PolicyWatch

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

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CUTS International

INSIDE THIS ISSUE

HIGHLIGHTS

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

GST – Only One Sixer in the Long Innings ahead for India

A refusal to change our traditional adversarial approach to governance has the potential to hold Goods and Services Tax (GST) reform hostage. This should not be allowed. Tharman Shanmugartnam, the erudite Deputy Prime Minister of Singapore, recently asked the Indian government to hit fours and sixes, using cricket terminology, to achieve faster transformation and growth.

http://thewire.in/

The GST Bill is a step that can be counted as a six in terms of the movement for transformational reforms. However, this is but one six in an innings where we need to make at least a century. Many more steps will be needed for acquring an integrated national market, where goods can move seamlessly across various internal borders, and add at least 1 percent to our growth.

India needs to design an implementation strategy for GST. We are known to spend much of our government's precious available time in blocking, discussing and eventually passing laws, policies, programmes and schemes. Unfortunately, we do not accord equal importance to processes of design, implementation, challenges involved, generating awareness and building capacity.

Article 307 of India's Constitution empowers Parliament to set up an authority to carry out the purposes of part XIII of the Constitution, which deals with trade and commerce within the territory of India as part of our cooperative federalism agenda. Establishing an Inter-state Trade and Commerce Commission, in addition to the GST Council, is crucial in ensuring the success of the GST. Such a Commission can comprise independent experts and stakeholders to design a time-bound strategy that will aid transitions to a GST regime with the hand-holding required.

Moreover, to ensure that full force and intent of the GST Bill is communicated to all stakeholders within and outside the government, especially mid-level officers and small and medium-sized enterprises (SMEs), comprehensive awareness and capacity building initiatives should be implemented at the central, state and local levels.

The government should collaborate with non-state actors who continuously engage with beneficiaries of government programmes and are also aware of the government's capacity to deliver, including challenges in the current mechanism. Though these are small steps but can be great steps towards economic governance transformation, which the GST has initiated. These steps also can break the remaining shackles on the path towards sustainable and inclusive development.

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COMMUNICATION

Cloud Computing Warning

In response to the Telecom Regulatory Authority of India's (TRAI's) consultation on cloud computing, the industry has almost unanimously warned against over-regulating the growing space, even as divergent views emerged over the question of putting up data centres for hosting cloud-based services locally.

The consultation paper, covers a broad spectrum of issues, including defining policies for cloud computing, systems and processes for information governance framework in cloud. This is regarding the issues of lawful interception, more so if the cloud is hosted in a different country, and also whether cloud service providers should be licensed or not covered. *(ET, 19.09.16)*

Jio's Predatory Pricing

Incumbent telecom operators and Reliance Jio called a truce on the contentious issue of interconnect bandwidth.

Reliance Jio had been asking for a large number of points of interconnect (PoIs) from the incumbents who had refused to do so, mentioning that the latest telecom operator was yet to launch commercial services.

A large number of voice calls were terminating on networks of incumbents because Jio was offering its services free, leading to asymmetric traffic. The incumbents were not releasing interconnect bandwidth because they considered the free voice calls offered by Jio equivalent to 'predatory pricing'. Incumbents have urged TRAI to examine this as it would lead to abnormal traffic and meeting the humongous demand for PoIs would be difficult. *(BS, 10.09.16)*

Set to Bid in Auction

Seven telecom service providers have qualified to bid for the upcoming biggest-ever airwaves auction starting from October 01, 2016 according to the Department of Telecommunications (DoT).

Bharti Airtel, Vodafone India, Reliance Jio Infocomm, Reliance Communications, Idea Cellular, Aircel and Tata Teleservices have qualified for the auction. The total amount of spectrum that will be offered for sale is 2,354.55 MHz.

The 2,300-plus MHz of airwaves on the block for telecom operators is in seven bands – 700 MHz, 800 MHz, 900 MHz, 1,800 MHz, 2,100 MHz, 2,300 MHz and 2,500 MHz – as against 470.75 MHz in the previous round, which will fetch the exchequer US$17bn during its tenure. *(ET, 24.09.16)*

Notice to DoT and TRAI

A unique Public Interest Litigation (PIL) has come up before Chhattisgarh High Court, challenging the unusual delay in revising the existing broadband speed to 2 Mbps and the Centre's failure to implement National Telecom Policy 2012.

The petitioner said that the authorities are not complying and negligently ignoring National Telecom Policy 2012 wherein it has been specifically mentioned about revising existing broadband speed from 256 Kbps to 512 Kbps and subsequently to 2 Mbps by 2015 and higher speeds of at least 100 Mbps thereafter.

Thus a division bench of Chief Justice Deepak Gupta and Justice Sam P Koshy have issued notices to DoT, TRAI and Deputy Director General, Telecom Enforcement, Resource and Monitoring. *(ToI, 09.09.16)*

OTT Services Policy Need Change

Services like WhatsApp, Viber, etc. (OTT Services) in India are currently not under the ambit of the Telegraph Act. These services are not subject to any security and monitoring conditions, there is no requirement of any registration or licensing. No obligation exists to provide emergency services or to pay any license fee as well.

In contrast, licensed operators are subject to security and monitoring conditions and are required to pay license fee on their revenues.

According to the Cellular Operators Association of India (COAI), voice services provided by OTT players substitute the Public Switched Telephone Network (PSTN)/internet telephony services offered by licensed Telecommunications Service Priority (TSP). *(FE, 20.09.16)*

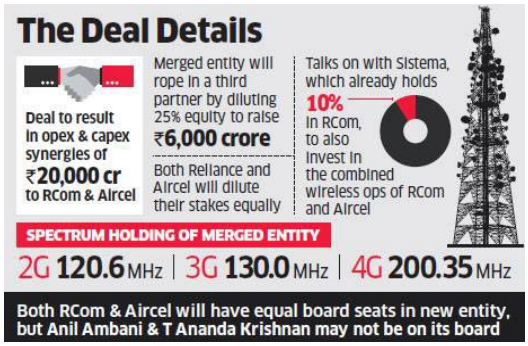
Utilising Network Capacity

Virtual Network Operators (VNO), or telecom service resellers, are better placed to enable telecom service providers utilise network capacity and share active as well as passive infrastructure in the new US$4bn market opportunity, Telecom Secretary J S Deepak said.

"Huge amount of network capacity is available. The VNO policy helps in maximising operators' efficiency by sharing of spectrum and better capacity utilisation", telecom department's top official stated. *(ET, 16.09.16)*

RCom Aircel Merger: 4th Largest Telco

In the biggest telecom merger in India, Reliance Communications (RCom) and Aircel have agreed to combine their wireless operations, creating the country's fourth biggest player with revenues of US$4bn and a subscriber base of 180 million.



RCom and Aircel will hold an equal stake of 50 percent in the combined entity, which plans to have a new brand name for its mobile phone services. The merged company has one of the largest spectrum holdings among all operators and validity of these licences extends till 2035. The merged entity will be the fourth largest in terms of revenue after Bharti Airtel, Vodafone and Idea Cellular. *(ToI, 15.09.16)*

• TRANSPORT •

Exploring Waterway Transport

At least five rivers of Gujarat – including *Mahi, Narmada, Sabarmati* and *Tapi* that flow into the Gulf of Khambhat – are being explored for inland water transport under the National Waterway Act, 2016. Detailed Project Reports (DPRs) for over 1,100km of four of these rivers are currently being prepared

The Union Cabinet meeting, had included 106 additional waterways to the existing list of five national waterways.

The Inland Waterways Authority of India (IWAI) is undertaking techno-economic feasibility studies for each of these waterways to identify feasible stretches of the rivers that can be developed for shipping and navigation. *(IE, 25.09.16)*

Fixing Accident Prone Spots

The Union Minister of Road Transport, Highways and Shipping, Nitin Gadkari pulled up the concerned officials for slow pace of work to fix accident-prone spots and even warned them of strict action if concrete results do not come by within six months.

The Minister said, "Our aim is to bring down accidents by 50 percent. As many as 786 accident black spots have been identified across the country".

The Government has already come up with a national action plan aimed at reducing road accidents by half by 2020. Also, the proposed Motor Vehicles Amendment Bill, 2016 has provisions of road safety like stringent penalties for those violating traffic norms. *(IE, 16.08.16)*

Integrated Transport Policy

The Asian Development Bank (ADB) has agreed to finance the Pune Municipal Corporation (PMC) in conducting studies related to urban transport with an aim to reduce the effects of climate change and strengthen public transport.

Two major areas where ADB would provide technical assistance are for preparation of an integrated transport strategy with review of existing comprehensive mobility plan and to conduct a feasibility study of travel demand management options in Pune.

The study about the transport strategy will be undertaken to encourage the concept of 'moving people' with increased walkability and dependency on public modes of transport at neighbourhood level, supported by macro projects like Metro, Bus Rapid Transit System (BRTS), etc. *(IE, 09.09.16)*

Uber – No Licence to Drive

The transport department of West Bengal will begin a crackdown on Uber taxis from September as the company under whose brand name the cabs operate has not renewed its licence with the state transport authority.

Uber did not deny the allegation, nor did it provide any explanation as to why it had not renewed a license that was mandatory for operating in Kolkata. Sources, however, said that it was to do with the tough conditions imposed by the transport department, including the controversial one to install CCTV camera in the passenger cabin that has led to the delay.

(ToI, 26.09.16)

Weed out Red Tapism

Peeved with slow pace of reforms in the shipping sector, Nitin Gadkari called for a change in mindset and asked officials to 'weed out obstacles and remove red-tapism', or face stern action.

The Shipping Minister asked the officials to initiate immediate reforms to make India a hub for seafarers worldwide by allowing private players to open skill training institutions. The Minister wanted the officials to grant approvals to private companies imparting skill development training and draw up a scheme to provide stipend to trainees.

The Minister suggested that the Ministry can share 50 percent of the cost incurred in providing skills, which could be given as a stipend to candidates taking up these courses.

(FE, 22.07.16)

Unified Transport Policy

Railways Minister Suresh Prabhu's decision to launch flexi-fares in certain elite trains has had ripple effects in the rest of the transport sector. The aviation industry sees it as an opportunity to offer traditional rail passengers a chance to travel by air.

The competitiveness is being exuded even by a fellow government agency, Air India, which put out full-page newspaper advertisements indicating it is now cheaper to travel by air than rail.

The Railways is insisting that its new policy is a success and that it is garnering more revenues than ever before. However, it is clear that the railway is losing clientele for trains with expensive fares to the aviation industry. *(TT, 20.09.16)*

Returning Unused Rights

The Civil Aviation Ministry has revised the norms for grant of an international permit for domestic airlines. Earlier, airlines with five years of domestic flying experience and 20 aircrafts in its fleet were eligible for securing international flying rights.

While domestic airlines will need to have at least 20 aircraft to secure international flying rights, the ones that do not utilise the allocated bilateral air traffic rights will have to return it to the Centre for fresh allocation to other airlines, according to the new rules. "Failure to do so shall result in the unutilised rights reverting back to Ministry of Civil Aviation for fresh allocation to other airlines", according to a circular. *(TH, 03.09.16)*

• OIL & GAS •

Seeking Global Investors

Seeking to provide affordable energy to Indian consumers, the government has introduced transparent policies through the deregulated market for global players to invest in refineries and petrochemical plants.

Dharmendra Pradhan, Oil and Petroleum Minister, stated that the government has been seeking global investors for India's energy sector to create competition in the domestic market with the main objective of providing competitively priced products to consumers.

The Minister launched a road show offering 67 discovered small fields, clustered into 46 contract areas, for production and supply of oil and gas to the Indian market. *(ET, 09.09.16)*

Petro-goods under GST

Petroleum products, including crude and some intermediate products, could be taxed under the proposed GST, a move that will reduce the imperfections in the new levy and also narrow the inflationary impact of the tax.

A proposal favouring imposition of a modest tax on these products is being examined and is expected to be taken up by the newly constituted GST Council where the government will try and convince states of its merit. The idea is to have some minimal tax of about 2-3 percent, so that seamless flow of credit is not broken and cascading is removed. *(ET, 14.09.16)*

PCPIR Needs Fine Tuning

Petroleum, Chemicals and Petrochemical Investment Regions (PCPIRs) policy launched in 2007 to promote investment in petroleum and petrochemical sector, has failed to deliver desired results.

The policy, therefore, needs fine tuning to make it more pragmatic and practical, according to Ananth Kumar, Minister for Chemicals and Fertilisers. Industry, especially the downstream sectors that require petrochemicals as raw materials for production, has been raising the issue of shortage of feedstock in the country.

The Indian chemical industry is expected to grow at 9 percent annually to become a US$226bn sector by 2020 from current US$147bn, driven by growth in end-use industries and government initiatives. *(BS, 02.09.16)*

'Gas-4 India'

In a bid to move towards gas-based economy, India will increase proportion of natural gas in its energy mix from existing 6.5 percent to 15 percent. The Union Oil and Petroleum Minister Dharmendra Pradhan is of the view that the consumption of gas should be increased as it is a clean fuel This makes economic sense in view of various technologies available for converting bio-waste, sewage, high ash content coal, husk and other feedstock to gas.

The Minister said that besides the move to enhance gas production, the government is promoting nationwide gas grid and setting up gas infrastructure. Moreover, public and private sector companies working in the sector have joined hands to promote the natural gas sector under 'Gas4India'. *(ToI, 06.09.16)*

Market Price for CBM Gas

In a boost to hydrocarbon exploration firms Reliance Industries (RIL) and Oil and Natural Gas Commission (ONGC), the Petroleum Ministry has proposed to offer market price for natural gas produced from the coal bed methane (CBM) blocks.

RIL is targeting to start production of CBM from its Sohagpur (West) block in Madhya Pradesh in FY17, while state-run ONGC is developing the Bokaro block in Jharkhand. The Petroleum Ministry has proposed a revised policy for CBM blocks, which is on similar lines to the policy rolled out for the ongoing auction of 67 discovered small and medium oil and gas fields.

(FE, 14.09.16)

New Energy Policy

NITI Aayog is likely to unveil the new national energy policy in the following three months with a focus on air quality issue, renewable energy, natural gas, universal electrification and clean cooking fuel. The policy will replace Integrated Energy Policy that envisioned a road map for sustainable growth with energy security over a reasonable period of time.

The policy will also make a case of 'polluter pays' in view of deteriorating air quality, industrial emission and vehicular pollution.

Further, it will incorporate energy modelling, which in other words is computerised simulation of a building or complex that focusses on energy consumption, utility bills and life cycle costs of various energy related items.

(ET, 06.08.16)

Major Shift in Policy

India will likely begin auctioning its major oil and gas blocks early in 2016 under its fresh Hydrocarbon Exploration Licensing Policy (HELP) that heralds a major shift from the previous policy.

Some of the key changes the new policy has introduced include just one license for extraction of all forms of hydrocarbons, freedom to market gas, and a revenue-sharing system that puts an end to micromanagement by bureaucrats and the accompanying acrimony between the government and the contractor.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The officials at the Oil Ministry and its technical arm, the Directorate General of Hydrocarbons, are now figuring out every operational detail for a smooth launch of HELP. *(ET, 06.09.16)*

• POWER •

AP Joining UDAY Scheme

With Andhra Pradesh (AP) joining the UDAY (Ujwal Discom Assurance Yojana) scheme to ensure operational and financial turnaround of power distribution companies (Discoms), the state government will take over 75 percent of the Discom debt within two years.

The Discoms of AP have total loans of about ₹14,720 crore as on September 30, 2015. The State Energy, Infrastructure and Investment Department will thus request the Union Power Ministry to extend the exemption from the limits, under the Fiscal Responsibility and Budget Management Act up to financial year 2018-19 under the UDAY scheme. This is because the takeover of the loans is expected to jack up the cap on borrowing limits. *(BL, 28.07.16)*

Monitoring Power Utilities

The performance of state Discoms in Rajasthan will now come under direct scrutiny of the government with non-performers likely to be terminated from the service. After taking over a ₹65,000-crore loan of power distribution companies under UDAY, the Rajasthan government wants strict monitoring and evaluation of all three power distribution companies.

As per the tripartite agreement between the central government, state and three Discoms, the government has urged the companies to get their houses in order. Moreover, the government will not fully rely on internal reviews and data provided by Discoms, and plan to get the same vetted at a higher level. *(ToI, 22.07.16)*

Lacking Surplus Power

In India, 300 million people do not have access to electricity, power cuts are rampant and per capita power consumption is significantly lower than the world average. In sharp contrast to this, the Power Ministry stated India is power-surplus.

Surplus or deficit is determined by calculating the difference between the demand for power and availability.

The 'real demand' that encompasses all citizens would be known only when India achieves the goal of 'Power for all', towards which the government is actively working. Power demand for India grew by 6.6 percent in 2014-15 and 4.2 percent in 2015-2016. *(TH, 14.07.16)*

Smile on Every Roof – New RE Policy

The government of Madhya Pradesh (MP) has unveiled its new decentralised renewable energy (RE) policy 2016 entitled 'Smile on Every Roof'. The aim is to reduce the burden on conventional sources of energy and lower distribution losses.

Under this new policy, the state government has introduced a net-metering system, which will help those consumers who produce power through solar, wind or biogas lessen their electricity bills.

The cost of the electricity generated through renewable means will be deducted from the electricity bills of the consumers, which means they will have to pay on the basis on net-metering. *(HT, 24.09.16)*

Energy Conservation Path

As India Inc takes to energy conservation measures, a number of success stories have emerged that could be replicated. Though the initiatives were started by large companies, taking a stern look at energy consumption has gradually caught on in the SME sector too.

In fact the energy efficiency movement has resulted in an annual energy saving of over ₹3,800 crore. This was achieved through the joint effort of around 260 companies who implemented 8,735 projects.

Further, under the PAT (perform, achieve and trade) scheme, 478 companies across eight sectors have been mandated to reduce power consumption by about 4.5 percent during a cycle of 2013-2016. *(BL, 14.09.16)*

Solar Funding Concerns

While India's solar photovoltaic project capacity has a strong pipeline of 15-18 GW, there continues to be some concerns about the sunrise sector, including inadequate funding support from banks and dumping of lower cost modules from China and Taiwan.

An interaction with some of the sector players shows that the GST, if implemented in the current form, will adversely impact the sector as it has the potential to jack up prices. Further, the anomalies in duty structure have resulted in cheaper modules flooding the domestic market to the detriment of domestic manufacturers. *(BL, 01.09.16)*

Lacking RE Storage

The variations in wind and solar energy, and the lack of adequate electricity storage facilities, result in about 15-20 percent of all RE generated in India going to waste, because the grid is not able to manage the kind of variation in the electricity sourced from wind and solar generation.

Storage technology can ensure that no matter the wind or solar generation, what you get out of the generation-cum-storage unit is a uniform output.

However, the government currently only recognises gas-based plants as the service providers to boost generation whenever it falls short of demand and it does not recognise energy storage for this purpose. *(TH, 14.09.16)*

Leaving Enviable Legacy

Raghuram Rajan's last monetary policy decison as the Governor of Reserve Bank of India (RBI) was to maintain *status quo* on the policy rates. This was along expected lines. The Governor seems to be exasperated and disturbed with the continued non-chalant attitude of the banks not passing on the benefits of earlier rate cuts to the borrowers of housing loans, industries and the corporates.

The Governor consciously brought in institutional reforms in the banking sector, new players into the banking arena, institutionalised monetary policy framework with stress on cutting-edge technology and made the government accept the relevance of inflation targeting.

(DH, 11.08.16)

Amending FDI Policy

The Union Cabinet chaired by Prime Minister Narendra Modi gave its *ex-post-facto* approval for the foreign direct investment (FDI) policy amendments. The FDI policy amendments are meant to liberalise and simplify the FDI policy so as to provide 'ease of doing business' in the country leading to larger FDI inflows contributing to the growth of investment, incomes and employment.

This includes allowing 100 percent FDI under automatic route for trading, including through e-commerce in respect of food products manufactured and/or produced in India and raising foreign investment in defence sector up to 100 percent.

(DNA, 31.08.16)

Transmission of Rate cuts

The RBI once again indicated that there has hardly been any transmission of policy rate cuts into bank lending rate cuts. While the central bank has cut the policy rate by 150 basis points (bps) from January 2015 to April 2016, the median base rate has fallen 60 bps.

The RBI said that this reflects banks' preference to protect profitability in the wake of deteriorating asset quality and higher provisioning. "The weighted average lending rate (WALR) on fresh rupee loans declined by 100 bps (up to June 2016), significantly more than the decline of 65 bps in WALR on outstanding rupee loans", mentioned the RBI. *(IE, 30.08.16)*

Urge for US$15bn Haircut

Indian-born British billionaire Gopichand Hinduja said that India's banks are placing too high a price on their distressed assets. That is thwarting his Hinduja Group and other investors keen to buy bad debts, according to the London-based Co-chairman of the industrial conglomerate.

Indian government in February 2016 estimated the banking industry's stressed assets, which include restructured and soured loans, at roughly ₹8tn (US$120bn).

As much as "US$15bn of haircuts are required to be taken by the sector, of which over 90 percent would need to be by nationalised banks. Indian banks and authorities need to understand that with small haircuts they would not be able to find investors", added Hinduja.

(Bloomberg, 02.09.16)

Penalty on 13 Banks by RBI

The RBI has imposed a penalty of ₹27 crore on 13 banks, including HDFC Bank, Bank of Baroda and Punjab National Bank, for violating several norms, such as those for know your customer (KYC) and anti-money laundering (AML), stated top central banking sources.

Some of the lenders have informed the stock exchanges about the central bank's decision. HDFC Bank – the second largest private sector lender in the country – said RBI had carried out a scrutiny of the transactions related to advance import remittances and had issued a show-cause notice. HDFC Bank was fined ₹2 crore. Penalty has also been levied on Bank of Baroda and Punjab National Bank.

(TH, 26.07.16)

RBI's Financial Regulation

The RBI has set up an inter-regulatory working group to study issues concerning financial technology and digital banking and reorient regulation for the sector. The panel will scope the developments in the financial technology space relating to technological platforms, major innovations, key players and how markets have adopted these new developments.

It will also assess opportunities and risks arising for the financial system from digitisation and use of financial technology, and how these can be utilised for optimising financial product innovation and delivery to the benefit of users and other stakeholders. The panel will frame an appropriate regulatory response to enhance financial technology and digital banking opportunities and also manage risks and challenges.

(Mint, 14.07.16)

Ordinance to Check Frauds

Rajasthan government will bring an ordinance to check frauds committed by non-banking finance companies in the state. Rajasthan Protection of Interest of Depositors (in financial establishments) Ordinance was given in-principle nod by the Cabinet.

"The decision was taken to protect the interests of depositors. People invest their hard earned money in such companies and there comes complaint about fraud and non-payment", Parliamentary Affairs Minister Rajendra Rathore stated.

It was observed that a large number of complaints about people losing their hard earned money after depositing in chit fund and other finance companies were being received as a result of fraud and non-payment of money. *(IE, 22.09.16)*

Reliance Jio's Presence will Increase Demand and Make Auctions More Competitive: J S Deepak

*Reliance Jio's timely entry into the telecom sector and its ambitious data tariffs announced at the company's 42nd annual general meeting might not stir the market in the near term, but could well push incumbents **Bharti Airtel** and **Idea** to increase their capital expenditures and impact the spectrum auction significantly. Telecom Secretary J S Deepak talks on how the auctions will be a milestone for the telecom sector*

What does Reliance Jio Infocomm's entry mean for the telecom sector?

India's telecom sector is characterised by private enterprise, innovation, investment and a very competitive regime. The entry of Jio will enhance all of these. Thus, it is welcome for both the sector and consumers as it gives them a variety of services at attractive rates.

Jio's entry has led to a bitter feud with the incumbents. How do you view this?

Whenever there is an entry of a new player, there is bound to be some sort of an upheaval. When BSNL was the incumbent and with new players coming in, there was this issue of these very players complaining that BSNL was not giving them points of interconnection (PoIs). Presently, they are on the other side of the table. So, this is a normal pattern. It is like entering a crowded train, so people already inside resist but then it settles down. So, I expect this to settle down as well.

Your views on the fight over the termination charges

The issue of termination charge is a separate issue. There is a consultation paper, which TRAI has floated and the responses are expected from various stakeholders. But in the telecom sector, when there are multiple networks, it is essential that consumers of one network are connected to the other network. That is not related to what is the commercial arrangement relating to the termination charges. It is also an issue of quality of service (QoS) as congestion is something monitored by TRAI and if there is an issue of the PoIs not being given, then it will show up as congestion. Hence, there is a system of handling this issue and it will be sorted out.

Talking of the auctions, did the earnest money (EMDs) deposits come as per your expectations?

We did expect all existing telcos to be interested and so all seven operators have put in their earnest money deposits (EMDs) to bid. As far as volume and variety are concerned, the auction is the largest-ever. There is some spectrum which fulfils the need of every operator in some or the other circle, so they are likely to bid for it. It is also a fact that we are putting up so much spectrum for sale that there will be a lot of unsold spectrum as supply exceeds demand.

Analysts state that the EMDs reflect the amount of money the government can raise, which in this case is estimated around ₹70,000 crore. Your views?

EMD gives a footprint for the auction to start, but not the height it can scale to, which depends upon the competition. So, it sets the limits which will be seen in the bidding in the first round, so that gives some idea as to where the auction would begin. But it gives no idea as to the amount bidders would bid for a particular block. In 2010, Infotel broadband had submitted an EMD of a few hundred crore (₹) but it ended up buying a pan-India slot of BWA (4G) spectrum for about ₹13,000 crore.

Any operator who has major gaps in spectrum at the end of this auction may have a competitive disadvantage as far as efficiency and QoS. Operators who do not fill their gaps will be left out. This is an opportunity if they do not latch on to, they may suffer. Therefore, this auction will separate the men from the boys.

What will be Jio's impact on auctions?

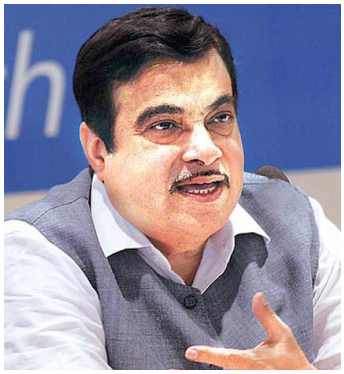
Reliance Jio has bid for spectrum in the auctions earlier as well. Their presence in the auctions will be positive in increasing the demand for spectrum and making it more competitive, especially for 700 Mhz, 800 Mhz and 2,300 Mhz.

Your Comments on Idea Cellular and Vodafone lack 4G Spectrum.

These are big pan-India operators. Obviously, they have ambitions to remain pan-India data and voice suppliers. Thus there is no reason why they should not be willing to fill in the gaps, which they have in their holdings, especially the advent of a new operator and the increased competition is another reason they will need to quickly plug the gaps to their spectrum holding.

= *This article was published in* The Economic Times *on September 19, 2016*

Alternative Fuel can Cut Import Bill: Nitin Gadkari



Despite low prices globally, India at present is incurring a massive ₹4.5 lakh crore on crude imports, which was earlier ₹7.5 lakh crore, Minister of Road Transport and Highways and Shipping, Gadkari said. He stated that municipal wastes, vegetable and fruit wastes could be used in manufacturing bio-fuel

The Minister of Road Transport and Highways and Shipping Nitin Gadkari stated that adoption of alternative sources of energy can bring down the fuel import bill of the country. Oil Minister Dharmendra Pradhan also urged the public sector undertakings to create start-up funds on the lines of private sector in order to promote innovation and nurture new ideas in the energy sector. Gadkari said that this was the appropriate time for India to evolve into a methanol-based economy.

As rural areas are a source of feedstock for methanol, it would provide additional income and also become a source of livelihood for rural folks. He said that north-east is rich in bamboo, which also can be used for preparing methanol. Despite low prices globally, India at present is incurring a massive ₹4.5 lakh crore on crude imports, which was earlier ₹7.5 lakh crore, Gadkari said. Besides municipal wastes, vegetable and fruit wastes could be used in manufacturing bio-fuel. The Minister also stressed on the need to generate methane from coal blocks and said some of the companies who were allotted the blocks were not doing anything which is not fair.

Gadkari said that surplus coal from Coal India could be utilised in making gas etc. which in turn can result in gas-based urea production. "We are giving subsidy of ₹45,000 crore for urea. We are importing urea and we need a research institute and transparent policy. This is the future. It is import substitute, cost effective", Gadkari specified.

He also stressed the need for flex fuel cars on the pattern of Brazil and the US. The Minister said if recycled properly, methane obtained from sewage water can fuel Compressed Natural Gas (CNG) buses. Realising the potential of methanol and DME (dimethyl ether) as a transportation fuel in road, shipping and rail, *NITI Aayog* constituted an Expert Group to develop a roadmap for India to adopt 'Methanol Economy'.

The group will explore various techno commercial angles to enhance production of methanol through natural gas, high ash content coal and through bio, agri and municipal solid wastes. It will also draw out a technical roadmap to adopt both methanol and DME as chemical feedstock and for power generation. Gadkari indicated that adoption of alternative sources of energy can bring down the fuel import bill of the country.

Dharmendra Pradhan also urged the public sector undertakings to create start-up funds on the lines of private sector in order to promote innovation and nurture new ideas in the energy sector.

Gadkari mentioned that this was the appropriate time for India to evolve into a methanol based economy. As rural areas are a source of feedstock for methanol, it would provide additional income and also become a source of livelihood for rural folks. He said that north-east is rich in bamboo, which also can be used for preparing methanol. Despite low prices globally, India at present is incurring a massive ₹4.5 lakh crore on crude imports, which was earlier ₹7.5 lakh crore, Gadkari said.

Besides municipal wastes, vegetable and fruit waste could be used in manufacturing bio-fuel. The Minister also stressed on the need to generate methane from coal blocks and said some of the companies who were allotted the blocks were not doing anything which is not fair. Gadkari stated that surplus coal from Coal India could be utilised in making gas etc., which in turn can result in gas-based urea production. "We are giving subsidy of ₹45,000 crore for urea. We are importing urea and we need a research institute and transparent policy. This is the future. It is import substitute, cost effective", Gadkari added. He also stressed the need for flex fuel cars on the pattern of Brazil and the US. The Minister said if recycled properly, methane obtained from sewage water can fuel CNG buses.

Realising the potential of methanol and dimethyl ether (DME) as a transportation fuel in road, shipping and rail, *NITI Aayog* constituted an Expert Group to develop a roadmap for India to adopt 'Methanol Economy'. The group will explore various techno commercial angles to enhance production of methanol through natural gas, high ash content coal and through bio, agri and municipal solid wastes. It will also draw out a technical roadmap to adopt both methanol and DME as chemical feedstock and for power generation.

* *This has been abridged from an article published in* Business Standard *on September 06, 2016*

Auction for Wind Power on the Anvil: Piyush Goyal

On increasing share of renewable energy in India's energy mix, the Minister of State with Independent Charge for Power, Coal, New and Renewable Energy and Mines in the Government of India said that the government has set a target achieving 40 percent of installed capacity through renewables and reduce the carbon intensity

After tasting success in solar energy auctions, which helped bring down tariffs, the government is looking to soon start bidding for the wind power sector, Power Minister Piyush Goyal said. "Solar power auctions have benefited immensely. It is (wind power auctions) on the way, it is on the anvil. In fact I have just come from a meeting where I was telling my officers to speed that up", the New and Renewable Energy Minister said.

Goyal further said: "Over the years, the wind people were so used to the feed-in tariffs that they were resisting it on the ground that if it is distributed all across small units, it would not work. However, I realise that pricing that you get out of these feed-in tariffs is never going to be the most optimal tariff".

Fortunately, the success of solar power tariffs has brought solar power prices down by 40 percent in the last 12 to 17 months. It has become the benchmark for wind power, he added. "So wind is suddenly started facing the wind of solar and their pricing is becoming unviable so now they are coming back to me and are ready and willing to go for the auctions", added Goyal, who also holds the charge of Power, Coal and Mines Ministries.

On high prices in the coal auctions impacting firms, he said, "I did not set the auction price. It was a free and frank and transparent and open auction. And everybody was free to bid who wanted the coal. I never asked the companies to bid a particular price more or less. I did not interfere".

"I think it is a fair deal. You cannot have a deal where the private sector is smart while they make money and they are not smart and it is my duty to bail them out when they lose money".

On increasing share of renewable energy in India's energy mix, the Minister said the government has set a target achieving 40 percent of installed capacity through renewables and reduce the carbon intensity of the gross domestic product (GDP) by 30-35 percent by 2030.

Energy requirements of the growing economy would triple by 2030, and hence, making the role of research, innovation and development key in addressing issues in a holistic manner, he stressed.

Goyal stressed that developed nations need to honour their commitments on helping developing nations with technology transfer and funding. "The Ministry is capturing data about the functioning of various state discoms and analysing it to know where the fault lies so that it can be corrected soon", he added.

On the *Unnat Jyoti by Affordable LEDs* (UJALA) programme, he mentioned that it has been widely accepted across rural and urban areas and so far over 15.45 crore LED bulbs have already been distributed. Over 5.15 crore Indian households have already benefitted from this programme, the Minister noted.

Currently, the UJALA scheme is operational in 18 Indian states and four Union Territories. EESL will roll it out in West Bengal and north-eastern states in the coming days. In the remaining states and Union Territories, the decision to roll out the scheme is pending with the respective state governments, he said.

The Government of India is committed to achieving its target of replacing all the 77 crore inefficient bulbs in India with LEDs. This will result in reduction of 20,000 MW load, energy savings of 100 billion kWh and Green House Gas (GHG) reduction of 80 million tonne every year.

* *This has been abridged from an article published on* The Indian Express *on September 07, 2016*

Decelerating Industrial Activity

India's growth is under pressure with industrial activity decelerating with no drivers for a turnaround at this juncture and investment activity remaining elusive. In the wake of contraction in industrial activity caused by the manufacturing sector, the RBI will stick to its inflation target of 4 percent.

Raghuram Rajan said that India's economic growth is below potential. Key weakness is in investment with corporate investment subdued because of low capacity utilisation.

Inflation projections, he said, are still at the upper limits of RBI's inflation objective. While praising the government's efforts, Rajan said, there has been a significant improvement in roads with respect to new constructions, especially in the national highways network.

(DNA, 30.08.16)

Better Policy Formulation

Top executives of the automobile industry underscored the importance of innovation in technology and the challenges that the automobile sector will have to confront in order to adhere to the BS VI emmision norms by 2020. The executives emphasised on the importance of pragmatic policy formulation by the government for further development of the domestic automobile sector.

The union government is expected the unveil the automotive mission plan (2026) in the coming months and the automotive industry will undergo rapid transformation to adhere to the new safety emmision, fuel efficiency and other norms in the coming days. *(FE, 01.09.16)*

Rubber Policy Soon

The Centre will shortly be announcing a national rubber policy, on the lines of those announced earlier for the petroleum, textile, information technology and other sectors, Commerce and Industry Minister Nirmala Sitharaman said.

A panel of experts had been constituted in this regard in June 2014. The report had been given but an announcement on what the government had decided, though nearly ready, kept getting postponed, she indicated.

The Ministry is trying to address price fluctuations faced by farmers, she added. She hoped the new policy would help address the issue. The objective was to raise production of rubber and the committee had looked at various issues in this regard, including consumption, manufacture and import.

(BS, 03.09.16)

Taxi Services Policy

While hearing a batch of petitions, including one filed by a radio taxi association, the Delhi High Court directed a panel appointed by the central government to come up with a policy to govern all cab services nationwide.

The court directed the Union Roads Ministry, which has formed the committee, to include experts from law enforcement, traffic and environment management and technology. The committee report will be non-binding in nature and help resolve issues arising out of recent advancements in the field of taxi services.

Technology-powered taxi services, which allow customers to book taxis through a mobile app, have disrupted established transport models in India and across the world. *(Mint, 12.08.16)*

Hike in Shareholding Limit

The Union Cabinet has increased foreign shareholding limit in domestic stock exchanges to 15 percent from 5 percent currently – a move that would attract higher foreign capital into exchanges.

The increased stake of 15 percent can be held by an overseas stock exchange, a depository, banking or an insurance company, a commodity derivative exchange. This is to attract more foreign inflows in stock exchanges like Bombay Stock Exchange (BSE) and the National Stock Exchange.

The Cabinet also approved the abolition of existing guidelines for establishing joint venture companies by defence Public Sector Undertaking (PSUs) to meet the goal of indigenous manufacturing. *(IE, 28.07.16)*

Growth Led by Services

India's growth would be led by services, consumption and small businesses and not by the conventional concept of exports, manufacturing and large employers, said Nandan Nilekani, co-founder of Infosys Technologies.

He said the country would have a service-led growth though it was working on increased manufacturing capabilities. Services has been marking a higher growth compared to the growth in manufacturing and when China has massive capacities to manufacture and dump the products into India that cannot copy China, and growth in services is what India should foucs at. *(BS, 30.07.16)*

Preferred Investment Spot

India is becoming an attractive investment market for inbound mergers and acquisitions (M&A) in the Asia-Pacific, according to a report by Kroll and Mergermarket. The report points to favourable economic and demographic conditions, plus an encouraging regulatory regime.

Since 2011, inbound transactions have trended up, and India's become a leading destination for global FDI, ahead of regional economic rival China, it stated. India attracted six percent of all US outbound M&A transactions (deal volume) in 2015, surpassing the two percent of outbound M&A directed at China in 2011. *(BS, 10.09.16)*

Government Seeks to Relax Green Rules

Enhancing Ease of Doing Business

Mayank Aggarwal*

The Environment Ministry has proposed the simplification of some green norms and entirely doing away with others in a move aimed at enhancing the ease of doing business and spurring the housing-for-all programme.

Simplification of green norms is an important aspect of the ease of doing business – one of the focus areas of Prime Minister Narendra Modi's government. But critics allege the move will end up benefiting the construction industry at the cost of environmental checks. The development is significant because India is set to witness rapid urbanisation up to 2030 and the National Democratic Alliance government has pledged housing for all by 2022.

As per Census 2011, around 377 million Indians (31 percent of population) live in urban areas and, according to official estimates this number is expected to touch at least 600 million by 2030. A report by Delhi-based environmental Non-government Organisation (NGO) Centre for Science and Environment in 2014 noted that a staggering 60 percent of the homes meant to be built by 2030 are yet to come up.

In the latest of a series of draft notifications on the subject, the Ministry of Environment, Forests and Climate Change (MoEFCC) proposed integrating environmental conditions with building permissions granted by local authorities under state-specific land laws. The draft dated 29 April 2016 says that after such integration, construction projects would not require the compulsory clearances under the Environment Protection Act.

"States adopting these objective and monitorable environmental conditions in their building *bye-laws* and relevant laws and incorporating these conditions in the approval given for building construction making it legally enforceable shall not require a separate environmental clearance for individual buildings", the proposal stated.

The Ministry has sought comments from stakeholders on the draft notification within 60 days. According to the current norms, building and construction projects with built-up area over 20,000 square metres and above require green clearances.

However, in the proposed system, three categories of buildings – 5,000-20,000 sq. metres, 20,000-50,000 sq. metres and 50,000-150,000 sq. metres – are being created where standard conditions are slightly stricter for larger buildings than smaller ones.

Simplification of green norms is an important aspect of the 'ease of doing business' – one of the focus areas of Prime Minister Narendra Modi's government

Urban Development Minister M Venkaiah Naidu wrote to then environment Minister Prakash Javadekar: "It is hoped that this will immensely help the real estate business as a landmark step in 'ease of doing business' by ensuring the environmental concerns related to construction of buildings addressed through different stipulated conditions laid down for different sizes of buildings."

Naidu informed Javadekar that his Ministry will incorporate all conditions suggested by the Environment Ministry in model building bye-laws following which "MoEFCC might notify the states concerned that no separate environmental clearance would be required for the buildings subject to compliance of the conditions".

Environmentalists argue that Environment Ministry's efforts to seek public comments on the April 29, 2016 draft notification were redundant as it had already prepared the model building bye-laws with the Ministry of Urban Development.

"The most important point is that the draft notification says the move is essential for affordable housing – then why is exemption being extended to multiplexes and office complexes? Also where are studies that show that houses have become expensive because of environment clearance and prices will fall because of no environmental clearances"? asked Dutta, who has also sent his objections to MoEFCC on the draft notification. MoEFCC, however, defends the move saying the proposals will not result in taking the construction sector out of National Green Tribunal's (NGT) purview or the ambit of the Environment Protection Act.

* *Associated with Mint. This has been abridged from an article published on August 13, 2016*

India Climbs 15 Spots in Innovation Ranking

India climbed 15 spots, from 81 in 2016, to 66 in the Global Innovation Index (GII) and maintained the top spot in the Central and South Asia regions, according to the rankings by Cornell University, INSEAD and the World Intellectual Property Organisation (WIPO).

Highlights

- *2016 World Cities Report states India will have seven cities with population of over 10 million people by 2030.*
- *Hyderabad and Ahmedabad will join the list of India's megacities.*
- *Delhi will continue to be the second most populous city in the world till 2030.*

Switzerland, Sweden, the UK, the US, Finland and Singapore lead the 2016 GII rankings. This year, China joined the world's 25 most-innovative economies, becoming the first middle-income country to enter the top 25 of the index in its nine editions of surveying the innovative capacity of over 100 economies. *(Mint, 16.08.16)*

Ranks 110th in SDG Index

India has ranked a low 110 out of 149 nations assessed on where they stand with regard to achieving the Sustainable Development Goals (SDGs), according to a new index, which is topped by Sweden and shows all countries face major challenges in achieving these ambitious goals.

The Sustainable Development Solutions Network (SDSN) and the Bertelsmann Stiftung launched a new Sustainable Development Goal Index and Dashboard to provide a report card for tracking Sustainable Development Goals (SDGs) progress and ensuring accountability.

The index collected available data for 149 countries to assess where each country stands in 2016 with regard to achieving the SDGs. *(IE ,23.10.16)*

Rise in Water Level

With 92 percent of the area receiving normal or excess monsoon rainfall so far, water level at 91 large reservoirs across the country continues to rise. According to Central Water Commission (CWC), data, the water level at 91 large reservoirs rose for fifth week in a row to 54 percent of their combined capacity. A week back the water reservoirs were filled up to 47 percent of their capacity.

"The overall storage position is better than the corresponding period of last year in the country as a whole but is less than the average storage of last ten years during the corresponding period", CWC said. *(BL, 11.08.16)*

India Slips to 112th Spot

India has slipped by 10 positions to 112th, out of 159 countries and territories, as it 'fared badly' across categories including legal system and regulation, according to the Economic Freedom of the World: 2016 Annual Report.

Although China, Bangladesh and Pakistan lagged behind India at 113th, 121st and 133th ranks respectively, Bhutan (78), Nepal (108) and Sri Lanka (111) were better placed on the World Economic Freedom Index.

"India has fared badly in all categories i.e. legal system and property rights (86), sound money (130), freedom to trade internationally (144) and regulation (132) except the size of the government (8)", the Report said. *(ET, 17.09.16)*

Facing Criminal Cases

As many as 34 of Ministers in Indian states have declared criminal cases pending against themselves, while 76 percent are crorepatis with average assets of ₹8.59 crore, finds a new study. Declarations of a total of 609 Ministers out of 620 have been analysed from 29 state assemblies and two Union Territories by Association for Democratic Reforms (ADR).

Out of the 609 state Ministers whose declarations were analysed, 210 (34 percent) Ministers have criminal cases against their names. Nearly 24 (31 percent) out of 78 Ministers in the Centre, have declared criminal cases against themselves. *(ToI, 06.08.16)*

World's 2nd Largest Market

India has overtaken the US to become the world's second largest internet market, with 333 million users, trailing China's 721 million. India also overtook the US to become the world's second-largest smartphone market, with an estimated 260 million mobile broadband subscriptions. But India is also among the countries with a large population that is yet to get access to Internet services.

While internet access is approaching saturation in richer nations, connectivity is still not advancing fast enough to help bridge development gaps in areas, such as education and healthcare for those in poorer parts of the world, according to a report. *(ToI, 15.09.16)*

90 Percent Cases Pending

Six Indian states account for around 90 percent of the 23 lakh cases pending around the country that are older than 10 years.

Uttar Pradesh accounts for 30 percent of all 10-year-old cases pending countrywide, followed by Gujarat with 22 percent, Maharashtra (11 percent), Bihar (10 percent), Odisha (8 percent) and West Bengal (8 percent).

Out of 2.29 crore cases pending in subordinate courts across the country, 22.95 lakh are older than 10 years. In addition, 40 lakh cases have been pending between five and 10 years. *(ET, 21.09.16)*

India will have Seven Mega Cities by 2030

Subodh Varma*

Around the world, about 500 million people live in 31 mega cities which means 6.8 percent of the world's population or 12 percent of the world's urban population, according to 'World Cities' Report

At present, India is home to five mega cities, with over 10 million population, but by 2030 this number will go up to seven. Delhi will continue to be the second most populous city in the world till 2030, adding a staggering 9.6 million people to its population – the most in any mega city. The facts have been revealed in the 2016 'World Cities Report' issued by the UN's Department of Economic and Social Affairs.

The Report has not relied on the administrative boundaries of cities but has, instead, preferred to use the concept of 'urban agglomeration', which is the 'the contiguous urban area, or built-up area'. For example, in the case of Delhi urban agglomeration, the satellite cities of Ghaziabad, Noida, Faridabad and Gurgaon are included. Such inclusion makes sense as people in these contiguous areas are economically and socially integrated with the main city.

Around the world, about 500 million people live in 31 such mega cities. This means nearly 6.8 percent of the world's population or 12 percent of the world's urban population. The Report calculates that by 2030, the number of mega cities will increase to 41 and their population to about 730 million or 8.7 percent of the world's population.

Other Indian cities figuring in 2016's mega cities list are Mumbai, Kolkata, Bengaluru and Chennai. By 2030, Hyderabad and Ahmedabad will join them, as their respective populations would cross 10 million.

The UN report shows that only a minority of urban dwellers actually live in mega cities. Nearly 21 percent of the world's population stays in cities of population between 500,000 to 10 million, while an even bigger share of 26.8 percent resides in smaller cities and towns with a population of less than 500,000.

By 2030, the world's population will decisively shift to urban living with 60 percent of the estimated population living in cities, big or small. Currently, about 54 percent of the world's population is urban.

Most of the urban growth is happening in developing countries in Asia and Africa. By 2030, as many as 33 of the 41 mega cities will be from the third world. Of the 47 cities that grew by over 6 percent every year between 2000 and 2016, six were in Africa, 40 in Asia (including 20 in China) and just one in North America.

Times of India

URBAN BOOM

2016: 31 mega cities			2030: 41 mega cities		
1	Tokyo	38.1	1	Tokyo	37.2
2	**Delhi**	26.5	2	**Delhi**	36.1
3	Shanghai	24.5	3	Shanghai	30.8
4	**Mumbai**	21.4	4	**Mumbai**	27.8
5	São Paulo	21.3	5	Beijing	27.7
6	Beijing	21.2	6	Dhaka	27.4
7	Mexico City	21.2	7	Karachi	24.8
8	Osaka	20.3	8	Cairo	24.5
9	Cairo	19.1	9	Lagos	24.2
10	New York-Newark	18.6	10	Mexico City	23.9
14	**Kolkata**	15.0	15	**Kolkata**	19.1
28	**Bengaluru**	10.5	21	**Bengaluru**	14.8
30	**Chennai**	10.2	24	**Chennai**	13.9
			28	**Hyderabad**	12.8
			38	**Ahmedabad**	10.5

Source: The World's Cities in 2016, UN DESA; figures in millions, **Mega cities:** Urban agglomerations of over 10 million population

Interestingly, not all cities are growing. Out of the 1,063 cities with a population over 500,000, as many as 55 have shown a decline since 2000. Most of these cities are located in Europe and some in Japan. Their decline is mostly due to falling fertility levels, although some have shown a dip in population due to natural calamities like New Orleans due to hurricane *(Katrina)* and Sendai *(Tsunami)* in Japan.

* *Reporter with Times of India. This was published on September 09, 2016)*

Penalising Individuals Makes Corporate India Uneasy

Piyush Gupta*

The emerging jurisprudence in the space of Directors' duties entails an exposure to personal liability for those in default for any violation of the laws, which include amongst others, the competition law regime in India

Directors and officers of companies (D&Os) have the responsibility (and indeed the duty) to ensure that the best interests of the company, its employees and stakeholders and the community at large are adequately safeguarded.

This fiduciary duty might lead to a triaging of interests, whereby some interests (maximising the revenues for the company and its shareholders) might supersede others (acting for the benefit of the community). The emerging jurisprudence in the space of Directors' duties entails an exposure to personal liability for those in default for any violation of the laws, which include amongst others, the competition law regime in India.

Interestingly, there is an emerging trend of the competition regulator to penalise the office bearers of companies, under the Competition Act, 2002, thereby making the decision makers at companies uneasy.

Initially when the regulator was still in its infancy, its position on the issue of liability seemed to have been that separate proceedings were required to proceed against any defaulting Directors and officers (Kapoor Glass Pvt. Ltd v Scott Glass India Pvt. Ltd) after following the necessary procedure.

Then in 2012, in the Vardhan case, it was opined by the Competition Commission of India (CCI) that "an association of enterprises cannot be considered as a company so no penalty is leviable on the office bearers".

However, in 2013 while deciding Santuka case, the CCI said that "the anti-competitive decision or practice of the association can be attributed to the members who were responsible for running the affairs of the association…".

Up until 2013, even though the CCI had attributed liability on to office bearers of companies and associations, no penalties had been ascribed to them in any case. This trend buckled in 2014 when in the Bengal Chemist case, the CCI not only held the Bengal Chemists and Druggists Association (BCDA) guilty for anti-competitive practices, but also held the office bearers of the BCDA guilty under the Act, and imposed a cumulative penalty of ₹18.38 crore onto the office bearers.

This decision was a breakthrough for the CCI, given that this was the first instance wherein penalties on individuals were imposed. A similar approach was adopted by the CCI in the Indian Jute Mills Association case.

By the advent of 2015, the CCI evidently started broadening their focus and started targeting industries other than the pharmaceutical industry. Consequently, the transport sector in the Shivam Enterprise case and the entertainment industry in the Kerela Cine Exhibitors were targeted.

In the last couple of years we have seen an increasing trend where the CCI has started seeking individual culpability in cases for which it has penalised entities. The intent of the CCI by way of this trend is to ensure that the Directors and officers act carefully and examine the matters before them from all legal angles while making decisions on behalf of companies/trade associations.

However, the CCI is seemingly not dealing with the individual culpability in strict sense. It appears that the CCI is presently only penalising those individuals whose names appear multiple times and who have been given a fair chance to be heard.

This approach is consistent with international best practices. For instance, in a number of jurisdictions like France, Spain, Germany, Netherlands, Denmark, Directors and Officers are liable for breaches of competition law by their companies by way of individual fines.

* *Partner and Head of the Competition and Aviation Law Practice Groups at Kochhar & Company.* *This was published in* Business Standard *on August 29, 2016*

Time for Transformational Change: Modi

Jyotika Sood*

Prime Minister Narendra Modi highlighted India's need and his political will to shift from incremental change to transformative change. While addressing *NITI Aayog*, the institution which replaced the Planning Commission, said that its forthcoming 15-year vision document should reflect the much needed transition from incremental change to transformational change. Modi's coincidentally on the 25th anniversary of the big burst of reforms undertaken in 1991 – that pace and intensity was not pursued by any government thereafter.

The Prime Minister stated that the time for incremental change, that has been the norm across the world for quite some time, is over. Modi pointed out that, historically, Indian policy makers had tended to lament the constraints faced by India, instead of leveraging its strengths. "The current age is one that requires transformational change. I am a person who works on experiments. I have that courage".

This courage and political will has garnered support and appreciation. Notably a new survey revealed that two years into his tenure the popularity of Narendra Modi is unblemished. The survey conducted by the Pew Research Centre reflects that Modi's track record is impressive. The survey results illustrate that 81 percent of the respondents view Modi favourably, eight out of 10 are satisfied with the state of the economy, implicitly endorsing the government's policy actions and two out of three Indians are satisfied with the direction of the country.

This portrays that Modi's policies have been increasingly appreciated by the general public and the public as well as the institutions will support him in his endeavour to transform India. Laying out the broad contours of India's development path, Modi said a judicious and intelligent application of natural resources and human resources will be at the heart of this change. He said India had made sub-optimal use so far of its vast coastline.

He also asked members of the think tank *NITI Aayog* to consider consumer habits while drafting its 15-year vision document, especially with regard to food. Modi told members of *NITI Aayog* to adjust food production targets based on public consumption trends as it would help to prioritise what would be required in the future. *NITI Aayog* member and agricultural scientist Ramesh Chand stated, "The Prime Minister asked us to think in long term, what demand would be there. How much food will people eat at home, how much food people will eat outside? Then just prepare your vision according to that".

Emphasising the need to build capacities for good governance, Modi highlighted the importance of real-time data availability. He also spoke of the importance of technology as an emerging driver of change, and asserted that this pace of change will not slacken

NITI Aayog Vice-chairman Arvind Pangariya said that although the meeting's agenda was the 15-year vision document, the PM decided to change the agenda and review the performance of various five-year plans and look at their shortcomings. Pangariya said that Modi said that *NITI Aayog* needs to become a forum where talks would be held in a cooperative manner and where states can come and discuss problems, unlike in the Planning Commission where they did not have much say.

The long-term vision document of *Niti Ayog* will play an integral role to formulate various ways through which India can achieve its broader social objectives to meet the UN Development Programme's 2030 sustainable goals and will be a road map on transformation required in the planning system to sync it with the 14th Finance Commission recommendations. Emphasising the need to build capacities for good governance, Modi highlighted the importance of real-time data availability. He also spoke of the importance of technology as an emerging driver of change, and asserted that this pace of change will not slacken.

While Modi's popularity still remains, the government should worry about rising anxieties among the public on hot button issues, such as crime, jobs and corruption. The Prime Minister needs to focus on these areas in order to garner more support of the people and propel India towards a holistic transformative growth trajectory.

* *Journalist with Mint. This article was published on July 29, 2016*

Housing for Urban Poor

The Minister of State for Housing and Urban Poverty Alleviation Rao Inderjit Singh informed the Lok Sabha that over 2.23 lakh houses have been constructed for the urban poor under various housing schemes of the Centre in the past two years.

The houses have been built under *Pradhan Mantri Awas Yojana* (Urban) launched in June last year and earlier schemes of *Jawaharlal Nehru National Urban Renewable Mission* (JNNURM) and *Rajiv Awas Yojana* (RAY), which are being continued till March 2017. Of these houses, Tamil Nadu accounted for the highest units of 37,355, followed by Maharashtra (36,992), West Bengal (22,620), Rajasthan (21,197), Gujarat (15,861), and Uttar Pradesh (13,836). *(TH, 11.08.16)*

Time to take Risks for Transformation

Narendra Modi wants India to give up incrementalism and take steps towards rapid transformation. Transformation is to come by cranking up India's 19th century administrative structures to the modern age. On paper, this vision is flawless. But what is inexplicable is that the National Democratic Alliance (NDA) government is unable to discard shibboleths.

To illustrate, Monsanto recently withdrew its application seeking approval to introduce improved genetically modified seeds for cotton, citing regulatory uncertainty. India's governance continues to be in thrall of outdated notions. Hence, there is a dire need for India to take more risks. *(ToI, 29.08.16)*

National Creche Policy

The Women and Child Development (WCD) Ministry is formulating a national creche policy, which will be applicable for private, government as well as the unorganised sector.

In the reply to a question in the Lok Sabha, WCD Minister Maneka Gandhi said, "The government has set up a Working Group for formulating comprehensive guidelines for National Programme for Creche and Day Care Facilities for children and its funding pattern etc. under the chairpersonship of Secretary, WCD". The proposal envisages creche facilities for children up to the age of six years. *(IT, 22.07.16)*

Setting Anti-corruption Index

In a first of its kind in the country, an Anti-corruption Index will soon be launched in the state of Kerala in tandem with the CPI(M)-led Left Democratic Front (LDF) government's policy of 'zero tolerance to corruption'. The Kerala Vigilance and Anti-corruption Bureau is implementing the programme to measure the level of corruption on a monthly basis in the state.

The initiative – Kerala Anti-corruption Index (KAI), will have a set of proxy indicators to measure the graphs of corruption in all spheres of society. The agency will also launch a series of mobile applications with the objective of empowering people under its programme of capacity building to deal with corruption.

(Tol, 31.07.16)

Overstated Subsidy Savings

The Comptroller and Auditor General of India (CAG) stated that the government and the oil marketing companies had overstated savings on subsidy due to implementation of direct benefits transfer on liquid petroleum gas (LPG), or the PAHAL scheme.

The CAG claimed that 92 percent of the ₹23,316.21 crore the government saved in subsidy payout in 2015-16 occurred due to a drop in crude oil prices.

According to the auditor, the savings from the fall in crude oil prices were ₹21,552.28 crore, while the savings from the reduced offtake of subsidised cylinders through schemes like PAHAL were ₹1,763.93 crore for the first three quarters of 2015-16. *(BS, 12.08.16)*

Dengue Cases Under-reported

Delhi has been hugely under-reporting *dengue* cases and deaths, indicated a report of the CAG on the preparedness of the city government, municipal bodies and others in control and prevention of the disease. The report comes in the midst of a *chikungunya* and *dengue* outbreak, with a Delhi government panel earlier this month dismissing all deaths attributed to the diseases so far in 2016.

The CAG, which examined dengue cases from 2013 to 2015, said while hospitals reported 409 *dengue* deaths in 2015, the state's 'death review committee' confirmed only 60-46 from Delhi and 14 from other states. *(ToI, 26.09.16)*

Cleanliness an Issue

Finding deficiencies in passenger amenities, CAG has remarked that cleanliness is an issue at railway stations and needs to be addressed in an effective way. "Cleanliness at Indian railway stations continues to be a reason for passenger dissatisfaction. During a joint inspection, cleanliness issues were noticed at platforms, waiting halls, station walls and foot over-bridges", CAG in its latest report mentioned.

Inadequacies were noticed even in provision of water taps, platforms in appropriate level, foot over-bridges, platform shelters, train indicator system, provisions of urinals at the selected stations were found by CAG.

(ET, 26.07.16)

The Indian Union Gets a Common Market

A decade-long effort by successive governments to usher in the most sweeping reform of indirect taxes finally moved a step closer to realisation with the Rajya Sabha clearing the Constitution (122nd Amendment) Bill to enable a goods and services tax (GST) regime. The momentous Bill, which marks the first parliamentary step towards impementation of a 'one country, one market, one tax' framework, was cleared by a two-thirds majority, which is required for any Constitution Amendment Bill, following a division of votes. The AIADMK, which walked out before the vote, was the only party to oppose it.

Soon after the Bill was passed, Prime Minister Narendra Modi hailed the vote. The GST, he said, would be the "best example of cooperative federalism. Together we will take India to new heights of progress".

Finance Minister Arun Jaitley, who moved the Bill for voting after a debate spread over seven hours, assured the Upper House that the GST rate would be kept as low as possible, and would be "much lower than the present situation".

The debate saw strong arguments and counter-arguments, a clash between of two lawyers – former Finance Minister P Chidambaram and Jaitley – demands from the Opposition that Prime Minister Narendra Modi be present in the House, and a curious voting exercises that kept springing numerical surprises.

The Bill, which incorporates fresh amendments based on inputs from political parties and the states, does not have the earlier provision for a 1 percent additional tax on inter-State trade that would have been given to manufacturing states. It also specifies that the GST Council 'shall' set up a mechanism to adjudicate disputes arising between the Centre and the States or between States, and that the States' revenues will not go into the Consolidated Fund of India. It also guarantees compensations to the States against revenue loss for five years.

The GST Bill, which incorporates fresh amendments based on inputs from political parties and the states, does not have the earlier provision for a 1 percent additional tax on inter-state trade that would have been given to manufacturing states

Moving the Bill, Jaitley said, "The government felt it was necessary to gradually build a larger consensus as we were trying to radically change the country's taxation structure. GST will give a boost to the economy, which is now at a critical stage."

A common concern across parties was that the tax rates be kept low to ensure that the tax incidence on people does not increase and lead to higher evasion. "The standard rate of GST should not exceed 18 percent and the lower rate can be worked on that", said Chidambaram, in his maiden speech in the Rajya Sabha.

Apart from the rates, Chidambaram also listed three key concerns of his party, including the rate of tax, the dispute resolution mechanism, the 1 percent tax on inter-State trade and the "clumsy drafting" of the latest amendments specifiying that the States' revenue would not go into the Consolidated Fund. He also suggested further amendments to the provision of dispute resolution to include that the GST Council 'shall by regulation' establish a mechanism to adjudicate disputes. These should also include disputes arising otherwise between States outside the recommendations of the GST Council.

Congress leaders, including Chidambaram, Anand Sharma and Ghulam Nabi Azad, also sought an assurance from Jaitley that the subsequent pieces of legislation on Central GST and State GST would be introduced as financial bills, and not money bills, to ensure that the Rajya Sabha too has a chance to discuss it. This was a common refrain from most Members of the Upper House, including CPM leader Sitaram Yechury.

However, Jaitley refused to accede to the demand and said it would be decided based on the final format of the Bills. Yechury also called on the government to ensure that the States do not have to come to the Centre "with begging bowls". N Navaneethakrishnan, AIADMK MP, articulated his party's opposition to the GST as it would cause a permanent revenue loss to Tamil Nadu.

The Constitution Amendment Bill for GST was cleared by the Lok Sabha in May 2016, but fresh amendments were introduced recently to accommodate the demands of the Congress and the concerns of the states. The government hopes to roll out GST from April 01, 2017.

– *The has been abridged from an article published in* The Hindu-Business Line *on August 03, 2016*

India's Own Walmarts

Ruling out any increase in the FDI limit in multi-brand retail, Commerce and Industry Minister Nirmala Sitharaman said "India can create several Walmarts of its own". India only permits 51 percent FDI in multi-brand retail.

Sitharaman defended the government's stance indicating that small traders are not ready to face competition from established foreign companies. Giving rationale behind her argument, Sitharaman said the challenges faced by India include last-mile connectivity, adequate infrastructure and financial inclusion of segments, including farmers and small traders.

"We are trying to bridge those gaps. We are still not ready to have them face a competition where there would not be level-playing field", she added.

(HT, 08.09.16)

Modi Weeded out Graft

Housing Development Finance Corporation (HDFC) Chairman Deepak Parekh has praised the Modi Government for weeding out 'large-scale corruption' at the Centre and providing strong leadership for driving key policy changes.

Parekh said that the biggest mark of credibility that India has today is that all government tenders and bidding are being done transparently through e-auctions.

"India is a very compelling story for long-term investors looking for higher yields on their investments. India has never seen better days than the present. So I am confident that businesses across the board will see an upswing", stated Parekh. *(ToI, 30.08.16)*

Urban Revival Crucial

Urban renaissance is crucial for India's sustained growth in the coming decades and the country will adopt sustainable models of urban development to achieve the objective, according to the Union Urban Development Minister M Venkaiah Naidu.

He said India would make use of the expertise of these nations in building smart cities and adopt the best practices. Stakeholder participation was being given great importance in building the smart cities. He said it was estimated that every year, ₹2 lakh crore investment would be needed for building urban infrastructure in the country till 2030-31.

(BL, 14.09.16)

Medical Education Reforms

The ills of medical education lie at the doors of a rotten Medical Council of India (MCI). The MCI created an admission system based on illegal capitation fees; froze a teaching curriculum despite advances in medicine; created shortage of quality doctors, and devalued merit and ethics.

The proposed bill by *NITI Aayog* tries to fix these ills. How well a student performs in a statutory national merit exam will now decide who gets into a college. What students learn will be measured in a common licentiate exit exam that will also decide the college's ranking and its ability to attract students. *(ToI, 25.09.16)*

New Chapter in Education Reforms

The government's plan *Chunauti 2018* to improve education in Delhi entered a new phase with the targets set by Deputy Chief Minister Manish Sisodia for entire school machinery to meet '100 percent Ability to Read' goal.

A baseline assessment done as part of government's education reforms had shown that 74 percent students in Class VI could not read their own textbooks. Therefore, the first step in academic improvement would be ensuring that every child can read.

Sisodia had administered a pledge to teachers that all children studying in Classes 6 to 8 would be able to read by this Children's Day i. e. November 14, 2016. *(TT, 26.09.16)*

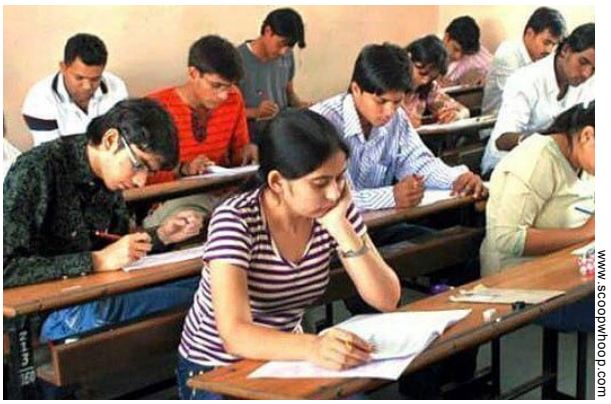
National Education Policy for Quality Education

The Centre is currently working on the National Education Policy-2016 that seeks to promote 'a credible education system' capable of ensuring quality education and life-long learning opportunities for all, stated Union Minister for Information and Broadcasting M Venkaiah Naidu.

The Centre was also working to promote 20 world-class institutions both in public and private sectors, he said. He also mentioned, 'informing and reforming our youth force' so as to enable it to take part in the transformation of India, shall be the agenda of higher educational institutions. *(ToI, 27.09.16)*

Science for Happiness

The Indian Institute of Technology (IIT), Kharagpur will soon introduce an innovative new course that will involve researching the science behind happiness with an aim to develop 'a happy eco-system'.


www.scoopwhoop.com

The 'Rekhi Centre of Excellence for the Science of Happiness' is the brainchild of IIT Kharagpur alumnus Satinder Singh Rekhi and will start by offering a micro-credit course for students soon. "The courses to be introduced will involve students researching and exploring happiness, positive psychology and related concepts in themselves and in others.

(IE, 29.08.16)

National Health Framework

India has seen two National Health Policies (NHPs) since independence, 1983 and 2002. A draft NHP prepared in 2014 is currently in limbo. Having a health policy is desirable as it brings predictability, clarifies a sense of direction and prioritisation.

However, post the 14th Finance Commission recommendations, states have been given a greater role in financing of their health priorities. Thus having a health policy at state level appears more appropriate that at the national level. What makes better sense at the national level is to have a 'national health framework' that that outlines a healthcare vision for the country and provides overarching guidance to states to prepare their health policies. *(FE, 05.07.16)*


www.google.com

Kerala's Health Policy

The Kerala government has constituted a 17-member panel headed by planning board member and former Kerala University Vice-Chancellor Dr B Ekbal to draft a fresh health policy for the state. The panel has been asked to submit the draft within two months.

This is the third attempt by the state, in recent times, to make progress on state health policy. The draft health policy (2013) prepared by the previous government is gathering dust in the shelves of the state health department.

Similarly, in 2007 the then Chief Minister Vs Achuthanandan announced that a health policy would be drafted, but no committee was appointed then. *(ToI, 05.09.16)*

Delink Price from R&D Cost

The UN High-Level Panel on Access to Medicines, in its report, has called for delinking drug prices from research and development (R&D) costs.

The report calls for human rights to be placed over intellectual property laws and all countries must freely be able to use flexibilities granted under Trade-Related Aspects of Intellectual Property Rights (TRIPs) to access affordable medicines.

One of the key recommendations of the report is that countries that threaten, and retaliate against, generic drugs makers in countries, such as India for using their entitlements under the Trade Related Intellectual Property Rights (TRIPs) Agreement will be forced to face significant sanctions. *(TH, 16.09.16)*

More Drugs under DPCO

More essential drugs are likely to come under price control with the government expected to decide on the matter soon. Out of a total of around 900 drugs in the National List of Essential Medicines (NLEM) 2015, around 450 drugs are already under price control.

"Some of the drugs which are not under the price control yet will be considered for price cap", said National Pharmaceutical Pricing Authority (NPPA) Chairman Bhupendra Singh.

The Government is mulling providing more than 50 essential drugs, including those used in treatment of cancer and AIDS, at cheaper rates to a large section of the population. *(IE, 10.09.16)*

Pre-existing Illness

If one has an insurance policy to deal with hospitalisation, s/he feels secure. However, insurer can reject your claim citing the 'pre-existing illness' clause. This is one of the most common reasons for such rejections.

Pre-existing illnesses are medical conditions that existed before the health insurance policy was purchased. As per the regulation, pre-existing conditions can be considered for coverage after completion of 48 months of continuous insurance cover.

The non-disclosure of a pre-existing illness at the time of buying a policy is seen as misrepresentation of facts and ground for rejection of claims, even continuously having policy coverage for several years. *(IT, 22.09.16)*

Health Care Gets Worse

It's not the best optics for Asia's third largest economy and a country aspiring to 8 percent GDP growth – people dying of vector borne diseases, health services crippled by lack of hospital beds, doctors in short supply, and a government looking on helplessly.

The capital city of New Delhi is the worst hit, where there seems to be no respite from the viral onslaught. c*hikungunya* cases in this city of 18.6 million have spiralled up to over 2,600, with reportedly 50 deaths.

The rest of the country is not faring any better. According to the National Vector Borne Disease Control Programme, around 12,255 cases of *chikungunya* had been reported across India as of August 31. *(TD, 22.09.16)*

SC's Warning on Health Policy

The Supreme Court has asked the central government to take a final call by December 31, 2016 and announce whether it would frame a National Health Policy or not.

"We have already expressed our sadness at the fact that the National Health Policy has not yet been finalised despite the passage of more than one-and-half years.

We direct the Union of India to take a decision on or before December 31, 2016 on whether it would like to frame a National Health Policy or not", said a bench of Justices Madan B Lokur and Uday U Lalit.

(IE, 15.09.16)

Crippling Diseases and Crippling Healthcare System

Kanchan Gupta*

The so called 'national media' wakes up to grim realities of India's extremely ugly underbelly only when life in and around New Delhi is disrupted. Had the outbreak of *dengue* and *chikungunya* not taken a frightful form, similar affliction elsewhere in the nation would have gone unnoticed.

But there is more to the story than is unfolding in filth-ridden Delhi. It appears the outbreak of *dengue* is severe in West Bengal, the killer encephalitis bug is back in eastern Uttar Pradesh, claiming its annual toll of lives, especially of children who are the most vulnerable. Malaria, that prompted the discovery of tonic water, remains hale and hearty too.

A rising power is not only about FDI. It is equally about improving the standards of health and sanitation services

All this and more find no mention in our sanctimonious 'national media'. We could argue that health is a state issue and thus no concern of the 'national media'. Yet that would be dishonest, if not outright stupid.

The abysmal failure to root out a disease that has plagued us for centuries although modern science, affordable and accessible, makes that possible, is an indicator of India's gargantuan failure on the public health front. The same point could be made about malaria, *kala azar*, encephalitis and a host of vector-borne diseases.

This is not to minimise the little we have achieved, but to underscore the larger failure. *Polio* has been successfully eradicated through an innovative programme. Before that, *small pox* was eradicated. Mass outbreak of *cholera* is not heard of any more. The question naturally arises: If all that could be done, why can't more be done? Is it lack of funds? Is it the absence of political leadership? Is it bureaucratic lethargy? Are people to blame? Is the pharma mafia reluctant to see 'Third World' diseases eradicated?

It's likely a cocktail of these and other reasons. Delhi showcases all that is wrong with the public health and sanitation sector. Hospitals are administered by both the state government and the union government. Funds are finite and largely spent on administrative expenses. Demand outpaces supply by miles. Private hospitals are seen as enemies of the public. Multiple authorities clash and confront one another with no benefits flowing to the people.

Yes, the Delhi government, such as it is, has more or less abdicated responsibility. But should all blame go to the *Aam Aadmi* Party? Should not accountability be fixed on the BJP-run municipalities for failing to do even the barest minimum in keeping the city clean of festering piles of garbage? Passing the parcel is neither good politics nor good optics.

There is no percentage in fobbing off the plight of the people by pointing out health is a state subject and the union government can do only that much. Health and sanitation were a State subject when Prime Minister Atal Bihari Vajpayee launched his war on polio. Harsh Vardhan was a Minister in the Delhi government. That did not impede the programme. Indeed, the anti-polio campaign remains a shining example of turning adversity into opportunity through far sight and multi-agency cooperation.

India desperately needs an over-arching health policy for the 21st century, not grand assertions and announcements of piece-meal programmes. *Swachch Bharat* Mission has to be more than false statistics cooked up by *babus* to prove things are happening. They are not. The shining successes of *Swachch Bharat* are the cleaning Varanasi's *ghats* and Versova's beach of Mumbai. Both were undertaken by volunteers with no role played by municipal or government agencies. So what are we paying *Swachch Bharat* cess for?

A rising power is not only about FDI and growth and industry. It is equally about improving the standards of health and sanitation services. And improving those services is not only about spending more and seeing the money disappear into the black hole of administrative sloth and corruption. It is about imagination and leadership.

* *Current Affairs Analyst. This has been abridged from an article published in* The Pioneer *on September 18, 2016.*

E-tailers' Complaint Rejected

The CCI rejected a complaint that alleged unfair trade practices by 23 retailers and sellers on e-commerce websites, including Ebay India and Amazon. The complainant alleged that the 23 entities were trying to increase their business illegally and were fooling consumers by using unfair trade practices.

Rejecting the complaint, the CCI's order stated that the allegations are regarding abuse of collective/group dominance, which is not covered under the Competition Act. According to the CCI, the allegations were mainly in the nature of deficiencies in the provision of goods and services and did not bring out any competition issues. *(BL, 28.07.16)*

Unfair Allegations Rejected

CCI rejected allegations of unfair business ways against Coal India and Central Institute of Mining and Fuel Research (CIMFR) pertaining to a global tender for technical service providers with respect to coal samples. It was alleged that there were unfair conditions in the tender notice, floated by CIMFR.

The tender was for hiring technical service providers for collection, preparation and transportation of coal samples from the loading and unloading points to CIMFR or to its research centres.

The CCI, however, ruled out the charges of abuse of dominant position after finding that no entry barriers were created through the conditions in the tender. *(ET, 14.07.16)*

CCI's Nod to Asset Swap

India's antitrust regulator approved swapping of the animal health and consumer healthcare businesses between French drugmaker Sanofi and Germany-based Boehringer Ingelheim GmbH (BI) in a deal worth US$25bn. Sanofi's India-based business extends to pharmaceuticals, human vaccines and animal health.

BI, through its Indian subsidiary, operates in the areas of prescription medicine, consumer health care, animal health and clinical operations.

Sanofi is set to acquire BI's global consumer healthcare – or non-prescription drugs –business (except that in mainland China) and BI will take over the French company's animal health unit Merial.

(Mint, 26.09.16)

CCI Imposes Penalty on Lupin

The Competition Watchdog imposed a penalty at the rate of 1 percent of Lupin's average turnover, amounting to ₹72.96 crore and a penalty of ₹8,60,321 calculated at the rate of 10 percent of the average income of Karnataka Chemists and Druggist Association (KCDA).

Following a detailed investigation by the Commission, the KCDA was found indulging in the anti-competitive practice of mandating NOC (no objection certificate) prior to the appointment of new stockists by pharmaceutical companies, which has the impact of limiting and controlling of the supply of drugs in the market. *(BS, 01.08 16)*

Bayer Wins over Mosanto

German chemical and pharma giant Bayer AG announced the acquisition of global biotech major Monsanto for US$66bn to create the world's biggest seed and pesticide firm. Both Bayer and Monsanto have presence in India with the US firm selling genetically modified (GM) cotton seeds in the country for more than a decade.

Bayer CropScience, a listed Indian entity, posted a turnover of ₹3,818.60 crore last fiscal and Monsanto played a key role in increasing cotton output through GM technologies.

The deal, which is reported to be the largest all-cash transaction on record, marks a major consolidation in global seed business. *(FE, 14.09.16)*

No Predatory Pricing

The CCI dismissed allegations of predatory pricing against ANI Technologies Pvt. Ltd., which runs taxi and auto services under Ola brand. It was alleged that the company was driving out existing players as the fare charged by it was 'abysmally low' and was claimed to be less than one-third of the government prescribed rates.

To assess the complaint, the regulator considered 'provision of radio taxi services in Delhi and provision of auto rickshaw services in Delhi' as the relevant market.

Noting that there are various other players, CCI stated the market is competitive and none of the players can be said to be dominant in the relevant market. *(IE, 02.09.16)*

CCI to Empanel 24 Entities

In order to create more awareness about issues pertaining to competition, fair trade regulator Competition Commission of India (CCI) has planned to empanel 24 entities, including individuals and non-government organisations.

The move comes at a time when the Commission is stepping up efforts to boost fair trade practices across industries and prevent entities from indulging in anti-competitive ways.

www.economictimes.com

The CCI has sought applications to empanel 24 'competition resource persons' who would be responsible for delivering messages about competition law, culture, neutrality and compliance to a group of at least 50 stakeholders.

(ET, 23.09.16)

CCI Imposes Fine on 11 Cement Firms

Shreeja Sen*

The Competition Commission of India asked 11 cement companies and their lobby group Cement Manufacturers Association (CMA) to pay a fine of ₹6,714 crore for alleged cartelisation, standing by its previous orders that the antitrust watchdog was asked to reconsider. It also held the lobby group of these manufacturers guilty of facilitating price collusion.

The CCI has asked cement companies to 'cease and desist' from activities related to 'agreement, understanding or arrangement on prices, production and supply of cement in the market'. Penalties of ₹1,147.59 crore (ACC Ltd), ₹1,163.91 crore (Ambuja Cements Ltd), ₹167.32 crore (Binani Cement Ltd), ₹274.02 crore (Century Cement), ₹397 crore (Shree Cements), ₹87.48 crore (India Cements Ltd), ₹128.54 crore (JK Cements Ltd.), ₹490.01 crore (Lafarge), ₹258.63 crore (Ramco), ₹1,175.49 crore (UltraTech) and ₹1,323.60 crore (Jaiprakash Associates Ltd) were imposed by CCI. In addition, a penalty of ₹0.73 crore was imposed on CMA.

The CCI has asked cement companies to 'cease and desist' from activities related to 'agreement, understanding or arrangement on prices, production and supply of cement in the market'

The CCI reconsidered the matter after the Competition Appellate Tribunal last December set aside its orders and asked the watchdog to take up the case afresh. In 2012, it had ordered 10 companies to pay ₹6,317 crore after the Builders Association of India accused them of fixing prices. Separately, it had imposed a fine of ₹397 crore on Shree Cement.

In its order, the CCI noted that the cement companies used the CMA platform and shared details relating to prices, capacity utilisation, production and dispatch, which allowed them to restrict supplies in the market. It mentioned in its order that "The action of the cement companies and CMA is not only detrimental to the interests of consumers but also as detrimental to the whole economy, as cement is a critical input in construction and infrastructure industry – and thus vital for the economic development of the country".

While there are around 42 cement companies in India, the CCI found that the top five companies have around 50 percent of the market share. The investigation done by the CCI revealed that the prices of the 10 companies in question moved in tandem in all the states. The cost-to-sales ratio also revealed that all these companies were earning super normal profits. While profits are good for any industry, the presence of super normal profits usually indicates an oligopoly or a collusive market structure.

Most of the 11 cement companies fined by the CCI have decided to appeal the Competition Appellate Tribunal (COMPAT) against the penalty of ₹6,714 crore. Holcim Group-owned ACC and Ambuja Cement, which together have been fined ₹2,312 crore, said the management believes that it has a strong case on merits to challenge the CCI order and has accordingly decided to appeal before the tribunal though they are yet to receive the certified copy of the order.

Aditya Birla Group-owned UltraTech Cement, which faces a penalty of ₹1,175 crore, said the company will decide on the future course of action after fully examining the order. However, most analysts feel that all the companies will appeal against the CCI order as it is very difficult to prove the charges of price cartelisation among the cement manufacturers. Previously, in December 2015, the tribunal set aside the CCI ruling and directed it to hear the case afresh.

Obviously, therefore, appeal is the way to go. Further, he pointed out that the impact of the order on price hikes seems negligible. Giving his reasons, he stated that the demand looked good and prices would continue to rise. He also noted that there is no bar on raising prices. It is the concerted effort or perception of a concerted effort, which is barred by law. So, those actions, which could be construed to be concerted would be avoided. However, raising of prices has got nothing to do with cartelisation.

Interestingly, the cement industry in India is unique, with about 60 percent of the industry's total capacity being controlled by top eight companies. It seems that the case will go on for quite a while before the cement manufacturers end up paying the fines. However, this step will go a long way in creating a precedent for actions on anti-competitive behaviour.

* *Associated with Mint. This has been abridged from an article published in* Mint *on September 01, 2016*

Key Lessons on Road to Sharing Prosperity

Martin Rama*

India's experience suggests that there are clear advantages some places have over others in helping lift populations out of poverty, but in doing so there need to be possible interventions by the state to go beyond simply investing in education and health

A thorough review of India's experience in reducing poverty over the last two decades has confirmed that poverty in India, as in other parts of the world, is associated with a lack of assets at the household level, and especially with limited human capital.

At the national level, 45 percent of India's poor are illiterate, whereas another 25 percent have a primary education at most. Further down, several Indian states, including a few high-income ones, show stunting and underweight rates that are worse than the averages for Sub-Saharan Africa. From this perspective, investing in education, health and the delivery of basic services for India's most disadvantaged people remains a key priority. Investments of this sort would enhance the human capital of the poor, hence increase their chances to prosper.

However, one new insight that emerges from this review is that returns to household assets vary dramatically depending on where a household lives and that, given the right environment, even those with limited human capital can lift them out of poverty.

The research findings show that across India, a range of top places offer much better opportunities to progress in life. These places are, however, very unevenly distributed over the map. Another important insight from this research is related to the nature of these top places in India.

While large cities are clearly more prosperous than small villages, the overall picture is more complex than the standard notion of the rural-urban divide would suggest. Granted, major cities are among India's top places. But quite a few top places are administratively rural, and some of the best in terms of living standards are actually secondary cities.

What makes these top places and catchment areas special is the job opportunities they provide. For, labour earnings are the primary drivers of poverty reduction in India. This is not to say that transfers and social programmes are unimportant. But labour earnings, from both self-employment and wage employment, account for nearly 90 percent of household income. And their increase has been the most significant contributor to higher household expenditures per capita in recent years. Top places are characterised by fewer marginal jobs, and more regular wage employment. Importantly, while female labour force participation rates decline when moving from rural to urban areas, they do not do so when moving from bottom and average places to top places and their catchment areas.

The question then is: what would be needed to create more of these top places across India, and to get living standards elsewhere to converge and catch up?

At the state level, there is little convergence in India. With the possible exception of Rajasthan, and most recently Bihar, low-income states grow more slowly than the rest of the country. This is a matter of particular concern, given that they are home to nearly 62 percent of its poor. Small rural places are not catching up either. But household expenditures per capita have grown faster in large rural places and small towns (the midrange of the rural gradation) than in large cities.

The most important predictor of growth is belonging to an urban cluster. The second most important predictor is related to infrastructure, and includes access to electricity and the density of roads. Places with a larger share of medium and large size firms also grow faster, as do places with a more diversified economic structure.

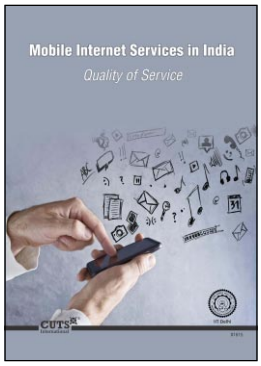
It is equally important to identify who can actually help create more of these top locations across India. A local authority also needs to be empowered to make the changes happen. Clearly, a lot lies in the hands of Chief Ministers who have the power to engineer and lead their states' turnaround. For cities that are not state capitals, however, this transformation can be more difficult, as they do lack the authority to coordinate investments and spending across sectors. Further, tribal areas, and the many rural communities that could more fully benefit from the proximity to top places, fall into this category.

* *Chief Economist, World Bank, (South Asia region). The article was published in* The Indian Express *on August 17, 2016*

Research Report

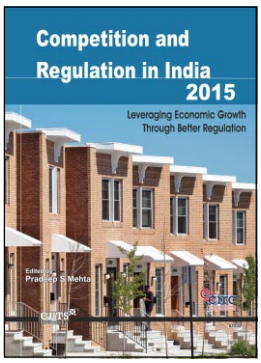
Mobile Internet Services in India

Quality of Service



In recent years, much importance has been given to issues pertaining to quality standards for voice calls and mobile internet. This report deals with the latter and discusses issues pertaining to the framework of regulations for Quality of Service (QoS) standards for mobile internet in India. The report is well timed, as TRAI has also been focusing on the issue and recently took the initiative to launch Myspeed App to measure real time mobile internet speed that is received by the consumers.

http://www.cuts-ccier.org/QOSII/pdf/Mobile_Internet_Services_in_India-Quality_of_Service.pdf



Competition and Regulation in India, 2015

Leveraging Economic Growth through Better Regulation

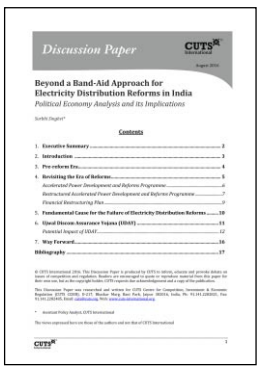
The fifth ICRR Report is timely as it coincides with the efforts of the government to introduce the Regulatory Reform Bill which aims to bring parity across all regulatory institutions by ensuring healthy competition, orderly development of infrastructure services and protecting the interests of consumers. The Report covers sectors, such as Broadcasting, Highways, Higher Education, Banking, and cross cutting sectors: bringing back competition in multilateral trade discussions, independence and competence of regulatory institutions, regulation in developing countries: growing pains of the Indian merger review regime.

http://www.cuts-ccier.org/ICRR2015/pdf/Competition_and_Regulation_in_India-2015_Leveraging_Economic_Growth_Through_Better_Regulation.pdf

Discussion Paper

Beyond a Band-Aid Approach for Electricity Distribution Reforms in India

Political Economy Analysis and its Implications



This Discussion Paper analyses issues faced by the distribution sector and evaluates the subsequent reforms vis-à-vis their effectiveness in dealing with the issues. It explains the pre-reform scenario of the power distribution sector in order to trace the evolution of problems faced by the sector. The Paper analyses the policy design and provisions of the UDAY scheme through the lens of the prevalent political economy dimension within, which the policies are to be implemented and comments on its potential impact on the sector.

www.cuts-ccier.org/pdf/Beyond_a_Band-Aid_Approach_for_Electricity_Distribution_Reforms_in_India_Political_Economy_Analysis_and_its_Implications.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, **DH:** Deccan Herald, **DNA:** Daily News and Analysis, **ET:** The Economic Times, **FE:** The Financial Express, **HT:** The Hindustan Times, **IE:** The Indian Express; **IT:** India Today, **TD:** The Diplomat, **TH:** The Hindu Business Line, **ToI:** The Times of India, **TT:** The Tribune

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.