# PolicyWatch

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

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INSIDE THIS ISSUE



HIGHLIGHTS



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

# There is a Gap between Policy and Practice

After making a big bang announcement in the Budget, the Finance Minister Arun Jaitley had to rollback his proposal to establish a 'separate' Public Debt Management Agency (PDMA). The Government will be consulting the Reserve Bank of India (RBI) and come up with a detailed roadmap for a new agency. The text of the erstwhile Chapter VII (on PDMA) was heavily borrowed from the draft Indian Financial Code, prepared by the Financial Sector Legislative Reforms Commission (FSLRC). However, the structure of the PDMA was starkly different.


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The Government proposal would have led to a separate PDMA, but its independence would have been compromised. Experience with separate regulatory institutions proves that their efficiency and performance is inversely proportional to political interference in their management.

Separate institutions must not become parking lots for retired judges and bureaucrats. Unfortunately, the text of the erstwhile Finance Bill reeked of this possibility. Further, no consequent accountability provisions were designed for the PDMA in the Finance Bill, other than the power of the Central Government to remove PDMA board members.

Consequently, the policy design for establishing the PDMA was a recipe for disaster. One wonders why the Government allowed such designed faults to remain in the Bill. The Government and the RBI being the two most important stakeholders in establishing PDMA, is the knowledge, expertise and skill relating to regulatory design limited to them?

Moreover, the PDMA will deal with public money, management of which has been delegated by the citizenry to its elected representatives. Consequently, the public has the right to be involved in the process of development of the expert body.

Besides stripping the powers to manage public debt from the RBI, the Finance Bill's proposal to shift regulation of government securities to Security and Exchange Board of India (SEBI) has also has been rolled back. However, capacity constraints seem to be ignored while transferring regulation of non-debt foreign exchange-related transactions to the Centre and shifting regulation of commodity derivatives from Forward Markets Commission (FMC) to SEBI.

The Government must undertake an in-depth evaluation of its policy proposals, estimate technical and financial resources required, and people, structures and processes for converting its ideas into practice It must develop a comprehensive transition path in this regard.

Such comprehensive structured process of policy-making is known as regulatory impact assessment. It is the best practice for designing policies, is followed in several jurisdictions, and has been recommended for India as well.


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## COMMUNICATION

### Explicit Consent a Must

The Telecom Regulatory Authority of India (TRAI) has proposed that data services should be activated or deactivated only with the explicit consent of the subscriber through toll-free short code 1925. Further, the customers should also be informed through SMS at periodic intervals, not exceeding six months, about the prescribed procedure for deactivation of data.

The regulator said that it has been receiving several complaints from consumers regarding non-availability of information relating to the amount of data used during a data session.

The service providers offer concessional tariff for data, up to a certain limit. However, the tariff for any usage beyond the specified limit is substantially higher, leading to sudden bill shock or unexpected deduction of balance amount TRAI stated. *(BL, 30.04.15 & ET, 30.04.15)*

### Roaming Tariffs Slashed

India's top telecom operators Airtel, Vodafone and Idea Cellular have announced that they will are cut national roaming tariff, soon after telecom regulator TRAI reduced the ceiling tariffs. TRAI had earlier cut the maximum or ceiling rate that a telecom operator could charge for STD calls on roaming to ₹1.15 per minute from ₹1.50.

Similarly, national short message service (SMS) rate has been reduced to 38 paise from ₹1.5 per SMS. Also, an operator can charge a maximum of 25 paise only for a local SMS instead of the current ₹1 per SMS. Vodafone has introduced special roaming tariff plans for its prepaid and postpaid customers. The revised tariff will be applicable from May 01, 2015 for all three telecom operators. *(ToI, 01.05.15)*

### Norms for Quality Services

The Telecom Regulatory Authority of India (TRAI) would soon put in place a service quality benchmark for mobile operators, TRAI Chairman Rahul Khullar stated. Non-adherence to the new quality standards, would lead to penal action against mobile operators, he added. TRAI has defined quality of service benchmarks for the telecom operators.

These include benchmarks for call drops, billing, complaint redressal time and time taken to attend customer calls, among others. TRAI measures performance of operators on the basis of 10 parameters. Service providers are penalised up to ₹10 lakh for each parameter furnished incorrectly in their report submitted to the regulator. It starts with ₹50,000 fine for first non-compliance and ₹1lakh for each subsequent non-compliance.

*(BS, 29.04.15)*

### Rolling out Full MNP

Telecom service providers will have to fork out ₹200-300 crore to upgrade their networks and install new equipment for implementation of full mobile number portability (MNP) across the country. MNP allows mobile subscribers to retain their numbers while changing their states or circles.

Full MNP was to be implemented from May 03, 2015 but the Government has presently extended the deadline by another two months as operators are yet to test the new software.

In addition, for implementation of full MNP, the current networks of operators have to be reconfigured to treat a mobile user's calls in the new circle as local and vice-versa, besides aligning their network, according to the new national numbering plan.

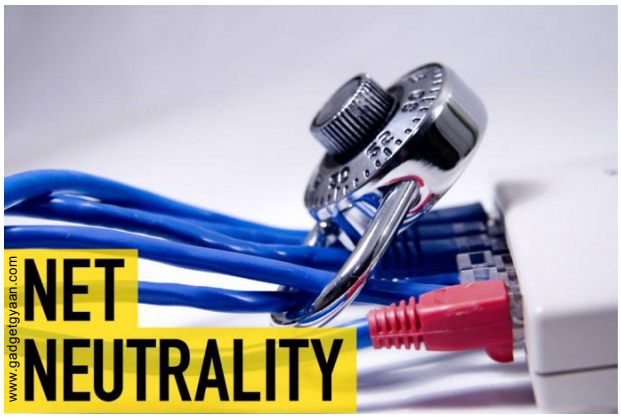
*(BS, 03.05.15)*

### Free Wi-Fi in *Panchayats*

About 12,909 *gram panchayats*, 46,000 government offices, educational institutions and hospitals are slated to receive free Wi-Fi over the next three years through the Optic Fibre Grid being set up in Andhra Pradesh (AP).

Information Technology advisor to Andhra Pradesh Government, J Satyanarayana said that the project will cost ₹4,660 crore of which the Centre will provide ₹3,840 crore as part of the National Optic Fibre Network, and the State Government will allot ₹820 crore.

The Chief Minister of AP N Chandrababu Naidu has set a deadline of three years for completion of the grid in the State after it is launched adding that the fibre grid must be put to full utilisation in sectors like education, medicine, e-governance, agriculture, rural development and e-commerce. *(IE, 11.05.15)*




## Net Neutrality Violated

The launch of the Airtel Zero platform by Bharti Airtel and Internet.org by Facebook in partnership with Reliance Communications are *prima facie* in violation of net neutrality principles as these are based on differential tariffs for end-consumers, said the department of telecommunications (DoT) Secretary Rakesh Garg.

When asked about telecom players' concern of over-the-top (OTT) players having a free ride through their network while they pay licence fees, spectrum charges and others to the Government, the Secretary stated that the two issues are not comparable.

However, he said that a DoT Committee will take the final call on whether OTT players have to be brought under the licensing framework or not. Meanwhile, DoT, through its internal committee, is in the process of formulating a report on the net neutrality issue. *(BS, 05.05.15)*

## • TRANSPORT •

### New Aviation Policy

The Minister of State for Civil Aviation Mahesh Sharma said that the Government plans to put in place the Civil Aviation policy by the middle of May 2015. According to an official, the Civil Aviation Ministry has already circulated the proposed norms for permitting Indian airlines to start international operations for inter-ministerial consultations.

"The Ministry has sent its proposed revised norms for the domestic carriers wishing to fly abroad for inter-ministerial consultations, before sending it to the Cabinet for approval", the official added.

Sharma, however, said that since the policy deals with several important issues including new norms for international operations by domestic carriers and regional connectivity, widespread consultations with all the stakeholders are necessary. Sharma said there is also a need for regulating predatory air fares. *(IE, 09.04.15)*

### Time-bound Targets

To boost connectivity and lower congestion in key routes, the railways plans to double or quadruple nearly 11,000 km of the total 64,000 km of track length by 2019- 20.

The target was discussed at a meeting chaired by the Prime Minister, to review infrastructure projects. The railways, it has been decided, should focus more on doubling and quadrupling of existing lines, over the next four to five years, rather than new projects, except those in North-east and Jammu and Kashmir. The aim is to ensure existing tracks are decongested rather than laying new projects.

The Railway Minister also acknowledged that with an investment plan of ₹8.5 lakh crore they were focussing on decongesting the network. *(BS, 17.06.15)*

### Exit Policy Projects

The Government has recently cleared the decks for the much awaited exit policy, which would allow developers to exit highway projects two years after completion of construction. The move is to expected to immediately unlock investments to the tune of ₹4500 crore as potential capital for future projects and provide renewed thrust to the roads development sector.

The Cabinet Committee on Economic Affairs (CCEA) has additionally approved a special intervention and authorised the National Highway Authority of India (NHAI) to inject funds on a loan basis in projects that are at advanced stages of completion but are stuck due to additional equity or lender's inability to disburse further resources. The policy permits concessionaires or developers to divest 100 percent equity two years after completion of construction. *(IE, 13.05.15)*

# Govt Plans *Bharat Mala*

The Government is proposing to build about 5,000 km of road network all along the borders and coastal areas, under a new scheme to be called *'Bharat Mala'*. If former Prime Minister Atal Bihari Vajpayee's scheme of building Golden Quadrilateral gave a fillip to the highway construction in the country.


The new plan will connect all untouched areas in the hinterland to push development and economic activities. Construction of the huge network would need at least ₹50,000 crore, Road Ministry sources stated.

Officials said the project would be part of 'work plan' the Road Transport Ministry will submit to Narendra Modi on infrastructure sector in the current financial year. *(ToI, 30.04.15)*

### Low Fare Airlines Stranded

Domestic airlines in India seem intent on digging their own grave. With oil prices slowly inching up and fares heading south, airline losses are likely to mount. It is almost as if the present accumulated losses are not quite enough.

According to data compiled by Clear trip, average fares in 2015 are almost 15 percent lower than the same time the previous year. Some routes show a sharper drop.

Samyukth Sridharan, President and Chief Operating Officer, Cleartrip, said the lower fares partly reflect the lower fuel prices but also partially additional capacity on certain routes and increased competition, as a result. *(BS, 07.05.15)*

### Building National Waterways

The Centre has asked State Governments to join hands in developing the 101 waterways, which are going to be declared national waterways as part of an initiative to make the vast network ready for business.

The Inland Waterways Authority of India (IWAI) has written to the state governments, asking them to start the exercise of classifying the rivers and ensuring that minimum horizontal and vertical clearance is maintained for navigation.

The Cabinet gave its nod to enact the legislation to declare 101 rivers part of the national waterways network. *(ET, 02.05.15)*

### *Kaya Kalp* Meet of Railways

The innovation council of the railways, headed by industrialist Ratan Tata had a discussion for the first time to identify global benchmarks for operations and maintenance of railways. Close cooperation and incremental improvements across various aspects of railways will mark the working of the council.

The council, called *Kaya Kalp*, was formed by Union Railway Minister Suresh Prabhu to help the national carrier innovate and reinvent its practices. Tata said that it would be useful to showcase improvements, even in small increments, in various aspects, such as equipment, processes, procedures and consumer acceptance. *(Mint, 14.05.15)*

## • OIL & GAS •

### Urge for LPG Subsidy

The Ministry of Petroleum and Natural Gas urged liquefied petroleum gas (LPG) consumers to give up their LPG subsidy and join the 'GiveItUP' movement. The ambitious programme announced by Prime Minister Narendra Modi has seen 290,000 consumers give up their subsidy, so far.

When the subsidy is given up, the money thus saved will be used for the upliftment of the poor in the country, which will be the reason for joy and satisfaction and go a long way in replacing traditional fuel with LPG in rural areas.

On giving up the LPG subsidy, the customer's name will be added to the scroll of honour on the relevant Oil Company's website with their prior permission, as recognition to their contribution. *(BS, 04.04.15)*

### Gas Price: No Arbitration

Reliance Industries Limited (RIL) had sought arbitration in May 2012 after the Government disallowed about US$1bn in costs, as the gas flow tapered. The company also sought arbitration, over deferred gas pricing in May 2014.

The Government filed an affidavit in the Supreme Court stating that as per Government guidelines issued in October 2014, its differences with RIL, over pricing of natural gas from KG-D6 block were not open to arbitration. A bench headed by Ranjan Gogoi set the date of hearing on May 01, 2015 and the case would be heard in detail then.

In the case related to the Panna-Mukta-Tapti oil and gas fields before the bench headed by Dipak Misra, the Government has sought a change in the foreign arbitrator appointed by RIL, alleging incompetent to hold the post. *(BS, 14.04.15)*

### Energy Major Bid Rejected

The Government has rejected the application of UK-based energy major, BP Exploration for fuel retailing business. This is because the firm does not meet the requisite criteria to obtain a fuel retailing licence in India.

To get the marketing rights for transportation fuels, namely petrol, diesel and ATF, applicant must meet the requirements as per clause 3 of marketing resolution of March 08, 2002. The requirements *inter alia*, include investment or proposed investment of ₹2,000 crore in exploration or production, refining, pipeline or terminals.

However, the Directorate General of Hydrocarbons has reported that BP's share of expenditure was US$508mn between FY12-14. Of this, capital expenditure component is US$171mn operational expenditure is US$337mn. *(FE, 21.04.15)*

### Auto Fuel Vision

A Parliamentary panel has asked the Ministry of Petroleum and Natural Gas to set up a high level inter-ministerial group to deal with the various policy issues in implementation and assess the benefits that arise out of the implementation of the auto fuel vision and policy 2025.

The Standing Committee on Petroleum and Natural Gas in its report tabled in the Lok Sabha expects Ministry to play a more proactive role in leading the coordination among various stakeholders.

The Committee has recommended that the Ministry should chalk out an action plan at the earliest. It has also asked the Ministry to adhere to the timelines of the auto fuel policy for having BS/IV quality fuels across the country by 2017 and BS-IV by 2020. *(BL, 08.05.15)*

### Auction of Oil & Gas Blocks

The next round of auction of oil and gas (O&G) blocks, under the new exploration licensing policy ( NELP) would be held by the end of 2015-16FY, according to Petroleum and Natural Gas Minister Dharmendra Pradhan. The Minister also said that the Government is mulling to introduce 'open acreage' system and also plans to change the formula for production sharing agreement.

"In this financial year, only 10th round of auction will be held. We are talking to stakeholders. We are talking to international experts and we are observing the different models of the world (for the NELP-X round)", Pradhan indicated.

NELP-IX auction was conducted in 2012. Pradhan said that the Government is contemplating to make three major changes in the auctioning system that includes abolishing block auctioning by bringing 'open acreage' system. *(ToI, 26.06.15)*

## Nod for Hydrogen Plant

Indian Oil Corporation Ltd (IOCL) has received permission from Petroleum and Explosives Safety Organisation (PESO), under Department of Industrial Policy and Promotion, to set up hydrogen manufacturing and dispensing facilities in its R&D Centre at Faridabad, Haryana.


PESO has issued a licence for dispensing of hydrogen CNG blend as fuel to IOCL at their R&D Centre for their own use for demonstration purpose; 'in principal' approval has also been issued for dispensing hydrogen to vehicles for demonstration and data acquisition purpose. Licences has also issued to set up bio-gas based and coal bed methane-based natural gas filling plants to encourage alternate fuels in the country.

PESO has issued 14 licenses and 7 approvals for filling and storage of compressed bio-gas in cylinders. Furthermore, 7 licenses have been issued for dispensing of coal bed methane-based natural gas as a fuel in automotive vehicles. *(BS, 11.05.15)*

• POWER •

### Kickstarting Energy Plan

The Centre Government is considering starting its plan to build a 100,000 MW solar energy capacity by 2022 through award of 10,000 MW projects in the coming three months.

The plan includes close to 6,000 MW of capacity to be set up by National Thermal Power Corporation (NTPC) alone, 2,500 MW by Solar Energy Corporation, around 2,500 MW in Madhya Pradesh and the rest as solar energy parks in several other states.

India's current solar capacity is 3,382 MW and the amount commissioned under the solar mission is 1,112 MW. Besides, states are also awarding projects. Madhya Pradesh (MP) leads with 2,500 MW. Others to issue tenders soon are Telangana, Tamil Nadu and Andhra Pradesh. Rajasthan is studying a model for harnessing solar power on a large-scale in desert areas. *(BS, 20.04.15)*

### Integrated Energy Policy

The National Institution for Transforming India (NITI) *Aayog* would soon come out with an energy policy to meet the country's growing energy demand and has begun consultations with the concerned Ministries to draw a blueprint in this regard.

The *Aayog's* Vice Chairman Arvind Panagariya said that the proposed energy policy would focus on an integrated approach in harnessing the potential of power generation through solar, wind, gas and coal to meet the country's energy demand.

The country needs to rapidly expand its energy market, as one-fourth of its people are still without electricity. India is set to become the fastest growing economy in the world. We need to take away the subsidies from rich people and use that money to provide clean energy to poor people. *(IE, 14.04.15)*

### Unbundling Electricity

The forum of power regulators led by the Central Electricity Regulatory Commission might soon finalise a comprehensive roll-out plan for unbundling the power sector that would give the consumer the ability to choose his power supplier.

As per the scheme, being worked out, a new intermediary company, between the power generator on the one end and the distribution and network operator and the supply licensees on the other, could be proposed.

The rollout plan, which was presented before the regulators, could be finalised in few days before it is placed before the Parliamentary Standing Committee on Energy. Since power is a state subject, the roll-out would happen separately for each state. *(HT, 22.06.15)*

### Loss Due to Negligence

The Comptroller and Auditor General (CAG) in its latest report revealed that negligence related to factors, such as non-performance leading to forfeiture of bank guarantee, machines lying idle and so on piled up losses amounting to a total of ₹874 crore to the state-owned power generator Mahagenco. It bears mentioning here that the company spent ₹1,818 crore on repairs and maintenance over the same period, but poor planning rendered the effort useless.

Over 85 percent of the monetary loss is attributed to outages at the plants and consequent loss of power generation. The audit found out that Mahagenco failed to carry out annual and capital overhaul, which must be conducted every five years. Between 2010-11 and 2013-14, out of 61 units planned for annual overhaul, only 29 units were taken up. Besides, among 14 units slated for a five-year overhaul, only seven were attended to. *(DNA, 15.04.15)*

### Consumers Voice for Tariff

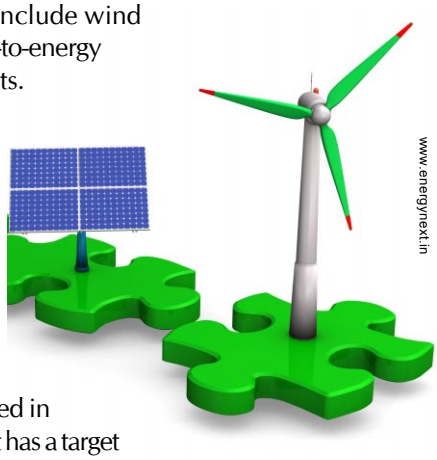
Consumer Education and Research Society has written to Power Minister, Piyush Goyal that state governments must be prevented from interfering with the functions of the State Electricity Regulatory Commission (SERC).

A copy of the letter was also sent to Gujarat Power Minister, Saurabh Patel, objecting State Government's recent directive to Gujarat Electricity Regulatory Commission (GERC) to not force government-owned distribution companies to install meters for consumers in the agriculture sector and not to increase tariff for metered agriculture consumers.

The proposed amendments to Electricity Act 2003, seek to correct the anomaly of interference by making it mandatory for the state government to appoint retired High Court judges as the Chairman of the Commission *(FE, 16.04.15)*

## Untapped Green Energy

The Ministry for New and Renewable Energy's Annual Report 2014-2015 revealed that India has 900 GW of commercially exploitable sources of renewable energy if 3 percent of the country's wasteland is made available. The renewable sources of energy include wind and solar power, biomass and waste-to-energy apart from small hydro power plants.




A state-wise list of renewable energy potential has been drawn up by the National Institute of Wind Energy, National Institute of Solar Energy, Indian Institute of Science for and the Alternate Hydro Energy Centre.

Despite huge potential, only around 34 GW of renewable generation capacity has been installed in the country. Though the Government has a target of having 175 GW of renewable energy generation by 2020, capacity addition in 2014-15 has been slow. *(BL, 16.04.15)*

### Regulators Penalty Challenged

In a first, the Securities Appellate Tribunal (SAT) admitted a petition filed by insurance company State Bank of India (SBI) Life against Insurance Regulatory and Development Authority of India (IRDAI).

SAT has been so far hearing appeals against orders passed by the capital markets regulator SEBI, but the new insurance laws have made provision for the Tribunal to hear cases against insurance sector regulator IRDAI as well.

SBI Life is seeking relief against an IRDAI order asking it to refund ₹275 crore to its policy holders who had bought its *Dhanraksha Plus* policy in the past. The company filed the petition under Section 110 (A) of the new Insurance Act.

*(TH, 05.05.15)*

### 49 Percent FDI Cap in Pension

The Government has notified an increase in the cap on foreign direct investment (FDI) in the pension sector from 26 to 49 percent, paving the way for more foreign funds to enter the national pension system. The increase in FDI cap for pension is in sync with the recent passage of the Insurance Laws (Amendment) Bill in Parliament, which allows a higher, 49 percent foreign investment limit in the insurance sector.

The cap on foreign investment is composite and includes FDI, foreign portfolio investments (FPI) and investments from NRIs. The Pension Fund Regulatory and Development Authority (PFRDA), 2013, pegs FDI in the pension sector at 26 percent or such percentage as approved for the insurance sector, whichever is higher.

*(BL, 27.04.15)*

### No Multi-brand Retail

Insisting that the Bhartiya Janta Party (BJP) has not changed its stand Commerce Minister Nirmala Sitharaman said that FDI in multi-brand retail could not go in direct route, as the Cabinet will not allow it. The Government has no plans to review the document nor to cancel the decision.

The BJP, which has a strong support base of small traders, had vehemently opposed the United Progressive Alliance (UPA) Government's move to allow 51 percent FDI in the multi-brand retail sector. Sitharaman said, "The position was taken by the UPA Government through an executive order".

BJP spokesperson G V L Narasimha Rao stated that the Government would not change the policy because it would affect the investment atmosphere as investors wanted to see continuity in policy.

*(FE, 15.05.15)*

### Modi's Financial Inclusion

The National Democratic Alliance's (NDA's) approach to financial inclusion differs fundamentally from that of the UPA on three counts. It is better designed to cater to the needs of savers, while avoiding an undue burden on the exchequer, whereas the UPA, focussed too much, on coaxing small savers into equities through different schemes.

The recent one-step know your customer (KYC), attractive pricing and assured benefits to boot. No doubt, the freebies and low costs have played their role in making people queue up for these plans. These schemes leverage economies of scale by pooling risks for thousands of subscribers.

Moreover, to avoid an unfair burden, the issuers of these plans should be allowed to tweak their future premiums and pricing, based on their experience with customer transactions and claims. *(BL, 16.05.15)*

### Cutting Interest Rates

Arun Jaitely has stated that he hopes that the banks will soon cut the interest rates in the coming few days and weeks to pass on the benefits of rate cut by RBI after meeting the heads of public sector banks.

Jaitley said, "Discussed with banks passing on RBI's rate cut to consumers, as also stalled projects, credit growth, education and housing loans", after his consultation with bankers to discuss health of banks and roadmap for reducing stressed and non-performing assets.

The Minister also said that though the Non-Performing Assets for banks have come down to 5.2 percent as on March 31, 2015 but added that one fiscal does not necessarily indicate at a pattern. *(BT, 12.06.15)*

## FDI Norms Relaxed

The Government has decided to liberalise FDI norms for Non Residents of India (NRIs) and overseas citizens of India (OCI) with the aim to increase capital flows into the country. A decision in this regard was taken by the Cabinet Committee on Economic Affairs, headed by Prime Minister Narendra Modi.


As per the DIPP's proposal any investment made by NRIs. OCIs and person of Indian origin (PIOs) from their rupee account in India, will not be treated as foreign investment. The non-repatriable NRI funds would be treated as domestic investments. The Government wants to channelise the funds of NRIs, who now have set up large businesses abroad, by treating non-repatriable investments by NRIs as domestic investment.

*(ToI, 21.05.15)*

# Telecom Companies Cannot Throttle Content

***Technology is disruptive, indicates Telecom Secretary Rakesh Garg on fear among telecom operators of 'Whats App', 'Skype' and 'Viber' cannibalising their revenue. In an interview, Garg said that over-the-top messaging companies have been around as long as mobile phones and telecom companies will earn from increased data usage***

**What is the department of telecommunications' view on net neutrality?**

As far as the core principles of net neutrality are concerned, telecom operators cannot slow down or speed up any content. Neither can they throttle content. However, there are many dimensions to this. There are lot of issues like traffic management, disaster management and medical applications. Machine-to-machine communications is on the horizon. We are working on what has to be done without giving a free hand to telecom players to slow down content.

**What are your views on over-the-top messaging services?**

Whenever you use the Internet, you pay data charges. Telecom companies have invested in their networks and they are earning revenue from data consumption. Voice over Internet telephony is one concern. The over-the-top messaging revenue model is completely different. There are only a few successful players, not many know how many have failed – Orkut disappeared after Facebook arrived. The successful ones have to earn revenue from advertisements.

**TRAI data shows all telecom companies meet quality norms. What are your comments in this regard?**

On an objective basis, which TRAI is monitoring, the data shows only some operators, and that too in small areas, not meeting quality norms. On an average, all the parameters on quality of service are being met by telecom companies.

However, there is a public perception that call drop rates are high and the perception is not without reason. It happened because of growth in data services. The infrastructure is not able to handle the capacity. Telecom companies have to add more towers and redesign their systems to handle the traffic.

**Telecom companies are saying messaging apps should be brought under licensing?**

There are regulations for them under the Information Technology Act. Content is regulated and calls can be intercepted through them. A decision will be taken based on reports of the department of telecommunications and the Telecom Regulatory Authority of India whether they need to be brought under a licensing framework.

**Are any new bands of spectrum being identified for auction?**

Our principle is that whatever spectrum we can lay our hands on should be auctioned as fast as possible. As of today, we do not have any spectrum left. We auctioned everything in March.

**The defence forces are expected to release more spectrumin 2015. Will auctions happen after a year?**

We are looking at the 700 MHz band, but the ecosystem has to be developed before we auction. We will decide on the right time for auction. It is not good to auction spectrum much in advance.

**When will BSNL and MTNL be revived?**

We are taking all possible steps to make them financially viable. We have agreed to take some of their spectrum back and will take on their pension liabilities. A lot of financial incentives are being given to them.

– *Excerpts from an Interview of Telecom Secretary Rakesh Garg by Mansi Taneja, Special Correspondent of Business Standard. This was published in* Business Standard *on May 06, 2015*

# Low Fares Leave Airlines Stranded

Anjuli Bhargava*

Domestic airlines in India seem intent on digging their own grave. With oil prices slowly inching up and fares heading south, airline losses are likely to mount. It is almost as if the present accumulated losses are not quite enough.

According to data compiled by Cleartrip, average fares in 2015 are almost 15 percent lower than the same time in 2014. Some routes show a sharper drop (see chart).

Samyukth Sridharan, President and Chief Operating Officer, Cleartrip, said that the lower fares partly reflect the lower fuel prices but also partially additional capacity on certain routes and increased competition as a result.

He declined to comment on what the issue of break-even means for specific airlines since their break-evens vary significantly.


***While low fares spell good news for travellers in the short run, airlines need to have a closer look at their pricing policy in order to avoid disaster***

The launch of two new carriers, Air Asia and Vistara, has led to additional capacity, even as Spicejet stabilises its operations. IndiGo has also been steadily adding routes and capacity. On the Delhi-Mumbai route, for instance, the newcomer Vistara has already added five daily flights.

Not only are fares lower, there seems little difference between full service airline fares and low cost airline fares, with the former beating the latter with lower fares on many days. This clearly means even more trouble and higher losses since the costs of full service carrier (FSC)'s are higher.

In general (this varies for each carrier), for a low fare airline to make some money or at least break-even, the net fare on the Delhi-Mumbai route needs to be ₹4000 and the gross fare around ₹5200 (this includes taxes and other charges), with a 70-80 percent load factor. This goes up to ₹6000 net fare and ₹7200 gross for FSCs.

But as things stand, the fares for the route are around ₹4500, all inclusive, with Air India offering rates as low as ₹3750 (one way) on some days. Vistara and Jet airways range between ₹4500-5500.

Analysts argue that this strategy seems a trifle short-sighted, especially in the case of Vistara. The airline claims to be full service and offers a superior quality service but charges the same fares. "If you are an Oberoi, you could not charge the prices of *Ashoka Yatri Niwas* as price is an integral part of your brand. If passengers get accustomed to paying a certain price for your product, when you raise it without any change in the product, they will question why", argues an industry analyst. The thought that arises in any normal customers' mind is that if she has to pay so much, she might as well try something else.

A senior industry source illustrates his point with an example. "I see a lot of ladies carrying Louis Vuitton bags where the brand is prominently displayed. What is the message? That I am not just anyone. I can afford this. If they (Louis Vuitton) drop prices and everyone can afford it, they will lose half their customer base". He said that Vistara is running the risk of making the classic mistake of devaluing their own brand by charging what the 'commoners' do.

In response to a query on why the airline was offering the same fares as others while offering a premium service, Vistara Chief Executive officer Phee Teik Yeoh said, "Pricing is a function of demand and supply. It is therefore dynamic and keeps changing. Our pricing strategy has been disciplined, and determined by the unique value proposition we offer". He also said that since he sells economy, premium economy and business class seats, the economics is different from the low fare airlines.

If the fares being charged spell trouble for full service airlines, they could spell even more trouble for newly-started low fare airlines like Air Asia India. Unless they offer far, far lower prices on routes like Delhi-Mumbai – which they claim they will be starting soon – why will anyone take the low cost carrier (LCC) flight when they are getting a full service airline for ₹4000-4500? They will have to charge far lower fares consistently to convince passengers that it makes sense to take the low fare offering. And they will have to add frequencies as quickly as possible since a lot of this travel is for business and therefore timings matter.

* *Contributor at Business Standard. This article was published in* Business Standard *on May 07, 2015*

# Enough Power Available but Buyers Still Missing

***Many utilities are turning to power exchange to take advantage of falling rates as inter-region connectivity and transmission network's carrying capacity improves***

It might be hard to believe in a country where blackouts are still the norm in large parts. Enough power is available in the system but there are no takers for a substantial portion of it.

Power Minister Piyush Goyal on April 30, 2015 conveyed to the Parliament that most parts of the country have surplus power. "The sad part is that the states are not acquiring or buying power to be able to give their residents uninterrupted power supply", he conveyed to the Lok Sabha. On April 29, 2015 he found that there was so much surplus power at 3.30 PM that the national grid monitoring station indicated power was available at 'zero rupee per unit'.

There were no takers for 100mn units of electricity, equivalent to 1,500 MW of coal-fired and 2,500 MW gas-based capacity, from state-run generation utility National Thermal Power Corporation (NTPC) that accounts for nearly a fifth of the installed capacity in the country.

Similarly, a look at the data from Indian Energy Exchange shows there were more bids for selling power than for buying in April. In the complicated power trading business, this might not be seen as an empirical proof. But, this is certainly a strong indicator of the trend. For the poor financial health of the state Discoms is largely to blame, there are other factors, such as fuel prices, difficulty in bill collection, etc. that prevent utilities from procuring power. This has led to a fall in demand in the face of rising capacity.

"Usually, it is costly power that goes a begging. Usually, utilities with weak bill collection system prefer to shed load than buying. They find it more viable to pay the `fixed charge' in the tariff than to suffer loss due to inability to recover the cost of additional power", one NTPC executive stated.

Simultaneously, generation capacity has been growing steadily and power generation topped the trillion unit-marks in 2014-2015 at 1,048.4bn. This marks 8.4 percent growth over previous year. Most utilities buy power through long-term contracts. The fixed, or capacity, charge makes up 30 percent or less of the contracted tariff. The aversion could be understood better in case of


gas-fired plants. These plants are idling because supply of cheap domestic gas has been snapped due to shortage.

Since utilities booked the capacity of these plants on domestic gas-based tariff, they are unwilling to consider running them with imported fuel as the cost would double.

Coal-fired plants too face somewhat similar situation. Many of them have to import to make up for shortfall in domestic supplies. This raises fuel and transport costs.

Many utilities are also turning to power exchange to take advantage of falling rates as inter-region connectivity and transmission network's carrying capacity improves. Then there are heavily deficit states, such as Tamil Nadu and Kerala that pay ₹8.5 per unit to buy power from the exchange. "If there was better connectivity with the south, our unbought 100mn units would have been lapped up by these states", the NTPC executive said.

Analysts have a different viewpoint. "Actually, losses of the Discoms are rising at a slower pace after the restructuring that took place a few years ago. The slowdown in the economy has to do with a bit of the fall in demand", said Sudip Sural, Senior Director at ratings and research firm, Crisil.

Central Electricity Authority data shows that power plants were spinning at an average 63 percent of their capacity, down from 78 percent three years ago. The idling gas-fired plants may have much to do with this, since generation capacity has been going up steadily during this period.

= *This feature has been abridged from an article by Sanjay Dutta and Sidhartha. This was published in* Times of India *on May 11, 2015*

### New Textile Policy

While inaugurating the 4th International Exhibition – Technotex 2015, Union Minister Santosh Gangwar stated that a new textile policy is on the anvil and it will lay the roadmap for the sector for the following 15 years.

The Minister said that there would be a lot of opportunities in the textiles industry and that Technotex would prove a milestone. "This year, India's technical textile business is close to ₹1crore. In contrast, the international market stands at ₹17 lakh crore", he said adding that it is a 'sunrise' sector.

Furthermore, the Minister also said that development of cotton growing areas where farmers have been committing suicide is a priority for the Government. *(Mint, 03.07.15)*

### Roll Out a National Retail Policy

Chief Executive Officer of Retailers Association of India (RAI), Kumar Rajagopalan at the Coimbatore Retail Summit 2015 stated that RAI is calling for a national policy on the retail trade. "Retail has currently estimated at over US$560bn. But a policy for retail is still not in place. It is still under the Shops and Establishment Act".

Asked what the association was looking for, he said, "It should address the retail space (business). Currently, there is no single window clearance for those wanting to start a retail establishment. They have to get 50 different clearances, such as for power, shop floor, business licence etc., and have to deal with multiple check points and taxes". *(BL, 23.04.15)*

### PSUs Lined Up for Stake Sale

The Government has short-listed about a dozen public sector undertakings (PSUs) for stake sale this fiscal and the Department of Disinvestment (DoD) has floated a cabinet note seeking approval for the same.

The Government has the potential to raise more than ₹21,000 crore at current market price. Names include National Thermal Power Corporation (NTPC), Neyveli Lignite, Bharat Electronics Ltd. (BEL), National Aluminium (Nalco), Hindustan Copper, MMTC, Engineers India, *Rashtriya* Chemicals Fertilizers (RCF), ITDC, National Fertilisers and State Trading Corporation (STC).

In addition, the Government has stake sales planned in Indian Oil (IOC), NMDC, Bharat Heavy Electricals (BHEL), Oil and Natural Gas (ONGC), and Power Finance (PFC) that are ready to be launched. These companies could help raise another ₹32,000 crore. *(FE, 14.07.15)*

### New Urea Policy

The Union Cabinet chaired by Prime Minister Narendra Modi has approved the urea policy for a period of four years (2015 to 2019) and it aims to increase the domestic production by 2mn tonnes and reduce its subsidy bill by over ₹4,800 crore annually.

Briefing the media, Union Fertiliser Minister Ananth Kumar said for the following four years (till 2019) maximum retail price of urea will remain the same at ₹268 per bag of 50 kg, excluding local taxes. For neem-coated urea farmers would have to pay an additional ₹14 per bag.

Besides, the Government has also decided to continue the existing subsidy rates for Phosphatic and Potassic (P&K) fertilisers (22 grades including Diammonium Phosphate (DAP), Single Super Phosphate (SSP), Muriate of Potash (MOP), etc.) under the Nutrient Based Subsidy (NBS) policy in 2015.

*(BL, 13.05.15)*

### Air Pollution Norms

Even as the Modi Government is working to ensure that the mechanisms for curbing pollution are put in place, the cement industry has been slow to implement air pollution norms.

Less than 5 percent of the plants have taken steps to comply with the air pollution norms, notified by the Ministry of Environment and Forest (MoEF) in 2014. As of now, 194 cement plants have to fully comply with the notification by June 30, 2016.

The MoEF had asked all 194 cement plants in the country to reduce their particulate matter emission by a third. Similarly, sulphur dioxide and nitrogen dioxide emissions are also to be reduced.

*(BL, 15.04.15)*


## OECD: Better Growth Prospects

The Organisation for Economic Co-operation and Development (OECD), a grouping of mostly developed nations, reports that India's economic growth continued to firm up, even as growth was easing in the neighbouring China.

The projection come on a day when the country's credit rating outlook has been upgraded to 'positive' by global rating agency Moody's Investors Service.

The think tank's assessment is based on its Composite Leading Indicators (CLIs) that are designed to anticipate turning points in economic activity relative to trend.

"CLIs' signal growth easing in China and Canada, albeit from relatively high levels. In Brazil and Russia, CLIs point to a loss in growth momentum, while in India, the CLI continues to indicate firming growth", OECD indicated in a statement. *(ToI, 09.04.15)*

# The Truth behind India's New GDP Numbers

**Pramit Bhattacharya***

It is an open secret that India's new gross domestic product (GDP) series has flummoxed most observers of the Indian economy. Reserve Bank of India (RBI) Governor Raghuram Rajan and the Chief Economic Adviser to the Finance Ministry Arvind Subramanian have publicly expressed scepticism about the new growth numbers.

As in the case of other sectors of the economy, the estimates of the private corporate sector are based on the report of a sub-committee, which examined the new methodology to estimate output. But the version of the sub-committee report published by civil society organisation (CSO) in the previous month differs dramatically from the original report finalised by the sub-committee in September 2014, according to a recent *Economic and Political Weekly* article by R Nagaraj, an independent member of the sub-committee and a professor at the Indira Gandhi Institute of Development Research in Mumbai.


In the earlier series, the estimates for the private corporate sector were based on a sample survey of companies conducted by RBI. This sample consisted of only a few thousand companies, and hence the estimates were blown up (or multiplied) in proportion to the coverage of the paid up capital of the sample companies to the total number of companies registered with the Ministry of Company Affairs (MCA).

Subsequently, MCA tightened norms on filing returns and initiated e-filing of company returns, which had led to an improved database of companies, the MCA-21 database. Given the limitations of the earlier data, the sub-committee on private corporate data revisions suggested that the MCA-21 database be used to generate national account estimates relating to the private corporate sector, since that database included the returns of all working companies. The estimates generated were lower than those arrived at by blowing the RBI sample. But the fresh estimates were accepted since they were deemed more reliable, and the problems with blowing up the RBI sample were widely acknowledged.

However, after the sub-committee finalised its report, the advisory committee suggested a change in methodology. It suggested that the MCA-21 based estimates be blown up again, in proportion to the coverage of the paid-up capital of the companies in the database in the total universe of 'active' registered companies. 'Active' companies were defined as those that filed returns at least once in the past three years. 'Active' companies number nearly 900,000 while the MCA-21 database includes data on 520,000 companies, which account for 85 percent of the paid-up capital of the universe of 'active' companies. The new estimates arrived at blowing up the MCA-21 database were significantly higher than those obtained by blowing up the RBI sample estimates.

The crux of the problem is that nobody knows the true number of firms in India, or the precise ratio of fake firms to the total number of firms, and how that ratio varies over time. The sub-committee had considered the 520,000 companies in the database to be the true size of the corporate universe in India but the advisory committee had later disagreed.

Given the wide changes in the final results this change in methodology has produced, it is important for CSO to release the complete and validated version of the MCA-21 database as well as the detailed steps it followed in the estimation of the GDP numbers. Only then will it be possible for independent analysts, unaffiliated with the CSO, to verify the authenticity of the published numbers. It is possible that the changes made by CSO are defensible but it should at least release the details behind these changes and open up its databases in an accessible format, given that it is a publicly funded organisation.

This is important for three reasons. Firstly, given the new controversy, over the estimation methodology, the onus on proving the veracity of the new series lies with the CSO.

Secondly, the new GDP numbers fail basic smell tests. As Nagaraj points out in his article, revisions in the GDP series usually lead to a small change in the levels (absolute magnitudes) of the estimates, even at current prices.

Finally, given the surprising growth numbers, many global investors have begun comparing the state of official statistics in India to that of China. It is important to correct that perception. The CSO needs to act fast to restore credibility of official statistics unless it wants to win the LG Nobel prize for 2015.

* *Managing Editor, Mint. This article was published in* Mint *on April 02, 2015*

### Changes in India's Rich List

The list of India's billionaires has seen a major shuffle in the last five to seven years, the most notable change being Sun Pharma's Dilip Shanghvi pipping Mukesh Ambani as the richest Indian. The list has seen many additions and deletions. Shanghvi's personal wealth has risen from US$1.27bn in March 2005 to US$23.12bn currently.

Meanwhile, Mukesh Ambani's wealth has declined from US$35bn to US$22bn as Reliance Industries' shares have underperformed the benchmark indices for almost seven years. The most notable additions in the group have been of Gautam Adani and Uday Kotak. Anil Ambani, DLF's K P Singh and GMR Graph (a global infrastructure developer) GM Rao have lost wealth in the previous few years. *(ET, 20.04.15)*

## 5th in Producing E-Wastes

India is the fifth biggest producer of e-waste in the world, discarding 1.7mn tonnes (Mt) of electronic and electrical equipment in 2014, a UN report has indicated warning that the volume of global e-waste is likely to rise sharply by 21 percent in the following three years.

www.delhigreens.com

The 'Global E-Waste Monitor 2014', compiled by the UN think tank United Nations University (UNU), said at 32 percent, the US and China produced the most E-Waste overall in 2014. India came in fifth, behind the US, China, Japan and Germany, the report said.

Most E-Waste in the world in 2014 was generated in Asia at 16 Mt or 3.7kg per inhabitant. The top three Asian nations with the highest E-Waste generation in absolute quantities are China, Japan and India. *(ToI, 20.04.15)*

### 89th in WEF's Global Index

India has slipped six places to rank 89th on a global Networked Readiness Index, showing a 'widespread' weakness in its potential to leverage information and communications technologies for social and economic gains.

While Singapore has replaced Finland on the top of the 143-nation list, prepared by the World Economic Forum (WEF), it has called for improvement in India's business and innovation environment, infrastructure and skills availability. Singapore is followed by Finland.

However, India has been ranked on the top globally on a sub-index for competition and affordability. Overall, India was ranked 83rd in the previous year, and even better at 68th position in 2013. Moreover, WEF indicated that India's weakness is widespread, falling in the bottom half of seven of the 10 pillars of the index. *(ET, 16.04.15)*

### 101 Rank in Well Being

Out of 133 countries rated on indicators of well-being, such as health, water and sanitation, personal safety, access to opportunity, tolerance, inclusion, personal freedom and choice India has secured the 101th place.

This is lower than India's rank, of 93, for GDP per capita income. Even Nepal and Bangladesh rank higher than India on the Social Progress Index (SPI) ratings. Norway has bagged the first rank; the US is at the 16th place.

On the parameter 'Tolerance and Inclusion' India ranks 128th and is at the 120th place on 'health and wellness', said the Economist and Executive Director of the Social Progressive Index (SPI), Michael Green. *(TH, 09.04.15)*

### India Tops in Remittance

India has again topped the remittance chart for 2014, pulling in US$ 70.38bn from its global migrant workforce. China follows with US$64.14bn, and Philippines, Mexico, and Nigeria trail at a distance.

In fact, remittances worldwide plateaued a bit in 2013-2014 because of tough economic conditions in countries where migrants head to, but things are expected to look up in 2015 and beyond. India itself held steady, with remittance increasing only marginally from US$69.97 in 2013 to US$70.38 in 2014. Still, the US$70bn windfall constituted a healthy 3.7 percent of the country's nearly US$ 2tn GDP.

Because remittances are more stable than other capital flows they could greatly enhance the recipient country's sovereign credit rating. *(ToI, 14.04.15)*

### Rise in Premature Deaths

Air pollution in the country has lead to a six-fold jump in premature deaths in the previous decade, revealed a standing committee report by the Environment Ministry. The report, quoting the Global Burden of Diseases 2013 study, said that between the year 2000 and 2010, the number of premature deaths in the country increased from 1,00,000 to 6,20,000.

The study, conducted by the Institute for Health Metrics and Evaluation (IHME) at the University of Washington, tracks deaths and illness from all causes in a decade.

Another study conducted by scientists at Indian Institute of Technology Roorkee, Humphrey School of Public Affairs, Institute of Minnesota and University of Colorado concluded that total mortality went up from 11,394 in 2000 to 18,229 in 2010. *(DNA, 16.05.15)*

### India: Not a Happy Country

People from countries as diverse as Bhutan and Pakistan are much happier than Indians, according to the World Happiness Report 2015. India is perhaps one of the unhappiest countries in the world. It ranks 117 out of the 158 countries surveyed for the report.

In the South Asian region, the country fares better than Nepal (121st rank), Myanmar (129th), Sri Lanka (132nd) and Afghanistan (153rd).

The study considers six variables – per capita GDP, healthy life expectancy, social support, freedom, generosity and the absence of corruption – to reach the score given on a scale 0 to 10, where 0 represents the worst possible life. The top country in the list is Switzerland. *(Mint, 25.04.15)*

# Air Quality Index Marred by Glitches

Prime Minister Narendra Modi has launched a national air quality index (NAQI) that will rate the quality of air people are breathing in 10 cities in real time.

The index will cover Delhi, Agra, Kanpur, Lucknow, Varanasi, Faridabad, Ahmedabad, Chennai, Bengaluru and Hyderabad. The index will be later expanded to 46 more cities having a population of more than one million, besides 20 state capitals.

Concerns have been raised regarding air pollution in Indian cities. A recent report by the World Health Organisation (WHO) said that of the 20 most polluted cities in the world, 13 are in India, with Delhi at the top.

"The air quality index may prove to be a major impetus to improving air quality in urban areas, as it will improve public awareness in cities to take steps for air pollution mitigation", Environment Minister Prakash Javadekar said.

However, introduction of the index was marred by glitches. Of the 10 cities, the index for Agra, Faridabad and Ahmedabad could not be calculated as they had 'insufficient data'.

While some cities have multiple air-monitoring stations, some have only one. The Environment Ministry plans to have an average of four stations in every city covered by the index.

There were several monitoring stations that were not working properly and giving insufficient data. Of the four stations in Delhi, one was not working.

"Monitoring stations at several cities were showing insufficient data. To roll this out, they have to ensure the monitoring stations are maintained properly. It's a huge monitoring infrastructure issue. They would have to put in place good-quality controls. There needs to be a focussed effort. Monitoring infrastructure will be a critical issue", said Anumita Roychowdhury, Executive Director (research and advocacy) at Delhi-based Centre for Science and Environment (CSE), an environmental non-governmental organisation. She expressed concern that if monitoring stations does not work, the plan could fail.

Meanwhile, Modi, who inaugurated a two-day national conference of environment and Forest Ministers of the state governments and Union Territories in New Delhi where the index was launched, said his 10 month-old Government is focussing on clean energy in a big way, citing its emphasis on solar, wind and biomass energy.

Highlighting India's tradition of living in harmony with nature, Modi said India should lead the global fight against climate change, regretting that the country is often seen as a hurdle.


www.healthable.org

| Day 1 Readings | |
|---|---|
| **Air Quality Index** | **Possible Health Impacts** |
| 1-50 **Good** | Minimal Impact |
| 51-100 **Satisfactory** | Minor breathing discomfort to sensitive people |
| 101-200 **Moderate** | Breathing discomfort to the people with lungs, asthma and heart diseases |
| 201-300 **Poor** | Breathing discomfort to people on prolonged exposure |
| 301-400 **Very Poor** | Respiratory illness on prolonged exposure |
| 401-500 **Severe** | Effects healthy people and serious impacts to those with existing diseases |

"People of India have been the protectors and devotees of nature. We need to project this fact properly, so that the world realises that India could not questioned in this regard. Indians have always conserved nature, and even today, have among the lowest per-capita carbon emission, globally", said Modi.

"We want to reduce carbon emissions…but unless we bring a change in our lifestyle, we will not be able to save the environment", said Modi.

"Instead of being forced to follow parameters laid down by others, India should lead the world in the fight against climate change", the Prime Minister added. He also released a standard 'Terms of Reference for Environment Impact Analysis' prepared by the Environment Ministry.

The standard Terms of Reference (ToRs) are expected to cut delays by at least one year in projects getting green clearances. Javadekar called it a step that would contribute to ease of doing business. Modi has also asked urban bodies across India to focus on solid waste management with programmes to generate wealth from waste.

– *This feature has been abridged from an article by Mayank Aggarwal, Journalist, Mint. This was published in* Mint *on April 07, 2015*

# Corporate Governance Will Lead to Better Managed Organisations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*"While India is hoping to attract FDI, global investors are still cautious when it comes to taking a call on the country, mainly due to its corporate governance issues", states Chris Pierce*

**Do you think that the quality of boards have changed since the credit crisis?**

Absolutely, I think the change was taking place anyway. If I go back to 1992, that was the first year when we talked about corporate governance, we had a number of collapses in 2002, including Enron and the dotcoms.

These collapses let us look at corporate governance closely. Then in 2008, we had a very serious global financial crisis and a lot of pressure was built on companies to make some changes in their corporate governance. The Companies Act in India is the result of legislation to improve corporate governance. This is one of the first major changes that India has had in over 50 years.

Then you have also got SEBI circulars, which are an attempt to deal with governance issues as a result of the global financial crisis.

**Regulation is putting more responsibility on the Directors – is it fair? Are they remunerated properly for it?**

It is a responsible job. If somebody does not do his job, then he should be either dismissed. Independent Directors should accept those responsibilities, and if they feel they are not able to do that, then they should not be on the board.

We are expecting independent Directors to put more time on the job. So, we are expecting that when the Chairman of a board invites independent Directors to join the board, there should be an estimate of how many days they are going to work per year in the letter of appointment. They are presently taking more liabilities, so there is a risk that they could be fined or thrown in jail and there is a risk to their reputation. Therefore, we should pay them professional amounts of money.

**India is often perceived to be a country with lower corporate governance standards. Do you think it is rewarding for an Indian firm to follow these standards?**

There is this global perception. In 2013-14 global competitiveness statistics of the World Economic Forum indicate that out of 148 countries, India was 65th – presently it is 94th. In a year, it has fallen from 65th to 94th in the world concerning the effectiveness of the boards.

Thus India is not necessarily getting worse in terms of the board, but other countries are improving rapidly on corporate governance. This is what the Companies Act 2013 and the SEBI circular aim to do – to improve the effectiveness of the boards as India is slipping down the corporate governance league table. So, while global investors are looking at India because of its size, it is so important that corporate governance standards should be improved.

Corporate governance will lead to better managed organisations. That will reward shareholders, community and so on. It also means that companies following better corporate governance standards would get lesser scandals, and if they get one, they should be able to manage it better.

**There is a rush to hire women on Indian boards. Does gender diversity help the boards?**

Diversity in general is good. So, like in Tunisia, they are doing it on age grounds – so 30 percent of the board should be under 40, and 30 percent should be under 40 and 60. Different countries are doing different things and they are doing it in a different way and at different speeds. Here in India we are talking about one woman on every board – that is a huge step forward on diversity.

**Which side of the debate are you on – the Chairman-CEO role split?**

I firmly believe in the split. It's a different job, as managing a board meeting is different from implementing within the organisation, and secondly, it is a conflict of interest. The Chief Executive, who has written all the resolution and papers, should then go and chair the meeting and start off with claiming what a wonderful paper this is.

That is not an independent Chairman and no independent Directors would be able to deal properly with such a situation. A Chairman is a people's person, while a CEO is focussed on the results. It is fundamentally a different job. A good CEO does not make a good Chairman and vice versa.

– *Edited excerpts from a wide-ranging Interview of Chris Pierce, CEO, Global Governance Services, an authority on corporate governance taken by Reporter Sachin Dave. This was published in* Economic Times *on April 01, 2015*

# An Agenda for Modi Government

Kanti Bajpai*

The most important developments in India have been Subhas Chandra Bose's death in March, Rahul Gandhi's disappearance, Prashant Bhushan and Yogendra Yadav's departure from *Aam Aadmi Party* (AAP), and the like. These are emphatically not important, especially Bose's death, which is interesting only to right-wing lunatics who are obsessed with Congress-bashing, haters of the Nehru-Gandhi family, historians who have nothing much to do and some Bose family members.

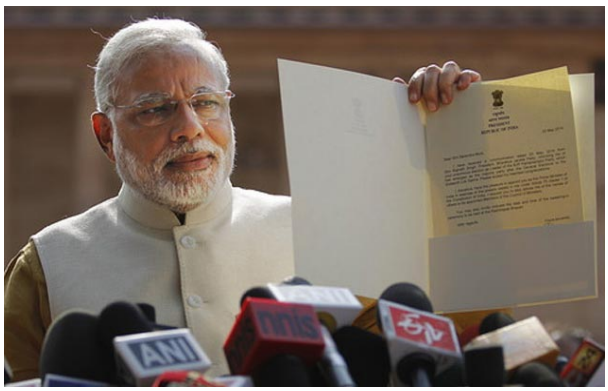
What are the key issues that we should be worrying about? On top of the list should be health, education, tax reforms, simplifying government rules, communalism and China policy.

Health and education are intrinsically important. A society that does not provide universal healthcare and universal primary education is morally repugnant in this day and age. In the modern world, there is simply no excuse. Morality apart, no economy can post sustained rates of economic growth if it does not have a healthy, educated population.

Narendra Modi's Government, for all its development talk, increased health expenditures by a mere 2 percent in the 2015-16 budget, when public health spending in India is already one of the lowest in the world. On key indicators, India is already at the bottom of the global league tables on health, worse than its South Asian neighbours and surpassed only by Africa's poorest at the bottom of the rankings.

Education did even worse than health. Whereas defence expenditure rose by 7.5 percent, Modi and Arun Jaitley managed to reduce expenditure on education, particularly school education. They increased allocations for higher education when money is not really the problem with our universities. And their plans to open more All India Institute of Medical Sciences (AIIMS) hospitals and Indian Institute of Technology (IITs) are laughable when there is not enough trained talent to fill these institutions. The most basic function of a state, beyond providing law and order and security from other countries, is extracting taxes to pay for social welfare. India continues to do abysmally here. Less than 3 percent of Indians pay income tax. The Government simply has to find a way to monitor salaries in the farming and informal sectors where there is no tax collection worth the name.

The Prime Minister Narendra Modi has underlined the need to simplify government rules. There have been 248 reports on how to simplify our laws. Most recently, the Law Commission recommended that 261 statutes should be re-examined, and 72 of these repealed right away.




Most of the 72 statutes date from the 19th century. The Indian Constitution is the longest in the world with 444 articles – it needs to be simplified too. Then there are thousands of petty rules that weigh ordinary Indians down at every turn. Reducing the rules is not the only challenge. Writing them in ordinary language, so that citizens can actually comprehend them is vital.

If India is not to become Pakistan, Syria, Iraq or Ukraine, we need to make sure that religious and ethnic minorities are protected and respected. In one year of Modi's rule, the two biggest minorities, Muslims and Christians, have been under constant, if petty, attack. The Prime Minister, who speaks with such force and verve in public, has lost his voice on communalism, to the point that even Indian businesses are worried. It's not just the Prime Minister, who we know cannot utter the words 'secularism' and 'communalism'. Where are all the civil society groups that mobilise against corruption and for farmers – why are they so silent on communal politics?

***Instead of inane matters centre must focus on weighty issues like health, education and the country needs a breakthrough with China after 34 years of border talks***

Finally, the Prime Minister is going to China in a month. He knows China better than any Indian Prime Minister, having been there four times and having met Xi Jinping five times. India needs a breakthrough with China, after 34 years of border talks. It is time for some bold steps, like Rajiv Gandhi took in 1988 to restore normal diplomatic and social ties. Can the Prime Minister not propose a partial settlement in those border areas where there is no controversy, joint patrolling in the contested parts of the border with a view to joint management, and special access for Chinese pilgrims to the Tawang monastery as part of a final settlement?

* *An Indian Academic Analyst. This article was published in* Times of India *on April 25, 2015*

### Child Labour Ban Mulled

The Government has moved a proposal for complete ban on child labour up to 14 years with the caveat that employment will only be allowed in family enterprises after school hours even as child rights activists have opposed the move.

The Labour Ministry has sought the Cabinet approval for an amendment to the Child Labour Prohibition Act, which will allow children under-14 to work in select family enterprises if it does not hamper their education. Children between 14 and 18 years will not be allowed to work in hazardous industries.

The legislation proposes no penalty for parents for the first offence but repeat offenders might be subject to fine with imprisonment. However, the employer would be liable for punishment even for the first offence. *(ToI, 08.05.15)*

### Wider Self-attestation Net

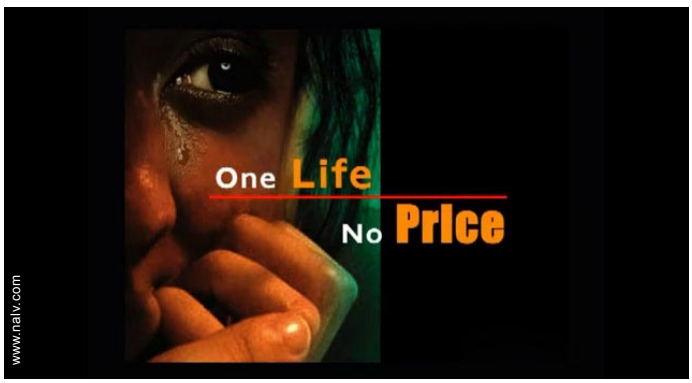
As many as 24 States and Union Territories and 50 Central Ministries have abolished, or are at working towards doing away with affidavits in favour of self-attestation, after the Centre pushed States in 2014 to do so.

Modi Government had written to all states in 2014 requesting them to review the requirement of affidavits for availing public services and urged them to replace them with self-attestation in a phased and time bound manner. He said that the Central Ministries are also taking action to do away with the need for affidavits.

The services in which attestation has been abolished largely relate to birth/death certificates, government jobs, SC/ST certificates and admissions, according to a report. *(ET, 08.05.15)*

## Curbing Human Trafficking

The Narendra Modi led NDA Government is all set to finalise a national body to combat human trafficking that would be controlled by the Ministry of Home Affairs (MHA) and will take away the monopoly of the Central Bureau of Investigation (CBI), which acts as a nodal agency.




The proposal opposed by CBI, was mooted, after the Government realised that there is no effort by the cops to identify and nab the organised gangs of traffickers involved in cross border trafficking with Bangladesh and Nepal.

The Home Ministry officials said that the national body will not only take up the investigations of high profile cases but will also work out a mechanism to enhance the relief and rehabilitation operations being run by the Ministry of Women and Child Development. *(ET, 30.05.15)*



### CAG Pulls DoT for Loss

In a scathing indictment of the Department of Telecommunications (DoT), the Comptroller and Auditor General of India (CAG) has found that various policy and procedural lapses on its part led to telecom operators getting an undue advantage of around ₹24,000 crore.

The report said DoT, by allowing telecom companies to share spectrum, through intra-circle roaming agreements, and without any additional charge, had caused them a benefit of ₹9,604 crore.

In 2010, DoT held the first auction of spectrum, raising as much as ₹1.06tn from the sale of airwaves in 2100 megahertz (MHz) and 2300Mhz bands. The report said that despite the Telecom Regulatory Authority of India's recommendations, DoT did not auction 800MHz spectrum, which resulted in non-realisation of upfront charges amounting to ₹9,626 crore and undue favour to Code Division Multiple Access (CDMA) licensees. *(Mint, 09.05.15)*

### Iron Freight Evasion Scam

An iron ore freight evasion scam led to a loss of ₹29,236 crore for Indian Railways between 2008 and 2013, CAG has said.

In a report, the auditor said that the revenue loss had resulted from manipulations in the dual freight policy, under which the railways charges less for transporting iron ore for domestic use and more, almost three times, for transporting the commodity for export.

The dual rate policy was aimed at capitalising on the increasing global iron ore prices in 2008. The CAG's findings are based on a review of records from 87 loading points across seven railway zones and 180 unloading points across 15 zones. *(BS, 08.05.15 & Mint, 09.05.15)*

### Jio Infocomm Benifits

A report by the CAG has indicated that the Mukesh Ambani has promoted Reliance Jio Infocomm got undue advantage of ₹3,367.29 crore after the DoT allowed the company to offer voice services by using broadband wireless access spectrum (BWA).

Reliance Industries in 2010 acquired Infotel Broadband, which had won pan-Indian BWA spectrum in auctions to be used for 4G services.

"Reliance Jio Infocomm Limited (formerly, M/s Infotel)... paid UL entry fee of ₹15 crore and additional migration fee of ₹1,658 crore in August 2013. This migration, allowed at prices discovered in 2001, resulted in undue advantage of ₹3,367.29 crore to M/s Reliance Jio Infocomm", CAG stated in a report. *(BS, 08.05.15)*

### Waterways Bill to be Tabled

The Union Minister for Road Transport and Highways, Nitin Gadkari said that the proposed bill to convert 101 rivers across the country into inland waterways will be tabled in the Parliament on May 05. The Government has so far declared five river stretches as waterways.

He said that the Government is aiming to reduce traffic burden from roads and promote transportation where transportation cost is barely 30 paise a km in comparison to ₹1 by railways and ₹1.5 a km through roads.

Inland waterways comprising rivers, lakes, canals, creeks, backwaters etc. extend to about 14,500 km in the country. However, potential of this mode of transport has not been fully exploited. The Government has decided to launch *Prime Minister Jal Marg Yojna* and projects for setting up dry and satellite ports, besides converting riverways into waterways.

*(IE, 01.05.15)*

### Ministry to Push Bills

To improve ease of doing business and boost the 'Make in India' programme, Labour Ministry will push three bills for Cabinet approval including the ones on small factories, provident fund and prohibition of Child Labour.

On the Child Labour (Prohibition and Regulation) Amendment Bill, provides that any child below 14 years of age will not be employed in an organised sector. The Small Factories (Regulation of Employment and Conditions of Services) Bill seeks to regulate small industries while providing for ease of doing business.

The Ministry is seeking comprehensive amendments to the Employees' Provident Funds (EPFs) and Miscellaneous Provisions Act, 1952 to provide workers an option between EPF scheme run by retirement fund body Employees' Provident Funds Organisation (EPFO) and New Pension Scheme (NPS). *(ToI, 27.04.15)*

### Right to Privacy Bills

The Government has stated that the details of the Right to Privacy Bill are yet to be finalised. The Government was quizzed on whether intelligence agencies had asked to be kept out of the bill's purview.

Intelligence agencies have reportedly sought a blanket exemption from the ambit of the Right to Privacy Bill, 2014, a proposed law, which imposes heavy costs and punishment for intrusion into a citizen's privacy.

The Government was asked if it endorses the existing rider that requires intelligence agencies to intrude on one's privacy only in the interest of national sovereignty, security and integrity. The draft Bill, reports state, exempts security and intelligence agencies from its ambit if they could prove that their actions of intruding on a citizen's privacy were in national interest. *(ToI, 08.05.15)*

## Afforestation Fund Bill

The Union Cabinet has cleared the Compensatory Afforestation Fund Bill 2015, which will facilitate the distribution of around ₹38,000 crore among all states to encourage them to plant forests. The Bill will be introduced in Parliament during the ongoing session.


The Bill aims to provide an institutional mechanism, both at the centre and in states and Union Territories, to ensure quick, efficient and transparent utilisation of money collected in lieu of forest land diverted for non–forest purposes, such as industrial projects. This bill is expected to mitigate the impact of such diversion by encouraging afforestation projects.

It envisages the establishment of a national Compensatory Afforestation Fund (CAF) and state CAFs to credit amounts collected by state governments and Union Territory administrations to compensate for the loss of forest land to non-forest projects. *(Mint, 30.04.15)*

### Prevention of Corruption Act

With two objectives in mind, Union Cabinet has approved official amendments to Prevention of Corruption Act. Firstly, there is a change in the system to initiate action against retired bureaucrats for decisions taken during their tenure and, secondly, the act of corruption will presently be at par with a heinous crime.

The amendments will help remove sense of fear among bureaucrats in taking decisions, while there will be more stringent provisions against corrupt persons. Intentional enrichment by public servants will be construed as criminal misconduct and possession of disproportionate assets will be considered proof of such illicit enrichment. Penal provisions are being enhanced from a minimum six months to three years and from maximum five years to seven years.

*(BL, 29.04.15)*

### Draft Financial Code

Modi Government will be seeking approval for the proposed Indian Financial Code that would replace 60-odd archaic laws to herald a regime of principle-based, as opposed to sector-specific regulation, in the financial sector in the winter session of Parliament.

The Draft Code is being fine-tuned on the basis of comments of stakeholders and would be put up again in the public domain around mid-2015 before the final version is placed before the Parliament in November-December.

The draft Code seeks to move away from the current sector-wise regulation to a system where the RBI would deal with monetary policy and regulate banking and payment system while a Unified Financial Agency subsumes existing regulators – SEBI, Insurance Regulatory and Development Authority (IRDA), Pension Fund Regulatory and Development Authority (PFRDA) and FMC – to regulate the rest of the financial markets. *(FE, 20.04.15)*

### Meagre Funds for Water

Rural Development Minister Birender Singh has agreed with the overall sense of the Lok Sabha that funds earmarked for the Drinking Water and Sanitation Ministry were not enough but expressed optimism about raising the funds from other sources.

He said, "I also subscribe to what our friends from all corners have said with one voice that the budget estimates are not up to expectations. That is what they feel. I am hearing that the standing committee has also come out with the same view".

Drinking water's allocation is ₹2,611 crore for 2015-16, down from ₹9,250 crore in 2014-15 (revised estimates), while sanitation's ₹2,625 crore is slightly lower than previous year's ₹2,850 crore (revised estimates). *(IE, 23.04.15)*

### Govt. Highlights Progress

Countering criticism of NDA Government's first year in office, Modi highlighted his Government's achievements and maintained that India's economy is on its way to high growth.

Modi mentioned that the future focus of his Government would be on women, farmers, the urban poor and on employment. He added, "Whatever we have started, needs to be taken forward and into the villages and municipal area".

From enhancing India's global perception to focus on pro-poor measures, Modi said that his Government has been in news like, creation of jobs, stance on land bill, cleaning the lobby of lobbies and national investment fund as well. *(ET, 26.05.15)*

### Welfare Fund Concerns

In two letters written to Finance Minister Arun Jaitley, the Women and Child Minister Maneka Gandhi has flagged the problems that could result because of the slashing of the welfare fund allocations.

Maneka pointed out a shortfall of ₹10,900 crore for the Integrated Child Development Services (ICDS) that caters to the nutritional needs of nearly 10 crore women and children. Overall, she mentioned an additional requirement of over ₹13,000 crore for her Ministry.

While in a second letter, she said that her Ministry came up with a new National Nutritional Mission (NNM) Programme. The scheme required ₹28,000 crore, over five years but only ₹100 crore were provided in the budget. *(BS, 20.05.15)*

### CMIE: Good Growth Ahead

Mahesh Vyas, Managing Director and Chief Executive Officer of the Centre for Monitoring the Indian Economy (CMIE) stated that FY2015 was a reasonably good year for the infrastructure sector, stated.

Further, he said that the Government has been successful in executing policies to revive the sector and according to him, it is not practical to expect rapid implementation of road projects, especially in a country where there are issues, such as land acquisition.

In the past one year, Vyas said stated that there has been a significant improvement in coal production and thermal power generation. With bottlenecks getting cleared, going ahead, he expects to see double digit growth in the infrastructure sector. *(moneycontrol.com, 19.05.15)*

## Stress on Skill Expertise

Former President APJ Abdul Kalam has advocated a 'complete' change of the higher education framework in the country and stressed on skill development to come up with a work force to meet future challenges.

Kalam further said, "Two certificates should be given to students. In schools, one skill certificate and one education certificate and in college, degree and diploma on the expertise acquired. In schools from class 9 to 12, 25 percent of the time has to be allotted for skill development programme". *(NDTV, 29.05.15)*



### Saffronisation of Education

Human Resource Development Minister Smriti Irani smashed back at allegations of 'saffronisation' of education and said 'everything Indian' should be valued and we should not shy away from our 'inherent strength' speaking in a conference organised by 'Hindu Education Board'.


www.2-bp.blogspot.com

She also referred to the criticism faced by Mathematics Professor at Princeton University, Manjul Bhargava, for learning the concept of maths through Sanskrit poems.

"He is accused in television shows of saffronisation of mathematics. This is only possible in India that you have an ancient method of Maths, which is explored and applauded across the world, that becomes saffron back in India", she said. *(IE, 09.06.15)*

### Process Lacks Transparency

The Central Government's process of formulating India's new Education Policy is not 'transparent' and 'inclusive', according to social activist Ambarish Rai. Rai, National Convenor of the Right to Education Forum, a network of 10,000 grassroot organisations working in 18 states said, "We appreciate the initiative to revamp the education policy but we do not support the way it is being done. The process is not transparent".

Human Resource Development Minister Smriti Irani stated that the new education policy will be formulated in consultation with the states.

While the Government launched the exhaustive exercise earlier in 2015 for holding consultations aimed at the drafting a new national education policy and invited suggestions and discussions towards that end, Rai said consultations are yet to take place. *(BS, 29.06.15)*

### Lagging behind on WHO Targets

India met only four of ten health targets under Millenium Development Goals (MDG), and has made no progress on another four, according to World Health Organisation (WHO) report in 2015.

Globally, life expectancy at birth has increased by six years for both men and women since 1990, while in India life expectancy grew by eight years. While India has sharply reduced its infant mortality between 2000 and 2013, it still contributes for the most infant deaths globally.

Life expectancy in India grew by eight years between 1990 and 2013. While India has sharply reduced its infant mortality between 2000 and 2013, it still contributes for the most infant death globally. Non-communicable diseases are the top killers, followed by communicable diseases and injuries. *(TH, 15.05.15)*

### Urge for Cheap Drugs

A resolution passed by working committee meeting of Indian Medical Association (IMA) is likely to have direct benefit of making drugs more accessible and affordable. It was resolved that all IMA members should prescribe drugs with chemical or generic name and the name of the pharmaceutical company.

It also urged the members to prescribe drugs rationally, and to find the cheapest version of the drug while ensuring that the quality is retained. For instance, 1 gm vial of *Meropenem*, an injectable, broad-spectrum antibiotic to treat infections, is sold at price from ₹592 to ₹2800. It remains to be seen if this move, along with the Centre's *Jan Aushadhi* scheme outlets to sell generic medicines, can finally make access to generics easier in India. *(TH, 14.04.15)*

### Big Openings in India

The healthcare sector of India was estimated to be US$75bn during fiscal year 2012-13 and it is projected to reach US$300bn by 2020. Within the healthcare industry, the life science, bio-technology, pharmaceutical and diagnostics play an important roles in attracting foreign players to India.

India is already an extremely attractive market opportunity for global medical device manufacturers: 70 percent of India's medical devices and equipment are outsourced from other countries, particularly from the US Medical device companies.

Importantly for the US companies, India's medical devices industry in 2015 will be opened up to 100 percent FDI. The decision to change the investment route should have an instant impact on the shares of domestic Indian medical device manufacturers. *(Forbes, 09.06.15)*

### Impact of Urea Policy

No hike in urea price for next four years under the Government's new policy might help nitrogenous fertilizer remain the king among the fertilizers. The move might further fuel its excessive use eventually leading to soil degradation, groundwater and air pollution. This could have serious impact on overall productivity and human health.

Excessive use of Urea is noticed in states having strong irrigation network like Punjab, Haryana, western Uttar Pradesh and Andhra Pradesh but there have always been deep concern about its excessive use elsewhere too.

Urea sells at ₹5,360 per tonne, Delivered at place (DAP) costs about ₹24,000 and grades of NPK fertilizer cost about ₹22,000. The skewed ratio in favour of nitrogenous fertilizer in the overall fertilizer basket has always been resisted by the experts due to its long – term adverse effect on soil and environment. *(ToI, 15.05.15)*

### NATHEALTH–TFHC MoU

NATHEALTH signed a Memorandum of Understanding (MoU) with The Task Force Health Care (TFHC) Working Group India in presence of the Prime Minister of The Netherlands, Mark Rutte. This collaboration is intended to improve healthcare, life sciences and healthcare sector in both countries through strong cooperation between the two organisations and its members. The present MoU will come into effect from the date of signing and will remain effective for three years.

Anjan Bose, Secretary General, NATHEALTH, said "Our key objective of signing the MoU is to promote cooperation and exchange of information, knowledge and expertise between NATHEALTH and TFHC in the field of life sciences and health, on the basis of equality, reciprocity and mutual benefit, taking into account the applicable laws and legal provisions in each country".

*(www.healthcareexecutive.in, 10.06.15)*

## Maggi: Safety Norms Violated

With the Central Food Safety regulator ordering withdrawal of nine approved variants of Maggi, the Health Ministry said that it is of the 'confirmed' opinion that the product failed to adhere to safety norms and assured that no compromise will be done on food safety.

Union Health Minister J P Nadda said that his Ministry had received the reports from all the states and after assessing them it has come to the conclusion that the nine variants of Maggi should be recalled.


Coming down heavily on Swiss giant Nestle, the Central Food Safety regulator Food Safety and Standards Authority of India (FSSAI) has earlier ordered recall of all nine approved variants of Maggi instant noodles from the market, terming them 'unsafe and hazardous' for human consumption.

*(ToI, 05.06.15)*

# India's Health and Biopharma Sector Deserves More Attention

***India's Health and Biopharma sector deserves better attention from the government to help realise its full potential and provide much cheaper health care and medicine to millions of patients, leading Biopharma industry experts and academicians have said***


The Pharmaceutical industry in India is the world's third-largest in terms of volume and stands 14th in the terms of value. According to Department of Pharmaceuticals, Ministry of Chemicals and Fertilizers, the total turnover of India's pharmaceuticals industry between 2008 and September 2009 was US$1.04bn. While the domestic market is worth US$12.26bn as of 2012, and is expected to reach US$49bn by 2020.

During the long US-India BioPharma and Healthcare Summit, top industry leaders, experts and academicians hoped that the new Indian Government will bring in 'predictable, transparent and pragmatic regulatory policies' which would positively change the Indian BioPharma and Healthcare Innovation landscape.

Noting a regulatory environment, which is more 'enabling than restrictive' is required for innovation, a position paper prepared by Price waterhouse coopers released at the summit organised by the USA-India Chamber of Commerce (USAIC) said.

"The Indian Government should explore programmes and incentives for encouraging non-traditional organisations to partner with it, academia and pharmaceutical companies to enable and accelerate drug development", it added. India is well positioned to establish a significant oncology presence with respect to life cycle management, the report said.

In his message to the conference the Union Science and Technology Minister Harsh Vardhan said that the success rates are low for new drug discovery and development, especially from the perspective of modern science. He stated that the exorbitant cost of drug development and also the highly competitive nature of the domain leave little room for aggressive innovation. Thus there is a need to find newer and innovative ways to overcome the prevailing situations.

"The exorbitant cost of drug development and also the highly competitive nature of the domain leave little room for aggressive innovation. We need to find newer and innovative ways to overcome the prevailing situation", Vardhan said.

Participating in one of the panel discussions, Kiran Mazumdar – Shaw, Chairman and Managing Director of Biocon Limited, said oncology is a huge challenge for India.

But this is one area where India can play a big role and help in reducing the cost of treatment and medicine, she said. "Oncology is one area where patients (in India) are very keen to be part of the drug trial. Enrolment rate for cancer drug is much higher in India than in other parts of the world. This is one area where patients want to try a new drug", she added.

The major theme for discussing 2015's Summit was oncology, cardiovascular and metabolic disease and neurodegenerative diseases. "Health and innovative BioPharma have not received the attention they deserve in India", said USAIC President Karun Rishi.

In his message to the summit, the Union Health Minister J P Nadda called for 'out-of-the-box thinking' for innovation in healthcare.

According to the Price waterhouse Coopers report prepared for USAIC, Indian pharma companies are not putting sufficient capital at risk to develop breakthrough products nor are they investing heavily in novel therapeutics.

– *This feature has been abridged from a news item. This was published in* Deccan Herald *on June 12, 2015*

### CCI: E-filing of M&As

The Competition Commission of India (CCI) has launched an e-governance project to facilitate electronic filing of cases requiring its approval, including the merger and acquisition proposals. Ashok Chawla said that the regulator has taken a number of initiatives for speedy and efficient disposal of cases.

Anjuli Chib Duggal, Secretary in Ministry of Corporate Affairs said that the CCI has implemented a mandate of sustaining competitive markets. There are some future challenges that CCI needs to tackle, including continuous access to reliable and relevant research.

Referring to the role of regulation, Narayan Murthy advocated for swift and fearless regulatory decisions. He said that competition and regulation are the two mechanisms, which can ensure that the 'Invisible Hand' works to the advantage of the society.

*(ET, 20.05.15)*

### Holcim Lafarge Deal Cleared

The CCI has cleared the proposed merger of Lafarge and Holcim, four months ahead of the planned move. With this approval, the two cement giants will have to sell capacities worth 5mn tonne in India's eastern parts.

The package of asset divestments, which the two companies agreed includes two plants of Lafarge India in the eastern market.

India is an important market for the future Lafarge-Holcim Group with a balanced portfolio in cement, aggregates and ready-mix concrete. The combined group will have a cement capacity of around 68mn tonnes in India. Its business also includes ready-mix concrete, asphalt, and associated services. Currently, India is world's second largest cement market with a total installed capacity of about 380mn tonne. *(BT, 02.04.15)*

### CCI Approves Mergers

The CCI has cleared the proposed merger between the US companies MeadWestvaco Corp and Rock-Tenn Company. Rock-Tenn is into packaging solutions whereas MeadWestvaco provides speciality chemicals for automotive and other industries.

Rock-Tenn is involved in sales of merchandising displays and corrugated boxes in the country. In India, MeadWestvaco is engaged in the business of corrugated packaging for consumer goods, household appliance and pharmaceuticals, among others. It has two subsidiaries: MeadWestvaco India Pvt Ltd and MeadWestvaco India Paperboard Packaging Pvt. Ltd.

Under the multi-layered deal, MeadWestvaco would be merged with MeadWestvaco Merger Sub and the latter would be a limited liability company of Rome Milan Holdings. Post combination, MeadWestvaco shareholders would have 50.1 percent stake and those of Rock-Tenn would own 49.9 percent shareholding in Rome Milan Holdings. *(ToI, 19.04.15)*

### CCI Proposes Amendments

The CCI has proposed amendments to its procedural norms while seeking approval for mergers and acquisitions. Amendments have been proposed to various aspects of these regulations, including those related to time taken for forming a *prima-facie* opinion about a combination, parties seeking confidentiality of information documents.

According to the draft amendments it would form *prima facie* opinion on whether a "combination is likely to cause or has caused an appreciable adverse effect on competition within the relevant market in India, within 30 working days of receipt of the said notice".

Besides, in two major rulings related to Sun Pharma's acquisition of Ranbaxy Laboratories and the merger of Holcim and Lafarge, the regulator directed divesture of certain assets, after seeking public comments on the respective deals, to address anti-competitive concerns. *(ToI, 09.04.15)*

### Re-sale Price Setting

Re-sale price arrangements between manufacturers and distributors are under CCI scanner. Under this arrangement, a re-seller (a retailer or a distributor) could not sell a product at a price lower than that set by the manufacturer.

It protects the profit margins of both the manufacturer and the re-seller often to the detriment of the consumer. Such arrangements are usually frowned upon by competition regulators as these mechanisms tend to support the manufacturer or retailer cartels.

Many manufacturers set a minimum price for e-retailers to ensure that their products do not get caught in the massive discounting resorted to by the e-commerce giants, especially those following the inventory based, and not the marketplace, model. In the past six years, the competition watchdog, which has looked into some 600 cases, has levied penalties of ₹13,000 crore.

*(TH, 08.05.15)*

## Fine on GlaxoSmithKline

The CCI has held GlaxoSmithKline (GSK) and Sanofi liable for violation of the provisions of the Competition Act and levied penalty to the extent of three percent of the turnover both on GSK and Sanofi (aggregating to ₹60.49 and ₹3.04 crore respectively).


It has imposed penalty for collusive bidding in supply of a meningitis vaccine to the Government for Haj piligrims. GlaxoSmithKline Pharmaceuticals said it would review the order and consider all options, including filing an appeal.

In a separate filing to the BSE, Sanofi India said the penalty has been imposed on "Sanofi Pasteur India Pvt. Ltd, which is an unlisted company and a 100 percent subsidiary of Sanofi SA, France", it noted. On the BSE at present, shares of GSK closed marginally down at ₹3,178.05 and that of Sanofi India declined over one percent to end at ₹3,315.90. *(ToI, 08.06.15)*

# Smash the PSU Oil Cartel

**Raghuvir Srinivasan***

There is unfinished part of reform of the oil industry, which is setting the national oil companies free and unleashing competition between them on the one hand, and with private retailers, such as Reliance Industries, Essar and Shell, on the other.

Periodic price adjustments in tandem, such as the one last week when petrol and diesel prices were increased by significant margins would be seen as cartelisation behaviour if Indian Oil Corporation (IOC), Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL) were private players and not government companies. The three together account for 98 percent of the market for transportation fuels and dominate their private peers.

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The CCI noticed the cartel-like actions and even conducted an investigation of their collusive behaviour a couple of years ago. But the oil companies went to court arguing that the Competition Commission of India had no jurisdiction over them as they had their own regulator, the Petroleum and Natural Gas Regulatory Board (PNGRB). The CCI Chairperson, Ashok Chawla was quoted a few months ago saying that he believed that the act of the three Public Sector Undertakings (PSUs) adjusting prices in tandem was anti-competitive. And yet, CCI has been unable to make much progress in reining them in, not entirely due to the court case but also the fact that the Government owns these companies.

The practice of coordinated price adjustments is a continuation of the pre-deregulation era when the Government set fuel prices for the national oil companies. In today's deregulated era there is really no reason why the PSUs should coordinate pricing action. They have their own cost structures and margins dictated by their refining capacities, distribution network, retail outlets, staff strength and other items of cost.

For instance, IOC has 10 refineries that process a total of 66mn tonnes of crude oil per annum. It has close to 24,000 retail outlets across the country and it registered a negative gross refining margin in the first nine months of 2014-15. In comparison, BPCL has a refining capacity of 22mn tonnes at its two refineries plus another 9mn tonnes in two joint ventures (JVs) and a little over 12,000 retail outlets. It has a gross refining margin of US$2.08/barrel. HPCL owns two refineries that process a total of 15mn tonne of crude oil per annum apart from a JV with 9mn tonne capacity, and about 13,000 pumps all over the country. The company had a gross refining margin of US$1.04/barrel in the first nine months of 2014-15. These are a comparison of just the main parameters; a detailed study would show many more differences.

The Government appears comfortable with the arrangement though because it suits its own interests. Look at the way excise duties were raised on three occasions in November and December when oil prices crashed to their lowest in recent times. The Government appropriated for itself the gains that would have otherwise been passed on to consumers.

This does not mean the government should not allow competitive forces to blossom in fuel retailing. Reliance Industries, Essar Oil and Shell had announced grand plans for fuel retailing and they even opened a couple of thousand outlets together about a decade ago. But they closed down almost all of them, unable to compete with the PSUs, which sold fuel at subsidised prices. The picture is different quite different at present. Subsidies, at least in transportation fuels, have been withdrawn and retail prices are linked to the market.

Importantly, oil prices, despite the run-up in the previous few weeks, are still low. This is the best time to complete the unfinished reforms in the downstream petroleum industry, which is setting the PSU majors – IOC, BPCL and HPCL – free of government control and encouraging them to compete with each other and with the private players. The Government needs to play an active part in fostering competition because the three PSUs dominate the market *vis-à-vis* the private players. With some of these companies lined up for possible divestment of government stake, any move to reform them will only add to their market value.

In the developed countries, retail prices vary from company to company and pump to pump based on location, costs, demand and other such factors. It is not unusual to see prices vary between fuel pumps in the same locality belonging to different companies. That is the kind of competition we need to see in India.

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* *Associate Editor, The Hindu Business Line. This article was published in* The Hindu Business Line *on May 04, 2015*

# Still too Many Left without Cover

The *Prime Minister's Jan Dhan Yojana* (PMJDY) with its massive outreach of 15.3 crore households, each blessed with a bank account to the record time of eight months, has evoked euphoria. With the announcement of *Jan Suraksha*, there has been a beeline to banking counters to get the formalities checked out for possible inclusion into insurance and pension schemes, normally considered costly and complex. Leveraging the strength of banking connectivity, the Government is determined to offer social security cover using the large network of public sector insurance firms and pension aggregators.


***With the announcement of Jan Suraksha, there has been a beeline to banking counters to get the formalities checked out for possible inclusion into insurance and pension schemes, normally considered costly and complex***

### Avoiding the trap

The dormancy of bank accounts is a persistent worry, with noticeably poor footfalls and lack of velocity in transactions through *RuPay*, which is Indian version of debit cards. Insurance and pension services are not one-off activities, they are long-term business ideas.

Many banks, being part of the point venture with insurance companies or having having entered bank assurance relationships with companies, have been distributing products of their choice to their captive clients, a process, which often leads to poor awareness on details. There is the danger of *Jan Suraksha* also failing into this trap. With still over 55.75 percent *Jan Dhan* accounts left with zero balance, the practical aspect of this initiative needs to be studied, since *Jan Suraksha* is a paid service. It would be a hard sell for the 9.17 crore accounts opened in rural areas, given the poor awareness on social security benefits, including insurance.

### Deeper penetration

One larger question that crops up in such mass social security programmes is whether such a proposition is tenable from actuarial and business considerations. When the claims ratio increases, there are bound to be price pressures, leading to exclusion. *Jan Suraksha* does not offer a level playing held for clients of banks, with public sector banks being in the vanguard.

Leaving the private insurers in this larger game plan of offering social security to all is not a good idea. It does not give the required space to private companies and puts pressure on public insurers. With two products applying different age restrictions we might see a considerable section of the population getting excluded.

### Making it voluntary

The *Jan Dhan Yojna* has tagged in life and accident policies therefore it would be superfluous to have add-on insurance cover for the same clients. This is something banks and insurers should be sensitive to, and as a way out, they could make clients voluntarily opt for insurance rather than force it down their throats.

Unclaimed money with life companies alone touched a staggering ₹4,866 crore at the end of 2012-13; this is a source of worry for the Government. The main reasons for this are dependents being unaware of the existence of insurance policy, change in address, and delayed settlement, all of which point to the age-old problem of less interaction between the insured and insurer. With banks reporting ₹3652.64 crore unclaimed deposits (more than 10 years old) as of December 2012. It is feared this might further add to the woes; nevertheless banks have to work hard to make accounts operative by financially engaging with the community.

With insurance penetration limping at a paltry 3.9 percent of GDP, there is hope that *Jan Suraksha* will boost the penetration of insurance services and open up pension to the unorganised sector. However, there is every likelihood of the creamy layer taking the early bird advantage, leaving the deserving outside the social safety net for some more time.

– *This Special Feature has been abridged from an article by R Devaprakash, a retired Principal and Professor of mechanical engineering. This was published in* The Hindu Business Line, *on May 12, 2015*

## ReguLetter


The April-June 2015 issue of ReguLetter encapsulates 'Advocating Competition in the Pharmaceutical Sector' in its cover story which states that the Inter-governmental Group of Experts (IGE) meeting on Competition Policy organised by United Nations Conference on Trade and Development (UNCTAD) in Geneva in July 2015 dedicated a roundtable session on 'The Role of Competition in the Pharmaceutical Sector and its Benefits for Consumers'. The deliberation highlighted that the pharmaceutical sector makes a valuable contribution in improving the public health by developing, producing, distributing and marketing the pharmaceutical products.

A special feature by John M Connor states that five of the world's biggest banks, JPMorgan Chase, Citi, Barclays, the Royal Bank of Scotland, and UBS, have agreed to pay US$5.6bn in fines for manipulating the foreign exchange market. This comes at the end of a 19-month investigation by the US Department of Justice.

Another article by Shawn Donnan opines that once a target for multinational companies eager to invest and reap the benefits of their rapid growth, emerging economies are becoming rivals to the US and Europe as a source of investment.

*This newsletter can be accessed at: www.cuts-ccier.org/reguletter.htm*


## Trade Buzz

Trade Buzz is a quarterly e-newsletter of the South Asian Association of Regional Cooperation (SAARC) Trade Promotion Network Secretariat and is jointly produced with CUTS International. SAARC TPN is a network on business associations of South Asian countries. It is an initiative of the Federal Ministry of Economic Cooperation and Development (BMZ), Germany and the German Cooperation Agency (GIZ).

*www.cuts-citee.org/pdf/Trade_Buzz-Apr-Jul2015.pdf*

## BRICS-TERNewsletter


BRICS Trade & Economics Research Network (BRICS TERN) has been established as a platform of non-governmental groups from among Brazil, Russia, India, China and South Africa. Its purpose is to assist the on-going cooperation between and among the BRICS countries with network-based policy research and advocacy on contemporary developmental issues.

*http://cuts-international.org/BRICS-TERN/pdf/TERNewsletter-BRICS-TERN_Apr-June2015.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, **BT:** Business Today; **DNA:** Daily News Analysis, **ET:** The Economic Times, **EPN:** Express Pharma News; **FE:** The Financial Express, **HT:** The Hindustan Times; **IE:** Indian Express; **MW:** Mining Weekly; **NDTV:** New Delhi Television Limited, **TH:** The Hindu; **ToI:** Times of India

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