

Reproduced from "Swarajya" Madras, of Dec. 1, 1956, with kind permission of the Editor.

LIMITATIONS OF NATIONALISATION

By S. NARAYANA AIYAR

IT is now well over fourteen years since the Bombay Telephone Company Ltd., then managing the telephone services of the cities of Bombay, Ahmedabad and Karachi in which I was then an Assistant Engineer of 15 years' standing was nationalised, and after that I served for ten years in the same service under the Government of India, seven years as Engineer at Bombay and three years as Manager, Telephones at Madras. Every day of those ten years, day in and day out, I had burnt into me the painful lesson that Government management does not work. My initial lesson on this subject was rather spectacular. My colleagues in the Bombay Telephone Company, just before nationalisation, used to din into my ears in season and out of season "Aiyar, when Government comes our efficiency will disappear." I used to ask them "Where will our efficiency go? Bombay Telephone Company, or Posts and Telegraphs Department of the Government of India, we are the same set of

barbers going to do the job. If you say we will become inefficient in three years I may believe it; but I can't understand your saying that our efficiency will go down at once." Being men of some wisdom and experience my friends said: "All right, Aiyar, wait and see." When the Government took over on the 1st April, 1943, one of their first acts was to switch over control of the Bombay Telephone Company's stores from the Telephone Manager, Bombay, to the Chief Controller of Telegraphic Stores at Calcutta and almost immediately telephone parts and other stores became unobtainable. Result: An immediate drop in the efficiency of the service, so that my friends repeating a formula were dead right and I thinking myself wise was a fool for my pains.

I have discussed this specific aspect of my experience with senior employees of the Indian Radio and Cable Communications Company and the Indian Air Lines which have since

been nationalised and their experience has been identical. In every case expenses go up tremendously and the service almost immediately ceases to be a service in any sense of that term. The tempo of work goes down with immediate effect. This is not the temporary effect of a change-over which gets remedied a little later; it is a gradual degeneration from *honest work for wages* to the paper-pushing routine characteristic of every Government office. From a fairly wide variety of experience I have formed the opinion that compared with any reasonably well managed private institution Government institutions deliver in the shape of value to the public about a third of the huge sums that they expend. One particularly glaring example that channelled my thinking this way might be mentioned. Under pressure from higher authority I asked the Government Press, Madras, to quote for the job of printing and binding 13,000 copies of the Madras Telephone Directory for which I had been paying then just over Rs. 6,000. The Government Press quotation was Rs. 21,500 with a proviso that this was only an estimate

and the actual bill might be more! Government inefficiency does not always take such a demonstrable turn; but it is invariably there.

Some months ago Sri T. T. Krishnamachari invited a competent tool man of the name of Scaife from England under the Colombo Plan to examine the working of the Prototype Machine Tool Factory at Ambarnath and the Hindustan Machine Tool Factory then under construction at Jalahalli. Mr. Scaife after a thorough examination of both establishments told the Government of India that any reputable private agency would have obtained five times the result at one-fifth the total cost. If other experts invited on similar errands by the Government of India do not communicate their conclusions to the Government in the same downright terms, it is not because their conclusions are substantially different but because they are more diplomatic and they have also learnt a lesson from the treatment meted out to Mr. Scaife both by the India Government as well as by the legislators on the floor of Parliament.

In the interest of economy and efficiency it is essential

that the private sector should have the *exclusive* right for the management of all *commercial*, industrial and public utility services in the country. Planning, control, regulation by Government, yes. But administration by Government, no, a thousand times, no. It is not as a favour to the private sector that this claim should be made. In the interests of the entire nation this is the most economical and the most satisfactory way of getting the national work done. In every Government office there is a lot of unnecessary work done — unnecessary from the point of view of delivering to the public the final value for which the office is intended. While in every commercial office there is an automatic check that ensures that every person or activity or group of persons engaged in the office justifies itself in the shape of return to the office, the very extensive and often offensive inquiries and checks of the Audit Department of the Government of India do not include any criteria to ensure that the employees are earning their way and

contributing their legitimate quota to the overall work of the office. Government servants when asked about this will proudly say that they are not governed by the profit motive.

On the basis of experience both here and in other countries and taking into consideration all the human issues involved, it has to be admitted that Government agency is a very unsuitable instrument for trade, manufacture, and the operation of public utility services and that competent private institutions are the best instruments for the carrying out of these objects. Even if the Government of India owned all the means of production in the country, including land, the best way of getting all the work done is not trying to run it all with its own monolithic organisation but by creating independent units and entrusting them with suitably divided items of work on fairly long-term contracts and fair independence of action, while confining its own functions to planning, regulating and controlling at the bar of public opinion in India.

With best compliments from :

THE FORUM OF FREE ENTERPRISE

“Sohrab House”, 235, Dr. Dadabhai Naoroji Road,
BOMBAY 1.