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Is it time to rethink PSE policy?

Yes, especially in the pharma space where public sector units have the infrastructure, manpower and technical expertise



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CAPITAL IDEAS

Recently, the government said that it will be using three public sector enterprises for manufacturing Covaxin to augment the manufacturing capacity under Mission COVID Suraksha.

These were Haffkine Biopharmaceutical Corporation Ltd, a State public sector enterprise (PSE) under the Maharashtra government; Indian Immunologicals Ltd (IIL), Hyderabad — a facility under National Dairy Development Board; and Bharat Immunologicals and Biologicals Corporation Ltd (BIBCOL), Bulandshahr, a CPSE under the Department of Biotechnology.

Why this late, many ask. It has also revived the debate on the relevance of PSEs and also whether the government needs to revisit its thinking on 'Minimising presence of PSEs' and creating new investment space for the private sector.

Yes, the private sector has a role to play in the growth of the economy, but what PSEs have contributed cannot be ignored, particularly in testing times like today. PSEs have time and again risen to the occasion and this time too it is no different.

For example, PSEs in the steel, petroleum and natural gas sectors have supplemented the efforts of the government in making avail-

able liquid medical oxygen as well as transportation of it.

As Atul Sobti, Director-General, SCOPE (Standing Conference of Public Enterprises), an apex organisation of public enterprises, puts it, "PSEs in India, since their inception, have played a pivotal role in realising the objective of achieving higher growth and equitable socio-economic development of the country. Their sustained contribution to the economic and social fabric of the country has become even more relevant in the present scenario."

There is no denying that PSEs have not only got manpower but also technical expertise. Should they be not used at this hour, particularly in the pharma sector?

According to RS Sharma, former Chairman ONGC, "We must realise that India as of now is not a developed economy, we are still a developing economy. Historically too, PSEs have provided a very strong infrastructure base for the economy as well as for the industry. We have seen that industries that were set up with socio-economic objectivity and not only profit have created a right kind of infrastructure for the economy. So to say the government has no business to be in doing business perhaps, to my mind, needs to be revisited."

Further, "PSEs definitely have a very strong role to play, especially in these pandemic times. Whether it comes to setting up toilets, schools or refineries producing oxygen, PSEs have responded in their own way. In fact, by far they have done much better than the private sector and stood by the government," he argues.

PSEs by their inherent work culture spend a lot of time and re-



Public sector enterprises have a strong role to play in these pandemic times

sources in manpower training and developing expertise, says Sharma, and adds, "when you look around, in number of sectors, former public sector employees, after retirement or having quit jobs and then joined private sector, have given the right kind of impetus to the industry, particularly the core sector of the economy. Doing away with PSEs and having everything privatised I don't think is the correct philosophy."

For example, Sharma says the "government can ask pharma PSEs which otherwise are not able to compete with the private sector commercially but have excellent infrastructure to manufacture the vaccines. As of now less than 2 per cent of population has been vaccinated. Vaccine availability is a big challenge. So I think all resources should be used."

According to a member of FMRAI (Federation of Medical and Sales Representatives Associations of India), the "pandemic has resulted in loss of imports from China. This dir-

ectly resulted in escalation of prices of everyday medicines like paracetamol in the Indian market. The rising cost of APIs being imported is another major concern as it adversely impacts production cost as well as the margins of Indian firms. According to a note of the Ministry of Commerce, between March and May this year, there has

been a 20 per cent increase in prices due to the impact of Covid-19."

Right platform

Who should then develop these technologies, they question. The pharma industry in the public sector was the right platform where such investment could have taken place, they argue. "The public sector drug companies were established with a vision to make the country self-reliant in producing medicines needed for the people of the country and to save an industry like the drug industry from the clutches of MNCs and the private corporate sector.

Apart from the scope of manufacturing drugs which are in the National List of Essential Medicines (NLEM), all government agencies and institutions are places where drugs made by PSUs can easily be supplied. The government could have paid attention to its experts about the danger of the second wave and prepared its production facilities in the PSEs to serve its people," said another FMRAI member.

In fact, in 2014, the Indian Drug Manufacturers' Association (IDMA) had submitted a white-paper, 'Journey towards Pharma Vision 2020 and beyond', to the government where it argued that "for the industry's future growth and development, government also needs to urgently focus on providing support in some key areas in the following domains: revival of PSUs, land, finance/banking/working capital, utilities and services, environmental issues and R&D."

When PSEs can deliver, why the push for privatisation, one wonders. Would it not be better for the economy when there is a right mix of public and private sector players?

There is a need to revisit the PSE policy, but more in terms of their functioning — by empowering the boards of these entities, making them more autonomous. These companies should be run by a professional board without government interference. These PSEs could be run under the PPP model or as JVs too. Board members should be highly respected, knowledgeable, and from industry, management, finance and research fields.

But this requires political will, as most PSEs, whether at the Centre or States, end up being at the mercy of their nodal ministries or departments.

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