Prime Minister then--Shri L.K. Advani, and the BJP President, Jana Krishnamurthy. I see some Press reports where the Minister of Communications says, "It is my company". Why does he say "it is my company"? He is factually correct, to some extent. It is his company. But it is not only his company, it is also our company because we are supposed to be the custodians of the company. It is a public company. It is a company of all. If you have said so, you say so.

SHRI PRAMOD MAHAJAN: When I say, "It is my company", it is like an advocate saying "my company". I don't own this particular company. It is a company of the people of this country.

SHRI DIPANKAR MUKHERJEE: Absolutely. It is our company. It is your company; it is my company; it is his company; it is a company of all.

THE VICE-CHAIRMAN (SHRI SURESH PACHOURI): You please come to the point.

SHRI DIPANKAR MUKHERJEE: It is a company where we are all shareholders. It is not a property of the BJP or the Sangh Parivar? What does he mean by "he is authorised"? Either he should say that this was authorised--he had authorised the Disinvestment Minister to hold this Press conference--or he should say that this was not authorised. If this was



authorised by the party, the VSNL and all other public sector institutions would become the property of the Sangh Parivar, and they would decide who should hold the Press conference. I want a specific answer.

The last point is this. Please give an assurance to the House. I am apprehensive about one thing. I may not get a very large Press coverage. But I am apprehensive. Here is a Government where some of the Cabinet Ministers have dual capacity. They are both Cabinet Ministers and journalists. They can publish anything. I want an assurance from the Minister. I refer to an article by the Disinvestment Minister in *The Indian Express* dated 7<sup>th</sup> July, 2002.

THE VICE-CHAIRMAN (SHRI SURESH PACHOURI): You please put the questions.

SHRI DIPANKAR MUKHERJEE: The headline reads, "ITDC: Dirty Linen, Right Royal Stink". ITDC is another Government company. Will you please assure us that tomorrow or the day-after-tomorrow, or after 5 or 6 days, there will not be such an article from another Cabinet Minister saying "VSNL stinks". I say, this Government stinks, if this is the way in which the system of governance is being carried out. This Government stinks, if one Minister talks about some other Ministry, which is under the administrative control of another Minister. Today, it is ITDC. Tomorrow, it could be VSNL. I want an assurance from the Minister that whatever we discuss here, whatever you say here or whatever we say here, will not be part of a publication where it will be stated "VSNL stinks" or "the MPs stink". I want an assurance that such confidential information will not be passed on, in this fashion, to the Press by the Government. Thank you.

SHRI PRITHVIRAJ CHAVAN (Maharashtra): Sir, we have got this statement from the Minister. What he has stated in his reply to this Calling Attention Motion on a very important subject is very disappointing. First of all, I would like to focus my attention on three basic issues. The first issue is the valuation of this company where VSNL is investing Rs. 1,200 crores. The second issue is the justification for selecting this company, and the more basic issue, which has been raised by my colleague, is about the different in the Government about the disinvestment process itself, whether the valuation of VSNL was right. The third issue is about the role of the Government-nominated Directors in the meeting of the Board that was held on 20<sup>th</sup> May.

Sir, first, I come to the third point, the role of nominee Directors. I have a clipping here which mentions about an interview by the Communications Minister. The headline says, "TATAs committed breach of trust: Mahajan". It was a headline in the Hindustan Times of 1<sup>st</sup> June. I am not referring to what Shri Mahajan had said because that has already been referred to by my colleague. I am referring to a box-item. The box item quotes one of the nominee Director, Shri Bhawe, as saying that the agenda of the meeting came late. He says, "It came only one day before the meeting". This statement is at variance with what the Minister has said. The report in the *Hindustan Times* says, "The nominee Director, Shri Bhawe, had informed the VSNL on 17<sup>th</sup> May itself that he would not be able to attend the Board meeting". In your statement you say, "The Agenda and the notice of the meeting were received on 21<sup>st</sup> May". There are some variations in facts. I do not know who is telling the correct position.

It is very strange that the agenda which was received on 21<sup>st</sup> May talked of investment in an Indian company holding a Basic Service Operator license. The statement says, "No details about the targeted company were given in the agenda item". That means on 21<sup>st</sup> May you did not know which company it was; just a company having a Basic Service Operator license. Interestingly, the Minister further says, "During the Board meeting, a presentation was made by one Director (Operations) for giving justification for making such an inter-corporate investment - in this meeting even the name of the company was withheld from the Board - without informing or without mentioning the targeted company." Does it not appear very strange that Rs. 1200 crores have been invested in a corporate which is just holding a Basic Service Operator license and the name of the corporate has been withheld from the Board? The nominee Director does not object to it. There are problems. Everybody realised that there were problems. When did you realise? The statement says that - we can infer from that --when the VSNL Board informed it to SEBI, only then the Government came to know the name of the company. What sort of corporate governance are you talking about? There are also reports that the Minister is very unhappy with the role of the nominee Directors and that they would be sacked. What is their role, I do not know. One nominee Director is now in the Sub-Committee which is going into the whole issue of investment.

I now come to the Terms of Reference. If you go through the Terms of Reference, it seems that the decision to invest in the Tata Teleservices Ltd. had already been taken. All they are deciding now is,

what is the valuation; what is the periodicity when the money should be given; how to execute the shareholder license; what are the milestones and how does the TTSL utilise the money. You had already decided that let the VSNL invest in the TTSL which the Minister himself had said, was a loss-making company. We have a basic problem. Is that the right decision?

I now come to the valuation part because valuation is one of the Terms of Reference and the report of the Sub-Committee would be available on the 15<sup>th</sup> August. You have not given us the balancesheet of the TTSL. I could locate the balancesheet of the TTSL. The balancesheet for 2000-01 is available with me. We do not have the balance sheet for 2001-02. Please inform the House about the status of the TTSL as on 31<sup>st</sup> March, 2002. What is the status of TTSL as on 31<sup>st</sup> March 2001? The total income is Rs. 86 crores and the net loss for the year is Rs. 147 crores. The company has equity of Rs. 510 crores and the accumulated loss is Rs. 347 crores which makes the net worth Rs. 163 crores. To a company which has a net worth of just Rs. 163 crores -- 25 per cent of that comes to Rs. 40 crores -- you have agreed to pay Rs. 1200 crore. Of course, I do not have the March, 2002 figures. These are the figures up to March 2001. From the statement it appears that you do not have any objection to investing in the TTSL, a loss-making company, as you yourself have said. As on 31<sup>st</sup> March, 2001, their total loan is Rs. 490 crores. Now the debt-equity ratio works out to 3:0 per cent This money is going to be utilised for improving the debt-equity ratio of this company. How is the valuation arrived at? After your decision, that is, after the decision of VSNL to invest in Tata Teleservices Limited, the Tata Teleservices decided to buy another basic service operator in Mumbai, that is, a company by name Hughes Telecom. Hughes Telecom has an operating licence for Mumbai; it has a very lucrative market. This company's share, which is a listed company, was quoted at Rs.6.20, and the Tata Teleservices agreed to take over Hughes Telecom at the rate of Rs.6.50 per share; and, you buy Tata Teleservices at Rs. 10 or Rs. 11 per share! An argument has been given that the Tata Teleservices Ltd. will make VSNL an integrated company, that they will own some fixed line of assets. Sir, Tata Teleservices Ltd. has only Rs.1-11/2 lakhs worth of assets in Andhra Pradesh; nothing more. But if you compare it with Bharathi, what is the valuation? The implied valuation of Tata Teleservices Ltd., a loss-making company, works out to Rs.4, 800 crore; I gave the figures of performance. You have valued it equal to VSNL itself, because VSNL's valuation is about Rs.5, 000 crores, and you have put your own valuation at Rs. 1,369 crores; 25 per cent share was given. Tata

Teleservices Ltd.'s valuation is equal to that of VSNL. And, the Tata Teleservices' valuation is also equal to that of Bharati Telecom, which has more than 1 million lines. This is the valuation. Whichever way you look at it, it is a highway robbery. I do know; something is happening here. Meryll Lynch, one of the famous investment companies, has said that VSNL's investment in Tata Teleservices Ltd. is premium-based. The implied valuation is same as that of Bharathi, which is a much bigger company. Sir, the valuation agreed to by the Board is ridiculously high, and the officials of the DOT said, -- this has appeared in the newspapers -- that they feared that Rs. 1200 crores could be diverted to a Special Purpose Vehicle. We did not know what that Special Purpose Vehicle was; but, today, you have told us that that Special Purpose Vehicle is a company called Panatone, which has been agreed to by VSNL. This Special Purpose Vehicle was created with money from Tata Sons, Tata Power, TISCO and others. A lot of loans were taken. Now these loans are sought to be repaid by this devious route; Rs. 1200 crores are to be given to Tata's sister companies. Now, what happens to the equity? How is it going to be paid? Is this money going to be used to pay back the loans that you have taken to acquire VSNL, in the first place? What sort of circuitous operation is going on? Further, there is also an issue about evaluation of VSNL itself, even though the Information Technology Minister would say, "This is not my problem; this is the problem of the Disinvestment Minister." But what are we doing? The VSNL's balancesheet as of 31<sup>st</sup> March, 2001, tells us that they had a free reserve of Rs. 6,300 crores. You took some dividends and took some assets away. Still, on the day when you decided to disinvest, there were at least Rs. 1,500 crores worth of free reserves; or, at least, Rs. 1,200 crores worth of free reserves were there, and you did not think of taking this away. Why? The Disinvestment Secretary, Mr. Baijal, says that there are over Rs. 2,200 crores worth of assets, which you have purposely left to VSNL, undervalued the properties and assets because of its size. Suddenly, you do not mind investing Rs. 1,200 crores of VSNL; now, the size does not matter! In the valuation of VSNL, the reserve price was kept at Rs. 1,218 crores. When the free reserves could have been taken away by the new owner easily, as they have done now, the free reserves of Rs. 1,500 crores was left in the company, and the minimum reserve price was fixed at Rs. 1,218 crores. Very strange! Now, they have also taken in Immersat. I do not know how much you will recover. Also, there is a surplus land of 733 acres with the VSNL. What are you going to do with that? Separate companies are sought to be formed. Permissions are being taken. Why

was this separate company not formed before disinvestment? This is all very, very opaque, not transparent at all. Sir, before I put my queries to the hon. Minister, I just ask the Minister: What is the way you are running the PSUs? Now, take MTNL, a PSU under the Ministry of Communications. You have arm-twisted MTNL to invest Rs.250 crores in the Maharashtra Irrigation Corporation. You have arm-twisted them to invest Rs. 100 crores in ITI. Is that the best possible investment of the surplus money that is lying with the MTNL? Of course, we are not dealing with MTNL. So, let us take VSNL. You are now justifying that VSNL needs to have its own subscriber base, with fixed line operators, and, therefore, you say, you are promoting its integration into various services. But, Sir, I would like to point out to the hon. Minister that when the VSNL, before disinvestment, approached the Minister asking for permission for diversification, getting into basic services, applying for the fourth cellular licence, he refused; he did not allow them. He did not allow them the fourth cellular licence, but, you are justifying that they need to have some basic services because, without that, they cannot run.

Talking about decision-making in the Ministry of Communications, VSNL and MTNL were not allowed to bid for international long distance and national long distance. You are now talking about diversifying and integrating. But you yourself are not permitting your own companies to diversify and integrate. Also, VSNL are not allowed to change their long distance career for the next two years. They will not be allowed to take advantage of the competition. I charge this Government that it is purposely framing policies, which are undervaluing the public sector, which are making the public sector units lose their value, so that they can be picked up at low costs. My specific question is this. Will the Government force the VSNL management to reverse its decision to invest Rs. 1200 crores in TTSL? Secondly, will the Government redefine the role, responsibility and accountability of Government nominee-directors? What are you going to do about the directors who were present at the meeting on the 25<sup>th</sup>? Will the Government consider changes in the Companies Act to make it compulsory to ratify inter-corporate investment in inter-connected companies, the decision to be ratified by a special resolution of the shareholders? Will the VSNL, with 43 millions subscribers, be allowed to enter the national longdistance area, if you really want to integrate and make it bigger? Will the VSNL be permitted to tie up with BSNL and MTNL rather than going to private companies?

SHRI PRAMOD MAHAJAN: Can you repeat the last one, please?

SHRI PRITHVIRAJ CHAVAN: Will the VSNL be allowed to tie up with BSNL and MTNL so that there is synergy between the Government companies? Sir, I wish that the Sub-Committee they have appointed looked into the basic issue of investing VSNL's money in Tata Tele Services Ltd., a sister company which, we all know, is a loss-making company. We are afraid that there is some kind of a circuitous mechanism where the money that the new owners of VSNL invested, borrowed by VSNL is being channeled back so that the entire investment, the entire deal, is totally free. This is a very serious matter. I also request the Minister to table a white paper on this whole matter, giving the balancesheets of VSNL and Tata Tele Services Ltd., and informing us whether other options were considered or not. How is it that in the Board meeting, the name of the company was not even mentioned? All these matters should be brought before the Parliament, in the form of a white paper.

SHRI R. S. GAVAI (Maharashtra); Sir, I have got limited questions. The statement made by the hon. Minister indicates that the Government has disinvested 25% of Government equity in Videsh Sanchar Nigam Ltd. to a Strategic Partner, M/s Panatone Finvest Limited. This appears in the first paragraph of the statement. In the last paragraph of the statement, the Minister says, "Through active participation by the nominated Government Director in the Committee and both the Government Directors on the Board, Government will make all efforts to protect its 26 per cent equity interest in the Company." By reading the first and the last paragraphs of the statement of the Minister, one can come to the conclusion that the Government remained deeply divided on this very issue. Sir, as per Press reports, unfortunately, the two Cabinet Ministers, namely, Mr. Pramod Mahajan and Mr. Arun Shourie, are supposed to be divided on this issue.

SHRI SWARAJ KAUSHAL (Haryana): The House is not divided.

SHRI R.S. GAVAI: This thing has been reflected in the statement also. Shri Arun Shourie had categorically said that whatever he did was ethical and moral, and it was transparent. In the same fashion, Shri Pramod Mahajan also said -- of course, I don't take his version literally — but, in protecting the interests of VSNL - that he will see to it that the share is reached up to 26 per cent. It is not yet finalised. I want to know from the hon. Minister what is the current position of the agreement, whether it is 25 per cent or 26 per cent. If at all there is any controversy, why is it there?

Both the Ministers are very good friends; so, there should not be any controversy between them. If you are hopeful of 26 per cent, then what is the modus operandi for that? This is my first question.

Sir, my second question is that. The National Herald of 25<sup>th</sup> June mentions about 'good economics', I quote, "It is good economics, of course, for the Tatas to pay Rs. 1,145 crore to gain control over Videsh Sanchar Nigam Limited (VSNL) and, then, withdraw Rs. 1,200 crore from its reserves to invest in their group company, Tata Teleservices (TTL). But, how is that good economics, from the Government's point of view?" In my view, it is not good economics for the Government. It is good economics only for the Tatas. I want to repeat the query raised by Shri Chavan. The National Herald further says, "The Ministry failed to notice that VSNL had bank balances of over Rs. 1,200 crore, which the buyers could fully utilise unless the agreement between the Government and the Tatas had some provisions to block that. And if they did not want to block that, why didn't it strike them to..." The hon. Minister is very, very keen to safeguard the interests of the VSNL, while the Minister of Disinvestment is rather indifferent to him. So, these are the two clarifications which I want to seek from the hon. Minister.

**श्री राजीव शुक्ल** (उत्तर प्रदेश): उपसभाध्यक्ष जी, वी.एस. एन.एल और टाटा को लेकर जो ध्यानाकर्षण प्रस्ताव है, यह एक बहुत गंभीर विषय है और मुझे लगाता है कि विनिवेश की, डिसइन्वेस्टमेंट की जो प्रक्रिया है यह उसके मूल सिद्धांत पर एक चोट है। यह एक खूली लूट का प्रयास है। हालांकि मैं मंत्री जी को इस बात के कलए बधाई दूंगा कि उन्होंने इसके बोर्ड में जो सरकारी प्रतिनिधि थे, उनके जरिए इसे रूकवाया और एक कमेटी बनवाई। उस कमेटी की रिपोर्ट पंद्रह अगस्त तक आने वाली है। इसके बाद उन्हें कुछ भी करने की छूट होगी। लेकिन मुझे लगाता है कि उस कमेटी का जो मंडेट है, एजेंडा है वह यह है कि पैसा देने की प्रक्रिया क्या हों? उन्हे पैसा कैसे दिया जाए। लेकिन मूल प्रश्न यह है कि क्या उन्हे पैसा लेने की, टाटा टेली सर्विसेज में छूट होनी चाहिए या नहीं होनी चाहिए? क्योंकि सबसे बड़ी बात यह है कि टाटा टेली सर्विसेज की न तो कोई परफॉर्मन्स है और न ही उसकी कोई वैल्यूएशन है। वह कंपनी घाटे में है। देखने वाली बात यह है कि उस कंपनी को पैसा देना कितना उचित होगा। उनकी जो पिछली बैलेंस शीट है उसमें करीब सैतालीस से पचास करोड़ रुपये का घाटा है। उस घाटे वाली कंपनी को, डिसइन्वेस्टमेंट का जो पैसा है, जो पैसा वी.एस.एन.एल. के पास है उन्हे देना उचित होगा, यह देखने वाली बात है। इसमें जो काम है, मुख्यतः वी.एस.एन.एल. बाहर से काल लेकर नेशनल लॉन्ग डिस्टेंस की जरूरत उन्हें पड़ेगी। मान्यवर इसके लिए सरकार ने पहले से ही उन्हें पांच सौ करोड़ रुपये की छूट दे रखी है। सौ करोड़ की लाइसेंस फीस पहले से ही माफ की जा चुकी है और उन्हें चार सौ करोड़ रुपये की बैंक गारंटी भी नहीं देना पड़ी है। पांच सौ करोड़ रुपये का फायदा ये पहले ही ले चुके हैं। इसके बावजूद भी अगर इन्हे बारह सौ करोड़ रुपये इनकी दूसरी कंपनियों के लिए दिए जाएंगे तो आप देखिए कि सरकार इसे किस तरह से जस्टिफाई करेगी। किस तरह से डिफेंस किया जा सकता

है। मुझे लगाता है कि यह एक बड़ा मुश्किल काम है। ये कहते हैं कि इन्हें बेसिक सर्विस लिए इसकी जरूरत है। इनका बेसिक सर्विसेज का काम पहले से था, वी.एस.एन.एल. उन्होंने तब लिया था। उसके लिए जो फाइनेंस हैं वे उन्होंने पहले से टैप कर रखे थे और इससे उसका कोई लेना-देना नहीं है। सरकार की जो मूल धारणा है, डिसइन्वेस्टमेंट की, वी.एस.एन.एल. में उसमें उनकी दूसरी कंपनियों को मदद पहुंचाने का कोई मतलब नहीं होना चाहिए। इसे किसी तरह से देने का कोई अर्थ नहीं है। दूसरी चीज यह है कि यह एक बड़ी प्रतियोगिता है, कंपीटीशन का धंधा है इसलिए उन्हें अपना बेसिक इन्फ्रास्ट्रक्चर पहले से ही क्रिएट करना चाहिए था। जो पैसा इन्हें मिला था, वी.एस.एन.एल. के लिए उन्हें फाइबर बिछाना चाहिए था, ऑप्टिकल फाइबर लगाना चाहिए था लेकिन इन्होंने उसका कोई इंतजाम नहीं किया। मान्यवर, मैं आपको आंकड़े दे रहा हूँ कि ये चौबीस रुपये कंज्यूमर से लेंगे। इसमें एम.टी.एन.एल. को सिर्फ तीन रुपये देने का तैयार हैं इक्कीस रुपये खुद रखना चाहते हैं जो डाटा एक्सेस है उसमें छह रुपये में कॉल पड़ रही है लेकिन वही कॉल इन्हें इक्कीस या चौबीस रुपये में पड़ रही है क्योंकि इनके पास अपना कोई इन्फ्रास्ट्रक्चर नहीं है, अपनी कोई तैयारी नहीं है। इन्हें जो पैसा दूसरी कंपनियों में ले जाकर खर्च करना चाहते हैं। जिस तरह की डीटेल्स है, एक तरह से यदि सरकारी प्रतिनिधि आपत्ती नहीं करता तो यह सब कुछ हो चुका था। स्टॉक एक्स्चेंज को भी खबर कर दी गई थी। एक प्रकार से यह चोरी छिपे, छुपकर पैसा लेने की तरकीब थी। मुझे लगाता है कि यह बहुत खतरनाक और गंभीर मसला है। उसके बाद परसों ही सारी बातें रिकार्ड में आई हैं कि किस तरह से जिन कंपनियों का डिसइन्वेस्टमेंट हो रहा है, वी.एस.एन.एल. प्रोफिट मैकिंग कंपनी थी इसलिए यही आइडिया था कि यह और प्रोफिट कमाएगी लेकिन फर्स्ट क्वार्टर की जो रिपोर्ट आई है उसमें 29 परसेंट का घाटा है। इसका मैनेजमेंट किस तरह से सुधर रहा है, किस तरह से नहीं सुधर रहा है, उससे मुझे लगाता है कि यह एक बड़ा प्रश्नचिन्ह खड़ा हो गया है। डिसइन्वेस्टमेंट मिनिस्टर यहां नहीं है, डिसइन्वेस्टमेंट में एक बात और जोड़ना चाहूंगा यदि किसी ने यह कंपनी ने यह कंपनी ली, मैंने उनसे पूछा कि आपको जब पैसे की तंगी थी तो आपने यह कंपनी क्यों ली? उन्होंने कहा कि हमें मद्रास में पांच सौ करोड़ रुपये की जमीन पचपन करोड़ में मिल गई। जो प्रोपर्टी वैल्यूएशन है एसेस्ट्रस बैल्यूएशन उन्हें भी ध्यान में रखना चाहिए कि जो कंपनी ट्रांसफर होती है, उसके साथ-साथ जो प्रोपर्टी जाती है, उसकी क्या कीमत है? थैंक यू।

SHRI P. FRABHAKAR REDDY (Andhra Pradesh): Mr. . Vice-Chairman, Sir, I thank you for giving me this opportunity to speak and express my views on a very important issue like this. Today in this House we are discussing the issue of the VSNL's decision to invest in Tata Tele Services. Sir, before we go into the question whether it is a legal or moral or ethical decision or whether it is a profitable decision for the company or its shareholders, I would like to go into the background of the disinvestment policy of the Government. Sir, I am slightly striking a different note from the speakers who spoke before me. They have all criticised the decision of the Tatas and VSNL to invest in the Tata Tele Services. Sir, the Government of India, for some time now, is very actively pursuing the policy of



Disinvestment. According to me, the chief reason for disinvestment is that the Government feels that its valuable assets are blocked and they are not yielding sufficient dividends and most of the PSUs are not being run efficiently. Sir, of course, the most important reason is that the Government wants to bridge the gap and reduce the fiscal deficit. Sir, with these objectives, the Government has taken up disinvestment. Therefore, my submission is that this discussion on this subject should proceed keeping this background in mind. Sir, in this process of disinvestment, the VSNL was also disinvested and they found a strategic investor in Tatas. The Tatas acquired 49 per cent of the shares and the Government has retained 26 per cent of shares. Sir, in my opinion, why the Government has retained these 25 per cent shares is that if they put every thing on sale, they feared that proper investors might not come forward and the other reason or presumption is that if it goes into private hands or private companies, they can perform better, they can get proper valuation and at a later date if the value of shares goes up, the Government can disinvest. Normally, that is the presumption. I may be right or I may be wrong. It is very difficult to understand how the Government can think of disinvestment and at the same time have control over the company. Sir, it is like having the cake and eating it too. Sir, after it has divested its shares, all strategic decisions have to be left to Board of the new company. Sir, if this is not done, it will fatally affect the disinvestment policy of the Government. If the Government wants to play an active role even after disinvestment, any investor would shudder to come forward. Sir, I have reasons and I am expressing my opinion. Sir, having expressed my views on this, I should also say something about this investment decision. Sir, the Tatas' decision to integrate the VSNL with other Tata company is not something new. Sir, immediately after signing the agreement, the Tatas had announced that within a few weeks a decision would be taken to integrate. They have given a statement to that effect. Sir, I feel that the integration and diversification plan of the company is a right decision. Sir, the VSNL's monopoly in international long distances has ended. Sir, it does not have access of its own to the domestic subscribers. Sir, 90 per cent of its calls are being routed through the MTNL and the VSNL. Sir, both these companies, after the monopoly of the VSNL has ended, are trying to enter the ILD service. In that case, is it not logical for the VSNL to set up some company which is having a domestic base? This is the question. Sir, it is not now, but even before the VSNL was divested. The former Chairman had requested the Government that VSNL be permitted to enter domestic service and cellular

phones. But that was rejected on the ground that 'already the VSNL, the MTNL and other Government companies were there in the business. Therefore, third parties do not come and be a competitor to the MTNL and the VSNL.' Now, the VSNL is no more a Government company. It has been divested and the TATAs have taken it over. Now, is it not proper for the VSNL to search and think of some domestic partner when other competitors are entering into the ILD services? In the light of this, I feel, it is a right decision.

Another point I would like to make is that the MTNL is planning to have a tie-up with Bharti and Data Access for ILD services. So, when other Government company can have a tie-up with a private company, what is wrong with VSNL having a tie-up with TATA Teleservices?...I would only like to add one more point and conclude.

Sir, there is also a point regarding its reserves. The reserves of a company are meant for investment. They are not meant to keep them in cold storage or to deposit them in banks. The reserves of a company have to be invested. Before VSNL is divested, it had declared a dividend of Rs. 11,000 crores to the Government. Is it not a better thing to invest this money in some business activity rather paying dividend? This is what I would like to know from the hon. Minister. After the VSNL lost its monopoly in the international long-distance call services, it has to withstand the competition and it has to integrate with the companies which have a large customer base. If that is a prudent move, then TATA's cannot have a tie-up with some other companies which are their competitors. In the light of this, I fully support the decision of the Government.

Finally, I would like to say that, after the PSUs disinvestment, the Government's interference should not be there. If there is anything wrong, at best, it should be left to the Board of Directors and its shareholders. Let the Company Law Board and other monitoring agencies take care of the problems that arise in a company. If the Government's dominance is continued even after disinvestment, it will badly affect the disinvestment plans and it will send wrong signals to the prospective investors in the country and abroad. Thank you.

SHRI V.V. RAGHAVAN (Kerala): Thank you, Mr. Vice-Chairman, Sir. The VSNL's case makes a mockery of the disinvestment process. These are not my words. These are the words of Mr. Pramod Mahajan. I am quoting from *Hindustan Times* of 5<sup>th</sup> June, 2002. If it is a mockery and if

you truly realise that it is a mockery, how can you end up with this statement? We shall have to protect...

SHRI JANARDHANA POOJARY (Karnataka): This statement came from the heart of the Minister. But, after that, there is some pressure and the time was very short.

SHRI V.V. RAGHAVAN: You have now ended up by saying that we shall -have to make all efforts to protect the 26 per cent equity of the Government. It is not an issue of 26 per cent equity. The VSNL has reserve fund. As far as my information goes, the reserves are to the tune of Rs. 7,000 crores. If it is not Rs. 7,000 crores, it is Rs. 4,000 crores. The corporate sector wants to loot this huge amount. Whose amount is this? This amount belongs to the people of India. This is our asset. How can you give a freehand to the corporate sector to loot this huge amount? That is the question. I was wondering when Mr. Prabhakar Reddy supported this move of the Government. That is why you have said that it is a mockery...*(Interruptions)*...I am not surprised because of Mr. Pramod Mahajan's climb down. Already, the former Communication Minister, Shri Jagmohan, had burnt his fingers when he was confronted with the corporate sector. In 1999, when the telecom services were privatised, the corporate sector entered into an agreement with the Department of Telecommunications saying that they would give licence fee to the Government and it was fixed. The agreement had been signed. The bank guarantee had been given. But at the end of the year, they did not pay the amount. The dues amounted to Rs. 4,000 crores. Mr. Jagmohan insisted that they must pay the amount. They had agreed to that, and they had given the bank guarantee also. There was no reason to evade from paying. He stuck to that point. Unfortunately, Mr. Jagmohan had to quit the Communication Ministry. The corporate sector did not want him. This is the way, they are disinvesting the assets of our country, our own assets! Will you be pleased to publish a White Paper on what is going on in the Department of Telecommunications? What has happened? How are you going to end the loot of our own money by the corporate sector? I was surprised when Mr. Prabhakar Reddy said that the Directors Board of the TATAs has every right to loot. Sorry, they have no right at all. ...*f/nterruptions)*... I know the TDP people. They are not so in favour of this loot by the corporate sector. So, this is a very crucial issue. Please stick to your original stand. Stick to the interest of the nation, interest of the public sector. All this mockery of disinvestment should be fought out.

You are a young Minister. You have the courage. Please fight it out. We are with you. Please publish a White Paper in this regard. Thank you.

SHRI PREM CHAND GUPTA (Bihar): Sir, from the very beginning, we have been objecting to the methodology of disinvestment process. We have always been opposing the Government's intention of selling profit-making companies, and retaining sick companies with them. When a company is healthy, profit-making, and is having a very important infrastructure base, what is the use of disinvesting that company? One could think of disinvesting those companies which are related to service industry. But companies like this, where the infrastructure is involved, should not have been sold. It is not the question of which company was sold, and which was not sold, but the basic disinvestment policy is wrong. A target of Rs. 10,000 crores was fixed. The buyer knows that Government has to raise this money, and that is why a material of Rs. 100 is being sold for Rs. 10 only. This is what is happening, whether it is BALCO or NALCO, which is in pipeline, now. One of the best-managed companies in aluminium would now be disinvested. And, that could be for a song.

Sir, the point is, the basic methodology adopted so far for disinvesting of companies is absolutely disastrous. The jewels that we have built over the last 55 years are being sold for a song. The hon. Minister - I know he would say that he is not Disinvestment Minister — should have objected to the disinvestment of the VSNL because this is the company which would connect this country with the whole world. But the way it has been liquidated -- I fear it would go down in the history as a bad precedent on the part of the Government.

SHRI SWARAJ KAUSHAL (Haryana): Sir, I want to put a few basic questions to the hon. Minister of Communications. My first question is this. When the Company had Rs. 1,400 crores of reserve fund and when it had Rs. 4000 crores worth of assets, why was it sold for Rs. 1,436 crores?

Sir, my second question is this. If the Company could invest Rs. 1200 crores in one of its group companies, then, why was this money not, somehow, passed on to the Government and sold for the balance amount? The fact is that you have sold this company, which could invest Rs. 1,200 crores, barely for Rs. 1,400 crores. So, what is the net gain to the country and to the people of India?

Sir, my third question is a little controversial. I have some interest in the security situation of the North-East. It is an admitted fact that some

group was accused of assisting the ULFA. I don't know what happened to those cases which were being investigated. Are the public sector undertakings meant to be handed over to those companies which are accused of assisting the subversive activities against the country? If the Hindujas are disqualified for some reason, if the Videocon is disqualified for some reason, the Government must answer this one aspect of the question as to what happened to the cases of that group which was assisting the ULFA in the North-East. How is such a company, such a group, eligible to take over a public sector undertaking? Thank you, Sir.

THE VICE CHAIRMAN (SHRI SURESH PACHOURI ): Now, Mr. Minister. *{Interruptions}*

SHRI JIBON ROY (West Bengal): Sir, if you permit me, I will make some two or three points.

THE VICE CHAIRMAN (SHRI SURESH PACHOURI): Let the Minister reply; if you don't find answers to your questions, then, you can put your question after the reply. *[Interruptions]*

SHRI JIBON ROY: Sir, I will take two or three minutes only. Sir, the first point is: When the TATA was owning only 25 per cent of the share, why was a hundred per cent management transferred to the company? Sir, my second point is this. The Disinvestment Ministry had circulated a document called 'Understanding the Strategic Sale Agreements'. In that document it is mentioned that in every document there should a clause against stripping of assets. Then it is mentioned, 'if such a stripping takes place, in that case, the Agreement will stand cancelled.' I am reading a clause in the document. I quote: 'Therefore, a clause on affirmative rights of Government in case of sale etc. of assets after takeover should exist.' It further states: "This right would typically terminate with the termination of the Agreement." As stripping of assets has taken place, I want to know whether the Sale Agreement will be terminated or not? If it is to be terminated, who will do it? Will it be the Disinvestment Ministry or your Ministry?

Sir, I wrote a letter to the hon. Prime Minister. In response to that letter, Mr. Arun Shourie had written that the responsibility lies with your Ministry. He said this in his letter and I quote: "Matters arising after disinvestment in a public sector undertaking in which Government has disinvested its equity stake in favour of the Strategic Partner, are dealt with by the Administrative Ministry, in this case, the Department of Telecommunications. The role of the Ministry of Disinvestment effectively

ceases once the transaction documents are executed between the Government and the Strategic Partner along with receipt of sale consideration and transfer of management control to the SP." Here the assets have been stripped; stripped illegally. So, I would like to know whether the Agreement will be terminated or not and who will terminate the Agreement. According to the letter, the Agreement has to be terminated by your Ministry.

SHRI PRAMOD MAHAJAN: Mr. Vice-Chairman, Sir, I am grateful to the hon. Members who have participated in the discussion. Though I have been in this House for the last 16 years, this is the first Calling Attention Notice concerning my Ministry. Normally, Calling Attention Notice is given on a subject matter of urgent public importance. As I said in the beginning, I will try my level best to answer all the questions that have been put. But let me point out to the hon. Members that, technically, the present Calling Attention relates to the issues arising out of the decision of the VSNL Board to invest Rs. 1200 crores in TATA Tele Services Ltd. It is not about the whole disinvestment process. Under the Business Rules, if the Notice had been on the very need of the VSNL disinvestment, then, it would have been sent to the Ministry of Disinvestment and not to the Ministry of Communications. Before disinvestment, it is the Ministry of Disinvestment which looks after the disinvestment of PSUs. But once a PSU is disinvested, it is the Administrative Ministry, as Shri Jibon Roy pointed out, which is responsible for further action. Therefore, I am responsible for the post-disinvestment actions only, but because of the principle of collective responsibility, and the curiosity of the hon. Members, I will try my level best to answer even those questions which are not directly related to this Calling Attention. At the outset, let me say that I support the disinvestment of the VSNL, in letter and spirit. I was not opposed to it earlier, and I am not opposed to it even now. Not only I supported it in the Cabinet, but, principally, also I believe in disinvestment process. Disinvestment of the VSNL was a totally transparent process. As far as the Government and its allies are concerned, there is no difference of opinion on its disinvestment. Mr. Vice-Chairman, Sir, many issues have been raised. My dear friend, Shri Prem Chand Gupta, said that we are selling only profit-making units. Sir, I respectfully submit that it is not correct. Subject to correction by my colleague and the Minister of Disinvestment, 75 per cent of the PSUs which have been disinvested, till today, were sick PSUs. So, it is not true that only profit-making units are being disinvested. If you want to have my personal opinion, I would say that it is the only profit-making units which should be

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disinvested first. Who will purchase the loss-making units? When the people don't have money to purchase even profit-making units, who is going to purchase the loss-making units. But as I said earlier, the truth is that the 75 per cent of the PSUs which have been disinvested, till today, were not profit-making units. So, it is not true that we are selling only profit-making units. It is not the principle of disinvestment, whether a unit is a profit-making unit or a loss-making unit. Rather, the principle is, whether the Government should be there in a particular business or not. If we think that the Government has to be involved in a particular business, even though it is a great loss-making business, the Government has to be there. Let us take Defence. If we think that the Government should be there in the Defence production, then, even if it is a loss-making concern, the Government ought to be there. But if it is just a *paan*, *beedi* selling company, - though after the ban on *gutka*, it is no longer a profit-making company -- and making profits, the Government has no business to sell *paan* and *beedi*. So, the decision of disinvestment should be based on where the Government should be and where the Government should not be, and not on whether it is a profit-making company or a loss-making company. But, anyhow, as I have said, as far as the general observation is concerned, the loss-making companies are more, as far as the today's list is concerned. Sir, I do not know about the future.

Then, I come to the VSNL. Sir, two questions were raised about the VSNL. One was raised about the land. Let me make it clear as to what we had decided for land before disinvestment. Sir, the VSNL has a land of 1230.38 acres. This is the land which was available with the VSNL, out of which 773.13 acres of land was declared surplus. It was not included in the deal which was signed with the strategic partner. The Company Secretaries of the MTNL, the TOIL, the VSNL, which are basically our telecom companies, are sitting together to form a separate company to see as to how 773 acres of land should be used for the Government purpose. So, it is not true that the surplus land has been given to the VSNL. At the same time, let me point out one more thing that if we sell any of the land or even if the VSNL sells its own land, then the TATAs can ask for its 25 per cent share of that sale, but the Agreement says that as far as sale of land is concerned, the strategic partner will have no role in it, either in the sale of it, or, in taking profit out of it. So, as far as the land is concerned, I think, we have taken enough precaution to see that this surplus land is not used by the strategic partner, because, in Delhi also, we must be having

hundreds of acres of land. It was very difficult at that point of time to decide the value- of land. And, we were selling a telecom company; we were not selling land to a builder. So, it was a telecom company which was purchasing that land. Now, if we were deciding the sale of about 1000 acres of land in mid-Delhi or in mid-Mumbai, then it will be worth Rs. 5000 or Rs. 10,000 or Rs. 20,000 crores. And, who will come to purchase this company for the land? So, we just sold the telecom company, and as far as the land is concerned, we have taken enough precaution. The second thing that I would like to mention is that before selling the VSNL, getting the financial bids, we took enough care to see that it retains the minimum amount which is needed for the VSNL. So, we were cautious about it and if you analyse the whole situation, Sir, when the disinvestment process started in 2000-01 and lastly in 2002, we had declared a dividend to the extent of 500 per cent in 2002, and a dividend of 750 per cent in 2001-02. Sir, declaring a dividend of 750 per cent is a record in Guinness Book of World Record. And, Sir, no company, anywhere in the world, has declared a dividend which goes to the extent of 750 per cent. So, it was not true that we left cash with the VSNL to play with it. Yes; the VSNL was having about Rs. 1500 crores. At that point of time, for the obvious reasons, it was left. Because, Sir, the VSNL has ADR, GDR issues, and, for that, about Rs. 800 crores were left with them. They were to pay to MTNL and the BSNL about Rs. 200 crores. We cannot pay it directly. Therefore, we kept it with them, and, at a later stage,\* we got this Rs. 200 crores. At the same time, they were having a basic service licence, and, for that, also, they needed about Rs. 300-400 crores. So, the left over of Rs. 1400-1500 crores was the minimum amount, which anybody has to leave with a company, if you are disinvesting it. So, it was not kept as a cash rich company. As far as TATA is concerned, we sometimes feel that it has purchased this company at Rs. 1400 crores or Rs. 1500 crores. Actually it is not true. It has purchased this company, roughly at Rs.600 crores, because it has purchased 25 per cent shares from for at about Rs. 1400 crores. I am just giving rough figures so that I do not take much time of the House. They had gone to the market with just 20 per cent of the shares. Now, they are having 45 per cent shares. So, when they go to the market and purchase 20-25 per cent shares at Rs.202 per share, we must appreciate that they have also paid about Rs.1000 odd crore to the share-holders. They have also paid to us about Rs. 1400 crores. So, to get control of the new VSNL, they have paid about Rs.2, 500 crores. Therefore, it is not true that they have paid less than that.



One or two more questions were asked by some hon. Members. Shri Prithviraj Chavan also asked a question. One of the leading business papers has generated so much controversy about it by writing articles for and against the issue. One of its editorials criticised me. The same question was put by Shri Prithviraj Chavan. Sir, I say that I speak here as the Communications Minister, don't think that it is a reflection of the ego. It was said that I did not give basic service licence to VSNL. Mr. Prabhakar Reddy also raised this question. Sir, I very respectfully submit that it is a very simple thing to understand. In telecom, VSNL is an international longdistance service provider. Before disinvestment, VSNL was my own company. When I say 'my own', I include all of you in it. At that point of time, the BSNL was a corporation. It was giving the land line service to the entire country, except to Delhi and Mumbai. MTNL was limited to Delhi and Mumbai. It was an artificial bifurcation of the old DoT, carved out for two cities. One was MTNL; and BSNL, for the rest of the country. Sir, if you are an owner of VSNL, MTNL and BSNL, you are owning the basic service licence. And when you are owning an international long-distance licence in another company, would you like your own companies to compete with each other? If you do so, it would be absurd. How could I allow VSNL to do so, before disinvesting? I gave them the international long-distance licence, because they were no more my company. So, they can do whatever they want to do, after they are disinvested. Suppose I allow the MTNL to start a service in Saharanpur, and BSNL to start a service in Mumbai, the people would say, the Government has gone mad. They are the owner of both the companies. We are running two hotels in the same lane, Where will the people go? So, it would be totally absurd to suggest that we should have given a licence to VSNL. At present, as far as MTNL and BSNL are concerned, we are not going to give them an international licence in a hurry only for the basic reason that the share-holders agreement says that all international traffic has to be passed through VSNL. So, as long as it is binding on me, I cannot spend any money on MTNL and BSNL, as nobody in the world would like his own companies to fight against each other, in the same industry. That was the basic reason why we did not give it to VSNL. As far as VSNL is concerned, finally, when it is disinvested, they have a basic service, let them do whatever they want to do. But, at one point of time, if BSNL and MTNL start digging the road, and if everybody goes anywhere in the country, I do not know how I could have done it.

SHRI PRITHVIRAJ CHAVAN: By this argument, you should have only one bank, not a number of banks operating in the same city.

SHRI PRAMOD MAHAJAN: I agree with you, but these are not identical issues. VSNL was specially created by us to serve in the international long-distance area. By name itself, which, I think you people gave it, overseas communication services - it was with the Sanchar Nigam. So, if the Videsh Sanchar Nigam starts doing business, what happens? That is why I would like everything to be disinvested. Then, let them do whatever they want to do, either go in each other's sector or do not go in each other's sector. This was the basic question I tried to answer to the best of my capacity.

Now, I will come to the questions, which are put up basically about the Tata Teleservices investment. Before I answer the questions raised by other Members, I would like to start with Mr. Prabhakar Reddy. Let me say it categorically that we do not want to interfere in the disinvested company. No. I do not want to interfere. But, at the same time, one must understand that, as rightly put by Mr. Dipankar Mukherjee, we the people of this country hold 26 per cent shareholding in this VSNL. Why did the Government decide to keep 26 per cent, if we do not have a job? If we do not have to do anything, then, we should have sold the whole thing. Let them do whatever they want to do. But when Government took the decision to keep 26 per cent of equity-it is 26 per cent and not 24 per cent--and when we have a Director, we have a special resolution power--we thought that at least in the future one may disinvest this 26 per cent also--one can say. in the short run, we have a role. Otherwise, there was no question of keeping 26 per cent with us. We do not want to interfere in the day-to-day management of the VSNL. I do not want to write to them as the Minister. No. We would definitely work but only through Government Directors. And that is why in one Press Conference, I have said, "In the disinvestment process, if the private sector behaves badly, they will get good Directors." Then, the Government will have to see that they send Directors who are more competent than the private people sitting there. So, as long as we hold on behalf of the Rashtrapatiji or the people of the country, we have a role and so, we cannot say that this role should be diminished.

Secondly, now, whatever information I am going to give has come through Directors. I was not there personally present. One question was put about Bhavé's appointment. Mr. Prithviraj Chavan put it. Let me clarify

about it. Sir, the chronology about Mr. Bhawe is this. We appointed Mr. Yashwant Bhawe as the Director at a later stage. So, he got the information by the circular resolution of 16<sup>th</sup> May that he had been inducted into the Board. The Board meeting was fixed on 28<sup>m</sup> May. This circular resolution was only to inform him that he was appointed as a Director and the Board meeting was on 28<sup>th</sup>. Beyond that, it cannot be technically even treated as a notice; it cannot be treated as a business. There is no question of any business item. He was going to the USA. We had a Software Technology Park at San Jose. It was a loss-making unit and we finally decided to close it down. We had asked him to go there to look after the closing down process there. So, he informed on 17<sup>n</sup> May, in writing, that he would not be able to attend. He left on 20<sup>th</sup> May, 2002 to the U.S. The agenda item was received by his office on 27<sup>h</sup> May. It was despatched by the VSNL on 24<sup>th</sup> or 25<sup>m</sup>. This is one of the objections, which we took with the VSNL. We said, "You are talking about an investment to the tune of Rs. 1200 crores. Forget about public and private sectors. Even in a private sector, even if all the companies are part of private sector, Rs. 1,200 crores investment from A company to B company cannot come overnight. So, naturally, whatever information I have given, is very correct, and I have not erred on dates mentioned by me.

Now, I will come to the Tata Tele Services Ltd. I do not want to repeat what I have already mentioned in my written statement. There was a Board meeting. The agenda was almost like a public agenda. It did not mention about the Tata Tele Services. It only mentioned about an investment of Rs. 1,200 crores in a basic service operator company. Now, one of the directors could not go. The second director went there. When the second director went there, he objected to it. Neither he was the Chairman nor this thing came to us. He was one of the directors. The next day, he came to Delhi. You see, Tata is a generic name, and technically, they have another name. But, for the sake of convenience, we must use this name. When they informed the Mumbai Stock Exchange and when it was published in the newspapers, then only the Government nominee came to know that they have informed the Stock Exchange, and then, the so-called controversy has started. I have given all the dates when the Government nominee has objected, on which date he has written letters, on which date the DoT wrote a letter. At this point of time, let me make one thing clear. If at one time or the other VSNL has money, it has to make an investment in a telecom company. It cannot make an investment in a hotel company. So, there is a logic behind it. But, when I say it is a breach of trust, I am not

withdrawing my statement--I mean, what I have said in the press conference. Source is something different, which I do not know. But, whatever has come in my name, I am not withdrawing that. I still feel that Tata should have waited for some time. You take over a company on 13<sup>th</sup> of February, and on 27<sup>th</sup> of February, you decide to invest Rs. 1,200 crores. Let me make one thing very clear. This Rs. 1200 crores was not to be given in one go. It was to be given in four or five years' time. I should not do injustice to them because they are not present here. Secondly, till today, not a penny has been given. It is not as if money has already gone. There is nothing of that kind. There is a Board's decision only which has been amended to a certain extent. But, still I feel that when we talk about disinvestment, forget about the debate that we have and the faith we have. I feel that the private sector has also a role to play to make this disinvestment process a success. One can call it as their vested interests in making it a success. So, if you are taking over some company on 13<sup>th</sup> February, and just within three, four months, you are taking a decision-not for the payment of that amount, because that much money was not available with the VSNL at that point of time, to hand over a cheque of Rs. 1200 crores to the Tata Tele Services- on some other count. I think, this was what I have said. This will not help the disinvestment process, and I still stand by it. But, at the same time, let me make it crystal clear that I do not expect VSNL to go beyond a telecom company, and I do not expect VSNL to invest in BSNL. Anyhow, you cannot invest in the BSNL, because we are a corporation. So, there is no question of investing in it. Do you expect that the VSNL, which is 45 per cent Tata company, will invest in Sunil Mittal's company or Reliance company? I think, it will be absurd for me to think that the Tata company will invest in the Reliance company, and the Reliance Company will invest in the Bharti company and the Bharti company will invest in the Government company. This will not happen. So, it is very natural that the new VSNL, which is 45 per cent owned by Tata, if at all, they want to invest some money of this company in a telecom company, they will go to a sister company. The Government's first objection was about the timing. The Government's second objection was this. What kind of evaluation was done by us? How had we, at one go, decided such a huge amount to be invested, without a proper valuation? So, we insisted, "Please have a different committee. Value it properly, and prove that the Tata Tele Services Ltd. is really worth considering." I would like to say one thing as far as the decision about the Tata Tele Services is concerned. If you look at part (f), the mandate to the committee is also to identify and

quantify any additional investment opportunities which are more attractive, and submit the same to the Board for its consideration. So, it is not the Tata Tele Services alone. Sir, at this juncture, I think, we in the Government have nothing against the TATAs, running as a house or as a company. The only thing was that we, being a 26 per cent partner, thought it proper that it would be wrong to disinvest in such a way. So, we said, "Value, the Tata Tele Services. Go through a proper process." As you have rightly said, if the TATAs can purchase Hutch for Rs.5/-, how can they sell the same company? Now, they are acquiring it for Maharashtra. If they go up in valuation, you have to calculate the value by all methods. Sir, the situation rests at this juncture. There is a committee. A Government nominee is there, and that nominee will take care of 26 per cent shares that the interests of the Government are protected. Let us wait for the decision which the Board takes. ...*(Interruptions)*... Sir, the first thing is, it is not my job to decide whether the Tata Tele Services is a viable company or not. I am not an expert. ...*(Interruptions)*...

SHRI DIPANKAR MUKHERJEE: This is what you have stated.

SHRI PRAMOD MAHAJAN: I am not an expert; that is why I am a Minister. ...*(Interruptions)*...

SHRI DIPANKAR MUKHERJEE: This is what you have stated. ...*(Interruptions)*... My first question was, whether the Government treats it as an asset stripping case or not; if it does not, then the modalities come. You have not answered to that. Number one; whether you treat it as a case of asset stripping. Number two; you have qualified the company in which it was invested, with certain terms, which I have not used. You should say that this statement was not yours, the statement in which you had said that this is not morally correct, and, that the money has been invested in a sick company, say, unprofitable.

SHRI PRAMOD MAHAJAN: I am not saying.

SHRI DIPANKAR MUKHERJEE: You are going back on that.

SHRI PRAMOD MAHAJAN: I amn't.

SHRI DIPANKAR MUKHERJEE: Whatever you have stated on 31<sup>st</sup> of May, and certain statement which was being made on 4<sup>th</sup> June by another Cabinet Minister, was it authorised by you or by the Cabinet or by someone else? I would like to have a clarification about the Cabinet system of governance.

SHRI PRAMOD MAHAJAN: Sir, under this Calling Attention, it is very difficult for me to answer that. ...{Interruptions}...

SHRI DIPANKAR MUKHERJEE: As far as VSNL is concerned, you are the authority. You say you are not the authority. The Cabinet Minister has spoken on behalf of the TATAs or on behalf of the party, but not on behalf of the Ministry of Communications, because, after disinvestment, as you have very clearly said, it is your Ministry. It has got nothing to do with that. But the Press conference was held on the 5<sup>th</sup> June. I would like that you should say at least that it was not authorised by your Ministry; the Press conference on this issue was held by the Minister of Disinvestment. The clarification should come.

SHRI PRAMOD MAHAJAN: Sir, the members of the Council of Ministers are competent enough to address Press conferences. It is not my job to brief my colleague. It is only the Prime Minister who can allocate business. So far as the Press conference of the Minister of Disinvestment is concerned, I have no objection to his Press conference.

SHRI PRITHVIRAJ CHAVAN: Sir, I need your protection. The Minister, in his reply, has confused us about the dates on which the notices were received. I particularly asked about the dates. I have asked whether the Government nominee has enough time to consult his senior, superior Ministers about what is to be done. Again, if the Minister refers to the second paragraph of his own statement, it is very clear that a notice for convening the 127<sup>th</sup> meeting of the Board of Directors of VSNL for 28<sup>th</sup> May, 2002 was received on 21<sup>st</sup> May, 2002. What does that mean? The notice was received on 21<sup>st</sup> May. You have also clarified in your statement that on 17<sup>th</sup> May, Mr. Bhavre replied, saying that he would not be available. That means, he knew about the meeting before 21<sup>st</sup> May. As regards the Agenda, was it received one day-before or was it received on 21<sup>st</sup> May? It is not clear. My second point is this.

SHRI PRAMOD MAHAJAN: Let me reply to your first point before I forget it.

SHRI PRITHVIRAJ CHAVAN: Let me complete my second point also. It is very strange that not only in the Agenda the name of the company was not mentioned but also in the Board meeting the name of the company was not discussed at all. What were the TATAs trying to hide? Did the Director object saying that he wanted to know the name of the company? As you have suggested in your reply, all of you assumed that it

must be a sister company. But who knows whether it is somebody else's company? It is very strange.

SHRI PRAMOD MAHAJAN: Sir, Prithviraj Chavanji will appreciate that I am here to answer on behalf of the Government. How can I answer what exactly the TATAs are trying to hide? Even if I indirectly or sarcastically answer, they will charge me that I am talking on behalf of the TATAs. I don't want to incur the wrath of Dipankarji while answering Prithviraj Chavanji. I don't want to go into that.

As regards the dates, let me try to clear the confusion to the best of my ability. There are two Directors, one is Mr. Rakesh Kumar, who received a notice and the Agenda on 21<sup>st</sup> May of the meeting of 28<sup>th</sup> May. Another Director is Mr. Yashwant Bhawe who received a Circular Resolution on 17<sup>th</sup> May informing him about his induction as a Director. In that it was mentioned that there was a meeting on 28<sup>th</sup> May. This was neither a notice for the meeting nor an Agenda. The Government Director, Mr. Yashwant Bhawe, received the Agenda only 24 hours before the meeting. One Director received the Agenda 7 days before and the other Director received it 24 hours before. Anyhow, as he was not going, there was no question about it. Forget about this controversy. When any company is talking about an investment to the tune of Rs. 1,200 crores in another company, not giving seven days' notice and mentioning the company's name, I don't think, is a good corporate governance.

SHRI PRITHVIRAJ CHAVAN: Sir, we demanded a White Paper.

THE VICE-CHAIRMAN (SHRI SURESH PACHOURI): No. That is enough.

**श्री प्रमोद महाजन :** सर, यह जो हुआ है, इसमें व्हाइट ही हैं।....(व्यवधान)...

THE VICE-CHAIRMAN (SHRI SURESH PACHOURI): Now, we will take up the Short Duration Discussion on the serious situation arising out of the deterioration of the finances of the States and unsustainable debt burden of such States, leading to severe curtailment on development activities.

**श्री संघ प्रिय गौतम (उत्तरांचल) :** वाइस चैयरमैन सर, सुबह बैठे हुए हैं, न कोई लंच ... (व्यवधान)...