

Paper Industry And Joint Sector Concept

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The joint sector approach in the field of industrial growth was vaguely formulated a few years ago but it is only recently that a few projects have been cleared by the Government under this concept though the modalities remain to be clearly pronounced so far. The Minister for Industrial Development has announced only a few days ago that his Ministry would be submitting a paper on joint sector policy to the Union Cabinet by the end of September which is aimed at identifying industries that should be earmarked for the joint sector and also determining the terms of Government participation. The Govt. thinking, as we all know is distinctly indicative that large future investment in the Pulp & paper industry would mainly be in the Joint Sector.

Basically the present thinking on the much talked joint sector is influenced by the need to combine the best in the public and private sectors. It is a distinct recognition and admission of the initiative, entrepreneurial skills and managerial expertise available with the private sector. In many ways it presents a middle of the way concept and is considered preferable to outright public sector

which has not been able to achieve the expected results. Since industrial activity by large entrepreneurs is somehow placed under taboo, the joint sector concept is intended to serve as an antidote to the so-called concentration of economic power. It is as yet an experiment and search for a practical concept which can lead the Pulp & Paper Industry to speedy growth without altogether interrupting the present pattern. Obtaining consensus and wider acceptance of joint sector policies has undoubtedly great potential in releasing a large quantum of managerial, financial and organisational resources and skills which are lying unutilised or under-utilized at the moment in the country. This new approach is also expected to significantly contribute towards professionalisation of the management and ultimately creating a new cadre of recognised entrepreneurial and managerial talent which can in due course be entrusted with new development activities. These are all by themselves laudable objectives in the wake of rate of industrial growth having already fallen to a new low not to speak of little new investment coming forth in the Pulp & Paper field for last seven years.

There are wide and divergent views as to what extent and in which manner can the joint sector concept be usefully applied to the Pulp & Paper industry and as to what specific

advantages can be derived. For a successful beginning of the joint sector policies the foremost thing is that the respective roles which the Govt. and private partners are intended to play should be defined and clear-cut guidelines should be formulated to state the scope, the terms and basis of loans from financial institutions and objectives of joint sector in the field of Pulp & Paper industry. In the absence of such guidelines being available so far even proposals which did not require financial assistance in any significant way from public lending institutions have been brought within the scope of joint sector presumably without sufficient and adequate justification resulting in unnecessary delays. At the same time there has to be pragmatic thinking pertaining to the major prerequisites for making the joint sector in Pulp & Paper field a real success and to avoid unnecessary misgivings, confusion and uncharitable criticism in future.

Suggestions are already afloat to transform political workers into cadre base to enable them to collaborate directly with the Govt. in implementing economic measures. Even otherwise there is a great amount of risk that politics may get introduced in various ways in the working of joint sector corporation and this phenomena can get aggravated in numerous forms making it difficult for the new joint sector companies

P.M. Singhvi—Century Pulp Calcutta. Discussed at Development Council Meeting, held at Srinagar on 23rd September, 1972.

to operate with efficiency and speed. It would therefore be necessary to keep the new joint sector enterprises out of the sphere of political influences and manage them on sound business lines under professional management so that the overall atmosphere of discipline is not vitiated and the staff and labour can make dedicated efforts. While the new joint sector corporations need to be run by business and technical executives under broad policy guidelines by experienced directors, the Government and financial institutions need not get themselves involved with the normal and day to day management except in respect of overall broad policy matters. There would also have to be some accepted norms built-in safeguards of certain types so that the spirit of harmonious relationship between the private sector and Govt. nominees on the joint sector corporations is not disturbed. To the extent that these nominees conduct themselves within the broad policies laid down by the Board of Directors there can be no difficulty and conflict in maintaining discipline and effective organisational control. Nevertheless there is an inherent risk in parallel lines of interest with divergent views coming in the way of smooth running of the joint enterprises. This calls for proper conditioning of the respective attitudes, roles, responsibilities and powers of the Government and private nominees on the Boards of joint enterprises.

It is essential and desirable in the interest of efficiency, speed and economy that in the joint enterprises the day to day management powers should rest with private sector partners owing to their possessing mana-

gement skills and expertise. This arrangement should hardly be a matter of controversy as overall day to day management power is not of primary nature but derivative owing to adequate representation of Govt. nominees on the Board. It should thus not be difficult to evolve proper norms for working of the joint enterprises. It is nevertheless of paramount importance that the new joint sector corporations should be able to evoke good public response for meeting its equity capital resources from public. At present the confidence of the stock market is badly shaken and the Government should consider definite measures to revive the capital market so that there can be adequate response towards equity subscription for the new joint enterprises.

Another aspect of joint enterprises that has received very little or no attention is that the schemes should be so formulated and State Govt.'s assistance and cooperation ensured appropriately so that the production cost structures are competitive. This can in most cases be achieved by economies of scale and by making available certain infrastructures facilities to the joint sector units besides permitting technical and organisational advances in the field of production and management and developing a much more sophisticated perspective than displayed so far. This implies new attitudes and reasonable advance assurances regarding grant of upward capacity revisions in the case of joint sector companies without lengthy procedures, sanction of term loans by public lending institutions on agreed principles and allocation of foreign exchange where justifiable. Since

ownership in joint enterprises would be shared both by the Govt. and private sector partners, it would be natural to expect that the joint enterprises would qualify for some special treatment so that they can successfully achieve the cherished development goals.

Ensuring good working prospects and returns on the investment is the only practical method to ensure Joint Enterprises becoming a real success in every sense of the term. It is hardly possible to explain in this brief note the problems of high investment costs and poor returns as well as various other difficult problems confronting the growth of Pulp and Paper industry today as all these issues will be discussed during the course of our present deliberations. However I would like to mention that special incentives and tax reliefs should be granted to individuals and such private sector companies which are willing to participate in the equity capital of joint sector companies. Government should also be willing to share on equal basis for preliminary project expenses for the new joint sector companies and specially in regard to investigations to improve the economic viability of the schemes.

Any pragmatic and nation building approach has to essentially fulfil the social needs and secure rapid industrial and all-round growth in the direction of larger and ever larger production. Industrial development is not merely a combination of capital labour and raw materials. It needs a great deal of individual entrepreneurship, prompt and competent decision making set up, a

firm will to succeed and dedicated leadership.

Experience has shown that it is difficult to amply provide for these characteristics in public sector for various reasons. Policy guidelines therefore need to be formulated in consultation with members of the industry and concrete steps taken there after to make the joint sector

policies meaningful in terms of achieving specific industrial production targets based on sound business principles like cost benefit analysis, economy of scheme and long term technological implications. Speedy development postulates an enthusiastic climate of pragmatic policies and outlook conducive to facing the challenging

task of rapid growth. Thus alone we can come out of the picture of stagnation in the field of Pulp & Paper industry and the joint enterprises can be promoted to subserve the cause of rapid growth which alone in the ultimate and real sense represents true national and public interest.