

Extract from MOM dated 17-03-2005

EXTRACT FROM THE MINUTES OF THE MEETING HELD ON 17-03-2005 UNDER THE CHAIRMANSHIP OF HONORABLE CHIEF MINISTER

The meeting held under the Chairmanship of Honorable Chief Minister on 17-03-2005 was attended by Ministers, Chief Secretary & other Senior Officers of the Departments.

The Chief Secretary explained that the State Govt. in its affidavit took a stand in support of the judgment of the Supreme Court in Transfer Case No. 8 of 2000 that since employees of Govt. Companies were not Govt. servants, they had absolutely no legal right to claim that Govt. should pay their salary. However, the Honorable High Court in its order dated 14-09-2004 stated that the then Chief Secretary as well as the Commissioner & Secretary, Public Enterprises in their appearance in the Court on 14-09-2004 assured payment of at least two months' salary to the workers/employees of all public sector undertakings who have not been paid their salary for long and would endeavor to make the payment on or before Puja holidays. Accordingly, the State Govt. released Rs.977.90 Lakh to 22 State PSUs for payment to 23627 employees. The Chief Secretary stated that the verdict of the Supreme Court in the case of Kapila Hingorani Vs. State of Bihar[(2003) 6 SCC 1] should also be considered before taking any final decision. As regard availability of fund from Asian Development Bank (ADB) for reforms of the State Public Sector, the Chief Secretary stated that such fund will be available for settlement of liabilities of PSUs to be closed and not for revival and therefore, the respective administrative departments will have to find the fund for revival from Plan or other sources. The Financial Commissioner explained that a total amount of \$ 110 million (Equivalent to Rs.495 Crore) was provided for settlement of outstanding dues of closed PSUs in the ADB loan for structural adjustment of the State finances and the year wise allocations were \$ 5 million for 2005-06, \$ 25 million for 2006-07, \$ 30 million for 2007-08 and \$ 50 million for 2008-09. The requirement of fund for closure cases being much more than the availability in 2005-06, the Financial Commissioner added that it could be possible to advance the release of fund allocated in following years for the purpose. He however mentioned that huge arrear in finalization of accounts of most of the State PSUs posed problems in determining the liabilities and therefore special measures for getting the arrear accounts audited would be necessary. In this connection, the Chief Secretary apprised Honâ€™ble Chief Minister about the long process involved in finalization of accounts of Companies, viz. Statutory Audit to follow Board approved accounts, then AG Audit and the Adoption in AGM and thereafter only the same process for the subsequent year to follow.

Honâ€™ble Minister of Public Enterprises, Industries etc. Departments viewed that very quick decisions need to be taken to decide closure or revival and it would be

beneficial for the State to close many of the State PSUs having no potential. He however stated that the sentiments of the State's population were to be taken into consideration in deserving cases. The Chief Secretary supported the view and opined that the opportunity of availability of the ADB fund for closure of totally unviable State PSUs and also of the marginal cases should be availed, as otherwise the State Govt. will have to spare Plan fund at the cost of other developmental programs.

After threadbare discussions, the followings were decided:

All the concerned administrative departments of the State PSUs will decide about closure/revival of the State PSUs under their control within 3 months and submit details to the Public Enterprises Department with all particulars already sought to enable it to move the Cabinet. The details in cases proposing revival should indicate the action plan, potential, sources of fund, past performance, liabilities, status of accounts etc. and the cases proposing closure should indicate details of assets, liabilities, employees, status of accounts etc.

(Action : All concerned administrative departments)

The Finance Department will set-up a special cell for the ADB program, which will also look into the matter of economic feasibility of running the sick PSUs. The special cell so constituted will engage sufficient number of Chartered Accountants who shall be paid from the project fund, to audit the accounts of each PSU and to finalize them in conformity with established norms.

(Action : Finance Department)

The meeting ended with vote of thanks to the Chair.

Sd/- S. Kabilan
Chief Secretary

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