

Policy on Strategic Sectors - Privatisation

Why in news?

The central government has said that guidelines on the privatisation of the public sector companies would be out soon, along with the policy on strategic sectors.

What does strategic and non-strategic sectors mean?

- Currently, there is no clear definition of strategic sector.
- According to some regulatory purposes, only space and atomic energy are considered strategic.
- The Railways is categorised as a sector involving social good, and so eligible to be in the government sector only.
- Now, Banking, insurance, defence, and energy are likely to be part of the strategic sector list, which is expected to have as many as 16 sectors.
- Under the new definition, non-strategic sectors will include hotel & tourist services, transportation vehicle & equipment, industrial & consumer goods, trading & marketing, and transport & logistics.

What is the proposed plan?

- The government had announced the Atmanirbhar Bharat economic support package in May 2020.
- The Finance Minister had said that the proposed policy would notify the list of strategic sectors.
- These would require the presence of at least one state-owned company along with the private sector.
- In all other sectors, the government plans to privatise public sector enterprises, depending upon feasibility.
- The number of enterprises in strategic sectors will be only one to four, to minimise wasteful administrative costs.
- Others would be privatised/merged/brought under a holding company structure.
- The policy will put out a “general framework.”
- Specific decisions, on which company is to be privatised, merged, or put under a holding company structure, would be taken later on.
- This is expected to be a long-term process rather than a one-time move on the privatisation of companies.

- After inter-ministerial consultations to finalise strategic sectors, the policy will be put up before approval of the Union Cabinet.

What is the significance?

- This is the first time since 1956 that the government has said it will not have state-owned companies in the non-strategic sector.
- In other words, there will be complete privatisation of companies in the non-strategic sectors once the strategic sectors policy is in place.
- Also, the number in the strategic sectors is said to be reduced.

What is the possible sector-wise categorisation?

- Nuclear Power Corporation of India, Antrix Corporation and PowerGrid will be among a small handful of state-owned companies to continue to enjoy immunity from privatisation.
- Indian Railways, National Highways Authority of India and Food Corporation of India will obviously remain under full government control.
- These are monolithic entities supported by specific Central laws.
- They also have functions inseparable from well-entrenched, flagship government policies.

What are the ongoing processes?

- The government has already set in motion privatisation plans for large PSU companies.
- These include BPCL, Air India, Container Corporation of India, and Shipping Corporation of India.
- Budget 2020-21 had announced plans -
 - i. to sell part of the Centre's stake in Life Insurance Corporation (LIC) through an initial public offer (IPO)
 - ii. on the sale of equity in IDBI Bank to private, retail and institutional investors

What are the expected changes?

- The policy offers significant scope for large-scale privatisation and/or consolidation of central PSUs.
- The emphasis on privatisation could see companies in chemicals and infrastructure space being privatised.
- The move could also see the entry of private players into atomic energy and space sectors.
- However, the sole state-run entities in these sectors (Nuclear Power and Antrix) will retain their public sector character.

- The government has also stated its intent to reduce the number of state-owned banks, with government having just few very large banks under its fold.
- This could see some smaller banks being privatised in due course.
- A holding company structure could also be used to house equity of smaller banks in one entity.

Source: The Indian Express

