PolicyWatch

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

Volume 14, No. 3 July-September 2013

We need a National *Sarpanch*

CUTS International 1983 2012

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*

A recent poll among over 5,000 young people on who would make a good prime minister, more than half suggested a presidential form of government. Surely, this must have emanated from the sad experiences of horse trading in Parliament over policy debates, including whimsical partners walking out and walking in. This reinforces the point that the Westminster model of democracy is unsuitable for a stable government in India.

Our village *sarpanches* (headmen) are elected directly by the whole village and not by the elected ward *panches* (councillors). Both *sarpanches* and mayors are accountable to the council and do not have unfettered powers, but they are stable and not dependent upon a ragtag coalition to function effectively. If we can bring about the change at the local level why not at the national and sub-national levels?


Economic Times

Many have argued that we need to think of replacing the Westminster model with an alternate system. In the German system, the Parliament has a fixed term of four years and a 'no confidence' motion has to be accompanied by a 'for confidence' motion.

Other than the stable parliamentary system, the German electoral system too is unique. Half the seats in the parliament are directly elected and another half is indirectly elected on the basis of votes garnered by the parties contesting elections.

The Sri Lankan system, like the French one, has a directly elected President and a Prime Minister elected by the Parliament, who then appoints a cabinet. The Sri Lankan president is able to function without the support of parliament. The US presidential system is different: the President is directly elected, while both the lower and upper houses are also elected by the people.

While the US president has most powers, including appointing his own cabinet from outside parliament, the US Congress has powers to keep a check on the president through budget controls and a parliamentary committee system.

The semi-presidential form of government in France also enjoys great democratic stability mainly because of the inherent powerful check against the president's power through an accountability mechanism, namely the inability of the president to dismiss the prime minister. This forces the president to rely on democratic processes, such as compromise and coalition building, to resolve political conflicts and reach a consensus.

South Korea shifted from a presidential form of government to a semi-presidential form of government in 1987 with a directly elected president as the executive head of the government, in order to keep a check on a very strong president.

Following the French system of government, a directly elected president with well-defined powers is the need of the hour. A directly elected and strong president will have stability of tenure, and be able to concentrate on governance, than just on staying in government.

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 •

TRAI Check on Monopolies

Distribution agencies or 'content aggregators' usually bundle channels of one or more broadcasters and strike distribution deals with cable operators and Direct-to-Home (DTH) service providers on behalf of the broadcasters.

Hence, Telecom Regulatory Authority of India (TRAI) has floated a consultation paper to restrict monopolistic practices of content distribution companies in television. 75 percent of the total pay TV market was controlled by four agencies. These agencies wield substantial negotiating power, which can be and is often misused, leading to several market distortions.

TRAI said its proposals were an attempt to amend the regulations in a manner that clearly demarcates the role and responsibilities of the content distribution agencies for the revenue share deals that they strike with DTH and cable players.

(BL, 06.07.13)

Guidelines on Telecom M&A

The government plans to announce the telecom mergers and acquisition (M&A) guidelines, paving the way for consolidation in the sector.

The guidelines include expeditious approval to merger proposals with combined market share up to 35 percent. In case of market share between 35 to 60 percent it will require TRAI's recommendation.

The government has de-linked spectrum from new licences and both have to be procured by companies separately. Consequent upon the merger of licences, resultant entity should not exceed 25 percent of the spectrum assigned to it in the concerned service area in case of GSM. For CDMA, the ceiling will be 10MHz and for other spectrum bands, relevant conditions pertaining to auction of that spectrum will apply.

(ToI, 10.07.13)

Regulation on Ad Cap

The Telecom Disputes Settlement and Appellate Tribunal (TDSAT) has stayed the operation of the TRAI mandated ad cap by instructing it not to take any "coercive steps". Earlier, TRAI had set a deadline of October 01, 2013 for implementation of a 12-minute ad cap per clock hour.

Passing an interim order, the TDSAT also exempted the News Broadcasters Association from filing weekly report regarding their adherence to TRAI's regulation on the ad cap.

TRAI contended that broadcasters were violating their commitments to bring down the advertisement slots. However, News Broadcasters Association denied giving any such assurances.

(ToI, 31.07.13)

Revival of Telecom Biz

TRAI has recommended changes in pricing and allotment of spectrum, and in telecom policy to provide regulatory clarity and revive the prospects of the telecommunications-business. The recommendations also ensure that telecom-operators do not approach courts to challenge policy changes.

The changes, welcomed by telcos and analysts, as a pragmatic attempt to balance the demands of telecom companies and to end the regulatory uncertainty will significantly reduce the base price for spectrum across various bands and the proportion of revenue that operators have to share with the government.

(Mint, 10.09.13)

Spectrum Reserve Price Cut

TRAI has slashed the minimum price for the auction of air waves by up to 80 percent, making a significant attempt at turning around the telecom sector, in which investment has all but dried up.

About 80 percent of India's telecom subscribers will be impacted by these measures. The government can also expect significant earnings from the auction of spectrum in this financial year itself, significantly boosting its non-tax revenues.

The government needs to conduct the third round of spectrum auction for 1,800 Mhz to comply with the Supreme Court order of February 2012 in the 2G spectrum allocation case.

(IE, 10.09.13)

Onus on Service Providers

TRAI has put the onus of stopping the misuse of telecom networks for illegal spam messages and calls on the telecom service providers. If on verification of a complaint it is found that the unsolicited commercial communications (UCC) has been sent by a subscriber who is not registered as a telemarketer, the service provider shall be liable to pay financial disincentives of ₹5,000 on each complaint.

Telcos will also have to submit a list of bulk connections sold, in the previous month, by the 15th of every month. Since 2011, TRAI has tried various ways to curb telemarketers.

"Organisations marketing their products through retailers, distributors and franchisees are responsible for the acts of their agents," TRAI said in reference to the new regulations.

(Mint, 23.08.13)

Mobile Number Portability Soon

Mobile users will soon be able to retain their phone numbers while shifting to another operator in another part of the country within the next six months.

Under the existing policy, number portability is permitted only within a circle. TRAI's new proposal will change this and allow portability even when the user moves to another state. This will be useful for consumers who have transferable jobs or those who move to another region for a short period but want to retain their phone numbers.

The recommendations will have to be approved by the Telecom Ministry before they are implemented. Full portability is part of the new Telecom Policy announced in 2012, so the proposals should go through. *(TH, 26.09.13 & BL, 25.09.13)*

Stop Toll on Roads

After severe criticisms over the decision by the National Highways Authority of India (NHAI) to charge toll on road widening projects during the construction phase, NHAI wants to suspend toll collection on stretches where work has fallen way behind the schedule.

www.upload.wikimedia.org

NHAI writes to the Highways Ministry proposing that tolling can resume after work on the stretch is completed, citing the example of the Gurgaon-Jaipur stretch of NH-8 where the widening work has missed several deadlines.

Public rage has also been increasing over the mess on the stretch due to the missing work deadlines. Ministry will closely study the proposal as no such clause exists in contract with the developers. *(ToI, 03.09.13)*

• TRANSPORT •

Regulator to Replace DGCA

The Directorate General of Civil Aviation (DGCA) will be replaced with an independent regulator the Civil Aviation Authority (CAA). Airlines have welcomed this decision and are looking forward to powers that will be ceded by the Ministry to the CAA.

The regulator will ensure transparent system of policing airlines including pricing of seats, ensuring safety, managing standards of air service navigation operators and other civil aviation facilities.

However, airports will be continued to be regulated by the Airports Economic Regulatory Authority. CAA would be an autonomous organisation outside the purview of the Ministry with powers to penalise and fine. *(IE, 11.07.13)*

Missed Connecting Flight?

The National Consumer Commission has directed airlines to bear the brunt in a situation where-in the passengers miss their connecting flight on the same airlines.

Further, it states that it is the responsibility of airlines to plan a schedule of Passengers in such a way that they do not miss the connecting flight on the same airlines. Also, since the travellers are not responsible for the delay, they are under no obligation to bear the cost.

Jet Airways has been directed by the Commission to pay ₹75,000 and refund ticket costs to a senior citizen couple who missed their connecting flight from Mumbai to Hong Kong in 2010 due to the delay in flight from Jaipur to Mumbai on which they were traveling. *(ToI, 14.07.13)*

Free-Pricing Regime for Ports

The Union government ports now move to a controlled free-pricing regime . The cargo handlers can raise rates once a year based on market conditions, if they meet some performance benchmarks.

The new tariff regime is subject to a cap and will apply to projects for which bids are invited and which are likely to boost the flow of funds into port development.

The new guideline is a movement towards total deregulation of rates at federal government ports. A shift towards a market-driven rate regime will encourage private firms to submit tenders and build cargo terminals.

The role of the Tariff Authority for Major Ports will now be restricted to monitoring the performance of ports and handling the grievances of stakeholders within the domain of the concession agreement. *(Mint, 01.08.13)*

Red Signal to Road Regulator

Montek Singh Ahluwalia, Deputy Chairman, Planning Commission of India has declined the case for a road regulator, despite the promise been made in the 2013-14 budget. Though he agrees that the level of investments has declined in this sector, but this problem cannot be resolved by a regulator.

According to Ahluwalia, aggressive bidding by the people, delay in clearances and turmoil's faced by the economy are key issues as to why the system is not working, and this cannot be solved by a road regulator.

P Chidambaram, Finance Minister announced the need to set up a road regulator because of the financial stress faced by the road construction sector, enhanced construction risks and contract management issues. *(IE, 11.07.13)*

Railways Handling Green Power

The Indian Railways has formed a new entity Renewable Energy Management Company to handle its renewable energy portfolio. The Railways has an installed capacity of 5 MW of solar and 10.5 MW of wind power. Plans are afoot to install another 8 MW of solar power.

Given its size and presence across the country, the Railways have been asked by the Ministry of New and Renewable Energy to evaluate the potential of solar power generation.

This, according to the Ministry, will help save on power consumption and help it get the electricity at stable rates over the next 25 years. *(BL, 17.09.13)*

Auto Recall Policy on Cards

The government will soon bring out a policy on auto recalls that would empower it to take *suo motu* action based on consumer or dealer complaints on any manufacturing defect. It would also arm it with powers to levy penalties on erring automakers.

Though there is no auto recall policy at present, companies on detection of manufacturing defects voluntarily announce recall.

Once the policy is in place, it would empower the consumer or a dealer to conduct random checks on the models concerned and if found faulty, the automaker will have to recall the vehicle. It may also be penalised. *(FE, 17.09.13)*

• OIL & GAS •

PNGRB to Rework on Shale

The Finance Ministry has objected to the Petroleum & Natural Gas Ministry's proposed move to allow existing oil and gas explorers to find shale gas on the grounds that it was against the existing production sharing contracts.

Now, Petroleum Ministry will have to work on a fresh proposal and another round of consultations. The other option is to hold auction rounds, which may take a couple of years more, as suitable policy is yet to be put in place.

The final call will be taken by the Cabinet. Public sector explorer ONGC has already undertaken an experimental project to explore shale gas. However, it cannot go ahead commercially because the country does not have a shale gas exploration policy. *(BL, 31.07.13)*

Doubling of Gas Prices

The Supreme Court issued notices to the Centre, Reliance Industries Limited (RIL) and Petroleum Minister Veerappa Moily to seek their replies on a PIL alleges conspiracy in doubling the price of natural gas from April 2014.

The petitioners alleged that KG basin gas exploring contractors, RIL and NIKO Resources, entered into a conspiracy with the Centre 'to provide exorbitant, unreasonable and excessive profits to the contractors, which will bankrupt the exchequer and severely affect the Indian economy'.

They sought quashing of the gas price hike and requested the court to direct the government to ensure that henceforth 'the price of domestically produced gas is fixed in rupees and not dollars or any other currency'. *(ToI, 30.07.13)*

Energy Insurance to Operate

To cut down the outflow of dollar and increase the rupee trade for purchase of more crude oil from Iran, the Finance Ministry has asked the Petroleum Ministry to take immediate steps to make the Energy Insurance Pool operational.

The pool will be operated by General Insurance Corporation of India, which will be responsible for discharging obligations arising from the reinsurance commitments undertaken with regard to assets of the petroleum-importing companies under this arrangement.

The urgency to make the Energy Insurance Pool operational comes in the backdrop of the government's resolve to cut down the current account deficit by reducing the dollar outflow. *(TH, 21.09.13)*

Selling Cylinders in Black

Cooking gas marketing has taken a bizarre turn, with dealers demanding the right to sell 300 'unaccounted' cylinders a month, refuse home delivery of cylinders and charge customers for checking the weight.

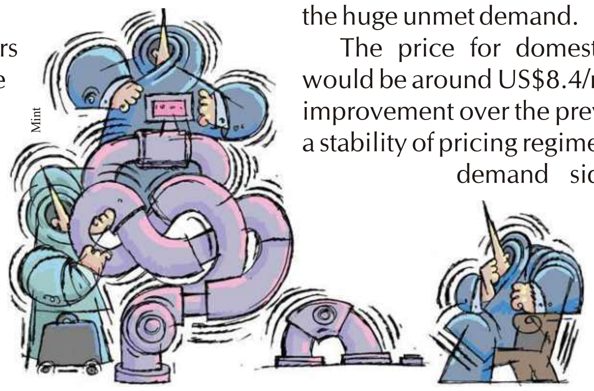
Dealers are rattled by the proposed new guidelines that give oil firms enormous powers to penalise and terminate dealerships.

This, they say, amounts to 'capital punishment' without trial, even if the fault is of an employee, not the owner. They allege that oil industry executives misuse the guidelines to blackmail dealers. *(ET, 30.07.13)*

Gas Pricing: Back to Regulated Regime?

Any decision on fuel pricing is controversial. So was the decision on fixing domestically produced natural gas price. Tough, therefore, laudable. But, going through the fine print reveals that the government may just have subtly brought gas pricing into a regulated regime.

Have a look: The contractors will no longer have the freedom to discover the price through an arm's length mechanism, as the formula for discovering the price has been fixed for five years by the government. Based on this formula it will compute the price on a quarterly basis and will be notified to the contractors.



Effective April 2014, all gas produced in the country will have the same price, irrespective of its source and regime it is being produced. Exception has been given to those contracts which provide a specific formula for natural gas price indexation/fixation like in case of Panna-Mukta-Tapti fields in the West Coast or Ravva fields in the East Coast.

Thus, the gas market is now controlled by the government, as it not only decides on allocation of gas, but also pricing. According to the government, based on recommendations of the Rangarajan Committee, the Natural Gas Pricing Guidelines, 2013, will not only incentivise investments in the upstream sector, but ensure that producers do not form cartels because of the huge unmet demand.

The price for domestic gas producers in 2014 would be around US$8.4/mm Btu. This, however, is an improvement over the prevailing situation, as it creates a stability of pricing regime and de-links prices from the demand side issues. But, there are questions over complexity of the formula and its implementation, fear of political risk tomorrow if another political regime comes into power, the situation can change.

Another question is why did the government not fix prices for three years, why five? Why wait till 2014? Is it to help Reliance Industries, as new D6 gas price comes from April 01, 2014?

Besides, the Rangarajan Committee had also recommended a transition to free market prices in five years. The New Exploration Licensing Policy contracts commit free market price. But the government is silent on this.

– The news item appeared in The Hindu Business Line, *on July 01, 2013*

• POWER •

Levying Green Cess on Power

The Supreme Court has admitted Gujarat government's plea seeking to levy a green cess on every unit of conventional electricity generated in the state in a bid to generate funds to promote clean energy.

Levy of such cess was opposed by all major industrial players of the state. A bench allowed the government to raise the demands on the major industrial units but restrained it from recovering such levies.

Challenging the state high court's decision, which struck down the Green Cess Act, 2011, as unconstitutional and declared it void, the government said that the cess is collected from the generating stations causing environmental pollution and thereby injury to public health.

(FE, 05.07.13)

Incentives for Wind Sector

Union Cabinet will consider a proposal to restore two key incentives for wind sector the 'generation-based incentive' and the 'accelerated depreciation' benefit. These were withdrawn from last fiscal year (2012-13) and consequently, installations in the year fell to 1,700 MW from 3,200 MW in the previous year.

Finance Minister promised to "re-introduce the generation-based incentive" for wind energy projects and provided ₹800 crore to help the companies in the business of generating electricity.

However, wind investors in other businesses (such as textiles) who want to set up wind energy projects for self-consumption; it is the 'accelerated depreciation' benefit that allows them to write-off 80 percent of the machine cost as depreciation, thus helping them save tax.

(BL, 30.07.13)

Era of Costlier Power

The Central Electricity Regulatory Commission (CERC) seems to have favourably considered the government's advice to allow pass-through of imported coal cost in electricity rates for consumers. The landmark ruling set to burden consumers with an estimated ₹10,560 crore on account of imported coal use in power plants.

Earlier, CERC had allowed Adani Power and Tata Power to charge a compensatory rate for the higher cost of imported coal. The regulator also laid down that procurement of power generated from imported coal cannot be left on the discretion of the buyer, owing to technical constraints of generation.

The Union Cabinet approved the pass-through proposal, which would lead to a general 20p a unit rise in power rates across the country.

(BS, 25.07.13)

HydroPower Mandatory

In order to facilitate more hydro power generation in the country, the Power Ministry plans to make it mandatory for electricity distribution utilities to buy a percentage of their requirement from hydel stations.

At present, a similar mechanism is in place for renewable generation known as Renewable Purchase Obligation (RPO). However, not many States are meeting the target of RPOs.

Implementation of same mechanism for hydro projects would benefit both public sector companies such as National Hydroelectric Power Corporation (NHPC) and Satluj Jal Vidyut Nigam Limited (SJVNL) and private generators such as Jaiprakash, GMR Energy and Jaypee Group, among others.

(BL, 01.08.13)

MP Wipes Out Power Deficit

After a series of reforms, tariff hikes, involvement of private firms in supplying electricity to some cities and customer-friendly initiatives, Madhya Pradesh now enjoys 24-hour power supply.

Latest data available with the Central Electricity Authority shows that the state does not have power deficit. Distribution losses have fallen from 37 to 27 percent, narrowing the gap between revenue and cost to 60 paise per unit from 1. Losses in the transmission segment are at 3.5 percent, which is one of the lowest in the country.

A private consultancy firm has helped the government in designing, implementing and monitoring the broad-based reform in various key functional areas like finance, technology and regulatory framework.

(ET, 30.07.13)

PPP in Power Transmission

Uttar Pradesh Cabinet cleared the proposal for public private partnership (PPP) model in power transmission projects of UP Power Transmission Corporation Limited. The corporation would now be able to call for competitive tariff based bidding for such projects.

In the first phase, the corporation was likely to solicit bids for projects worth about ₹2,000 crore in Agra, Mainpuri and Lalitpur districts for transmission lines of 2,000 km. The bidding process would take about six months to complete.

The proposal of roping in private partners for the projects had been pending for some time. The present regime has been supportive of the PPP model in power distribution segment as well.

(BS, 01.08.13)

Gas Price Pooling Mechanism

The Cabinet Committee on Economic Affairs is likely to take up the Power Ministry's proposal for a ₹11,000 crore subsidy payout to cover the hiked electricity tariffs on account of the proposed price pooling of gas. This will help kick-start about 18,000 MW of gas-based projects.

The note proposes averaging of the price of cheaper domestic gas with costlier imported LNG. Even after such averaging, the cost of generation would be close to ₹10 and the Ministry will pass on only ₹5.50 a unit to the consumers, and the balance will be subsidised by the government through direct cash pay-out.

(TH, 11.09.13)

Sebi Gets More Powers

The government approved the proposal to amend Securities & Exchange Board of India (Sebi) Act in July, 2013 giving more powers to market regulator Sebi to curb and clamp down on ponzi scheme, access phone call records to check insider trading and carry out direct search and seizure operations.

Sebi would also have powers to seek information such as telephone call data records, from any person or entities in respect to any securities transaction being probed by it.

Given the changing nature of the securities market and use of newer tools by the manipulators to take gullible investors for a ride, Sebi has been seeking overhaul of regulations as well as mandate for a long time. These amendments to the Sebi Act and other regulations were finalised in consultation with Sebi. *(IE, 17.07.13)*

Revolution in Retail Credit

The Reserve Bank of India (RBI) is set to issue a directive asking banks to deploy machines to verify *Aadhaar* Data in order to improve security and promote financial inclusion. All new credit card swipe machines and automated teller machines will be mandated to have a mechanism for *Aadhaar* authentication using biometrics.

RBI seems to reconcile a combination of 'chip and PIN' authentication for existing customers and biometric checks for hitherto unbanked card holders.

Some of the major concerns with this directive are that it will raise the hardware and telecom costs significantly, machines will require 3G speeds to transmit biometric data and finally *Aadhar* itself has not been mandated. *(ToI, 12.09.13)*

Overseas Investment Tightened

In its latest effort to stem capital outflows and prop up the local currency, the RBI has tightened the rules for overseas investment by Indians companies and individuals. Keeping in view the current macroeconomic situation, the Central Bank reduced the limit for Overseas Direct Investment (ODI) under automatic route for all fresh ODI transactions, from 400 percent of the net worth of an Indian Party to 100 percent.

This reduced limit would also apply to remittances made under the ODI scheme by Indian Companies for setting up unincorporated entities outside India in the energy and natural resources sectors. However, RBI has exempted large state-run companies from this restriction.

Further, the RBI also reduced the amount that people living in India can send abroad to US$75,000 a year from US$200,000.

(www.indian-commodity.com, 16.08.13)

IRDA to Extend Deadline

Life Insurance of India has asked the regulator for extending the deadline for withdrawing existing products that do not meet the new norms from October 01, 2013.

According to the regulator, all the existing group products have to be aligned with the new rules before June 30, while individual products have time till September 2013.

The new guidelines for traditional life insurance will have products with more benefits for policyholders, improve transparency and curb mis-selling of the traditional products.

Under this, Insurance Regulatory Development Authority (IRDA) has capped commissions, and provided for minimum sum assured and guaranteed surrender value on traditional products sold by life insurers. *(BL, 29.09.13)*

RBI to Ease Liquidity Situation

Concerned over the tight liquidity situation ahead of the festival season, the RBI plans to take steps such as bond purchases to ensure adequate supply of money for credit flows.

The RBI currently injects about ₹1.5 lakh crore into the system daily through the liquidity adjustment facility, the export credit refinance and the marginal standing facility.

Liquidity conditions have been tightening, as reflected in the hardening of yields in the government securities market due to uncertainties about the government's borrowing programme for the second half of 2013-14.

Liquidity has also tightened due to prospective effects of banks' half-yearly account closure, seasonal pick-up in credit demand, festival-related demand for currency and sluggish deposit growth.

(BT, 26.09.13)

Fines for Violation of KYC Norms

The RBI imposed monetary penalties on 12 public sector banks including State Bank of India and Punjab National Bank and ten private sector banks for violating the Know Your Customer (KYC) norms.

Flaws were found in bank's customer identification procedure, KYC practice for walk-in customers and sale of third party products, such as insurance and mutual funds. Further, there were lapses in monitoring of transactions in dormant accounts and in following instructions on import of gold on consignment basis.

Indian Overseas Bank faced the highest penalty of ₹3.002 crore, foreign lender Deutsche Bank was fined ₹1 crore while Ratnakar Bank faced the lowest fine of ₹0.50 crore. Seven other banks including BNP Paribus, Citibank and Standard Chartered were left with a warning as the RBI found their explanation satisfactory or could not establish serious violation of rules by them. *(ET, 16.07.13)*

Not Fully 'Empowered', Yet

Narasimha Rao* & Sreekumar N**

Electricity is reaching almost all villages but by no means all households

The power sector continues to be in the news, but not much seems new: shortages and rising costs of coal and gas, continuing power cuts, or the mounting losses of distribution companies.

What is passing below the news radar is the gradual rollout of electricity connections to 8 crore rural homes. This unique feat represents progress, but the shape it takes could reduce it to a missed opportunity of providing a level of reliable and sustainable service that can boost rural development.

Government reports indicate a rapid expansion of what could be called a sub-standard service in the last decade. As many as 94 percent of villages had electricity in 2013, up from 74 percent just eight years ago, with about 100,000 villages getting connected through the *Rajiv Gandhi Grameen Vidyutikaran Yojana* (RGGVY) programme. Yet, only 55 percent of rural households have access.

The Ministry for New and Renewable Energy reports that the private sector too has brought electricity through decentralised, renewable energy-based systems to around 9,000 villages, thereby providing electricity to about a million people.

This is a modest achievement in comparison with grid expansion, but in the last few years, investments in stand-alone solar home systems and biomass-based microgrids have picked up as entrepreneurs have more aggressively seized on regulatory and financial incentives. However, these numbers tell only part of the story. The access gap is still huge and regionally concentrated over half of households without access live in three States.

According to the Indian Human Development Survey of 2004-05, households in rural India that have electricity on average receive power for three hours less per day than urban areas. In poorer States, such as Bihar, supply is worse overall, as is the gap between rural and urban. This disparity is also evident from the low per-capita consumption of 8 units per month for rural households compared with 24 for urban.

A study shows that small-scale household enterprises in India that have electricity access earn 18 percent or more income than those without. Every hour of improved availability is associated with a percentage point increase in income. If the government aims to boost rural economic development, the current state of electricity service in India falls far short of what is required.


The Hindu Business Line

Grid expansion through RGGVY, which commenced in 2005, leaves much room for improvement in the areas of planning, implementation and sustainability. Planning has been centrally driven, with very low participation by the States and distribution companies, who are expected to operate the rural network. Institutional capacity was not built up to monitor quality of construction and manage the large number of new rural poor consumers.

In most States, the hours of supply to these consumers is very low not only because of power shortage, but because of the strong financial disincentive to supply power to the rural poor. A radical re-look at the electrification programme is required so that this massive effort does not go waste.

The grid-based programme must ensure connectivity to all, including Above Poverty Line households through connection drives, and arrangements should be made for reliable power supply. Stand-alone systems are important in remote areas, and where the grid is weak. Subsidy has to be provided to households so that they can purchase power generated by them.

Since universal grid coverage is a matter of time in most regions of India, it is better that these systems are planned to be grid-interactive. By focusing only on electricity 'connections', electrification efforts and related policies fail to ensure that electricity service is well monitored, regulated and sustainable.

There is an urgent need to improve the regulatory oversight of rural electrification at State, district and *panchayat* levels, irrespective of the public or private ownership of the service provider. This oversight has to be strengthened by using tools like the Right to Information.

---

* *Research Scholar, Energy Programme. International Institute for Applied Systems Analysis, Austria.*
** *Member, Prayas Energy Group, Pune.*

Abridged from an article that appeared in The Hindu Business Line *on July 31, 2013*

A Deluge of Insensitivity

Sanjoy Hazarika*

In the city that never sleeps, a scooterist dies after trying to evade an open manhole cover. And the local police file a case against her for negligence. It would be funny if it was not so tragic.

Assam chief minister Tarun Gogoi says that those who blame his government for failing to curb floods have got it wrong. Look at Delhi, he says: even the country's capital gets flooded. This effort at justifying local governance failure didn't do him too much harm: thanks to the lack of a coherent opposition, Gogoi's Congress swept the recent Guwahati municipal elections.

In addition, he said that the huge amount of waste generated in the city was a sign of progress since it shows that people have purchasing power. This surely must rank as one of the most unique explanations for the disastrous, ugly accumulation of waste in one of the country's fastest growing cities. Surely, an improvement in income does not mean that residents, officials and elected representatives don't have anything to do about managing waste and delivery of basic services!

Non-degradable waste dumped haphazardly leads to the clogging of drains, worsening water-logging and local flooding.

Different arms of the administration claim to have cleaned Delhi's drains. But why do the roads still flood when it rains heavily? They claim that the floods are 'unprecedented'; but so were they in 1976, 1977, 1978, etc, that it's like tossing three glasses of water into one small tumbler.

Everyone in Delhi knows that the deluge comes several times in a season but every time it catches the local administration unprepared. For over 30 years we've heard the same tired excuses trotted out by engineers, politicians, officers and others. Every year there are the usual angry media reports and NGO campaigns, but little changes.

Water finds its own level. But we have done everything to destroy the natural balance, giving into the building lobbies, trying to cover every square inch of space with concrete, brick, tar and glass, building monstrous malls, crowding the middle earth with metros, paving and repaving roads and sidewalks, killing water bodies and dumping every kind of waste human, industrial and domestic into the Yamuna, which was once a great river.

When such mini-disasters take place, I try and drop my household help at or near their homes. But that afternoon, the level of the water on the roads made it impossible for the car to leave the colony. One maid reached her home to find it inundated by a foot of water. No food was cooked at her place that night and the family went hungry because even the *dhabas* had shut down.

There are other hazards: the evening after Delhi collapsed from the rain battering, I took a walk in my neighbourhood of Saket. As I stepped out on the footpath along the main road, I felt as if the ground was disappearing from under my feet but quickly scrambled to safety. A slab of concrete had just crumbled. I could have easily become another statistic, of those falling into uncovered manholes or being electrocuted by live wires.

> ***The media images are similar from Guwahati, Delhi and Mumbai. Vehicles stalled in knee-deep, muddy, dirty water which has overwhelmed the streets; drenched pedestrians step gingerly through the water with mixed feelings of disgust, anxiety and anger***

Who will take responsibility for this criminal abuse of the tax payer's money? After all, it is the greedy nexus of politicians, bureaucrats, engineers and contractors that ensures that basic services are not delivered.

Those who are responsible for these failures in governance need to pay. They have designed, delivered and defended such disasters over the years. Fines are inadequate send them to jail. Without fixing accountability, the same cycle is doomed to be repeated.

But that's like asking for the moon. Look at the Delhi chief minister's response. It's a classic copout, a combination of insensitivity and ignorance: she asks the capital's residents to “pray to god to stop the rains.' Go tell that to the farmers.

---

* *Founder-Director, Centre for North East Studies, Jamia Millia Islamia, New Delhi. The article appeared in* The Hindustan Times, *on July 29, 2013*

Duty on Pulses Imports

The Commission for Agricultural Costs and Prices (CACP), which advises the government on price policy for major agricultural commodities, has recommended an import tariff of 10 percent on pulses to promote local production.

Currently, pulses like *moong* and *tur* have an import parity price that is below the minimum support price. Importers and traders say that with domestic prices crashing, the government should allow exports to ensure remunerative prices to farmers.

Pulses imports are permitted at zero duty since 2006 to ensure availability at reasonable prices. Pulses exports from India, however, are prohibited since 2006 except for *kabuli chana* and over 10,000 tonne of organic pulses and lentils per annum. *(ET, 03.07.13)*

Govt Eases FDI Limit

In order to boost the sagging economy, the government hiked foreign direct investment (FDI) limits in a host of sectors and allowed 100 percent in telecom and asset reconstruction companies.

Coming within 10 months of the government allowing foreign investments in multi-brand retail and civil aviation, Round 2 of reforms retained the Defence sector cap at 26 percent.

The level can be raised for proposals involving advanced technology. But this will have to be approved by the Cabinet Committee on Security.

The Finance and Industry Ministries' efforts to raise caps in information and broadcasting, civil aviation, multi-brand retail and petroleum and natural gas remained unsuccessful. *(BL, 16.07.13)*

Finmin, DIPP Differ on Retail

The Department of Industrial Policy and Promotion has disagreed with the Finance Ministry's proposal that foreign retailers should be left to decide whether or not to source from the medium and small enterprises.

They also have different opinions on whether to include agricultural cooperatives as the part of the sourcing clause.

The Finance Ministry's proposal was in line with the requests made by the world's leading retail giants Walmart, Carrefour and Tesco who were believed to have expressed their inability to meet this mandatory sourcing requirement from small and medium enterprises. *(ET, 01.08.13)*

Investment in Manufacturing

As part of the strategy to enhance investment in manufacturing, the Planning Commission and National Manufacturing and Competitive Council will develop coordinated action plans with states that have witnessed slackness in investment in manufacturing.

The idea is to get holistic views of issues that are holding back manufacturing in each state and, suggest tools and techniques that can revive the overall climate.

The first phase of the exercise, to will cover Punjab, Gujarat, Karnataka, Haryana, Tamil Nadu, Andhra Pradesh and Maharashtra, with special focus on steel, textiles, food processing and medium and small enterprises, sectors seen as large job creators. *(ET, 12.07.13)*

GST Resolved Entry Tax

The Empowered Committee of State Finance Ministers has decided to include entry taxes, which account for around 10 percent of states' revenues, in the proposed comprehensive indirect tax.

All entry taxes levied by state legislatures that are not in the nature of octroi and the proceeds of which go to local bodies will be subsumed into Goods and Services Tax (GST).

That decision has resolved a major cause for dissent, as states like Madhya Pradesh, Maharashtra and Karnataka had opposed subsuming these levies in the GST.

According to experts, about 10 percent of states revenue are from entry taxes, but quantifying it precisely is difficult considering the very litigious nature of this levy. *(FE, 23.07.13)*

Revisiting SEZ Policy

Beset by falling exports, the government is revisiting its policy on Special Economic Zones (SEZs) in the hope of rekindling interest among investors. With industry and state governments citing problems with land acquisition, the Commerce Department is considering relaxing the minimum area requirement for more sectors in the final amendments in the SEZ rules.

These changes are being looked at even as the government is yet to put into effect the announcement made by Commerce and Industry Minister Anand Sharma.

The Department has identified agro-processing SEZs as the main thrust area and plans to cut minimum land requirement from 100 hectares to 10 hectares for agro-processing SEZs. *(ET, 24.07.13)*

Agriculture Key to Economy

The Prime Minister's Economic Advisory Council projected 4.8 percent growth for agriculture in 2013-14. In comparison, agricultural growth in 2012 was 1.9 percent. If the projection proves accurate, it will come as a shot in the arm for the ailing Indian economy.

Robust agricultural growth is expected to contain inflation, support industry and services, and increase employment opportunities in rural India. It might also ease pressure on government employment schemes.

Given that roughly half of India's workforce is engaged in agriculture, it remains the backbone of the Indian economy.

Agriculture's performance assumes greater significance in view of the recently passed Food Security Act and the ongoing National Rural Employment Guarantee Scheme. Agriculture supports the vast majority of low income, poor and vulnerable people in the country. *(IT, 17.09.13)*

A 10-Step Programme for India's Economy

Jim O'Neill*

The Economic Times

It's fashionable to say the era of strong emerging-market growth is over. As the US recovers, the global cost of capital will rise, holding back investment; against this background, avoiding the next crisis is the best that most emerging economies can do. If you take this view, India might seem a perfect example, with its widening current account deficit, heavy public borrowing, persistent inflation and weak currency.

Long-term growth depends ultimately on just two things the number of workers and how productive they are. India's demographics are remarkable. The country is on track to grow its workforce by 140 million between 2000 and 2020. That increase is the equivalent of the working population of France, Germany, Italy and the UK combined.

Even with unspectacular growth of a little more than 6 percent a year, India's economy could be 40 times bigger by 2050 than it was in 2000 about as big as the US economy will probably be by then (though not as big as China). But it could do so much better than that. Growth of 8.5 percent over the entire period is possible with growth of more than 10 percent over the next 15 to 20 years not out of the question provided it makes some changes.

It's all about productivity. India scores poorly on indexes of economic variables that are critical for economic efficiency worse than Brazil, China and even Russia. To change that, it needs to do 10 things:

1. Improve its governance. This is probably the hardest and most important task the precondition for the rest. Modi is right: Whoever leads the next government in 2014, India needs maximum governance and minimum government. There is no point having the world's largest democracy unless it leads to effective government.

2. Fix primary and secondary education. There has been some progress here, but a huge number of young people still get little or no schooling. I sit on the board of Teach for All, a global umbrella organisation for groups that encourage the brightest graduates to spend at least two years teaching. Today India has about 350 teachers in these programmes. It could do with 350,000 or more.

3. Improve colleges and universities. India has too few excellent institutions. Its share of places in the Shanghai ranking of the world's top universities should be proportional to its share of global gross domestic product meaning 10 universities in the top 500 (it currently has just one). Make that an official goal.

4. Adopt an inflation target, and make it the center of a new macroeconomic policy framework.

5. Introduce a medium to long-term fiscal-policy framework, perhaps with ceilings as in the Maastricht Treaty a deficit of less than 3 percent of gross domestic product (GDP) and debt of less than 60 percent of GDP.

6. Increase trade with its neighbours. Indian exports to China could be close to US$1tn by 2050, almost the size of its entire GDP in 2008. But India has little trade with Bangladesh and Pakistan. There's no better way to promote peaceful relations than to expand trade – and that means imports as well as exports.

7. Liberalise financial markets. India needs huge amounts of domestic and foreign capital to achieve its potential and a better-functioning capital market to allocate it wisely.

8. Innovate in farming. Gujarat is not a traditional agricultural producer, but it has improved productivity with initiatives like its "white revolution" in milk production. The whole nation, still greatly dependent on farming, needs enormous improvements.

9. Build more infrastructure. I flew in to Ahmedabad via Delhi, and out via Mumbai, all in a day. I got where I needed to go but it's obvious how much more India needs to do. Adopt some of that Chinese drive to invest in infrastructure.

10. Protect the environment. India can't achieve 8.5 percent growth for the next 30 to 40 years unless it takes steps to safeguard environmental quality and use energy and other resources more efficiently. Encouraging the private sector to invest in sustainable technologies can boost growth in its own right.

* *Former Chairman, Goldman Sachs Asset Management and Bloomberg View Columnist. The article appeared in* The Financial Express, *on June 25, 2013*

CSR Significant for Indians

A survey done by Ipsos over 24 nations has showed that India has one of the highest regards for corporate social responsibility as more than half of the employees in the country are concerned about companies' behaviour towards society.

According to the survey, the feelings on corporate responsibility were highest in Brazil (65 percent), Mexico (59 percent), Argentina (57 percent), Indonesia (55 percent) and India (51 percent). The percentage was found to be the lowest in countries like France and Japan (less than 20 percent).

In India, it is felt that Corporate Social Responsibility (CSR) is a vital tool to boost business and employee morale and engender team work and a sense of inspiration and connectedness. *(FE, 27.06.13)*

Poverty Ratio Falls

Poverty ratio in India has fallen by 15 percent from 2004-05 to 2011-12. This has been the fastest fall in several decades.

Based on the NSSO's data on monthly per capita consumption expenditure, the Planning Commission computed persons below the poverty line at 25.7 percent for rural areas and 13.7 percent for urban areas during 2011-2012. The national average fell to 21.9 from 37.2 percent in eight years.

However, despite the proportion of the poor declining, their gap with the rich has risen for the first time in rural areas in about 35 years and to an all-time high in urban areas. Inequality is measured by the Gini co-efficient. In rural areas, the co-efficient rose to 0.28 in 2011-2012 from 0.26 in 2004-05 and to an all-time high of 0.37 from 0.35 in urban areas, the figures showed.

(FE, 23.07.13 & BS, 09.07.13)

India not in 'QS Top 100'

Indian universities have shown a dismal performance in the 'QS World University Rankings', with none figuring in the top 200, with even the premier Indian Institute of Technology slipping from 212 (last year) to the 222nd position (this year). The 800-strong annual ranking includes 11 Indian institutions in all. The list is dominated by US universities.

The Massachusetts Institute of Technology, Harvard University (USA) and Cambridge University (UK) have respectively grabbed the first, second and third spots.

The rankings take into account the subject range offered, as well as research results produced and academic reputation enjoyed by 3,000 institutions internationally.

(TH, 11.09.13)

'Inflation' in Trade Unions

The number of workers in the country's formal sector is 2.9 crore but trade unions that represent them seem to have ballooned three times with a reported membership of more than 9.3 crore, according to data submitted to the Labour Ministry.

While union leaders sought to explain the mystery by claiming they had also enlisted unorganised sector workers, government officials who have to verify the numbers are not so convinced.

The Ministry said it needs to verify the data, which was submitted for the period until 2011. A Labour Ministry Official opined that the verification will take at least three years to complete. As part of the exercise, state departments will have to check 15 percent of the claimed membership of each trade union.

(IE, 10.09.13)

India Lagging Behind

Timor Leste and Nepal spent more than the Indian government on social protection, defined as government spending to help vulnerable groups prevent, reduce and cope with risks including natural disasters, said an Asian Development Bank (ADB) report on assessing such spending in the Asia and Asia-Pacific region.

While India was found to have spent 1.7 percent of its GDP on health, income, employment and other social protection schemes in 2009, the report showed middle-income country Timor Leste spent 5.9 percent and lower-income Nepal 2.1 percent.

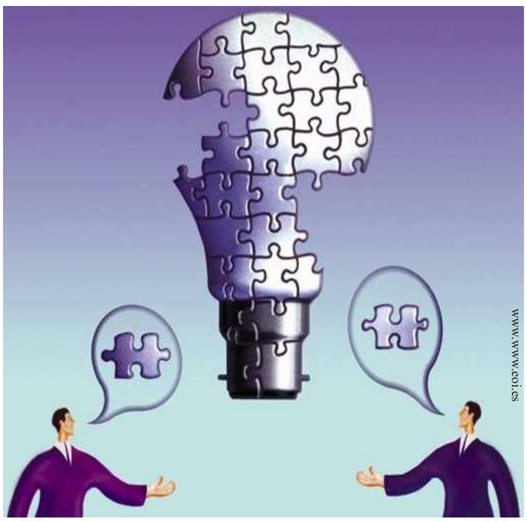
India's rural jobs programme, Mahatma Gandhi National Rural Employment Guarantee, accounted for 38 percent of all social protection spending, the report found.

However, India scored low on assistance to the disabled, and social insurance such as pensions, insurance and disaster relief.

(Mint, 04.07.13)

Low Rank for India on GI index

India has ranked 66th in the Global Innovation Index 2013, an index that is published by Cornell University, INSEAD (business school based in France), World Intellectual Property Organisation and the Confederation of Indian Industry as a knowledge partner.



The study ranked 142 economies across the world on their innovation capacity and efficiency. This year's report casts additional light on the local dynamics of innovation, an area which has remained under-measured globally.

It shows the emergence of original innovation eco-systems, and signals a needed shift from the usual tendency to try and duplicate previously successful initiatives.

India ranked 1st in the Central and South Asia region followed by Kazakhstan and Sri Lanka, and 11th overall in innovation efficiency ratio. (Innovation efficiency reflects the innovation output per unit of innovation input in the economy). *(TH, 03.07.13)*

Happiness, Freedom and Corruption

The second United Nations Happiness Report contained some interesting findings, which were largely ignored by the global media in favour of highlighting the happiest countries, all located in northern Europe.

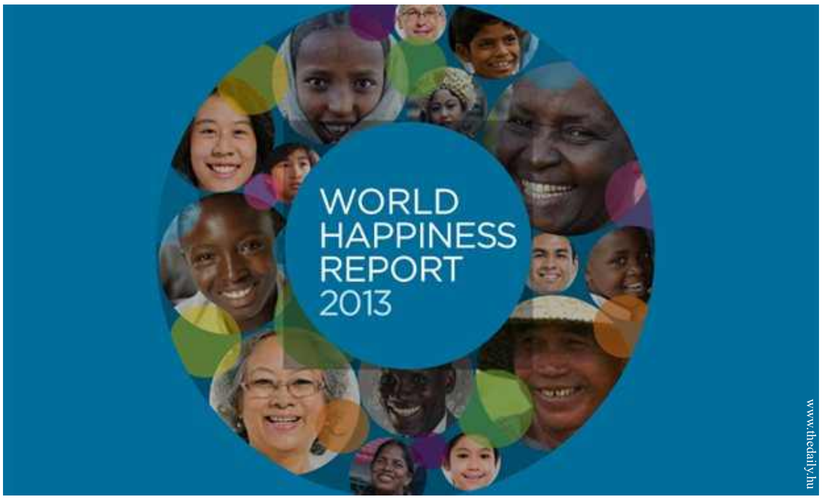
The 2013 World Happiness Report conducted by Columbia University's Earth Institute considered a greater number of variables while conducting this year's report and concluded that at the individual level, happiness is directly linked to over-arching influences like political freedom, strong social networks and an absence of corruption (which may explain India's ranking of 111 out of 156).

Additional factors are good mental and physical health, job security and stable families. The other significant take-away is that while rich people are happier on average than poor people, increasing GDP in a country doesn't necessarily boost well-being.

For instance, GDP tripled in the US since the 1960s, yet happiness levels have dropped. In fact, countries like Mexico, Panama and the United Arab Emirates ranked higher than the US. Even China, now the second-largest economy in the world, ranked a lowly 93.

More surprisingly, sub-Saharan Africa and Latin America are becoming happier overall, while developed nations report less well-being. The report, which surveyed people in more than 150 countries, showed that 61 countries saw their happiness improve over the years, while 41 countries have become unhappier.

The biggest surprise was that Angola, Zimbabwe (1,000 percent inflation) and Albania experienced the largest increases across all the countries surveyed. Reduced levels of corruption also contributed to the rise.



The 2013 World Happiness Report concludes that at the individual level, happiness is directly linked to over-arching influences like political freedom, strong social networks and an absence of corruption

Not so surprising was that countries most impacted by political turmoil or the global economic downturn were those which registered the sharpest drop in happiness ratings over last year's report. They include countries like Egypt and those worst hit by the eurozone crisis.

This year's report had taken into account individual levels of happiness as well as social, economic and political measurements. Based on these conclusions, Jeffery Sachs, Director, Earth Institute said: “There is now a rising worldwide demand that policy be more closely aligned with what really matters to people.” He added that the report offers evidence that the analysis of happiness can teach us a lot about ways to improve the world, in terms of countries' sustainable development.

The global survey was conducted between 2010 and 2012, and follows the Earth Institute's first rankings released last year and shows how economic and political upheavals have resulted in greatly reduced levels of well-being.

Rankings for Greece, Italy, Portugal and Spain fell dramatically because of the impact of the eurozone crisis, while Egypt, Myanmar and Saudi Arabia registered dramatic falls in the wake of recent political and civil turmoil. Egypt registered the greatest drop in happiness levels.

The report noted that the greatest single factor reducing happiness levels in these countries was a reduction in people's perceived “freedom to make key life choices”.

There's a clear lesson here for all politicians who believe in the Big Brother theory. A more important lesson is to do with corruption. Bulgaria, for instance, is a member of the European Union, but is burdened by endemic corruption. Bulgaria's unhappiness quotient, as measured by the survey, puts the country in 144th place behind Afghanistan, Yemen and Iraq.

– *The news item appeared in* The Financial Express, *on September 15, 2013*

Mindset Change towards CSR Needed in Top Management

Spending on CSR activities by central undertakings was mandatory since 2010. The passage of Companies Bill is expected to give further boost for public and private companies for effective spending on CSR. Union Minister for Heavy Industries & Public Enterprises Praful Patel speaks at length on the issue.

The department had taken an initiative making it mandatory spending by CPSEs on CSR. What is the experience so far?

Spending on CSR activities was made mandatory for Central Public Sector Enterprises (CPSEs) in the guidelines issued by Department of Public Enterprises (DPE) in April 2010. Further, news guidelines were issued from April 01, 2013. Nevertheless, it has been a satisfying experience to see that CSR funds were generally well channelised for addressing social, economic and environmental concerns. However, with the passage of the Companies Bill, the budgetary allocations for CSR activities would have to be revised in consonance with the provisions of the new Companies Act.

The new guidelines are very robust and comprehensive and two projects, one regarding development of backward regions identified by the Planning Commission under its Backward Region Grant Fund Scheme, and the other regarding environment sustainability have been specified as mandatory for CSR spending.

Give us some examples

Several CPSEs have taken up CSR and Sustainability projects in the areas of environment, education, health, development of backward areas, skill development, capacity building.

The list of examples of commendable work can be long and exhaustive. One is the natural calamity which struck Leh in 2010. Similarly, in the unprecedented scale of destruction and loss of human lives in the recent tragedy in Uttarakhand, CPSEs have reacted instantly with massive contributions from their CSR funds for relief and rehabilitation measures in the areas ravaged by nature.

A change in the mind-set of top management is required and hopefully, the change will come about as expected, and it would result in transformation in the way business is conducted.

How Companies Bill will come handy to make CSR spending more effective?

Companies Bill is step in the right direction and it will benefit society at large. Under the new Companies Bill, which will soon to be enacted, only profit making companies above a particular threshold of profit are required to spend on CSR activities. In comparison, DPE guidelines on CSR and Sustainability stipulate that all profit making CPSEs have to spend on CSR and Sustainability activities.

Under the Companies Bill, the companies not spending the budgetary amount on CSR in a particular year will be required to explain the reasons for not doing so.

Whereas, in DPE guidelines, not only do the CPSEs have to tender an explanation for not utilising the CSR funds on the CSR activities/projects planned for a particular year, but in event of their failing to spend the said amount on the planned activities in the next two years, the unspent amount would be transferred to a 'Sustainability Fund' to be created separately for CSR and Sustainability activities.

What is the monitoring mechanism put in place during the implementation of CSR by CPSEs and how can be replicated by corporates?

For overseeing the implementation of the new guidelines the mechanism has been further strengthened by having a two-tier structure within the companies. One is a Board level Committee, and the other is a team of officers below the Board level. It is hoped that this two-tier structure would have the necessary authority and influence to effectively implement the CSR agenda of a company.

The monitoring mechanism under the new guidelines is fairly elaborate and robust, and corporates other than CPSEs may like to borrow from our guidelines and learn from our experience in implementing them.

– *The interview appeared in the* Business Standard, *on August 12, 2013*

Whistleblowers to Get Protection

According to an amended resolution notified by the government, a nodal officer has been designated in each Central Ministry to look into complaints of corruption received from whistleblowers, a term given to people who expose corruption in government departments.

"The Chief Vigilance Officers of the Ministries or Departments of the Government of India are also authorised as the designated authority to receive written complaint or disclosure on any allegation of corruption or misuse of office by any employee of that Ministry or Department," said the Public Interest Disclosure and Protection of Informers Resolution notified by the Ministry of Personnel.

(BL, 05.09.13)

Segregation of Ponzi Schemes

In order to make a distinction between genuine direct-selling companies and fraudulent ponzi schemes, the government has decided to put in place a set of 'model guidelines' to be followed by different states in such cases.

According to Union Minister Sachin Pilot, these guidelines are close to being finalised by the Consumer Affairs Ministry and the Corporate Affairs Ministry has given its suggestions and other inputs in this regard.

Once these standard guidelines are put in place, the ambiguities about genuine companies and fraudulent schemes would go away.

(BS, 15.07.13)

Decision on Judges' Postings

The government has introduced a new clause in the National Judicial Appointments Commission (JAC) Bill that would empower the Law Ministry to initiate a list of proposed names of judges for the Commission to consider after inviting suggestions from other fora apart the Supreme Court and High Courts (HCs).

At present, HCs recommend names of proposed judges to be appointed for their benches and the SC collegium of five senior-most judges, headed by the chief justice of India (CJI), vets these names and select candidates of their choice.

To maintain the supremacy of the judiciary in appointments, the proposed JAC would be headed by the CJI and would consist of two senior-most judges of the apex court, a jurist, law minister and Opposition leader in Lok Sabha as its members.

(ToI, 02.08.13)

Availing Health Benefits

The Centre has decided to reimburse the total cost of treatment abroad as well as fund the return airfare for IAS, IPS and IFS officers, changing the 30-year-old rules at a time the government is facing flak for the country's worrisome fiscal health just months ahead of the general elections.

In a vigorous modification to the 1983 rules that some critics have derided as something of a killer overdose in an economy that needs urgent belt-tightening, the Department of Personnel and Training has informed the chief secretaries of all states through a letter that the government will bear the actual cost of treatment abroad for two months.

(ET, 07.09.13)

Revival of Highway Sector

Recent efforts adopted by the government to revive the highways sector is turning out to be a non-starter because the new rules have inherent gaps, road developers have told Prime Minister Manmohan Singh and Finance Minister P Chidambaram.

A long-awaited policy notified to unlock equity funding for new projects by letting concessionaires exit ongoing and completed highway projects will not help bring any new investments or FDI into the sector since it is mired in legal, taxation and commercial mess.

The policy does not include projects where financial closure is not achieved despite the fact that there are several such projects because the authority has not fulfilled it obligation.

(ET, 31.07.13)

CAG REPORTS

Pvt Refiners Earned Unfairly

According to a report prepared by Comptroller & Auditor General (CAG), pricing system adopted by the state-run oil companies helped private refiners gain ₹10,196 crore in five years. The controversial pricing formula, which also applies to retail customers at petrol pumps, makes diesel about ₹2 per litre costlier because buyers are forced to pay additional costs that companies do not incur, such as customs duty. As a result, state firms also gain handsomely from sales to retail customers.

(ET, 05.08.13)

Maharashtra Govt. Criticised

According to CAG, companies such as RIL and Jet Airways had been allotted land by Mumbai Metropolitan Regional Development Authorityin the new business district of Bandra-Kurla Complex, but companies failed to complete construction work in the time as prescribed in the lease agreement. These companies were required to pay an additional lease premium equivalent to 10 percent of the original lease premium if they failed to complete construction in time.

(Mint, 03.08.13)

Delay in Pipeline Projects

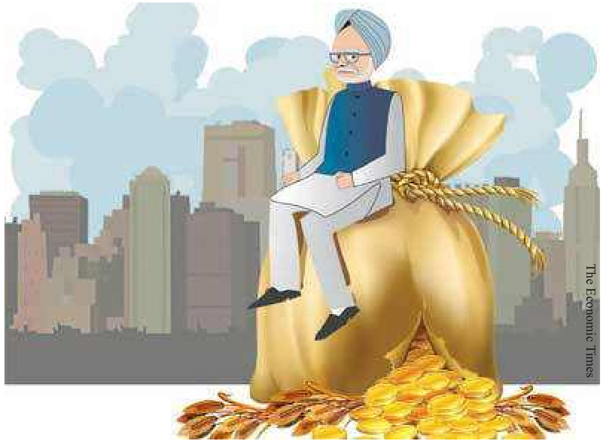
The CAG has sought answers from the Petroleum and Natural Gas Ministry over the inadequate progress made in execution of transnational pipeline projects, including the Iran-Pakistan-India pipeline, TAPI gas pipeline and the almost-defunct Myanmar-Bangladesh-India gas pipeline. The CAG has sought confirmation of the latest facts and figures on the issue and also asked the Petroleum Ministry to intimate the latest developments on these projects.

(TH, 24.09.13)

Dr Singh, You've Slipped

Yashwant Sinha*

Presentation of a regular Budget would have enabled us to approach the International Monetary Fund for a bigger assistance. But the Congress party, which was supporting the government, blocked it.



Those who never tire of lecturing the Opposition today to cooperate with the government in national interest should remember that when the country faced its worst economic crisis, the Congress party, then an ally of the government, jeopardised the future of India for its own petty political gains.

Precipitating a Precipice

The Congress party compounded its sin further by subsequently withdrawing support from the government, forcing a general election and taking the country to the precipice.

As Finance Minister in the Chandra Shekhar government, I presented an interim Budget on March 04, 1991. In my speech, I gave a brief account of the crisis the country was facing and said, "Macroeconomic imbalances which have been large and persistent are at the root of the problem. The fiscal deficits of the government had to be met by borrowing at home. The current account deficits of the economy were inevitably financed by borrowing from abroad. The burden of servicing the accumulated internal and external debt has now become onerous. I need hardly stress that neither the government nor the economy can live beyond its means for long. The room for manoeuvre, to live on borrowed money or time, has been used up completely. The soft options have been exhausted."

In 1991, India faced its most serious economic crisis due largely to the profligacy of the Rajiv Gandhi era, when, as I G Patel noted, "money did not matter". The Gulf war made matters worse. The country's foreign exchange reserves, never too comfortable, soon dwindled to US$1bn, which was not even sufficient to finance two weeks' imports

Fisc Over Fist

Manmohan Singh presented his famous reform-oriented Budget four months later on July 24, 1991. After describing the prevailing economic situation in some detail, he went on to say, "There is no time to lose. Neither the government nor the economy can live beyond its means year after year. The room for manoeuvre, to live on borrowed money or time, does not exist anymore."

He went on to add, "For improving the management of the economy, the starting point, and indeed the centre piece of our strategy, should be a credible fiscal adjustment and macroeconomic stabilisation during the current financial year, to be followed by continued fiscal consolidation thereafter."

Deficits and borrowings, if any, must be for productive investments and not for current consumption. Running huge fiscal and current account deficits and borrowing both at home and abroad to meet current consumption needs is a criminal conspiracy against future generations.

Selective Amnesia

Since I did not want to leave anything to chance, I worked hard on the Fiscal Responsibility and Budget Management Bill that was finally passed by Parliament when Jaswant Singh became finance minister and was implemented when the UPA-I came into power.

Subsequent events, however, prove that the UPA was insincere in the implementation of the FRBM Act, abandoned it as soon as the going got tough and went back to the earlier era of huge fiscal deficits.

Just as Sonia Gandhi and Manmohan Singh made fools of the people before the 2009 elections by promising jobs to everyone through the MGNREGA and electricity to every household through the India-US nuclear deal, they seek to repeat the formula through the food security ordinance.

Once again, we are ready to splurge because "money does not matter". Manmohan Singh and I were on the same page in 1991 regarding fiscal consolidation. I still stand by my conviction. What does Manmohan Singh stand for today?

* *Former Finance Minister and BJP MP. The article appeared in the* Economic Times, *on July 09, 2013*

Land Acquisition gets Nod

The landmark land bill that aims to provide just and fair compensation to farmers while also ensuring that no land can be acquired forcibly, has replaced the archaic Act of 1894 and passed by the Lok Sabha.

The Bill is focusing on fair compensation, rehabilitation and resettlement in the case of land acquisition and State Governments are free to improve on it.

"The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Bill, 2012" sets the compulsory consent of at least 70 percent for the acquisition of land for Public Private Partnership projects and 80 percent for land acquisition for private companies. *(TH, 30.08.13)*

RBI to Act as HFC Regulator

Once the National Housing (Amendment) Bill, 2012 gets Parliament approval, RBI will have a uniform control over the tasks of registration and regulation of non-banking finance companies, including housing finance companies (HFCs).

Its enactment will result in transferring RBI's shareholding in the NHB to the Centre, which will in turn prevent the ownership and regulatory role. HFCs then have to submit to RBI and NHB the details on deposits received by them or else face the prospect of being prohibited from accepting deposits.

However, Bill allows NHB to continue to supervise HFCs, while it proposes to give RBI enabling powers of such supervision.

(FE, 22.05.13)

Food Security Bill on the Anvil

The Cabinet has pushed through an ordinance to implement the Food Security Bill that will guarantee that two-thirds of the Indian population will get food grain at highly subsidised rates under the Targeted Public Distribution System.

Once the Ordinance is signed into law by President, it will be incumbent on the government to provide 5kg of subsidised rice, wheat and coarse cereals per month per person at ₹3, 2, 1, respectively.

The Food Security Act will have an enormous impact on cereals market and the farm economy and presents significant operational challenges.

The Act will also impact government finances and widen the subsidy bill. Hyped as a flagship programme of the UPA government, law will be implemented in phases.

(ToI, 04.07.13)

Bill to Amend Sebi Laws

The Securities Laws (Amendment) Bill, 2013 has been introduced in the Parliament to replace the ordinance which sought to provide more powers to capital market regulator Sebi to crackdown on illegal Collective Investment Schemes and to curb insider trading.

As per the amended law, Sebi can regulate any money pooling scheme worth ₹100 crore or more and attach assets in cases of non-compliance, adding that the Sebi Chairman would have the authority to order "search and seizure operations".

The market watchdog would also have powers to seek information, such as telephone call data records, from any person or entity in respect to any securities transaction being investigated by it. *(IE, 13.08.13)*

Pension Regulator in ActionI

The Parliament passed the Pension Fund Regulatory & Development Authority Bill, which seeks to give statutory powers to the interim regulator constituted by an executive order in 2003. The pension reforms Bill has fixed the ceiling on FDI in the sector at 26 percent to move in sync with that for the insurance sector.

The Bill carried some amendments to the one tabled in 2011. The earlier version had kept the option of FDI cap outside the purview of the legislation, as it was believed the FDI cap could be raised through an executive order.

However, the revised Bill included it as part of the legislation, following objection from Parliament's Standing Committee on Finance. *(BS, 05.09.13)*

More Powers to Co. Secretaries

The Company Secretaries' Institute has welcomed the passage of the Companies Bill 2012 by the Parliament. The new law transits company secretaries to corporate governance professionals, bracketing them in the category of key managerial personnel.

It will also hold them responsible for implementation of all relevant laws applicable to companies. The new law envisages a much larger role for company secretaries in the areas of secretarial audit, restructuring, liquidation, valuation and much more.

Company Secretaries will now be considered as an officer in default if something goes wrong with a company. *(BL,11.08.13)*

BCCI to be Held Accountable

A proposed National Sports Bill could bring the Indian cricket board under increased scrutiny from the government. The Board of Control for Cricket in India (BCCI) is not answerable to the government since it does not need any funding, but that could change if the bill is passed into law.

That could make the BCCI a public authority under the Right to Information (RTI) Act, and asked to explain spending like government departments.

In order to represent India in international events and to have a right for a particular sport federation to use 'India' or 'Indian' in the sport scenario, the federation shall have to comply with chapter IV (unethical practices in sports) and chapter IX (applicability of RTI Act), says the bill. *(ToI, 11.07.13 & BS, 14.07.13)*

Where is the Humanity?

Former Lokayukta N Santosh Hegde, speaking at a function in Mysore, addressing students, said wealth acquired illegitimately would never satisfy and that people would be satisfied only with the money they earned honestly. He advised the students to be content with the money they earned in their profession, as true contentment in life could be achieved only through earning money legitimately.

Hegde stated that he felt society was slowly losing its humanity, the values that made people human. "I have hundreds of such examples which are indicative of a loss of human values. In this materialistic world, humanism is eroding fast," he said. *(TH, 10.08.13)*

Growth to 6% Plus in 2013-14

India's economic growth would improve in 2013-14, C Rangarajan, Chairman to the Prime Minister's Economic Advisory Council said. Public sector investments would act as drivers of growth this fiscal, he added. Rangarajan, when asked if he was cutting down his GDP growth forecast, opined that he expected growth to range between 6-6.4 percent.

Rangarajan stressed the need for added focus on the agriculture and power sectors to improve the economic situation. Asked about his expectations from the RBI, Rangarajan said RBI's policy rate action would largely depend on the perception of the rupee. *(BL 01.07.13)*

India 2nd Fastest Growing Economy

P Chidambaram, Finance Minister said that people should not be worried about the current slow-down and that India still continues to be the second-fastest growing economy. He has also expressed hope of achieving six percent growth this financial year.

Asserting that India is still the second largest growing economy after China, he has pointed out that even China's growth which was at 10 percent has come down to seven percent now.

"Economic slowdown is there in all the countries. When there is slow growth rate in the world, India cannot remain unaffected," he said inaugurating the 2110th branch of Indian Bank in Manamadurai in his Sivaganga Lok Sabha constituency. *(BS, 27.07.13)*

Civil Nuclear risks under Indian Law

Civil nuclear projects in the country would be subject to Indian laws including on issues of civil liability, National Security Adviser, Shivshankar Menon, said dismissing reports of attempts to dilute the liability clause in contracts proposed with US firms.

Menon's views assume significance in the context of a huge controversy over media reports that the government was trying to dilute the nuclear liability clause in deals with American nuclear firms for buying reactors during Prime Minister Manmohan Singh's Washington visit.

He said India's stand has consistently been that "whatever nuclear power parts are imported, they should meet the highest standards of safety and deliver power at competitive prices". *(ET, 20.09.13)*

India Lacks Leadership

India has lost the confidence of the world and the country did not have a leadership that is leading from the front, former chairman of the Tata Group Ratan Tata said. "We should have one view...the team has been pulling in different directions; allies are pulling in different directions," he said on pressure groups within the government.

Recollecting the 1919 reforms when "the brave moves were made", he said, "It is the same team. What has happened in my view is that there have been forces...too many competing interests. By and large, whatever is happening should be looked at to the benefit of the people of India, not too few vested interests in India". *(HT, 29.08.13)*

EDUCATION SECTOR

India: A Hub of Foreign Varsities

Foreign educational institutions may soon set up campuses in India, with the Department of Industrial Policy and Promotion (DIPP) and the Department of Economic Affairs (DEA) supporting the Ministry of Human Resource Development's proposal to permit foreign universities to enter India under the Companies Act.

Foreign universities will be allowed to function in the country as companies under Section 25 of the Companies Act, in line with the proposal sent by the Ministry to the DIPP and DEA.

Under the proposed rules, Foreign Educational Institutions (FEIs) can set up campuses in India once the FEIs have been notified as Foreign Education Provider by the University Grants Commission UGC. These institutions should be within the top 400 universities of the world. *(BL, 10.09.13)*

Regulating Playschools

The government plans to bring in a regulatory framework for play schools, crèches and day care centres as they seem to be charging exorbitant fees without providing standardised curriculum and learning aids.

The Ministry of Women and Child Development has mooted the National Policy for early childhood care and education that is targeted at 158.7 million children below six years. The policy recognises that the quality of non-formal school and early childhood care is predominantly in the private sector with very uneven implementation.

It envisages setting up a national council to establish guidelines for standardisation of literature and reading material, learning aids, ensure qualified teachers are appointed and prescribe penal provisions for non-compliance. *(ToI, 12.09.13)*

Don't have Health Cover? Pay Up to 60% More

In a dramatic reversal of the trend that existed just three years ago, big corporate hospitals charge health insurance card holders much less than those paying in cash for the same procedures. Those paying out of their pockets are now billed anywhere between 25 and 60 percent respectively more than those with cashless health insurance schemes.

It appears that the Indian private healthcare system is moving closer to mirroring the situation in the US, where insurance firms are the prime factors in holding down healthcare costs and those without insurance can face crippling charges.

In 2010, *Times of India* ran a campaign on how corporate hospitals were overcharging health insurance card holders. After the campaign, the claim ratio of four PSU insurers National Insurance Company, New India Assurance, Oriental Insurance and United India Insurance Company had come down to 98 percent. Before the campaign, this figure was as high as 130 percent.

The insurers, 18 of them including the four PSUs, took this extreme step as they annually bled to the extent of ₹1,500 crore, the difference between what they collected as premium and what they paid to hospitals for settling claims. *(ToI, 25.09.13)*

Whip on Harmful Drugs

The government has finally got cracking on regulating harmful and irrational combination medicines in the market, directing pharma manufacturers to prove their safety and efficacy claims. This comes close on the heels of a recent move banning three widely used medicines, including diabetes drug pioglitazone.

Such combination medicines, also called fixed dose combinations (FDCs), are popular across several therapeutic areas like painkillers, antibiotics, cough remedies and anti-depressants.

It is believed that a sizeable number of these combination drugs are of doubtful rationality and may not be of any use to patients, while certain FDCs have not been clinically tested for safety and efficacy, and hence may be harmful. *(ToI, 04.07.13)*

Guidelines for Clinical Trials

India's Health Ministry has amended guidelines for compensation of participants in trials that go wrong. In their earlier version, the norms under the Drugs and Cosmetics Act made it mandatory for companies to compensate trial subjects who suffered injury or death even if these had not been caused by the drugs being tested.

The new norms specify that the compensation need be given only if there's proof that the death or injury was caused by the trial.

The Drug Technical Advisory Board, which advises the health ministry on scientific matters, suggested these amendments and the ministry accepted them and changed the norms. The previous law stated that in the case of an injury occurring to the clinical trial subject, he or she shall be given free medical management as long as required.

(Mint, 11.07.13)

Pharma Cos. Challenge DPCO

Drug makers Cipla and Alembic have approached the Delhi High Court and Gujarat High Court, respectively, challenging the provisions of the new Drug Price Control Order (DPCO), 2013, notified by the government.

Cipla has raised concerns over the government's direction to replace stocks in the market with those carrying reduced MRPs (maximum retail price) within 45 days of the new price notification by the National Pharmaceutical Pricing Authority (NPPA). Alembic, too, has challenged NPPA's mechanism for computation of one per cent market share while determining the price cap.

Alembic has argued NPPA had violated the provision of the pharmaceutical pricing policy as cleared by the government initially.

(BS, 16.07.13)

Pharma's to Gulp ₹2.5 k-cr pill

Ranbaxy, Dr Reddy's Labs, Glenmark, Cipla and Cadila Health, are likely to face a hefty penalty from the NPPA over allegedly selling anti-asthma drug Doxofylline without prior price approval. The move comes in the wake of a recent Supreme Court order against the industry that brought the widely prescribed medicine under price control.

The total penalty on the nine firms is estimated to be ₹2,500 crore because the fine will be calculated in retrospect from 2009, when the price of the drug was fixed by NPPA.

According to official sources, NPPA has already sent notices to four drug companies, i.e. Ranbaxy, Cipla, Cadila and Glenmark, for allegedly overcharging on sale of their individual brands containing Doxofylline. *(BS, 18.07.13)*

Incentives for Healthcare

The Centre is planning to set up an incentive fund for healthcare with a likely corpus of more than ₹10,000 crore to provide additional assistance to state governments for measures such as making available free medicines, creation of a public health cadre and intersectoral convergence.

The National Advisory Council is yet to finalise the corpus of the fund aimed at universal health care across the country, a senior official said, adding that the fund would be partly financed as grant-in-aid and partly as a proportion of all the flagship central schemes for healthcare, including the National Rural Healthcare Mission.

(ET, 07.08.13)

Indian Drug Regulation in Intensive Care

The Union Health Ministry has neither the desire nor the ability to turn things around

The image of drug regulation in India has taken a severe beating with first the banning of anti-diabetes drug Pioglitazone and then revoking of the ban in the face of severe protests from a wide cross section of the medical community.

This is not the first such setback for the regulator in recent times, but despite the severe criticism of the functioning of the setup so critical for public health, a change in the culture and process of regulation appears distant.

Over the last couple of years the conduct of clinical trials, which also comes under the purview of the Central Drug Standards Organisation headed by the Drug Controller General of India, was the target of wide criticism.

In May 2012, the Parliamentary Standing Committee for the Ministry of Health, under which drug regulation falls, came out with a scathing report which effectively tore to pieces the state of drug regulation in the country. It is seldom that a Parliamentary Committee has taken such pains and effort to do so thorough a job.

But so deeply entrenched is the way in which the drug regulation setup works in India, that these remarks also do not appear to have had any immediate impact. The proof of this is in the mess over the ban on Pioglitazone and its subsequent revocation.

For its part the Union Government has just approved a new Drugs and Cosmetics Bill 2013 which seeks to replace the Drugs and Cosmetics Act of 1940. The Bill incorporates some of the major recommendations of the parliamentary committee's report of last year and takes into account critical observations of the Supreme Court in this regard.

As opposed to state drug controllers currently holding the power to issue manufacturing licences for drugs, the proposed legislation will vest the central government with the authority to allow manufacture of 17 drugs which are life-saving, vaccines and DNA product, as manufacturing these requires complex expertise.

The Bill also proposes a Central Drug Authority as an appellate body, above all central and state drug controllers, with the power to review, suspend or cancel any licence given by Central or state authorities. The bill has separate chapters for clinical trials and medical devices. A medical devices technical advisory board will also be set up.

To understand what is still wrong with drug regulation, it is necessary to recapitulate the Pioglitazone fiasco. The government banned three drugs - painkiller Analgin, antidepressant Deanxit and Pioglitazone. Analgin has been banned across the world for decades and its continued life in India was criticised by the Parliamentary Committee. Same is the case with Deanxit, which is not allowed to be marketed in even its country of origin, Demark.

But it took the regulator a year after the comments by the parliamentary committee to ban Analgin and Deanxit. However, the decision to also ban Pioglitazone, in the same breath so to speak, is what appears odd and the process to do so downright faulty. If this is the current reality, the tip of the iceberg, the larger rot underneath has been first carefully outlined by the parliamentary committee and then reiterated in its comments on the action taken by the government.

The committee says it is "hugely disappointed" that the government "has chosen to come up with half measures, vague and dilatory responses, to say the least." Where the government agrees with the committee, it is "mere platitude".

Against such criticism, the government's response is positively muted and seems aimed at avoiding public debate. At present close to 218 countries are importing medicines from India. We cannot say we do not have any regulation at all. But there is a gap that requires to be bridged and the onus is on us to keep our house in order.

– *The news item appeared in the* Business Standard *on July 28, 2013*

Surge in Onion Prices Again

Rising onion prices may force the Competition Commission of India (CCI) to re-examine if cartelisation exits in the trade of the bulb. Two years ago, the CCI smelt a scam in the rising prices of onion and probed the matter. However, it could not find any hard evidence against the traders and the case was dropped.

Even earlier, *prima facie* there existed a case and the CCI had taken *suo motto* action and carried out a probe taking data from the mandis. It was clear that there was hoarding that impacted the price, sources said adding that it may relook the issue.

Onion prices are ruling over ₹55 a kg in retail markets. Prices have surged four-fold in 2013.

(BL, 13.08.13)

Gujarat Gas Co. Investigated

The CCI has launched an investigation into allegations of anti-competitive practices followed by Gujarat Gas Company, turning its gaze on a public sector gas supplier for the first time.

The CCI probe follows a complaint by the Indian unit of global glassmaker Saint Gobain, which said its gas supply agreement with Gujarat Gas contains unfair and discriminatory clauses that run afoul of the Competition Act of 2002.

The CCI is probing the supply of gas by Gujarat Gas to float glass plant in Jhagadia in south Gujarat that Saint Gobain Glass India bought from private glassmaker Sezal Glass in 2011. *(ET, 23.07.13)*

TAM's Market Practices Probed

The CCI is investigating if rating company TAM Media Research Pvt Ltd abused its dominant position in violation of the Competition Act.

It has asked the company to furnish details on whether it has imposed conditions of exclusive supply that resulted in foreclosure of the market for competitors and provide details if it had created entry barriers, including regulatory ones.

The CCI in May observed that *prima facie* TAM abused its dominant position in measurement of television rating points by not reflecting choices of rural TV households.

The order was issued in response to Doordarshan's complaint in November 2012 accusing TAM was suppressing data and not reflecting its extensive terrestrial network.

(ToI, 04.07.13 & BL, 03.07.13)

Banks to Prevent Monopoly

At a time when the contours of the banking industry are set to change with several more lenders expected to come up in the country by year-end, while a few could be merged, the CCI has finally been given oversight powers to prohibit monopoly in the sector.

However, in case of a merger of a failed bank with another healthy lender as in the case of bankrupt Global Trust Bank that was amalgamated with the state-owned Oriental Bank of Commerce in 2004, the RBI would get full power to decide on the fate.

Earlier, any mergers in the banking space were kept out of CCI's ambit. *(HT, 08.08.13)*

Google Enquiry Extended

The CCI has given more time to its Director General to complete probe against Google for alleged unfair practices in the Internet search engine market. The Commission refers cases to its investigation arm Director General once there is prima facie evidence of violating competition norms.

Following a complaint against Google, which dominates the Internet search space, the Commission had started investigations in August 2012. In India, the entity accounts for over 90 percent of the Internet search market.

The probe is looking into whether the search engine major abused its dominant position and violated any competition rules.

(ET, 23.09.13)

DDA to Explain Policy Basis

The CCI is probing allegations of an "infringment" of the Competition Act by DDA after a complaint by a flat owner. The complainant, Adla Satya Narayan Rao, was allotted a DDA flat in Vasant Kunj, which the authority had claimed to be complete.

Rao found the flat was incomplete and DDA had heavily loaded the policy agreements in its favour, the complaint states. After preliminary probe, CCI has referred the case to its Director General for investigation.

Responding to the probe order, DDA spokesman Neemo Dhar said, "CCI has made certain observations on the scheme. We will be replying, giving the basis of the formulation of our policy." The DG-investigation will submit its report within 60 days.

(ToI, 12.09.13)

Hike in Air Fares Accused

With air fares soaring again, CCI is gearing up for a fresh probe into possible cartelisation among airlines to jack up prices, and it wants to gather more details this time around.

The CCI has already probed "four times" the alleged cartelisation among air carriers to jack up the fares, but could not find any clear evidence of cartel activities, CCI Chairman, Ashok Chawla said.

However, CCI has received a fresh complaint from the Air Passengers Association of India, which has alleged that airlines were acting as cartels to push the ticket prices. *(BS, 29.09.13)*

Why is Business Afraid of a More Efficient Competition Law?

Pradeep S Mehta*

Changes in the law would address emerging issues and help companies

Traditionally, business opposes any competition law around the world, because they fear that its application will bite into their bottom lines, which is an extremely misplaced fear. Perhaps, they are ignorant of the fact that a competition law actually builds up their balance sheets, as many studies have shown, by making them more efficient and regulating the anti-competitive practices of their competitors, input suppliers and distributors.

Mint

India adopted a modern competition law in 2002, but its implementation was delayed until 2009, with the introduction of provisions on anti-competitive practices i.e. those dealing with cartels and abuse of dominance etc.

The provision on merger regulation was delayed until 2011, because of strong business lobbying. Their fears were set to rest when the application of the merger regulation was done in an efficient manner by the CCI, so that majority of the mergers were cleared within a month rather than the statutory period of 210 days.

More so, there is a two-speed process to enable merging companies to file for a summary procedure for being cleared in 30 days. A longer period is required if concerns show up which may require more rigorous analysis.

Experience shows that CCI has lived up to this thus setting at rest misplaced fears. In spite of powers, it has not yet challenged mergers happening abroad, which have an impact in Indian markets.

Triggered by the takeovers of domestic pharma companies by foreign companies, which were below the financial threshold levels enshrined in the law, and the accompanying brouhaha one suggestion was to reduce the thresholds in certain cases through a government notification rather than a carte blanche. The brouhaha still reverberates and it also envelops turf issues, because the Department of Industrial Policy & Promotion wants to deal with it through the FDI policy, which is not really the best way.

The CCI is the most competent body to deal with them, and hence the need to empower it to do so even if they do not fall in its jurisdiction due to financial threshold levels.

Today, it is pharma. Tomorrow it could be the multi-brand retail sector, where FDI is coming in as well. Foreigners would find it easier to acquire a domestic retail chain and in certain cases need not file for a review due to lower financial threshold. Big retail is another sensitive issue in India currently. Evaluating a retail merger needs more review parameters than pharma, because of physical location, procurement issues etc.

Joint or collective dominance is covered under most competition laws of the world. Let me give an example, when the onion price crisis took place, the traders did not form a cartel, but exploited the market in view of shortages in a herd fashion i.e., collective dominance. CCI failed to find any sign of collusion.

If mobile companies in India decide to impose standard conditions, by just following others, but do not necessarily agree on tariffs, then it would be collective abuse of dominance. If advertisers follow a pernicious pattern of slotting their ads on TV channels at the same time in all programmes so that the eye balls can only move from one ad to the other, but have not colluded to do so, then it is joint abuse.

The amendments also include some other useful amendments which should be good for businesses. Companies charged with violations will also be heard on penalties to be levied which does not exist in the current law.

Any law anywhere in the world is not static and changes are made depending upon the experience that is gained, so what's wrong with the proposed amendment bill?.

---

* *Secretary General, CUTS International. Abridged from an article that appeared in* The Financial Express, *on July 05, 2013*

Towards 2050 – The Challenge of Cities

Nitin Desai*

Between 2010 and 2050 India is expected to add about 500 million to its 2011 urban population of 377 million. The panel set up to examine urban infrastructure costs has put forward a 20-year bill of ₹39 lakh crore, with expenditure as a proportion of GDP rising from 1.6 per cent in 2010-11 to 2.1 percent in 2030-31.

One cannot see how the continued unfinished and slum-like environment of our cities can be tolerated in a middle-income India.

Without immediate reform, a middle-income India will continue to live and work in low-income cities

Three major changes are required to cope with the challenge: radical reform of the urban land market so that transparent transactions and rational land use are facilitated; comprehensive reconsideration of building codes and planning restrictions to encourage more compact, less transport and energy intensive cities; and decentralisation and empowerment of city administrations so that space is created for entrepreneurial city leadership.

Cities are shaped by the efficiency with which the urban land market functions. Our urban land markets are dysfunctional. They are opaque and do not encourage the optimal use of land. We need more compact cities from an environmental perspective and to reduce the costs of municipal and transport infrastructure. Land records need to be cleaned up; a system of standard prices for land transactions has to be established; and the fiscal system must encourage greater transparency in transactions.

The other big issue in this area is land acquisition. When urban authorities put in infrastructure, like a ring road, they usually acquire the land through an acquisition process that compensates the losers on the basis of the value of land in its earlier use. Other landholders whose lands will benefit in value from the infrastructure become the big gainers.

This inherently unfair system should be replaced with a land adjustment procedure that involves an agreement among all affected landholders to surrender part of their land for the infrastructure and get back readjusted plots in proportion to their original holdings.

Reforming urban land markets to loosen the supply of land will have to be accompanied by a reconsideration of some of the planning restrictions such as the use to which each plot can be put, the extent of built-up area, height restrictions on construction and so on. The scale of urbanisation ahead of us, the costs of urban infrastructure, and environmental imperatives like minimising emissions require us to look to more compact cities with more high-rises and a mix of commercial, industrial, residential and leisure facilities within easy reach of one another.

Our master plans do not encourage this sufficiently, and we need to examine land use and planning restrictions so as to discourage sprawl and encourage a much more rational use of land.

The third, and in some ways the most important, element in urban reform is governance. Our city administrations are virtually powerless and the ministries in the state capitals take all the crucial decisions on finance, spending and planning.

By 2050 the bulk of our GDP will be generated in cities and it is absurd that they should not have fully empowered local governments with full authority over planning and spending and the fiscal capacity to finance this spending.

The interaction of the city with the hinterland beyond its boundaries will, of course, be managed by the state administration, but it should avoid interfering on matters that affect only the city.

The ingredients of effective city governance are many: an entrepreneurial mayor (possibly directly elected), local committees to give a more direct voice to citizens at the community level, transparency in decisions about land use changes that alter values, open information on contracts, and so on.

We have not even started on the reform agenda outlined here. Any further delay will mean that in 2050 a middle-income India will continue to live and work in low-income cities.

---

* *Former Under-Secretary-General for Economic and Social Affairs of the UN. Abridged from an article that appeared in the* Business Standard, *on September 2013*

Governance: UPA'S Underbelly

A series of scandals in recent years has dented the credibility of the Congress-led United Progressive Alliance (UPA), despite the fact that the coalition government is led by Prime Minister Manmohan Singh, who has an impeccable reputation for personal integrity. The collective weight of the scandals threatens to be a political drag the government and the Congress will find difficult to shake off in the run-up to the 2014 elections. Worse, the scandals have eclipsed whatever the good the UPA has done in its nine years in power. This is the last in a six-part series reviewing the UPA's tenure.

LOWS

Cash-for-votes: The UPA government was rocked by allegation of having bribed legislators in the Lok Sabha to survive a confidence vote on 22 July, 2008, after the Left Front withdrew its support.

Adarsh housing: Then Maharashtra Chief Minister Ashok Chavan resigned in November, 2010, after being accused of irregularities in the allotment of houses in Mumbai's Adarsh Housing Complex meant for Kargil war widows.

2G spectrum allocation: The biggest scandal that rocked the UPA government and forced the removal of them telecom minister A. Raja, began unfolding in 2010. The Comptroller and Auditor General (CAG) found irregularities in the allocation of telecom licences and spectrum that it said cost the exchequer a national loss of ₹1.76.

Commonwealth Games: Allegations of wrongdoing during the preparations for the event in 2010 tarnished the image of government at an international level. Congress MP Suresh Kalmadi was arrested on charges of corruption.

Anti-graft agitation: A massive public protest anchored by activist Anna Hazare in 2011 haunted the government for more than two years, brought corruption issues to the forefront and forced the UPA to initiate legislation against graft.

Coal Block Allocations: The CAG said violations in the allocation of captive coal blocks added up to a national loss of ₹1.86tn. The opposition targeted Prime Minister Manmohan Singh and sought his resignation.

Anti-rape protest: The gang rape of a 23-year-old student in a bus in New Delhi on 16 December 2012 led to massive protests in the national capital, and criticism of the use of force by the police to disperse demonstrators. The government initially misjudged the depth of public anger and was later forced to set up a committee to seek ways in which the laws could be strengthened to ensure women's safety. The rape victim later died in a hospital in Singapore, where she had been taken in the hope of saving her life.

HIGHS

RTI: The first term of the UPA saw the passage of the landmark Right to Information (RTI) Act in 2005 that empowered people to seek information from public authorities, generating transparency in public spaces.

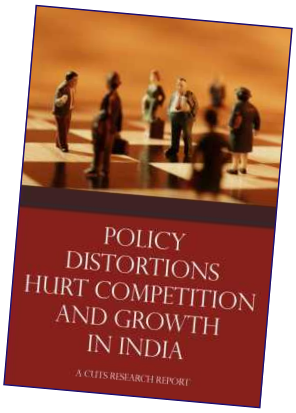
Other popular legislative initiatives: Amendments were passed to protect women from sexual harassment. Other legislations that were initiated included the Food Security Bill, the Land Acquisition Bill and the Anti-graft Lokpal Bill.

Direct cash transfer: The government introduces a system of direct payment of subsidies to beneficiaries in order to plug leakage. Having chosen the party forum to announce it, the programme was clearly targeted at being a vote-winner at the next elections.

UID: The government managed to push ahead with the introduction of Aadhaar unique identity numbers despite criticism. The Unique Identification Authority of India (UIDAI) launched under the Planning Commission is mandated with providing a 12 digit unique identity number called *Aadhaar* to 600 million residents by 2014. It forms a key element of the direct cash transfer programme.

– *The news item appeared in the* Mint, *on May 28, 2013*

Research Report



Policy Distortions Hurt Competition and Growth in India
A CUTS Research Report

The CUTS research paper brings to light numerous instances of competition distortions induced by government policies in India with a view to devise a framework that would assess the policies on the touchstone of their impact on competition and take steps to minimise their anti-competitive outcomes. It provides suggestions on how to improve upon distortive policies by introducing reforms in various sectors. It also suggests interventions at various levels for harmonisation of government policies and regulations leading to economic benefits for the society at large. The purpose is to flag issues to the layman as well as to the specialised policymakers and regulators, rather than be judgmental about them.

www.cuts-ccier.org/pdf/Policy_distortions_hurt_competition_and_growth_in_India-A_CUTS_Research_report.pdf

Briefing Papers

Essential Facilities Doctrine

The essential facilities doctrine imposes a legal antitrust/antimonopoly liability on monopolistic/dominant firms to share facilities that may be difficult for rivals to duplicate easily. This Briefing Paper states that notwithstanding relative successes and failures of such interventions, as the Indian economy grows and matures it is inevitable that for wider and more complete encouragement of competition, the EFD will need to flow in from the Competition Commission and competition law which is adequately structured to uphold the doctrine.

www.cuts-ccier.org/pdf/Essential_Facilities_Doctrine.pdf

International Trade and Competition Siamese Twins: Need for a Multilateral Framework on Competition?

This Briefing Paper studies arguments for and against multilateral competition framework with a focus on agriculture and commodity markets sector and discovers that chief losers from absence of a multilateral competition framework are consumers around the world. It further attempts to suggest a workable way forward by taking into account concerns of differing parties and stresses the need to re-start negotiations on competition issues at international forums, before it is too late.

www.cuts-ccier.org/pdf/International_Trade_and_Competition-Siamese_Twins-Need_for_a_Multilateral_Framework_on_Competition.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, **BT:** Business Today, **ET:** The Economic Times, **FE:** The Financial Express, **HT:** Hindustan Times, **IE:** Indian Express,, **IT:** India Today **TH:** The Hindu, **ToI:** Times of India

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.