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*

Indian Industry's Fundamental Flaw

Steve Jobs once said, "Innovation distinguishes between a leader and a follower". The Centre's 'Make in India' initiative also aims at transforming India into a manufacturing leader and thus, is being promoted aggressively by the Prime Minister Narendra Modi on all platforms.

The initiative has prompted some notable electronic manufacturers to express interest in manufacturing in India like HTC, Asus and Gionee. However, others have restricted their 'manufacturing' to merely assembling.

India imports around 65 percent of the total demand for electronics, which accounts for its second largest import after crude oil. The import translates to ₹50,000 crore of lost opportunity cost owing to limited manufacturing in India.

The Indian Electronic System and Design Manufacturing is estimated around US$94.2bn, which has grown at a Compound Annual Growth Rate of 9.68 percent since 2011. Talking about the mobile industry, notable names, such as Samsung, Micromax and Intex are assembling devices in India but the meaning of assembling is somewhat diffused. The manufacturers mainly import semi-knocked down devices, which comprise pre-mounted printed circuit boards.

The hurdles for India in becoming a manufacturing giant have been the lack of investments, weak Research and Development capacities, unsupportive policy regime and complexities in doing business. The Centre has been trying to resolve these issues by introducing initiatives, such as Ease of Doing Business, Mudra Bank and, most importantly, a new National Intellectual Property Rights (IPR) Policy.

However, even if the manufacturers were supposedly manufacturing electronic goods in India, the question would have been: Does India have the capacity for innovations? Despite the presence of a huge pool of IT engineers, India's weak innovation scenario needs reshaping.

Narendra Modi has iterated the requirement of bringing Indian patent laws up to global standards through the forthcoming National IPR Policy at the Association of Southeast Asian Nations (ASEAN) Business Summit.

An expert committee was set up by the Centre and the National Institution for Transforming India (NITI) Aayog on innovation and entrepreneurship to boost entrepreneurship and innovation in India.

India also lacks a strong Intellectual Property (IP) framework, which offers low incentives to innovate. Thus, there is need to construct a competitive, flourishing environment by prioritising scientific research with a strong IP system.

All we need is the belief in ourselves that we can innovate, not just in technology but in the way we deal with this competitive world.

India, in the current scenario, does not even have an option to get into IP trading or cross-licensing, as it has almost nothing in its kitty.

– *This cover story has been abridged from an article by Pradeep S Mehta published in* The Hindu Business Line *on December 24, 2015*

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COMMUNICATION

Spectrum Trading Norms

The telecom sector is headed for consolidation with the Department of Telecommunications (DoT) notifying spectrum trading norms. Bigger operators will be able to improve network quality by buying spectrum from smaller companies and marginal players can look at exiting by selling their spectrum.

The beneficiaries will be the big three: Bharti, Vodafone and Idea, as they seek to strengthen their presence by acquiring spectrum from smaller companies. The move will also improve the quality of service, which has deteriorated over the past few months.

"Sharing and trading norms will allow telecom companies to hold co-joined spectrum and launch new 4G conveniently. It will also allow operators to have contiguous spectrum and improve quality of service", said Rajan Mathews, Director General, Cellular Operators Association of India. *(BS, 13.10.15)*

Penalty for Poor Services

Tightening regulations, Telecom Regulatory Authority of India (TRAI) has raised the penalty up to ₹2 lakh on telecom operators for poor mobile service quality, including call drops. The penalty amount would be as high as ₹2 lakh if the operators are unable to meet the benchmark set for the quality of services in two or more subsequent quarters, stated TRAI.

As per the rules, call drop, availability of mobile towers, time taken for a call to connect, network congestion, voice quality and network related issues feature in TRAI's service quality parameters.

"The proportion (incidents) of non-compliance in case of customer related parameters is more than that of network related parameters. Hence, the Authority has decided to impose identical structure of financial disincentive in both cases", TRAI indicated. *(IE, 15.10.15)*

Audit of Telecom Firms

The government is likely to order financial audits of all 10 private telecom companies that are similar to the ones commissioned in 2009. The audit will be done for the period after 2008.

The 2009 special audit led to the DoT demanding an additional amount of more than ₹1,600 crore in fees from five companies for two assessment years i.e. 2006-2007. Companies generally pay a share of their revenue, defined according to a formula prescribed by the government, as fees.

The government claimed that they had under-reported these revenues. The demand led to several legal challenges that are still being heard by the court. Such audits add compliance and legal costs for companies and does little for the government, analysts stated. *(Mint, 20.10.15)*

RCom's Major Deal

Indian telecom operator Reliance Communications (RCom) has agreed to buy Russian conglomerate Sistema's Indian mobile phone business with a share swap that marks the first major deal in seven years in a crowded and indebted sector.

The agreement will see Sistema take a 10 percent stake in billionaire Anil Ambani's RCom, worth about US$290mn at current prices, in exchange for its operations. RCom has also agreed to cover payments for mobile airwaves to be allotted to Russian billionaire Vladimir Yevtushenkov's Sistema.

The local unit of Sistema has less than 1 percent share but it owns precious bandwidth that services the high-speed 4G network, which is expected to see a huge demand. RCom stated that it would pay what Sistema owes for its mobile broadband spectrum, which works out to about ₹390 crore per year for the following 10 years. *(TH, 03.11.15)*

Industry-friendly Policy

Citing limited spectrum for cellular services, telecom players said that the government should come out with an industry-friendly policy to facilitate roll out of optical fibre across the country.

"Optical Fibre Cable (OFC) would be more valuable than the spectrum in the coming days. Spectrum is limited and also has gone in the different tangent. In the country, we do not have proper policy to help optical fibre roll out. Moreover, 90-95 percent mobile usuage takes place when a person is at home, office or somewhat stationed", said Arvind Bali, Videocon Telecommunications Director and Chief Executive Officer.

"Government should order every new building to have provision for OFC in design plan like it is required in case of other amenitie", said Mahanagar Telephone Nigam Limited (MTNL) Executive Director Anuj Kumar Srivastava. *(BL, 27.11.15)*

Faster Wireless Internet

A new type of wireless internet technology called LiFi has been developed that could provide a connection that is 100 times faster than traditional WiFi. The technology was tested by an Estonian start-up called Velmenni. LiFi is capable of sending data at speeds up to 1 GB per second.

It transmits data by using Visible Light Communication (VLC), which is sent between networks by Light-emitting diode LED lights that flicker incredibly fast. The technology has one major limitation, which is it relies on visible light to work and cannot pass through walls.

Deepak Solanki, Chief Executive Officer of Velmenni said that the technology could be rolled out to the consumers in three to four years. However, due to LiFi's limitations, it would be likely to run in parallel with the existing technology to increase network's speed and efficiency. *(ToI, 27.11.15)*

• TRANSPORT •

Road Safety Authority

The Ministry of Road Transport and Highways has moved a Cabinet note proposing a Road Safety Traffic Management Authority, which would have a dedicated funding mechanism to implement the road safety related steps in the country. The funding will be through one percent of the Central Road Fund that accrues to the Ministry.

R Chandrasekaran, Secretary General, General Insurance Council said that data from accident or driver records were not easily available to enable insurance companies to come up with specific premium pricing policies that are specific to an area, a vehicle or a driver.

Morever, several experts emphasised on the need to have accident site data collection in a more scientific form. *(BL, 24.11.15)*

Civil Aviation Policy

The new civil aviation policy is likely to be made public by the end of October to seek views and suggestions from stakeholders and other people. Civil Aviation Minister Ashok Gajapati Raju said that the government would give about 10 days' time to the public to share their views after which the contours of the policy would be finalised for implementation.

The new policy is looking at improving air connectivity, apart from possible changes in overseas flying norms for domestic carriers. The finalisation of the civil aviation policy, however, has been delayed due to the Home Ministry flagging security concerns over allowing airlines to do their own ground handling.

The draft policy proposes to enhance regional air connectivity, rationalise jet fuel cost, promote air cargo maintenance, repair and operations, improve passenger facilitation etc. *(IE, 16.11. 15)*

Independent Regulator

Railway Minister might lose their 'absolute' power to decide on passenger fares as the current incumbent Railway Minister Suresh Prabhu has announced the decision to finalise the proposal for setting up of an independent regulator by end of 2015.

The move aimed at freeing fixing of passenger fare and freight rates from the clutches of political populism. The proposed regulator will also be entrusted the task of making regulations, setting performance standards and determining tariffs.

The regulator will have the mandate to adjudicate on possible disputes among licensees or private partners and railways. This is intended to ensure a level playing field for private players investing in railways, which are coming forward to invest in rail infrastructure.

(ToI, 02.11.15)

One-time Funding

Languishing highway projects – where promoters have run out of funds and banks are unwilling to lend – will get a one-time fund infusion from the government to complete the project. However, the promoter will have to return the funds from the toll revenue to the National Highways Authority of India (NHAI) at bank rate plus 2 percent. Such funds, which are already applicable in projects implemented on build-operate-transfer (BOT) toll basis, will be implemented in projects on BOT (annuity) basis.

The decision was approved by the Cabinet Committee on Economic Affairs (CCEA) chaired by Narendra Modi and was seen as a move to revive and physically complete languishing national highway projects.

The infusion of fund would be one-time dispensation for all such projects that have been languishing as on November 01, 2014.

(BL, 14.11.15)

New Transport Policy

Haryana Roadways, under the new transport policy, will hire buses from private operators to provide efficient and economical services to passengers on routes, for which there have been a long standing demand.

Haryana Transport Minister Krishan Lal Pawar said, "People have been raising demand to start bus service on different routes for a long time. To cater to the need of passengers, it has been decided to avail of the services of buses of private operators in the fleet of Haryana Roadways".

"At present, Haryana Roadways has a fleet of 4200 buses, which would be increased to 5000 by the end of the year 2015. The orders for purchase of 300 new buses have already been given, while the rest would be bought later", Pawar added.

(ET, 19.11.15)

Energy Neutral Airports

The Aviation Ministry has asked all airports in the country to install solar energy plants on the lines of the Kochi airport, the world's first aerodrome that runs completely on solar power.

Union Aviation Minister Ashok Gajapati Raju that he has asked the Airports Authority of India (AAI) to make at least four airports energy neutral in the first phase ending February 2017 – which means these aerodromes will generate electricity through solar energy – and start work on other airports simultaneously.

"I have asked AAI to work towards fulfilling their power needs by harnessing solar energy. Four AAI airports will be producing more than their requirement as they migrate to solar energy between now and February 2017", mentioned Raju. *(ET, 09.12.15)*

• OIL & GAS •

Boosting O & G Investments

The Government is considering a special policy dispensation to promote oil and gas investments in the North-east region, said U P Singh, Additional Secretary, Ministry of Petroleum and Natural Gas.

The oil and gas sector in North East region is confronted with several challenges ranging from demand-side issues to infrastructure and many others to arrest the natural decline in oil production.

Oil production has come down from 4.84mn tonne to 4.54mn tonne between 2011 and 2015 and refineries in the region are currently being fed from imported crude oil. This does not augur well with the overall vision of India to reduce oil import dependence from 77 percent to 66 percent by 2022 and almost half by 2030. *(FP, 01.12.15)*

New Policy Needs Approval

The CCEA was expected to approve a new policy within the following two months, putting in play an Open Acreage Licensing Policy (OALP) and subsequently offering 46 oil and gas blocks up for auction.

To further sweeten the new OALP, the government was not only offering investors round-the-year bidding, but also exploration and production of all types of hydrocarbons – oil, gas, shale gas and coal-bed methane under a single licence.

But a section of industry sources said that despite easing of policy contours governing the sector, global and domestic investors' response would largely depend on Indian gas pricing regime and the government's reluctance to put in play a market determined pricing regime.

(MW, 15.12.15)

Renegotiating Contracts

India's energy demand is all set to double by 2040 and even in future, a major part of energy demands will have to be met by imports. So India should renegotiate its energy contracts taking a long-term vision.

Due to steep fall in crude oil prices recently, the rates applicable to India's oil-supply contracts have become almost twice of spot market rates. This is the reason why many Indian energy companies are looking to under-lift oil and gas through contracts and are looking to buy from spot markets.

The benefit of this approach is that India can then push to re-negotiate the terms of its long-term contracts and get better rates for its imports in decades to come. Currently, most contracts use 5-year average of basket of crude oils to arrive at the applicable rates. *(IINL, 22.12.15)*

Fuelling Consumption

A new International Energy Agency (IEA) report on India's energy outlook shows that India would account for 25 percent of the rise in global energy use by 2040, exhibiting the largest growth in coal and oil consumption, as well as becoming a major player in renewable energy.

"India will be importing almost 90 percent of its oil needs, the bulk of it from the Middle East", said Fatih Birol, Executive Director of the IEA. India's domestic oil production is relatively expensive, which increases India's dependence on oil imports.

With oil prices ruling at historic lows, India's energy security priorities should focus on growth of infrastructure. "While the government, we see, is taking steps in this regard, India needs to mobilise capital to build infrastructure to the tune of US$110bn every year", Birol said. *(ToI, 28.11.15)*

New Auction Policy Soon

The Ministry of Petroleum and Natural Gas plans to be ready with a new policy for auctioning hydrocarbon blocks by the end of the fiscal, said Dharmendra Pradhan, Minister of State (Independent Charge) for Petroleum and Natural Gas.

The Ministry proposes to give pricing and marketing freedom for natural gas produced from hydrocarbon blocks auctioned in the future. It also proposes to introduce a uniform licensing policy, revenue sharing contract as well as an open acreage licensing policy.

For the new bidding rounds, the aim was to make it more progressive, more transparent and more market-friendly, he said. Further, he mentioned that the falling crude oil price will not change the government's targets and commitments towards increased green energy usage. *(BL, 17.11.15)*

Setting CGD Network

The Petroleum and Natural Gas Regulatory Board (PNGRB) has put out 34 areas for bidding to set up city gas distribution (CGD) networks under the six rounds of auction. In the latest round, PNGRB has invited bids for development of CGD network in nine states.

An official at the downstream regulator said that in the fifth round, the areas where bidders showed interest have been awarded. "The remaining would be put out again for bidding once market condition improves", the official added.

In accordance with Prime Minister Narendra Modi government's plan to roll out cleaner fuel to newer cities, as many as 46 new districts in the country could see CGD networks being rolled out in 2015-16. *(FE, 05.10.15)*

• POWER •

Offshore Energy Policy

The winners of the offshore wind energy blocks will lose their contracts if they fail to start commercial production within a specified time frame from date of signing the contract.

This has been stipulated in the National Offshore Wind Energy Policy, which would be notified shortly and has authorised the National Institute of Wind Energy (NIWE) to conduct the auction. Oil and Gas exploration firms, sea-bed mining firms and others who have existing leases on offshore blocks can participate in installation of wind farms on their existing acreages.

"NIWE will enter into contract with the successful bidder/the developer of offshore wind energy power project and collect lease fee from the developer during survey, construction and operation phases", the policy states. *(BL, 01.10.15)*

Making Discoms Efficient

The new tariff policy will boost the regulatory mechanism and bring efficiency in the functioning of discoms, Power Coal and Renewable Energy Minister Piyush Goyal said. The Ministry of Power is in the process of getting approval for this from the Union Cabinet. The Central Government had approved the Tariff Policy under the provisions of Electricity Act 2003, in 2006.

"The policy will reflect a concern to environment and encourage renewable energy. It will encourage faster roll out of investment in the sector. We will come out with a new tariff policy very soon", added Goyal.

It will allow distribution companies to buy any amount of power produced from the waste. The power plants will have to use processed municipal wastewater available in their vicinity (in 100 km radius)", said Goyal.

(ET, 19.11.15)

Meeting RE Targets

India is working towards achieving its ambitious renewable energy targets much ahead of the declared timeframe, Piyush Goyal said in Kochi.

Wind Power Growth

The country's wind power capacity will grow by 2,800 MW this fiscal, registering a jump of 20 percent, mainly on the back of strong policy support that has encouraged independent power producer (IPP) and non-IPP segments, Investment Information and Credit Rating Agency (ICRA) has said.

The growth will be driven by IPP segment, which was encouraged by satisfactory feed-in tariff based power purchase agreements in wind energy rich states and cost competitiveness with conventional power and the non-IPP players.

The agency, however, noted the sector continues to face regulatory challenges arising out of wide variance in Renewable Purchase Obligation (RPO) norms, weak compliance of the same by obligated entities and absence of enforcement of penalty framework by State Electricity Regulatory Commission (SERCs) for any shortfall in RPO compliance. *(ToI, 10.11.15)*

India has pledged to curb its greenhouse gas emissions up to 35 percent from the 2005 level, by producing more electric power from non-fossil fuel-based energy resources. "I am confident that we can achieve the renewable energy targets, not necessarily six-and-a-half years from now, but possibly even in four-and-a-half years from now, if we all work together as a team", Goyal said.

Moreover, referring to India's announced renewable energy plan, whereby the target for installed solar power capacity has been set at 100 GW by 2022, the Minster sought the cooperation and support of the states to make it a reality by 2020. *(FE, 06.11.15)*

Enhancing Solar Capacity

The country is expected to sustain the momentum in solar capacity addition and 2016 is forecast to see a significant increase in new capacity as compared to 2015 on the back of favourable policy support and continuing action at the ground-level.

Annual solar installations are forecast at 3.64 GW for 2016 on comparing with the expected addition of 2.15 GW in 2015, according to Mercom Capital, a global clean energy communications and consulting firm. National Thermal Power Corporation (NTPC) and Solar Energy Corporation of India are expected to put about 5,500 MW worth of projects.

Meanwhile, 21 states have so far agreed to set up a total of 27 solar parks with a combined capacity of 18,418 MW, as part of the Union Government scheme, according to the Mercom report. *(TH, 18.11.15)*

Stakes in Power Projects

The Bharatiya Janata Party (BJP)-led Maharashtra government proposes to pick up equity through its undertaking, MahaGenco, in various power projects set up by independent power producers (IPPs).

These coal-based projects with a generation capacity of 2,000 MW are currently lying idle, or running below their capacity, due to lack of any power purchase agreements (PPAs).

Maharashtra Energy Minister Chandrashekhar Bawankule said, "The state Cabinet will take a call on the acquisition of 49 percent or 51 percent equity in these IPP projects". The Minister said that after acquiring equity, MahaGenco would help IPPs operate, maintain power plants and improve its functioning with higher plant load factor. *MahaVitaran* would subsequently enter into long-term PPA with these IPPs. *(BS, 10.10.15)*

High Corporate Leverage

The Reserve Bank of India (RBI) has expressed concern over high corporate leverage as bad loans from the country's top corporations have increased sharply between March and September, 2015. "Corporate sector vulnerabilities and the impact of their weak balance sheets on the financial system need closer monitoring", said RBI Governor Raghuram Rajan.

A significant increase in the Gross Non-performing Asset (GNPA) ratios of large borrowers among public sector banks, from 6.1 percent in March 2015 to 8.1 percent in September 2015, has led to an increase in the GNPA ratio of the banking system, according to a report. As a result, standard assets among large borrowers declined from 86.2 percent of total gross advances as of March 2015 to 84.5 percent as of September 2015. *(TH, 23.12.15)*

Need for Insurance Index

More than measuring insurance penetration as a measure of premium income, it is important to quantify it as a measure of financial and social progress, states a joint research report by the Associated Chamber of Commerce of India (ASSOCHAM) and credit rating agency CRISIL.

As per the study, there is a need for a comprehensive view on insurance penetration including the analysis of penetration of insurance agents. To make sure that growth is inclusive, penetration of various kinds of insurance, such as micro insurance, livelihood insurance and others should also be considered to ensure inclusive growth.

A gender-based view is also required. It is important to know the number of female policy holders to gauge whether insurance and financial services are accessible to both sexes equally. *(TH, 19.10.15)*

Action for Mis-selling

For the first time since they began selling insurance policies in 2002, banks would be held accountable for mis-selling them. A bank and its specific employee, found guilty of mis-selling of insurance products, will face action under the new Insurance Act.

The Insurance Regulatory and Development Authority of India (IRDAI) has directed banks to map policies sold by their employees and maintain records that it could access in case of a complaint. The new law defines corporate agents as intermediaries, representing the customer. "...they have to act in the best interest of the customer", IRDAI Chairman T S Vijayan said.

Earlier, banks were reckoned as agents and representatives of the insurance companies. Besides, IPDAI will also come out with regulations on corporate governance. *(ToI, 02.10.15)*

Profitable *Jan Dhan*

What could have turned out to be another political rhetoric, might just turn out to be a profitable business proposition for the government after all. At least, that is the idea one gets if one looks at government's financial inclusion related figures in the name of *Jan Dhan Yojana* accounts.

Since its launch in September 2014, the share of non-operative or zero balance accounts has slid to 36 percent from 77 percent earlier. About 19 crore accounts have been opened with about ₹27,000 crore balance; it was a meagre ₹4.27 lakh in 5.37 crore bank accounts more than a year ago, reveals government data.

"With saving deposits balance, banks can target those healthy accounts offering new products", stated Soumya Ghosh, Chief Economic Adviser, State Bank of India. *(ET, 19.11.15)*

Resolving RBI-IRDA Tiff

The Finance Ministry has stepped in to resolve differences between the banking and insurance regulators over whether insurance companies should provide capital to state-run banks.

The IRDAI has strongly opposed a proposal backed by the banking regulator, RBI, to allow insurers to invest in the additional tier-1 (AT-1) capital instruments issued by banks. The RBI has favoured the proposal, arguing that it could be an important source for raising the Basel-III compliant tier-1 capital.

"It is being examined. We are looking to bring both regulators on board given the burgeoning capital needs of Public Sector Banks (PSBs) to be compliant with Basel III norms", a Finance Ministry official said. *(ET, 04.11.15)*

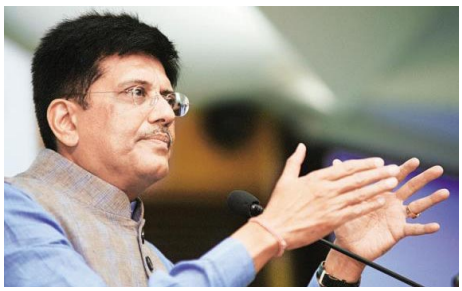
Providing Automatic Route

India is planning to put around 98 percent of sectors that are open to foreign investments under the automatic route, so that investors are spared of the trouble of approaching either the Finance or the Commerce Ministry for any approval, a senior government official stated.

"We are putting maximum sectors of Foreign Direct Investment (FDI) through automatic route. Our belief is that nobody should come to the government. So we get 92 percent of FDI coming through automatic route. We are targeting that almost 97-98 percent must come through the automatic route", stated Amitabh Kant, Secretary in the Department of Industrial Policy and Promotion (DIPP).

"We do not want any businessman to enter Udyog Bhavan (the Commerce and Industry Ministry building), we do not want any businessman to enter the Finance Ministry", he added. *(FE, 25.11.15)*

India's Investment Thrust Will be towards Renewable Energy: Piyush Goyal



Coal, Power and Renewable Energy Minister Piyush Goyal states that he is inaccessible to industrialists unless they meet him in a group, also mentions in an exclusive interview that his government and the states will ensure that losses of state distribution companies, which exceed ₹60,000 crore, will be wiped out completely by 2019

What is the overall package for discoms?

The proposal has three dimensions. First is, what we do with the past, something I have inherited. We are sorting out what needs to be done for the past. Second, we are working on a three-year plan to bring down aggregate technical and commercial (AT&C) losses to 15 percent nationally from 27 percent now. This could not be brought down in 05, 10 or 15 years, the way they used to think in the past. In three, three-and-a-half years I want to bring national losses down to 15 percent.

Costs can come down 10 percent by efficiently managing coal and its output. National Thermal Power Corporation's (NTPC's) assessment is that its power costs can come down about10 percent. That is the three-year programme in which we hope that other than routine regulatory increases, which the regulator passes, we might not need a very significant increase. The third is for the future, to provide for a hard budget constraint so banks do not lend indiscriminately to discoms and states are conscious they cannot allow discoms' losses to accumulate over a long period of time. Fortunately, all states have agreed with us. In three years, ₹60,000-70,000 crore loss of discoms will be zero by 2019.

Where will the money to repay banks come from?

It will come over a longer period of time from within the state's resources. We do not know how. We do not decide what states do with their money.

What policy will you use to implement the discoms' programme? What is the carrot, what is the stick?

As far as the carrot goes, I am not giving any cash subsidy or money like that. But in the past 17 months, not a single state that has come to meet me has gone back empty handed. Not in a single state review meeting have we passed on things to be resolved to be taken up in the future. There will be a hard budget constraint. In future, you have to recognise that this is a state government responsibility and fund it.

What will be done now? The basic issue is that these discoms do not have money.

It will be a gradual process. We have discussed with states involved, and we have come to a solution for what needs to be done for the past along with the RBI, banks, states and the Centre. All have together come to a solution.

What are the objectives of the tariff policy that is being planned?

There will be a major change in the renewable sector. We will be bringing much tighter commitment both for renewable purchase obligation (for discoms), and we are introducing for generating companies an installation commitment. A company setting up a coal plant will also have to set up a renewable plant. There will be a greater thrust on competitive bidding in transmission, power purchase, at the same time giving states the ability to encourage capacity increases, by increasing existing capacities liberally.

I do not want projects to take 10 years to set up. My own sense is more and more projects will come on existing sites. For wind, we want old capacity to be replaced by bigger, modern capacity. Plants should expand capacity at same location. An old plant has land, water, environment clearance. We are also providing that for renewable energy there will be no interstate transmission charges. Wherever waste to energy – as part of waste-to-wealth that the Prime Minister has articulated can be set up, must be set up and state will have to buy that power.

We will integrate it with *Swachh Bharat*. Similarly, for municipal waste water, wherever it could be processed, we will encourage treatment.

Globally, new investment in renewable energy has exceeded fossil fuels. Will this happen in India?

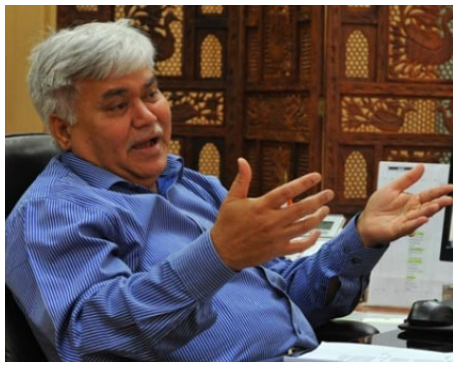
In terms of installed capacity, it will also happen in India. Already, we are not encouraging any fossil fuel projects. We are completing stalled ones. A few Ultra Mega Power Projects (UMPPs) will come up. In the following two-three years, I do not see the possibility of fossil fuel plants. I have enough capacity to double power generation in the following five-seven years. So I will be planning for seven years and beyond. Investment thrust will be totally skewed towards renewable energy.

– *Abstracted from an Interview appearing in* The Economic Times *on December 28, 2015*

Towers Not to Blame for Poor Services: TRAI

Pankaj Doval*

With a penalty regime set to kick in for call drops from the following year, telecom regulator TRAI has warned mobile operators against using 'excuses', such as tower and spectrum shortage for providing deficient services to customers. The regulator has also said that companies cannot focus on the lucrative data business at the cost of voice services, terming it as an 'unethical' practice.



"We have issued the (penalty) regulation after consultations and processes. There is a view in favour of what we have issued. You cannot charge a customer for a service, which you have ot delivered", said R S Sharma, Chairman of TRAI. "So if there is a deficiency in services, it has to be definitely compensated. That is the natural principle". Mobile operators and their lobby group, such as Cellular Operators Association of India (COAI) have moved Delhi High Court against TRAI's move to mandate a penalty for call drops (currently restricted to three calls in a day).

The operators, which include Bharti Airtel, Vodafone, Idea Cellular and Reliance Communications, have often blamed 'inadequate spectrum' and 'not enough towers' for the poor services. Sharma disagreed with the argument. "This is not a case everywhere. While I cannot deny that a tower dislocation somewhere might have contributed (to call drops) or more spectrum might have helped somewhere, but that does not mean that these two things become the sole excuse for not providing services".

In addition, he stated that licensing conditions put the onus on companies to ensure adequate infrastructure to run their operations. "It is not the government's or the licensor's responsibility to provide places to telecom operators for towers. It is their job. It is a part of the licensing condition and thus cannot be taken as an excuse" .

Mobile operators have decried the penalty regime and said that it has the potential to make their businesses unviable as it would result in a huge financial burden. Sharma refused to accept the argument and said that TRAI's calculation shows that there will be a minimal burden on telcos due to this and it was just a 'notional compensation' for customers. "The total calls made in a year are little over 1 lakh crore. Of this, around 800 crore calls get dropped across operators nationally. So, if one call gets compensated at ₹1, the total penalty will be only ₹800 crore on total industry revenues of ₹1.76 lakh crore. This is less than half a percent of the industry's revenues", Sharma stated.

"Also, of these 800 crore dropped calls, an estimated 200 crore will not be counted as they are dropped outside the home network. And of the remaining 600 crore calls, we are billing only three calls per person on a daily basis, which should make it even lesser", added Sharma. Sharma also asked the operators to ensure that the growth in data business does not have an adverse impact on the voice services, something that the telecom department has also pointed out earlier.

"Do not ignore your voice customers at the cost of your upcoming and future business. This should not be done", said TRAI Chairman when asked whether the intense focus on 4G business has been impacting the voice operations on 2G. "This is not ethically correct. You have to put up extra infrastructure and efforts".

The telecome operators, on the other hand, have sought quashing of TRAI's order dated October 16 ruling mandating service providers to pay subscribers ₹1 per call drop experienced on their network, subject to a cap of three a day. Senior Advocate, Harish Salve, appearing for the cellular operators, told the court that the penalty was being levied without considering the infrastructure problems faced by the companies. He said that if the companies do not comply with the regulations from January 01, 2016, then they feared their licenses might be cancelled for breach of license condition.

In their plea, the operators have said that the subject matter is already covered by a prior and existing quality of service regulation, 2009, dated March 2009, and hence this is an occupied field. They have also said there is no clause dealing with compensation even in the license.

"On the contrary, as per the licence agreement, the operators are not required to cover the entire service area. The operators are mandated to roll out their network so as to cover 90 percent service area in metro. There is no requirement of mandatory coverage in the rural area", their plea said.

* *Reporter with* Times of India. *This feature has been adridged from article appearing in* Times of India *on December 28, 2015*

Government Has to Open Purse Strings to Get New Highways

Anil Sasi*

The road sector is being widely touted as the only glimmer of hope in a bleak core sector narrative, but the numbers tell a different story.

An estimated 7,500 km of highway projects have been deemed to be at high risk of not being completed, including 5,100 km under construction and 2,400 km of operational sections that were awarded mostly between fiscals 2010 and 2012 on the Build, Operate, Transfer (BOT) format.

Estimates prepared by the research arm of rating agency Crisil show that of the projects under construction that are at high risk, around 50 percent are due to significant cost over-runs and weak wherewithal of sponsors. Finding it difficult to award highway sections to private developers, the Ministry of Road has resorted to a sharp shift from the BOT model to the government-funded Engineering Procurement Construction (EPC) format.

The EPC model is less capital-intensive and the developer is largely insulated from the traffic risk – the government makes the payment and the developer's responsibility ending with delivering the completed project.

Under the BOT model, where the developer funds the project and earns returns from toll collection for the duration of the concession, the capital is locked in for a long period with the risk of revenue not adequately covering for construction and debt servicing costs.

Road Transport and Highways Secretary Vijay Chhibber said that about 80 percent of road projects are being offered under the EPC route currently, with BOT and hybrid annuity accounting for the rest. "As the market changes, we will increasingly move away from EPC and in favour of hybrid annuity and BOT", he said.

The hybrid annuity model is a mix of the EPC and BOT models, where the road authority will provide an initial grant of up to 40 percent of the cost with the developer chipping in with the rest and completing the project. Data from India Ratings and Research – a unit of Fitch Ratings – shows that 21 highway projects worth ₹26,000 crore failed to attract bids over the last two fiscal years. As a result, the National Highways Authority of India (NHAI) had to fall back on EPC contracts to plug the gap – from nearly an all-BOT road model during 2008-09 and 2012-13, the share of BOT dipped below 15 percent in 2013-14 and 2014-15. For instance, out of 7,980 km length of national highways awarded during the year 2014, just 700 km had gone on public private partnership mode and the rest were all EPC projects.

But even if a large-scale shift to EPC were to happen, there are bound to be tremendous constraints on funding. A parliamentary panel review report in December flagged that NHAI was able to spend only ₹6,208 crore out of ₹23,691.8 crore, or about 26 percent, allocated during 2014-15 at the Revised Estimate stage (in the budget for 2015-16).

The official contention of the Road Ministry, though, is that during 2014-15, the NHAI recorded total cash outflow or expenditure amounting to ₹23,696.19 crore and that the company actually used borrowings amounting to ₹2,876.40 crore to bridge the gap between resources from the government and its cash outflows. While there seems to be some pickup in project awards, the outlook for under-construction projects is turning bleaker.

"Under-construction projects require equity and cost-overrun support of around ₹28,500 crore over the following two years. Of this, about ₹16,000 crore could be stumped up from internal accrual of sponsors and sale of stake at the special purpose vehicle level. That leaves a significant shortfall of ₹12,500 crore", said Sudip Sural, Senior Director, Crisil Ratings.

On the issue of projects awarded between 2010 and 2012 being at a high risk of not being completed, Chhibber admitted that the government has worked hard to work a way around the legacy issues that were dogging progress of road projects. "The real game changer is the recognition within the government that we might have also contributed to the languishing projects, in terms of delays in clearances and land acquisition. So, we have taken a decision that to the extent that the delay is on account of such factors, we will compensate the developer. This is a major policy shift… the acceptance of the fact that the government has not met its side of the bargain", Sural added. He also said that in some cases, the concessionaire might have taken out more money out of the project and is presently not interested in its completion.

* *Senior Editor with* The Indian Express. *This article was published in* The Indian Express *on December 22, 2015*

M&As to Take Off

M&As have not quite taken off in 2015 and corporate law firms feel that uncertainty in India relating to good and services tax, regulatory, legal and tax clarifications are the key reasons. Till November, the value of M&A deals was US$29.6bn as compared to US$37.4bn in the year 2014.


www.channelnomics.com

Many of the deals have been driven by an increase in sales and restructuring of stressed assets as highly leveraged firms tried to reduce debt. In some other sectors, such as insurance, deals have been driven by liberalisation.

Top deal that has happened so far in the current year is all-share US$2.2bn merger of Cairn India with Vedanta Ltd. followed by ONGC Videsh Ltd's decision to buy a 15 percent stake in CSJC Vankorneft for US$1.2bn. *(IE, 29.11.15)*

Growth Rate of 7.4 Percent

India's gross domestic product (GDP) would grow 7.4 percent in 2015-16, much lower than current official estimates of 8.1-8.5 percent, the National Council of Applied Economic Research stated in its mid-year review of the economy.

National Council of Applied Economic Research's (NCAER's) projections are at par with RBI's GDP growth estimates of 7.4 percent in September monetary policy, and within the range of 7.3-7.6 percent estimated by the International Monetary Fund (IMF), World Bank, Moody's Analytics, and Asian Development Bank (ADB).

The report noted that while inflation had moderated, expectations continue to be high and inflation volatility showed signs of escalation. The report credited the government for doing 'largely commendable' work on fiscal front, compared to same period in the previous year.

(BS, 14.11.15)

Free to Sell Online

India has issued a press note to activate recent changes in Foreign Direct Investment (FDI) policy that has liberalised the rules for foreign investment considerably. Under the policy, a company manufacturing goods in India is free to sell online without any restriction.

The move will give a major boost to 'Make in India' initiative, which hinges largely on the success of manufacturing sector. Companies assembling products in India, such as those in the automobile or telecom sector stand to gain by the definition of manufacturing while those who have simply been processing of relabelled products would not qualify as manufacturers.

The policy has also authorised the Foreign Investment Promotion Board (FIPB) to clear proposals up to ₹5,000 crore from ₹3,000 crore at present, speeding up the approval process.

(ET, 25.11.15)

Panel to Push Projects

The Government has set up a committee to push innovative collaboration joint ventures involving investment of over ₹2,000 crore with a view to create jobs, promote exports, and increase the potential of revenue to the exchequer.

The Empowered Committee for Innovative Collaborations will be headed by NITI Aayog Vice-Chairman and its members would include the Economic Affairs Secretary and the Industry Secretary.

The Committee will advise the state governments, FIPB, and other agencies to convert the concept into implementable projects. The Committee would evaluate the proposal with regard to its desirability in the public interest, having regard to employment generation and revenue generation for government, import reduction, export promotion, and similar social/economic considerations. *(BL, 13.10.15)*

Rajasthan's New Start up Policy

Rajasthan Chief Minister Vasundhara Raje has released the state's first start up policy to promote sustainable entrepreneurship in the state during 'Rajasthan Start up Fest 2015' in capital city Jaipur. The new start up policy, which would be valid for a period of five years, targets to set up 50 incubators and support to over 500 innovative start ups among others.

The event witnessed participation from more than 500 people including about 100 start ups in various fields – event management, health care, property, organic farming and others, 20 venture capital investors, 30 mentors and start up coaches as well as 50 speakers from the state and across India.

Arun Nanda, Chairman of Mahindra Holidays and Resorts India Limited announced that he would be mentoring three start ups in the state.

(ToI, 09.10.15)

New Growth Driver

India has overtaken China as the Asia-Pacific region's growth leader, global rating firm Standard & Poor's indicated. However, region's new growth driver would be consumption by the rising middle class and the leader of this drive will be China.

The firm said growth in Asia-Pacific in 2016 and 2017 is likely to be sluggish but still better than that in the rest of the global economy. "Asia-Pacific will need to adapt to changes in the growth drivers to ensure continued relatively strong, balanced, and sustainable growth", said Paul Gruenwald, Standard & Poor's Asia-Pacific chief economist.

"We are now projecting 5.3 percent growth in the region for 2016 and 5.2 percent for 2017, down fractionally from our previous report", said Gruenwald. *(IE, 25.11.15)*

India Prepared for Global Turbulence

Bijoy Das Gupta*

Lima, capital of Peru (South America) proved a convivial setting for the recent annual meeting of World Bank/International Monetary Fund (IMF), but the mood was downbeat. Worries about China and Emerging Markets (EMs) took centre stage. The IMF forecast EM growth to moderate to a six-year low of 4 percent with only a small upturn in the following year. The Institute of International Finance (IIF) also projected non-resident capital inflows to EMs to fall below 2008 levels in 2015, with only a moderate recovery in 2016.

The gloomy prognosis reflected the congruence of a number of negative factors. The first was uncertainty surrounding the magnitude and path of Federal Reserve rate hikes, which led to heightened risk aversion from mid-year. A slowing China reflecting both cyclical and structural strains, and negative spill over for world trade was another factor. Its surprise mid-August depreciation also elevated global uncertainty.

A third factor was the end of the commodity super cycle. While commodity producers have been hit by weak prices, gains for commodity importers have been slow in coming in part due to consumers and corporates so far holding on to savings and/or deleveraging. Other factors were slow progress in reforms in many EMs, along with the political concerns.

Overall, EM growth has fallen with weak exports and subdued domestic demand. Asset prices and currencies have come under pressure notwithstanding a recent rally. The countries most affected were those with large current account deficits, commodity sectors, and heavily indebted firms and consumers exacerbated by political uncertainties. EMs with large foreign holdings of domestic stocks and bonds suffered. Brazil and Turkey stand out, but Malaysia and Indonesia were also hit.

Against this challenging backdrop, India is one of the few bright spots in the world economy. A necessary building block was the measures taken by the Congress-led government to curb fiscal and current account deficits in the wake of the 'taper tantrum' in mid-2013. Thereafter, Prime Minister Narendra Modi's reformist government gave a much needed shot in the arm, along with the sharp decline in oil and gold prices.

While not a 'big bang', the incremental reforms by the Bharatiya Janata Party (BJP)-led government are helping strengthen the economy's foundations. The fiscal programme has encompassed deficit reduction, elimination of fuel subsidies, more productive spending and expanded privatisation. The government is transferring more resources to the states and ranking them based on the Ease of Doing Business to spur competition and make India more investor-friendly. Administrative and governance reform has been a priority.

Financial sector reforms have also made good progress, including the focus on financial inclusion. FDI limits have been enhanced and railway projects opened to the private sector. Legacy tax disputes are being resolved.

While not a 'big bang, the incremental reforms by the government are helping strengthen the economy

Further, improving economic performance, lower inflation, falling current account deficit, limited exposure to China, and liberalised regime for portfolio flows underpin India's being favourably regarded by foreign investors.

While the new standard is subdued global growth accompanied by periodic market volatility, the improved policy environment and a dovish Fed bolster India's resilience and should sustain sizeable capital inflows.

Moreover, there is a lot of catching up to do, not least with the ageing dragon, along with many downside risks to navigate. Important reforms have so far failed to gain traction, in part due to opposition intransigence in the Rajya Sabha, including the goods and services tax and amendment of the land acquisition Act. Greater effort is needed to unblock stalled projects, which are contributing to stretched balance sheets of many infrastructure companies and making bankers risk-averse. In the face of opposition at the centre, a stronger push for labour and land reforms in states would be helpful, championed by BJP-controlled ones.

In this regard, the US provides a good example of reforms often being led by states while Congress is paralysed by partisanship. Meanwhile, whatever the outcome of the Bihar elections, Modi should not lose sight of those who gave his government a decisive five-year mandate for reform and change in the 2014 Lok Sabha elections. To the extent that the government continues to deliver on reforms, voters and markets should reward good policies.

* *Chief economist for Asia-Pacific Institute of International Finance, Washington DC. This feature was published in* Mint *on October 20, 2015*

India's Rank Ease of Business

India has jumped 12 places in the World Bank's Ease of Doing Business index on the back of the reforms undertaken by the government to improve the investment climate.

The country ranks 130 out of 189 countries in the Ease of Doing Business, moving up four places from past year's adjusted ranking of 134. India improved its position on three counts – starting a business, getting construction permits and accessing electricity – in the latest edition of the Ease of Doing Business index.

(IE 25.12.15)

Rise in Brand Value

India has moved up one position to become the world's seventh most valued 'nation brand', with an increase of 32 percent in its brand value to US$2.1bn. The US remains on the top with a valuation of US$19.7bn, followed by China and Germany at the second and the third positions respectively, as per the annual report on world's most valuable nation brands compiled by Brand Finance.

The report also said that India's 'Incredible India' slogan has worked well, while Germany suffered due to the Volkswagen crisis. Among the BRICS nations, India is the only country to have witnessed an increase in its brand value with all others – Brazil, Russia, China and South Africa – seeing a dip in their respective brand valuations. *(ToI, 02.11.15)*

4th in Black Money Outflow

India ranks fourth in black money outflows with a whopping US$51bn siphoned out of the country per annum between 2004-2013. As per the US-based think-tank's report, a record US$1.1tn flowed illicitly out of developing and emerging economies in 2013, the latest year for which data is available.

The study entitled 'Illicit Financial Flows from Developing Countries: 2004-2013' shows that illicit financial flows first surpassed US$1tn in 2011 and have grown to US$1.1tn in 2013, marking a dramatic increase from 2004, when illicit outflows were just US$465.3bn.

Governments should significantly boost their customs enforcement by equipping and training officers to better detect intentional mis-invoicing of trade transactions, particularly through access to real-time world market pricing information at a detailed commodity level, stated the report. *(IE, 09.12.15)*

Most Preferred State by Women

A recent survey has ranked Tamil Nadu at first position among preferred states for working women in India. India Skills Report 2016, was prepared by Wheebox, a global talent assessment company in association with Confederation of Indian Industry, LinkedIn, PeopleStrong and Association of Indian Universities.

Tamil Nadu is followed by Uttar Pradesh, Rajasthan, Haryana, Andhra Pradesh, Delhi, Gujarat, Kerala, Karnataka, and Punjab among the 29 states and seven Union Territories surveyed.

Tamil Nadu is closely followed by Delhi at second place with 45 percent of employable workforce in the 18-21 age group. It has lost its top-10 position from the 2015 survey for employable workforce in the 22-25 and 26-29 years age group. *(BS, 27.11.15)*

Share of Richest in Wealth

The richest 1 percent of Indians own 53 percent of the country's wealth, according to the latest data on global wealth from Credit Suisse. The richest 5 percent own 68.6 percent of the country's wealth, while the top 10 percent have 76.3 percent. At the other end of the pyramid, the poorer half of our countrymen jostle for 4.1 percent of the nation's wealth.

The data shows that the difference between the share of the top 1 percent and that of the top 10 percent was 29.1 percentage points in 2000, but is down to 23.3 percentage points in 2015. Between 2010 and 2015, the share of the poorer half of the population shrank from 5.3 percent to 4.1 percent. *(Mint, 14.10.15)*

India Improves in Gender Index

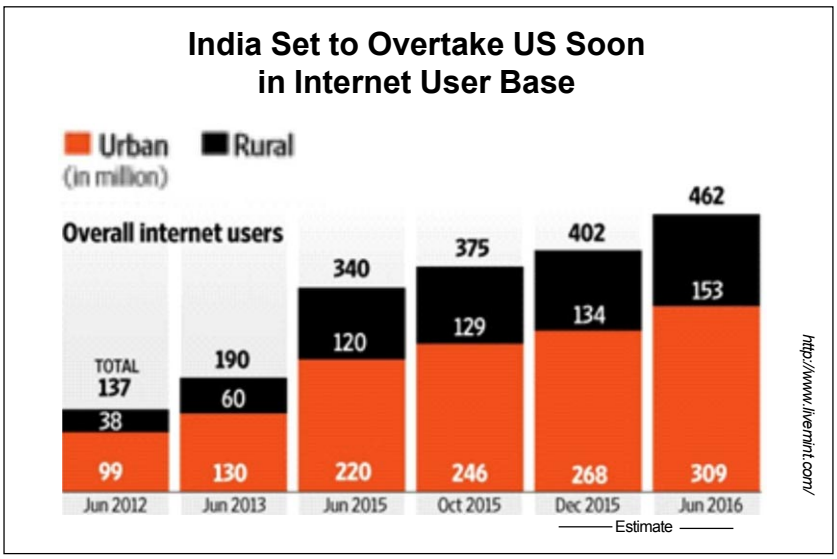
On the back of stronger representation of women in political leadership, India has moved up six spots to 108th position in 2015 from 114 in 2014. Amongst 145 countries in the global gender gap index prepared by the World Economic Forum, Iceland has once again topped the rankings followed by Norway and Finland at second and third spots, respectively.

The rankings are based on a country's performance in terms of economic participation and opportunity, educational attainment, health and survival and political empowerment. In health and survival, another of our four pillars, India has also regressed over the past decade – in 2015 it ranks 143 out of 145, with the same (143) ranking for one of the sub-indicators, sex ratio at birth, ahead of only China and Armenia", the index added. *(ET 19.11.15)*

Source: The Global Gender Gap Report 2015, World Economic Forum

Rise in Internet Users in India

Sanjay Vijaykumar*



The number of Internet users in India is expected to reach 402mn by December, a 49 percent jump over the previous year, making India home to the largest online user base after China, according to a report by the Internet and Mobile Association of India (IAMAI) and market research firm IMRB International. India, which has the third largest Internet user base in the world after China and the US, had about 375mn Internet users in October. By December, this number is expected to overtake US, the report said. China currently leads with more than 600mn Internet users. Active Internet users in rural India are expected to reach 117mn by December and 147mn by June 2016 on the back of growing penetration of mobile phones in the country.

Rural Internet users witnessed a 77 percent jump to reach 108 mn in October 2015. The number of active rural mobile Internet users grew about 99 percent to 80mn by October 2015, and is expected to reach 87mn by December and 109mn by June 2016, the report stated. The contribution of mobile phones as the main Internet access point in rural India has grown to 60 percent in 2015 from 38 percent in 2014. The usage of common service centres to access Internet has reduced to 6 percent from 26 percent a year ago. Online communication continues to be the primary purpose of accessing the Internet. Other activities, in which close to three quarters of the population engages in, are social networking and entertainment.

However, rural India is seeing a drop in usage of Internet for online communication, giving space to entertainment and social networking as the leading categories. According to the report, gaming through social-networking sites has picked up fast with 36 percent of the user base, up from 21 percent in the previous year. On the entertainment side, 80 percent users consume multimedia content, up 33 percent from 2014.

According to the report, men dominate the Internet user base in the country, forming about 71 percent of the total user base, while women constitute about 29 percent of the Internet users.

Internet usage among men has been growing at 50 percent, while the growth rate for women users is 46 percent. However, in urban India, the ratio of men and women Internet users is 62:38. The report also reveals that there has been a huge spurt in the number of people accessing Internet on a daily basis in urban India.

As of October 2015, 69 percent of the users were using Internet on a daily basis, a 60 percent jump over past year. Internet users in the top eight metros account for 31 percent of the total size, and Mumbai hosts the largest base of monthly active users, the report revealed. Small metros are witnessing a 60 percent jump in number of users and cities, including Surat, have the highest Internet ownership in the country.

According to the report, the high frequency usage is not restricted to only the youth and college students. This habit of accessing the Internet daily could be seen among older men and non-working women as well. About 75 percent of working women access Internet daily, and a similar percentage of Internet users among both the genders access the web at least once a week. The IAMAI-IMRB survey was conducted across 35 cities with more than one million population, including eight large metros and smaller cities, including Coimbatore, Jaipur, Lucknow, Ludhiana and Visakhapatnam.

* *Senior Assistant Editor with* The Hindu. *This article was published in* The Hindu *on November 18, 2015*

PSUs Fare Poorly in Corporate Governance

Rupali Mukherjee*

Conventional wisdom suggests that since it is the government that formulates rules, state-owned companies would be at the forefront of abiding by them. However, according to an analysis by a proxy firm, it appears that it is the public sector undertakings (PSUs), which have scored poorly on corporate governance norms mandated by the government.

These state-owned companies have violated guidelines related to board independence, appointment of audit, nomination and corporate social responsibility committees, and women Directors on the board. Proxy advisory firm Stakeholders Empowerment Services (SES) studied the top 27 listed PSUs with a market capitalisation of ₹11,22,036 crore (as on October 26), where the highest market cap was that of Oil and Natural Gas Corporation (ONGC) at ₹2,20,774 crore, and Power Trading Corporation (PTC) India had the lowest market cap of ₹1,961 crore.

According to the SES analysis, 13 PSUs among the top BSE100 companies accounted for 14.1 percent of that index's total market cap, and nearly all the PSUs are non-compliant for one reason or other.

Among the entire 27 PSUs studied, the analysis stated 25 do not meet the criteria for independence of the board, almost 50 percent failed to constitute a compliant CSR committee, while nearly 25 percent do not have a woman Director

Moreover, over 80 percent do not have a compliant audit committee and NRC (nomination and remuneration committee), the analysis adds, indicating that these PSUs, rather than being role models, have set a bad precedent.

LIC Housing Finance Limited is the only compliant company while the rest (26) are all non-compliant in some parameter or the other.

J N Gupta, founder and Managing Director of SES, said, "The government does not realise that it may be suffering a loss in valuation, as well as shareholders, due to governance deficit...", he added.

Lack of Board independence and audit committee are two serious violations". In terms of violations relating to independence of the audit committee, 16 erring companies are Mangalore Refinery and Petro Chemicals (MRPL), Bharat Petroleum Corporation Limited (BPCL) Engineers India Limited (EIL); Neyveli Lignite Corporation; Rural Elecrification Corporation; Gas Authority of India Limited (GAIL); Satluj Jal Vidyut Nigam (SJVN); Shipping Corporation of India, Coal India Oil India; National Aluminium Company; ONGC, Indian Oil Corporation Limited (IOCL); National Thermal Power Corporation (NTPC); Hindustan Petroleum Corporation Limited (HPCL) and Rashtriya Chemicals and Fertilisers Limited (RCF).

For listed Central Public Sector Enterprises (CPSEs) corporate governance guidelines have been mandated by three government agencies – Ministry of Corporate Affairs, Securities and Exchange Board of India (SEBI) and Department of Public Enterprises (DPE).

The note states that these guidelines have been made mandatory, with slight modification, by all administrative ministries to ensure implementation and submission of quarterly progress report within 15 days from end of each quarter. In 2007, these guidelines were implemented on a voluntary basis.

It further directed administrative ministries to consolidate the reports on a yearly basis and submit a comprehensive status report of compliance with corporate governance guidelines for each financial year by May 31.

The guidelines state, "In so far as listed CPSEs are concerned, they have to follow the SEBI guidelines on corporate governance. In addition, they shall follow those provisions in these guidelines, which do not exist in the SEBI guidelines, and also do not contradict any of the provisions of the SEBI guidelines".

Put simply, all listed CPSEs have to follow corporate governance as prescribed by SEBI. In addition, if the CPSE guidelines, are more stringent than SEBI norms, the same should be followed.

SES is of the opinion that discipline begins at the top, with the level of governance being of the highest order so as to create benchmarks for others to emulate. Incidentally, such widespread non-compliance has not been observed in listed PSU banks.

* *Business Journalist. This feature was published in* The Times of India *on November 23, 2015*

Beware the Disruptors

M Venkaiah Naidu*

The Bhartiya Janta Party-led National Democratic Alliance (NDA) under the leadership of Narendra Modi has declared that its main agenda was development and good governance. Modi has been mobilising support for investment and has successfully changed perceptions about India. He also took initiatives to improve the Ease of Doing Business because unless you create wealth, you will not be able to provide employment or social justice. Further, FDI norms have been relaxed in many sectors to attract investments for creating jobs and rekindling economic activity. FDI inflow has increased by US$31bn. India is being projected to emerge as the fastest growing economy after the slide of recent years.

Modi has also initiated social-security measures like the *Jan Dhan Yojana*, *Jan Suraksha Yojana*, *Atal Pension Yojana*, *Mudra Bank* (for small traders like *kirana* merchants, vegetable sellers and vendors). The minimum pension has been enhanced to ₹1,000. Efforts are being made to provide an Aadhaar card to everybody, to link them with various government benefits. The government's larger aim in this respect is a system based on JAM (Jan Dhan, Aadhaar, Mobile).

The Centre is moving towards the elimination of corruption, delays and exploitation in government schemes. The LPG and urea subsidies, Public Distribution System (PDS), payment of scholarships, pensions and even wages under the Mahatma Gandhi National Rural Employment Gurantee Act (MGNREGA), are all being streamlined. Modi has also initiated innovative programmes like *Beti Bachao Beti Padhao*, *Sukanya Samriddhi*, *Swachh Bharat*, *Make in India, Skill India, Digital India* and *Clean India* to push manufacturing and employment as well as cleanliness. There is an increased focus on skill-upgradation and human resource development.

The World Bank's 'Doing Business 2016' report shows that improvements in the regulatory environment have lifted India's ranking four places higher to 130 of 189 countries from pevious year's recalculated rank of 134. India was placed at 142 as per the original calculation.

India's performance is likely to improve further in 2016 after some of the steps taken by the government in the past few months, which are reflected in the Doing Business index. Various reforms have been implemented for the simplification of rules, procedures and compliance, and many more are underway. The Centre is also proactively working with the states to streamline various processes.

The Centre has devolved 42 percent of Central revenues to the states, 5 percent to urban local bodies, 2 percent for

natural calamities. This is a historic step in strengthening the finances of the states and local bodies to enable them to take up schemes/ projects of their priority.

In urban development, the Atal Mission for Rejuvenation and Urban Transformation (Amrut), Smart Cities acts as lighthouses for other cities to follow, HRIDAY (Heritage City Development and Augmentation Yojana) cities to revive cultural heritage, *Deen Dayal Upadhyaya Antyodaya Yojana* for uplifting the poorest of the poor, Housing for All by 2022, and the *Swachh Bharat* Mission.

Moreover, minimum support price (MSPs) for pulses have been increased by ₹200 for the first time. Farmers at present will be eligible for compensation even if crop damage is only 30 percent – earlier this was 50 percent. They are eligible for 50 percent more compensation than in the past. Soil health cards for farmers are in the pipeline to help them know the type of their soil and suitable crops for it. Food parks are coming up in various parts of the country. Credit to the tune of ₹8.5 lakh crore has been extended to farmers. In case of a family member's death, the family will get ₹4 lakh, instead of the earlier ₹1.2 lakh.

Minorities can upgrade their skills under the *Ustad* scheme, and the government is targeting to distribute scholarships to one crore students. All workers are entitled to smart cards, under which benefits like pension and insurance would be extended. A commission has been set up to identify wandering communities and extend support to them. Now, there is no need to approach gazetted officers or people's representatives to confirm identity – the government has introduced self-attestation.

Some of the government's political opponents are not able to digest the growing popularity of the Prime Minister and the government. They did not allow the Parliament to function and obstructed important legislation by virtue of their majority in Rajya Sabha. More than anything else, they continue a disinformation campaign against the Prime Minister. They think they are only harming the image of the Prime Minister, but actually, they are affecting the image of the country and, in turn, the interests of the People.

* *Union Minister for Urban Development, Housing and Urban Poverty Alleviation, and Parliamentary Affairs. This article was published in* The Indian Express *on November 02, 2015*

Aadhaar Getting Support

Finance Minister Arun Jaitley stated that the government is ready to offer legislative backing to Aadhaar, a move that will enable universal usage of the unique identity number that has been clouded by concerns that it might violate citizens' privacy.

"We cannot have a situation where Aadhar is acceptable for certain measures to be adopted by the government, but not acceptable for other kinds of measures", added Jaitley.

Most of the government's social security schemes and digital initiatives are critically dependent on use of the Aadhaar number. Uncertainty has surrounded the project after the Supreme Court restricted the use of the number until a constitutional bench delivers its verdict on a bunch of cases challenging the mandatory use of Aadhaar in government schemes and rules on the issue of privacy violation. *(Mint, 07.11.15)*

Ken-Betwa Linking Delayed

The NDA's ambitious Ken-Betwa river linking project will have to wait longer. The environment panel of the Union Ministry of Environment, Forest and Climate Change has refused to clear the project until a landscape management plan is finalised and reviewed by independent experts.

The ₹10,000-crore project to link Ken and Betwa rivers in Madhya Pradesh will require diversion of a significant area of the Panna Tiger Reserve and the construction is expected to take nine years. The government had earlier planned to start the project by the end of December.

Even after all clearances are in, the project might face legal hurdles since environmentalists have indicated that the project will seriously harm wildlife. *(Mint, 23.11.15)*

Ganga Getting Bad to Worse

The National Green Tribunal (NGT) expressed its displeasure over the vast amount of money spent on cleaning the Ganga, which, it said, has gone from bad to worse. The tribunal asked the government to name at least one place where the Ganga was clean.

Criticising the approach of the Centre and the States concerned to shift responsibilities, the NGT asked: "Would you please tell us that is it correct that more than ₹5,000 crore has been spent on the Ganga in making it worse from bad. Of the 2,500 km stretch of the river, tell us one place where the condition of the Ganga has improved". *(TH, 10.10.15)*

Call for Revised Procurement

The Comptroller and Auditor General of India (CAG) has found alleged irregularities to the tune of ₹40,564 crore in procurement and milling of paddy meant for the public distribution system (PDS). In a report tabled in Parliament, the CAG pointed to lapses that include payments of nearly ₹18,000 crore as support price to paddy farmers without authentication as also undue benefits to rice millers in the year 2013-14.

The CAG has sought the revisiting of the existing procurement and milling plans and suggested the government transfer minimum support price (MSP) directly into the accounts of farmers. It has pointed out nine major cases of irregularities, all of which put together add up to ₹40,564.14 crore. *(Mint, 10.12.15)*

Failing Sanitaion Campaign

The massive Total Sanitation Campaign launched by the Atal Bihari Vajpayee government and carried through by his successor Manmohan Singh failed to achieve its targets and make a dent in India's sanitation status, the CAG said in a report.

CAG's report on the Total Sanitation Campaign, later renamed *Nirmal Bharat Abhiyan*, was tabled in Parliament. It suggested that unless implementation is based on realistic planning and backed by large-scale IEC (information, education and communication) campaigns to bring about behavioural change in the target population, and unless overall governance at the grass-root level improves, more deployment of resources might not have a significant impact. *(Mint,16.10.15)*

CAG Raps ONGC

The CAG has rapped ONGC for poor planning in hiring and use of drilling rigs that resulted in a loss of ₹7,995 crore. In a report on utilisation of rigs in ONGC that was tabled in Parliament, CAG said, "The efficiency of rig operation was poor".

The rigs that were deployed or drilling idled for considerable periods; bulk of this idling could have been avoided by the company. The inefficiency led to lower cycle speed and commercial speed of rigs, besides the company incurring significant idling costs", added CAG.

ONGC's non-productive time or idling time of rigs ranged between 19 percent and 23 percent over the 2010-14 period. *(BL, 09.12.15)*

Forcibly Shutting down Parliament is a Crime against the People of India!

Ujjal Dosanjh*

Over the years, most parties have taken turns in Lok Sabha and Rajya Sabha to shut down the Parliament and therefore the business of the people of India that MPs are elected to conduct

Since the Parliament of India adjourned *sine die* or without a fixed date to meet again, it is time for Indians to say: "No more engineered or spur of the moment disruptions of their Parliament; it is time to say enough is enough." Over the years, most parties have taken turns in Lok Sabha and Rajya Sabha to shut down Parliament and therefore the business of the people of India that Members of Parliament (MPs) are elected to conduct.

I am always shocked at the disruptions happening on the floors of Lok Sabha or the Rajya Sabha. I have watched with keen interest India striving for its long-awaited tryst with a better, more prosperous, peaceful and inclusive future for all Indians. Indians are not interested in why and what grievance is ending up in the repeated adjournments and shutdown of either House of Parliament in India.

They could understand if some Hitler had Gestapo standing guard in the house and forcing members of Lok Sabha or Rajya Sabha to vote to curtail the basic freedoms in the country in total subversion of the expansive constitution of India; or if some new Indira Gandhi's emergency was riding rough shod over their liberties.

Clearly that was not happening when the BJP and the rest of the opposition shut down Parliament under United Progressive Alliance (UPA). And it was not happening in days just gone by when President of Indian National Congress, Sonia Gandhi's MPs repeatedly shut down Rajya Sabha. Whatever differences one might have with Modi or objections to his handling of the tolerance/intolerance or other issues, he has not been undemocratic in Parliament. MPs might disagree with his policies and peacefully agitate outside parliament and vigorously debate them from their seats inside it. But shutting down Parliament makes a mockery of the serious work MPs are sent to do in Delhi.

To not do people's work in Parliament and obstruct it to distract the public's attention from other goings on either in the courts or elsewhere in the country is highly irresponsible. As I said in shutting down Parliament no major party has been without blame; none can claim to have behaved much differently from the current Congress. The BJP did the same in the dying sessions of UPA II. And it was quite obvious the recent shutdowns of the Rajya Sabha by Congress were not motivated by any desire to push for any legislation or policy changes; and by the way even that should be unacceptable.

I have met leaders of various political parties of India and asked them the rationale for the disruptions and shuttering of Parliament. It is India's political culture, goes the answer. Culture or not, it must stop. In my almost 17 years as an elected representative in British Columbia (MLA) and Canada (MP) I never saw an MLA or an MP go into the well of the house to challenge the speaker or to disrupt.

Once the speaker is elected, his/her is the unchallenged authority to preside over often vigorous debates. MPs are all elected to and are hopefully interested in doing people's business. If so, they could make rules to never disrupt the house. It is all within their own power to conduct themselves constructively in the service of the people.

Once the speaker is elected, his/her is the unchallenged authority to preside over often vigorous debates. MPs are all elected to and are hopefully interested in doing people's business. If so, they can make rules to never disrupt the house. It is all within their own power to conduct themselves constructively in the service of the people.

As I said if some Indian Hitler's Gestapo was at the gates of Parliament to rob India of its liberties or some modern Indira Gandhi's manufactured emergency threatened India's freedoms, I could understand what just transpired – the repeated shut downs of Rajya Sabha. Otherwise, forcibly shutting down Lok Sabha or Rajya Sabha is a heinous crime against the people of India.

* *Former Premier of British Columbia and former Canadian Minister of Health. This article was published in* The Financial Express *on December 26, 2015*

Women at High Positions

India needs more women in top positions in government, academia and business, said Bill and Melinda Gates Foundation Co-chair, Melinda Gates, who wants the country to follow African nations like Rwanda on how to increase quota for women in Parliament. It ranks abysmally low – 103rd in the women in Parliament study, which was recently released with 65 women in the Lok Sabha and 31 female MPs at Rajya Sabha.

Bill Gates said that Indian girls need role models to get inspired and the Parliaments need more women for diversity of thought. Rwanda has over 60 percent quota and hence have a high number of women in parliament setting an example. In UK for example, one in every three new MPs who entered the House of Commons recently was a woman. *(ToI, 21.10.15)*

Higher Growth – Best Remedy

Making a case for stepping up growth momentum, Finance Minister Arun Jaitley stated that the country is pushing for higher growth, which is the best antidote to poverty. He said although India can take some satisfaction from its own high growth, it has potential to grow at a higher pace.

The government estimates growth to be between 8-8.5 percent in the current fiscal. In the previous fiscal, the economy grew 7.3 percent. He said the Jan Dhan-Aadhar-Mobile initiative of the government would help target beneficiaries better.

He said the country has moved from 58 percent bank connectivity to a near 100 percent. Moreover, private investment is slow and till such time that the entire cycle of private sector investment picks up, public investment has to take the lead. *(ET, 06.11.15)*

Fight against Corruption

The record increase in bank accounts and toilets is indicative of India's fight against corruption as government has abolished middlemen's role in transactions and is keeping a check on money spent on sanitation, Commerce Minister Nirmala Sitharaman has stated. She said that 190mn Indian citizens have opened bank accounts for the first time.

The balances in the accounts are small, just an average of US$21 per account. Nevertheless, Sitharaman said, 'financial inclusion' has been a major push of Prime Minister Narendra Modi's administration, not just because it can improve the finances of India's poorest citizens, but because it also helps stamp out corruption.

According to McKinsey's recent report, the government reforms in India were not only making a difference for the nation's citizens, but such moves were also making the country more attractive to foreign businesses. *(ET, 05.11.15)*

EDUCATION SECTOR

Cooperative Federalist Policy

Union Human Resource Development Minister Smriti Irani said that the new education policy, which is under consideration will be cooperative federalist in spirit. "The process of consultation on new education policy has followed the spirit of cooperative federalism", Irani said.

The Minister said, "No detention policy in schools was also being discussed as it has its own challenges". On being asked about introduction of Bhagavad Gita in schools, Irani remarked that she teaches her kids the Gita herself and does not rely upon the schools for it.

"The first school for kids is their home with parents as teachers. It is not fair to say only school has a role in child's development", she said. Responding to a question on rising 'intolerance' in the country, she said the individuals returning awards never did the same when there were instances of violence when Congress was in power. *(NDTV, 12.12.15)*

Uniform Education Policy

The government has undertaken a collaborative, multi-stakeholder and multi-pronged consultation process for formulating the New Education Policy (NEP), which included online, grassroots and national level thematic deliberations.

For facilitating grassroots consultations, relevant question templates were translated with the help of National Council of Education Research and Training (NCERT) into 12 languages: *Assamese, Bengali, Gujarati, Marathi, Hindi, Kannada, Malayalam, Odia, Sanskrit, Tamil, Telugu and Urdu*.

The NEP consultation process was discussed in the meeting of Central Advisory Board on Education (CABE) in August. The entire grassroots consultation from village, block, district to State is through the State government machineries. States have also been requested to submit their views and recommendations on the NEP. *(ToI, 13.12.15)*

Credentials to be Highlighted

Indian academic institutions should adopt a more proactive approach to highlight their credentials on the world stage, so that they do not lag behind in global rankings, President Pranab Mukherjee said while stressing that world-class education was feasible only with world-class faculty.

A higher rank improves morale, enhances job prospects of students and helps attract both quality faculty and meritorious students, he said.

Adding that world-class education was feasible only with world-class faculty, Mukherjee stressed that faculty development must be the top priority for institutions. "In the context of teaching, we have to overcome the twin challenges of closing the vacancy gap expeditiously and also attracting meritorious people to this profession. A flexible approach to mitigate shortage of teachers is needed", he added. *(IE, 22.12.15)*

Separate Pharma Minsitry

Union Fertilisers Minister Ananth Kumar said that there will be a separate Ministry for pharma and medical devices sector in the following one year, and assured that the government will soon implement the Katoch panel recommendations to cut bulk drugs import from China.

"In the following 100 days the Katoch Committee report will be implemented for the benefit of the pharma industry. We have already accepted it, is in circulation. On the inverted duty structure hampering the pharma and medical devices industries", Kumar said.

"There is a huge question of Foreign Trade association (FTA) and inverted duty structure, which needs to be attempted...I request office-bearers of PHD Chamber of Commerce to come out with a memorandum regarding these inverted duties, which will be discussed with the Finance Ministry before the budget, that is an assurance", he said. *(TH, 09.12.15)*

What's Making India Sick

Gastroenterologists were the fastest growing searched specialty across India in 2015. The top five most searched specialities in India are gastroenterologists, cardiologists, ENT specialists, paediatricians, and dentists. In Tier 1 cities, the specialities were gastroenterologists, ENT specialists, dentists, cardiologists and paediatricians.

In Tier 2 and 3 cities, the fastest growing specialities were gastroenterologists, cardiologists, ENT specialists, neurologists, and paediatricians. Practo said that it had seen an 9x growth in search volume over the year, to over 10mn searches a month. The report is derived from Practo's search data over the year.

The company used search volume from across India, as people continue to look for doctors in large cities and urban centres, Practo said.

(gadgets.ndtv.com/21.12.15)

Priority to Mental Health

Lauding the recently unveiled mental health policy, Pranab Mukherjee said that while formulating policy, government must always take care to ensure that due priority is given to human resource development in the field of mental health care and delivery. At present, there is an increasing realisation all over the world that there can be no health without mental health.

Expressing happiness that the policy covers several aspects of mental health, he said a bill on mental health care, currently under consideration in Parliament, also seeks to provide a robust legislative framework that assures standardised mental health services.

The President said that use of information technology to invigorate health care delivery also helps in reducing costs, optimising resource management and minimising paperwork. *(BS, 22.12.15)*

Spreading Resistance

The developing world, particularly India and South Africa, could be responsible for growing antibiotic resistance, thanks to galloping rates of antibiotic usage. The authors of the study explain that the poor sanitation conditions in these countries have fostered antibiotic reliance.

The overuse of antibiotics, coupled with the fact that discovery of new antibiotics has slowed considerably, has meant that resistance is on the rise – in India, for instance, the number of carbapenem-resistant Klebsiella pneumoniae infections rose from 29 percent to 57 percent in 2010.

Responding to the challenge of increasing resistance in countries like India must begin with addressing sanitation needs, while drug disbursal also would need more rigorous checks. But as long as globally uniform regulation of antibiotic use is not in place, the spread of resistance would remain a threat. *(FE, 01.10.15)*

Burning Paddy Straw

Both the Punjab and the Haryana governments have imposed a ban on burning paddy residue, which could lead to prosecution of erring farmers. However, reports from various parts of the two states suggest farmers still burn paddy straw despite being asked time and again to shun this practice and provided subsidy on farm implements like happy seeder, straw reapers for managing straw in sustainable manner.

Burning of paddy residue causes air pollution, smog and also poses serious threat to human lives by way of creating medical problems, such as breathing trouble, allergies and asthma attacks.

Stubble burning causes emission of smoke and toxic gases, such as carbon dioxide, carbon monoxide, methane and nitrous oxide. It also leads to poor soil health by eliminating essential nutrients, they said.

(TH, 03.11.15)

Chinese Drugs in India

For years, low-priced raw material from China helped build India's generic drug industry into a global powerhouse. Now, that advantage is turning out to be the biggest weakness – if not a full-scale threat – for the country's bulk drug manufacturers. Industry groups are knocking at the doors of policy makers seeking safeguards and help in drawing up a revival plan.

The government has done little beyond naming the year as that of the bulk drug industry. Industry-wide discussions have reached a peak and the Prime Minister's Office is said to have taken cognisance of the situation and promised to hasten support to local companies.

Some fear that if the Chinese companies take to product registration in developed markets, they might over time compete on prices and further weaken the generic industry. *(ET, 12.12.15)*

WHO CAUTIONS against Slashing Health Expenditures

Nikita Mehta*
D Ravi Kanth**

The Narendra Modi government should not treat the health sector as a 'black hole of expenditures' at a time when India is confronted with rising disease burden, worsening pollution and growing shortage of basic amenities, particularly clean drinking water and sanitation, a top World Health Organisation (WHO) official said. "For me, as a Director General of the World Health Organisation, I would advocate appropriate investments in the health sector", Margaret Chan said. "The health sector should not be seen as a black hole of expenditures", she said, referring to the manner in which federal spending on health was slashed in India. In this year's Union budget, the government allocated ₹33152 crore for health and family welfare for fiscal 2016. But this was a reduction from the budget for fiscal 2014 when the government had allocated ₹37333 crore for health.

"Health is an investment", Chan emphasised. "Leaders of the countries must understand that without health and educated people, it is very difficult to talk about sustainable development", Chan said. India spends about 1.2 percent of its gross domestic product on public health. It missed the United Nations Millennium Development Goals targets for infant mortality, under-five mortality and maternal mortality. Prime Minister Modi, in his speech at the United Nations Sustainable Development Summit in September, said, "India is focusing on the basics: housing, power, water and sanitation for all and that our development is intrinsically linked to empowerment of women and it begins with the girl child".

Many of India's health challenges are linked to the poor state of sanitation. It tops the world in open defecation. "Governments must have reasons for increase or decrease in budgetary outlays for the health sector but they need to understand the consequences", the WHO Director General said. India has 938,861 registered allopathic doctors or just seven doctors per 1,000 people; while one government hospital bed serves 1,833 people on an average, according to data published by the Health Ministry.

The Ministry also faces the problem of underutilisation of funds and in December 2014, the government slashed the 2014-15 health budget by nearly 20 percent, in the revised budget estimate. She cautioned the government for giving a short shrift to improving the 'health-infrastructure' while increasing the outlays for roads, dams and other sectors. About "70 percent of the world's poor live in the middle-income countries", she said.

India has the highest number of people living below poverty line of US$1.6 per day, according to the World Bank. "More of the same will not work", Chan argued, suggesting 'a people-centered approach to health'.

Governments must implement comprehensive and integrated approaches in the health sector for improving the availability of health-related workers, nurses, and doctors in the primary health centres. She commended the generic drug industry in India for providing affordable medicines to patients across Africa and other countries. She said it is unacceptable to see a pill cost US$1,000 and it is important to pare prices. "However, I have never seen any breakthrough in health without innovation and we must protect the foundation and mechanism to invest for development".

Good health is important enough to be a national goal in itself, but experts believe that economic growth hinges on a healthy population that spends less on mere survival and more on productive pursuits like education and entrepreneurship. At present, India loses 6 percent of its annual GDP to preventable illnesses and premature deaths. Proactively addressing poor health will need more commitment, and judicious public investment.

Besides, British medical journal The Lancet is set to publish a report in December challenging the NDA government on service delivery and universal health care, one of Prime Minister Narendra Modi's poll promises. The Lancet's Editor-in-chief Richard Horton stated that health seemed to have 'completely vanished' from the NDA's agenda. The Health Ministry has slammed Horton's comments and listed its latest schemes and missions.

While public health efforts are on, they lack scale, funds, human resources and training, making progress achingly slow.

* *Journalist with Mint.*
** *Reporter with Mint.*

– *This feature was published in* Mint *on October 21, 2015*

Challenging CCI Order

The three airlines collectively fined ₹258 crore by the Competition Commission of India (CCI) for acting like a cartel and overcharging cargo freight in the garb of fuel surcharge have decided to legally challenge this order. CCI had asked Jet, IndiGo and SpiceJet to pay ₹151.7 crore, ₹63.7 crore ₹42.5 crore, respectively, within 60 days.

The CCI order had come on a complaint filed by Express Industry Council of India, which also named Air India and GoAir, apart from the three airlines. The fair trade regulator did not find Air India and GoAir guilty.

"The basic concern in the present case is the overcharging of cargo freight, in the garb of fuel surcharge, by the air cargo transport operators, which adversely affect consumers beside stifling economic development of the country", the CCI order said.

(ToI, 19.11.15)

CCI to Probe Sugar Mills

The Ethanol Blending Programme (EBP) of the Centre to cut its fuel import bill is in trouble, with the competition watchdog's investigation wing finding evidence of 'cartelisation' in the sale of the chemical. Players in the chemical industry have filed several cases in the past against EBP, alleging cartelisation, rigging of bids or predetermining prices.

The primary investigation conducted by the CCI and Director General's (DG's) office reported that sugar companies held meetings, through their representative association to decide on a common bid price and the quantity to be supplied.

The price agreed upon was allegedly higher than the market rate. The report said not only the basic prices but the net delivered cost up to two decimal figures were exactly identical. *(BS, 19.10.15)*

CCI Rejects Allegations

Fair trade regulator CCI has rejected allegations of anti-competitive business practices made against real estate developer Imperial Housing Ventures. It was alleged that the realty player abused its dominant position by delaying delivery of an apartment at a project in Noida, Uttar Pradesh.

Rejecting the allegations, CCI stated that Imperial Housing Ventures was not in a dominant position and there are many big and established players in the relevant market. Section four relates to abuse of dominant position, while Sections three pertains to anti-competition agreements. The complaint was filed by Kolkata-based Nutan Barter Pvt. Ltd. *(ET, 21.12.15)*

RIL Complaints Rejected

The CCI has rejected allegations of unfair business practices made against Reliance Industries and Reliance Gas Transportation Infrastructure. It was alleged that the company abused its dominant position by suspending the dealership prior to commencement of operation of the retail outlet in Jharkhand.

In another case, Reliance Gas was accused of imposing 'arbitrary, unfair and unreasonable anti-competitive terms' in the facility agreement for constructing a natural gas pipeline. The CCI considered 'transportation of natural gas through pipeline in the state of Telangana', as the relevant market thereby dismissed the complaint. *(ET, 24.11.15)*

Railways to Ensure Competition

The CCI has observed that procurement policy of the Railways, the largest procurer of equipment and services in the country, needs to be more attuned to competition law principles.

The allegations were made against Faiveley Transport India and Knorr Biremes India by Deputy Chief Materials Manager, Rail Coach Factory, Kapurthala in a matter related to procurement of Axle Mounted Disc Brake System (AMDBS) used in Linke-Hofmann-Busch (LHB) design AC and non-AC coaches and power cars.

A detailed probe by DG found that the two companies took undue advantage of limited competition in the market and formed a cartel to share quantities procured through the tender. However, the regulator did not fully accept the findings of the DG and decided to close the case.

(ET, 09.09.15)

E-filing Facility

Making it simpler for entities to submit information, CCI said that it has introduced electronic filing facility. The CCI has been working on e-filing system for sometime.

E-filing system is also expected to help the watchdog handle submissions related to mergers and acquisitions in lesser time. The regulator said that it has introduced 'e-filing of information under Competition Act'.

The introduction of e-filing facility also comes at a time when the regulator has been witnessing an increase in the number of combination filings received by it.

In October alone, the regulator received 21 merger filings – the highest number for any month in the past four years. So far, the Commission has dealt with more than 300 cases. *(ET, 01.12.15)*

COMPAT Opposes Fine on Cement Firms

In a major verdict, the Competition Appellate Tribunal (COMPAT) has set aside 6316.59 crore penalty imposed on 11 cement firms by the CCI on cartelisation charges and asked the fair trade regulator to hear the matter afresh. The Tribunal also allowed the cement manufacturers to withdraw the 10 percent penalty amount already deposited with the CCI, which has been asked to pass a fresh order within three months. The companies included ACC, Ambuja Cements, Binani Cements, Century Textiles Ltd, India Cements, JK Cements, Lafarge India, Madras Cements, Ultra Tech, JP Associates and Shree Cements. The CCI had passed the orders after an investigation into complaints, including from Builders Association of India (BAI) against alleged price cartelisation among cement firms.

The orders were later challenged at COMPAT, which has ordered that the impugned order is set aside and the matter is remitted to the CCI for fresh adjudication of the issues relating to alleged violation of the relevant sections of the Competition Act. The companies had earlier deposited 10 percent of their respective penalty amounts. In two separate orders passed, the COMPAT also said, "The CCI shall hear the advocates/ representatives of the appellants and BAI and pass fresh order in accordance with law".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The Tribunal also said, "before parting with this order, we consider it necessary to mention that we have referred to various provisions of the Act (un-amended and amended) and Regulations and analysed the same to emphasise the proceedings held under the Act and the Regulations should be just and fair and in consonance with the principles of natural justice as engrafted in the Act and the Regulations". It should be realised that much of the appellate litigation would be obviated if a just and fair procedure is adopted for conducting investigation and inquiry and passing of orders under Section 27, 28 and the provisions contained in Chapter VI of the Act".

The COMPAT order said that whether the CCI Chairperson, who did not hear arguments of the learned counsel representing the appellants could become a party to the final order passed by the CCI, was one of the questions, which arose in the appeals filed against CCI order of June 20, 2012. All the pages of both the orders have been initiated by the Chairperson. On the last pages of both the orders, the Chairperson and six Members appended their signatures without any date. It was argued before the COMPAT by counsel for one of the appellants that the impugned order is vitiated due to violation of the rule that 'only the one who hears can decide'.

They pointed out that even though the CCI Chairperson was not a party to the hearing held between February 21-23", and had no idea about the contentions raised by the counsel appearing for the parties, not only became a party to the final order but also authored the same". "According to the learned senior counsel, this amounts to gross violation of the rule of fairness and impartiality and casts a shadow on the integrity of the process adopted by the Commission for adjudicating the issues raised in the information filed by BAI", the COMPAT order observed. Six appellants namely – Lafarge, Century Textile, JK Cement, Ultra Tech, CMA and India Cement initially attacked the impugned order on the ground that the CCI Chairperson was not entitled to participate in the decision-making process. The remaining appellants took this ground by way of amendment.

"In any case, this is not a matter in which the appellants are trying to take advantage of some order passed by the Tribunal in which the issue relating to illegality committed due to participation of Chairperson of the Commission had already been decided", COMPAT said. It ruled the arguments of the counsel for CCI that "no prejudice has been caused to the appellants due the participation of the Chairperson in the decision-making process could not be accepted. "It is not possible to make a guess work of what would have been the fate of the case if the Chairperson had not taken part in the decision-making process. One does not know whether the remaining six Members would have reached a positive conclusion that the appellants are not guilty of violating Sections... the Act and/or they would not have imposed the particular penalty under ... the relevant section of the Act", it added.

(ET, 12.12.15)

Measuring a Nation's Ignorance Is Not Easy

Hardeep S Puri* and Anubhav Roy**

As Indians, we can justifiably take pride in being heirs to a fine intellectual tradition. India has been the birthplace of some of the best minds, from philosophers to physicians, ecclesiasts to engineers, and harnesses a vast civilisational pedigree of intellectualism. Despite perennial challenges, our democratic ethos, social and religious tolerance and intellectual eclecticism have, by and large, held sway. Travelling through India and Sri Lanka in 1896, the American writer pen-named Mark Twain said, "India is the cradle of the human race, the birthplace of human speech, the mother of history, and the grandmother of legend, and the great-grandmother of tradition. Our most valuable and instructive materials in the history of man are treasured up in India".

And yet, at present, India appears to be losing its ability for serious intellectual introspection and we appear to be turning into a prickly lot. We take umbrage at the slightest criticism, even when well-intended. Even people in responsible positions lose their balance quite easily and resort to highly objectionable language, which should find no place in civilised discourse. This is, of course, not entirely new. For decades after 1947, our socio-economic inadequacy and political fissures were attributed to colonial exploitation. Often, since the Indira Gandhi era, adverse developments are sought to be explained as the work of the 'foreign hand'.

Even in present times, the devastation in Chennai was thought to be due largely to climate change, without mentioning that climate change itself is largely man-made, as was the entire accompanying infrastructural disaster. Perceptions need not be based on facts and, even when they are not, are capable of causing more damage than hard facts. If a political party that has governed India for most of the seven decades of its existence as an independent country could accuse the nation's judiciary of embarking on a vendetta, is it any surprise that our detractors seize upon the fault lines in our democracy?

Problematic survey

The recent claim that India is 'the second-most ignorant nation in the world' was fortunately tucked away in a corner of mainstream news reporting, sparing us an avalanche of abuse. British surveying giant Ipsos MORI's report comparing public ignorance in several countries showed India sinking on most graphs. Ipsos MORI's 'Perils of Perception Index, 2015' contains several methodological flaws. First, a survey of merely 33 countries is hardly global. Second, for India, the sample size was only 500-odd. Third, most queries expected quantified responses, for instance, what percentage of India is obese? This then allowed the difference between a rough guess and an actual figure to denote a 'perception gap'. Perhaps they knew more about malnutrition. In any case,

empirically verifiable quantitative information, on any scale, ranks lower than knowledge and wisdom for which we surely have impressive credentials. In attempting a response to that question, it would be useful to acknowledge reality.

But the reality could be worse

That education requires more than basic proficiency receives little attention in India. Whilst we have succeeded in transforming school education into an 'entitlement', conditions in our state run schools encourage parents to seek private schooling for their children and for good reason. Recruitment to the teaching profession is subject to brazen nepotism over merit. Syllabi remain either unrevised or politicised in the name of revision.

Even postgraduate students are encouraged to memorise, parrot-fashion. Plagiarism is overlooked and Indian universities, barring few exceptions, continue to breed batches of copy-pasting hoodwinkers, instead of credible contributors to the nation's intelligentsia. As long as the trampling of quality behind the veils of our advanced educational institutions prevails, statistics and surveys cannot but paint a sorry picture. And this disease is not confined to the academic world.

Despite enrolling millions in the world's third-largest higher education system, 82 percent of India's graduates are deemed unemployable, as per a survey by the National Association of Software and Services Companies. The 2014 National Employability Report revealed that 60 percent of our engineers 'lack domain skills'. Except a handful of IITs, Indian varsities routinely miss the top 400 spots of the QS World University rankings.

We have the world's fifth largest population of think-tanks, but none of them feature in the University of Pennsylvania's list of the world's best ones. The nation expectedly loses 450,000 students to foreign institutes annually. With our educational and leadership apparatuses rusting, we continue to consider priorities wrongly. While there is no mathematical measure for a nation's ignorance yet, India may not wish for one any time soon.

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Briefing Paper

Regulatory Impact Assessment: Hydro Sector in India

Before introducing a law, the government neglects to anticipate the consequences of actions in the future, due to which laws often tend to fail to meet the desired objectives. Hence, Regulatory Impact Assessment (RIA) comes as a facilitating tool to estimate costs and benefits before the decision is taken. It is one of the ways of continuous learning as it can build in innovation standards within the process. This Briefing Paper discusses CUTS' Case Study on hydro sector in Himachal Pradesh where it has intricately explained various steps involved in RIA. In addition, by identifying the problem and undertaking thorough cost and benefit analysis, best alternative is selected for adoption.

http://www.cuts-ccier.org/Publications.htm

Regulatory Impact Assessment in Coal Sector in India

Before introducing legislations, the government sometimes fails to anticipate the consequences of actions in future and unintentionally introduces anomalies in the implementing process. This often results in failure to meet the desired objectives. Hence, Regulatory Impact Assessment (RIA) comes as a facilitating tool to estimate the impacts, both positive and negative, even before the decision is taken. It is one of the ways of continuous learning as it can build in innovation standards within the process. This Briefing Paper discusses CUTS' case study on coal sector in Rajasthan where it has intricately explained various steps involved in executing RIA. In addition, by identifying the problem and undertaking thorough cost and benefit analysis, optimum alternative is selected for implementation.

http://www.cuts-ccier.org/Publications.htm

Discussion Paper

Designing Effective Leniency Programme for India: Need of the Hour

Cartels are considered to be the most egregious competition law offence. Leniency programmes are the most effective tool at present for detecting cartels and obtaining evidence to prove their existence and effects. Leniency programmes in different countries may mutually reinforce these incentives on members of international cartels. Some developing countries have anti-cartel leniency programmes. If other developing countries were to adopt leniency programmes, a political commitment to fight cartels is necessary for such a programme to be effective. Thus, this paper focuses on the importance of the leniency programme, the ingredients to ensure its successful implementation in India and the paper also reviews the experience of other developed countries to draw relevant lessons for India.

http://www.cuts-ccier.org/pdf/Designing_Effective_Leniency_Programme_for_India-Need_of_the_Hour.pdf

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- 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, **ET:** The Economic Times, **FE:** The Financial Express, **FP:** First Post, **IE:** The Indian Express; **IINL:**India Infoline News Service; **MW:**Minning Weekly; **NDTV:** New Delhi Television Limited, **TH:** The Hindu Business Line, **ToI:** Times of India

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