PolicyWatch

Covering developments on policy responses, policy implementation and policy distortions on a quarterly basis. Comments are welcome.

Volume 17, No. 2 April-June 2016

CUTS International

INSIDE THIS ISSUE

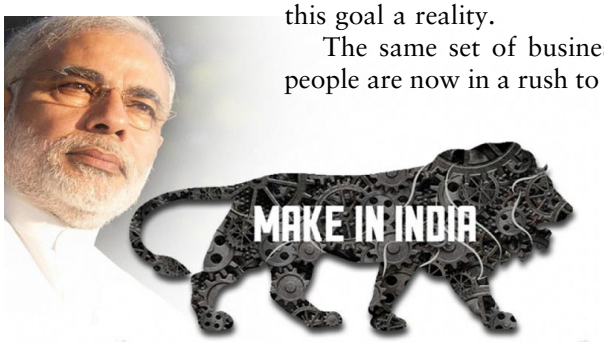
HIGHLIGHTS

"The reformer has enemies in all those who profit by the old order and only lukewarm defenders in all those who would profit by the new".
Machiavelli in *The Prince*

Make in India: Governance is the Key

In the context of a nation, organic change is always in the making. It is slow but steady, whereas sudden paradigm changes happen when either organic churning reaches the tipping point or a strong leadership takes charge.

In India's case, it is the latter that can be credited with the change we see around us these days. For example, didn't we all know about the importance of 'Make in India' to our job creation agenda all this time, but it is only in the last few months that a sense of urgency has crept in at all levels to make this goal a reality.



The same set of businesses, bureaucrats and people are now in a rush to contribute towards it. They want to be productive and are intolerant of obstacles in their path. But this is also a tenuous situation as the very leadership that gave them the reason to act can quickly turn into a dart board if governance in the country is not fixed with speed.

Besides bureaucratic reforms, there are many other ways to improve governance and to ensure a holistic impact. First, we need to identify what to discard from the system; second, before discarding something, it needs to be identified as having no utility; third, we need to identify if a certain process is needed to make things work better; and fourth, we need to salvage a good initiative from the grip of bad administrators.

Continuing with the model of 'Make in India', let us make it easier to understand some of the following examples:

Discard that which has outlived its utility: One of the first things that come to mind is the general opinion across the board that district industries centres as institutions have not only outlived their utility but have also become heavy-handed. If experts and practitioners feel alike on this point, then why are the states so reluctant to do away with them?

We have been talking about Micro, Small and Medium Enterprises (MSMEs) as the backbone for 'Make in India', but without a strategic roadmap based on areas where India is competitive. Formulating such a roadmap will help identify MSMEs, develop strategic clusters and focus on their strategic growth.

Ultimately, it will be strong political will that can change things, and fortunately Prime Minister Narendra Modi's leadership has also expedited the organic change. However, he should empower other relevant Ministries as well and bring in a culture of outcomes, envisaged in 2005 when the system of outcome budgeting was implemented.

This mechanism should be revived for a longer sustainable solution, and who better than the Prime Minister himself to champion this cause?

Published by **Consumer Unity & Trust Society (CUTS)**, D-217, Bhaskar Marg, Bani Park, Jaipur 302 016, India
Phone: 91.141.228 2821, Fax: 91.141.228 2485 Email: c-cier@cuts.org, Website: www.cuts-ccier.org
Printed by: Jaipur Printers P. Ltd., M.I. Road, Jaipur 302 001, India.

COMMUNICATION

Spectrum Charge Regime

The Telecom Department is considering changing spectrum user charge regime to a flat rate of 4.5 percent for all telcos from the present weighted average formula by which telcos can pay between 3 to 8 percent as charges.

Spectrum user charges are annual payments made by telcos as a percentage of revenues for using their spectrum holdings. The Telecom Commission, the inter-ministerial decision making body will also decide on removal of 1 percent spectrum usage charge (SUC) for broadband wireless access (BWA) companies like Reliance Jio and Bharti Airtel.

Moreover, the Commission will also decide on pricing of spectrum for bands that will be put up for auction and payment schedule. *(ET, 29.04.16)*

Threat to Mobile Wallets

A good number of Indian internet users, who access the web via mobiles, have woken up to cyber threats. But the bad news is that they are doing nothing to shield themselves against possible intrusions and losses.

"Close to 50 percent of Indians have over 20 apps on their smartphones, and mobile wallets and e-commerce apps are among the top five applications used", said Ritesh Chopra, Country Manager (India) of Norton by Symantec. "People are unwittingly giving permissions to unknown and unverified developers to download apps. Many of them are fake and could make your phones their slaves", he added. *(BL, 28.06.16)*

TRAI's Pre-consultation Paper

Telecom Regulatory Authority of India (TRAI) has issued pre-consultation paper on net neutrality, a topic that had kicked up dust earlier in 2016 over platforms like Facebook's Free Basics and Airtel Zero as well as attempts to charge certain Internet services, including calls.

In the recent past, there has been a conflict between telecom operators, Internet companies and consumers interest on the issue of net neutrality.

Moreover, the regulator states, "This pre-consultation paper is an attempt to identify relevant issues in these areas, which will help TRAI in formulating its views on the way forward for policy or regulatory intervention". *(IE, 30.05.16)*

Service Tax Raising Tariffs

Telcos have warned that the Finance Ministry's proposal to impose a 15 percent service tax on all spectrum allotments, including auctions and trading deals, would cost the industry ₹30,000 crore in the first year, forcing telecom operators to raise tariffs.

The move would not only make the cost of acquiring spectrum higher by 47-71 percent, dampening the bidding interest in the upcoming auctions, it would also cut into the telcos' corpus required to expand services like 3G and 4G, according to telcos.

Cellular Operators Association of India (COAI) stated that the proposed levy of service taxes on spectrum, estimated at ₹30,000 crore (in one year itself), industry wide, will further push the industry swaying to the edge of financial distress". *(ET, 05.04.16)*

Boosting E-manufacturing

The government might come out with more policy guidelines, if necessary, to boost electronic manufacturing in the country, indicated Minister of Communications and Information Technology Ravi Shankar Prasad. The government is working to make India a big hub of electronics manufacturing and is providing various incentives to companies to set up their shop here.

In the past, Prasad has stated that the country's import bill on electronics was second only to that of oil, adding that the Centre would work to increase domestic manufacturing of electronic goods to reduce import dependence.

South Korean electronics major LG has already launched two locally-made smartphones in India.

(IE, 15.04.16)

Uniform Rollout Policy

A majority of states have agreed in-principle on a uniform policy for rolling out telecom infrastructure across the country, which will help improve the turnaround time in laying networks and lower its cost. The proposed policy will help expeditious rollout of telecom infrastructure as well as improve quality of services. Beside, this will reduce call drops and cost of setting up networks.

The new rules propose that the authorities involve in granting Right of Way (RoW) permit will have to grant permission within 60 days should decide on the application. In case of rejection of the application, the concerned authority should record the reason in writing, as per the proposal. *(NDTV, 12.04.16)*

No Penalty for Call Drops

The Supreme Court struck down the TRAI's directive imposing penalty for call drops on telecom operators. The Apex court called the directive 'unconstitutional and arbitrary'.

In October 2016 TRAI had imposed a penalty of ₹1 per call dropped with a maximum penalty of ₹3 per day on telecom operators for each call dropped on account of an error on the part of the telecom operator.

Telecom companies had cried foul over the directive, by indicating that the regulator had no authority to levy such penalty and that it was not possible to segregate the reasons for call drops.

(ET, 11.05.16)

• TRANSPORT •

Vehicle Retrofitting Policy

Under fire from the Supreme Court for not finding solutions to vehicular pollution, the government has asked global automotive technology companies Bosch and Cummins to provide retrofitting technology to convert old diesel vehicles into electronic vehicles.

The Transport Ministry will form a vehicle retrofitting policy for old vehicles once the technology is made available in India. Such a conversion – voluntary, not mandatory – is expected to cost around ₹1 lakh though it could be reduced with economies of scale. The government is already working on a voluntary vehicle fleet modernisation policy for four-wheelers older than 12 years for inter-ministerial consultation.

(ET, 15.05.16)

Water Transport Facilitator

Maharashtra Chief Minister Devendra Fadnavis has provided in-principle approval to form Water Transport Corporation (WTC) to facilitate water transport system across the state including passenger ferry service, water sports, cargo transport and to encourage tourism as well.

Maharashtra has 720 km long coastline with over 400 jetties. A senior official stated that the damaged jetties will be repaired by the proposed WTC. Also jetties, in good condition, can be given to private players for transport passenger, cruise shipping, organise water sports etc.

(ToI, 05.05.16)

New Civil Aviation Policy

The government has scrapped the controversial 5/20 norm and now any domestic airline can fly overseas provided they deploy 20 planes or 20 percent of their total capacity for domestic operations. After a high decibel debate over the continuance of 5/20 norm – only local airlines having at least five years of operational experience and a fleet of minimum 20 aircraft are allowed to fly overseas.

The policy aims to bolster domestic aviation sector with provisions, such as capping airfares at ₹2,500 for a one-hour flight; auctioning of unilateral traffic rights; tax incentives for airlines; maintenance and repair works of aircraft and mooting 2 percent levy on all air tickets to fund regional connectivity scheme and providing viability gap funding for airlines to encourage operate on regional routes.

(IE, 15.06.16)

MPs Not Super Citizens

Members of Parliament (MPs) are not 'super citizens', Civil Aviation Minister Ashok Gajapati Raju said in Lok Sabha when a *Bhartiya Janta Party* (BJP) member demanded that they should be given a 'little priority' at airports.

The Minister added that MPs ought to be treated with respect and his Ministry will take all feasible steps to make their travel more comfortable but MPs are not super citizens.

The member said ground staff of private airlines does not recognise the MPs and even when they display their identity cards, they are offered little assistance at airports. Countering him, Raju said MPs are recognised at the airports as most of them are members of airport committees.

(FE, 05.05.16)

Illegal Siding Fined

The National Green Tribunal (NGT), Eastern Zone Bench, Kolkata has slapped ₹50 lakh fine on the East Coast Railway (ECoR) for operating an 'illegal railway siding' at Jakhapura Railway Station near Kalinganagar Industrial Complex in Odisha's Jajpur district.

The NGT Bench said the amount would have to be paid within a period of two months to the District Magistrate, Jajpur, who would spend ₹25 lakh on infrastructure development of Primary Health Centre (PHC) at Jakhapura, ₹25 lakh on improving the environment, and for sanitation and supply of drinking water in the affected village. The NGT found ECoR committing breach of both the Water Act, 1974, and the Air Act, 1981, and contributing to air and water pollution in the area.

(TH, 29.05.16)

No Speed Bumps on NHs

The Road Transport Ministry has asked state governments and agencies like National Highway Authority of India (NHAI), state Public Works Departments (PWDs) and Border Roads Organisation (BRO) to remove all speed breakers from highways, which hinder smooth movement of traffic apart from being a safety hazard on high-speed corridors.

According to the Road Accident Report (2014), published by the Ministry, 4,726 lives were lost in crashes due to humps while 6,672 people died in accidents caused due to potholes and speed breakers.

The Ministry said these recommendations provide for properly designed rumple strips at locations, such as sharp curves on level crossings and congested or accident-prone areas. *(ToI, 15.04.16)*

Regulating Cab Aggregators

The government proposes to set up public transport regulators in each state to oversee the functioning of cab aggregation companies, define commercial car-pooling to remove ambiguity, set limits on surge pricing to protect customers and make know your customers (KYC) mandatory to ensure passenger safety.

States, such as Delhi and Karnataka have already imposed restrictions on surge pricing. The central government is of the view that there should be a cap on surge pricing and it should not exceed 40-50 percent of the base fare. States including Rajasthan and Gujarat have echoed the same views. *(ET, 23.04.16)*

• OIL & GAS •

High on Energy

Prime Minister Narendra Modi's government has paved way for big reforms in the oil and gas sector, by bringing the rout of crude oil. The key reforms began with the freeing up of diesel pricing in October 2014, which had a salutary effect on the finances of the public sector.

Besides, the government has also successfully re-negotiated the long-term Liquified Natural Gas (LNG) contract price with Qatar's RasGas to align it with current market rates.

For enhancing exploration, the government has introduced key changes in Hydrocarbon Exploration Licensing Policy (HELP) proposing a unified license that allows production of all hydrocarbons, and the flexibility to bid for any block on-tap under open acreage licensing. *(BL, 22.05.16)*

PMUY Plans for Free LPG

With an aim to replace firewood with gas for cooking, *Pradhan Mantri Ujjwala Yojana* (PMUY) has announced plans to give free Liquid Petroleum Gas (LPG) connections to 30 lakh Below Poverty Line (BPL) families in the following three years in Odhisha state.

The scheme was launched by the Prime Minister as a step towards empowering women belonging to poor households suffering from the smoke of fire wood, coal, dung cakes etc. Owing to this, budgetary allocation has been made to provide such women-relief from smoke, drudgery and disease.

The government also announced that from July 2016, 40 lakh households in the state will get benefit on account of new LPG connections. *(ET, 20.06.16)*

IOC Slashes Oil Import

Indian Oil Corp (IOC), the nation's largest oil firm has cut by more than half the time it takes to finalise a crude oil import tender after the government gave flexibility to state refiners to devise their own crude import policies. IOC used to take 26 hours to decide on a tender for import of crude oil from spot or current market.

The Cabinet gave state-owned oil refiners freedom to devise their own crude import policies, the time has been shrunk to 12 hours, and the time for deciding on tenders for export of petroleum products or fuel has been cut to just 9 hours from previous 35 hours. *(ET, 19.06.16)*

Ration Cards Policy

The government has eliminated 1.6 crore duplicate and bogus ration cards that will help save about ₹10,000 crore in subsidy bill annually. The government intends to extend direct benefit transfer (DBT) to other schemes for better targeting and stamping out bogus users, thus checking diversion to non-intended beneficiaries. More than 1.6 crore ration cards have already been weeded out, and on this account alone, the estimation is about ₹10,000 crore savings.

In addition, the government has saved ₹14,872 crore by offering subsidy on LPG directly to consumers and DBT is planned to be extended to 150 schemes by the end of 2016. *(ET, 26.06.16)*

Lifeline to Oil Firms

The government's ambition to cut fuel imports drives fresh investment as India is offering global oilfield service providers starving of new contracts a US$27bn lifeline.

India's hydrocarbon resources still remain highly undeveloped and the government's new liberal approach is nudging companies to invest in tapping them. The measures are expected to boost gas output by 35 million standard cubic meters a day and unshackle projects worth US$27bn.

India's exploration binge would not be enough to compensate for cancelled projects around the world as oil prices settle below 50-a-barrel of crude from more than US$100 two years ago. *(ET, 28.06.16)*

Startups for Open-bidding

The government is trying to bring in start-ups to join the process in the open bidding of small and marginal oil and gas fields, which are likely to start in July 2016. The Union Minister of Petroleum and Natural Gas, Dharmendra Pradhan said that the government is working on if the net worth clause for start-ups might be reworked and instead bank guarantee can be taken for the start-ups.

The Minister said that bidding will take place for 67 oilfields, out of which 12 are in Northeast India. In these fields, there are resources worth ₹70,000 crore. Moreover, Assam contributes 10 percent of total crude oil and natural gas. *(ET, 25.06.16)*

Government Saves LPG Subsidy

The government has saved over ₹21,000 crore in LPG subsidy in the last two financial years, by considering bank accounts of actual users helped eliminate duplicate connections as well as diversions.

Paying the subsidy directly into bank accounts of cooking gas consumers in selected districts began from November 2014, and in the rest of the country from January 2015.

On an average, ₹366 per cylinder subisidy was considered for 2014-15 fiscal. The quota of 12 cylinders per consumer and the average LPG subsidy of ₹336 per cylinder for the year 2014-15, the estimated savings in LPG subsidy works out to ₹14,672 crore, during that year. *(ToI, 04.05.16)*

• POWER •

UDAY for Pvt. DISCOMs

The Ministry of Power (MoP) is considering including private power distribution companies (DISCOMs) under the ambit of its flagship scheme Ujwal DISCOM Assurance Yojana (UDAY). According to the Union Minister of State for Coal, Power and Renewable Energy, Piyush Goyal, the private DISCOMs joining the scheme would only benefit in terms of operational efficiency and will not be given any financial bailout.

The inclusion of private DISCOMs in the scheme is being considered after companies including Tata Power Delhi Distribution Limited requested the MoP for inclusion in order to help them tide over the financial distress. *(BS, 20.05.16)*

Reviving Power Projects

The goverment plans to offer a long-term financing scheme, in consultation with the state Power Ministers, to revive stalled hydro-power projects in the country. The government is also working on a comprehensive policy to encourage hydro-power generation.

In addition, a policy on financial support for solar power equipment manufacturers, as proposed by the NITI Aayog, is also on the anvil. The amount of subsidies to be provided for equipment manufacturers to be competitive in the global market will be determined through a reverse auction. Moreover, the manufacturers, both existing and new players, receiving subsidies will get an assured market for supply of panels and other equipment for a specified time period. *(Mint, 02.05.16)*

Reforming Coal Supply

The Union Cabinet has liberalised the supply of coal to central, state and independent power producers. This is expected to give more flexibility to all the power producers at a group level to determine which of their facilities would receive the fuel, as against the current government practice of micromanaging the coal utilisation in specified utilities. The Central Electricity Authority (CEA) will determine the modalities for coal allocation.

In light of this decision, all the long-term coal linkages of individual state power plants will be clubbed and assigned to the concerned state government or an agency nominated by it. This will pave way for optimal and efficient utilisation of domestic coal by power generating stations. *(Mint, 05.05.16)*

Creating Equity Fund

The government is looking to create a US$1bn equity fund for solar energy in the country. This will encourage new companies in the solar power generation segment and hence help in a successful transition from megawatt (MW) to gigawatt (GW).

The government wants to tap financial resources of the global financial institutions like the World Bank (WB) for the equity fund. At present, WB gives 5 percent of its financial resources for development of Renewable Energy (RE). However, according to the officials from the Ministry of New and Renewable Energy (MNRE), India requires this to increase to at least 15 percent. *(TH, 15.04.16)*

Rooftop Solar Panel Policy

The government of Delhi has prepared a solar policy, which provides incentives and tax breaks to promote solar power, and makes it mandatory for government and public institutions to install rooftop solar panels. The policy, which will initially remain in force for three years, aims to generate 1GW of power by 2020, taking it further to 2 GW by 2025.

According to the policy, a generation-based incentive of ₹2 per unit of solar power generated from domestic rooftop is prescribed for consumers. The minimum eligibility criterion for the households to avail the scheme has been prescribed at 1,000 units per annum per KW. *(TH, 17.05.16)*

Giving Shock to Powermen

The Jaipur Vidyut Nigam Limited (JVVNL) has decided to give a 'shock' to negligent engineers. JVVNL has initiated action against 26 engineers found careless to block electricity supply.

JVVNL Chairman and Managing Director Bhaskar A Sawant has issued orders that strict action would be taken against engineers who supply electricity for a time period longer than the defined for the block electricity supply.

Furthermore, as per the orders, engineers who flout block electricity supply norms for five times in March 2016 would lose one increment whereas those doing the same for more than five times would lose two increments. *(DNA, 13.04.16)*

RE Hybrid Policy

The government has prepared the draft Wind-Solar Hybrid Policy aiming at providing a framework to promote large grid connected wind-solar photovoltaic (PV) system. The goal of the policy is to reach a wind-solar hybrid capacity of 10 GW by 2022.

Given that solar and winds are almost complementary to each other, a separate policy on hybridisation is an attempt towards providing the right framework for optimal and efficient utilisation of transmission infrastructure and land. Hybridisation would also result in reduced variability in RE power generation, and hence, will help achieve better grid stability. *(BS, 01.06.16)*

SEBI Relaxes Rules

The Securities and Exchange Board of India (SEBI) has relaxed rules on Real Estate Investment Trusts (REITs) by allowing them to invest more in under-construction projects, rationalised unit holder consent on related party transactions and removed restrictions on special purpose vehicle (SPV) to invest in other SPVs holding the assets. REITs are property trusts that pool investor money to invest in office buildings, shopping malls and rental housing.

Moreover, SEBI has also approved changes to portfolio manager regulations to allow a foreign fund manager to relocate to India as an eligible fund manager. *(ET, 18.06.16)*

Licence to Set up Banks

The finance companies and professionals will get a chance to set up banks but many large business houses, which have long dreamt of owning such institutions might not be so fortunate.

The Reserve Bank of India (RBI) as has come out with draft rules that propose a minimum capital of ₹500 crore for granting on-tap licence to new 'universal banks', which can function like high-street lenders offering loans, accepting deposits and carrying out fee-based services.

Conglomerates with total assets of ₹5,000 crore and having 60 percent of their business in financial services can apply for a banking licence, according to the new rules.

(ToI, 06.05.16)

Decreasing PSU Banks

The Minister of State for Finance Jayant Sinha stated that the number of (PSU) banks will come down considerably from 27 to around 8-10. He said that when the dust settles there might be 8 or 10 enormously competitive banks.

Sinha indicated that the government is doing things necessary to ensure that PSU banks are vibrant competitors. "We are now in the third phase of the reform process where we have gone through the governance and management reforms, and we have gone through the asset quality review and the stress testing. We are in the consolidation phase where we are trying to ensure a set of competitive banks", Sinha revealed. *(BL, 27.05.16)*

Growing Retail Loans

State-run Allahabad Bank (Kolkata) is aiming to grow its retail lending book by one-fifth in the current fiscal, expecting a consumption-led economic growth in the current fiscal with higher government's spending on salaries.

Sticky loans originating from the corporate sector pulled back banks' profitability thereby pushing lenders to compete with each other to grab a higher retail loan share.

Allahabad Bank, which reported ₹743 crore loss in the fiscal 2015-16 on deteriorating asset quality, will be chasing gains, especially from housing loans and gold loans, Chairman and Managing Director of Allahabad Bank Rakesh Sethi stated.

(ET, 24.06.16)

Bids to Process Complaints

Capital markets regulator SEBI is looking for agencies to process and maintain records of investor complaints and has invited applications from interested parties. The mandate for the agency is to receive grievances from investors through physical or electronic mode and categorise them.

It will also track complaints' status online and conduct follow-ups, besides preparing action taken reports (ATRs) and updating the status of grievances on SCORES, SEBI's online platform for complaints. SEBI has developed the web-based centralised grievance redressal system SCORES, which registers and tracks investor complaints against listed entities.

(ToI, 26.06.16)

Owing ₹5 lakh crore

Corporate houses owe about ₹5 lakh crore to Public Sector Undertaking (PSU) banks, a *Janata Dal United* member said in Rajya Sabha and particularly referred to the Adani Group, alleging that the company got 'unimaginable' favours and its debt stands at ₹72,000 crore.

Raising the issue Pawan Verma contended that PSU banks are influenced to give loan to the people who are not able to repay them. PSU banks are owed about ₹5 lakh crore by corporate houses and of this roughly ₹1.4 lakh crore are owed by just five companies, which include Lanco, GVK, Suzlon Energy, Hindustan Construction Company and the Adani Group and Adani Power", Verma added. *(ET, 05.05.16)*

Payment Bank Licence

Reserve Bank of India (RBI) Governor Raghuram Rajan has asked firms to not apply for a payments bank licence only because it is a valuable property. The central bank had earlier, too, cautioned that they incur a significant cost in assessing the applicants and so firms should apply only if they are completely committed.

Rajan stated, "Do not just go in for licence because it is a valuable property to have but instead do the due diligence on your own. And on applying, it should be with the intent of fully carrying out".

Raghuram Rajan said the central bank was 'not overtly perturbed' that a few firms have decided to drop their payments bank plans after they were granted an in-principle licence in 2015.

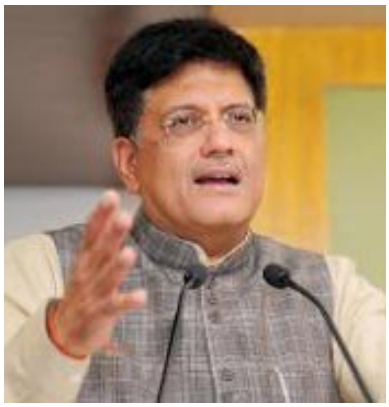
(BS, 08.06.16)

Solar Sector will Take Time to Adjust to Honest Regime: Piyush Goyal

The Union Minister of State for Power, Coal and Renewable Energy, Piyush Goyal challenges anybody to prove that solar tariffs in the country are unviable. He stated that Indian corporates are used to crony capitalism, high tariffs and profiteering, and needs time to adjust to an honest regime.

You have just reviewed Ujwal DISCOM Assurance Yojana (UDAY)? When do you expect it to yield results?

UDAY has already started to yield results. National Thermal Power Corporation's (NTPC's) cost of power has reduced by 40-50 paisa per unit. On an aggregate, it is 15 percent lower. This holistic method of working is now seeping into the system at the Centre, states and the distributions companies (DISCOMs). The energy efficient bulbs programme as well as sale of renewable energy certificates (RECs) has also shot up.



"I am focussing on increasing demand and transforming wind and hydro sectors, which, for their own folly, have gone down", mentions Piyush Goyal in an exclusive interview

Most private power companies are debt-ridden. Do you think it is time to reconsider a power fund?

I do not know which power company is saying that it does not have money, given the revival of almost all power plants that were stressed. A few are pending but most of it is seen as promoters' problems. If there is a bad credit, you cannot expect the banks to get them off. I do not think any reasonably sound company is facing any financial problem.

Rural Electrification Corporation and Power Finance Corporation are looking for good borrowers. There is no shortage of money in this country. I may be considering the next level of sectoral funds. The nation has moved in dollar terms – from million to billions.

Is the good financial position of the sector reflected in increased interest by foreign investors?

For me, it does not matter whether the investor is domestic or foreign. I have to do my job. I want to give an equal opportunity to all. I would rather strengthen the Indian investor. Unless you empower your domestic investor and domestic industry, and domestic confidence in the sector, no foreign investor will invest in the country.

Solar tariffs have not declined beyond ₹4.34 per unit. Are you contemplating dollar denominated tariffs?

So far, I have been criticised for killing the market and for getting the prices down to unviable levels. What did I do? We have only created a transparent, honest and an equal opportunity-for-all platform. The private sector including international companies is bidding. All those who crib about the bids being too low are lying. I challenge anybody to prove that the bids are unviable.

Now let me tell you why those bids are viable. It is because the process is transparent, honest and competitive. You do not have to pay a bribe. Many of the bids are for parks, hence, the cost of land and transmission are all taken care of. Moreover, there is no uncertainty as all of them come with a power purchase agreement (PPA). I have taken care of counter-party risk. I am also contemplating dollar-denominated tariffs.

Why do you think people say that low solar tariffs are unviable?

People who think that the tariffs are unviable were used to crony capitalism. They were so used to Central Electricity Regulatory Commission (CERC) determined high tariffs. They were so used to profiteering and having to provide for extraneous cost. They will take some time to adjust to an honest regime; give them some time.

What will be your focus in the third year of your tenure?

The agenda for 2016 is three-fold. I am focussing on increasing power demand, and transforming hydro and wind sectors, which for their own folly, have gone down. Solar industry accepted my bidding process and is seeing the transformation.

The wind industry kept resisting the change and continued with the cost-plus regime. Now, they are not getting enough traction in the form of adequate PPAs. Cost-plus is an inefficient way to do things. They have realised it now and are thus showing willingness to go for bidding.

– *Edited excerpts from an interview of Piyush Goyal with Kaavya Chandrasekaran, Sarita Singh & Himangshu Watts published in* The Economic Times *on May 19, 2016*

Weighted Average Method to Compute Spectrum Usage Charge

Mansi Taneja*

To usher in transparency while calculating revenues from all bands in which a telecom company operates, the Telecom Commission has approved weighted average formula for calculating spectrum usage charge (SUC). This will be based on the total spectrum held by a telecom operator.

www.economictimes.indiatimes.com

Operators pay SUC as a percentage of their adjusted gross revenue. Weighted average formula will take all spectrum holdings into account with different SUC rates as per current policy and come up with a unique SUC rate to be paid by a telecom operator. The government was apprehensive that operators could show more revenues from the band which charges less SUC leading to lesser earning for the government.

Earlier, operators were paying different SUCs for different bands acquired through auction. For administratively allocated spectrum, it was in the range of 3-8 percent for all bands except for 2,300 megahertz (MHz) wherein operators pay 1 percent SUC.

With the weighted average, the SUCs in percentage terms would come down for few operators who bought spectrum in the 2,300 MHz band in 2010 auctions, but the government has safeguarded its interest by fixing a minimum floor price ensuring that the revenue, which the government gets from SUC will not come down.

The Telecom Commission cleared a proposal to sell spectrum in all frequencies simultaneously for all future auctions. This will help Reliance Jio Infocomm Ltd, Bharti Airtel Ltd and Aircel Ltd. as they hold spectrum in the 2,300 Mhz band

The decision of Telecom Commission, the highest decision-making body of the Department of Telecommunications (DoT) will help Reliance Jio Infocomm Ltd, Bharti Airtel Ltd and Aircel Ltd. as they hold spectrum in the 2,300 Mhz band. For financial year 2015-16, the government earned about ₹7,000 crore through SUCs which will now be taken as the minimum floor price.

According to an official from the Ministry of Communications and Information Technology, SUC for Airtel will now be 3.7 percent instead of 4.9 percent, Reliance Jio will pay 2.8 percent instead of 5 percent and Aircel will shell out 2.83 percent instead of 3.24 percent. Reliance Jio is still to start operations.

The Telecom Commission also decided that SUC for the upcoming auction will be imposed at 3 percent, a senior official from the Ministry of communications and information technology said after the meeting of the Commission.

The Telecom Commission has also cleared a proposal to sell spectrum in all frequencies simultaneously for all future auctions. The industry, however, is not pleased with the decision as it has been demanding a flat SUC structure across bands for all operators.

Rajan Mathews, Director General, Cellular Operators Association of India (COAI), a lobby group, said the weighted average formula along with government's plan to fix a floor price for revenue will impede operators from passing on benefit to end-users.

"When the government has liberalised spectrum, then there is no point of having a weighted average formula. The government should make it a flat SUC to create a level-playing field", he added.

COAI had sought a uniform rate of SUC primarily to avoid any arbitrage by Reliance Jio. Queries sent to the spokespersons of Reliance Jio Infocomm Ltd, Bharti Airtel Ltd and Aircel Ltd. were not immediately answered.

The Ministry had earlier on April 30, 2016 sought the view of the Attorney General of India for clubbing spectrum sold for broadband wireless access services (2,300 Mhz band) in 2010 to avoid arbitrage in imposing SUC in future. As against the DoT view of 4.5 percent, the Telecom Regulatory Authority of India had suggested that SUC be kept uniform at 3 percent.

Rohatgi said, "I have suggested the department could go for weighted average for all bands and different operators could have their respective spectrum usage charges". An analyst indicated that the AG's view could help simplify the multiple rates various operators currently pay. "This paves the way towards a unified rate in future as more and more spectrum is auctioned and the weightage of the 2010 auctioned airwave keeps falling", Rohatgi concluded.

* *Senior Assistant Editor*, *NewsCorp* VCCIRCLE. *This was published on June 07, 2016*

Taken Big-bang Reforms to Turnaround Rail Freight Biz

"Indian Railways is struggling to overcome the challenges posed by the slump in core sector growth that has pulled down freight volumes across commodities. However, the national transporter is responding through policy changes to realise the incremental loading target of 50 million tonnes (mt) for FY17", states Railway Board Member Mohammed Jamshed

Is the Rail Ministry planning to cut down freight rates to recapture the railways modal share in transport?

Indian Railways' overall freight loading had taken a hit in 2015-16. The Rail Minister made an announcement in the budget of 2016 that tariff rationalisation should be undertaken to ensure that railways become competitive.

We have already started taking actions in this direction and embarked upon a path of big-bang reforms on the freight business segment including special reduced tariffs for the system; two-point loading in (covered wagons) BCN rakes with increased catchment area; new coastal shipping policy to capture domestic traffic moving by rail-cum-sea routes; extension of empty flow direction rebate and the major decision to withdraw levy of port congestion surcharge, which would bring back significant volumes of imported cargo from ports to hinterlands by the Railways.

Coal India (CIL) has achieved production growth of 8.6 percent in 2015-16. How has Indian Railways performed on coal transportation?

Coal accounts for almost 50 percent of Indian Railways' freight basket. Special efforts towards stock management and mobility were made in 2015-16 to meet the transportation requirements of CIL. While CIL's production in 2015-16 increased 8.6 percent, rail dispatches of CIL rose 9.4 percent.

The loading of 213 rakes per day in 2015-16 was the highest ever against 194 rakes per day in 2014-15. Similarly, rail dispatches from Singareni Collieries in 2015-16 increased 21 percent over 2014-15. But, there has been a drop of 20 mt in loading of imported coal.

The Railways also lost 12 mt of coal loading in 2015-16 due to Non-commencement of mining operations in the captive coal blocks reallocated to the power utilities of Punjab, Karnataka and West Bengal.

How worried are you on the prospect of a failure of demand pick-up from the power utilities?

The reduction in coal consumption by power sector has resulted in coal stocks with the power houses crossing an unprecedented level of 39 mt as on March 31, 2016. A number of power utilities regulated supplies of coal to rail-fed power plants in 2015-16. This is a cause of concern for us. We are closely working with the Coal Ministry and CIL to explore the possibilities of a pick-up additional quantities of e-auctioned coal.

How has the slowdown in core sector growth during April 2015-February 2016 impacted railways' freight loading?

The last financial year has been an extremely challenging year for the railways. The tepid growth in core sector (2.3 percent during April 2015-2016 February against 5 percent during the same period in previous year), coupled with the global slowdown has significantly impacted loading.

Railways lost 32 mt of loading in coal traffic. Also, food grain loading witnessed a drop of 10 mt. Container loading fell 8 mt as the slowdown in world economy, particularly China, impacted container traffic.

How is railways planning to utilise the excess capacity that will come on stream with the commissioning of the Dedicated Freight Corridors (DFC)? What are your rolling stock induction plans and how would you incentivise private sector participation in this?

The commissioning of the Eastern DFC and Western DFC would provide huge capacity in these sectors. The Eastern DFC would be primarily used to transport coal and steel from eastern parts to northern states.

The Western DFC would not only be the link for container traffic to or from the western ports but also provide the transportation infrastructure for DMIC (Delhi-Mumbai Industrial Corridor). We are also looking at providing value-added services, including running time-tabled trains on these DFCs.

With these strategies and expected growth in core sectors, Indian Railways would be able to meet the entire anticipated rail transportation demand.

* *Excerpts from an interview of Railway Board Member-Traffic, Mohammed Jamshed with Sudheer Pal Singh published in* Business Standard *on April 16, 2016*

Policy Push to Textile

The new textile policy is expected to boost the struggling textile industry. The inclusion of state-level taxes in computation of duty drawbacks would help textile exporters. The relaxation in ' minimum number of days requirements' from 240 days to 150 days will benefit the textile exporters to meet seasonal labour demands.

Similarly, the decision to bear the entire Employees' Provident Fund (EPF) contribution of the industry and making provident fund optional for those earning less than ₹15000 per month, will help both the industry and workers alike.

The 10 percent additional Technology Upgradation Fund Scheme subsidy for garment sector will modernise the sector and increase production besides creating additional employment opportunity. *(BL, 23.06.16)*

FDI Norm Relaxed

Indian government has decided to relax the 'local sourcing' norms for Foreign Direct Investment (FDI) in single brand retail, allowing companies with 'cutting-edge' technology to avoid local sourcing for up to eight years. This should be paving way for companies like Apple to set up their stores in India. Earlier Apple was denied exemption from mandatory 30 percent local sourcing norm while approving its application.

However, definition of 'cutting-edge technology' remains a grey area, upon which the Foreign Investment Promotion Board has asked the Department of Industrial Policy and Promotion to include a clarification in the FDI policy. *(ET, 21.06.16)*

IPR Policy Unveild

Indian Government recently unveiled a National Intellectual Property Rights (IPRs) policy to promote the IP regime and to encourage creativity, innovation and entrepreneurship in India.

The objectives of the policy include strengthening the legal and legislative framework of IPRs, their commercialisation; and reinforcing the enforcement and adjudicatory mechanisms for IPR infringements. The policy document stated: "India shall remain committed to the Doha Declaration on Trade-Related Aspects of Intellectual Property Rights (TRIPs) Agreement and Public Health".

According to Commerce Minister, Nirmala Sitharaman, the IPR policy will give a boost to Research and Development and innovations within the country while steps are being taken to cut the waiting period for trademark and patent registrations.

(Mint, 14.05.16 & BL, 15.05.16)

MSME Policy Delayed

The National Policy for the Medium, Small and Micro enterprises (MSME), which was expected to be unveiled in mid-2016, would now be done towards the end of 2016. The delay is because the recommendations is being finalised by the Prabhat Kumar panel, which is expected to be ready by October 31, 2016 instead of June, 2016 as earlier thought to be.

According to the Minister for MSMEs, Shri Kalraj Mishra, main change is to bring in transparency and accountability through large-scale digitalisation. "Almost every scheme has been put on the web site. Grievances are being monitored through the web site, and efforts are being made to bring even the MSME census online", he said. *(BL, 01.06.16)*

Imposing Anti-dumping Duty

Indian Solar Power Development Forum (ISPDF), a wing of *Swadeshi Jagaran Manch*, has taken up the cause of promotion of domestic solar power industry and demanded from the government to impose anti-dumping duty on the imported material. B P Sharma, National Convenor of ISPDF said that Chinese and Malaysian companies are dominating the current solar power generation.

According to Sharma, for India to achieve a target of 100 GW solar power generation, investment to the tune of US$100bn would be required. There is no other sector having such a huge scope of investment.

(ToI, 15.05.16)

Software National Policy

The Indian government would soon come out with National Policy on Software Products to promote talent and increase contribution of software from India to the global market. It is envisaged that the policy will help software products account for US$100bn of Gross Domestic Product (GDP) by 2025 from around US$6.1bn from June. The global software products industry is estimated to be US$411bn and expected to reach around US$1tn by 2025.

The policy, *inter alia*, aims to create a conducive environment for creation of 10000 technology start-ups to develop software products that are globally competitive and thereby generating direct and indirect employment for 35 lakh and creating a talent pool of one lakh software product development professionals, by 2025. *(BL, 19.06.16)*

Fastest Growing Economy

Retaining India's GDP forecast in FY17 and FY18, the International Monetary Fund (IMF) has confirmed that it as the world's fastest growing major economy. "Growth will continue to be driven by private consumption, which has benefited from lower energy prices and higher real incomes", revealed IMF publication, 'World Economic Outlook'.

"Sustaining strong growth over a medium term will require labour market reforms and dismantling of infrastructure bottlenecks", stated IMF.

Furthermore, India should achieve its five percent consumer inflation target in the first half of 2017, while flagging poor monsoon and the pay commission wage award as risks. *(ET, 13.04.16)*

Governments Stifling Innovation Ecosystem

The state, by its nature, is behind the curve when it comes to economic and technological advances in the market. That is as good a reason as any for its staying out of the way, in sofar as it is possible. Recently, the Karnataka and Maharashtra governments showed why this is so.

Karnataka teed off by introducing regulation for taxi aggregators like Ola and Uber that banned surge pricing – the higher rates that they charge during peak hours. Maharashtra went one better with proposed rules that would not only ban surge pricing but also fix fares and the rate at which taxi aggregators could expand their fleets. The ostensible reasons were two fold: to protect customers from high fares and to create a level playing field for regular taxis that are capped in number by government diktat.

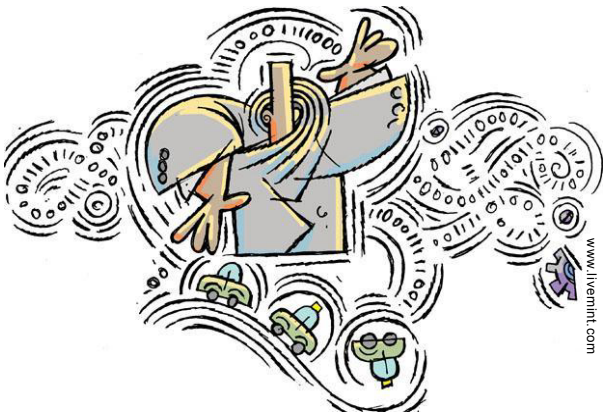
Leaving aside the lack of consideration of secondary consequences – by reducing profitability and incentives, the regulations are likely to result in a lower quantum of taxi aggregator cabs on the road, hurting customers, not helping them – there is a more fundamental problem here. Other than anti-competitive practices and issues of safety and standards, the government has, or should have, no role in promoting consumer welfare – all too often, a euphemism for price fixing, as in this instance.

The rapid success of Ola and Uber clearly shows that there is capacity to absorb their rates; when that is no longer the case, demand will drop and they will reorient their pricing. This is a process best left to the market. Nor does the state have a role to play in protecting certain players from fair competition.

This over-regulation is not a one-off. In March 2016,, the central government's otherwise unexceptionable move to allow FDI in e-commerce was ring-fenced with caveats to make it deeply problematic. And late in 2015, the Maharashtra government ignored the Union Ministry of Road Transport's recommendations on how to regulate the taxi trade – a pragmatic set of guidelines for dealing with app-based taxi services – to lump aggregators with conventional taxis and impose a cap on fleet size.

At the heart of this is a lack of clarity on how to deal with new business models based on the technological leap of the past two decades – whether is the evolution of retail or the advent of the sharing economy.

To be fair, this is not a problem confined to Indian governments, state or central. Other countries are struggling with the same issues; the resistance Uber is facing from taxi unions and political lobbies in various



parts of the US is a case in point. There are understandable reasons for this resistance. Joel Mokyr wrote in a 1997 Paper that "a complex system, which struggles to change against built-in inertia is more likely to change in sudden bursts than in slow, continuous fashion". We are experiencing one of those bursts now – and the flipside to that is a resistance to such change by those whose livelihoods will be disrupted by it and by administrations that are, by their nature, reactive.

But ultimately, such advances, the resultant economic progress and the disruption they cause are all inevitable. Mobile computing technology, cloud services, electronic payment systems, big data – the building blocks of the new economy – cannot be regulated away.

The RBI has shown on multiple occasions that it is possible to assess and incorporate such technological advances effectively. In 2013, for instance, it had taken a cautionary stance on the use of virtual currencies, such as bitcoins, warning against the risks – but after re-evaluation, spoke positively of the underlying technical concepts previous years and their potential to transform the functioning of financial markets and payment systems.

Then there is its drive for financial inclusion; in 2015, it granted in-principle approval to 11 entities to set up payments banks, enabling outreach through mobile devices to customers who cannot access traditional services. And its examination of peer-to-peer lending is an example of the sort of measured approach that involves understanding before regulating.

Various administrations in India would do well to follow suit. The focus must be on how to mitigate the impact on those affected – whether by liberalising FDI in brick-and-mortar retail or revisiting the norms that regulate conventional taxi services. Hobbling new business models is no answer.

– *This has been abridged from an article published in* Mint *on April 14, 2016*

Women Paid Less than Men

A Monster Salary Index (MSI), an initiative by Monster India in collaboration with Paycheck.in and IIM-Ahmedabad (Gujarat), indicated that there was a significant gender pay gap of 27 percent in India where men earned a median gross hourly salary of ₹288.68 per hour while their female colleagues earned just ₹207.85 per hour.

Worldwide, men often receive higher salary offers than women, while working at the same position in the same organisation. Needless to say, the situation is far from desired in India, especially when the country is gearing towards inclusive development. *(BL, 17.05.16)*

Retail Inflation Nears 2-Yr High

Retail inflation accelerated to a near two-year high in May 2016 on the back of pricey food items, dashing hopes of any reduction in interest rates cut by the RBI in the months ahead.

The RBI had decided against cutting rates in its latest monetary policy review in June 2016, citing rising inflationary pressures particularly from food items.

Data released by the Central Statistics Office (CSO) showed inflation, as measured by the consumer price index (CPI), rose to an annual 5.8 percent in May 2016 from previous month's 5.5 percent increase. Rural inflation rose 6.5 percent, up from previous months 6.2 percent while urban inflation increased to 4.9 percent from April's 4.7 percent.

(ToI, 12.04.16)

Digital Economy Laggard

"India has the largest offline population in the world with nearly a billion Indians still not able to tap the benefits of a digital economy", indicated the World Bank (WB).

At least 8 in 10 individuals in India own a mobile phone and digital technologies are spreading rapidly, but the aggregate impact of digital technologies has fallen short and is unevenly distributed, noted a 2016 development report on Digital Dividends released by the Bank.

Furthermore, at the end of 2014 India had more than 200 million Internet users, compared to 665 million in China, according to the report.

(TH, 11.05.16)

Rising Sea-levels – A Threat

Nearly 40 million Indians will be at risk from rising sea levels by 2050, with people in Mumbai and Kolkata having the maximum exposure to coastal flooding in future due to rapid urbanisation and economic growth, according to a United Nations environment report.

The Global Environmental Outlook (GEO-6): Regional Assessments said that the worst impacts of climate change are projected to occur in the Pacific and South and Southeast Asia. It said focussing on the population at risk from sea-level rise by 2050, seven of the 10 most vulnerable countries worldwide are in the Asia Pacific region. *(ToI, 20.05.16)*

Reduction in Crony Wealth

London based newspaper, The Economist's latest index of crony capitalism estimates crony wealth in India at 3 percent of GDP, against 18 percent in 2008, when cronyism was at its peak internationally. India, coming in at ninth place, now compares with Australia, instead of competing with Russia eight years ago.

Whether its Xi Jiping's 'crackdown against corruption' in China or Narendra Modi trying to subject the economy to a blast of competition, governments are initiating a clean-up everywhere, stated the newspaper. Besides, it also cites pressure from the middle class, reflected in the election of Arvind Kejriwal in Delhi. *(ToI, 09.05.16)*

Employing Flexi Staff

India will soon become the third largest country to employ contract employees, with its plan to employ 2.9 million flexi staff by 2018. A report by Indian Staffing Federation (ISF) indicated, "with an accelerated rate of 12.3 percent over 2015-18, flexi staffing is becoming the job creation engine where over 9 million youth would be added to the organised workforce in the following 20 years".

The report further highlighted that with every one percent conversion of informal workers to flexi, there was need for a legal framework to protect the interests of this growing workforce. *(BL, 27.05.16)*

Low in Human Capital Index

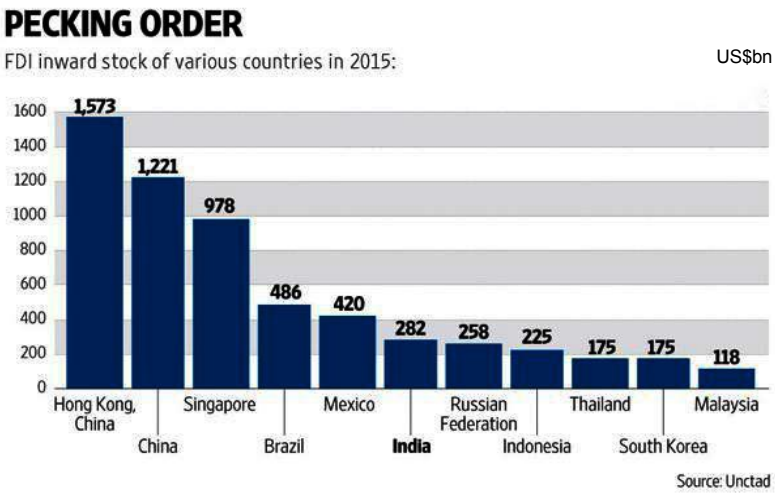
India recently ranked low at 105th position globally on a worldwide Human Capital Index, which measures countries' ability to nurture, develop and deploy talent for economic growth and was topped by Finland.

Out of 130 countries India ranks much below China's 71st position while Bangladesh, Bhutan and Sri Lanka are also placed higher on the index released by Geneva-based World Economic Forum (WEF). It stated that India has optimised just 57 percent of its human capital endowment – placing it in the top of the bottom quartile of the Index.

(IE, 28.06.16)

India Ranks 10th in FDI Inflows

Suranjana Roy



India continues to be among the top ten countries in terms of FDI inflows globally and the fourth in developing Asia, as per the World Investment Report 2016 by the United Nations Conference for Trade and Development (UNCTAD). India's FDI inflows have increased to US$44bn in 2015 as compared to US$35bn in 2014.

According to Nagesh Kumar, Head of South, South-West Asia office of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), a surge in investments in the first four months of 2016 is mainly on account of the 'Make in India' initiative, alongside liberalisation measures and reforms initiated by the National Democratic Alliance (NDA), which makes India an attractive investment decision. He further added that the huge potential offered by India, the fastest growing major economy, is also one of the main reasons.

To be sure, China with more than three times India's FDI at US$136bn in 2015 is ranked third in terms of FDI flows among all countries, as per the report. In terms of outflows, there has been a decline in most developing and transition regions. However, China is one of the exceptions.

According to Devendra Kumar Pant, Chief Economist and Senior Director (Head, Public Finance) at India Ratings and Research, "The declining trend in India's outflows can be explained by the collapse in the commodity side. In the past, most of the corporates used to buy assets outside and that too commodities, such as coal and oil. Their own good performance aided to this".

Globally, FDI activity has increased by 38 percent, in a signal that a revival in investment sentiments is on the cards. "The way India is performing in terms of growth rate now along with our competitive location in terms of wages and policies like Stand Up India should benefit us in future. At the same time, issues like land acquisition, Good and Services Tax (GST) and labour reforms need to be handled", said Kumar.

The report also talked about striking the right balance between liberalisation and regulation to promote investment for sustainable development. Liberalisation measures have been applied by relaxing or eliminating entry requirements in aviation, financial services, mining and real estate. Restrictions, on the other hand, have been introduced for national security and related reasons, the report said.

Pant pointed out that the manufacturing sector in India is critical for job creation. "The recent announcement of increasing FDI in seven new sectors should help India in achieving this. The gap between the two nations (India and China) in terms of FDI flows has narrowed, but still there is a lot of scope. India is doing what China did to attract FDI 10 years ago", Kumar said.

He was referring to the NDA's decision to further liberalise FDI norms in seven sectors, including civil aviation, defence, food products and pharmaceuticals. It was the second major overhaul of FDI rules in seven months. In November, the NDA government eased norms for foreign investment in 15 sectors.

Pant, however, pointed out the recent measures taken in FDI will take some time to have an impact on the economy.

– *This article was published in* Mint *on June 22, 2016*

Improving Corporate Governance in India

The final verdict is still not revealed in the trade secrets theft case involving Tata Consultancy Services (TCS) in the US, with the company denying any infringement of US health care software firm Epic Systems' intellectual property. India's largest information technology services company will also appeal against the US jury's decision to slap on it a fine of US$940mn.

What is relevant, however, is the view of many experts who have looked at the case. Most agree that the jury has been harsh on TCS, but also believe that a company as well-managed as TCS could have clearly been more mindful of its internal compliance procedures – which help raise early warning signals that can detect and stop possible negligence on the part of sundry employees.

The larger point is that many Indian companies have been found to be lacking on this score, creating reputational damage that can have a knock-on effect on others keen on breaking into markets abroad. Few days back, Alkem Laboratories, one of the fastest-growing drug makers in India, which made a sterling debut on stock exchanges in December, was accused by Germany's health regulator of 'fudging' data on clinical trials of an antibiotic and brain disorder drug, becoming the third Indian firm to be scrutinised since 2014 for suspected manipulation of clinical trials data.

Moreover, this came close on the heels of the US Food and Drug Administration issuing a warning letter to 'Emcure Pharmaceuticals' for alleged violation of current good manufacturing practice norms at its Pune-based plant. The list of drug companies facing increased scrutiny from global regulatory agencies is pretty long and includes marquee names. In fact, the last calendar year saw 40 investigations by overseas regulators at more than 25 companies across the country.

The virus has spread to many sectors – for example, a couple of years ago, Infosys revealed that senior executives of its business processes outsourcing unit were either complicit or at best they provided weak oversight in serving inflated bills to Apple, one of the firm's big clients; an independent testing agency in Europe found that India's top-selling small cars do not meet international safety standards; and the US Federal Aviation Administration cited lack of safety oversight for downgrading India's aviation safety rating to 'category two' from 'category one'.

It was more than a year later that the rating was restored after Indian aviation authorities furnished proof that it had recruited more flight operations instructors and streamlined certain procedures.

Sympathisers of domestic companies cite this and some other instances to state that domestic companies have been quick to correct their shortcomings once they faced regulatory action. They also indicate several global biggies have also not been paragons of virtue either.

However, this is a short-sighted approach, especially at a time when regulators all over the world are becoming more demanding and beginning to question some of the manufacturing practices of Indian companies. Low-cost solutions are fine, but they should come from sustainable innovation, not from cutting corners on regulatory issues.

Disregard for basic standards and norms of doing business underlines the need for a more responsible corporate governance culture. This is as important a factor in helping India Inc to expand globally as technology advances and productivity gains.

The solution is simple: Indian companies need to improve their learning processes systematically and vigorously. One could easily take refuge in the clap-trap theory of this being a global conspiracy against the success of India Inc. But a hard look within may just be what the doctor ordered.

– *This has been adapted from an article in* Business Standard *published on April 20, 2016*

Narendra Modi – The Gradual Reformer

T K Arun*

Over the last two years, India's recovery from the growth slump of 2011-13 – which began in 2013-14 has gathered momentum and inflation and has dropped from double digits to normal levels. However, investment remains stuck at around 30 percent of GDP, 7 percentage points below the peak achieved in the mid-2000s, and job creation disappoints. Slow global growth has crippled exports but lowered oil prices have helped curb the current account deficit as well as ease the subsidy burden on the exchequer.

The government has shown fiscal discipline, contributing to macroeconomic balance, although at the expense of reducing the overall size of Central government expenditure as a proportion of GDP to lows not seen since the early 1990s. The previous two years have seen the government preside over extreme corporate distress, arising from the debt overhang of the boom years that turned sour with a phase of policy paralysis in UPA II.

Companies have been selling themselves off piecemeal, at distress prices, without any intervention by the government along the lines of the US government's intervention when the financial crisis struck. Any assessment of the performance of the Modi government has to contend with the unrealistic expectations aroused at the outset, against which achievement is measured.

To have a majority in the Lok Sabha is to have only administrative majority, not legislative majority. The latter calls for a majority in the Rajya Sabha as well. The Modi government did not, does not, have a legislative majority and is required to engage the opposition to get laws through. Modi's style is not engagement designed to elicit cooperation, but

What Modi is good at is taking up ongoing schemes and getting them done better

confrontation. Nor is he intrinsically a systemic reformer.

As Chief Minister, he got things done by personal supervision of government schemes through empowerment of civil servants who reported to him and relative disempowerment of Ministers, the potential leaders of innovative thought in their own areas, whose innovation would be tantamount to interference in the ongoing scheme of things as well.

That model has been transplanted at the Centre. And it has limitations, particularly when it comes to systemic reform. What Modi is good at is taking up ongoing schemes and getting them done better. *Swachh Bharat*, Skill India, Make in India, *Jan Dhan*, Digital India, Direct Benefit Transfer via Aadhaar-linked bank accounts, Smart Cities and rural electrification schemes all repackaged ongoing schemes to give them greater visibility and political commitment.

These will eventually transform India, once they are conceptually fleshed out – sanitation is primarily about public health engineering, not politicians wielding the broom in front of TV cameras; bank accounts can be operated in rural areas only via a network of banking correspondents as widely distributed as sellers of phone recharge vouchers – and implemented. The National Payments Corporation of India, an institution set up in 2008 and the backbone of inclusive banking and electronic payments, is all set to enable a revolution in retail payments as well.

The Finance Ministry has carried out significant reform in the form of the bankruptcy code, which will help banks and companies redeploy resources locked up in failed projects. The Ministry has also initiated procedural reform to clear imports and exports through customs in a jiffy and that will boost not just exports but investment and manufacture for export as well. The GST remains a work in progress, just as it had in the last two Lok Sabhas.

There is significant progress in road building. Another Minister who has shown innovation is the one for railways, whose idea of setting up numerous joint ventures with state governments will see investment go up in the years to come.

A significant reform of the Modi government is scrapping state monopoly on coal. But time was lost in political grandstanding over auctioning captive coal mines, leaving the substantial work of initiating merchant mining of coal to just about begin. We need the world's mining majors to bring their capital and expertise to India, to tap our huge coal reserves.

The government has started working towards it, but has opened up commercial mining only to state PSUs. Overall, the picture we have over the first two years of the Modi government is steady, incremental reform and a gradual progress to India's potential for double-digit growth.

---

* *Editor (Opinion) in* The Economic Times. *This article was published on May 15, 2016*

Re-Scripting Empowerment

After a gap of 15 years, the Centre has come up with a draft national policy for women. The draft policy, made public by the Ministry of Women and Child Development (MWCD) on May 17, 2016 is aimed at 're-scripting' women's empowerment by following a 'socially inclusive rights-based approach'.

Releasing the draft policy at the Indian Women's Press Corps (IWPC) in New Delhi, Minister of Women and Child Development Maneka Gandhi stated, "Since 2001, when the last National Policy for Empowerment of Women was formulated, the concept of women empowerment has seen changes, from being recipients of welfare benefits to the need to engage them in the development process, welfare with a heavy dose of rights".

(TW, 18.05.16)

Govt. to Prepare Vision Document

The government has decided to replace the Nehruvian Five Year Plans being followed for over six decades with a 15-year vision document to be prepared by the NITI Aayog that will cover internal security and defence. Earlier, Five-year Plans did not cover subjects like internal security and defence as the policy documents focussed on sectors, such as infrastructure, commerce, education and health.

"The Prime Minister's Office has entrusted NITI Aayog (with the job) to come up with a 15-year vision document for a period up to 2030, which will be co-terminus with the Sustainable Development Goals. This will be a 15-year perspective plan", a source said. *(BL, 13.05.16)*

Delays in Cabinet Plans Red-flagged

The Cabinet Secretariat has red-flagged delays in finalising Cabinet proposals by government secretaries and asked them to stop sharing information with Ministries not impacted by the policy or projects under consideration.

"It has been observed that sponsoring Ministries and departments are, in some cases, circulating draft notes to many Ministries for consultations, including to those not related to the subject matter".

Stressing that Ministries must undertake due diligence before they circulate a proposal for the Cabinet's consideration, the statement said draft notes must only be circulated to Ministries concerned. *(TH, 15.05.16)*

Rough Road to Reforms

In 1998, when the United Front was in power, the Ministry of Welfare, as it was then called, was reviewing the National Old Age Pension Scheme, which envisaged a monthly pension of ₹200 for destitutes and those above the age of 65.

With increasing longevity and the rise in the number of the elderly, it was clear that the scheme would leave a huge hole in the government's coffers in the medium and long-term. As the magnitude of the challenge hit officials in the Ministry – among whom was Anand Bordia, who had studied pension models in other countries – it was decided to work on what was named Project OASIS or Old Age Social and Income Security. *(IE, 22.04.16)*

GSPC Rapped for KG Basin Project

The Comptroller and Auditor-General (CAG) of India has rapped the Gujarat government's blue chip Gujarat State Petroleum Corporation (GSPC) for its KG basin project, which is yet to see any production of gas, a decade after then Chief Minister, Narendra Modi, declared that it had struck '20 TCF gas in the KG basin block' in 2005.

After Modi's tall claims on the GSPC's success, the State PSU acquired dozens of blocks in India and overseas. "Out of the 64 blocks on hand as on April 01, 2011, the company surrendered 37 between 2011 to 2015, and wrote off exploration expenditure worth ₹2514.65 crore for 29 surrendered blocks", the report said.

(TH, 02.04.16)

Loss in Precious Metals

A lack of coordination between the RBI and the Departments of Commerce and Revenue that resulted in ineffective policies for trade in gold, precious metals and jewellery cost the Exchequer over ₹20,000 crore, said the country's supreme auditor CAG.

In a report, CAG said that the policies had a revenue implication of ₹1,003.37 crore along with systemic issues worth ₹19,522.67 crore and internal control matters, which could not be quantified in the period 2011-2015. "Since India did not produce…the change in gold price, import regulation and export promotion schemes did not have material impact on the gold trade. This had led to India becoming the largest gold importer".

(BS, 29.04.16)

Project Delays Causing Huge Loss

Delays in completing railway projects resulted in cost overruns of ₹1.07 lakh crore (US$16.4bn) – equivalent to the yearly salary bill of its three million employees – according to an IndiaSpend analysis of a December 2015 audit report.

As of March 2014, the railways needed ₹1.86 lakh crore (US$28.6bn) to complete these projects, said the report. Of 442 incomplete projects – new railway lines, gauge conversion and doubling – only 156 (35 percent) had deadlines, but despite targets, 75 were incomplete after more than 15 years. *(BS, 18.04.16)*

Cabinet Nod to Amend Afforestation Fund Bill

Mayank Aggarwal & Asit Ranjan Misra*

The Union Cabinet has approved amendments to the Compensatory Afforestation Fund Bill, 2015, which will facilitate the distribution of around ₹42,000 crore among all states to encourage them to plant forests.

The Cabinet has also approved the signing of the Paris Climate Agreement adopted at the 21st Conference of Parties held in Paris in December. The signing will take place in New York soon.

"Suggestions given by the Parliamentary Standing Committee have been incorporated. The Bill will be tabled in the Parliament in the coming session and we hope that all parties will support it", Union Minister for Environment, Forests and Climate Change (MoEFCC) Prakash Javadekar said. At present, the unspent amount available with the *ad hoc* Compensatory Afforestation Fund Management and Planning Authority (CAMPA) is around ₹42,000 crore, Javadekar added. Fresh accrual of compensatory levies and interest on accumulated unspent money is around ₹6,000 crore per year.

"The legislation will ensure expeditious utilisation of accumulated unspent amounts available with *ad hoc* CAMPA in an efficient and transparent manner. Utilisation of these amounts will facilitate timely execution of appropriate measures to mitigate impact of diversion of forest land, for which these amounts have been realised", said an official statement.

The money collected under CAMPA comes in lieu of forest land diverted under the Forest (Conservation) Act, 1980, for non-forest purposes, such as industrial projects and the Bill is expected to mitigate the impact of such diversion by encouraging afforestation projects.

The government believes that apart from mitigating the impact of diversion of forest land, utilisation of the fund will result in creation of productive assets and generation of huge employment opportunities in rural areas, especially backward tribal areas. In May 2015, the Cabinet had cleared the compensatory Afforestation Bill.

The Bill was then introduced in the Lok Sabha in May 2015 but was referred to the Parliamentary Standing Committee on science and technology, environment and forests. The committee submitted its report in February, and the government incorporated the changes.

The Bill basically envisages the establishment of a national Compensatory Afforestation Fund (CAF) and state CAFs

to credit amounts collected by state governments and Union Territory administrations to compensate for the loss of forest land to non-forest projects.

The Cabinet also approved expanding the present India-Chile preferential trade agreement (PTA). Under the expanded PTA, Chile has offered concessions to India on 1,798 products and India reciprocated with concessions on 1,031 products. "Under the proposed expanded PTA, 86 percent of India's exports to Chile will get covered with concessions, which is likely to result in doubling of our exports in the near future", the government said in a statement.

The India-Chile PTA signed in March 2006 came into force in August 2007. Bilateral trade registered growth of 58.49 percent from 2006-07 to 2014-15 after the PTA came into force.

India exported US$570mn worth of goods to Chile in 2014-15 and imported goods worth US$3.08bn, leading to a trade deficit of US$2.5bn. "Expansion of India-Chile PTA will enhance the trade and economic relations between the two countries. The expansion would be an important landmark in India-Chile relations and consolidate the traditional fraternal relations that have existed between India and Latin American countries", the government said.

Ram Upendra Das, Professor at the Research and Information System for Developing Countries (RIS), said the decision to expand the PTA with Chile has cleared the doubts about whether the government is in favour of bilateral trade agreements or not. "So far, India's trade balance with Chile was adverse. But with greater market access, India should be able to address the problem", he added.

The Cabinet also approved signing of a memorandum of understanding between India and Bhutan on technical cooperation in the field of capacity building, benchmarking and bilateral exchange in infrastructure engineering.

* *Staff Writers in* Mint. *This article was published on April 21, 2016*

Endorsing Govt's Economic Agenda

Stressing that there is no substitute for good economic policy, Raghuram Rajan said that India is in a state of fiscal consolidation and taken measures to cut the fiscal deficit that had widened dramatically following the post-financial crisis stimulus.

The RBI Governor's statement on reforms was aimed at highlighting the Indian policy response to the slowdown. But it also comes across as a validation of the government's economic agenda, which includes Startup India, *Jan-Dhan Yojana* as well as reforms in public sector banking.

Rajan's support to government's reform measures appears to indicate that reports of differences between the RBI and the government have been overplayed.

(ToI, 27.05.16)

The Urge to Control

The initial impulse in favour of allowing market-based activity seems to have given way more recently to a shoot-from-the-hip desire to impose price controls, according to TN Ninan (Chairman and Editorial Director of Business Standard). On one day it is airfares, on another it is Bt cotton, and on the third it is the pricing of internet services.

Across the board, the notion that a properly functioning price system is as much a public good as law and order is a point that politicians find it hard to grasp. It is a pity that the Modi government, which began on the right note when it came to pricing issues, has changed colour and become interventionist in its impulses stated Ninan. *(BS, 06.05.16)*

Government's Good Work Not Publicised

The government's good work is not getting adequately publicised but 'negatives' are being played up, mentioned Principal Secretary in the Prime Minister's Office Nripendra Misra. Labour reforms will only be taken forward after taking into account the concerns of employee representatives, adding that the government will prove it is 'most pro-labour', he added.

These demands included higher minimum wages, a rollback in the FDI reforms in defence and railways, higher bonus payments and a minimum floor pension for employees' provident fund members. *(TH, 17.04.16)*

Pvt. Players Causing Competition

There is a need to ensure greater competition in the country in sectors, such as public transport, railways, and power distribution companies and insurance that are currently dominated by the public sector, stated Finance and Corporate Affairs Minister Arun Jaitley.

Air passengers in India had grown from 1.7 crore in 2001 to 8.3 crore today, while telephone call rates had fallen from ₹16.9 per minute in 1999 to ₹0.5 per minute at present and tele-density had raised from 0.8 percent in 1991 to 74.1 percent presently. However, price controls can be justified in sectors like pharmaceuticals where innovation should be balanced with public consideration; said Jaitley. *(TH, 20.05.16)*

EDUCATION SECTOR

Policy Draft Clashes with RTE

Several recommendations in the draft National Education Policy, 2016 will require amendments to the Right to Education Act (RTE), 2009. Insisting on 'consolidation', the draft proposes merging 'small, non-viable' schools. This subverts the RTE Act on neighbourhood schools being located 'within a walking distance of one kilometre' for children attending Classes I to V.

The draft emphasises 'school mapping' – as opposed to RTE's 'child-mapping' – but stresses that for children attending 'non-viable' schools, transport must be provided. It notes such 'consolidation' is already in Rajasthan, Gujarat and Chhattisgarh, all BJP-ruled states. *(ToI, 20.06.16)*

Addressing Mass Failures

The Delhi government has introduced a new education policy to address the issue of mass failures in Class IX, plaguing government school children, through child mapping, special classes and grouping them in specific segments.

Blaming the Centre's no detention policy for the academically low standards, Education Minister Manish Sisodia said that the policy's aim would be to 'make children work hard and pass the 2018 exams'. Appreciating the intention behind the policy, educationists and school principals are already expressing scepticism over the results it is likely to achieve. *(IE, 30.06.16)*

National Test after XII

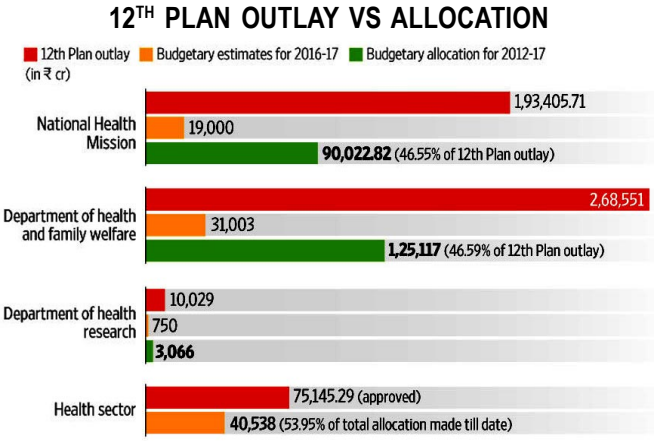
Suggesting major changes in the school examination structure, the Committee that formulated the National Policy of Education 2016 has proposed 'on-demand board exams' for candidates, a two-part system of exams for Class X and a national-level test after Class XII, similar to the Scholastic Aptitude Test, (SAT) in the US.

The Committee, which recently submitted its report to the Human Resource Development Ministry, said public board exams were 'useful' but there was a need to relieve stress and 'offer flexibility'. It recommended moving towards on-demand, online board exams that can be taken when the candidate is ready. *(ToI, 18.06.16)*

Lesser Health Budget

The budget allocation for health in the five years to March 31, 2017 is less than half the total funds promised in the 12th Plan (2012-17), according to a parliamentary panel report. The Planning Commission had approved a total outlay of ₹1.93 lakh crore for the National Health Mission (NHM) and ₹2.69 lakh crore for the Health Department for the 12th Plan.

However, the total budget allocation made by the Centre in the five years is just ₹90,001 crore for the NHM, a shortfall of 46.55 percent and ₹1.25 lakh crore for the Health Department, which works out to be ₹46.59 of the funding originally envisaged. The department of health research is also facing a fund crunch. *(Mint, 28.04.16)*



Source: 93rd and 94th reports on Demands for Grants

Concern over Poor Healthcare

Expressing concern over poor healthcare, mainly in rural areas, President Pranab Mukherjee favoured its expansion to ensure equitable and quality services. He said there was a huge shortfall of nurses and para-medical staff. Nearly 75 percent of India's population resides in rural areas, he said.

"Therefore, the doctors serving in rural areas are an important aspect, which needs to be looked into collectively by both the Centre and state governments", Mukherjee added.

Delivering the convocation address at Indira Gandhi Medical College and Hospital, Shimla, Mukherjee advised the students to remember what Gandhiji had said to think about the welfare of the weakest and poorest person in order to arrive at correct decisions. *(ET, 03.06.16)*

Scarce Health Cover

Over 80 percent of India's population is not covered under any health insurance scheme, said the latest National Sample Survey (NSS). Even after seven years of the Centre-run *Rashtriya Swasthya Bima Yojana* (RSBY), only 12 percent of the urban and 13 percent of the rural population had access to insurance cover.

According to the report, "The poorer households appear unaware or are beyond the reach of such coverage, both in rural and urban areas". The biggest hurdle in seeking medical treatment was 'financial constraint', as reported by over 55 percent and 60 percent people in rural and urban areas, respectively.

(TH, 22.04.16)

IPRs Policy: Mixed Bag

According to experts the new Intellectual Property Rights (IPR) policy should have offered more to protect Indian generic industries. "This policy has something for everyone, be it industry, or public, or the US negotiators", said Biswajit Dhar, Professor at Jawaharlal Nehru University, Delhi. He added that the policy does not state anything about the generic industry. "There has to be very clear articulation in the interest of the generic industry", said Dhar.

The policy states, "India shall remain committed to the Doha Declaration on Trade Related Intellectual Property Rights (TRIPs) Agreement and Public Health .....the government is not going to do anything more than TRIPs and that is really good", said Leena Menghaney of Médecins Sans Frontières (MSF).

(Mint, 16.05.16)

Weakest Drug Control

V K Subbaraj, Secretary of Department of Pharmaceuticals stated that the Indian drug control system is probably the weakest in the world and needs to be strengthened. Batting for quality, he said the Health Ministry is already seized of the matter and working on improving specific parameters, increasing the number of inspectors as well as drug control staff.

Putting out a ballpark figure, the Secretary noted that the domestic industry – both pharma and medical devices put together – has a potential to grow up to US$300bn by 2030, from the existing US$32bn, but would require a proactive approach to solve various issues. *(IE, 19.04.16)*

Health ATMs as Start-ups

Online medical consultation is coming to rural and semi-urban areas, offering a convenience so far limited to urban areas. At least three healthcare start-ups are – DoctorInsta, iCliniq and JustDoc – are planning to set up kiosks, or so-called health ATMs, across West Bengal and Bihar, where patients can drop in to consult specialist doctors over video link.

The cost of specialty treatment is quite high and villagers have to visit a city hospital, involving transport, accommodation and food costs on top of treatment costs. They might have to return frequently for follow-up consultations as well. However, for a doctor to do a proper consultation, much more is needed than just a video. *(Mint, 17.06.16)*

Doctors to Retire@65

The Union Cabinet on June 15, 2016 gave its approval to raise the retirement age of Central Health Services staff from 62 to 65 years in a bid to make up for shortage of health personnel needed to implement national health programmes.

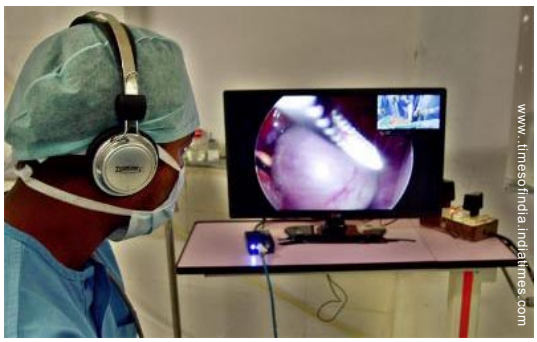
India's public health service is facing an acute shortage of doctors. As against World Health Organisation (WHO) criteria of at least one doctor per 1000 people, India has one doctor for every 1700 people.

Health Minister JP Nadda said that the move will strengthen the healthcare sector with additional doctors and help the government roll out its people-oriented schemes.

(Mint, 15.06.16)

Tough for Doctors to Settle Abroad

Swati Deshpande*



Making Immigration Difficult

- *No-objection certificates will not be issued to doctors who want to settle abroad permanently*
- *The government plans to set up 58 new medical colleges in India*
- *At present, India has one doctor per 1,700 people*

The Union Health Ministry has clamped down on doctors who wish to settle abroad after pursuing higher studies there, especially in the US. Grappling with a severe shortage of doctors in India, it will no longer issue no-objection certificates to doctors who want to settle abroad permanently.

"The government cannot be expected to facilitate the wish of doctors from India to permanently settle abroad, by certifying that their services are not required by the country, when the country is grappling with a severe shortage of doctors", the Union Health Ministry conveyed to the Bombay High Court (HC).

The Ministry submitted an affidavit to the Aurangabad bench of the HC to oppose a plea filed by the Central Maharashtra Resident Doctors Association. The doctors had challenged an August 2015 government decision to stop issuing a 'No Obligation to Return to India' (NORI) certificate to doctors studying in the US, except those aged 65 and above. "The decision is an affront to human rights and violates our right to life and equality", said the association through its lawyers Rameshwar and Rahul Totala. The HC bench of S V Gangapurwala and A M Badar had in January observed that the petition has been pending since August with no response from the Centre and had given a last chance to it to respond.

The Centre is now states that it had taken a policy decision in 2011 to stop issuing NORI certificates. Such certifications served as a waiver to a mandatory rule in the US of a two-year return to the home country for students on a visitor exchange study programme on an Exceptional Need Certificate (ENC) or Statement of Need (SON) for further specialised studies, which were unavailable in India. "The NORI is a US Homeland security requirement and Indian government is not bound under the Constitution to issue such certificates as it goes against public health interest of citizens of India", said the Ministry.

There is an extreme shortage of doctors in the country, with perhaps only one doctor available for 2000 patients, found the Parliamentary Standing Committee report on the Medical Council of India (MCI). The report went beyond just pointing out how the statutory body had failed to regulate medical education in the country, it dug up many glaring lapses in public health in India, not least this alarming deficit of doctors.

The report is stringent in its criticism of the body's workings, and laid down that the doctor to patient ratio was far worse than what MCI admitted, most probably 1:2000 as compared to 1:1674. The latter ratio was calculated based on the number of practising doctors in MCI's records, of 9.29 lakh registered in the Indian Medical Register. Even that does not hold up to the norm set by the WHO of 1:1000.

Much of the pressing need for doctors is because of India's spiralling non communicable disease burden of cardiovascular disease, cancer, diabetes, chronic respiratory disorders, etc. The Committee, scathingly, noted that "the MCI has been unresponsive to health system needs with the result that shortage in number of basic doctors and specialists, mal-distribution of medical colleges and doctors across the states continue to plague the delivery of effective and equitable health care".

The report states that experts who deposed before the Committee reckoned if the country added 100 medical colleges a year for the coming five years, then by 2029 would there be adequate number of doctors. However, as the then Health Secretary submitted it took ₹200 crore to set up a college and ₹1500 crore to set up an AIIMS, making it "not possible to set up enough colleges and AIIMS like institutions to take care of the backlog".

Interestingly, the day the report was released, Union Health Minister JP Nadda was quizzed by reporters as to how his ministry would clear the immense backlog in government hospitals, especially AIIMS in New Delhi. He only answered that AIIMS capacity was being doubled to 3000 beds, the Ministry was working on human resources and people would see the results soon.

* *Senior Assistant Editor with* The Times of India. *This article was published on April 23, 2016*

CCI Rejects Complaint

The Competition Commission of India (CCI) has dismissed allegations that telecom operator Vodafone India abused its dominant position by imposing discriminatory charges for international roaming services.

The regulator found that the company is not at a dominant position and there is enough competition in the relevant market, hence the watchdog has rejected the complaint.

The CCI also stated that no case of contravention of Section 4 of the Competition Act is made out against Vodafone India, as the complainant had alleged that the company charged exorbitant price for international mobile data services on roaming basis.

(http://profit.ndtv.com/ 17.06.16)

Nod to Proposed Merger

The CCI has approved the proposed amalgamation of McNally Bharat, its subsidiary McNally Sayaji Engineering and EMC Ltd. with Kilburn Engineering. McNally Bharat is mainly into turnkey projects across diverse sectors and holds over 74 percent stake in McNally Sayaji.

As per a regulatory filing by McNally Bharat EMC and Kilburn hold 28.24 percent and 1.69 percent of the paid up share capital of McNally Bharat respectively.

McNally Bharat had also informed exchanges that its board has agreed to form a committee with representative from each of the companies to oversee the preparation of a draft scheme of amalgamation.

(ET, 16.06.16)

Revised Terms of Deal

Multiplex owner PVR Ltd. has revised the terms of its deal with a unit of DLF Ltd. to buy the DT Cinemas chain after CCI has raised objections. The Competition Watchdog had cited PVR's monopoly in certain areas in the northern region in its objections to the deal.

The Indian movie exhibition market is currently dominated by four companies. The acquisition was aimed to help PVR expand its footprint in north India and help DLF bring down its debt burden. The value of the deal with DLF Utilities Ltd has been lowered to ₹433 crore from the original ₹500 crore. The amended agreement excludes DT Savitri (one screen) and DT Saket (six screens) from the sale.

(http://m.dailyhunt.in/31.05.16)

Nod to AkzoNobel-BASF Deal

Paint and coatings maker AkzoNobel has got fair trade regulator CCI's approval to acquire industrial coatings business of BASF SE. AkzoNobel had made an agreed offer to acquire BASF's Industrial Coatings business for •475mn. AkzoNobel is a global player in the areas of paints, performance coatings and specialty chemicals.

BASF SE is a chemical company headquartered in Germany and its activities range from chemicals to crude oil and natural gas, including specialty chemicals, plastics, among others.

(ET, 31.05.16)

Edelweiss Gets CCI Nod

Financial services firm Edelweiss Asset Management Ltd. has received CCI's approval to acquire the mutual fund (MF) business of JPMorgan Asset Management India Pvt. Ltd in India.

Under the deal, Edelweiss would acquire all onshore fund schemes managed by JPMorgan Asset Management in India including its country-based onshore mutual fund business and the international fund of funds.

According to the scheme transfer agreement, the right to manage the JPMorgan MF schemes will be transferred by JPMorgan AMC to Edelweiss AMC, and the sponsorship of the JPMorgan MF schemes will be transferred by JPMorgan.

(Mint, 27.05.16)

End of Bumpy Ride for Uber

The CCI *prima facie* closed the case for alleged abuse of dominance under Section 4 of the Competition Act against taxi service provider Uber.

The case was filed by Meru Travel Solutions Private Ltd. against Uber India Systems Pvt Ltd., Uber BV and Uber Technologies International Inc (collectively, the 'Uber group'). Meru alleged that the Uber group had abused its dominant position by way of predatory pricing in the provision of taxi services in Kolkata.

The CCI found that the relevant product market in the case at hand was the 'market for services offered by radio taxis and yellow taxis of Kolkata' and there was stiff competition between the Uber group and other taxi service providers in this market.

(ILO, 09.06.16)

More Complaints against Monsanto

The CCI has ordered clubbing of the new complaints, filed by Kaveri Seeds, Ajeet Seeds and Ankur Seeds, added with the earlier ones. The complaints are against Mahyco Monsanto Biotech (India) Ltd (MMBL), its US-based co-parent Monsanto Inc, Maharashtra Hybrid Seeds Company (Mahyco), and Monsanto Holdings. MMBL is an equal joint venture between Monsanto and Mahyco.

The CCI considered the substantial similarity of the core allegations and scope of directions given in the earlier cases; the present complaints are being clubbed. Moreover, if it is found that the companies have contravened competition law, the role of officials at the time of violations would also be looked into.

(Tol, 15.06.16)

Has India's Anti-trust Watchdog Lost its Drive?

Subhomoy Bhattacharjee*

There is a need that CCI must be proactive, to exhibit as a body set up for consumer redress. The earlier approach of focussing on consumers has given way to a more realistic appraisal of what constitutes anti-trust behaviour

The Competition Commission of India has been witnessing an interesting reversal trend. The number of its orders upholding violations since it was born in 2009-10 has flipped. From finding questionable business activities in nearly 60 percent of the cases investigated by it back then, the competition regulator now drops almost 64 percent of the cases that come to it. Of the total number of 'specific information' or cases received by CCI so far, 20 percent was from the real estate sector. This is more than the number of cases from the financial sector, media and pharmaceuticals put together.

The CCI highlights two reasons for this turnaround: It 'closes relatively more cases' at the initial stage itself instead of taking them all the way through to the investigation stage. The other reason, it states, is that a large number of cases that come up to it now pertain to violations of consumer rights and are not necessarily anti-trust activities. However, while the number of cases from the real estate sector has increased every year, those the Commission has moved for investigation as possible anti-competitive behaviour have fallen.

The CCI is born of an established axiom that the economy performs best when entrepreneurs compete more. An economy, which is an amalgam of enterprises, performs the best only if every enterprise performs the best. This is possible only if it has full economic freedom, it pursues its own interest aggressively and it does not hinder freedom of other enterprises.

To ensure competitive behaviour among companies, when CCI members receive any credible piece of information, according to the rules of the Competition Act of 2002, all of them have to sit together on a bench to adjudicate on an order. This judicial role of CCI is distinct from the functioning of other regulators like the SEBI where each full-time member reserves the right to dispose of a case with the relevant monetary penalties.

The reason for this stricter screening process is straightforward. The anti-trust regulator itself acknowledges this problem. The Commission's annual report shows even after weeding out 299 of the 553 cases that were brought before it since 2009-10, the pace of investigation by the Director General (DG) in the remaining cases has slowed. In 2010-11, investigations were completed in 66 cases. Five years later, this number has slipped to 34 annually.

This is attributable to the paucity of resources with the DG office. Under the Competition Act, this office is a dedicated arm of CCI but, at the same time, it maintains an arm's length from the competition regulator. The presumption is that the judge, in this case CCI, and the prosecutor, which is the Director General, cannot be rolled into the same organisation. In April 2016, CCI had advertised for filling up 26 vacancies in one go. However, because these are to be filled on deputation basis from within the government, the Commission has not received much of a response so far.

The rising level of pendency, the report consequently notes, reflects two concerns. The first reflects the inadequate staff strength in the office of the DG. For a young regulator, the number of cases pending has gone up to 61 in just one year. The CCI has to decide on each matter with all members on board, there is a natural scarcity of time the Commission has to examine each case.

The cases of perceived anti-competitive behaviour among the original equipment manufacturers in automobile industry, those of taxi aggregators or of cartel in pricing of cement by the cement manufacturers have become landmark decisions which the anti-trust regulator has handed down in the past few years.

As the economy has matured in the past few years, the pace of mergers and asymmetrical growth of companies has soared. For example, just look at the e-commerce space. To deal with this growth, the CCI has had to refine its sense of what works as competition.

* *Consulting Editor with* Business Standard. *This article was published on May 14, 2016*

For a Free Trade Pact within India

Ritesh Kumar Singh* & Prachi Priya**

India's merchandise exports have fallen over the last 16 months. Future prospects look bleak as ever due to sluggish global demand accentuated by a slowing China, and India being blocked out of regional trade deals, such as Trans-Pacific Partnership (TPP).

However, despite all policy attempts, corporate investment has not picked up. That calls for urgent internal actions to sustain growth momentum. It is worth repeating that India is a full-fledged member of World Trade Organisation (WTO). It is negotiating a series of bilateral, regional and trans-regional free trade pacts with Asian, African, European and Latin American countries. However, trade within India is fraught with a series of impediments that inhibit seamless movement of merchandise across states and Union Territories. Over regulation of inter-State trade with frequent checks, stoppages and inspection at State borders often leads to delays in moving merchandise from one state to the others.

What shackles India Internally?

A series of market distorting rules and regulations impede India's evolution as a nationally integrated market. For instance, under the Essential Commodities Act (ECA) the government can declare any commodity as essential and impose stocking limits, creating uncertainty in the market. The Agriculture Produce Market Committee (APMC) Act mandates purchase and sale of agri commodities in government regulated local *mandis* only. That inhibits farmers from selling their produce in markets located outside their districts/states.

Manufactured Goods

Multiplicity of taxes levied on manufactured goods in India has fragmented India into numerous state-level sub-markets. Despite Value Added Tax (VAT), the cascading effect of taxes persists.

For instance, VAT charged by a state on sale of a product includes excise duty levied by Centre. Similarly, excise duty charged by the Centre on the raw material used in manufactured goods has already been charged with State VAT. Simply put excise duty is charged on the VAT element and vice versa.

Entry and Exit Taxes

Entry and exit taxes, and formalities required for inter-State movement of goods, add to manufacturers' woes. For instance a Gujarati manufacturer who sources inputs from Maharashtra and then exports the finished good to Mumbai pays State snd Central Value Added Tax (CENVAT), and a Central Sales Tax (CST) of 2 percent on purchase of inputs from Maharashtra. Also, CST does not qualify for input tax credit for him.

www.thehindubusinessline.com

On entering Gujarat, inputs are subject to an entry tax. CST is again levied on the finished good 'exported' to Maharashtra at the time of exit. On entering Mumbai an octroi is levied on the finished good. This makes the good 'imported' into Maharashtra more expensive than locally (in Maharashtra) manufactured goods. Therefore, the manufacturer in Gujarat is discouraged from sourcing inputs from other states.

Transport Infrastructure

India's poor transport infrastructure also hampers seamless movement of merchandise within the country. World Economic Forum reports, "a truck carrying goods from Gurgaon to Mumbai has to pass through 36 checkpoints and takes up to 10 days. While 57 percent of goods in India are transported by road, the most inefficient, expensive and emissions-intensive mode of transport, the figure in China is just 22 percent".

Further, Transport Corporation of India Ltd. (TCIL) has noted that road-freight volumes are growing at a Compound Annual Growth Rate (CAGR) of 9.1 percent while growth of road networks lags at 4 percent. District and rural road network, which accounts for 95 percent of India's total road network is fairly underdeveloped. State border check-posts further add to delays.

Around 40 percent of the time lost on road is due to stoppages at state border check posts, as per professional services firm Ernst & Young. Inter-state regulatory requirements requiring detailed documentation like permits, waybills, forms, tax invoice, delivery notes leads to delays and increase in transaction cost.

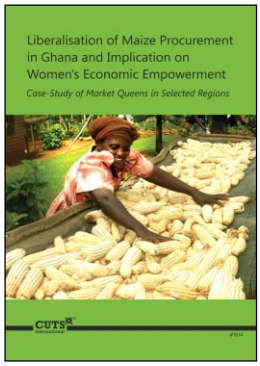
Way Forward

Given the size and complementarities of its provincial economies, an early implementation of GST will create a pan-India common market of US$2trn GDP and 1.2 billion people – a big attraction for any investor – and add as much as 1-2 percent to GDP by creating a nationally integrated market. Yet, ruling and opposition parties are not able to reconcile their differences on GST.

* *Corporate economic advisor (Mumbai)*
** Asia economist *for a top Corporate House*
This article was published in The Hindu Business Line *on May 10, 2016*

Research Report

Liberalisation of Maize Procurement in Ghana and Implication on Women's Economic Empowerment Case-Study of Market Queens in Selected Regions



Ghana's domestic maize trade is largely dependent on a network of private women traders who dominate the local and regional markets while larger groups of wholesalers engage in spatial arbitrage across regions/districts. These women traders are referred to as 'Ohemaa' or 'Market Queens' (MQs).

The study presents analysis of liberalisation of maize procurement in Ghana and implication on women's economic empowerment. Specifically, the study examined the activities of market queens (MQs) and their contribution towards women's economic empowerment and employment opportunities, price setting mechanisms, types of support provided by MQs to the farmers, support of the state and perception of MQs on the effect of the introduction of the commodity exchange in Ghana. Structured questionnaires were used to collect data from the respondents (maize market queens and maize farmers).

http://www.cuts-ccier.org/CREW/pdf/Liberalisation_of_Maize_Procurement_in_Ghana_$_Implications_on_Women_Economic_Empowerment.pdf

Viewpoint Paper


Viewpoint
Pivoting Indian Manufacturing Policy Differently

Pivoting Indian Manufacturing Policy Differently

The vision of the new government with its 'Make in India' campaign is to create a manufacturing hub in the country which would, in turn, help transform the Indian economy. However, at present, there are various barriers, including inadequate infrastructure, utilities, labour laws, uncertainties associated with policies, regulations as well as corruption, which make doing business in India challenging. Thus, the manufacturing policy needs to be evaluated in light of the present challenges and available resources to enable firms to compete effectively while working with the advantages of their inherent structures.

The Paper concludes that in order to increase the contribution of manufacturing towards India's GDP it is important to make firms competitive and enhance the use of science and technology. The focus needs to be on enhancing the three S's – Science, Skills and Safety. Moreover, policies need to focus on improving ease of doing business, creating effective clusters where SMEs are linked to large firms which can provide access to markets. India's strength has been software which is yet to be utilised in supporting manufacturing growth.

http://www.cuts-ccier.org/pdf/Pivoting_Indian_Manufacturing_Policy_Differently.pdf

We want to hear from you...

Please e-mail your comments and suggestions to **c-cier@cuts.org**

We put a lot of time and effort in taking out this newsletter and it would mean a lot to us if we could know how far this effort is paying off in terms of utility to the readers. Please take a few seconds and suggest ways for improvement on:

- Content
- Number of pages devoted to news stories
- Usefulness as an information base
- Readability (colour, illustrations & layout)

SOURCES

BL: The Hindu Business Line, **BS:** Business Standard, **DNA:** Daily News and Analysis, **ET:** The Economic Times, **FE:** The Financial Express, **IE:** The Indian Express; **ILO:** International Law Office, **NDTV:** New Delhi Television Limited, **TH:** The Hindu Business Line, **ToI:** The Times of India, **TW:** The Wire

The news/stories in this Newsletter are compressed from several newspapers. The sources given are to be used as a reference for further information and do not indicate the literal transcript of a particular news/story.