

AP and Telangana Agree on Something At Last!

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Following the division of Andhra Pradesh State and the creation of Telangana on 2nd June 2014, many had hoped that the anger and frustration seen on both sides would gradually give away to a cooperative attitude between the two State governments. But since then, the two governments do not seem to have agreed on anything.

Every issue became a major battle whether it was government accommodation, IAS allocation, irrigation, power, EAMCET, vehicle number plates, High Court division or PSU demerger.

But almost a year after division, the first PSU has been formally demerged. On 20th May 2015, the Andhra Pradesh Government issued GO Ms: 22 announcing the demerger of the AP Cooperative Oil Seed Growers Federation Limited. This is a historic achievement. More so, as the last line of the GO says: "This order is issued with the concurrence of the Government of Telangana". This is the first time the two governments have agreed on anything!! It is hoped that the process will now be accelerated and the demerger of the remaining 88 PSU will follow soon. What were the basic issues behind this event?

Investment in the PSUs is more than `64,426 crore. They employ more than 2.58 lakhs. They hold more than `4000 crores of cash reserves. Expediting demerger of these Corporations would liberate considerable financial and manpower resources for both States and re-energize their activity.

Section 53 of the Andhra Pradesh Reorganization Act lays down the modalities for division of assets and liabilities of the PSUs. These 89 PSUs are listed in Schedule 9 of the Act. Section 53 states that those PSUs that serve exclusively one successor state should go to that state. If a PSU served both successor States, then the specific assets and liabilities relating to operational units located in each successor State would go to that State.

However, common assets and liabilities held at PSU headquarters that of office building, cash and fixed deposits, shares, bonds, guarantees and loans etc of the PSU as a whole should be divided by the population ratio (58: 42). As for PSU staff, Section 82 mandates that the PSU employees shall continue to function for a period of one year till the PSU concerned carries out the allotment of staff between the successor States.

The Governor (acting under President's Rule) issued orders on 29th May 2014 to all PSUs setting out the modalities of demerger and steps to be taken to complete the process expeditiously. This 'Circular' GO required all the PSUs to present draft demerger based on data as of 2nd June 2014 (when the Act came into force).

The draft demerger proposals had to be approved by the PSU's Board and its General Body. The draft demerger proposals would then be approved by an Expert Committee and after approval by this Expert Committee, the Governments of both States would have to give their final decision.

The Expert Committee (headed by Sheila Bhide) has been holding many meetings with PSUs. The long delay is largely due to –

- (1) Need to bring PSU accounts up to date and audited for the period ending 2nd June 2014,
- (2) Lack of decision by IAS officers heading the PSUs due to their preoccupation with their own allotment issues,
- (3) Reluctance of PSU staff to be allotted and
- (4) General lack of understanding of the provision of the Act and its application to the demerger proposals.

But finally the process has begun to yield results. This is a good sign for the two States and their people. It is hoped that this will herald a new phase of cooperation between the two States.

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