FRIDAY AUGUST 05: Rs 264 billion SOEs shares under BESOS: PC reluctant to give physical ownership

ISLAMABAD (August 08, 2011) : Privatisation Commission is said to be reluctant to give physical ownership of 12 percent shares of State Owned Entities (SOEs) worth Rs 264 billion under the Benazir Employees Stock Option Scheme (BESOS) despite immense pressure from the government. The issue is being taken up by the Cabinet Committee on Privatisation (CCoP), which is scheduled to meet on August 5, 2011, under the chairmanship of Finance Minister Dr Abdul Hafeez Shaikh. The much-talked about BESOS was designed as a special instrument and operates as such under a dedicated framework approved by the Federal Cabinet. Under the scheme 12 percent GoP shares are transferred to entity based trusts free of cost for a specific period of time. Official documents reveal that the employees are given unit certificates while shares are retained by the respective Trusts. These shares are subsequently transferred back to GoP for buyback of claims of the beneficiary employees, sources added. According to official documents exclusively available with this scribe the Privatisation Commission submitted a summary to the Cabinet Committee on Privatisation (CCoP) in its meeting held on March 8, 2011. The documents reveal that Pakistan Petroleum Limited Employees Empowerment Trust's (PPLEET) claim for bonus shares is not in accordance with the Cabinet decision dated August 5, 2009 as the scheme envisaged 50 percent of the cash dividend received from the SOEs against 12 percent holding shall be retained by entity based Trust for distribution among beneficiary employees; while the balance 50 percent shall be surrendered to the Central Revolving Fund (CRF). The scheme does not provide clarity for retaining 50 percent bonus shares by the Trust for benefit of the employees as it is not possible that 50 percent bonus shares can be remitted in CRF which, by definition, is a fund account to receive and disburse cash. Privatisation Commission, in the summary, proposed CCoP to confirm that only cash dividend is to be retained for benefit of the employees. According to the documents, the CCoP did not agree with the proposal and decided as under: "Transfer of bonus share to Trusts registered under BESOS Scheme in respect of PPLEET and other entities. Directed to bring forward a document featuring highlights of the BESOS Scheme and inform CCoP regarding the total impact of the scheme including the impact of the bonus shares to be transferred to Trusts." The documents further state that the estimated financial impact of the scheme is Rs 217.460 billion which includes additional likely financial impact of Rs 46.519 billion if 50 percent bonus shares are allowed to be retained by the Trusts for benefit of employees. "Since, compensation in case of listed companies, as required by the decision, is to be made on market value basis, therefore, claim for bonus shares will add to financial impact of the scheme. The aforesaid financial impact has been worked out at market value of listed companies as of March 31, 2011 and is likely to increase with recovery of stock market," the documents added. There are 16 listed companies and their total expected impact with bonus shares is estimated at Rs 179.34 billion; 33 non-listed companies with total expected impact with bonus shares of Rs 10.373 billion; 15 private limited companies with total expected impact with bonus shares estimated at Rs 3.776 billion and SOEs formed under special status of total with expected impact with bonus shares at 23.972 billion. The documents reveal that under the scheme 50 percent cash dividend is distributed among employees who are given unit certificates while shares are retained by the respective Trusts. Remaining 50 percent dividend is transferred to the CRF for subsequent payment of buy-back claims. The scheme, as such, envisages 50 percent cash dividend distribution to employees and not 50 percent distribution of dividend shares (including bonus shares). Therefore, the bonus shares received by entity based Trusts are proposed to be entirely surrendered to the Privatisation Commission CDC account No 35398, which will then surrender these shares to the line ministry/holding company.