VESTING ORDERS, PRIVATISATION AND RIPOFFS

SIX months to the day after the Public Enterprises Rehabilitation Bill was debated and passed in parliament, it was back; this time, to vest with competent authorities, six private enterprises acquired under the act.

When the bill was first presented in October last year, the opposition UNP which is in effect the father of privatisation, cried foul until it was quite blue in the face. They saw in the piece of proposed legislation, shades of arbitrariness. They argued that investors would be frightened off by the proposed law which gave the right to the government to take over failing private companies.

This week however, the UNP, although hugely vociferous about the privatisation of the steel corporation which had been 'given for a song' (or as eleven years finance minister Ronnie de Mel put it, "not only the family silver, even the family was given away,') soft-pedalled on the six vesting orders. And at the end of the sittings, the orders were approved unopposed. De Mel even said he fully endorsed what the orders sought to do. It seemed as if, with the leaders of the UNP and PA signing a joint agreement with regard to the handling of the ethnic problem, the bipartisan mood had trickled down to the rank and file and the much needed consensus was slowly becoming a reality.

Yet, confrontation it seems is difficult to jettison and chaos and confusion reigned with several members making derogatory remarks to each other over the aisles. In fact when Industries Minister C.V. Gooneratne rose to speak, the entire UNP benches heckled him unmercifully with several references being made to the recent elections. Gooneratne however gave as good as he got. When UNP member M.H.M Azwer shouted that the DUNLF bat was better than C.V.'s bat, the minister in a moment of obvious pique, retorted,

"Those with the ends of their bat cut off can't afford to talk." Fortunately for him, his cabinet colleague M.H.M. Ashraff was not in the chambersor Gooneratne would have had a lot to answer to!

Speaking of the somewhat conciliatory nature of the debate, Gooneratne said it augured well for the future of the country. Under the precious government, he said, privatization had become a dirty word and there was a lack of transparency and accountability. And justifying the need to bring about the vesting orders, the minister said, "We wax eloquent about human rights and fundamental rights. And when some 4,000 workers are thrown on the streets are we to grin and bear it?"

It is, Gooneratne said, perhaps a world record that privatised ventures were being brought into the ambit of the government again to resuscitate them, "Don't adopt double standards by on the one hand opposing the bill and on the other, inquiring why these industries are closing," he told the UNP. "If you want industrial development, let us all get together and put our shoulders to the wheel."

Through the vesting orders, the management and control of six companies-Kahatagaha Graphite, Lanka Loha, Mattegama Textile Mills, Hingurana Sugar Ltd, Kantalai Sugar Ltd and Colombo Fertiliser will be brought under a competent authority. Within four months it will be brought before parliament and if approved, shares will be vested in the secretary to the Treasury.

'When the bill was first introduced, I indicated that there was absolutely no reason for fear and alarm," Professor G.L. Peiris told parliament on Wednesday. Four restrictive provisions have been incorporated in the bill, he said. The law will be operational for only six months. Also only ventures that were established prior to PERC can be taken over and will be so only if there has been reprehensible omission and commission on the part of the company, which has led to its collapse. Labour disputes will not be a reason for take over.

The minister then went on to explain the circumstances under which each of the six enterprises were taken over. Almost every one of the companies had been closed down with raw materials left to rot and workers on the streets, not having been paid wages for long periods. "in such a situation what do you expect us, as a responsible government to do?" the minister asked. "It is because of the PER bill that we are now able to bring solace to thousands of workers.'

In the case of four of the companies – Hingurana Sugar, Kahatagaha Graphite, Lanka Loha and Mattegama Textiles Mills, the minister said, the managements had been agreeable to the takeover. Discussions were held and clarifications were sought by these companies and they were happy to go along with the government. If the management of these companies had had no objection, it seems incomprehensible, the minister said, that the UNP would take up cudgels against the government on this action. The minister reminded the house that of the two remaining companies, Kantalai Sugar had refused to accept the vesting order and had challenged it in the court of appeal where it had subsequently been dismissed.

While the minister enumerated the colossal wastage that would have occurred and the plight of the workers if the government had not intervened armed with the Public Enterprises Rehabilitation Act Ronnie de Mel interjected to ask the minister what action was to be taken against the managements of the said companies. This saw Industries Minister C.V. Gooneratne ask de Mel whether he was agreeing with the act. "I am fully in favour of what you seek to do," de Mel answered. Professor Peiris was pleased and said he found De Mel's views both "candid and refreshing." He also promised legal action will be instituted against some of the companies.

Although the opposition soft-pedalled on the vesting orders, they weren't going to be silent about certain other issues; for instance the sale of the steel corporation to the Korean Hanjun Company came under heavy criticism. Both Ronnie De Mel and the fiery Sarath Kongahage spoke of the "shocking" manner in which the government had handed over the corporation to the Korean company at a sum far below its estimated value.

"I congratulate Hanjun on an excellent deal, but the government has got a bad deal," de Mel said. During UNP rule, he said, the government had approved the sale of 55 percent of the Ceylon Steel Corporation. DFCC and two reputed steel firms from Japan had made a bid for 55 percent of shares at a price of Rs. 962 million even though the chief valuer's estimate had been Rs. 770 million. This was the highest offer and everything was cut and dry. "You government," de Mel told Pieris, "cancelled this tender and instead, sold 90 percent shares to Hanjun at 840 million rupees."

"The DFCC told us categorically that their bid was no longer available," Pieris replied.

"But consider the relative merits. You reject 962 million for 55 percent shares. If the DFCC offer had been a accepted earlier, the major shareholding would have been in Sri Lankan hands. Now 90 per cent belongs to the Koreans and when the other 10 percent workers' shares too is gobbled up by them, it will be 100 percent Korean owned – just as the monopoly of gas was given to Shell with unlimited tax benefits."

The 183 acre land at Oruwala alone, de Mel said, would be in the region of Rs. two billion in value. The corporation also had about Rs. 300 million in fixed deposits. "This is an outright rip-off if not an outright scandal," he said.

A government member ventured to ask what the UNP would do about it if they came in to power.

"We will reconsider the whole thing," he answered, and on a more ominous note, continued, "This deserves a full commission when we come to power."

Sarath Kongahage, who wound up the debate for the opposition, held forth on what he, and perhaps all right-thinking people, saw as a total sell-out. For his pains, Kongahage had to contend with the interruptions of Vasudeva Nanayakkara who wished to know what the UNP would do to right the so-called wrong.

"First tell us what your government will do," Kongahage answered and went on to ask how the LSSP can sit in cabinet when such privatization deals are carried out while several voices were raised in anger drowning the proceedings.

Most government speakers of the day, among them Professor Peiris himself, had made reference to the boom in the stock market. This was an indication the economy was doing well, they said.

The UNP was not going to believe that easily. In fact, as their shadow industries minister Tilak Karunaratne pointed out, the boom was more or less as a result of the bank statutory requirements being lowered. "You cannot sustain the boom," he predicted. "I remember Professor Pieris saying in this house that the stock market had no relevance as an economic indicator, but today he says it indicates the well being of the economy. Whenever it suits us, we come here and make differing statements," he said. The professor answered what he had said was that the stock market was not the sole criterion by which to judge the economy.

And undaunted, Pieris went on to say in his winding up speech that there had been an unmistakable upward turn in the economy.

After the new year the turnover at the stock exchange recorded 295 million rupees he said, and in the last 10 days the all share price index had recorded an increase of 100 points. There has also been an improvement with regard to foreign direct investment, he said. If there had been doubts in the minds of the investors, there would not have been such an increase.

The Sri Lanka Progressive Front's sole member in the House, Nihal Galappaththi meanwhile invited the ire of both sides. First taking pot shots at the UNP, he said the party had no right to speak of assets being sold for a song when they them selves were guilty of the same thing. The P.A. he charged, was taking over privatised companies, would then re-structuring them and re - privatise them. "Can't the government run these by itself?" he inquired.

Thus differing points of view and bickering there was, but at the end of the proceedings, the orders were passed, unopposed.

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