PolicyWatch

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

Volume 17, No. 4 October-December 2016

CUTS International

INSIDE THIS ISSUE

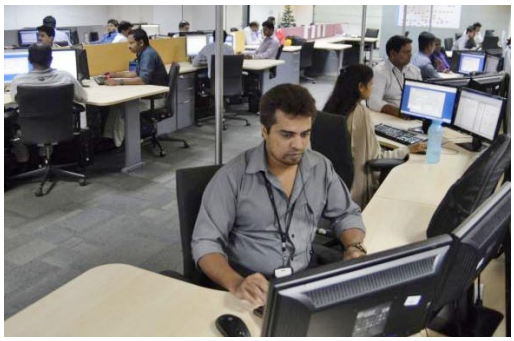
HIGHLIGHTS

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

Can India Exploit Digital Economy for Job Creation

Job creation is the gold standard to judge if a government policy is benefiting the economy. A policy that passes this litmus test is surely going to garner votes and increase the approval rating of the party or leader in power.

Prime Minister Narendra Modi government's recent demonetisation of ₹500 and ₹1000 notes and its parallel push towards a digital economy has become a much talked-about policy move, which is now being tested at the altar of job creation.



It is not surprising that the opposition has fiercely attacked demonetisation as being labour unfriendly. As a result of more than 80 percent of the currency that was in circulation becoming worthless, informal labourers, farmers and daily-wage earners have remained unpaid or underpaid. It has been estimated that close to 4,00,000 jobs will be lost owing to demonetisation.

It would have been imprudent for the government to deny the difficulties created by demonetisation and thus it has decided by deferring the scale and softening the blow by terming such problems as a short-term inconvenience in the interest of long-term gains.

Politics aside, it is too soon to evaluate the impact of demonetisation on jobs. Several well-meaning experiments to boost jobs, such as the National Rural Employment Guarantee Scheme (NREGS) and Special Economic Zones (SEZs) have done well but perhaps resulted in less-than-expected benefits. Despite a persistent government push, the rate of unemployment and underemployment in the country has been consistently increasing.

Manufacturing has not been a strong suit in job creation for the Indian economy. Agriculture and services have been the key job creating sectors, with the contribution of former increasingly diminishing. In services, India started as a leader in software solutions and moved up the ladder by being one of the leading markets for electronic commerce.

Consequently, leveraging the opportunity presented by the digital economy for job creation is a 'natural fit' for India and the demonetisation exercise has provided the perfect context to seize this opportunity. This expertise should be used in traditional sectors like agriculture and emerging ones like the Internet of Things.

This would require significant efforts in terms of investment in research and the development of technology through a bottom-up approach, customisation for different consumer segments. We should also think afresh about digital security, protection of sensitive customer data in light of low awareness and agent assisted models to access financial services.

Notwithstanding a significant impact on the existing jobs in the economy, demonetisation is a disruptive event that offers an important opportunity to create jobs. We cannot afford to miss this time.

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

COMMUNICATION

Common Optical Fibre

Telecom regulator Telecom Regulatory Authority of India (TRAI) is in talks with the states over laying of common optical fibre infrastructure and would release its recommendations soon to improve high-speed broadband connectivity in the country, stated its Chairman R S Sharma.

The regulator is advocating a common duct infrastructure, which could be used by any operator who wants to lay optical fibre network. Wireless services deployed in these bands are believed to deliver broadband speed of up to 1 GB per second as in the case of optical fibre.

(IE, 02.12.16)

More Smartphone Connections

India has overtaken the US in smartphone connections and is second to China, said Groupe Speciale Mobile Association (GSMA). The country is expected to grow its unique mobile subscriber base to approximately 1 billion by the end of 2020, at a compound annual growth rate of 9 percent.

GSMA also stated that India had 275 million smartphone connections as of June 2016 and has predicted the numbers to rise to 670 million by 2020, owing to a gradual reduction in data tariffs and growing availability of affordable smartphones for consumers. *(FE, 27.10.16)*

Agenda of Key Issues

TRAI will begin discussions in January 2017 with telcos and broadcasting companies to draw up and publish an 'agenda' of important issues for FY 2017-18.

The issues include free data, net neutrality, improvement of service quality norms for mobile services, and review of the regulatory framework for interconnection, among others.

TRAI Chairman, said he expected most of the current issues to get disposed by March 31, 2017. However, there was no calendar drawn up in advance by TRAI so far, leading industry people to comment on the way in which new issues were being addressed. *(IE, 27.12.16)*

DoT to Unveil Portal

The Department of Telecommunications (DoT) is set to launch a portal – Tarang – with data on all mobile towers and transmitters across the country in a month that will allow a user to check the radiation compliance status.

Telecom Secretary J S Deepak said a fee of ₹5,000 would be charged for the test to be conducted by the government.

He also said that the government has allowed the telecom companies to install towers on the buildings of post offices and other government offices and has asked the state governments to issue permission in their respective states too.

(ET, 17.12.16)

Draconian Screening Plan

Telecom companies and device makers have termed 'draconian' the Kolkata's government's plans to run security checks locally on imported smartphones and network gear used in mobile phone networks from April 01, 2017.

They said that the move could cause major supply chain disruptions in a country that imports over US$8bn of telecom devices annually, scuttle 3G/4G network roll-outs, delay latest smartphone arrivals to India and also abet corruption.

The Department of Telecom's expert group on security is working on a framework for screening network gear while Ministry of Electronics and Information Technology (MeitY) will drive security testing drill for handsets.

(ET, 26.12.16)

Target of 1.6 Lakh Mobile Sites

Bharti Airtel's India Sustainability Report 2016 said it has set a target to install 1.6 lakh mobile sites and reduce 70 percent carbon footprint through green initiatives in the coming three years.

Gopal Vittal, Managing Director and Chief Executive Officer, Bharti Airtel said that for reducing carbon footprint, it will be deploying lower power consuming base stations, promoting green sites, driving site sharing, converting indoor sites to outdoor, etc. Besides, it reported 26 percent reduction in customer complaints over the past two years.

(BL, 14.11.16)

Focus on Digital Infrastructure

The government's push towards moving to a cashless economy calls for greater focus on digital infrastructure. Inability to meet rising demand for network capacity will place severe constraints on the move to and growth of the digital economy.

According to the Cellular Operators Association of India, operators in India possess significantly smaller amounts of spectrum, approximately 13 MHz on average. It is low compared to other Asian countries like Bangladesh (37.4 MHz) and Malaysia (75 MHz). Not only is spectrum scarce, it is also fragmented, overpriced and inflexible. There is need of a policy to make use of scarce and valuable spectrum more efficiently.

(ET, 23.12.16)

• TRANSPORT •

People-focussed Policies

The Union Urban Development Ministry has admitted how transport sector policies in India are auto-oriented with over emphasis on moving vehicles rather than moving people.

In a 'Guidance Document on Non-motorised Transport (NMT)' the government said, "The economic policies favour auto manufacturers. For example, easy access to car loans support vehicle ownership and thereby forcing a negative modal shift towards motorisation".

The report also laments the policy neglect over the years besides highway design manuals and engineering approaches for poor state of NMT in Indian cities.

(ToI, 14.11.16)

Comprehensive Strategy

Railways are working out a comprehensive strategy to deal with its immediate concerns like customer satisfaction, perking up loadings and infrastructure development like station redevelopment.

Railway Minister Suresh Prabhu said, "Reform is a continuous process. But unless you refine the goal...it will not be a successful". He added that the Gandhinagar station is being redeveloped by both the State and the Centre with 76 percent and 24 percent equity participation respectively.

Surat station in Gujarat is also being developed with the participation of the State, Centre and railways and will be part of the multi-modal transportation system.

(BS, 17.12.16)

Raising No. of Airports

The National Civil Aviation Policy, including the regional connectivity push, is expected to increase the number of functional airports in the country to 150-200 in the coming few years, Minister of State for Civil Aviation Jayant Sinha said.

Sinha said there is going to be a massive increase in airport capacity in the country with an expected investment of ₹15,000-17,000 crore by the Airports Authority of India (AAI) in the upgradation and modernisation of its airdromes. *(IE, 25.11.16)*

Regional Aviation Policy

First regional flights subsidised by a new fund are expected to take off after January 2017, breathing life into some two dozen 'ghost airports'. The Aviation Ministry is trying to encourage airlines to fly to unconnected smaller towns by levying a cess on their existing flights.

The Ministry said the policy is its contribution to Prime Minister Narendra Modi's vision of taking air transport to the masses and coined a new word to describe the mission: UDAN or *Ude Desh Ka Aam Naagrik* (Let the common citizen fly). *(Mint, 23.10.16)*

Cargo Transport Policy

Keen to give a level playing field to Indian shipping companies and help them cut their costs, the government plans to come out with a cargo transport policy that will make it easier for them to register in India, according to an official working on the plan.

"Higher taxation, stringent rules resulting in higher costs of operation and disparities in tax structure discourage even Indian flagships from registering here.

Indian seafarers want to work on foreign ships and not Indian", the official said. Shippers registered in India have to employ more number of people, which translates into higher costs. *(mcCNBC, 19.12.16)*

Urge to Introduce CNG

The National Green Tribunal has warned of halting State transport in four northern states if they did not introduce compressed natural gas (CNG), mentioning most particulate matters in the air inhaled by Delhiites emanated from there. The observations came during the hearing of a case filed by Vardhaman Kaushik on the deteriorating air quality in the national capital.

The Tribunal directed senior officials from States of Haryana, Punjab, Rajasthan and Uttar Pradesh, besides officers of Petroleum and Natural Gas Regulatory Board, to appear before it on October 19, 2016 the next date of hearing. *(ET, 08.10.16)*

Doubling Air Capacity

The Centre will require up to ₹3 lakh crore for doubling the airport capacity in the coming years. The Centre has worked out a plan to double the airport capacity over the following 10 to 15 years, said Jayant Sinha. At present, out of 125 airports managed by AAI, 69 airports receive commercial flights.

The existing airport terminals can handle 25 crore passengers per annum. Sinha said while new terminals were being planned at some of the existing airports, such as Delhi and Bengaluru, greenfield airports may soon come up at places, such as Patna and Guwahati. *(TH, 31.12.16)*

• OIL & GAS •

More Natural Gas Share

The government's plan to increase the share of natural gas in India's energy mix to 15 percent would necessitate investments of at least ₹65,000 crore to augment gas import and pipeline infrastructure.

Crisil Research indicate if the share of gas in India's energy mix has to rise to 10 percent by 2020, it would mean doubling of gas consumption to over 100 billion cubic meter (BCM) from current levels. Domestic gas production being limited, demand for imported LNG would surge three-fold to over 50 million tonne. *(IE, 22.12.16)*

Delays in Oilfield Contract

Parliament's Public Accounts Committee has sought action against Secretaries who delayed finalising contract for the Ratna and R-Series oilfields for nearly two decades, leading to losses of ₹26,200 crore to the exchequer.

The fields, in western offshore, were awarded to a consortium of Essar Oil and Premier Oil of UK in 1996 but the contract could not be signed as the negotiating team of Secretaries held unfruitful deliberations, resulting in eventual cancellation of award in March 2016. *(FE, 16.12.16)*

Set for a Major Fillip

The Indian Oil and Gas sector is set for a major fillip in the year 2017 with the government in advanced stages of awarding oil and gas blocks under the new Hydrocarbon Exploration and Licensing Policy (HELP). The upcoming launch of the national sedimentary data repository will provide the policy an additional thrust.

In 2017, the oil refining sector will also witness activity on the front of the planned 60 MTPA refinery being built by the three Public Sector Undertaking (PSU) oil firms – IOC, Bharat Petroleum Corp (BPCL) and Hindustan Petroleum (HPCL) – on the West coast. *(ET, 27.12.16)*

Rise in Energy Usage

According to the BP Statistical Review of World Energy for 2016, India's primary energy consumption has increased by 24 percent from 2011 to 2015. India is the world's third-largest energy consumer but its consumption per capita remains about one-third of the global average.

Owing to India's increasing energy demand it would be a challenge to offset to the increasing reliance on oil and gas imports, which currently fulfills over 80 percent and 40 percent requirements respectively. Hence, efforts are underway to augment the domestic production through several policy measures like early monetisation of discoveries, setting up of National Data Repository etc. *(O&GFJ, 14.12.16)*

Time for Domestic Shale

With oil prices rising again, India is set to start bearing the burden of importing costlier oil. This, according to experts, is why the time is ripe for taking domestic shale oil exploration and production more seriously.

Even though there have been severe protests, Oil and Natural Gas Corporation (ONGC) and Oil India Limited are already undertaking assessments in 56 regions for shale gas and oil. The US Energy Information Administration, in a 2013 assessment of global shale gas reserves, estimated India has 96 trillion cubic feet of technically recoverable shale gas reserves. *(IE, 20.12.16)*

Double Gas Usage

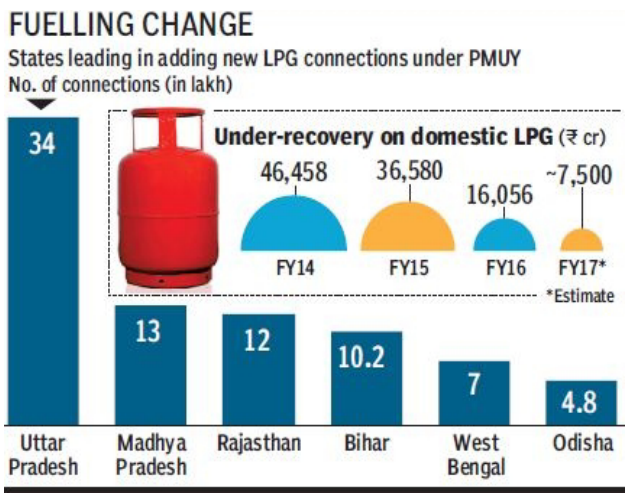
Oil Minister Dharmendra Pradhan has promised steps to encourage the use of imported liquified natural gas (LNG), especially in refinery-cum petrochemical complexes and for long-haul road and rail transport. This is to help double gas use to 240 million cubic metres a day in five years.

The idea is to replace naphtha, a liquid hydrocarbon used in petrochemical production, and furnace oil used for industrial heating with imported LNG. Another reason is rely more on LNG and compressed natural gas (CNG) for transportation, instead of petrol and diesel. *(Mint, 01.12.16)*

Free LPG Connections

The number of rural households provided with free LPG connections under the *Pradhan Mantri Ujjwala Yojana* has crossed the 1 crore mark. Under the scheme, each below-poverty-line rural household without Liquid Petroleum Gas (LPG) is being given an LPG cylinder, a stove and regulator.

The identification of eligible BPL families are made on socio-economic caste census data that is being provided by the Petroleum Ministry. To carry the scheme forward and implement it at the grassroot level, district nodal officers of Indian Oil Corporation, Bharat Petroleum and Hindustan Petroleum have been appointed in each and every corner across the country. *(FE, 0.8.11.16)*



• POWER •

Aggressive Energy Policy

India requires an aggressive energy policy that promotes domestic manufacturing and cuts down import dependence to ensure sustained 9-10 percent Gross Domestic Product (GDP) growth rate over years, NITI Aayog Chief Executive Officer Amitabh Kant said.

Such a policy is essential to boost the share of the manufacturing sector in the country's GDP to 25 percent, he stated.

He added the nation needs to work on a consistent, predictable and clear policy framework, which stands the test of time to attract investments in the oil and gas sector. *(ET, 15.12.16)*

Breakup of Coal India

Senior Indian government officials tasked by Indian Prime Minister with reviewing energy security are recommending the breakup of the country's coal monopoly, Coal India Ltd., within a year.

Attempts to break up the world's biggest coal miner would be met by strong resistance from powerful unions representing the company's employees of more than 350,000.

The government backed down from a similar proposal in the face of union protests in 2014. Government officials recommend that Coal India – with a stock market valuation of US$28bn – should be broken up into seven companies, which they indicated would make it more competitive and efficient.

(Reuters, 02.12.16)

Plans for 100 GW Solar

Piyush Goyal, Minister of State for Power, Coal, New and Renewable Energy and Mines on December 01, 2016 shared details in the lower house of the Parliament of the plan to achieve 100 GW of solar capacity installation by 2022 under eight schemes.

He further stated that the government has formulated an Integrated Energy Policy (IEP) document giving a roadmap to develop energy supply options and increased exploitation of renewable energy (RE) sources. Besides, the government has also amended the National Tariff Policy for electricity in January 2016.

(Energyinfrapost.com, 01.12.16)

Meeting Fuel Demand

Prime Minister Modi stated that hydrocarbons will continue to be an essential part of India's energy basket and affordability will remain a key concern as demand for fossils goes up in line with an expected five-fold jump in the economy by 2040.

This is because the Organisation of Petroleum Exporting Countries (OPEC) on November 30, 2016 decided to cut global output by 1.2 million barrels a day in the first such deal since 2008.

According to Kalpana Jain, Senior Director, Deloitte India, to improve availability of cleaner fossil fuels is to look beyond conventional natural gas, which is in short supply.

(Mint, 05.12.16)

Green Push Needs Wind

Ever since the Government unveiled its ambitious plans to generate 100 GW of solar electricity by the year 2022, solar energy has been the showpiece of India's RE policy and its climate change action plan.

At nearly 27 GW of installed capacity, India is already the world's fourth biggest producer of wind-based electricity, after China, the US and Germany.

Furthermore, latest outlook from Global Wind Energy Council reveals that India would have close to 45 GW of installed wind energy by 2020.

(IE, 26.10.16)

Public Scrutiny in Mining

Mines in India will soon open to public scrutiny with the Government deciding to extend the mines surveillance system to the general public, a move that will allow the common man to play the whistle blower against illegal mining.

All mines in the country will be digitised for real-time monitoring through a dashboard and mobile application helping to spot unauthorised mining activities on a real-time basis, sending triggers to the concerned officials in the Indian Bureau of Mines (IBM) and state governments. *(ET, 10.10.16)*

Solar Tariff Falling

Solar tariff has fallen to an all-time low of ₹per unit, quoted by Amplus Energy Solutions in an auction for rooftop solar power conducted by Solar Energy Corporation of India (SECI).

The company has won a bid to install 14.5 MW of solar rooftop plants across 10 states.

The tariffs offered are at a record low of ₹3/unit in three States – Uttarakhand, Himachal Pradesh and Puducherry and ₹5.3-6.2/unit in States like Karnataka, Madhya Pradesh and Maharashtra.

Moreover Tariffs are fixed for 25 years. Solar rooftop plants will be identified and installed on various institutes. *(BS, 30.11.16)*

Resolving Bad Loans

Banks Board Bureau chief Vinod Rai said little progress has been made on resolving bad loans as managements are reluctant to take hard decisions on recasting debt despite concerns that the rising burden of non-performing assets (NPAs) is holding back the economy.

Lack of enthusiasm on the part of bank executives to resolve bad debts stems from the fear that they might subsequently be accused of favouring big corporate borrowers and face corruption charges.

Moreover, Gross NPAs of public sector banks surged to ₹4.76 lakh crore in FY16 from ₹2.67 lakh crore in the previous year. *(ET, 13.10.16)*

Boosting Forest Cover

All Indian banking institutions might soon chip in to increase India's forest cover in a coordinated manner. If the Environment Ministry has its way, all banks will be asked to join the Central and the State governments in their ongoing efforts of afforestation.

As part of the country's climate action plan to achieve its nationally determined contribution (NDC) target of creating additional carbon sink under the Paris Agreement, the Ministry has come out with a proposal seeking all banks to allocate a minimum of 25 percent of their corporate social responsibility (CSR) funds for afforestation across the country. *(ToI, 30.10.16)*

Reviving Weak Credit Growth

Stressed loans in India's banking sector crossed US$138bn in June 2017, central bank data reviewed by Reuters shows an increase of nearly 15 percent in just six months. This suggests a state where clean-up effort will take longer and cost more than expected.

Fixing the mountain of bad debt weighing down India's banks is vital for Modi government to revive weak credit and investment growth.

India's central bank has set a March 2017 deadline for banks to fully reveal problem loans on their books and the lenders while disclosing bad loans should take writedowns that hit their bottom line and eat into equity.

(Reuters, 11.10.16)

Reforms to Woo Investment

The government will step up reforms to attract more investment in infrastructure and manufacturing sectors given the country's 'impatience' to grow faster, Finance Minister Arun Jaitley said.

"We are looking to open up. We are growing faster compared to the rest of the world but by our own standards, we are not satisfied", he added

Jaitley said, "There is a great amount of impatience in India, far greater amount of realisation that we can grow faster". He also stressed on the need for increased foreign investment in manufacturing to create more jobs. *(ET, 09.11.16)*

Rising Wage Differential

In the backdrop of the widening gap in the salary of the top management of companies and their ordinary workers, the Securities and Exchange Board of India (SEBI) Chairman U K Sinha said companies should be 'sensitive' to the issue of difference in wage payment. He said this rising wage differential was not sustainable.

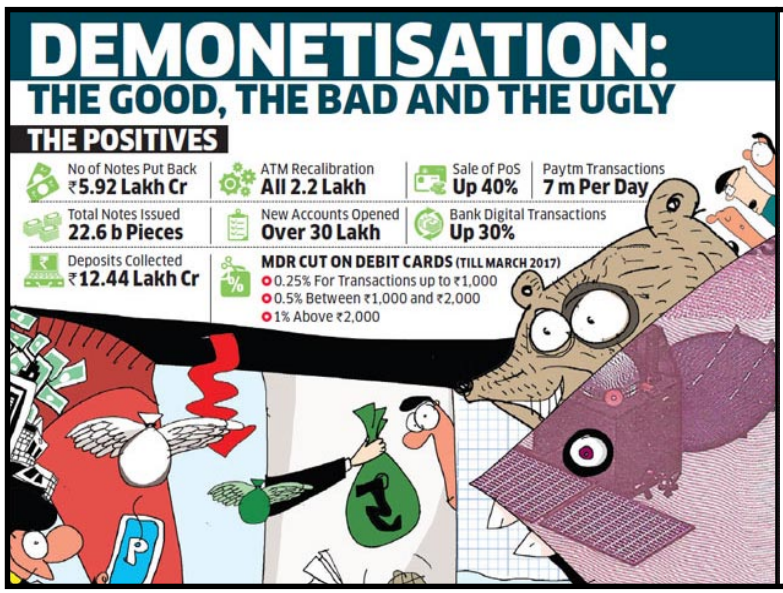
Apart from demanding greater accountability from firms, Sinha also called for a stronger Parliamentary oversight for regulators and said it is doubtful whether the hundreds of regulations are ever scrutinised by the Parliamentary Committee or whether the activities are sufficiently under the radar of Parliament. *(IE, 08.10.16)*

Disruptive Note Ban

Criticising demonetisation of ₹500 and ₹1000 notes, Nobel laureate Paul Krugman said that it was 'highly disruptive' and would not change behaviour of people who would become more careful and sophisticated in money laundering.

"I understand the motivation but it is highly disruptive way to do it....I would not think there will be prominent change in behaviour. People will be more careful and sophisticated in money laundering, so that they will be protected next time", Krugman, Professor from City University of New York (US) said.

(TT, 02.12.16)



Bad Times for Banking

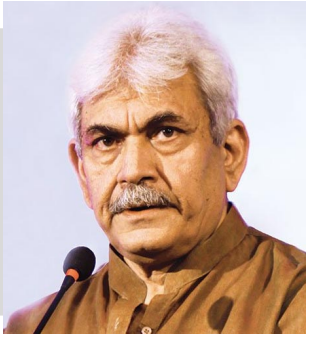
Before quitting as Reserve Bank of India (RBI) Governor Rajan had created a larger than life image during his tenure is undeniable, but the hopes and credibility he brought to the institution through his tough acts are being missed sorely.

The RBI has introduced a number of schemes where banks could take control of a defaulting company without knocking on the doors of the courts, or restructure the loan with an upside if the company turned around in due course.

(ET, 28.12.16)

We Support Healthy Competition among Telcos: Manoj Sinha

Though a large chunk of spectrum remained unsold in the recent auctions, Telecom Minister Manoj Sinha stated in an interview that there is no reason for a review of the process. On the entry of Reliance Jio, the Minister indicated it would mean healthy competition and better services in the sector



Do you believe telecom sector is heading towards stability and why?

Yes, it is the transparent policies of the government in allocation of resources, adopting policies for 'Ease of doing Business', encouraging domestic and foreign investment, which have led to an era of stability. All that is setting the stage for a sustainable growth path. While the sector saw a revolution between 2000 and 2003, when mobile services were on a growth trajectory, data services are now following a similar path.

A large quantum of spectrum remained unsold in the recent auctions. Is not there a need to take a fresh look at the process?

I do not think that there is a need to have a fresh look at the process of auctioning of spectrum. We had a successful auction recently. Trading and sharing of spectrum also allow operators to acquire or add spectrum according to their commercial decisions. Trading also provides an exit route to an operator, which is not able to continue in the sector.

The auction did not get the desired proceeds from telcos. Will DoT be able to meet the revenue target of about ₹98,000 crore in the current financial year?

The highest-ever sale of spectrum with a total of 964.80 MHz across bands took place recently. This exceeded 928.55 MHz sold during the last four auctions in 2012, 2013, 2014 and 2015 put together. We also managed to get the highest ever upfront revenue (₹32,000 crore). In addition, the government will get about ₹4,800 crore as service tax on spectrum (introduced from this year). The revenue target is ₹70,000 crore, which the department is confident of achieving, although the Budget documents mention a figure of ₹98,000 crore.

The premium 700-MHz band did not draw a single bid. Will there be a re-auction of the airwaves after price reduction?

The government will take a decision about the following auction in due course.

The government has changed the upfront payment for above 1-GHz airwaves to 50 percent. Do you think it was one of the reasons why operators did not bid aggressively?

I do not think that increase in the upfront payment for above 1-GHz had any effect on the bidding behaviour. You will note that 175 MHz of spectrum out of 222 MHz in 1,800-MHz band, all 320 MHz spectrum in 2300-MHz band and 370 MHz out of 600 MHz in 2500-MHz band was sold in this auction apart from 85 MHz out of 360 MHz in 2100-MHz band. This proves that there is no change in the bidding behaviour for above 1-GHz band.

With the launch of Jio, the fight in the sector has turned murkier. Will the government intervene?

The government supports healthy competition among various service providers for betterment of customers in terms of quality of service and tariffs. The department will intervene at an appropriate time.

Moving on to the area of virtual communication, do you think there is a need to strengthen security in the system to insulate ourselves from the possibility of cyber wars?

With growth in telecom and its applications like machine-to-machine communication, security of communication devices is a major concern and DoT is keeping an eye on these concerns. The department issues guidelines from time to time to make the communication devices secure from external threats.

– *Edited Excerpts from an interview of Manoj Sinha, Union Telecom Minister by Prinicipal Correspondent of* Business Standard *Kiran Rathee. This was published in on October 21, 2016*

Building Safe Roadways and Highways: Nitin Gadkari

With 1,40,000 deaths India records the highest number of deaths from road accident annually. Therefore, road safety demands special attention in view of better connectivity and increased freight transfer leading to thriving trade and commerce

India is a signatory to Brasilia Declaration 2015, according to which it is committed to reduce the number of road accidents and fatalities by 50 percent by 2020. Although the efforts in this direction had started earlier, the year 2016 is of much significance for the Ministry of Road Transport and Highways (MoRTH) as road safety emerged as the central theme from its entire range of activities. The Ministry therefore conveyed the message that building highways was not enough and much emphasis should be laid on the safety of the commuters.

Some of the major steps taken by the Ministry towards ensuring safety on roads, which are various stages of implementation in the respective states are:

- A multipronged strategy has been adopted to tackle the menace of road safety based on 4Es viz, **Education**, **Engineering** (both roads and vehicles) **Enforcement** and **Emergency Care**. National Road Safety Council has been constituted as the apex body to take policy decisions in the matter of road safety.

- Motor Vehicle (Amendment) Bill, 2016: The Ministry constituted a Group of Ministers (GoM) to deliberate upon and propose strategies for reducing road fatalities and to suggest actionable measures for increasing road safety. Based on these recommendations, MoRTH introduced the Motor Vehicle (Amendment) Bill 2016 in Parliament on August 09, 2016. The Bill addresses road safety issues by providing for stiffer penalties, permitting electronic enforcement, improving fitness certification and licensing regime, statutory provisions for protection of good samaritans and recognition of IT enabled enforcement systems.

- The Bill also paves way for reforms in public transport, which in turn will help in improving road safety. The Bill comprises provisions for treatment of accident victims during golden hour, which will help in saving precious lives.

- Priority accorded to correction of black spots on National Highways and adopting regulatory measures for improving automobile safety. The Ministry has requested the states for proposals for this purpose and 10 percent of the Central Road Fund (CRF) has been allotted for the same. Short-term road safety measures include rumble strips, reflective stickers at junctions, fixing signboard/cautionary board, providing signage and speed restrictions are being used. Long-term measures construction of vehicular under-pass, by-pass, flyover and 4-laning are being taken up.

  An amount of ₹1100 crore has been made available for the road safety purposes during the years 2015-16 and 2016-17.

- The Ministry has stressed upon States/Union Territories to set up State Road Safety Councils, formulate an action plan for improving road safety, implement it in a concerted manner and fix a definite, time bound target.

Highway Advisory System

Highway Advisory System (HAS) was launched as a pilot project on Delhi-Jaipur highway. It is a free-to-air information distribution system that uses radio to make the travelling experience on National Highways safer, faster and hassle-free. This project is extended to 12 highway stretches in different languages across the country covering a stretch of 2400 km of National Highways.

In addition, Vehicular Safety Standards are being set for all classes of vehicles. Trucks are prohibited from carrying protruding rods; Anti-locking Brake System (ABS) to be made mandatory on Heavy Vehicles; Cars to have provision for fitment of at-least one child seat; and Car Crash Standards to be made mandatory w.e.f. April 01, 2018.

* *This feature has been adapted from* Energy Infra Post *published on December 28, 2016*

Why India Must Have a Sustainable Mix of Energy

Gaurav Kedia*

India in December 2015, emerged as a leader as it accepted the need to curb carbon emissions and reaffirmed its goal to promote clean and sustainable growth. This is further reinforced in India's Intended Nationally Determined Contribution (INDC) to bring down the emissions by 30-35 percent by 2030 on the 2005 levels.

As India looks forward to provide cheap and reliable energy to its 1.3 billion people, much emphasis needs to be given on its effect on our extraordinarily rich biodiversity. A recent study has highlighted that in Delhi, 95 percent of the day's pollution levels exceed the national standards. Bengaluru, Pune, Mumbai, and Hyderabad are also struggling with poor air quality. Therefore, harnessing alternative sources of clean fuel and gas in India is a need of the hour not just to meet the peak demand of power but also to overcome the looming threat of pollution.

Natural gas is the cleanest option we have that is not only safe but is also cheap and emits less than half the carbon emitted by coal when used in power generation. Moreover, it is versatile and can be used as process industries and transport. The concern regarding air pollution is such that even the judiciary has been proactive in ordering the 30,000 cabs run on diesel or petrol to be grounded on the basis of pollution.

This reiterates the fact that gas is not just cheap but also safe and clean making it a viable source of energy. There is also the opportunity to harness biogas from multi-feedstock, which can provide an environmental balance with ecological sustainability. Additionally, the potential for biogas energy production in the Indian subcontinent is enormous.

The Centre and State Government are in consensus and are willing to create some potential synergies opportunities that are mutually beneficial. However, there is a difference in opinion on the finances of a gas pipeline as well as its *modus operandi*. India lacks a single central body responsible for energy policies and regulatory affairs, which results in lack of synchronisation in various energy subsectors like coal, oil, gas and electricity. So there is an urgent need to incentivise the overall fiscal and policy framework that will not just boost gas production and consumption but also helps in right balance of fuel mix.

India needs to lower its carbon foot print and the government has taken a number of steps to encourage the transition to a low-carbon. Renewable sector and gas industry in India has witnessed reasonable growth in terms of demand over the past few years. However, the growth has been uneven with renewable sector growing by 13.7 percent while natural gas has actually shrunk.

India lacks a single central body responsible for energy policies and regulatory affairs, which results in lack of synchronisation in various energy subsectors like coal, oil, gas and electricity.

Renewable Energy (RE) technology in its current term is not capable of meeting the peak demands of energy. One of the major constraints of RE is the reliability of energy supply owing to various reasons. Another problem is that the quantum of electricity generation from renewables is much lower than conventional power generation methods.

Therefore, we need to have a suitable energy mix to keep a balance between reduced carbon emissions and optimum power generation in coherence with our increase in demand for electricity. Electricity is essential in sustaining economic activities and generating employment opportunities.

The government needs to reassess how India produces and consumes energy and together with stakeholders work towards a lower-carbon future. Technological intervention in industries can improve energy efficiency, reduce emissions, and results in financial savings. State governments must work towards enforcement of national orders to monitor air quality and adopt fuel standards.

India must adopt an energy system, which is more efficient, has a sustainable mix of energy sources providing a balance between conventional and non-conventional. Undoubtedly, CNG and Bio-CNG are going to play a major role for it.

Hence, in order to have affordable, scalable, and uninterrupted supply of electricity at even at the grassroots there is a need to have a balanced approach in generating electricity, by optimal utilisation of all resources at our disposal.

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* *Gaurav Kedia is the Chairman of Indian Biogas Association and Managing Director at Arka BRENStech Pvt. Ltd, New Delhi.*
This feature was published in Energyworld, The Economic Times *on November 28, 2016*

About 7-8 Percent Growth

NITI Aayog Vice-chairman Arvind Panagariya has said that the Indian economy will grow between 7-8 percent for 2016-17. He also said that though he was not sure about hitting the 8 percent Gross Domestic Product (GDP) growth milestone over a full financial year by 2018-19.

India's GDP was estimated to have grown at 7.6 percent in 2015-16, then the fastest in five years. However, the first quarter of the current fiscal year recorded 7.1 percent growth as against 7.5 percent for the same quarter of the previous year.

The Finance Ministry had attributed the lower growth in first quarter of 2016-17 to an increase in subsidies by 53 percent resulting in lower growth of net indirect taxes.

(TH, 21.11.16)

Unable to Meet Target

The government is set to review its ambitious plan to achieve goods and services exports of US$900bn by 2020 as it becomes evident that the target is likely to be missed, given the current global scenario.

The government had set the ambitious target last year for goods and services exports, which were about US$421bn in 2014-15. Growth of India's total goods exports in April-November 2016-17 was flat compared with the same period in the previous financial year. Moreover, services exports dipped 4.79 percent to US$13.11bn in October, according to RBI data. *(ET, 23.12.16)*

Enhancing Growth Prospects

Indian businesses are hopeful about the present as well as future growth prospects with a growing number, in a recent study, citing a 'moderately to substantially better' performance currently compared to the past six months at all the three levels – economy, industry and firm.

The Overall Business Confidence Index (OBCI) rose to a six-quarter high in the Business Confidence Survey carried out by industry body Federation of Indian Chambers of Commerce and Industry (FICCI). However, outlook on other parameters, such as investments, employment and exports was by and large unchanged. *(BL, 02.11.16)*

Rising Wealth Quantum

Total quantum of wealth is rising in India but so is the disparity between those who have wealth and those deprived of it. A report on global wealth by Credit Suisse said that the uneven growth has left 96 percent of the adult population in India at the base of the wealth pyramid.

The study said that wealth in India in local currency terms increased 5.1 percent in 2016 but due to adverse currency exchange movements, India's household wealth fell by 0.8 percent to US$3tn in dollar terms. The annual growth of wealth per adult in rupees has averaged 6 percent between 2000 and 2016.

(TH, 23.11.16)

Asia – Higher Growth Prospects

Finance Minister Arun Jaitley said the economic situation in Asia is not as pessimistic as the rest of the world, and it has a higher growth potential. He also noted that the global economy is beset by a number of serious challenges over the past few years.

Jaitley also that said India will have to undergo rapid urbanisation in the following two decades and conceded that management of urban infrastructure, especially of water will become a serious challenge. Giving the example of Delhi and Mumbai, he said that key urban centres in states also act as engines of growth.

(BL, 27.10.16)

GDP Growth Downgraded

Global banks and rating agencies have downgraded India's growth in the wake of demonetisation of high-value notes. Demonetisation will have a 'negative' impact on growth in the short run but for the full fiscal, the (GDP) decline would be 'relatively moderate', Fitch Ratings indicated.

Deutsche Bank said India's real GDP growth is expected to slow to 6.5 percent in the current fiscal on the likely impact of demonetisation.

DBS Bank has warned of major downside risks to growth due to the demonetisation exercise, and has estimated that the gross value added can come down by up to 0.80 percent lower than its 7.6 percent target.

(IE, 25.11.16)

Record High M&A

Indian M&A activity rose to US$69.75bn across 1,195 announced transactions in 2016, a record level fuelled by a wave of consolidation and rising confidence in the country's economic growth prospects.

M&A activity in 2016 beat the previous record of US$66.96bn seen in 2007, according to data compiled by Thomson Reuters. Activity in 2016 was almost double that of 2015, when 1,306 M&A deals worth US$36.68bn were recorded.

Moreover, the year witnessed major transactions, such as the US$12.9bn sale of Essar Oil Ltd, a US$4.8bn merger of Reliance Communications Ltd. and Aircel Ltd. and a US$3.2bn acquisition of Max Financial Services Ltd's life insurance business by HDFC Standard Life Insurance. *(Mint, 22.12.16)*

Big Bang or Big Thud?

Surjit S Bhalla*

The topic under consideration is an economic evaluation of the costs and benefits of demonetisation, and how the implementation could have been better. There is no doubt that people, especially the poor and the emerging middle class (bottom two-thirds of the population) have suffered a fair amount of inconvenience in obtaining cash for their daily needs.

Could the cost have been significantly reduced? This is a question that will be discussed for the coming months, if not forever. If secrecy was essential – who can argue it was not – then implementation losses were inevitable. There are some who argue that we could have gradually withdrawn old notes and gradually introduced the new notes.

My first estimate is that a significant reduction in the implementation costs was not possible. The key explanation for this conclusion is that the government was driving in the dark – it had no template with which to 'anchor' the surgical strike against black money. How do economists and policy makers prescribe decisions? The conclusion is that, of course, demonetisation had been tried in several countries – of which were democracies – and all had a significant inflation problem: Russia in 1991, North Korea in 2010, Zaire in the early 1990s, Brazil in 1994.

But what about India? We demonetised the ₹1,000 note in 1978, when our inflation rate was 2.5 percent. True, a democracy with low inflation did demonetise. Presently, India has demonetised the ₹500 and ₹1,000 notes, which together account for 86 percent of the total cash in circulation; and our inflation rate is 4.2 percent, one of the lowest in the last 13 years. In 1977/1978, the demonetised ₹1,000 note was less than 1.3 percent of the total cash. I guess the 1978 episode is comparable to 2016, so the government had a precedent and could have performed better.

My first estimate is that a significant reduction in the implementation costs was not possible. The government was driving in the dark – it had no template with which to 'anchor' the surgical strike against black money

If there is no template, then can one blame implementation other than on the ground that since we had no precedent, the government should not have undertaken the initiative? That depends on whether one sees this as a package (with more reforms to be delivered) or a one-off morality play? If it is the latter, then the big bang will end up as the biggest thud.

Then there is corruption. Every adult Indian, at least since the late 1960s, has indulged in a black money transaction. Who has not been forced to give a bribe to get what is their right? No one. White money is converted into black when an individual bribes to obtain basic services like electricity connection, water supply, or public subsidies. The list is long; as is the room for discretion on the part of public servants. So a necessary part of reducing black money from corruption is to reduce the discretion. If Modi does not initiate policies to reduce bureaucratic discretion, the big bang will be a thud.

We also need to look at tax avoidance. Around the world, high tax rates are the cause of black money creation. The rot exploded in the mid-1960s after Indira Gandhi became the Prime Minister in 1966. In 1969, she nationalised the banks; in 1970-71, she ushered in 'tax reform', which guaranteed a high degree of tax evasion (with a corresponding reduction in tax revenue). This reform introduced 11 income tax rates ranging from 10 percent to 85 percent. Then there was also a 15 percent surcharge, which meant that effectively the top marginal tax rate was 97.75 percent. The rational response was stop working (and no income to support the family) or bribe tax officials. Black money was born big-time.

Election funding needs a re-look. Reform of election laws is absolutely necessary for reduction in black money generation. All the political parties have refused an accounting of expenditures, though they have willingly succumbed to the accounting of income. The law in India is that no more than ₹25 lakh can be spent, per candidate, for each parliamentary seat and no more than ₹10 lakh per seat in a state election.

A matching election funding scheme has been proposed by former chief economic adviser, Arvind Virmani. Accounting for expenditures is another suggestion. Either way, unless election reform is done, chances of a big thud increase. The next step has to be taxation and election reform – if not, the big thud will be on the horizon.

– *Contributing Editor,* The Indian Express. *This article was published on November 19, 2016*

State of Corruption

According to a survey in 2016 four in ten Indians had paid bribe to various government officials, reflecting upon the dire state of administrative machinery. Of the 43 percent respondents, 23 percent paid bribes on multiple occasions during the 12-month period while 20 percent paid money once or twice. About 31 percent of the bribes went to police, and 32 percent to municipal officials.

To curb the menace of corruption Centre has already tabled the anti-corruption bill for changes which if approved will hold the bribe giver liable for imprisonment up to seven years. *(HT, 04.11.16)*

Most Confident in Job Prospects

In the latest Nielsen Global Survey of Consumer Confidence and Spending Intentions, India pipped Philippines to emerge as the most confident country in terms of job prospects, personal finance and immediate spending intentions in the third quarter of 2016.

The positive sentiment is helped by delayed but good monsoon, controlled inflation, positive economic outlook and onset of the festive season. The survey, established in 2005, polled more than 30,000 respondents with internet access in 63 countries to gauge perceptions of local job prospects and related global economic issues of consumers.

(ET, 03.11.16)

Global Business Optimism

According to the latest Grant Thornton International Business Report, India came out second on the optimism index during the third quarter (July-September 2016).

The result is believed to have been influenced by greater policy reforms and Goods and Services Tax (GST), which is expected to be a reality soon.

The improvement in the optimism ranking clearly reflects on the reform agenda of the government and its efforts on improving the climate for doing business are having an impact.

(BL, 12.10.16)

Higher Pollution Rise

As Delhi chokes on bad air, the national pollution watchdog's data shows the rise in particulate matter pollution in Indian cities has been higher than major metros across the globe, leading to rise in road congestion and respiratory ailments.

Analysis of the Central Pollution Control Board's data since 2002 showed that all major cities in North and Central India – Gwalior, Kanpur, Ludhiana, Gwalior and Surat – have recorded higher pollution rise in percentage terms between 2002 and 2014 as compared to Delhi.

(HT, 03.11.16)

India Ranks 97th in GHI

According to Global Hunger Index (GHI) report by International Food Policy Research Institute, 15.2 percent of its citizens undernourished and 38.7 percent of under-five children stunted.

The GHI score is a multidimensional index composed of four indicators – proportion of undernourished in the population, and prevalence of child mortality, child stunting, and child wasting.

According to the report's global rankings for 2016, India, which ranked 97 among 118 developing nations, fares worse than all its neighbours, such as China (29), Nepal (72), Myanmar (75), Sri Lanka (84) and Bangladesh (90), except for Pakistan (107).

Also, India's GHI score of 28.5 is worse than the developing country average score of 21.3. *(Mint, 12.10.16)*

Sharp Wealth Surge

The top 1 percent of India's population owns 58.4 percent of the country's wealth, as per the 'Global Wealth Databook 2016' released by Credit Suisse Research Institute. The wealth share of India's richest has seen a sharp surge from 53 percent share in 2015 and 49 percent share in 2014.

In 2016, India ranks next only to Russia where the top 1 percent own 74.5 percent of the country's wealth, the report's data showed. The top 1 percent in other Brazil Russia India China and South Africa (BRICS) nations rank better than India.

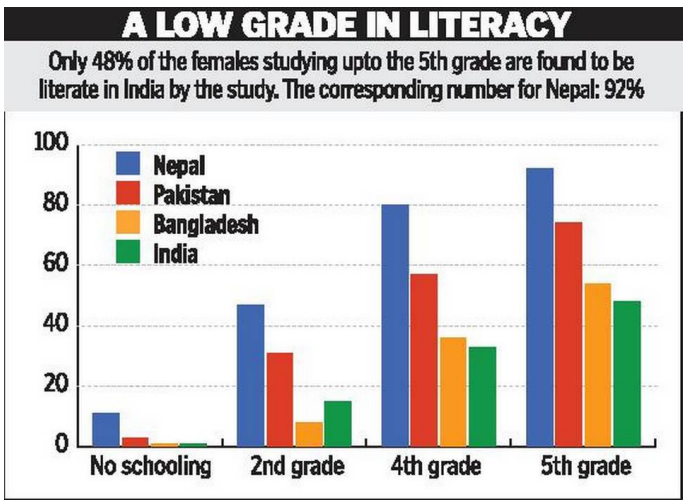
(IE, 23.11.16)

Female Literacy Falls

A new research on female literacy show that India's school education system is under-performing in terms of quality when compared to its neighbours, Pakistan, Bangladesh and Nepal.

The proportion of women who completed five years of primary schooling in India and were literate was 48 percent, much less than 92 percent in Nepal, 74 percent in Pakistan and 54 percent in Bangladesh.

The authors of the research have referred to data from Demographic and Health Surveys (DHS), one of the most comparable data sources on living standards. *(TH, 06.11.16)*



Fall in Household Wealth from 0.8 Percent to US$tn

Hit by adverse currency movements, India's household wealth has fallen by US$26bn to US$3tn in the year 2016, shows the latest report by global financial services major Credit Suisse.

According to the 'Global Wealth Report' compiled by Credit Suisse Research Institute, wealth in the country in dollar terms went down by 0.8 percent (US$26bn) to US$3.099tn in 2016 compared to previous year. The report noted that while wealth has been rising in India, not everyone has shared in this growth.

"There is still considerable poverty, reflected in the fact that 96 percent of the adult population has wealth below US$10,000", the report said.

"At the other extreme, a small fraction of the population (0.3 percent of adults) has a net worth over US$1,00,000", it added, noting that due to India's large population, this translates into 2.4 million people.

As per the report, the country has 2,48,000 adults in the top 1 percent of global wealth holders, a 0.5 percent share. "By our estimates, 2,260 adults have wealth over US$50mn, and 1,040 have more than US$100mn", according to the report.

Overall, the Asia Pacific region in 2016 saw wealth increase by 4.5 percent to nearly US$80tn. "China and India were hit by adverse currency movements. As a result, their household wealth fell by 2.8 percent and 0.8 percent to US$23tn and US$3tn, respectively", the report noted.

Among other major economies in the region, wealth in Australia remained largely unchanged (decline of 0.2 percent) and South Korea saw an increase of 1 percent. Globally, the wealth stood at US$256tn – a rise of 1.4 percent from a year ago.

The report noted that rise in global wealth is in line with the increase in the world's adult population with average wealth per adult remaining constant at US$ 52,800.

According to Credit Suisse, while developing economies are likely to outpace the developed world in terms of wealth growth, they will still only account for just under a third of growth over the following five years.

"They (developing nations) currently account for around 18 percent of global household wealth, against just 12 percent in 2000", it added. "China is expected to account for more than half of this growth, with over 7 percent coming from India", it added.

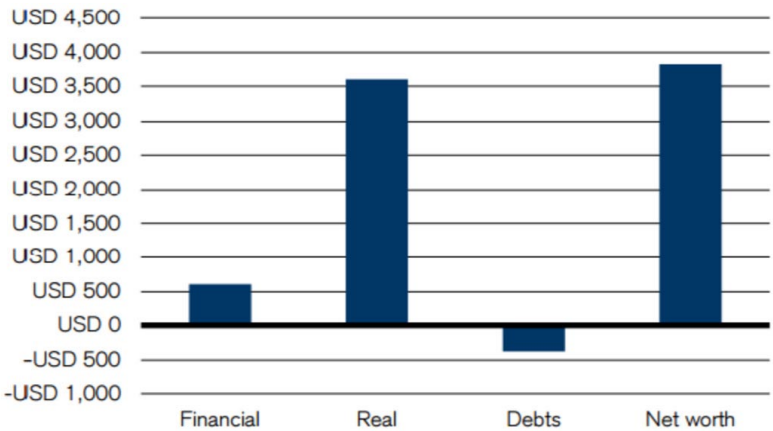
Credit Suisse noted that the US is likely to remain the engine of global wealth growth in coming years, with the total tally reaching US$112trn by 2021 – US$28tn more than in 2016.

In its forecast for India, the report said that in terms of ranking, the country will probably jump to 12th spot from its current position of 14th – overtaking Switzerland and Taiwan – in the following five years. Further, the report noted that countries in the Asia-Pacific, including China and India, currently host more than 32,000 ultra-high net worth individuals as against nearly 30,000 in Europe.

"This difference in favour of APAC will increase further, and by 2021, the region is expected to add another 17,000 ultra-high net worth individuals to reach a total of nearly 49,000, 39 percent of whom will be from China (against 34 percent today)", Credit Suisse said.

The report is compiled from data on the wealth holdings of 4.8 billion adults across over 200 countries from billionaires in the top echelon to the middle and bottom sections of the wealth pyramid.

Composition of Wealth Per Adult



Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2016

* *This has been adapted from a news item published in* Business Standard *on November 23, 2016*

Clouds over Corporate Governance

*Kaushik Dutta

The upheaval in India's corporate world came to a temporary halt when the former Chairman of one of India's most-trusted holding companies resigned from the board of group companies, preventing an all-out showdown in the upcoming general meetings.

In most of the developing world, business owners own, control, manage and operate their companies – even those which are publicly traded – with very little gap between ownership and management. They exercise *de facto* control over key decision-making processes in their companies as a norm. But, how does a promoter entity influence decision-making of the board of a company in which it has minority share, particularly in areas that concern minority shareholders and public stakeholders?

But the question is, whose interest do Directors protect – the company or the group? Directors, by law, need to primarily act in the interests of company. At times, they review and approve transactions creating beneficial interests of the dominant shareholder, so long as these are consistent, aligned or furthers the interests of the company. In case of a conflict of interest between a group and its companies, the Director must give primacy to the company on whose board she sits. This duty is derived from the principle of loyalty – towards the company, and not its owners.

The boardroom saga holding the nation's interest has thrown up issues related to primacy of interests for Directors, especially independent Directors who are supposed to uphold a neutral viewpoint

The boardroom saga holding the nation's interest has thrown up issues related to primacy of interests for Directors, especially independent Directors who are supposed to uphold a neutral viewpoint. Are boards to consider the company's interest as subservient to the group? As the story unfolds, spilling of battles of the board room into partly owned subsidiaries puts out significant governance challenges across the group and for Directors, especially independent Directors. These Directors are expected to voice their views, including dissent to resolutions, which they see contrary to the best interests of the company, opposed to minority shareholders, and divergent to long-term company goals.

The institution of independent Directors is a key construct of a company's corporate governance framework. Such Directors are the vanguards of protection of minority shareholders and hence are expected to act independently, irrespective of the directives or motivations of the controlling shareholders.

A promoter exercises control through majority ownership or through majority voting rights, and in such cases, the owner has significant decision-making power over the company and the board. As a consequence, the company consolidates the subsidiary into itself.

The other form of control is by having the power to appoint majority Directors, including controls over their appointment or removal. In such a case, the company becomes a subsidiary without majority ownership and is subject to principles of consolidation. Groups often influence, exercise control over the boards of their subsidiaries and associates but rarely consolidate the associates over whom they have a de facto control.

The challenge of governance in India is when the holding company of one of most trusted groups makes governance overreach and exercise *de facto* control over the board for removal of Directors in companies in which they do not have controlling stake and the entire board of eminence hold themselves accountable to a privileged few and not to all stakeholders.

The Board and the Directors also face a quandary in a case when they overturn decisions taken in their previous meetings while rating performance of Directors, whom they seek to remove from a scale of high performance to failure – all within a few months without any significant change in macro or industry variables. This demonstrates vulnerability of some of the strongest boards in India when faced with pressure from the promoter groups.

Institutional shareholders also play a key role in such times of corporate conflict who by virtue of their expertise, knowledge and research can determine the best alternative for the company and define its future path. Because of their shareholding, they can affect positive changes in boards and act as a balancing factor.

The critical lesson that manifested from these turn of events is that corporate governance in India is hostage to the dominant powers even in evolved and trusted groups who easily override principles of equity and governance in their partly-held companies and voice of other shareholders, who can make themselves count, continue to be muted. Hopefully, this will not set the tune for tragic consequences for governance for Indian corporates.

* *Author at* The Financial Express. *This article was published on December 22, 2016*

Congress, BJP Got ₹5k Crore from Unknown Sources in Last 10 Years

N Sundaresha Subramanian*

National political parties collected more than ₹1,130 crore in donations in 2014-2015. The government levied no tax on this money and its source remains unknown. This sum also accounted for 60 percent of the total earnings of the big six political parties – the Congress, Bharatiya Janata Party (BJP), Nationalist Congress Party (NCP), Bahujan Samaj Party (BSP), Communist Party of India (CPI) and CPI (Marxist) – at the end of an election year.

It seems that the BJP and the Congress, which are fighting in Parliament over the right way to tackle black money, need to start at home as these two national parties accounted for a lion's share of the thousands of crore of unaccounted money received by the political world over the past 10 years.

An analysis of the income-tax returns data for the past 10 years provided by the Association of Democratic Reforms showed that between 2005 and 2015, these two parties collected a total of ₹5,450 crore (₹54.5bn) from 'unknown sources.'

As per Section 29C of the Representation of the People Act, 1951, political parties can accept donations up to ₹20,000 anonymously. And there exists no cap on cash donations. For amounts over ₹20,000 the political party has to record the donor's name, address, PAN card, mode of payment and date of donation to avoid paying tax.

As per the analysis report by the Association of Democratic Reforms, 51 percent of the funds collected by national parties during 2014-2015 comprised of smaller donations of up to ₹20,000.

The Congress led the list of six national parties with ₹3,323 crore, or 83 percent of its total income from these anonymous benefactors, during the period. For the BJP, the figure was lower, at ₹2,125 crore or 65 percent.

The CPI (Marxist), whose leader Sitaram Yechury made a spirited speech in Parliament on the black money issue and demonetisation, came next with ₹471 crore from such unknown sources. Mayawati's BSP earned ₹448 crore and Sharad Pawar's NCP got ₹243 crore on these accounts. The contribution statements, submitted by political parties declaring the names and other details of the donors who contribute above ₹20,000, are the only known source.

Provisions of the Income Tax Act require that payments exceeding ₹20,000 need to be made through the banking channels, facilitating audit trails. However, the parties circumvent this by receiving payments in numerous transactions of lower denomination. There is a lingering suspicion that bulk of this could be unaccounted income that has evaded taxes or, in other words, 'black money'.

www.business-standard.com

For example, the BSP has declared that the party did not receive any donations above ₹20,000 in the past 11 financial years.

For the Congress, bulk of the unknown income came from 'collection from sale of coupons'. It sold ₹2,941 crore worth coupons in these years, while for the BJP, small voluntary contributions swelled to a corpus of ₹1,947 crore. The NCP also got most of its income from coupons. The CPI had the least income from unknown sources at ₹23 lakh.

The Congress has the highest total income of ₹3,982 crore between 2004-05 and 2014-15, accounting for 42.92 percent of the total income of the six national parties (Congress, BJP, BSP, NCP, CPI-M, CPI). The BJP has the second highest income of ₹3,272 crore, which is 35.27 percent of the total income. The CPI (M) declared the third-highest income of ₹832.99 crore, which is 9.62 percent of the total income of the six national parties.

This might change fast as in the past two financial years, which coincided with its ascent to power at the Centre and some key states, the BJP has been reporting higher income than the Congress. In FY13-14, Prime Minister Narendra Modi's party earned ₹673 crore against ₹598 crore for the Congress. In the following year, the gap expanded with the former earning ₹970 crore against ₹593 crore clocked by the grand old party.

* *Associate Editor at* Business Standard. *This article was published on November 16, 2016*

Work on Rule of Law

The latest 'Rule of Law Index', released by the World Justice Project, a Washington-based non-profit, ranks India 66th among 113 countries. The report, based on a survey of 1,000 people and local experts, looked into Indians' dealings with their government, the police, courts and other state institutions in their day-to-day lives.

The 2016 survey compared 113 countries over six subject areas, including "constraints on government power," 'order and security' and 'fundamental rights', among others. India's average score for 'open government' improved from 0.53 in 2014 to 0.66 in 2016. *(BS, 22.10.16)*

Plugging Subsidies Leakages

Jan Dhan-Aadhar-Mobile trinityor or JAM, helped the government save leakages worth ₹36,000 crore in subsidies and benefits provided to the poor, during the last one year, according to Union Minister Ravi Shankar Prasad.

"We linked their (Jan Dhan) account with their Aadhar, to their mobile and to the bank. By giving them all the pro-poor subsidies and benefits we have saved ₹36,000 crore in the last one year because of application of digital technologies", Prasad said. *(ET, 14.11.16)*

Granting Banned Pesticides

The Centre told the Delhi High Court that it has decided to allow the continued use of 51 out of the 67 pesticides that have been banned world over, based on the recommendations of an expert panel. The Ministry of Agriculture submitted that of the 51, the status of 27 pesticides will be reviewed in 2018.

The Centre, said that ban on Endosulfan would continue as it was ordered by the Supreme Court. Regarding use of Dichloro-diphenyl trichloroethane (DDT), the Ministry has said that it was being used by health departments in limited quantities for vector control programmes and any final decision to ban it would be taken after receiving comments of Directorate of Plant Protection Quarantine and Storage. *(BL, 07.12.16)*

Time to Act

Tamil Nadu Chief Minister J Jayalalithaa's recent death threw up a big question: Can the All India Anna Dravida Munnetra Kazhagam (AIADMK) survive her death?

When the party's founder and her political mentor M G Ramachandran died in 1987, people had the same question in mind. He was equally venerated and adulated to the point of obsession and hysteria.

But the AIADMK survived after a brief power tussle between Ramachandran's wife Janaki and Jayalalithaa who became the Chief Minister later. The AIADMK's future could be a lesson to regional parties that have subsumed into individual personalities. *(HT, 07.12.16)*

More Powers to PAC Banks

The Institute of Public Auditors of India (IPAI) has strongly batted for independent powers of investigation for Parliament's Public Accounts Committee (PAC), and demanded that banks, other financial institutions and PPP projects be brought under the purview of The Comptroller and Auditor General of India (CAG), India's official auditor.

Currently, banks, financial institutions and PPP projects are not under the purview of CAG, and according to experts, CAG should be empowered to audit these sectors' records to ensure transparency and accountability in these critical sectors of economy. *(BS, 26.12.16)*

Disparity in EPFO

A CAG report has found discrepancies to the tune of ₹6,148.59 crore in the employee's deposit linked insurance scheme maintained by Employees' Provident Fund Organisation (EPFO). The report indicated significant deficiencies in disclosure and transparency in the union finance accounts for 2015-16.

Financial irregularities have also found in other departments and schemes like cess collected on *Swach Bharat*, feature films and iron were not fully transferred to earmarked funds. These were apart from other irregularities in rights issue on State Bank of India and irregular retention of balances under Mahila Samridhi Yojana, the Centre's women's welfare programme. *(DH, 18.12.16)*

Unknown Grants of Beneficaries

According to The Comptroller and Auditor General of India (CAG) two Union Ministries, namely, Ministry of Health and Family Welfare and Ministry of Power have released grants of over ₹26,000 crore in three years, but the auditor found no record of the beneficiaries.

During FY14 and FY16, both the Ministries separately released grants running into crores, but no centralised records, including names of the grantees, details and nature of assets created, amount of grants utilised, ownership of assets, were maintained. *(IE, 21.12.16)*

www.google.com

Two Bills Passed, Lok Sabha Ran for Less than an Hour a Day in Winter Session

The Lok Sabha or lower house of Parliament ran for a total 19 hours in the 21-day winter session, not even averaging an hour a day, while the Rajya Sabha did marginally better at 22 hours. The rest of the time was lost to slogan shouting and disruption, mainly over the government's notes ban and its impact on people. Between the two Houses they could pass only two Bills and most other legislative work listed by the government, including bills related to the mega reform Goods and Services Tax or GST, have been pushed to the Budget session to be held from January 2017.

The Lok Sabha lost nearly 90 hours of work in the session, the Rajya Sabha lost more than 86 hours. Each hour of a Parliament session costs the exchequer about ₹2 crore.

The government and the opposition have blamed each other for the washout, each claiming that it was ready to discuss the notes ban but the other side scuttled the debate. Through the session they failed to resolve how to conduct the debate – with or without a vote at the end.

In a strong message as he adjourned the house for the session, Rajya Sabha Chairman and Vice President Hamid Ansari stated, "regular and continuous disruptions characterised the session...the symbolism of dignified protest so essential for orderly conduct of Parliament proceedings was abandoned". He stated that this had "deprived members of the opportunity to seek accountability of the executive through questions and discussions on matters of public concerns". He asked lawmakers to "introspect on the distinction between dissent, disruption and agitation".

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Earlier, President Pranab Mukherjee had said, "Do your job. Leaders are not elected to sit in *dharna* in Parliament. We tried hard to the run the Houses from the first day. We wanted a debate on the notes ban and said the Prime Minister would speak too but the opposition kept disrupting Parliament", said Parliamentary Affairs Minister Ananth Kumar.

The Congress led a delegation of opposition parties to meet the President and complained that the government did not allow Parliament to function and 'stifled' the opposition's voice.

"We are extremely pained by this trampling of our democratic rights and the suppression of our right to present our views and make our voices heard in Parliament. We are deeply concerned that our parliamentary democratic system itself is under severe threat", said the Congress's Mallikarjun Kharge.

Prime Minister Narendra Modi had abolished ₹500 and ₹1000 rupee notes in a sudden announcement on November 08, 2016 aimed at combating corruption and black money. The move took out 86 percent money in circulation, resulting in a massive cash crunch.

The opposition has attacked the government for what it calls a poorly implemented strategy that has punished the poor rather than the corrupt. Narendra Modi has promised that the cash situation will ease soon and that demonetisation holds long term benefits for the people.

– *This has been adapted from NDTV news on December 16, 2016*

Unfazed by Rising Protectionism

Finance Minister Arun Jaitley said that India may still be a developing country but is no longer influenced by the rising clamour for protectionism around the world, and is instead looking to further open up its economy to spur investment and trade.

"To reform more, open up further, attract more investment, expand more in manufacturing, fill up the infrastructure deficit faster than we have been doing, there is a growing impatience in India, and rightly so", Jaitley said. *(TH, 09.11.16)*

Cleaning Black Money

Against the backdrop of his demonetisation decision, Prime Minister Narendra Modi stated that cleaning the system from black money and corruption is 'very high' on his agenda amid a push towards employment generation and self-employment opportunities.

"India is currently witnessing an economic transformation…We are now moving towards a digital and cashless economy. We welcome those who are not in India so far… India is not only a good destination. It is always a good decision to be in India", Modi added.

(FE, 14.12.16)

Rising Wilful Defaulters

Public Sector Banks (PSBs) have reported 16 percent increase in the number of wilful defaulters at 8,167 who collectively owe them ₹76,685 crore at the end of March 2016. According to data submitted in the Lok Sabha by Minister of State for Finance Santosh Kumar Gangwar, there were 129 wilful defaulters who borrowed loans in excess of ₹100 crore amounting to ₹28,525 crore from PSBs as on June 30, 2016.

To recover loans from such defaulters, banks have filed 1,724 FIRs. However, the conviction rate in all these cases was only 1.14 percent.

(BL, 18.11.16)

Unfinished Democratic Agenda

Indian Vice President Hamid Ansari said, "The agenda for political, economic and social democracy remains unfinished. This is because of continued disparity between the lives of the privileged and the rest and because of persistent ineptitude and unaccountability in the way the economy and society are organised".

The Vice President said, "The makers of our constitution were well aware of the glaring social inequalities that existed in Indian society and sought to attain justice, liberty, equality and promotion of fraternity". *(BS, 27.12.16)*

Setting Academic Depository

The Union Cabinet has recently approved setting up of National Academic Depository (NAD) to digitise all education records from school onward, whereby, education records will be converted into de-mat format by National Securities Depository Ltd (NSDL) and Central Depository Services Ltd. (CDSL).

NAD will be in place in the following three months and would be extended to the entire country by the next academic year beginning June 2017. Academic institutions would be responsible for the authenticity of data digitally uploaded by them into the system.

The NDA will verify academic awards online within a day of the request initiated by any authorised user, according to the cabinet statement. *(Mint, 28.10.16)*

New Themes Identified in NPE

According to a release by Ministry of Human Resource and Development (HRD), an Indian Education Service (IES) should be established as an all India service with officers being on permanent settlement to the state governments but with the cadre controlling authority vesting with the Ministry of HRD.

Persons from IES would occupy higher level policy posts at the Centre and in the States; the services of IES officers could also be loaned to universities and other national and state-level education institutions. It is proposed that recruitment to IES should be done through Union Public Service Commission (UPSC).

Though in the earlier National Policy on Education (NPE-1986/1992, it was proposed that the country should go for the creation of the IES in consultation with the states, but it could not materialise. *(Mint, 16.12.16)*

Thumbs Down to NEP

The new National Education Policy (NEP) has been unanimously given a thumbs-down by the 22 executive members of Delhi University Teachers' Association (DUTA).

Times of India

According to DUTA, the policy document points towards commercialisation and cost-cutting by advocating mergers of existing government schools and promotion of massively open online courses (MOOCs) as a cheap alternative to the urgent requirement of increasing the number of public-funded institutions of education. It fails to address for deteriorating standards of education at the school and higher levels due to lack of adequate teachers and learning infrastructure.

(ToI, 07.12.16)

Medical Services to Rural Areas

With an aim to provide modern medical facilities to remote areas, the Gujarat government announced its Health Policy, 2016 that will be in place till March 2022.

Under the policy, the government is plans to start six brownfield self-financed medical colleges in backward districts by upgrading the government hospitals there on Public-Private-Partnership (PPP) model.

Under the policy, the government will promote private parties by giving them building of government hospitals and land on lease to fulfill the requirement of minimum 300 beds for a medical college. *(IE, 14.12.16)*

Public Healthcare Investment

India needs to invest more in public healthcare and build a robust health delivery system in all aspects, including infrastructure and human resources, with special focus on rural areas, the World Health Organisation (WHO) said.

"Investing in health is investing in India's growth story", said Dr Henk Bekedam, WHO Representative to India. According to him, "60 million people are still in poverty through paying healthcare bills mainly because of the country's low investment in health, inadequate financial protection and high out-of-pocket expenditure". *(BL, 11.12.16)*

Cap on Essential Prices

The government fixing prices of essential medicines had helped consumers save ₹5060.3 crore, said Minister of State for Chemicals and Fertilisers, Mansukh L Mandaviya. However, despite such massive benefits to the public, it is believed that the government is considering a proposal to disband the National Pharmaceutical Pricing Authority (NPPA), and delink price control from the list of essential medicines.

The NITI Aayog has proposed sweeping changes to the existing drug pricing policy, and has even recommended the dissolution of the NPPA. The Aayog views existing policies of price control as being detrimental for 'Ease of doing Business'. *(BL, 22.11.16)*

NGT Pulls up States

The National Green Tribunal (NGT) pulled up the governments of Delhi, Punjab and Haryana over unprecedented levels of air pollution, enquiring about the steps taken to curb a thick blanket of smog that has enveloped the national capital recently.

The Delhi government stepped up efforts of vacuum cleaning and washing city roads to curb pollution due to dust. The coal-based thermal power plant at Badarpur in south Delhi, which generates fly ash, was ordered to be shut for 10 days. NGT also criticised Punjab and Haryana governments for not taking serious efforts to stop crop burning in the states.

(HT, 09.11.16)

Poor Healthcare Indicators

Health indicators in rural areas are "considerably" poor as compared to urban areas with over 23 percent rural households in the country faced with "catastrophic" health care expenditures in 2014, and the government.

"The draft national health policy 2015 has been formulated to revise the existing National Health Policy 2002. One of the key principles of the policy is reducing inequality, which implies minimising disparity on account of gender, poverty, caste, disability, other forms of social exclusion and geographical barriers", Health Minister J P Nadda said. *(ToI, 02.12.16)*

Bad Year for Healthcare

With an investment of a paltry 1.5 percent on healthcare in India, only small achievements stood out in the year 2016 – getting rid of two infectious diseases viz. yawns and neonatal tetanus.

A survey conducted by ICE 360° shows that 3 percent of households of among the richest 20 percent of the population faced a crisis with more than fifth of their income being spent on healthcare. The figure for the bottom of the pyramid – 20 percent of the poorest – was seven percent, which is more than double compared to the rich.

(www.catchnews.com, 26.12.16)

Reforming Healthcare

India faces a huge disease burden despite with spending of over ₹6tn annually on healthcare. Reform needed. Three essential principles central to the design of successful health systems are: pre-payment with pooling; concentrated purchasers with organised providers; and the government's role as an active shaper and steward of the entire health system.

Countries have either used higher taxation levels to achieve pre-payments or have required residents to mandatorily purchase some form of health insurance. The money thus collected is then aggregated into large pools that are managed by one or more large agencies. *(Mint, 21.12.16)*

India's Healthcare Programmes – Government Gives a Mixed Report Card

Nishitha Gautam*

The Minister of State for Health, Anupriya Patel, in a written statement in Parliament on December 09, 2016 shared the progress made on various counts in the healthcare sector *vis-à-vis* the Millennium Development Goals (MDGs). Upon their announcement at the turn of the millennium, India had responded enthusiastically to the MDGs.

The government has recently turned in a mixed report card. Health and nutrition are two areas where India has fallen short of expectations and this should worry all the stakeholders. As per the latest Lancet report on December 11, 2016, India fares worst amongst the Brazil, Russia, India, China and South Africa (BRICS) nations in terms of healthcare.

Developments in Health sector

- Between 2000 and 2015, the new HIV infections dropped from 2.51 lakh to 86 thousand, a reduction of 66 percent. Similarly, AIDS-related deaths have declined to 54 percent from 2007-2015
- For MDG-4 on reducing child mortality, India has achieved Under-5 Mortality Rate of 45 per 1000 live births during 2014 as against the target of 42 per 1000 live births in 2015 from 126 per 1000 live births in 1990 and
- With regard to MDG-5 on improving maternal health, India was supposed to reduce Maternal Mortality Rate (MMR) from 556 per 1,00,000 live births in 1990 to 139 in 2015. India has achieved MMR of 167, as per the Health Ministry

Challenges in Policy Formulation

One of the biggest challenges in the field of healthcare policy formulation is lack of sufficient data. Data gap, periodicity and coverage issues at sub-state level hamper assessment and monitoring efforts. The current government's thrust on digital governance should address this issue.

Another major challenge is at the level of implementation of the government initiatives and schemes. The health sector in India is particularly prone to corruption and pilferage, which needs to be tackled urgently. More transparency in operation of such schemes is needed by using technology optimally. The government must also ensure accountability of health services delivery and related institutions.

Attitudinal hindrances are also a big factor resulting in limited implementation due to non-compliance as observed in reproduction and women's health related schemes. Skewed sex ratio and worrying rate of population growth exemplify this scenario. As observed in the MDG country report, the performance of four states – Uttar Pradesh, Bihar, Madhya Pradesh and Rajasthan – together contributes to 67 percent of MMR in the country. This, along with the child mortality data, should be seen as an indicator of social attitudes in these states towards women's health right from their day of birth.

In the context of MDG on maternal health, a report of the UN Rapporteur on Health identified that lack of "health work force is a major bottleneck in India". It holds true largely for all the health initiatives that the government has launched. In a sad paradox, India has not been able to utilise its demographic dividend optimally. Despite the various training and recruitment drives, skilled healthcare personnel are not available in sufficient numbers.

> *India's mixed report card for Millennium Development Goals (Health) should alert the government towards the shortfall*

As per the World Health Organisation estimates, almost 65 percent of India's population is still dependent on traditional medicines for health-related needs as well as sustenance. United Nations Development Programme (UNDP) has recognised this potential and has been partnering with the government to promote sustainable use and conservation of medicinal plants since 2008.

With the formation of AYUSH Ministry in 2014, this potential can be further tapped and regulated. The practice of patenting traditional medication by multinational pharmaceutical companies, thus restricting access, needs to be paid due attention. Further, there needs to be a crackdown on quackery and spurious drug usage.

India's health policy has been fairly progressive. Fixing the lacunae at the level of implementation and close monitoring are likely to result in a positive healthcare scenario in the country. To achieve the new Sustainable Development Goals, India needs to pay attention to the above mentioned concerns.

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* *Writer and Researcher at* World Is One News *on December 24, 2016*

Proposed Purchase Cleared

Competition Commission of India (CCI) has cleared the proposed purchase of 2 percent stake in handset maker Micromax by Madison India Opportunities Trust Fund (MIOTF) besides three other deals involving different companies.

Separately, the CCI has given its nod to ICU Medical Inc buying drug major hospira infusion systems business. Post deal, Pfizer would own around 16.6 percent of California-based company, ICU Medical.

The CCI has also given the green signal for the proposed joint venture between TDK Corp. and Toshiba Corp. Toshiba would hold 25 percent shares in the joint venture and 75 percent would be with Japanese electronic company, TDK.

(ET, 27.12.16)

CCI Clears Acquisition

The CCI has approved pharma major Abbott Laboratories' proposed acquisition of heart device-maker St. Jude Medical (SJM), subject to certain 'voluntary remedies'. The regulator said it has approved the "proposed combination between St. Jude Medical and Abbott Laboratories; subject to voluntary remedies".

Both the companies have presence in India and for the deal, worth around US$25bn, both firms had entered into an agreement in April 2016. Abbott is a global healthcare company that researches, develops, manufactures and sells a diversified range of healthcare products. *(ET, 18.12.16)*

CCI Imposes ₹12,918 crore Fine

The CCI has imposed a penalty totalling ₹12,917.63 crore in 327 cases related to anti-competitive practices during the past three years and till October 2016.

Out of the penalty imposed, a total of ₹10,454.08 crore have been stayed by the Competition Appellate Tribunal (CAT), various courts, including the Supreme Court and the penalty ₹2,427.90 crore has been dismissed during the period, Minister of State for Corporate Affairs Arjun Ram Meghwal stated. The amount realised by the CCI stands at ₹29.49 crore and ₹6.16 crore remains unpaid during the past three years and the current year till October 31, 2016 added the Minister. *(ToI, 09.12.16)*

Reviewing Antitrust Case

The Competition Appellate Tribunal (COMPAT) asked the antitrust regulator to review its order declining to investigate whether DLF Universal Ltd and DLF Home Developers Ltd. were in a dominant position in Delhi's luxury residential apartments market and had abused their position to influence consumers.

The COMPAT order is in response to an appeal by Ess Cee Securities Pvt. Ltd. and Signature Securities Pvt. Ltd. against an earlier decision of the CCI to close the case. The tribunal said CCI had not accurately defined the relevant product market. *(Mint, 10.12.16)*

Stay on CCI Order

The COMPAT has granted a stay in the appeal filed by India Cements Ltd, against an order of the CCI, which had imposed a penalty of ₹187.48 crore on it for cartelisation.

"The COMPAT in its order dated November 21, 2016 granted stay against the order of CCI imposing a condition. The condition was that the company shall deposit 10 percent of the penalty in the Registry of the Tribunal in the form of fixed deposits for six months from the date of its order", stated India Cements Ltd.

The CCI in its order had imposed a penalty of ₹6,715 crore on 11 cement companies, including India Cements Ltd. and Cement Manufacturers Association, for cartelisation.

(ET, 28.11.16)

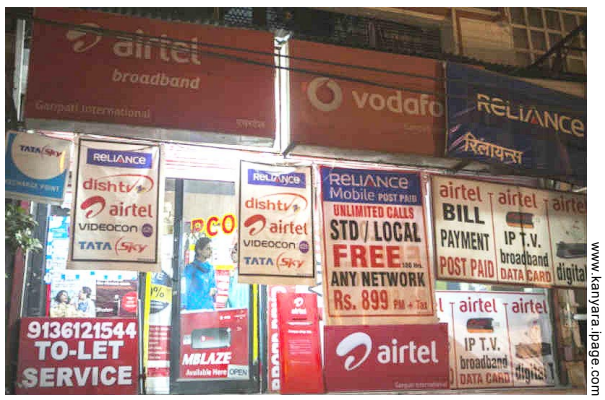
CCI Probes Grasim

The CCI has ordered a detailed probe against Aditya Birla group firm Grasim Industries for alleged discriminatory pricing ways in the sale of viscose staple fibre, a raw material used for making fabric. It has been alleged that the company offered different discounts to different customers for the sale of viscose staple fibre (VSF).

Apart from allegations of the company selling VSF at higher rates to domestic customers compared to foreign ones, it was alleged that the firm controlled volume of VSF production in the local market as well as arbitrarily cut down production to increase prices. *(BS, 05.12.16)*

Cases against Telcos

The CCI has registered four cases against telecom companies (Reliance Jio, Vodafone, Airtel, Idea and others), including one by Reliance Jio against other operators and two against the Mukesh Ambani-led group firm itself, for alleged violation of competition laws.



www.kanyara.jpage.com

Among others, the complaints about unfair competitive practices and abuse of dominance have also been filed against regulator TRAI, DoT, industry body Cellular Operators Association of India (COAI), as also against operators Bharti Airtel, Idea Cellular, Vodafone India, Aircel, Videocon Telecommunications, Telenor and Bharat Sanchar Nigam Limited (BSNL).

(http://www.bgr.in, 10.12.16)

Tribunal Orders CCI to Probe Uber for Alleged Dominance Abuse

The Competition Commission of India (CCI) has witnessed competition related issues pertaining to aggregator based radio taxi business across different states in India. Most of the issues pertain to various anti-competitive practices *vis-à-vis* predatory pricing, unfair conditions etc. One such case that has gained limelight recently is "Meru Travels Solutions Private Limited vs. Competition Commission of India & Ors", wherein Meru Travels Solutions Private Limited (Informant or Meru) alleged that Uber India Systems Pvt. Ltd. along with its affiliate companies had engaged in an anti-competitive business model that was not in consonance with the Competition Act, 2002.

In fresh troubles for Uber, the Competition Appellate Tribunal ordered fair trade watchdog CCI to probe afresh the alleged abuse of dominance by the popular tax-hailing app operator.

The latest direction came after Meru Travels Solutions approached the tribunal against CCI's earlier decision against ordering an investigation into allegations against Uber of unfair practices including predatory pricing.

In 2015, Meru had filed information under Section 19(1)(a) of the Act before the CCI alleging that Uber had adopted an anti-competitive business model while entering India. The specific allegations levelled against Uber were that it gave unreasonable discounts, which led to abysmally low fares and, consequently, predatory pricing to its passengers and drivers to oust its competitors from the market, thereby abusing its dominant position under Section 4 of the Act.

Meru stated that before the commencement of Uber's operations the prevailing market price for radio taxis in Delhi National Capital Region was approximately ₹23 per km (US$0.33). Subsequently, Uber launched its services from ₹20 per km (US$0.29) and progressively reduced it further to ₹7/12 per km (US$0.10/$0.17) depending upon the services availed by a customer such as carpool, premium or luxury cabs.

Uber was allegedly engaging in predatory pricing by providing enormous incentives targeted at both the passengers and drivers. The former would get benefit of substantial discounted price during the scheduled ride, while the latter would get paid by the passengers and, in addition, get a bonus from Uber upon attaining certain targets. Such practices led to an increase in the market share of Uber to almost 50 percent per trip basis, thereby declining Meru's market share from 18 percent in December 2013 to 11 percent in September 2015.

In its order dated February 10, 2016, CCI was unable to find a *prima facie* case and, as a result, it closed the investigation.

But, this was reverted back by COMPAT and in an order dated December 07, 2016 the tribunal has directed CCI's probe unit Director General to conduct a fresh probe into the allegations of abuse of dominance and anti-competitive practices by Uber.

"The size of discounts and incentives shows there are either phenomenal efficiency improvements, which are replacing existing business models with the new business models or there could be an anti-competitive stance to it", COMPAT said.

Taxi-hailing apps like Uber and radio taxi service providers, such as Meru are locked in a stiff competition across the country. Earlier, also there have been allegations and counter-allegations by the two sides.

As per the complaint, Uber allegedly resorted to many abusive practices with the sole intent to establish its monopoly and eliminate otherwise equally efficient competitors from the market by way of discounts and incentives. It was alleged that Uber is spending about US$885mn to generate a revenue of US$415mn.

The Competition Commission of India in February had rejected the complaint, saying inability of the existing players to match the innovative technology of any player or the model created for operating in a particular industry cannot be said to be creating entry barriers in itself.

"Therefore, it cannot be said definitively that there is an abuse inherent in the business practices adopted by operator, such as respondents (Uber) but the size of discounts and incentives show that there are either phenomenal efficiency improvements, which are replacing existing business models with the new business models or there could be an anti-competitive stance to it. Whichever is true, the investigations would show", COMPAT said.

– *This feature has been abridged from an article published in* Business Standard *on December 11, 2016*

We Did Say We Wanted Less Corruption

Monika Halan*

Those who did not take the government's move seriously and did not declare their unaccounted income by September 30, 2016, by paying a 45 percent tax plus penalty, now see a 100 percent loss rather than a partial loss. Those who converted their cash into gold, art and real estate – the three sumps of black money – will sit on their assets for a while

Some of us in India have paid, what I call, the 'honesty tax' for decades. Our money is salaried, there is nothing on top, we pay our taxes, keep our accounts clean, pay for large spends by card, do real estate deals in white and become the guys who obey traffic signals while others in bigger cars zoom away with a smirk. We pull out our cards and carry home our small shopping bag.

The guy in the next aisle pulls out a brick of cash and thumbs out a lakh in notes to take home the high-value gadget. We drive our Marot home with the EMI (equated monthly instalment) sitting in the backseat, the luxury sport utility vehicle (SUV) guy comes with a sack of cash and scrapes our car out of his way. We wait to buy a house with white money, do not get the choice set, pay more and end up feeling like losers for being honest.

For decades, the honest have felt like fools in a nation that runs on graft. The complicity, and active encouragement, of the political leadership gave feet, legs and body to this parallel economy. The political boss has spoken in India finally, giving teeth to the war against corruption by making currency notes of ₹500 and ₹1,000 worthless overnight.

Why will this help? It makes the current stash of undeclared cash useless. Those who did not take the government seriously and did not declare their unaccounted income by 30 September, 2016 by paying a 45 percent tax plus penalty, now see a 100 percent loss rather than a partial loss. Those who converted their cash into gold, art and real estate – the three sumps of black money – will sit on their assets for a while. When they do sell, the deal is likely to be completed electronically rather than in cash. With buyers unable to pay with old stashes of cash, how will the sellers sell?

They will either barter or be forced to use a bank to route the money. Barter may work: in 2008, during the financial crisis, certain kinds of art became currency, after the price inflation in gold made it a bubble. Something similar may happen here too. Is it the end of black money? Certainly not. This is about raising the cost of keeping unaccounted for cash. There will be an underground market for sure: already you hear of a ₹1,000 note selling for ₹300 in the Mumbai grey market, but it just gets tougher to keep it black.

What about conversion to gold and real estate? Yes, conversion to gold will happen. But think it through – will you see a guy pull out five gold coins to buy an iPad at a mall? The government is just making the use of black money difficult. Why give just 4 hours? What would have happened in a month? It may have made the transition easier.

There are two facts: One is cash would have been converted to gold and high-value purchases over the month. Already there were reports of brisk sales by jewellers till early morning of 09 November, 2016. Cash hoarders would have found ways to convert their money.

The other fact is cash that was about to die, would have found its way to the weakest in the food chain: those who do not know they have to, or don't have the power to, say no to getting paid with such notes.

It is not as if Prime Minister Narendra Modi has not taken a risk – both personal and political. The move to demonetise currency notes, to suck out black money, will upset BJP's key constituency: traders, realtors and small businessmen. The ground fact is that this government does not know how to do business – who pays 30 percent tax anyway? It is unlikely that the party cadres preparing for election were prepared with ₹100 currency notes. If other parties have lost money, so has the BJP cadre.

This is a big political risk. Modi is probably calculating that things would settle down in the following 18 months before the next general election. Modi also risks short-term growth by removing cash from the market. This cash pays for jewellery, high-value cars, gadgets, clothes, hotel bills. By suddenly making the stashes of cash useless, he risks offtake of goods from the market, which could affect the economy.

So the risk is real. Modi has taken a calculated gamble and we are all hoping that it pays off. He is pressing the reset button on corruption. We, who had so desperately wanted to kill corruption, now need to support this bold move by the government.

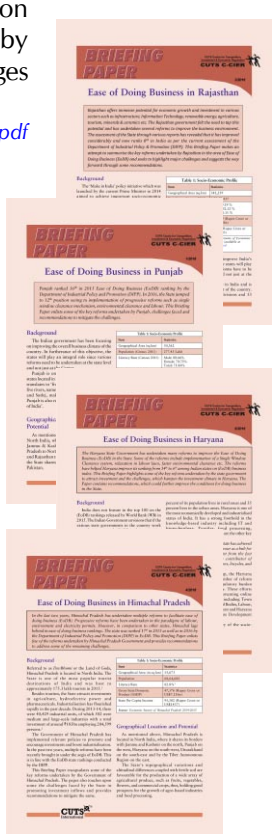
* *Consulting Editor at* Mint. *This article was published on November 10, 2016*

Briefing Papers

Ease of Doing Business in Rajasthan

Rajasthan offers immense potential for economic growth and investment in various sectors such as infrastructure, Information Technology, renewable energy, agriculture, tourism, minerals and ceramics etc. The Rajasthan government felt the need to tap this potential and has undertaken several reforms to improve the business environment. The assessment of the State through various reports has revealed that it has improved considerably and now ranks 8th in India as per the current assessment of the Department of Industrial Policy & Promotion (DIPP). This Briefing Paper makes an attempt to summarise the key reforms undertaken by Rajasthan in the area of Ease of Doing Business (EoDB) and seeks to highlight major challenges and suggests the way forward through some recommendations.

http://www.cuts-ccier.org/STATE-COMP/pdf/Ease_of_Doing_Business_Rajasthan_Briefing_Paper.pdf



Ease of Doing Business in Punjab

Punjab ranked 16th in 2015 Ease of Doing Business (EoDB) ranking by the Department of Industrial Policy and Promotion (DIPP). In 2016, the State jumped to 12th position owing to implementation of progressive reforms such as single window clearance mechanism, environmental clearance and labour. This Briefing Paper enlists some of the key reforms undertaken by Punjab, challenges faced and recommendations to mitigate the challenges.

http://www.cuts-ccier.org/STATE-COMP/pdf/Ease_of_Doing_Business_Punjab_Briefing_Paper.pdf

Ease of Doing Business in Haryana

The Haryana State Government has undertaken many reforms to improve the Ease of Doing Business (EoDB) in the State. Some of the reforms include implementation of a Single Window Clearance system, relaxation in labour laws, faster environmental clearance etc. The reforms have helped Haryana improve its ranking from 14th to 6th among Indian states on (EoDB) business index. This Briefing Paper highlights some of the key reforms undertaken by the state government to attract investment and the challenges, which hamper the investment climate in Haryana State.

http://www.cuts-ccier.org/STATE-COMP/pdf/Ease_of_Doing_Business_Haryana_Briefing_Paper.pdf

Ease of Doing Business in Himachal Pradesh

In the last two years, Himachal Pradesh has undertaken multiple reforms to facilitate Ease of Doing Business (EoDB). Progressive reforms have been undertaken in the paradigms of labour, environment and electricity permits. However, in comparison to other states, Himachal lags behind in ease of doing business rankings. The state was ranked 17th in 2015 as well as in 2016 by the Department of Industrial Policy and Promotion (DIPP) in EoDB. This Briefing Paper enlists few of the reforms undertaken by Himachal Pradesh Government and provides recommendations to address some of the remaining challenges.

http://www.cuts-ccier.org/STATE-COMP/pdf/Ease_of_Doing_Business_HP_Briefing_Paper.pdf

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- Readability (colour, illustrations & layout)

SOURCES

BL: The Hindu Business Line, **BS:** Business Standard, **ET:** The Economic Times, **FE:** The Financial Express, **HT:** The Hindustan Times, **IE:** The Indian Express; **IT:** India Today, **McCNBC:** Moneycontrol Consumer News and Business Channel, **NDTV:** New Delhi Television, **O&GFJ:** Oil & Gas Financial Journal, **TH:** The Hindu, **ToI:** The Times of India, **TT:** The Tribune

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