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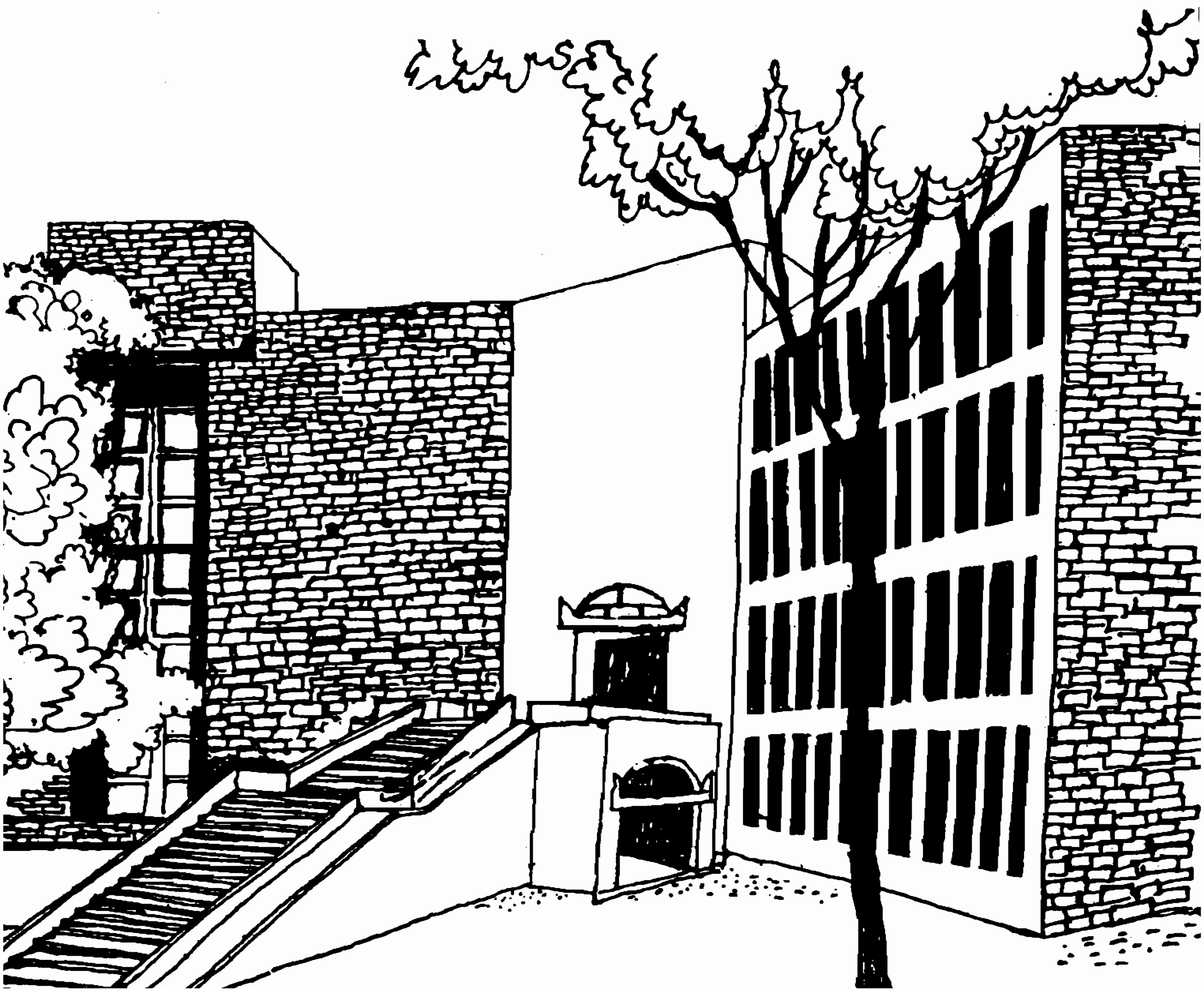

EXIT POLICY: IMPLICATIONS AND ISSUES FOR DISCUSSION

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BACKGROUND

The country has recently liberalised the equity participation to 51% by foreign companies and even 100% by NRIs. In addition, the package contains many other measures to liberalise the investment climate. It is expected that more foreign investment will flow into the country and that there will be an all-round spurt in the investment in the industrial development.

The investors, however, want an option for speedily closing down the unit or restructuring it by retrenching surplus labour, if necessary, in case of failure. Up to 1984, the permission was deemed to have been granted for closure if it was not given within 60 days. But after that the law has been amended, this automatically deemed provision has been withdrawn.

As labour is a concurrent subject under the constitution, the state governments can always legislate on it. Most state governments have passed laws prohibiting the closure of units above a certain size (usually with 100 or more workers) without their prior permission. No state government has permitted a sick unit to be closed down during the last five years. Thus the legal process has removed a loss making unit as a saleable

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property (for redemption at least a part of investment) and thereby increased the cost of failure.

All sick industrial companies under the definition of Section 3 of Sick Industrial (Special Provisions Act 1985) have to be referred to the Bureau of Industrial Finance and Reconstruction (BIFR) for developing a rehabilitation package or giving the winding up permission. The record of BIFR in giving the winding up permission, however, is very poor and time consuming. Even where BIFR has given the permission for winding up, the cases are pending in the court and no unit has actually been wound up. In evolving the rehabilitation packages, BIFR generally excludes the owners unless they are prepared to bring in a substantial fresh investment (about 20 per cent of additional fund requirements). Therefore, closure as well as the cost of retaining loss making units is substantially high.

Theoretically, retrenchment of workers is possible by paying a compensation of 15 days pay for each year of his work with the last pay drawn being used as a retrenchment pay. But in practice, retrenchments are impossible in our legal environment. Restructuring of a sick unit is also a difficult proposition. The governments have taken a hard line on closure or retrenchment in the interest of the workers.

Recently the Sick Industrial Companies (Special Provision) Act (SICA) has been amended to bring the public sector units also in the purview of the act. Given the BIFR's record of winding up of sick units or rehabilitation, a clear cut exit policy will still have to be faced even for public sector units.

This paper is divided into four parts. Part I presents the magnitude of sickness, part II analysis with the policies to draft with industrial sickness, part III the new approach, and part, IV the issues for discussion on exit policy.

I MAGNITUTE OF SICKNESS

The sick industries syndrome in India was an isolated phenomenon in Fifties and Sixties, restricted to few hundred units in one-two industry groups, restricted to one-two states only. However, by the end of December 1988 it was quite widespread, afflicting about 2,42,584 units in almost all industry groups spread over all the states and union territories in India.

Between December 1987 and December 1988, the number of sick units in India increased by 37,000. The marginal increase in the number of sick units is increasing every year. But even at this rate of 37,000 units per year, by December 1991 there would be more than four lakh sick units.

Outstanding Bank Credit

The outstanding bank credit increased from Rs.6,256 crores in December 1987 to Rs.7,705 crores in December 1988, by almost Rs.1,500 crores every year. On this trend the outstanding bank credit in December 1991 might be about Rs.12,000 crores. In addition, the outstanding amount in sick industrial units of the all India Financial Institutions would be around Rs.5,000 crores in December 1991.

In addition to the outstanding bank credit and the credit of all India Financial instistutions to sick units, there were several other dues like past wages of the workers, their provident fund and gratuity dues, ESI dues, bonus, sales tax, electricity bills, excise, etc. This amount might be another Rs.2,000 crores. Thus the total outstanding amount which includes the bank credit plus other dues which these sick units owe to different parties would be Rs.20,000 crores.

Sickness in the Public Sector Undertakings

a) Central Public Enterprises

There are 244 central public sector enterprises owned by the Government of India with a total investment of Rs.99,315 crores, with total profits of Rs.3,782 crores and the percentage of net profit to capital employed is 4.5. These enterprises employ about 23 lakh persons and generate value added worth Rs.29,000 crores. They have accumulated losses of Rs. 12,833 crores.

There are 98 public enterprises which are loss making with an accumulated loss of Rs.10,052.8 crores. They employ a capital of Rs.12,210.9 crores, and the loss during 1989-90 is Rs.1,959 crores. These 98 loss making enterprises employ 7.9 lakh persons.

Of the 98 loss making units, 58 units are chronically sick loss making public sector enterprises. These 58 enterprises employ a capital of Rs.536.58 crores with a net loss of Rs.1,578.7 crores in 1989-90. They employ 4.1 lakh persons and have accumulated losses of Rs.8,536.76 crores. Thus only these

58 chronically sick loss making public sector enterprises alone account for 66 per cent of the accumulated losses, i.e., Rs.8,536.76 crores out of Rs.12,833 crores. Similarly, of the net losses of Rs.1959 crores in 1989-90, these 58 chronically sick enterprises account for Rs.1,578.7 crores, which is more than 75 per cent. Of the 98 units which are making loss, 33 are the one which were taken over from the private sector and the remaining 65 belong to the public sector as such. These public sector units have been supported by the government through transfer of budgetary resources.

b) **State Public Enterprises**

In addition to the central public enterprises, there are also large number of state level public enterprises. There were 23 in the first plan period, and their number has increased to 802 as on March 31, 1987. The investment in these state public enterprises has increased from Rs.30 crores at the end of first plan period to Rs.13,000 crores as on March 31, 1987. If the State Electricity Board and Road Transport Corporations are also included, the investment in these enterprises increases to Rs.46,000 crores and the number to 845. The number of central public enterprises was 226 and the investment Rs.61,603 crores on March 31, 1987. The state public enterprises are almost four times the number of central enterprises and three-fourths in size of enterprises in central public enterprises. Thus along with the central public enterprises the state public enterprises are also very important. It is very well known that the most of the

State Electricity Boards and the Road Transport Corporations are loss making units. The other state level public enterprises in manufacturing, marketting, financial, promotional and welfare state level enterprises are also not earning adequate returns though there is not adequate information with regard to their profits/losses.

Thus the industrial sickness is not restricted merely to private sector; but it is also very much prevalent in the both central and state public enterprises and is a matter of great concern because it erodes the budgetary resources.

MOST AFFECTED STATES

The worst affected states due to this problem are West Bengal and Gujarat. The mainstay of the West Bengal economy is jute textile, which has wholesale industrial sickness. Thus the West Bengal industrial economy is growing only at the rate of 1.78 per cent per annum. Similarly, Gujarat's mainstay is cotton textiles, which is also suffering from severe industrial sickness.

In December 1989, 124 textile mills were closed rendering 1.65 lakh workers unemployed. The number of sick textile mills as of June 1988 stood at 227 with an outstanding bank credit of Rs.1,000 crores; compared to this the number of sick textile mills as of June 1979 was only 84 with an outstanding credit of Rs.288 crores. In addition, there were 171 weak textile mills as of June 1988 with an outstanding credit of Rs.539 crores. Thus in June 1988 around 400 textile mills of organised sector were financially in a bad shape.

This problem of the industrial sickness has made our industrial economy a high cost and low productivity economy due to which we are non-competitive in international market and against smuggled goods, particularly textiles.

II POLICIES TO DEAL WITH THE INDUSTRIAL SICKNESS

The government responded to the growing industrial sickness through

1) Nationalisation
2) Modernisation
3) Merger
4) Rehabilitation

1) NATAIONALISATION

When an industrial undertaking is being managed in a manner detrimental to the industry concerned and public interest, the central government nationalises that unit for a specific period of time. The intention of such take over was to return management of the industrial undertaking to the original share holders or to a new group, once the problem had been resolved.

The National Textile Corporation was established in 1974 to take over the management and rehabilitate sick textile units. The managaement of about 125 private textile sick mills were taken over between 1974 and 1979 on the assumption that they would be resuscitated with adequate financial resources and public sector management and then returned to their owners. However, after spending Rs.1,000 crores, the NTC has been successful in rehabilitating about 20 per cent of the mills all in the public sector, and over two-thirds of the mills continue to incur losses.

The government has take over 46 private sick units, including several textile mills. Of these 46 at present only 12 are profit making. The total capital employed in these 46 companies during 1989-90 was Rs.1,792.22 crores, their accumulated losses as on March 31, 1990 were Rs.3,342 crores, their net loss in 1989 was Rs.484.5 crores and the number of employees involved were 3.13 lakhs. In addition to this, several textile mills have been taken over by different states. For example, at present the Gujarat State Textile Corporation has taken over Manek Chawk & Ahmedabad Manufacturing Co. Ltd. (1976), Marad Planning and Manufacturing Co.Ltd. (1982), Bhalikily Co.Ltd.(1982), Tarun Commercial Mills (1984), Ahmedabad Cotton Manufacturing Co. No.I (1984), Abhay Mills Ltd.(1984). All of them are incurring heavy losses, and their accumulated losses are increasing.

Thus this approach to the industrial sickness has failed to solve the problem, and most of the units taken over by the government to convert them into healthy unit have remained sick.

2) **MODERNISATION**

After the lack of technological upgradation was identified as an important cause of poor performance resulting in industrial sickness, efforts were made during the seventies and eighties to provide funds for modernisation. In 1976 a soft loan scheme was introduced to provide consessional finance for updating plant and machinery in cotton textile, cement, sugar and specific engineering industries. In response to need for modernisation in textiles and jute industries, two funds (textile modernisation fund and the jute modernisation fund) were set up in 1976. Even this does not seem to have made any difference.

3) MERGER

In 1977, concessions were made under Section 72-A of the Finance Act to allow companies taking over a sick unit to carry forward and set off accumulated losses and unabsorbed deprevia-tion against their own tax liabilitaies in certain circumstances. To qualify the merger, take over must be in the overwhelming public interest and the sick unit must be at least medium scale and must have been financially non-viable immediately prior to the merger, but without there being any discontinuity in operations. Each case was subject to the approval of a committee. The usefulness of the merger provisions continued to be limited by stringent, cumbersome and time-consuming approval procedures which commonly take more than three years.

4) REHABILITATION

The central feature of India's treatment of the industrial sickness is firm specific rehabilitation packages developed under the auspices of Sick Industrial Companies Act, 1985, or the independent leadership of one of the all India financial institutions. The development of the firm-specific rehabilitation development packages is very time consuming, and it takes about 12-18 months, which a sick unit can hardly afford.

Instruments

One of the earliest measures taken by the Government of India for tackling the problem of industrial sickness was to set up Industrial Reconstruction Corporation of India (IRCI) in April 1971. By 30 January, 1983, the IRCI disbursed Rs.1,539 crores in loans to 153 sick units mainly in West Bengal. IRCI was converted into Industrial Reconstruction Bank of India (IRBI) in 1984 and made principal credit and reconstruction agency for industrial revival by undertaking modernisation, expansion, reorganisation, diversification or rationalisation of the industries. The IRBI has wide powers to take over the management of sick units, lease them, expedite the amalgamation, sell them or to prepare the schemes. The IRBI develops rehabilitation packages for sick industry units and refers them to financial institutions or commercial banks.

The Sick Industries Companies Special Provisions Act, 1985, established a Board for Industrial & Financial Reconstruction (BIFR) with power to override some of the requirements that impede the timely restructuring, sale or closer of sick units. The BIFR works with lending institutions in assessing the viability of the sick units and developing rehabilitating schemes for those found viable.

The working of the entire institutional framework for dealing with the industrial sickness is reflected in the working of the BIFR. All financial institutions and a number of scheduled commercial banks are operaing agencies of BIFR with responsibililty of preparing and implementing rehabilitation packages for the sick units.

BIFR became operative in 1987. From its inception to the end of March 1991, it received 1382 references. Of these references 353 were rejected after initial scrutiny, 9 were under scrutiny and 1,020 were registered. Of the registered cases, 954 came up for the first hearing. After hearing, 175 cases were dismissed as not maintainable, and 124 cases were approved after being satisfied that the company can make its net worth positive on its own in a reasonable time. In the remaining 661 cases, the operating agencies were appointed for 533 cases. After considering the reports received from the operating agencies, the Board sanctioned 182 revival schemes (including merger, change of management and leasing), recommended 120 cases to the concerned High Court for winding up and ordering the sale of one unit.In addition draft schemes were formulated in 45 cases and winding up opinion formed in 76 cases.

BIFR has virtually no technical staff of its own and depends primarily on the assessment made by the financial institutions to indicate where it is feasible to rehabilitate a unit, what packet of concession/ relief is necessary for the purpose and what the rehabiliation plan in mechanisation and its implementation will be needed.

BIFR has put together relief packages, with a large number of sacrifices on the part of both state and central governments and concessions from the banks and financial institutions.

The state governments make sacrifices in 1) sales tax loans at low or zero rate of interest, 2) loan guarantees, 3) preferential power supply, including no disconnection for non-payment, 4) exemption of sales tax and octroi, 5) waiver of all penal levies, and 6) price preference to public sector suppliers.

The central government's sacrifices include 1) exemption from central excise duties, 2) income tax relief, 3) preferential supply of canalised items, 4) deferment of provident fund and ESI dues, and 5) exemption from paying the minimum bonus.

Banks and financial institutions have their own compulsions in supporting rehabilitation packages instead of liquidating sick units and writing off bad debts. In the process they end up making sacrifices in 1) reduced interest on the term loans and waiving of penalties on non-payment, 2) funding the unrealised interest at no more than 10%, 3) converting the irregular components of a firm's cash credit (excluding funded interest) into a working capital term loan at 13.5% interest, 4) liabilities on account of non-payment of workers, (statutory dues and over due creditors are shared between participating banks and institutions on a 50-50 basis), 5) providing margin money for additional working capital, 6) meeting the cost of rationalising labour by FIS and banks on a 50-50 basis, and 7) expecting the existing promoters/owners to bring only 20% of additional long term fund requirements as either equity or non-interest bearing loan. If the new management takes over, the expected contribution is only 15%. In evolving the rehabilitation package, the debt equity ratio for additional funds goes to 4:1 (20% of additional loans) and to 5.67:1 (15% of additional long term loan funds).

Evaluation of Policies and Programmes for Rehabilitating Sick Units

The present policies and programmes related to industrial sickness, consisting of administrative, legal and financial framework, have largely failed. They have neither been able to prevent the industrial units from becoming sick nor have they been able to cure the sickness. Hence the sick industries syndrome continues to plague the Indian economy at an increasing rate. The approach is typically administrative and legal,i.e, dealing with the problem case by case, and it is both costly and time consuming. Hence we find that out of 2.43 lakh sick industrial units in December 1988 only 13,712 units (5.7%) have been found to be viable and about 93 per cent of the units are nonviable units. The proportion of the critically sick units which cannot be revived has been increasing every year. The ratio of viable to non-viable units was 1:2 in 1980; presently it is 1:16.

All these concessions given for rehabilitation of such units have created a situation where there are more incentives for sick units than the healthy ones. As the rehabilitation packages generally make very optimistic assumptions, the actual turn around takes place only in a very few cases, despite all these incentives. All this has continued to protect the labour. Obviously, neither the government nor the funding institutions can afford to continue with either the take over or funding the rehabilitation packages in the same way as before. Therefore, both the fresh investors as well as the existing sick units need a clear cut policy on exit as well as restructuring if the units have to be turned around.

III NEW APPROACH

The new industrial policy of 1991 abolishes industrial licensing. Alongwith this the freedom of exit is also being thought of. Government of India also proposes to close unviable public sector units. The public sector units have been brought under the purview of Sick Industries Companies Act, 1985. BIFR can now recommend - rehabilitation, merger or exit - for private sector firms with negative networth and meeting certain eligibility requirements; in addition, its scope has been widened to include public sector units.

The implications of this autonomy on entry and exit given to firms has serious social and political implications for Indian polity and people. We have seen earlier that the problem of industrial sickness both in public and private sector is extremely serious, and it can not be brushed under the carpet. However, it is necessary that the exit process be made least painful and also minimise its adverse impact on the people. The worst affected by the policy of exit would be the employees because the new industrial policy says that if the unit is unviable it should be closed down.

What is the extent of the people who are going to be affected by this ? Unfortunately, there is no information on the number of people who are employed in the sick private units. Since it is a very important parameter for exit policy, we have made an estimate of it. Using the Employment Market Information of large and small units for different sectors, we estimated the employment per unit in the various sick industry groups. We found out that 4.5 lakh persons in the 2,011 large units, which are non SSI sick and weak units, would be affected because of the closure. In fact the number of people affected by the closure of the 124 textile units alone is 1.65 lakh. In addition, 36 lakhs people would be affected by the closure of the small scale units. Thus the total number of people affected would be about 40 lakhs in large and small scale sick units in the private sector.

So far there was some hope for these 40 lakh people that some of these units may be revived and they might get their employment back. But the implementation of the exit policy leaves very little hope for the revival of these units and their employment. Revival is a difficult option and exit is a soft option. Therefore, between the two choices unless there are compulsions the soft option to exit will be taken.

This problem is further compounded because of the fact that the employment elasticity of output in the private organised sector is only 0.11 and the absolute magnitude in the employment in the private organised sector has declined, and there is no increase in the employment in the private organised sector. The exit policy will lead to a situation where the government will have to deal with 40 lakh skilled unemployed manpower.

Moreover, if the exit policy is extended to the public sector units, obviously the number of affected people will begin with 7.9 lakh persons in the 98 public loss making enterprises. There are also 31 profit making enterprises whose networth is close to zero and accumulated losses are quite high. There are some units which already have negative networth like Cotton Corporation of India Ltd., Brethweit Bern and Jesob Construction Ltd., Hindustan Antibiotics Ltd., HMT Bearings Ltd., India Fire Bricks and Insulation Co.Ltd. Thus out of the 244 public enterprises, the number of loss making units is likely to increase beyond existing 98. This is likely to have an impact on almost 10 lakh employees.

If this policy is extended to state level public enterprises, which might include State Electricity Boards and Road Transport Corporations, their number will be staggering. The Electricity Boards and the Transport Corporations two together alone employ almost 10 lakh people at the state level.

Recently it has been found that the financial institutions, particularly the banking sector, have also started incurring losses. At present the banking sector employs about 10 lakh persons. The present trends indicate that a number of banks have become sick, and the profitability of the most of the nationalised banks have declined over time. On the basis of the employment elasticity of output of the banking sector, if banks are to be restructured and made competitive with the foreign banks, a sizeable proportion of 10 lakh employees will be affected by the exit policy.

Alternatively if we compare the employment elasticity of output of the public and private organised sectors it is 4:1. We will not venture to say as to how many of the 180 lakh public sector employees will become surplus, but there is no doubt that it will be very very significant because of the difference in their employment elasticity which is in the ratio of 4:1.

Apart from all these implications of the exit policy, it will be worth while to examine why the efforts to revive sick units have largely failed. The major reason for sickness in public and private sector is policy and management failure. Since industrial sickness is indicated at a sectoral level like cotton, jute textile, sugar, paper it means that there is a problem with the government policies which are made for sectors as a whole. It is also very clear that in most of the cases the efforts to revive have also been too little and too late. Thus even if the exit policy is introduced as it is envisaged, the problem of the industrial sickness at an alarming rate will continue.

One of the painless method of implementing the exit policy in public sector will be to utilize the attrition rate. In the organised public sector about five lakh people retire every year. Utilizing this it will be possible to shed about five lakh jobs every year. In addition to this the surplus manpower from different units can be relocated through retraining. Of course, this will mean that these five lakh jobs plus another four lakh jobs every year in the organised public sector will not be available.

Apart from this magnitudinal problem, there are several legal problems which need to be looked into. In India firms are defacto partnerships between an industrialist, government and financial institutions. The stakes of the industrialist is normally around 20-25 per cent. The rest of the resources are by the government and financial institutions, which are largely from public. This frame has been kept in the Constitution of India because the ownership and use of material resources is supposed to serve the wider interest of the community rather than the personal or private interest of the individuals or groups (Constitution of India, Part IV, Article 39). The industrialist does not have absolute ownership of the firm. Therefore, the decision making has to be jointly by industrialists, government and financial institutions because of the joint ownership. The companies and firms are not simply agents for transferring resources into goods but are expected to fulfil broader social objectives, including incomes security for employees and backward area development. Employment in India is a social contract, therefore, companies and firms can not retrench or lay off workers without government permission. In a broader sense, labour is also a partner in a firm or company. In the case of National Textile Corporation's Workers' Union and others v/s. P.R.Ramkrishnan and others (1983), the Supreme Court ruled " It is not only the shareholders who have supplied capital who are interested in the enterprises but the workers who supplied labour are also equally if not more interested. In considering the question of winding up of a unit the court has to take the larger point of public interest including that of the workers into consideration."

Thus firms in India are also a de facto partnership between an industrialist, government, financial institutions and labour. This further strengthens the arguement that an industrialist is only one of the four partners and is not an absolute owner of a firm or a company. In view of this larger partnership between industrialist, government, financial institutions and labour. The industrialist alone can not be given or can not expect full autonomy of entry and exit and/or relocate or retrench labour. This is the logic of the barriers to entry and exit to firms in India. If the industrialist wants full autonomy of entry and exit, he must increase his share to 60 to 70 per cent to make him eligible for the autonomy which he wants. In the developed courtries where the full autonomy of entry and exit exists the stakes of industrialist are at that level. If India wants to bring in the freedom of entry and exit in the present frame, the constitution will have to be altered.

The other barrier to entry and exit to firms in India is absence of general safety net, so an unemployed person has no income. An employee laid off by a large firm may not be able to find another position for employment and the wage for casual labour is half that of a labour in an organised sector. The retrenchment in this circumstances has much greater social consequences than when alternatively comparably paid employment is available and there is unemployment insurance. The social security in India is inadequate compared to the most of the developed countries where freedom of entry and exit to firms exist.

Mrs. Margaret Thatcher succeeded in the privatisation programme because U.K. had put into place a wide ranging security system beginning in 1930. This provided education, housing and health care and social security as doles and pensions. So even when labour was displaced the social safety net ensured that basic needs of individuals were taken care of.

Unfortunately, the policy barriers to entry and exit of firms in India have not been utilised in the spirit as enshrined in the Constitution for the social good. It has been utilised sub-optimally for political and bureaucratic control. Therefore, it has been very easy to circumvent it. Thus even though a firm has not been legally closed but the industrialist find out methods to literally do it and deprive the labourers their legal dues. The four partners - industrialist, government, financial institutions and labour - have been working at the cross purposes to benefit at cost of each other. The impact of such an approach is on the society. Therefore, India is faced with the massive problem of industrial sickness in the public and private sectors. If the policy of barriers to entry and exit had been utilised in the social good, all the four partners would have gained alongwith the country.

Section 25 M & O of the Industrial Disputes Act for the industrial worker is equivalent to Article 310 & Article 311 of the Constitution of India for the government servant. These two together provide the protection to the two classes of workers. Section 25 M & O of the I.D. Act is deleted, obviously the question will be whether the other set of employees who are with the government should continue to have the same protection. This is the question which arises under Articles 14, 15 and 16 of the Constitution of India.

Since this freedom of entry and exit is based on the model of the developed countries, it will be necessary to provide for the remaining conditions, particularly of the safety net, which was done in United Kingdom by Margaret Thatcher. Along with this, one must also look into the fact that in our economy the labour force is growing at the rate of 2.5 per cent per annum as against the employment growth of 2 per cent per annum. The number of persons who are entering into the labour market is 10 million per year whereas jobs both in the formal and informal sector are being created only at the rate of 6-7 million. Therefore, the magnitutde of existing unemployed, likely unemployed due to exit policy and additional labour force put together becomes staggering. This can have serious implications to the Indian polity and people.

IV ISSUES FOR DISCUSSION

In formulating the exit policy, we have to debate the following aspects.

i) The right of the companies to close down and recover a part of investment by the sale/merger of the sick units. If this is to be provided, the changes in the legal framework both in the central legislation as well as state legislation will have to be thought about (even improvement over pre-1984 situation).

ii) If the right of closure of sick units is granted, the compensation and dues to labour will have to be given precedence in disbursement of sale proceeds over the creditors and shareholders. The modalities of this need to be debated.

iii) In case of sick public sector units, the modalities of converting them into workers cooperatives need to be discussed.

iv) In case of those sick units which can be turned around, it has to be debated whether they need to be given appropriate permission to retrench the surplus labour. This aspect has to be debated along with the likely amendments in the retrenchment compensation law so that the interests of the labour are protected.

v) The size and role of national renewal fund in facilitating the redeployment of labour needs also to be debated.

In debating the above mentioned issues, the alternatives indicated in figure-1 and their implications for the private cost (borne by the entrepreneurs) and the public costs (borne by the central and state governments and the public sector financial and banking institutions) need to be assessed. These alternatives alongwith their implications need to made transparent and trade unions and other labour organisations need to be taken into confidence so that the exit policy can be smoothly implemented.

FIGURE-1: DECISION ALTERNATIVE FOR CLOSURE OR RESTRUCTURING OF SICK UNITS.