National Competition Policy & Economic Growth in India (ComPEG Project)

REPORT OF THE NATIONAL SEMINAR

"Measuring benefits of Competition Reforms in India"

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INAUGURAL SESSION: 'CHALLENGES IN EFFECTIVE IMPLEMENTATION OF NATIONAL COMPETITION POLICY IN INDIA'

Pradeep S Mehta, Secretary General, CUTS International welcomed all the participants and noted that the purpose of the seminar is to take stock of the work in progress to look at the competition impediments or distortion in various sectors by in large created by policies, laws & practices. The purpose is also to identify possible solutions to remove these impediments for proper functioning of market which consequently leads to growth. CUTS has undertaken three sectors namely pharma, electricity & agricultural product marketing to dive deeper into the economic cost analysis of competition impediments & benefits that can be fetch by removing such impediments.

Pharmaceutical: In the pharma sector there is a need to bring in greater transparency and accountability in the procedure of granting licences, revocation etc to achieve competition neutrality and provide level playing field to public & private sector. There is also need to pay greater attention to good manufacturing practices to ensure that there is no compromise in the quality standards and at the same time SME's should not face any entry barriers due to high GMP standards. In the cases of takeovers by the foreign companies there is always a fear that it will stop the production of generic medicine and promote its own line of patented medicines. Moreover, most of these mergers do not fall into the threshold of Competition Act. CUTS has also looked into the negative impact of such takeovers on the availability of medicines for the people at large. CUTS has also advocated for advancing the doctrine of essential medicine in the area of pharmaceutical and bring compulsory licencing as a part of this doctrine.

Electricity Sector: Electricity sector is by in large under state monopoly and unbundling is more superficies than actual. Most of the energy secretaries are also in charge of Discoms and tariffs are politically motivated. Mr Mehta also mentioned about the recent Discoms rating, where Gujarat and Maharashtra turn out to be quite well off. He noted that regulatory commission require greater independence in order to perform well. There are several bottlenecks in the sector and third party open access is also one of them. Conflict of jurisdiction is also one major bottle neck in energy sector. CUTS has recently done a study to resolve regulatory overlaps in four countries and proposed amendment for regulatory harmonisation is under consideration.

Agriculture Product Marketing: CUTS has undertaken a study on tomatoes, as it includes perishable goods and need to deal with intermediaries. Study has also covered a case study of Bihar, as it has scrapped APMC Act. It is interesting to note the way in which agriculture market works in absence of APMC. APMC has failed to establish independent system in the sector and middle man plays a vital role in the functioning. Generally these are persons with political connection and influential to prevent others to enter the sector. There is a large scope for CCI to monitor the contracts of traders and middle man. CCI should also provide model guidelines to the states to implement competition in the markets.

Andrew Jackson, Counsellor, Knowledge Economy, British High Commission highlighted the interest of commission in competition and economic growth and emphasised that it will strengthen the relationship with India and benefit the economic environment of both the countries. He also noted that benefits of such economic growth will pass on to the consumers and can be calculated to get the competition policy right. He also mentioned about the IP issues in the competition domain. The aim of this project is to create a space for deliberation in India and emphasis is more on impact of the project.

Pradeep S Mehta confirmed that CUTS is committed to achieve high quality outcomes alongwith outputs and taking forward the agenda of competition policy in India, but things move slowly in such spheres.

T.C.A. Anant, Chief Statistician of India, National Statistical Commission noted that in order to be successful CCI need to make jurisdiction based evidences to set the example, something on which regulators can act. He suggested that CCI should build up a greater source of data to generate evidences, data that can push for competition agenda in certain sectors. There should be a structure that creates better data to support the regulatory framework. He cautioned that development agenda often leads to anti-competitive practices; therefore competition commission should develop a jurisprudence to address such issues and document history of market abuses.

Pradeep S Mehta noted that study about policy induced anti-competitive practice. CCI can do very less about it as there are several overlap jurisdictions. These are issues created by a policy or policy ambiguity. Although act has empowered CCI to do advocacy but so far that has not been explored properly.

Arun Maira, Member, Planning Commission of India highlighted that there is lot of confusion related to competition and world is in a state of conceptual emergency. As idea of free market is to let individual identity do what they want to do, but if individual function in a free state then it will bring instability. In order to keep the system stable we have engineered the system to manage economy. However, that cause interference and therefore we don't want chaotic system as well as engineered system. Hence, complex self-adopted system, which is to maintain, innovate, adjust and invent. **Pradeep S Mehta** noted that we cannot look into any issue in isolation as there are lot of things that goes in running a sector.

PRESENTATION ON PHARMACEUTICAL SECTOR STUDY

Professor Aditya Bhattacharjea, Delhi School of Economics delivered the presentation for the pharmaceuticals sector. He briefly spoke about the standard features of the market and the policies that are relevant for the sector such as the Patent Act, the MRTP Act etc. many of which have been amended. The new competition act has been implemented. The patent regime has also undergone major changes since 2005. Many provisions have also been relaxed since. On a structural analysis based on the concentration ratio and the Herfindahl Hirschmann Index, the study reveals a decline in the market concentration since 2004. This is puzzling since it does not fit with the trends in entry and exit. One would think that a decrease in entry and an increase in exit would have increased concentration. This is likely to further decrease as many firms (relatively small) had entered in response to generous tax concession which are now expiring so there is likely to be further exit.

On an analysis of the import penetration ratio, the study revealed an increase in imports and growing competitive pressure for domestic firms from imports. This is because even though India's exports have been rising, the firms have been diverting their production to the demands of foreign markets because of price controls which have led to production away from domestic market needs.

On an analysis of the Structure Conduct Performance paradigm analysis, the study found that market shares do not impact the price cost margins. Firms with larger assets have lower profitability and surprisingly again, research and development have a negative impact on profitability although may enforce profitability over a longer period. Post TRIPS regime, the authors observed, may have an upward profitability because of stronger IP protection.

Amongst the competition concerns identified, the author said the retailers have been in collusion for many years in terms of fixing margins, forcing manufacturers to sell to a few stockists and also to bid for procurement of drugs. Several mergers were also identified in the sector that were below the prescribed thresholds and not subject for review, hence there is a need to reduce the threshold requirements. India's growing use of antidumping duties as an anticompetitive tool to target the most competitive foreign suppliers such as China is also a serious concern.

On drug pricing, there are big debates on cost based and market based approaches. Such a proliferation of price controls would be hard to carry out. Now the market based formula will be applied to see what the controlled prices will be. Instead lessons can be learnt elsewhere. A good example is the Tamil Nadu Medical Supplies Corporation, best procurement system as it gets the lowest of prices because of competitive bidding.

Dr D.G. Shah pointed out in his remarks that the market was very fragmented. He said that we need a system where both imported and domestic life saving drugs are treated the same without discrimination. However GMP compliance makes for the price difference not because of the different brands. **Professor Yogesh Pai** raised some important questions such as whether pharmaceutical industry is in need of more regulation. Then the more complex question of patents under the intellectual property regime needs to be addressed in more depth. Patents in some areas do lead to market power and this is why compulsory licensing is working for India. The essential facilities issue therefore needs to be explored. Also what more is happening on the trade policy front such as parallel imports needs to be explored and how data exclusivity as stressed in various free trade agreements etc. creates very high entry barriers. He advocated for brand substitution and said that would encourage competition. He said that while industry has opposed price controls, unless we get the basics right we cannot deregulate this industry and another concern with respect to pricing is that difference in terms of pricing between the same therapeutic category is substantial-So is market based approach right.

Some very pertinent questions were raised by the floor. One of them interestingly pointed at why we still have competition concerns in the sector when the studies have revealed a declining trend of concentration of the market. Why then should we advocate for greater competition enforcement. The author responded to this saying that a stronger competition enforcement mechanism is still required in light of all the cartels that are present. Therefore, one cannot turn a blind eye to them, especially the competition watchdog. Another important question pertained to the huge differences in the manner in which different brands price their drugs. In such a scenario, would a market based approach help was raised as a concern. To this, one of the discussants (Dr. Shah) said that nowhere does one say that patent monopolies need to be protected even when they abuse their market power. Nonetheless, one needs to certainly factor in the cost of GMP compliance which is necessary to ensure safety and efficacy. This would naturally lead to higher prices which smaller firms may not be able to afford. But there we need to make a choice as to what is important. Another issue that was brought out was with respect to the provision of parallel imports that exists in the Patent Act. It was raised that while the government of India vide a recent circular has approved parallel importation, this only applies to copyright and not to patents. Hence we still cannot use this provision to import cheap and affordable drugs.

Finally, the chair for the session brought forth an important point (taking from one of the issues raised by the audience) .i.e. where do we establish the basic premise .i.e. competition should have an end of some sort and we cannot just advocate it for its sake. Ultimately it should be a tool or a means to an end. This is what we need to see in the pharmaceutical sector as well. That is, whether having effective competition in sector is benefiting consumers and the industry.

PRESENTATION ON ELECTRICITY SECTOR STUDY

The presentation was delivered by **Sangeeta Singh**, Nathan Associates. She started with the overview of the power sector, and how it transformed with the introduction of the Electricity Act in 2003. This shift in policy governing the electricity sector marked a paradigm shift in the sector by introducing competition in all segments- generation, transmission and distribution. The whole system originates at the coal sector and thus the monopoly presence of the government owned Coal India Limited (CIL), given the preferential treatment it give to the public generation companies, distorts a substantial percentage of the competition, cost-efficiency and viability in the operations of the power sector. She further explained the structure of the electric power supply chain process in India, while the generation is majorly (80%) driven by coal, transmission is a natural monopoly, the distribution segment is the most complex given the involvement of public and private players, and the governance framework. She spoke of the irony in the credit rating of the Ministry of Power for the electricity distribution companies. The distribution segment, she reported, has faced the most discrimination, is a case of distorted competitive neutrality and political capture. She quoted the World Bank model, of separation of the wires and the (electricity) supply business, as a pre-requisite to infuse competition in the segment. The research findings were concluded with the presentation of a case of regulatory overlap, between the Competition Commission of India and the Central Electricity Regulatory Commission, for presiding over anti-competitive practices and policy-based competition distortions across the sector.

Policy recommendations and advocacy measures were suggested for central as well as state level. The need to quickly adopt the pooled-pricing (of domestic and imported coal) in coal procurement and reviewing the monopoly powers conferred upon the Coal India Limited (CIL) is urgent. The regular and transparent revision of tariff rates, unbundling of the state electricity supply chains and the application of Section 11 of the Act, on state intervention only in extreme circumstances, in the real sense, were the major conclusions of the study.

Discussants

Balwant Joshi, Director, ABPS Infrastructure Advisory, started out by saying that competition is a novel word for the electricity sector. Electricity, as a commodity is difficult to differentiate at the consumer end; whether on the basis of source of generation or strata of consumers. Also the power sector differs from the other sectors in the sense that 70-90% of the life-cycle costs for the latter are incurred in the construction phase, while 60% of the costs of the former are spent during the lifetime. He then raised the question of the need to know whether we need competition *for* the markets (like the U.K. model) or competition *in* the markets. Competition (only) *for* the markets, he said, might not be best way to achieve the said goals of efficiency and welfare; in this regard, how would the bulk level electricity supply be separated from the retail level. He also raised doubts about Open Access being the ideal way to introduce competition in the power sector with the cross-subsidy surcharge element attached to it. Maharashtra Electricity Regulatory Commission had withdrawn the C-S surcharge in 2007 but then it was again introduced in 2011.

Matt Crooke, Minister-Counsellor, Australian High Commission, said that power being one of the most crucial sectors to any country's economy, there are huge benefits to reap once competition is infused properly in the sector. Australia, he reported, is one such successful example. What is needed for India, currently, is a structural reform and regulatory overhaul of the public monopolies in the electricity sector.

V.K. Mathur, Chairman & MD, Inapex Limited, spoke of the hijacking of this sector for achieving various political agenda as the biggest road-block to progress, efficiency (financial and technical) and competition. A smart way would be to achieve the goals through turning the political tide in favour of the reforms. This can be achieved if the users of electricity could be made owners/stakeholders so that they can also feel the pinch of poorly-planned and backward looking policies. In this regard, privatization in the electricity industry should not be seen as an adverse activity. He concluded by saying that the whole scenario of the electricity sector is set to change in the next 5 years, with gas gaining much popularity as an important source of electricity generation.

V.S. Ailawadi, Former Chairman, Haryana Electricity Regulatory Commission, said that the legislation for this sector, Electricity Act (2003) provided for the legal and regulatory overhaul, created markets for generation of electricity. But the capacity constraints faced by this sector are enormous. There has been an inadequate focus on the distribution segment, given its inefficient structure and the huge losses that the government has to bear on its account. Competition here is truly stuck. Overall, the governance architecture for introducing introduction of competition in retail distribution of power is completely in place with pro-competitive provisions: open access, parallel licensing and bringing traders to the market.

Ajay Shankar, Member Secretary, National Manufacturing Competitiveness Council, the chair of the session, finally concluded the discussants speech by talking of competition and its lack thereof in the distribution segment of electricity sector, which has the true scope for introducing competition *in* the markets. But the scope of competition in this segment has come to be perceived as competition in Open Access only. The distribution of electricity is a vast segment, which if concentrated on, has a huge scope for infusion of competition. Most of the problems in the wire business of distribution segment are governance posed.

<u>**Floor Discussion**</u>

Professor V. Rangnathan, raised the issue of having surplus capacity in the country. Also, parallel distribution licensing can only be seen as a facilitator of enhancing benchmark competition and not a source of enhancing retail competition. On the presentation, he remarked that there is a need to give an economic formula backing to the suggested (way for reducing the monopoly power of Coal India Limited in the supply of coal) pooled pricing of coal. He also questioned the feasibility of the suggested UK electricity model of Open Access for the Indian scenario. He supported the presenters' view of the need to bring down C-S surcharge, but added that because of political road-blocks, the same cannot be wished away.

Key Points that emerged from the discussion:

- The issue of competition *for* the markets versus competition *in* the markets has to be pondered upon.
- There is a need to explore potential areas of infusing competition within the distribution segment, apart from Open Access.
- Quantification of suggested policy measures is important for them to be given due consideration.

PRESENTATION ON AGRICULTURAL PRODUCT MARKETING SECTOR

The session opened with **Bipul Chatterjee (Deputy Executive Director, CUTS International**), presenting the study on the "Benefits of Competition in the Agricultural Produce Market Sector". The study focusses on policy induced distortions and the induced behaviour of the market agents which directly affects the competition in the sector. The Agricultural sector output comprises 18% of the GDP in India, engaging 55% of the entire workforce. The Sector in itself is a complex one as there are several self-adaptive issues. An essential observation regarding the entire supply chain is that the real Price makers are infact the several economic agents who are the middlemen in the chain. The aim of the study was defined as promotion of the effective adoption and implementation of the principles of National Competition Policy by advocating for legislative changes. The Agricultural Produce Market Committee (APMC) Act was a focal point of the study. The APMCs regulate the agricultural marketing in notified market areas and their structural rigidities lead to operational inefficiencies. A legal analysis was carried out with the purpose of understanding the competition perspective and the APMC acts of states such as Maharashtra were studied in detail.

The case of the Maharashtra APMC with the particular product "tomatoes" (keeping in mind that study of a perishable product may have inherent competition distortions) was taken up for studying the exact area/source of the Anti-Competitive practices in the sector. The definition of market area was identified as being problematic as there was no rationale provided for allowing only one Mandi to operate in a territorial market area. Licenses to traders could be denied without any valid reason. Only private entities being subject to furnish bank guarantees while government entities are exempt and also the favourable provisions for Farmers Cooperatives, leads to the distortion of competition neutrality. The study also delved into the Saumitra Chaudhari Committee report which opined that perishable commodities should be de-notified from the APMC Act. Even though the study is a work in progress, certain tentative and preliminary policy recommendations were discussed which could be implemented at both the State and Central Level. The policy induced competition distortions could be overcome by the CCI monitoring agreements dealing with transportation and infrastructure service providers in the sector. The provisions favouring farmer's cooperatives are required to be amended.

Sanjeev Chopra (Joint Secretary [NHM], Department of Agriculture & Cooperation, Govt. of India), opened the discussion on the presentation, by defining the key problem affecting free transaction and inhibiting true market restructuring and competition, as the definitions of the terms "agriculturist", "buyer", and "seller", in the APMC Act. He cited the example of the Azadpur Mandi, where as per the provision of the APMC Act regarding a trader being a trader only if he possesses a premise in the mandi, no one could procure a license to sell in the mandi if they did not have premises in the mandi. In a mandi where only 1500 traders transacted and controlled a business of perishables worth Rs. 80,000 to 90,000 cr. p.a. in Delhi, the role of political economy is undeniable and this political clout is the reason for reforms not taking place. Need for changes in the legislations need to be put forth to the Government by arguing that solely due to the non-availability of premises, buyers such as the JNU, Army, railways, etc. should not be refused access to the mandi. The flawed definition of an agriculturist which includes farmers belonging only to the particular state must also be changed to include a farmer who earns his livelihood from agricultural occupation and is from any state in the country, so as to transform mandis and address a major hurdle in the sector. Mr. Chopra supported the idea that rather than having headlong confrontations where the pre-existing traders feel ousted of their turf, the new entrants should be asked to furnish some surety in the form of bank guarantee, a practice which would not be anti-competitive. He opined that the policy and the function have to work together and cannot be delinked. Discussing the point on concessions granted to cooperatives, he stated that in West Bengal the preference to produce of the cooperatives was given only when the cooperatives owned cold storages. Cooperatives are a private enterprise of individuals. He argued that if concessional finances were available to individual farmers, it should also be made available to cooperatives, which are infact a group of farmers. He stated that there was work being done on the matter with CCI and after the onion crisis in 2010, and the subsequent noise made by the media and people, it was understood agreed by all that changes were mandated in the APMC Act; a goal being worked towards.

The discussion then progressed with **Elumalai Kannan (Associate Professor, Agriculture Development and Rural Transformation Centre),** sharing his views. He agreed that agriculture is a very complex sector to study. The government policies since independence were aimed at stability and good prices for the produce, and the market intervention has been aimed at the realisation of these objectives. The focus of study is mainly on APMC Acts which is left to the State Governments to implement. Even the model APMC Acts is a good effort to promote competition in market yet it is the implementation which is the problematic area as very few states have updated their Acts. There is large number of commodities in this particular sector and therefore to actually understand the market distortion due to too much government intervention, there is a need for the study to delve into the food grains market. The fruits and vegetables as products are majorly out of the scope of the APMCs and the major policies are on the food grains (wheat and rice) and now pulses. Another great hurdle faced in this sector is that unlike as is in developed countries where registered corporation handle the agricultural marketing sector, there is no such cohesive and systemised institution which in turn makes the exact identification of where the collusion causing distortion takes place, very difficult. The factor market and the product markets are inter-linked and therefore there is a need to understand these linkages to reach a clear conclusion as to where the collusion is occurring so as to solve competition problems.

Raghavan Narsalay (India Lead, Accenture Institute for High Performance), started his discourse in agreement with the fact that the agricultural marketing sector is a very difficult market to study, primarily due to no systematic alignment in the same. He contended that data collection and procurement is a big hurdle, lack of which makes doing studies and reaching conclusions about the sector very difficult. Yet, there is one data which is readily available and that is prices; which help understand the situation and can also be studies across markets. A key variable for studies is margins between farmer price and the consumer price. Comparing the prices is a good efficiency measure; as higher the margin indicates larger the inefficiencies. He stated that while deliberating on the APMC's, there is a definite political angle to the situation as the APMC seat is an important one to win in elections, and this needs to be highlighted in the study, as this distorts competition. He has experience of auctions being held for the seat of the APMC, causing the price pressure to trickle down. It is thus essential to study the political economy which creates huge pricing pressures. He also suggested that understanding and differentiating between different varieties of tomatoes and understanding which ones make it to the market is essential. There may be cartelization in promoting certain variety of tomatoes due to linkages with certain fertilizers. He noticed this phenomenon in the BT Cotton market. Citing another example of the tomato situation in the Lahore mandi in 2012 when the tomato prices had shot up and therefore tomatoes were being exported from Maharashtra, he said that it is important to also compare the export prices of tomatoes to the domestic prices to understand when and what affects the prices including prices in export market. Another aspect important in the study he discussed was the kind of infrastructure available in the state to the market, the effect it might have on the transaction cost and the effect it has on competition. Elaborating with an example he stated that the Ahmadabad APMC had better infrastructure and lower transactional costs, therefore making it more organised and better working.

The chair of the session, **P. G. Chengappa (Director of Instructions [Agri], College of Agriculture)**, shared the view held by the discussants that the agricultural marketing sector was a very different one, also due to the time it takes in the marketing process. The political economy involved in the APMC is huge and hence the reforms are very few. He opined that there will be nothing gained in repealing the APMC Act until a workable alternate which is viable has been found. He held that the institutionalization of commission agents and traders was the biggest mistake made in the APMC, and now due to the political clout, this mistake cannot be corrected or amended. He shared the onion study done for the CCI, wherein the Rasgaon market officially there was 206 commission agents but in reality effectively there were only about 5 or 6. He expressed that the longer the agent stayed in the market the more he was aware of the market and therefore became an unofficial and problematic authority in the same.

Chengappa also delved into the matter that specialised commodity markets can be set up under the APMC Act for fruits, vegetables, livestock, etc. but there have been none set up, as yet. As seen in the private markets set in Bangalore, they have huge capacities but are working at less than half the capacity as traders still prefer to go to the older and more familiar institutions. Hence, it is essential to understand how to bring in competition in the market. He pointed out that the study only delves into the APMC Act whereas there are many important and current reforms such as contract farming, future trading, producer companies and e-marketing, which are taking place which the study should also take into account and therefore give a more holistic picture of the situation in the sector and to better understand the policy changes in the same. The Warehousing (Development and Regulation) Act is a revolutionary piece of legislation as it has made warehouse receipts Negotiable Instruments, making them tradable. He stated that the way to end collusion and increase competition was by studying different markets to boost competition and efficiency in different ways such as Karnataka where e-tendering is taking place, a revolutionary practice which has changed the market and improves the efficiency of everyone on the chain. He also opined that transaction costs are very high in marketing being 12 – 15% of the price. It is therefore essential to study the transactions and figure ways to reduce this cost to increase economic efficiency. He suggested that a better product to study would be food grains as APMCs are fairly competitive in that product. Also, money lending is more important than commission fees for agents who act as ATMs for farmers. Therefore if finance is available bottlenecks can be removed and broken. He argues that debatable issues in the study should be avoided when there is no empirical evidence to substantiate the study, and that the Study has to be comprehensive to include all the changes happening in the sector.

Bipul Chatterjee was then provided the opportunity to state his views on the discussion on the study. He stated that the outlook of the study was not to delink the components of the sector as that is not possible, one being the cause and other the effect. The study is focussed on the structural issues more. He also stated that due to limited time, food grains were not taken as the products for the study. Yet he pointed out that there were certain contradictions such as why the APMCs are working better in food grains than in perishables, and that such topics will be delved into deeper. He did agree that exports and imports were not looked into, but stated that the study was still on-going and data was being collected, which would be analysed in due time. Mr. Chatterjee agreed that the limitations of the study shall be articulated clearly along with a statutory warning giving defined limitations of the scope of the study before giving any recommendations.

ROUNDTABLE DISCUSSION: 'CHALLENGES IN INFUSING COMPETITION REFORMS IN ECONOMIC POLICYMAKING IN INDIA'

Pronab Sen, Chairman, National Statistical Commission noted that there is a presumption that economic policy making does not look into competition reforms in India which may be or may not be true?, and requested the panellist to identify the area in the selected sector which need to bring in economic policy. **Atindra Sen, Former Director General, Bombay Chamber of Commerce and Industry** stated that such studies lead to only one kind of angle to the competition as product in particular sector doesn't make much difference, if we are studying the market structure and the nature of the firm. For e.g. Coal sector can not the understood without understanding of electricity sector. Similarly sugar industry is dependent on supply of sugarcane therefore whole set of circumstance should be kept in mind during such studies. If competition policy stay blind on these issues than it will not be able to lay down principles which is welfare oriented. Therefore, it is important to look into the basic essence of market structure.

Kailash Karthikeyan, Regulatory & Public Policy Manager, Microsoft Cooperation (India) Pvt Ltd noted that it is important to see the effects of sector policy on the overall economic policy, as to achieve the desired results from the economic point of view. Competition considerations should be looked to mainstream other sectors, as policy imperative for affordable medicine is inconsistent with the policy to promote innovation in the pharmaceutical sector to enable economy.

V Ranganathan, Professor, IIM Bangalore informed that in the electricity sector competition is not possible in all sub sector and that's the reason unbundling was done. It was envisaged to bring competition in generation but failed due to natural monopoly. The economic upscale in the telecom sector eliminated the natural monopoly and made the market competitive. Advantage of economies of scale can play a vital role to open up competition. In the coal sector ministry said that we cannot deregulate coal mines and give that to generators and therefore gone for cost based generation. Due to large demand of Coal in India the international prices of coal went up and foreign companies disobeyed the contract to follow world prices for coal. A poor competition is worse than no competition as in the poor competition it wears a tag of competition, although it is not effective but escape from the regulator purview.

T K Arun, Editor, Economic Times responding to the discussion that how policymaking can be infused with competition, suggested that this can address through proactive action from competition authority or by economic agents having vested interest in enhancing the competition. He noted that India is facing Coal crunch inspite of being 5th largest coal reserve because of Coal India monopoly in the sector. He has also highlighted the impact of technological change on the policy and informed that in several countries industries share the resources in order to eliminate the monopoly and set up a parallel infrastructure. He also suggested that as competition authority is still in its nascent stage and so not have sufficient resources to cover all the sectors, it is important that industrial group & policy agents should come together to cover variety of areas under competition regime.

Pronab Sen summarised the points made by T K Arun for deliberation. Firstly the need of policy to identify that in case of conflict which law should prevail, as one law cannot supersede another law. Similarly if activities of one sector impact the sector which is totally different than how that can be addressed and can be made applicable. Secondly what amount of technological change should require revision of policy?

Udai S Mehta thanked all the participants for making the seminar successful by their valuable inputs.

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