

PolicyWatch



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

Volume 19, No.2

April-June 2018



INSIDE THIS ISSUE

| | |
|--|----|
| TRAI Mulls Penalty on Telcos | 2 |
| LPG to 130 Million Families | 4 |
| India 3 rd Largest Solar Market | 5 |
| Open Data Ecosystem for GDP | 10 |
| Global Poverty Rank Improves | 12 |
| 'Housing for All' Goal | 16 |
| Execution – a Key Hurdle | 18 |

HIGHLIGHTS

| | |
|--|----|
| Integrated Development is our Conviction: Nitin Gadkari | 7 |
| From Demonetisation to GST to Cashless Payments, Economy gets more Formal – Gireesh Chandra Prasad | 11 |
| Who is Paying for India's Healthcare? – Nivedita Rao | 20 |
| The Ethics of Reducing Inequality in Society – Kaushik Basu | 23 |

"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*

The Role of Competition Policy for Development

Development promotes growth which is sustainable as well as inclusive. This entails 'increasing the size of the cake' as well as ensuring that everyone is given a fair opportunity to contribute to the increase and also reap its benefits equitably.

In general, this approach has resulted in better growth indicators, but led to increasing inequality, both in terms of opportunity and benefits. India is no exception, and while we celebrate the tag of world's fastest-growing large economy, we have also become the country with the largest gap between growth of incomes for the top one percent and for the population, as a whole.



www.livemint.com

Ensuring 'equality of opportunity' would require creation of adequate income-generating opportunities for citizens. Some argue that this is possible through providing a temporary shield to domestic enterprises, enabling them to become competitive and face their predatory global rivals. Imposing import duties is one of the ways to shield domestic enterprises.

Neither shielding domestic enterprises nor subjecting them to global competition can alone help in enhancing their competitiveness in absence of essential economic reforms. These include ensuring that domestic enterprises have access to land, labour, energy and capital at fair, timely, reasonable and equitable terms. Competition policy can play an important role in this regard. This was the consensus opinion at a recent international seminar on competition policy and development organised by CUTS International, which had eminent speakers, such as Montek Singh Ahluwalia, D K Sikri, Fred Jenny and Allan Fels.

Competition policy can not only guide competition authorities in identifying and disincentivising anti-competitive practices, but can also correct distortions to competition induced by other policies. Such distortions include, *inter alia*, high barriers to entry and operation of enterprises; unreasonable preference to public sector; prescriptions on procurement, supply and cost of land, labour, capital and other resources; and setting prices of final products and services.

An assessment of the impact of existing regulations on competitiveness of enterprises is essential and urgently required. Adoption of a comprehensive sector-neutral competition policy can be the first step in this regard.

A competition policy will not only help in improving competitiveness of enterprises, but can also act as a bridge between industrial and trade policies, by addressing inherent inconsistencies and promoting convergence in thought and action.

– By Pradeep S Mehta, Secretary General, CUTS International
This cover story has been abridged from an article published in Mint on April 08, 2018

GDPR Imposes Strict Control

The European Union's (EU's) new regulations on privacy and data protection will take effect putting in place more protocols for the Indian Information Technology (IT) industry to follow. The General Data Protection Regulation (GDPR), which is kind to countries that have strict data privacy laws, requires companies to ensure safety of user data.

The stringent GDPR norms require violations to be reported within 72 hours of their occurrence, and any data breach or non-compliance could attract fines of up to 20mn, or four percent of a company's annual turnover, whichever is higher.

(BL, 25.05.18)

AI-based Services Crucial

Telecom industry body Cellular Operators Association of India (COAI) said that India will be one of the early adopters of artificial intelligence (AI) based services. AI is a crucial enabler for achieving the national goals in the areas of healthcare, education and capacity building.

The recently released draft of the new telecom policy, branded as National Digital Communications Policy (NDCP) – 2018, has also

proposed provisions to encourage AI. "With a positive ecosystem, driven by better connectivity and a financially robust sectoral health, AI will unveil possibilities hitherto unparalleled", said COAI Director General Rajan S Mathews.

(DC, 17.05.18)

National Data Platform Plan

The government is planning to build an advanced technology platform, through public-private partnership. This is to host and interpret huge amount of data that will integrate and help better understanding of citizens' data, spend patterns of the government, consumption trends and the success of various government policies.

All data would be aggregate data on government functioning, with no individual or personal identifiable data collected on the portal. The aim is to increase transparency in government functioning by giving citizens access to this data.

(ET, 07.04.18)

Call Drop Rate Enhances

According to Telecom Regulatory Authority of India (TRAI) data, the rate of call drops has improved over the last two years from 0.94 percent in 2016 to 0.52 percent by March 2018. The call-drop rate is the percentage of calls getting disconnected due to

network problems. According to TRAI's quality of service benchmark, operators cannot have a call-drop rate greater than two percent any time.

Pursuant to imposition of high penalty by regulators for failure to meet voice quality benchmarks, operators were forced to upgrade and expand their infrastructure. As of March 2018, there are no regions with call-drops higher than one percent going by the TRAI's QoS portal data.

(BL, 05.06.18)

Impact of Privacy Setting Bug

Facebook said a software bug led some users to post publicly by default regardless of their previous settings. The bug affected as many as 14 million users over several days in May 2018. The problem, which Facebook said it has fixed, is the latest privacy scandal for the world's largest social media company.

The news follows recent furor over Facebook's sharing of user data with device makers, including China's Huawei. The company is also still recovering from the Cambridge Analytics scandal in which a Trump-affiliated data-mining firm got access to the personal data of as many as 87 million Facebook users.

(BS, 08.06.18)

Transition to Digital Infra

The national telecom policy in works will focus on complete transition of the country from physical to digital infrastructure, with norms to push availability of high speed and uninterrupted broadband services in mission mode, according to government sources.

"The NTP 2018 is being drafted to implement Digital India vision of the Prime Minister Narendra Modi in totality. Besides, there is proposal to have National Broadband Mission (NBM) with the objective to put India at par with developed nation in Information and Communications Technology (ICT) development index", an official source reported.

(ToI, 29.04.18)

TRAI Mulls Penalty on Telcos

The TRAI is set to penalise phone companies for not meeting quality of service (QoS) norms in specific circles in line with tougher conditions that the watchdog issued in October 2017. The penalties would range from 1-10 lakh followed by show-cause notices to carriers.

"The authority had issued show-cause notices to all telcos (and) their responses have come. The probable penalties will follow show-cause notices that were sent under the new QoS rules in early March 2018, after examining October-December, 2017 call drop data submitted by all carriers including Bharti Airtel, Vodafone India, Idea Cellular and Reliance Jio.

(ET, 09.05.18)

Vodafone India, Idea Cellular and Reliance Jio.



**Nod to Green Licence Plates**

To promote electric vehicles in India, the government has approved green licence plates bearing numbers in white fonts for private e-vehicles and yellow for taxis. The government also plans to allow youth in the age bracket of 16-18 years to drive electric scooters, besides mandating taxi aggregators to have a certain percentage of e-vehicle fleet.

The purpose behind distinctive number plates is their easy identification for preferential treatment in parking, free entry in congested zones besides other proposed benefits like concessionary toll, the road transport and highways. The measure is aimed at promoting e-vehicle's use. *(BL, 09.05.18)*

Setting up Task Force

Union Minister Suresh Prabhu said the Civil Aviation Ministry is in the process of setting up a task force for the manufacturing of passenger aircraft in India. Prabhu also mentioned that the government will come out a new cargo policy to spur the growth of the sector.

Prabhu also said that a new cargo policy will be announced soon that will be aimed at making India a new cargo hub. Besides, the government is looking to modernise some of the industries and also set up new industries in the country to boost manufacturing. *(IE, 28.04.18)*

S'truck' by a Double Whammy

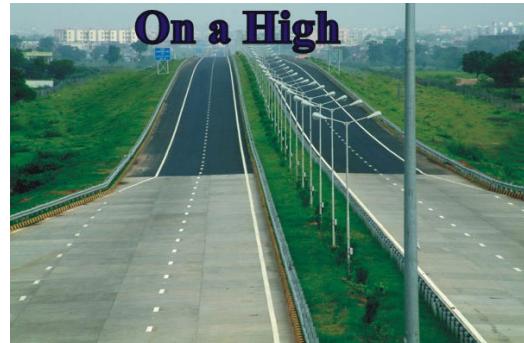
A combination of inclement weather and high fuel bills has proven costly for transporters. While rains and hailstorms have dampened truck rentals, the rising price of diesel threatens to trim their margins.

Industry watchers say truck rentals in the fortnight ended April 15, 2018 dropped four-five percent owing to rains and hailstorm damage in the eastern, northern and central states. Bad weather has led to lower and slower procurement of wheat.

Highway Construction Hits Record

Construction of national highways in India hit a record 10,000 km in the year ended March 31, 2018 after the government stepped up the pace of implementation and awarding contracts. On an average, 27.5 km of highways were constructed every day in FY18, while contracts were awarded for an average 46 km per day.

The total investment in constructing national highways by both the government and private investors was about ₹1.5 lakh crore, of which almost ₹1 lakh crore came from budgetary allocation, ploughing back of toll collections and borrowings by the National Highways Authority of India (NHAI).



(ET, 02.04.18)

Moreover, the introduction of the e-way bill digital transit pass system on inter-state trade routes from April 01, 2018, has led to a sudden drop in cargo offerings on trunk routes.

(BL, 26.04.18)

Hyperloop Travel Cheaper

Virgin Hyperloop One, the futuristic transportation company backed by the British tycoon, Richard Branson, wants to build a network of high-speed pods that can carry people and cargo across India. It is looking to price the ride at less than what airlines charge in a market where air travel is growing at the fastest pace in the world.

However, fares will still be more expensive than first-class train coaches, Harj Dhaliwal, Hyperloop One's Managing Director for Middle East and India, said. Branson has been pitching this concept to Indian authorities as a fix for the South Asian country's infrastructure bottlenecks. *(BL, 15.05.18)*

Train Delays to Cost Officials

In what should come as a relief to railway passengers frustrated by delays in services, trains are now

likely to run on time as any deviation from the schedule will cost officials of the transporter their promotions.

Railway Minister Piyush Goyal has warned heads of zonal railways that delays in train services will defer their appraisal proportionately, giving them a month to improve punctuality. In the 2017-18 fiscal, 30 percent of the trains were running late on the railway network, with the numbers failing to pick up even during the holiday season this summer. *(Tol, 03.06.18)*

New Network Targets

The Railway Ministry is set to finalise an ambitious roadmap for the department that will set targets and deliverables for every aspect of the massive transport network.

Indian Railways' infrastructure is highly strained due to years of under-investment and it needs a significant capacity addition to achieve some of the targets set in its Vision 2022 document announced in July 2017. The current roadmap would chalk out how to achieve those targets. But the execution of the plan is being severely hampered by capacity constraints of the private sector suppliers.

(DNA, 04.05.18)

**Bids for City Gas Contracts**

India, the biggest emitter of greenhouse gases after the US and China, has invited bids for 86 contracts under its largest city gas distribution (CGD) licensing round.

The Petroleum and Natural Gas Regulatory Board (PNGRB), which has put these 86 geographical areas on offer under the ninth bid round, expects to attract investment of around ₹70,000 crore.

The bid round comes in the backdrop of the National Democratic Alliance (NDA) government pushing for a gas-based economy. India plans to connect 10 million households to piped natural gas by 2020.

(Mint, 09.05.18)

Biofuel Policy at Right Time

With crude oil prices now hovering around the US\$80/barrel mark, India's new National Policy on Biofuel, announced recently, could not have been timed better. The policy also holds significant potential gains for farmers. The policy also envisages using rice and wheat chaff and other biomasses as feedstock for ethanol production.

Finally, the policy needs to be followed up with coordinated action

at the user end to ensure that the larger goal of the policy of cleaning up the air, reducing the carbon footprint and shift to more sustainable renewable fuels is not lost sight of.

(BL, 22.05.18)

Fuel Cost Adds to Farmers' Woes

The rise in fuel costs ahead of the kharif planting season is seen adding to the woes of the country's beleaguered farmers, who are already battling low prices for their products across the country.

Rentals of all tractor-related farm operations have risen by about 20 percent over last year", said Abhilash Thirupathy, Co-founder, Gold Farm, a start-up that offers on-demand tractor services to farmers in Kolar district of Karnataka. "Farmers using diesel pumps for irrigation will be incurring an additional cost of ₹1,500-2,000 per acre", Thirupathy added.

(BL, 04.06.18)

Adding 25,000 Petrol Pumps

State oil companies plan to add an unprecedented 25,000 petrol pumps in one shot, nearly half as much as operational today, across the country after the government signalled them to do so.

The Oil Ministry has also scrapped an official policy on petrol

pump dealers' appointment, giving fuel retailers, such as Indian Oil, Hindustan Petroleum and Bharat Petroleum, the freedom to design their own rules for setting up filling stations.

These companies have almost finalised their guidelines that would govern new appointments. New pumps also mean more business for equipment suppliers, transporters and tanker manufacturers.

(ET, 17.06.18)

Boosting Ethanol Production

The National Biofuel Policy 2018 approved by the Cabinet has the potential to bring in multi-crore private investment in second generation ethanol production. Second generation ethanol refers to alcohol generated from unconventional raw material, such as agro waste.

The policy will drive over ₹10,000-crore investment in this sector by the oil marketing companies which together have plans for a dozen such ethanol plants. These are to support the ethanol-blended fuel programme announced by the Centre. As an indication of the potential, the Centre hopes to bring in 20 percent ethanol-blended automobile fuel by 2020.

(BL, 17.05.18)

Oil Prices Hampering Growth

India has long benefited from lower crude oil prices, especially as energy demand has seen a considerable rise with rapid economic growth. Inflation and twin deficits-fiscal deficit and current account deficit were brought under control.

While the year 2015 saw production levels rise and oil prices fall, 2016 was marked by some correction as output fell while demand rose robustly. Crude prices (Brent) have inched up by more than 12 percent since the beginning of the year 2018. What has followed on expected lines, is a corresponding rise in petrol and diesel prices.

(DNA, 28.05.18)



connections in five years of our government", he added. (Mint, 30.05.18)

Pradhan mentioned that out of 270 million households in India, only 130 million had LPG connections four years ago. "In four year time, our government has provided 10 crore (100 million) additional LPG connections. Our aim is to provide 13 crore (130 million) LPG



Quality Power to People

The Ministry of Power proposes to amend the Electricity Act and come up with a fresh tariff policy to ensure that consumers are not taken for a ride. The amendments to the Electricity Act will focus on assuring cheap and quality power to consumers.

The Minister of State (Independent Charge) for Power R K Singh said that until now the Electricity Act has been deficient in protecting the rights of the people as it does not go beyond providing connections. This new policy will address the structural inefficiencies in the power distribution sector.

(BL, 18.04.18)

Crossing 60 GW Target

The Indian Wind Turbine Manufacturers Association (IWTMA) has announced that the Indian Wind industry is poised to meet government's target of 60 GW ahead of 2022 deadline.

The domestic wind market is on a growth path in the competitive bidding regime and there is an increased demand for clean energy, which has now become a reliable, affordable and mainstream source of energy.

The industry has regained momentum and there is a clear business visibility of 10-12 GW even before the start of this financial year with announcement and plan of bids by Ministry of New and Renewable Energy (MNRE). (BL, 03.04.18)

Discoms Face Drop in Losses

State-owned electricity distribution companies (discoms) have witnessed a substantial drop in their losses, R K Singh said. Discom's losses have narrowed to ₹17,352 crore in 2017-18 from ₹51,096 crore in FY16.

Before the introduction of the Ujwal Discom Assurance Yojana (UDAY) scheme, there were 211

India 3rd Largest Solar Market

India emerged as the third largest solar market in the world in 2017 behind China and the US, Mercom Communications India said in a report. "In 2017, India emerged as the third largest solar market...having grown at a compound annual growth rate (CAGR) of approximately 170 percent since 2010", it said.

As per the report, India set a new record with 9.6 GW of solar installations in 2017, which was more than double the 4.3 GW installed in 2016.

The robust growth boosted the country's total solar installed capacity to 19.6 GW as of December 2017, stated the report.

(FE, 16.05.18)



divisions with losses of more than 40 percent, said Singh. This number came down to 194 in 2016-17 and 134 in the first nine months of the current financial year. The Centre stated that ₹20,000 crore in interest costs was saved by discoms under UDAY scheme. (Mint, 05.06.18)

Prepaid Cards to Replace Bills

In the following three years, all electricity metres will change from postpaid to prepaid, akin to television set-top boxes or prepaid mobile connections. Once this happens, users will not be receiving paper or electronic bills any more than asking them to pay by the 'due date'.

"Hence, need of the hour is to scale up manufacturing of smart prepaid metres and to bring down their prices. There is a need to scale up the manufacturing of these meters as the coming few years will pose huge demand for them", said Raj Kumar Singh. (BL, 08.05.18)

Benefits of New Hybrid RE Policy

Clean energy projects in the country are set to gain in terms of cost savings on land acquisition and evacuation infrastructure under the National Wind-Solar Hybrid Policy.

The policy also allows the existing wind farms to expand their portfolio and add solar PV capacity and vice versa provided they have 25 percent installed generation capacity of the other source.

Senior Vice-President at Investment Information And Credit Rating Agency of India, ICRA, Sabyasachi Majumdar said, "Hybrid projects are likely to be competitive in tariffs compared to individual wind or solar energy projects, given the benefits associated with hybrid projects". (BL, 15.05.18)

Homes without Electricity

After electricity reached Leisang in Manipur, every village in India had been electrified. In terms of households, however, an estimated 3.14 crore (17 percent of a total 17.99 crore rural households) remain without power.

This is explained by the definition for 'village electrification' in the 2006 rural electrification policy: a village is deemed 'electrified' if infrastructure, such as distribution transformer and distribution lines have been set up in the inhabited locality, including a *dalit basti*, and ten percent of the households have access to electricity through the infrastructure.

(IE, 01.05.18)

Ready for Recode

India's bankruptcy law, the Insolvency and Bankruptcy Code (IBC) is set for a major renovate as policymakers seek to decisively deal with business failures that slow down expansion in Asia's third-largest economy.

The Ministry of Corporate Affairs is finalising a series of IBC amendments based on a panel's recommendations. This is to remove difficulties in turning around businesses and to strike a balance between the interests of lenders, customers of failed businesses and their promoters, according to the insolvency law panel's report, which was submitted to the government recently.

(Mint, 02.04.18)

Global Firms to Store Data

In a move that could impact foreign players like Google and WhatsApp, the Reserve Bank of India (RBI) has asked all payment companies to store data within India. While the RBI's move is aimed at better supervision, it will mean that global players will have to set up a local server for their payment platforms.

In addition, RBI said, "Ensuring the safety and security of payment systems data by adoption of the best global standards and their continuous monitoring and surveillance is essential to reduce the risks from data breaches, while maintaining a healthy pace of growth in digital payments".

(BL, 05.04.18)

Restoring Public Trust

According to former RBI Governor Y V Reddy, the RBI is responsible for failing to maintain public trust in the banking system in the ₹13,000 crore scam at the state-owned Punjab National Bank, and has called for a review of its regulatory and supervisory practices.

He also slammed the government for failing to prevent the fraud as an owner of the bank. According to Reddy, "It cannot escape responsibility for maintaining the trust of the public in the banking system. The fraud is of such a magnitude that it affects the credibility of RBI in ensuring the trust of people in banking".

(ET, 10.06.18)

Banks Disbursed Mudra Loans

Indian Prime Minister Narendra Modi said that loans worth ₹6 lakh crore have been given to 12 crore beneficiaries under the Mudra scheme as he accused the previous governments of tokenism and not enough for small businesses.

Unlike the loan *melas* organised by previous governments, Modi said that the *Pradhan Mantri Mudra Yojana* (PMMY) has helped and encouraged people to tread the unconventional path, fulfill their dreams and generate jobs for others by setting up small businesses.

He also said that under the loan *melas* – organised with great fanfare, loans were provided to selected persons and no one bothered about their repayment.

(BL, 29.05.18)

RBI Bars Virtual Currencies

The RBI grilled banks and financial institutions from dealing with virtual currencies including Bitcoins and said that it was time and again warning users of virtual currencies regarding the risks associated with it.

"In view of the associated risks, it has been decided that, with immediate effect, entities regulated by RBI shall not deal with or provide services to any individual or business entities dealing with or settling virtual currencies (VCs)".

The RBI has warned users of virtual currencies including Bitcoins regarding the potential economic and financial risk associated with cryptocurrencies.

(ET, 06.04.18)

Merging Loss-making Banks

The government is considering merging at least four state-run banks, including Bank of Baroda, IDBI Bank Ltd., Oriental Bank of Commerce and Central Bank of India. If the plan goes through, the merged entity will become the second-largest bank in the country next after State Bank of India, with combined assets of ₹16.58tn.

With the merger, the government hopes to help stem the rise in bad loans in their books at a time when poor asset quality has crippled the lending ability of some of them. The merger will also allow the weak banks to sell assets, reduce overheads and shut money-losing branches.

(Mint, 04.06.18)

The Auditing Super Regulator

The National Financial Reporting Authority (NFRA), the proposed auditor oversight body for listed and large unlisted companies has certainly not gone off the Centre's radar. A top government official said that it will be up and running before the end of September 2018.

In addition, the proposed NFRA, rules for which were notified in March-end (2018) will hold more powers than its counterparts around the world. It will have a Chairperson, three full-time members and nine part-time members, according to the rules notified by the Ministry of Corporate Affairs (MCA). The NFRA will be an independent regulator overseeing the auditing profession.

(BL, 08.06.18)



Integrated Development is our Conviction: Nitin Gadkari

Nitin Gadkari, the Union Minister of Road Transport & Highways, Shipping and Water Resources, River Development & Ganga Rejuvenation leads many significant Ministries and whose working speaks volumes on the ground. Organiser Editor Prafulla Ketkar and Panchjanya Correspondent Ashwini Mishra had a discussion with him to know about the four years 'achievements of Narendra Modi-led NDA government.

What has been your approach to development in these four years?

The difference lies in vision and approach. Economy, ecology and employment are integrated factors and you cannot deal with them separately. While working on the ideal of *Antyodaya* propounded by *Deendayal Upadhyaya*, we think of the last man standing in policy formulation. The developmental work done by us in these four years is visible everywhere. Roads, bridges and highways are being built in every part of the country. We are building highways from Delhi to Mumbai costing ₹1 lakh crore. The present highway leading to Mumbai is through Ahmedabad.



North-East is now very close to Delhi in respect of development. How have you done it?

If you have will power for development, it is definitely visible on the ground. The previous governments did not have the will power. But development of north-eastern states is on top of our agenda. We have set up National Highway and Infrastructure Development Corporation Ltd. for North-East. It is first initiative on the part of the government. For the first time the works worth 1.5 lakh crore are being done there. What was not done in 50 years is being done in five years only. Also, the projects worth ₹40,000 crore in Arunachal Pradesh and ₹55 crore in Assam are being executed.

What is the progress on the projects like Sagar Mala and Bharat Mala?

Bharat Mala is ₹7.5 lakh crore project. We are starting first phase of it. We are building roads in the border areas, connecting the district headquarters with villages and building ring roads in big cities. We expect investment worth ₹16 lakh crore in *Sagar Mala* project. We have to develop ports and connect them with the roads.

Why the work on Smart City is still not much visible?

No, it is not true. We should understand that the government too has some limits and we have to understand them. It is a pilot project. We are working on many other such projects and the results of those projects will be visible shortly.

You have connected both the development of infrastructure and the culture. What is the thinking behind it?

When we talk about development, it includes the development of education, health, culture, traditions and sports activities. The infrastructure includes facilities of roads, railways, drinking water, etc. When we connect all these, we call it integrated development. This integrated development plays a significant role in the development of the country. Our objective is to ensure welfare of villages, deprived people and the farmers. For farmers, we have started work on 109 irrigation projects. Many of these projects were hanging in balance for years.

How would you assess the performance of the Government and your Ministries?

See, there is a fundamental difference of approach in our Governance. In order to understand that you will have to compare our 48 months under the leadership of Prime Minister Modi with the 48 years rule of the Congress Party. We do not differentiate or discriminate between the people on the basis of caste, creed, gender or political ideologies when it comes to key governance issues. *Sabka Saath, Sabka Vikas* is a matter of conviction for us and not just slogan. Therefore, you see decisive decision making and effective implementation on all fronts.

In my Ministries, I have delivered on expediting the infrastructural development with private partnership. Many youths are getting employment opportunities in this process. The only area, which I have to focus now, is road safety. To bring down the fatalities in road accidents, public awareness and strict implementation of laws is must and all sections of the society should come forward to accomplish this mission.

— Edited excerpts of the interview published in <http://www.organiser.org> on May 24, 2018

How India's Oil Companies Lose Pricing Freedom in Poll Season

Anand Kalyanaraman*

In 2010, the government decontrolled petrol pricing. Four years later, it deregulated prices of diesel, too. But do public sector oil marketing companies (OMCs) truly have the freedom to set market-linked prices of these fuels?

That is a worry investors in these stocks – Indian Oil, HPCL and BPCL – will have to contend with as many big States go to the polls this year before the general elections are held next year.

In November 2017, with just a month to go for the Gujarat Assembly elections, oil prices had breached US\$60 a barrel and were on their way up. The global prices of petrol and diesel, on the basis of which the OMCs set fuel rates in India, were also going north.

Going slow

From about US\$69 a barrel at the end of October 2017, the cost and freight (C&F) price of petrol in the international market shot up to about US\$74 a barrel by November-end. With the exchange rate fairly steady at about ₹65 a dollar, the price of petrol should also have shot up. Instead, petrol price in Delhi, (in Indian Oil's daily price build-up calculations) hovered around ₹69 a litre despite the 'dynamic' daily pricing mechanism in force since mid-June 2017.

Consumers were happy, but Indian Oil took a hit on its marketing margin, which fell from the end-October figure of ₹3 for a litre of petrol to just about ₹1 by November-end of 2017.

This state of affairs continued until mid-December 2017, when the Gujarat elections concluded and after which, Indian Oil put its foot back on the price pedal. By December end (2017), the petrol price in Delhi rose to about ₹70 a litre and the company's marketing margin on the fuel neared ₹2.

Making it up

Post-election, Indian Oil began playing catch-up – regularly increasing fuel prices in line with the global prices of petrol and diesel, and in, some cases, even when international prices fell. As per data from Indian Oil, the C&F price of petrol in the international market fell from above US\$74 a barrel in December-end 2017 to under US\$73 a barrel at the end of February 2018, while the rupee weakened about 30 paise against the dollar.

But the price of petrol rose by more than ₹1.5 to ₹71.5 a litre by February end, with the company's marketing margin rising to about ₹3.4 a litre. With higher global prices and a weaker rupee, the price of petrol went up further to ₹73.5 a litre as of March end – and the marketing margin was close to ₹3.5 a litre.

According to a recent report by Antique Stock Broking, "After a near rout, when retail marketing margin slid to just ₹1 per litre from mid-November to mid-December 2017 (during the Gujarat elections due to limited price revisions), marketing margins have now restored to a rather healthy level of ₹3.5 per litre".

To sum up, during the election season, public sector OMCs went slow on raising fuel prices, sacrificing their margins. And then, when the poll season was behind them, the oil firms made up lost ground by hiking prices, sometimes faster than the global prices of these fuels.

Will the government's political considerations again play a part in the pricing decisions of the OMCs? The market seems to think so. From late October 2017, these stocks have steadily declined, losing 15-30 percent, with the weakness intensifying in recent times.

On the positive side, with global oil now close to US\$70 a barrel, prices

may not rise too much hereon. For the OMCs, that could obviate the need to hike prices to maintain margins, and shield them from the political bind.

ELECTION SWINGS AND AFTER



| | Price build-up of petrol in Delhi (Indian Oil) | | | | | | |
|--|--|----------------|----------------|----------------|----------------|----------------|----------------|
| | Oct 31 2017 | Nov 30 2017 | Dec 15 2017 | Dec 31 2017 | Jan 31 2018 | Feb 28 2018 | Mar 31 2018 |
| C&F price of petrol (\$ per barrel) | 68.82 | 73.82 | 73.89 | 74.23 | 78.17 | 72.91 | 75.97 |
| Average exchange rate (₹ per US\$) | 64.96 | 65.05 | 64.43 | 64.12 | 63.72 | 64.43 | 65.02 |
| Price charged to dealers (₹ per litre) | 31.39 | 31.46 | 31.36 | 32.03 | 34.33 | 33.25 | 34.83 |
| Excise duty @ ₹ 19.48 per litre | 19.48 | 19.48 | 19.48 | 19.48 | 19.48 | 19.48 | 19.48 |
| Dealer Commission (₹ per litre) | 3.56 | 3.58 | 3.57 | 3.58 | 3.61 | 3.58 | 3.6 |
| VAT (₹ per litre) | 14.7 | 14.72 | 14.69 | 14.88 | 15.5 | 15.2 | 15.64 |
| Retail selling price in Delhi - ₹ per litre | 69.13 | 69.24 | 69.1 | 69.97 | 72.92 | 71.51 | 73.55 |
| Marketing margin - estimated (₹ per litre) | 3.01 | 0.98 | 1.14 | 1.82 | 2.71 | 3.43 | 3.48 |

* Senior Assistant Editor at The Hindu Business Line

This has been abridged from an article published in The Hindu Business Line on April 01, 2018

The Riddle of Greening Indian Transport

Pradeep S Mehta* & Samir Bhattacharya**

The increasing amount of oil import bill and pollution created by the transport sector, has forced the country to think and redesign the transportation system. Electric vehicles (EVs) seem to be India's missing piece in the jigsaw puzzle of green mobility and automakers are more than willing to press the E-button.

The biggest challenge for mass adoption of EVs is not only the upfront cost as much as the lack of public awareness concerning the importance of shifting to eco-friendly transportation.

Although the EV industry in India is still at a nascent stage with only 25,000 units sold in 2016-17, the market is growing. In the four-wheeler segment, Mahindra, Tata Motors and Suzuki have announced their production plans.

Different business models are being explored by these companies. Mahindra has tied with Zoomcar to provide them with EVs and eased the funding process. Similarly, Tata Motors has partnered with Ola, the ride hailing service. Mahindra is also in the process of developing a three-wheel e-rickshaw and compete with several small units already manufacturing them successfully. Many other start-ups, like Ather Energy and eMotion Motors, have joined the EV bandwagon, particularly in the two wheeler segment.

Domestic manufacturing growth may also spur export growth. Goldstone Infra, in collaboration with Chinese major BYD, has launched the first made in India electric bus to be exported to Nepal.

With new players showing interest in setting their foot, the government is coming up with different initiatives to push the demand. The state-run Energy Efficiency Services Ltd (EESL) has procured 10,000 electric cars through global tender to replace the fleet of petrol and diesel cars in central and state government offices.

The 'Make in India' initiative would attract foreign investment in the country. EV market also offers innovation opportunity for domestic manufacturers of battery, charging and connectivity technologies. These technology disruptions can drive newer business models, creating employment opportunities across the value chain.

Currently, India imports batteries at a staggering cost of around US\$250/kwh. Minister of Heavy Industries Anant Geete flagged the urgency of the government to push e-mobility and claimed that lithium-ion batteries will soon be manufactured in India, reducing the cost and import dependency.



www.asianage.com

Over the last two decades, India has managed to develop a competitive advantage in automobile manufacturing. A hasty policy for the promotion of EVs can lead to job losses and disrupt the national economy.

Lack of steady policy direction is stunting the much-needed investment. Initially, India wanted to take a leap by 100 percent electrification of public transport and 40 percent of personal mobility by 2030 and planned to create a national EV policy. Later, it decided to limit itself with a vision document, instead of a policy.

Further, owing to inadequate charging stations, the deadline to roll out thousands of electric vehicles has also been extended. The second tender of EESL to procure another 10,000 cars, has been put on hold. Currently, the government is working on a policy for battery charging to address the requirements of charging stations.

Imminent prospect of job losses is also holding the government from accelerating the push for EVs. Over the last two decades, India has managed to develop a competitive advantage in automobile manufacturing. A hasty policy for the promotion of EVs can lead to job losses and disrupt the national economy.

Despite a myriad challenges and obstacles, electric vehicles are steadily gaining traction in India. To encourage more global players, the government is all set to liberalise import norms by removing restrictions on price and engine capacities, as well as the mandatory local testing conditions.

Right incentives and awareness can accelerate the adoption of sustainable transport and conferring some credible eco-labels based on environmental sustainability, such as Ecomark can be a game-changer. To balance its twin goals of boosting economic development and safeguarding environmental sustainability, fostering innovation through enabling policies for sustainable mobility is one way ahead.

* Secretary General at CUTS International

** Assistant Director at CUTS International

This article was published in The Asian Age on June 20, 2018

Start-up Funding Regulator

The government is considering a move to set up a regulator to oversee the US\$500bn start-up funding market for Indian enterprises. The proposed Alternate Markets Commission (AMC) would be responsible for regulating and strengthening alternate markets and encourage start-ups to adopt ways to reduce the cost of raising capital.

It would be authorised to inspect and audit firms operating on the platform to facilitate crowd funding or start-up funding, including donations from trusts and societies. The institution would be independent of the Ministry of Corporate Affairs (MCA) and the Securities and Exchange Board of India (SEBI).

(Mint, 23.05.18)

Wrong Filings of GSTR 3

Goods and Services Tax (GST) refunds for exporters, worth over ₹5,000 crore, are stuck as wrong filings of GSTR 3, a monthly return with the summarised details of sales, purchases and sales during the month along with the amount of GST liability, has not yet been revised.

According to industry estimates, this amount is between ₹5,000 crore and ₹10,000 crore. While the government says it has sanctioned GST refunds worth about ₹12,700 crore or 80 percent of the eligible claims of exporters, this does not take into account the claims where returns have been filed wrongly. (BL, 06.04.18)

Doubling Farmers' Income

Due to droughts between 2013-14 and 2015-16, production of foodgrain fell by five percent, while output of rain-fed pulses fell by 15 percent. Normal monsoon during 2016 and 2017 posed a challenge for the government – consecutive years of record harvest led to a steep fall in crop prices.

As farmers' earnings fell by a fair margin, the government's ambitious target to double the farm sector's income by 2022 (with 2015-16 as the base year) looked like a formidable goal to achieve. Besides, the Centre is now considering a new policy for higher Minimum Support Price (MSP).

(Mint, 25.05.18)

Shut Pollution, not Factories

The government of Tamil Nadu, under its present leadership, would appear to be trigger-happy not only *vis-à-vis* unarmed protesters but also in the face of companies that embody investment worth thousands of crores of rupees, provide jobs to thousands of people and produce vital inputs needed for building prosperity.

The order to close down the Sterlite copper plant at Thoothukudi permanently reeks of opportunism and populist cynicism. The point is to rid the plant of pollution, not shut it down. Responsible politics would bring all stakeholders together and resolve conflicts, not seek to profit from them.

(ET, 30.05.18)

Draft Policy on Electronics

The new National Electronics Policy, which is expected to be finalised by the second half of FY 2018, will focus on providing incentives and tax sops to electronic manufacturing companies in India to encourage exports, while catering to the demands of the domestic market.

The draft policy is expected to be released for public consultation within a month. The proposed policy will also leverage the country's existing strengths in electronics design, given that nearly 75 percent of global technology majors have research and development presence in India, the official said.

(Mint, 03.05.18)

Clash in Protest Mode

The ongoing protests by farmers attempting to restrict the supply of milk and fresh produce to cities, has highlighted differences between farmer unions on modes of protest. Some of the largest unions, which see urban India as an ally, are unwilling to inconvenience people in the city and have, therefore, stayed away from the strike.

The rural-urban binary arises today as it is getting increasingly difficult to draw the attention of governments to the problems faced by farmers. Thus, farmers are being forced to take desperate measures, such as blocking highways or burning vehicles. (Mint, 05.06.18)



Open Data Ecosystem for GDP

An open data ecosystem will impact India's Gross Domestic Product (GDP) by US\$22bn, or the equivalent of two times the amount raised through the sale of 4G spectrum in 2017, according to a study by Yes Bank along with the Ministry of Electronics and Information Technology (MeitY).

The study, however, points out underlying execution gaps of the open data project which have restricted its use and recommends steps which will boost data-driven governance architecture. India was one of the first country's to set up the Open Government Data (OGD) platform to provide access to data sets published by government departments. (ET, 22.05.18)

From Demonetisation to GST to Cashless Payments, Economy gets more Formal

Gireesh Chandra Prasad*

A series of structural reforms took place during the four years of NDA government, the crackdown on black money and the use of technology for delivery of public services, which coincided with a natural explosion in the digital economy, have integrated more people into the formal financial system, boosted cashless transactions and added more taxpayers.

Though demonetisation and the goods and services tax (GST) led to a short-term disruption in economic activity, positive changes in key metrics of the economy are visible over a period of time. For example, there has been a sharp increase in the number of both direct and indirect taxpayers, which is significant as the tax base and payrolls are usually taken as indicators of the formal nature of an economy. The effective number of direct taxpayers has gone up from 64.7 million in Fiscal Year 2015 to 82.7 million at the end of Fiscal Year 2017.

Central Government's gross tax revenue as a percentage of gross domestic product (GDP), has gone up steadily in last few years on account of a drive against black money and implementation of GST.

The government also encouraged start-ups and cashless payment modes, which aided the natural growth already taking place in the digital economy, especially in sectors, such as E-commerce.

Though demonetisation and GST led to short-term pain in economic activity, positive changes in key metrics of the Indian economy are visible over a period of time

The number of people who got access to bank accounts under the *Jan Dhan Yojana*, which lays the foundation for facilitating services, such as credit, insurance and pension for account holders, witnessed a sharp jump from 125 million at the end of January 2015 to 316 million in the second week of May 2018.

When people migrate to the formal sector, they get access to some social security benefits. "With the number of persons coming under direct tax and the activities coming under indirect tax increasing as a result of demonetisation and implementation of GST, one could expect that the component of the formal sector in the



economy has gone up", said N R Bhanumurthy, professor at the National Institute of Public Finance and Policy, a New Delhi-based policy think tank.

Effective number of direct taxpayers, including those who have not filed returns but had their taxes deducted by employers at source, had gone up from 64.7 million in Fiscal Year 2015 to 82.7 million at the end of Fiscal Year 2017, according to Union budget documents.

Indirect taxpayers, too, increased sharply though the numbers at first sight do not tell the entire story. As of December 2017, there were 9.8 million unique GST registrants, slightly more than the 9.4 million taxpayers in the earlier indirect tax system.

However, in the old system, taxpayers were registered under different taxes, leading to double or triple counting. If this is accounted for, GST has resulted in an increase in indirect taxpayers by 3.4 million, Economic Survey 2017-18 explained. GST also encouraged small taxpayers, who are not legally required to register, to go for voluntary registration as it allowed them to get tax rebates on their purchases.

More firms and individuals coming into the tax net also helped to boost the share of Central government taxes in the GDP to go up from 9.9 percent in 2014-15 to 11.6 percent in 2017-18, as per budget documents.

Bhanumurthy also said that the visible favourable outcome of structural reforms is only at a nascent stage and one needs to wait for some more months to see its full impact. The GST Council is now in the process of making it easier for businesses to file returns, which is expected to improve compliance further.

* Energy Editor at Mint
This has been abridged from an article published on May 26, 2018

4th Most Powerful in Asia-Pacific

India is the fourth most powerful nation in the Asia-Pacific region and has been pegged as a 'giant of the future', according to the inaugural Asia Power Index, published by Sydney's Lowy Institute, which ranked 25 nations in the region.

India is ranked fourth on the parameters economic resources, military capability, diplomatic influence and fifth on resilience. It scores well on the parameters of cultural influence and future trends, ranking third in both.

However, it scores low on the measure of economic relationships, ranking seventh and in defence networks, ranking tenth.

(Mint, 09.05.18)

Billionaire Count to Rise 3 Times

India has the third largest number of billionaires in the world, and in the next decade, 238 additional ultra high net worth individuals will join this elite club. According to AfrAsia Bank Global Wealth Migration Review, India currently has 119 billionaires,

and this number is expected to swell to 357 by 2027.

Over the next 10 years, while India is expected to create 238 additional billionaires, its neighbour China is likely to add as 448 such individuals. By 2027, the United States is likely to have the maximum number of billionaires at 884. (ToI, 23.05.18)

India Climbs One Spot to 44th

As the Narendra Modi government completes four years this month, India continues to perform modestly in the global competitive rankings, rising one place to 44 this year out of 63 countries ranked by the Institute for Management Development (IMD) World Competitiveness Centre.

India started from the 40th position in 2013 and dropped to the 44th rank in 2014, the year the NDA assumed power. India's rank remained at 44 in 2015 and jumped four places to 41 in 2016, dropping to 45 in 2017, and rising to 44 in 2018. In contrast, China bagged the 13th rank this year as compared to the 18th rank in 2016.

(Mint, 24.05.18)

Global Poverty Rank Improves

India's Multidimensional Poverty (MDP) has dropped significantly, largely as a result of the performance of five key southern states. Between 2005-06 to 2015-16, poverty level came down from 55 to 21 percent, improving the country's MDP ranking.



Following the drop in poverty levels, India moved to the 26th rank from its earlier 54, in a decade, among 102 developing countries with MDP. The fall, at the rate of 3.4 points per annum on average, is largely due to the 'lower burden of poverty' among the southern Indian states.

9th among 75 most Powerful

Prime Minister Narendra Modi has been ranked among the top 10 most powerful people in the world, according to the Forbes 2018 list. On the list of 75 of the World's Most Powerful People, Modi was ranked ninth.

Dethroning Russian President Vladimir Putin – who was on top for four consecutive years – as the most influential person on the planet, Chinese President Xi Jinping has topped the list for the first time ever.

Forbes said, "There are nearly 7.5 billion humans on planet Earth, but these 75 men and women make the world turn". (IE, 09.05.18)

Most Corrupted Sectors

A large number of complaints of corruption were received against the railways and government-owned banks, according to the latest report of anti-corruption body Central Vigilance Commission (CVC).

However, there has been an over 52 percent decline in the number of corruption plaints received by the CVC last year as against 2016.

The watchdog said it received a total of 23,609 complaints last year – the lowest since 2011 – as against 49,847 in 2016. "In majority of complaints the allegations were found to be either vague or unverifiable.

(BL, 09.04.18)

Press Freedom Rank Falls

India's ranking in the Press Freedom Index has fallen two places to 138, a watchdog said, blaming 'physical violence' against journalists like Gauri Lankesh as the key reason behind the country's low ranking.

Norway topped the list of having the world's freest press for the second year in a row, the Reporters without Borders (RSF) said while North Korea remained the most repressive country followed by Eritrea, Turkmenistan, Syria and then China.

India's ranking has fallen two places to 138th position in a ranking of 180 countries. The report warned that hate crime is another issue plaguing India. (TH, 26.04.18)

India at Bottom of 2018 Global Environment Performance Index

Ajanta Chakraborty*

India ranks 177 among 180 countries in the Environment Performance Index (EPI) after plummeting down 36 points from 141 in 2016, as per several reports. The overall low ranking was linked to poor performance in environment health policy and deaths due to air pollution categories.

Switzerland leads the world in protecting environment and sustainable practices, followed by France, Denmark, Malta, and Sweden. In general, higher rank shows long-standing commitments to protecting public health, preserving natural resources, and decoupling greenhouse gas (GHG) emissions from economic activity.

The key environment parameters were a major concern as India scored 5.75 out of 100 in air quality test which is alarming when put in context with the likes of Switzerland and Japan which have scored over 90. Along with Delhi, air quality levels of ten state capital cities show that they too are in the dangerous grip of multi-pollutant crises, and are currently facing a severe health challenge.

Moving on to the state of water in the country, it has been observed that in 18 Indian states and Union Territories, over 82 percent of the rural household remain without a tapped connection. To add to this, traces of new contaminants have been found in the country which has depleted the already overburdened ground water resource of the country to a grave extent.

The state of sanitation under the *Swachh Bharat* scheme saw 72.1 million household toilets being constructed, however, little was done to popularise their use, rendering the scheme useless. As in the case of energy, the country has missed its



Along with Delhi, air quality levels of ten state capital cities show that they too are in the dangerous grip of multi-pollutant crises, and are currently facing a severe health challenge

target for two consecutive years and it appears that the Centre is fast losing its interest in meeting its ambitious target of installing 175 GW of renewable energy by 2022 which has also in turn affected the job creation potential of the scheme adversely.

On this front, India's *Ujjwala Yojana* – meant for LPG connections to women from Below Poverty Line (BPL) households – got a special mention in the report which noted that if the goal of this scheme is realised, it has potential to positively impact the lives of millions of BPL households by providing them with access to safe, affordable cooking technologies and fuels.

There have been some serious concerns regarding the growth patterns of the forests, as well. While the forest cover has shown a 0.2 percent increase, the bulk of the increase has taken place in the open forest category, which includes commercial plantations and is alarming.

Furthermore, there has been a whopping 146 percent increase in the forestland diversion for non-forest activities in the past one-year.

Furthermore, the number of forest fires in the country has gone up by 125 percent in just two years depicting the inability of the government to put the earmarked funds to effective use.

Adding to the woe, 15 states have registered an increase in the environmental crimes in 2015-16. Since the National Green Tribunal was set up in 2010, the number of environment related police cases seem to be gradually decreasing. However, the number of court cases has drastically gone up.

In 2016, the number of registered environment-related crimes stood at 4,732 while 1,413 cases were pending. Cases pending in court were at a staggering 21,145, which makes up for 86 percent of total environment-related offences in the country.

The sharp decline in the country's ranking this year as compared to 2016 can also be attributed to the quality of data and broadening the base of parameters. As compared to nine issue categories and 20 performance indicators, in 2016 EPI, the 2018 EPI took into account 10 issue categories and 24 performance indicators.

The report also drew a correlation between emerging economies and poor ranks as both China and India ranked 120 and 177 respectively, reflecting the strain that population increase and rapid economic growth impose on the environment. Despite a higher population China is ostensibly in much better shape than India.

"Low scores on EPI are indicative of the need for national sustainability efforts on a number of fronts, especially cleaning up air quality, protecting biodiversity and reducing GHG emissions", said the report which is the 10th version of the EPI ranking.

* Reporter with Times of India
This article was published on June 11, 2018

India's Corporate Governance Problem Continues

Nirmalya Kumar*



On paper, India has among the most stringent regulations in the world for corporate governance. Unfortunately, in practice, returns to the minority shareholders depend on the benevolence of the promoter. If the promoter needs to return to the equity markets and adequately weighs the shadow of the future, minority shareholders receive informal protection.

Conflict of interest

The ICICI Bank Ltd. fiasco demonstrates an unusual scenario. Specifically agency costs, the challenge of managers potentially enriching themselves at the cost of shareholders in the absence of a promoter. Lacking inside information, my opinions are restricted to the corporate governance aspects based on what has appeared in the press.

First, the Videocon loan in face of the partnership between the promoter of Videocon Group and the Deepak Kochhar, husband of the Chief Executive Officer of ICICI Bank. Regardless, of whether the loan, its terms or the extension were preferential, it has conflict of interest written all over it. This should have been immediately flagged to the Board by Chanda Kochhar, the CEO. She should have recused herself from not only the credit committee to approve the loan but the entire loan assessment process.

While we do not know what she actually did, the official response that she was not the Chairman of the committee is unsatisfactory. Still, this is a problem primarily for her, not the Board. The problem for the ICICI Board is that as soon as they learnt this, what did they do to protect the firm and its shareholders?

Second, Avista, the company owned by Rajiv Kochhar, brother of the husband of the CEO, was advising

some borrowers. It is well known among insiders that such companies are appointed because they have an ability to get things done via privileged access. Perhaps this was the case. Once again, the corporate governance issue is that the moment the Board or any Board member was aware of this, what steps were initiated to safeguard the corporate reputation of ICICI Bank?

The inept Board

Admittedly, we do not know when these two problems were first brought to the Board's attention. What we do know is the reaction of the company when this issue recently attracted attention in the press. The Board's response has been knee-jerk, evasive, misleading, and contradictory, except for their unstinting support of the CEO.

The ICICI Bank statement reads: "The Board also commends the entire management team under the leadership of the MD & CEO for their hard work and dedication. We would urge you not to be misled by these rumours which are being spread to malign the bank and its top management". Instead of releasing this statement, they should have reassured the world that they were taking specific steps to ensure that there had been no deleterious effects on the bank because of the conflict of interest.

On the Avista matter, to hide behind a technicality that a brother of the husband does not fall within the definition of a 'relative', under the Companies Act is preposterous. As soon as they became aware of it, any independent director or the risk committee of the Board worth these titles should have immediately brought this up for discussion at a Board meeting and had it recorded in the minutes.

On learning of these potential conflicts of interests, they should have rapidly moved to protect the bank's reputation and practices. Yet, their unsatisfactory responses two years later seems to indicate they were caught unprepared at best. Many of the statements "she made all the disclosures as per company's act", "it was a consortium loan", and "ICICI Bank has never appointed Avista" seem like smoke and mirrors. At worst, and my experience leans me in this direction the Board has been 'captured' by a powerful CEO. Hence, the entire Board and the Chairman should have resigned. Failing which, the foreign institutions should move a resolution to have them removed.

Symbolic governance

The problem in India is that independent directors have not had to pay for even the most egregious of corporate governance violations. What we need is a rule, along the lines of the one in China, that requires Boards to report any dissenting votes on Board resolutions by Board members. This would help us know if independent directors have ever dissented on a particular Board. And, which Board members have a 100 percent voting record for all resolutions tabled across all the Boards they serve. It is not a panacea to solve corporate governance problems, but will help bring greater transparency.

* Professor at Singapore Management University
This article was published on in BloombergQuint on April 14, 2018

One Poll for All

Government Explores President Rule in a Few States

Raghav Ohri*

The government is exploring at least two workarounds to avoid amending the Constitution that would otherwise be required to fulfill its ambition of holding simultaneous polls to the Lok Sabha and state assemblies.

One of the proposals is imposing President's rule in states where assembly polls are due just ahead of the general elections so as to hold the voting for both together.

The states where elections are due within a few months of the Lok Sabha polls could also be persuaded to dissolve their assemblies so as to join the process. The second option is that if the general elections are advanced to November-December 2018, those can be held along with the assembly polls in four states.

Both ideas, said sources aware of the discussions, would not need any amendment to the Constitution, which would take a lot of time and energy. The proposals may still not immediately help holding parliamentary and assembly elections simultaneously across the country, but set the direction towards that, they said.

As per sources, an elaborate exercise was carried out by various quarters of the government, involving the *NITI Aayog*, Law Ministry and others, to explore all possible options to move towards simultaneous elections, which the government believes would help reduce the cost and work required in the process to elect the governments.

As per notes containing internal discussions on the issue, President's rule can be imposed "in larger national interest of one nation one election", a section of the government believes.

| State | Ruled by | Tenure ending on | Extn/curtailment of assembly (Apr-May 2019) |
|-----------------------|---------------|------------------|---|
| Haryana | BJP | Nov 2019 | - 5 |
| Maharashtra | SS-BJP | Nov 2019 | - 5 |
| Mizoram | INC | Dec 2018 | + 6 |
| Chhattisgarh | BJP | Jan 2019 | + 4 |
| Madhya Pradesh | BJP | Jan 2019 | + 4 |
| Rajasthan | BJP | Jan 2019 | + 4 |
| Jharkhand | BJP | Jan 2020 | - 7 |



The governments of Maharashtra and Haryana, where elections are due later next year, could also be convinced to dissolve their assemblies six months prior to their tenure.

Those who support the idea say President's rule could be imposed in Chhattisgarh, Madhya Pradesh and Rajasthan after the current terms of their assemblies end in December, till April-May, 2018 when the Lok Sabha polls are due. There is a view that Mizoram could be persuaded to come on board with a similar arrangement.

The governments of Maharashtra and Haryana, where elections are due later next year, could also be convinced to dissolve their assemblies six months prior to their tenure.

If the general elections are advanced, then Sikkim, Andhra Pradesh, Telangana, Arunachal Pradesh, Odisha, Haryana and Maharashtra will have to be persuaded to dissolve their assemblies by six to 11 months so as to participate in the larger election process.

Top Ministers of the union government will and take a final call on these alternatives, sources said. According to a Parliamentary Standing Committee that looked into the issue, it would be difficult to hold simultaneous elections in every five years in the near future, but that could be achieved in stages. For that, the "tenure of some of the state legislative assemblies needs to be curtailed or extended", it had suggested.

The committee also observed that elections to the Lok Sabha and state legislative assemblies could only be held prior to expiration of their tenure, where either of the two conditions is met: Firstly, if a motion for an early general election is agreed by at least two-thirds of the whole house (including vacant seats). Secondly, if a motion of 'no-confidence' is passed and no alternative government is confirmed by the Lok Sabha or assemblies within 14 days by means of a confidence motion.

* Special Correspondent at The Economic Times
This has been abridged from an article published on April 13, 2018

Govt. Takes Social Security Measures

Soon after the NDA government came to power in May 2014, labour reform assumed critical significance and the government took some remarkable steps to aid the 'Ease of Doing Business' initiative.

In the first two years itself, the union government partially removed the arbitrary inspection system, allowed firms to file one self-certified return for a clutch of laws, implemented employees provident fund (EPF) number portability, and initiated moves to make EPF and National Pension System alternative social security schemes for organised sector employees.

(Mint, 25.05.18)

Opening for Joint Secretary Posts

Opening the doors of bureaucracy for private sector professionals, the government invited applications for 10 Joint Secretary level posts through lateral entry as opposed to the Union Public Service Commission (UPSC) examinations.

The government said the proposal of lateral entry was aimed at bringing in "fresh ideas and new approaches" to governance and also to augment manpower. Joint Secretaries are at a crucial level of senior management in the government and lead policymaking and implementation of various programmes and schemes of the department assigned to them.

(BS, 10.06.18)

Nod to Social Security Plan

The Prime Minister's Office (PMO) has given its approval to the Labour Ministry proposal on universal social security cover for 500 million workers, including those in the farm sector, seeking to start the process of putting in place a more secure welfare net a year before the general election.

The Finance and Labour Ministries will work out the details of the scheme that will require nearly ₹2 lakh crore when fully rolled out for the lower 40 percent of the country's total workforce. (ET, 23.04.18)

'Housing for All' Goal

To give a fillip to its 2019 election campaign, the NDA government is aiming at early completion of its 'Housing for All' schemes. It now envisions the construction of 10 million houses for the rural poor and sanction for as many for the urban poor by the end of 2018.



maximum shortage of rural houses.

(ET, 17.05.18)

Pradhan Mantri Awas Yojna (PMAY) is the highest-priority scheme as it brings the biggest change in the lives of the poor people, by giving them their own house. The programme is being speeded up on the back of strong performance in Uttar Pradesh, the state with the

CCI & Sectoral Regulators' Protocols

The Comptroller and Auditor General of India (CAG) Rajiv Mehrishi has called for statutory amendments and setting up of some 'engagement protocols' between the Competition Commission of India (CCI) and sectoral regulators to address overlap issues.

This is required to resolve the 'jurisdictional overlap' that sectoral regulators face with CCI on account of the former having competition provisions in their legislations, Mehrishi said. He also felt that CCI given its specialised skills and experience across sectors, is best placed to regulate markets on matters of Competition. (BL, 21.05.18)

Under-utilisation of Funds

The Comptroller and Audit General report on local self-government (LSG) institutions for the year ended March 2017 points to a glaring under-utilisation of allocated funds for women's projects.

The CAG report stated while the state government directed LSG institutions to allocate 10 percent of its plan funds to women-specific projects under the women component plan (WCP), the allocation came to only 2.39 percent of the total development funds. Five LSG institutions having SC/ST women participation did not allocate funds for projects under WCP for benefit of the SC/ST community.

(IE, 19.06.18)

Fake Lottery Menace

While fake tickets of state lotteries are rampant, the government lacks a proper enforcement wing to check the fraud, says the CAG Report on Revenue. It said the District Lottery Offices received 3,48,699 fake tickets between 2011 and 2017.

"When these tickets were identified as fake, those were returned to the presenters. In a few cases in which the presenters insisted on prizes, the tickets were sent to the DSL for verification", the report said. According to the Section 26(2) of the Kerala Tax on Paper Lotteries Act 2005, any person who is found to be in possession of unaccounted lottery tickets is liable for a penalty of ₹1 lakh.

(IE, 13.06.18)

A Year after Deadline, RERA is still under Construction

Ateeq Shaikh*

The Real Estate (Regulation and Development) Act, 2016, or RERA, was to be implemented all over India by May 01, 2017, but a year after that deadline, the new Act remains a work in progress in many states. RERA is India's first serious attempt to regulate an industry not known for its ethical business practices.

Compared to other countries, however, the RERA provisions that protect consumers are very basic and builders can still withdraw 30 percent of customer funds to buy land. Markets, such as Dubai do not allow any such withdrawal from the escrow account created for the project.

But even this diluted RERA has been a non-starter in most states. In many states, including Haryana and West Bengal, the website of the regulator is still not in place, almost a year after the deadline got over on May 01, 2017.

Other states have their website operational but with very thin content and usability. For example, Andhra Pradesh has its website up but has just two registered projects online. Worse, some state governments have diluted the RERA provisions on mandatory listing of under construction projects, to make it more builder-friendly.

“Only Maharashtra, Madhya Pradesh and Punjab have a permanent RERA regulator, which is active. A lot of work has been done, hearings and orders have been passed. In many other states there is an interim authority and not in the shape as it should be”, said an industry expert. The Act to protect customers' interests and to impose penalties on errant realtors was passed by the Parliament in 2016.

In the last one year, around 70-75 percent of under construction housing supply has been covered by RERA, with Maharashtra having the highest number of projects followed by National Capital Region

Thereafter, the Union Ministry of Housing and Urban Poverty Alleviation gave a year, till May 01, 2017, to formulate, notify and set up a regulator. However, plenty of ground is yet to be covered by several states. Several states, including Uttar Pradesh, Haryana and Bihar and Union territories, have opted for an interim authority, which is basically a temporary regulator. Furthermore, West Bengal, Kerala, North Eastern states and Jammu & Kashmir have not notified the Act.

“Not much of residential related development happens in the North East states, whereas Jammu & Kashmir comes



under special status, so this would not be applicable”, Pankaj Kapoor, Founder and Managing Director of Liases Foras said.

In Delhi, the government-owned developer, Delhi Development Authority, itself, has been appointed as a regulator.

“Only 19 states and Union Territories have an online portal in place and five states and Union Territories have a permanent real estate regulatory authority. So far, 27,000 projects are registered under various state RERA while 17,000 agents are registered under RERA”, said Ramesh Nair, Chief Executive Officer and Country head, JLL India.

In the last one year, around 70-75 percent of under construction housing supply has been covered by RERA, with Maharashtra having the highest number of projects followed by National Capital Region. Since these two regions see most of the construction activity most of the projects have come under RERA.

Ashok Mohanani, Vice President, National Real Estate Development Council (West) said that RERA has consolidated the developers, encouraged more joint ventures, leading to small developers collaborating with established players resulting in standardisation and improvement in processes, which would increase only in the months to come.

However, Kapoor has a different view. He said, “It is providing level playing field for small to large developers. If a small developer follows the set of rules, s/he will survive and even the funding sources would widen, thereby not needing to consolidate with larger players”.

Though there are differences in opinion within the realty industry on RERA being more favourable towards home buyers, it is unanimous that either the sanctioning authorities should be brought under RERA or there should be a separate rules for the time bound approvals from civic bodies and other government authorities.

* Associate with DNA

This article was published on May 04, 2018

'New India 2022' Agenda

NITI Aayog will soon come out with a development agenda for 'New India 2022', which will spell out strategy for expediting economic growth, its Vice Chairman Rajiv Kumar said.



The *NITI Aayog* is committed to bringing out a vision document and a strategy framework as originally mandated. The work on the strategy document is on advanced stage and will

most likely be titled Development Agenda document for New India 2022. And once this document has been completed and put in public domain, the work on preparing 15-year vision till 2030 will start. *(BL, 30.04.18)*

Eastern States are Holding Back India

NITI Aayog CEO Amitabh Kant set the cat among the pigeons when he suggested that states like Bihar and UP, among others, are holding back India. He added that the southern and western India parts were doing well and growing speedily.

Kant said, "while we have improved on 'Ease of doing Business', we have remained backward on human development index (HDI). When the country's HDI has to improve, we have to focus on these social indicators. We are working on these through Aspirational Districts Programme". *(DNA, 25.04.18)*

Changing Rules Unconstitutional

Former Finance Minister P Chidambaram questioned the BJP government's proposal to amend rules for allocation of services and cadres to civil servants by factoring in a 15-week foundation course. Chidambaram said the proposed change appeared to be 'unconstitutional' as it was violative of the Article 320 of the Constitution.

"The selection for 'appointment' to the service, now done solely by the UPSC, will be affected by the foundation course marks given by the executive government. I doubt if the proposed change can be implemented without amending Article 320", he mentioned. *(IE, 24.06.18)*

Making Best of Innovation and Technology

Prime Minister Narendra Modi has asked civil servants to make the best of innovation and technology in implementing government policies. He also said that participatory democracy is a must for the development of the nation.

The Prime Minister said the administration's aim in the pre-Independence era was to keep the Englishmen safe, but today it has to ensure that a common man is provided relief. He stressed the need for strategic thinking in implementing government policies, and also asked bureaucrats to put to use innovation and technology which can become additional strength. *(DNA, 22.04.18)*

Quality High Education Needed

A new generation of private universities has begun to find its feet in different parts of India. These new universities are welcome in a country in which the lack of quality higher education means that students spend around US\$6bn every year to study abroad.

However, the new educational centres should not just be seen as ways to stem this outflow of foreign exchange. They have the potential to act as catalysts for the broken system of public universities as well. Indian public universities showed themselves incapable of educating young citizens even for the challenges of the 20th century.

(Mint, 10.06.18)

Govt. to give Directions to IIMs

Three months after a section of Indian Institute of Management (IIM) Directors expressed concern over the complete relinquishing of government control under the IIM Act – committee set up for drafting new rules has suggested that the Human Resource Development (HRD) Ministry be empowered to 'give directions' in case the institutes were found acting in contravention of the new law.

The new law, which came into effect on January 31, 2018 grants statutory powers to all 20 IIMs, including appointment of Directors, Chairpersons and Board members.

(IE, 28.04.18)

Execution – a Key Hurdle

The union government has taken several initiatives largely in the higher education space bringing instant cheer to the sector, but amid ambitious promises, implementation remains a key challenge. Most of the education endeavours have come in the last one-and-a-half years as it lost the first two-and-a-half years battling controversies of its own making.



www.livemint.com

The Indian Institutes of Management Act (IIM Act) to liberate management schools from strict government control, the higher education funding agency, the graded autonomy for top schools, etc. are some of the key initiatives that garnered wide support for the HRD Ministry. *(Mint, 26.06.18)*

Health in Age of Pollution

The World Health Organisation (WHO) released its updated Ambient Air Pollution database stating that over 90 percent of the global population lives in areas with poor air quality. India figures with 14 of the top 15 cities.

Recognising the Pan-India nature of the problem, the Ministry of Environment released a draft of its National Clean Air Programme. It is deficient on three counts: no time-bound pollution-reduction targets set, no clear mechanism for participatory engagement with relevant stakeholders, and little articulation *vis-à-vis* operationalisation of multi-sectoral action. The health sector should be a key stakeholder in driving policy on environmental exposures.

(BL, 11.05.18)



States to Sign MoUs

Twenty states and Union Territories have signed initial agreements to implement the Prime Minister's Modi's scheme to provide health insurance to 10 crore poor families in the country.

Punjab and West Bengal, which earlier did not confirm whether they would implement the scheme, have expressed interest in participating in the Ayushman Bharat National Health Protection Mission, said senior government officials.

The scheme aims to provide up to ₹5 lakh health cover for 10 crore below-poverty line families identified using Socio-Economic Caste Census data. The government has launched a web portal to allow states to empanel hospitals under the mission.

(ET, 15.06.18)

No Proposal for Drug Policy

In reply to a question whether the government was proposing to formulate a new drug policy, the Parliament was informed that there is no definite proposal for a new drug policy though some stakeholders have discussed the basic contents that should go into a draft pharma policy.

However, the discussion draft eliciting the basic contents included issues like affordability of essential drugs and a longer term stable policy environment for the pharmaceutical sector. The stakeholders also discussed ways to make India sufficiently self-reliant in end to end indigenous drug manufacturing.

(ToI, 03.04.18)

Regulating Medical Devices

Critical medical devices, such as pacemakers, CT scanners and X-ray machines will soon have an assurance of quality, with the government set to regulate their manufacture, import and sale in the country.

The Drugs Technical Advisory Board approved a proposal on May 16, 2018 to include implantable medical devices and high-end medical equipment under the purview of the Drugs and Cosmetics Act, 1940.

This will allow the country's apex drug regulatory body to set quality standards for implantable medical devices and equipment, including defibrillators, dialysis and X-ray machines as well as PET, CT scan and MRI equipment.

(ET, 24.05.18)

Groundwater Found Filthy

Aquifers in as many as 16 states in the country are contaminated by uranium, whose presence in drinking water has been linked to chronic kidney disease by several studies, a recent study has shown.

The scientists, who analysed data from 68 previous studies of groundwater geochemistry in Rajasthan, Gujarat and 14 other states, also found the problem is widespread in aquifers in 26 districts in northern states of Punjab and Haryana as well as some districts in Southern and Eastern states.

There is need to revise current water-quality monitoring programmes and re-evaluate human health risks in areas of high uranium prevalence.

(BL, 08.06.18)

Stopping Data Misuse

Companies hauling out health data of people for selling them health life insurance policies will be on the government's radar once the Digital Information Security in Healthcare Act (DISHA) comes in force.

A draft Bill prepared by the Health Ministry aims to maintain electronic health data privacy, confidentiality, security and standardisation. Digital health data whether identifiable or anonymised should not be accessed, used or disclosed to any person for a commercial purpose.

Moreover, in no circumstances be accessed or disclosed to insurance companies, employers, HR consultants, pharmaceutical companies, etc. as might be specified by the Central Government.

(Mint, 02.05.18)

Report Findings Inaccurate

Questioning the findings of a new global report on air pollution by the WHO, which has listed Indian cities among the world's most polluted. Gufran Beig, Pune-based project Director of System of Air Quality Forecasting and Research said he was not sure about the authenticity of the data in the report.

The major worry is PM 2.5 air pollutant in crowded Indian cities while ozone is a problem in rural areas, especially in summer. The Centre stated that it has made 'serious efforts' to fight air pollution and that the 2017 air quality data for fine particulate matter PM 2.5 has shown significant improvement.

(IE, 02.05.18)

Who is Paying for India's Healthcare?

Nivedita Rao*



The Union Cabinet recently approved the launch of the National Health Protection Mission which was announced during Budget 2018-19. The Mission aims to provide a cover of ₹5 lakh per family per year to about 10.7 crore families belonging to poor and vulnerable populations. The insurance coverage is targeted for hospitalisation at the secondary and tertiary healthcare levels.

The public health expenditure in India (total of centre and state governments) has remained constant at approximately 1.3 percent of the GDP between 2008 and 2015, and increased marginally to 1.4 percent in 2016-17. This is less than the world average of six percent. The National Health Policy, 2017 proposes to increase this to 2.5 percent of GDP by 2025.

Including the private sector, the total health expenditure as a percentage of GDP is estimated at 3.9 percent. Out of the total expenditure, effectively about one-third (30 percent) is contributed by the public sector. This contribution is low compared to other developing and developed countries.

Given the public-private split of healthcare expenditure, it is quite clear that it is the private expenditure which dominates, i.e., the individual consumer bears the cost of her own healthcare.

In 2018-19, the Ministry of Health and Family Welfare received an allocation of ₹54,600 crore (an increase of two percent over 2017-18). The National Health Mission (NHM) received the highest allocation at ₹30,130 crore and constitutes 55 percent of the total Ministry allocation. Despite a higher allocation, NHM has seen a decline in the allocation *vis-à-vis* 2017-18.

Interestingly, in 2017-18, expenditure on NHM is expected to be ₹4,000 crore more than what had been estimated earlier. This may indicate a greater capacity to spend than what was earlier allocated. A similar trend is exhibited at the overall Ministry level where the utilisation of the allocated funds has been over 100 percent in the last three years.

A *NITI Aayog* report (2017) noted that low income states with low revenue capacity spend significantly lower on social services like health. Further, differences in the cost of delivering health services have contributed to health disparities among and within states.

Following the 14th Finance Commission recommendations, there has been an increase in the states' share in central pool of taxes and they were given greater autonomy and flexibility to spend according to their priorities. Despite the enhanced share of states in central taxes, the increase in health budgets by some states has been marginal.

If cumulatively 30 percent of the total health expenditure is incurred by the public sector, the rest of the health expenditure, i.e. approximately 70 percent is borne by consumers. Household health expenditures include out of pocket expenditures (95 percent) and insurance (five percent). Out of pocket expenditures – the payments made directly by individuals at the point of services which are not covered under any financial protection scheme – dominate. The highest percentage of out of pocket health expenditure (52 percent) is made towards medicines.

This is followed by private hospitals (22 percent), medical and diagnostic labs (10 percent), and patient transportation, and emergency rescue (six percent). Note that 86 percent of rural population and 82 percent of urban population are not covered under any scheme of health expenditure support. Due to high out of pocket healthcare expenditure, about seven percent population is pushed below the poverty threshold every year.

Out of the total number of persons covered under health insurance in India, three-fourths are covered under government-sponsored health schemes and the balance one-fourth is covered by private insurers. With respect to the government-sponsored health insurance, more claims have been made in comparison to the premiums collected, i.e. the returns to the government have been negative.

It is in this context that the newly proposed National Health Protection Mission will be implemented. The scheme seeks to provide coverage for hospitalisation at the secondary and tertiary levels of healthcare. The High Level Expert Group set up by the Planning Commission (2011) recommended that the focus of healthcare provision in the country should be towards providing primary healthcare.

* Analyst at PRS Legislative
This has been abridged from an article published in The Wire on April 14, 2018

Antitrust Ruling Harmful

Google said that an Indian antitrust ruling that found it was guilty of search bias, could cause 'irreparable' harm and reputational loss to the company.

The Competition Commission of India (CCI) in February 2018 fined Google US\$20mn for abusing its position in online web search and also slammed the company for preventing its partners from using competing search services.

Allowing the CCI's findings to be implemented the company said, "without appellate scrutiny would cause Google irreparable reputational loss". This is the latest regulatory setback for Google. (*Mint, 18.05.18*)

Right-sized Commission

The Union Cabinet has approved a proposal to 'right-size' the CCI. An official statement said the Centre has decided to not fill the existing vacancies of two members, and an additional vacancy that is expected in September 2018, when one of the incumbents completes his term.

The CCI will thus have one Chairperson and three members instead of seven members. This is in line with the Centre's objective of 'Minimum Government, Maximum Governance'.

The move is likely to lead to a swifter disposal of cases. But it might also lead to a complicated situation in case of a tie and dearth of experts in the Commission. (*BL, 04.04.18*)

Battery Makers Fined

The CCI has imposed a penalty of ₹171.55 crore and ₹42.26 crore on Eveready Industries India Ltd. and Indo National Ltd. (Nippo), respectively, for indulging in anti-competitive practices in the zinc-carbon dry cell battery market in India. The penalty was levied on the battery manufacturers at the rate of 1.25 times of their profit for each year from 2009-10 to 2016-17.

However, no penalty was levied on Panasonic Energy India Co. Ltd. as it had approached the anti-trust

regulator as a whistle-blower, disclosing the details of their cartel that indulged in price coordination, limiting production/supply and market allocation from 2008. (*Mint, 20.04.18*)

Changes to Walmart-Flipkart Deal

The CCI might recommend structural changes to the proposed US\$16bn Walmart-Flipkart deal to address possible competition concerns. It might also take cues from a ruling in South Africa with respect to the Walmart-Massmart deal announced in 2010.

While the CCI is yet to take a call on the Walmart-Flipkart deal, officials said the regulator might order certain structural changes in the proposed transaction to address possible competition concerns.

It might recommend setting up of a long-term fund to modernise *kiranas* besides supporting local manufacturing by small and medium-sized enterprises (SMEs).

(*BL, 10.06.18*)

Law to Check IP Abuse

India, South Africa, Brazil and China have urged all World Trade Organisation (WTO) members to share their national experiences on how competition law and policy can

be used to deter practices, such as collusive pricing which prevent generics from entering markets and raise prices of medicines.

The debate, focussed on how to enhance understanding of the various approaches in the use of competitive law and policy to prevent or deter practices, such as collusive pricing or the use of abusive clauses in licensing agreements that unreasonably restrict access to new technology and prevent the entry of generic companies. (*BL, 08.06.18*)

NSE Plea on CCI Fine

The Supreme Court will start its final hearing on July 19, 2018 in the matter involving a fine imposed on the National Stock Exchange (NSE) by the CCI for monopolistic practices.

After it won the battle against the NSE at the CCI, rival exchange Metropolitan Stock Exchange of India (MSEI) has claimed ₹856 crore in damages.

The MSEI had filed a complaint with the CCI alleging predatory pricing (waiver of transaction fees, data-feed fees and admission fees) wherein the competition watchdog found the NSE guilty in June 2011 and imposed a fine of ₹55.5 crore.

(*BL, 05.06.18*)

Bayer-Monsanto Merger Cleared

The CCI has approved the acquisition of US seed major Monsanto Co by Bayer AG, in a decision that moves the US\$62.5bn deal a step closer to the finish line.

German conglomerate Bayer is preparing to close the takeover soon, giving it control of more than 25 percent of the world's seed and pesticides market.

The acquisition had been approved "subject to compliance of certain modifications". The takeover, one of a trio of major deals in the agribusiness sector in recent years, would create a company with a share of more than a quarter of the world's seed and pesticides market.



Competition in Telecom Unlikely to Reduce Soon

Rhik Kundu*

Reliance Jio's continued focus on expanding its subscriber base, via tariff cuts, offers and free Jio Prime membership, may reflect in a weak quarter for Airtel, Vodafone and Idea Cellular

Competition in the telecom industry, which has led to consolidation in the sector, is unlikely to abate in the coming quarters, as Mukesh Ambani-controlled Reliance Jio Infocomm Ltd. continues to focus on subscriber acquisition and retention, according to recent reports from top equity research firms.



Jio's ambition to gain and retain subscribers was evident in its aggressive pricing at the beginning of the year and the firm's current move to extend Jio Prime benefits for no fee, said a April 2018 Morgan Stanley research report on the Indian telecom sector. Reliance Jio had on March 30, 2018 extended membership for the 175 million existing users of the Jio Prime loyalty programme for another year for free.

Jio Prime membership costs ₹99 for new members. Jio Prime membership gives registered Reliance Jio users access to a suite of applications and services for free, including live TV channels, movies and music, higher data benefits as well as lower tariffs. "Clearly, Reliance Jio's focus continues to be on subscriber acquisition and retention in the near term", the Morgan Stanley report said, "Charging prime fee for existing users could have possibly resulted in some subscriber churn for Reliance Jio".

Morgan Stanley expects a seven percent impact on Reliance Jio's earnings before interest, taxes, depreciation, and amortisation (Ebitda) for financial year 2018-19, from extending Prime benefits to its existing subscriber base.

Reliance Jio, which currently has over 175 million customers, doubled its telecom market share to 13.71 percent as on December 31, 2017, from 6.40 percent a year ago, regulatory data shows. A Reliance Jio spokesperson said most of its customers are Jio Prime members and non-Prime members account for a negligible part of the company's subscriber base.

"As the industry consolidates owing to smaller telco closures, we expect the top three telcos to continue to focus on grabbing subscriber share", said the Citi Research report on India Telecom.

"While the latest announcement from Jio does not indicate another flare-up on pricing (it is broadly along expected

lines), we think a pricing recovery is unlikely in the near term", it added.

Meanwhile, leading incumbents like Bharti Airtel Ltd. and Idea Cellular Ltd/Vodafone India Ltd have continued to match Reliance Jio's tariffs for its existing 4G users via segmented offers.

"Jio's pricing moves in the month of January 2018, impact of international termination rate (ITR) cut effective February 01, 2018, and continued average revenue per user (ARPU) downtrading are likely to reflect in another quarter of sharp sequential revenue decline for the incumbents", said a Kotak Institutional Equities report on Telecom (India).

We expect the January-March, 2018 quarter to be another weak quarter for the wireless incumbents, the report said, adding that the brokerage expects eight-nine percent quarter-on-quarter decline in ARPU for Bharti Airtel and Idea Cellular.

"Jio's pricing moves in the month of January 2018, even as the incumbents (barring Bharti to some extent) have not responded with headline price cuts, each of them has been forced to cut prices selectively", the Kotak Institutional Equities report said, adding that the brokerage ARPU forecast for Bharti Airtel and Idea Cellular for January-March, 2018 quarter stands at ₹115 (down 8.6 percent on quarter) and ₹104 (down nine percent on quarter) respectively. A JP Morgan report on Reliance Industries Ltd (Jio's parent company) states Reliance Jio's investments in content are expected to remain elevated as currently most of the content is third party-owned.

Expect more spending on content, and hence, overall capital expenditure for Jio should remain elevated, the report said. "While Jio continues to add subscribers and the Jio Phone would allow it to gain a larger share of the lower end ARPU market, the focus has now shifted to monetising the high-end subscriber base beyond the telecom tariffs", the JP Morgan report said.

"While Jio's subscriber base has very high data usage, the focus for Jio would now be to shift the data usage towards its content offerings and eventually monetise the content offering", the report added.

* National Writer at Mint

This has been abridged from an article published on April 04, 2018

The Ethics of Reducing Inequality in Society

Kaushik Basu*

Around the world, the effects of alarmingly high economic inequality are spilling over into politics and society. Economic insecurity is a driving force behind violent conflicts in the Middle East and the rise of fascist elements in some European countries, not least Hungary and Poland.

These trends have been ongoing for some time. But, according to Branko Milanovic of City University of New York, a big shift occurred between 1988 and 2008. During this period of 'high globalisation', the two segments of the world making gains were the wealthiest 1 percent in rich and poor countries and the middle class in a few Asian countries – namely China, India, Indonesia, Thailand, and Vietnam.

Meanwhile, the World Bank has shown that 766 million people – around 10 percent of the global population – were still living below the extreme-poverty threshold of US\$1.90 per day as of 2013.

I was thinking about this as I read Chris Hughes's marvellous book *Fair Shot: Rethinking Inequality And How We Earn*. Hughes co-founded Facebook with Mark Zuckerberg. His book gives a moving account of growing up in small-town North Carolina, trying awkwardly to fit in with the 'white, wealthy kids', eventually coming out as gay, and doing well enough in school to gain admission to Harvard University.

Hughes ended up rooming with Zuckerberg, which was sheer luck. Indeed, a large part of his book deals with the role of luck in determining individual success. Though Hughes' father taught him that realising the 'American dream' is a matter of pulling oneself up by one's bootstraps, Hughes eventually reached the opposite conclusion. "My success at Facebook", he writes, "taught me that



seemingly small events like who you choose to room with in college can have an outsized impact on the rest of your life".

Hughes' solution to the problem of inequality is to tax the rich in order to provide a guaranteed minimum income to the lower and middle classes. It is heartening that at least some of America's wealthiest individuals are honest enough to recognise the unfairness of the system, even though they have done well by it.

Some try to counter this by pointing out that hard work also matters. But that is beside the point. After all, whether or not one has a strong work ethic is itself due to luck, because it depends on one's genetic make-up, environment, and upbringing. Thus, the primacy of luck as a determinant of wealth means that there is no moral justification for economic inequality.

At this point, many well-intentioned radicals will conclude that we must therefore have total equality. But the 'therefore' is invalid. Ensuring fairness and equity are important, to be sure, but so is eradicating poverty and improving opportunities for the middle class. Under current conditions, pushing for absolute equality could erode the incentive to work, leading to widespread economic breakdown.

We will have to strike a balance. Today's high inequality demands interventions to improve

Addressing the challenge of economic insecurity will require a balance between ensuring equality and poverty eradication

education and health, as well as redistributive taxation of the kind that Hughes recommends; but it also requires us to tolerate some income disparities to keep people and economies working.

Hughes' proposal for a minimum guaranteed income is a step in the right direction, but it would be a mistake to view it as the panacea. For the sake of argument, assume that the poorest half of the population cannot afford some vaccine that would ensure them basic good health. One might think that giving everyone a minimum guaranteed income would correct this injustice.

But now assume that there is only enough of some critical resource to produce vaccines for half the population. In this scenario, it would not matter how much money you give to the poorest half of the population: the price of the drug would keep rising to the point where only the wealthiest half of the population could afford it. Under conditions of scarcity, the only way to ensure a fair outcome would be to award the vaccines through a lottery.

The effectiveness of a guaranteed income, then, depends on the underlying general equilibrium of the economy. The vaccine scenario is just one example of the kind of complications that can arise. For Hughes' scheme to work, we will have to identify many more possible contingencies, and then design a system to pre-empt them.

* Indian Economist

This has been adapted from an article published in Mint on April 02, 2018



Economic Regulations, Competition, and Consumer Protection in Ancient India

By Pradeep S Mehta

It is learned that the Ancient India was a 'mixed economy' adhering to the socio-economic philosophy of a 'welfare state'. In general, the state was both regulator and competitor, including state enjoying monopoly over certain sectors, such as mines and mineral. This article introduces the audience to the ancient Indian ethos, where dharma (duty) was the backbone of the civilisation that made the society righteous and duty-centred. The article gives an overview of ancient India's economic activities along with a short account of sectoral regulations. Besides, the article presents a competition analysis of the then regulations. It analysed the state monopolies, state as regulator and competitor, the prevalence of the guild system, differential regulatory treatments, price control, treatment of cartels and consumer protection.

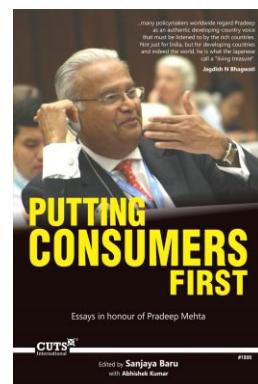
This article can be accessed at: http://cuts-ccier.org/pdf/Article-Economic_Regulations_Competition_and_Consumer_Protection_in_Ancient_India-AntitrustBulletin.pdf

Festschrift

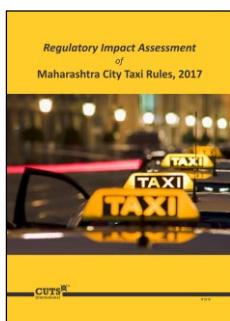
Putting Consumers First

This volume is an anthology of analytical essays edited by Dr Sanjaya Baru with Abhishek Kumar, and penned by experts from around the world on trade, regulation, governance and other issues relevant to economic policy. The volume has been compiled in honour of Pradeep S Mehta, founder Secretary General of CUTS International on the occasion of his 70th birth anniversary to commemorate his lifetime contribution to consumer welfare in India and globally.

Book your copy at: <https://www.amazon.in/Putting-Consumers-First-Dignitaries-around/dp/8182572592>



Research Report



Regulatory Impact Assessment of Maharashtra City Taxi Rules, 2017

Regulators distrust the market and market players and thus end up micro-regulating and attempt to regulate innovation by tinkering with existing regulatory framework, without envisaging the potential impacts of such approach. This report suggests that such approach of levelling the playing field between existing and new market players by increasing the cost of operations for all is not advisable. This finding is based on a cost – benefit analysis of select provisions of recently issued Maharashtra City Taxi Rules, 2017 (Rules), which intend to regulate the licensing of taxis linked with app based aggregators in Maharashtra.

This report can be accessed at: http://www.cuts-ccier.org/RIA_Maha_City_Taxi_Rules_2017/pdf_Report.pdf

We want to hear from you...

Please e-mail your comments and suggestions to c-cier@cuts.org

We put a lot of time and effort in taking out this newsletter and it would mean a lot to us if we could know how far this effort is paying off in terms of utility to the readers. Please take a few seconds and suggest ways for improvement on:

- Content
- Number of pages devoted to news stories
- Usefulness as an information base
- Readability (colour, illustrations & layout)

SOURCES

BL: The Hindu Business Line, BS: Business Standard, DC: Deccan Chronicle, DNA: Daily News and Analysis, ET: The Economic Times, FE: The Financial Express
IE: The Indian Express, TOI: Times of India, TH: The Hindu

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

Complete reproduction without alteration of the content, partial or as a whole, is permitted for non-commercial, personal and academic purposes without a prior permission provided such reproduction includes full citation of the article, an acknowledgement of the copyright and link to the article on the website.