Expediting National Competition Policy

Investment and competition are the two sides of a coin. The government is promoting investment seriously and is also addressing the bottlenecks due to entry barriers and thus promoting competition reforms can enable investment flows and immersion easily.

Prime Minister, Manmohan Singh said that growth, development and poverty reduction are the most important challenges that the governments have to face. The governments should look for a sound architecture of policy in which beneficial effects of markets can be maximised by action to prevent market failure.

The huge bailout to Air India is an example of how the government engages in doublespeak. All travels on government account have to be done only on Air India, otherwise one has to wait for settlement of the travel bills for long on travelling, at a lower cost by a private airline.

To address the issues of competitive neutrality and unnecessary red tape, the Ministry of Corporate Affairs has drafted a National Competition Policy (NCP), which, after a small gap, is gaining traction. The Planning Commission has been advocating for a competition policy, since the 9th Five Year Plan was adopted in 1998. The Corporate Affairs Minister, Sachin Pilot has called upon the government to adopt the NCP, which also proposes a competition impact assessment of all the government laws, policies and regulations. This is expected to instil competition culture in all sectors.

The issue about resolving complementary relations between sector regulators and CCI is another important dimension of the Competition Policy and related laws. In January 2011, for example, Reliance brought forward a complaint against the PSU oil companies for cartelisation in the aviation fuel sector before the Competition Commission of India (CCI). The Delhi High Court injunctioned the proceedings at CCI stating that oil sector issues have to be taken up before the Petroleum and Natural Gas Regulatory Board (PNGRB) empowered to promote competition in India.

The problem has been addressed by a proposed amendment in the Competition Act 2002, asking for mandatory consultations between the CCI and all sector regulators. The Bill is pending before Parliament.

Indeed, adoption – and implementation – of the NCP can bring in a second wave of economic reforms in the country, and this enjoys a national consensus. So the growth process will take a leap through better competition in the economy, irrespective of the government coming into power.
Cabinet Clears SUC Proposal

The Union Cabinet has cleared the Government’s proposal to levy a spectrum usage charge (SUC) of five percent on annual revenue from 2G airwaves bought through the upcoming auction, along with a weighted average system for old and new airwaves.

The approval puts to rest speculations around the possibility of any further delay in the bandwidth sale, crucial for the likes of No. 1 operator Bharti Airtel and No. 2 Vodafone India who must win 900 Mhz spectrum in Delhi, Mumbai and Kolkata to continue to offer uninterrupted services.

With the cabinet nod on SUC, the current cascading 3 to 8 percent fee that the Government levies will get replaced with a flat 5 percent fee on the airwaves bought in this auction. The panel of Ministers had also decided to stick with the existing one percent fee that broadband wireless bandwidth holder’s pay. The Government has put up for sale 403 units of airwaves in 1800 Mhz band and 46 units in the 900 Mhz band.

(Mint, 25.01.14)

Tariffs at Rock Bottom

Fragmentation has caused much pain to the Indian telecom industry. There are 10 to 12 telcos in each of the country’s 22 telecom circles. As a result, tariffs are at rock bottom.

The much-awaited merger and acquisition (M&A) policy for the telecom sector has failed to excite the industry. The final guidelines, which need to be approved by the Union Cabinet, have made it tougher for the bigger incumbent telcos to merge among themselves, while the new entrants may not have too many exit options.

According to the guidelines, if a telco is acquiring another telco, which owns spectrum allotted by the Government, the acquirer has to pay the price difference to the Government.

(ET, 31.01.14)

Autonomy to Prasar Bharati

A Committee led by Sam Pitroda, Adviser to Prime Minister, Manmohan Singh has suggested administrative and financial autonomy for Prasar Bharati, India’s public broadcaster. It has also suggested setting up of a regulator to ensure public accountability with respect to all content broadcast on its television and radio networks.

The Committee recommends diverse sources of funding for the public broadcaster, including private investment. On the financial front, the committee said the Government must waive ₹13,641 crore due from Prasar Bharati, as a result of funds provided in the past for capital expenditure as well as to meet the operating expenses.

A waiver would ensure that the organisation starts with a clean slate and without the burden of this huge liability arising from the legacy of the organisation. The Committee reiterated the need for private investment in the back end infrastructure for broadcasting.

(Mint, 25.01.14)

Common Regulator

The Commerce and Industry Minister, Anand Sharma said that the telecom sector are likely to be released soon. The empowered group of ministers (EGoM) has already approved the M&A guidelines but it may need a Cabinet approval if legal opinion finds that the consolidation activity amounts to sale of equity.

As per the guidelines approved by market share of a merged entity should not exceed 50 percent of the subscriber base.

Telecom companies, which procured spectrum through auction, would not have to pay additional money to the Government for airwaves. However, if a company acquires a telecom operator that was allocated spectrum at old rate of ₹1,658 crore, then it will need to pay the difference between market rate and old rate to the Government.

(ET, 31.01.14)

Rise in Mobile Tariffs

The conclusion of the spectrum auction, at price points much higher than the sector’s expectations, would have an impact on the operators’ margins. The immediate impact would be a rise in telecom tariffs, as operators would have to pass the cost to subscribers. According to a senior official of a public sector bank, tariffs would rise by 20 to 25 percent and gestation period up to 30 years from the present 15 years.

The telecom companies may have to predominantly rely on their own resources or overseas funding to stump up funds and guarantees for spectrum. Operators would also be constrained in offering innovative services, improve coverage, rural rollouts of voice, internet and broadband due to difficulty in funding funds after footing the high-cost spectrum Bill.

(BL, 13.02.14)
**Urgent Reform for Road Tolling**

The entire road roll collection machinery is in need of urgent revamp nationally, to improve the user experience, cut down on avoidable delays and nip in the bud its needless politicisation and even occasional vandalism.

The whole process needs to be expedited and streamlined with comprehensive electronic tolling, complete with conducive driving conditions including strict enforcement of road safety measures, regular highway maintenance, patrolling etc.

The public-private partnerships in highway projects must be policy induced to pointedly improve not just road conditions but also road safety given that India, at present, has the dubious distinction of leading in road accidents and fatalities. *(ET, 21.02.14)*

**Better Mileage by New Vehicles**

India has notified new norms for passenger vehicles that mandate an average increase of at least 14 percent in mileage from 2016-17 and 38 percent, five years, thereafter.

The standards, which will be implemented by the Ministry of Road, Transport and Highways will catapult India into the league of select nations. This includes the US, Germany, Japan and China that strictly enforce such norms with harsh penalties for violation.

Passenger vehicles – comprising cars, vans and utility vehicles – currently run for about 16 km on a litre of fuel. The mandated average, under the new norms is 18.2 km by 2016-17 and 22 km by 2021-22. If implemented, the new norms will result in a saving of about 20 million tonnes of fuel by 2025. *(ET, 14.02.14)*

**Tracks for Railway Reforms**

There is welcome change of track at the railways going forward, with the Union Cabinet approving the setting up of a Rail Tariff Authority (RTA). After long years of wanton populism in tariff setting and sheer giveaways, independent assessment and the proper fixation of user charges to speedily modernise and overhaul the railways is not required.

As India picks up economic speed, there is no need of efficient tariff setting to boost the quality of rail services, improve safety and purposefully step up much needed investment.

However, it remains to be seen whether the role of the RTA would merely be of an advisory or a recommendatory nature, which would defeat its purpose. What is required is binding provisions in law for an arm’s length pricing of rail services. *(ET, 22.01.14)*

**New Policy Guidelines for Ports**

The Central Government has unveiled new policy guidelines for 12 major ports, a move that would allow the ports to leverage their land resources for commercial benefit. The guidelines, aimed at bringing transparency were approved by the Cabinet and were announced by the Shipping Secretary, Vishwapati Trivedi.

The new guidelines will provide the necessary regulatory framework for land allotment by major ports across India. Trivedi said that these guidelines had been drawn to help ports carry out leasing and licensing of port land in a transparent manner.

The guidelines are expected to give a fillip to major ports and help them attract more business and make optimum use of their land resources. The new policy guidelines are part of the Government’s plan towards creating a level playing field for major and non-major ports. *(TH, 17.01.14)*

**Corridor Usage Fees**

The proposed RTA, whose mandate is to rationalise passenger and freight tariffs, will also decide track access charges that the railways and other freight rail operators will pay to the Dedicated Freight Corridor Corporation (DFCC) for using the eastern and western freight corridors.

The corridors are expected to be operational by 2017. The DFCC will also be responsible for the maintenance of 3,300 km of tracks, once the corridors become operational. As per the railways’ agreement with DFCC, the freight corridor corporation will construct, maintain and operate the corridors. The DFCC infrastructure will be available to all authorised rail operators, on a non-discriminatory basis.

The eastern and western freight corridors for exclusive movement of goods train, being constructed at the cost of ₹80,000 crore, will contribute significantly to the economic development of the states covering them as well as ease the traffic congestion on the existing railways network. *(FE, 07.03.14)*

**Aviation Sector Ombudsman**

The civil aviation sector could soon have its very own ombudsman, a proposal that has been pending with the Ministry of Civil Aviation for several years. The Ministry invited stakeholder comments, a process that’s going to continue till April 15.

Comments from the stakeholders are to be sent to the Economic Adviser to the Ministry of Civil Aviation, regarding the setting up of an ombudsman as an alternative dispute settlement machinery for air travellers.

In sectors where market forces play a lead role in providing services, such as aviation in India, it becomes necessary to provide a window for grievance redressal of passengers and also an effective mechanism for dispute resolution. The plan was first mooted in January 2011. *(ET, 28.02.14)*
LPG Subsidy on Hold

The United Progressive Alliance (UPA) Government has decided to put Aadhaar-linked Liquified Petroleum Gas (LPG) subsidy, direct benefit transfer (DBT) project on hold and a committee will review it in view of the complaints about its implementation. Through DBT, the Government had targeted 20 percent subsidy savings, worth ₹60,000 crore.

DBT for LPG (DBTL) has run into trouble, with the low levels of Aadhaar accounts and bank account seedings. Many consumers did not either have the Aadhaar number or bank accounts linked to Aadhaar.

Moreover, the validity of the scheme was put into question after the Supreme Court stated that the Aadhaar Card is not mandatory and no person should be deprived of any government schemes for want of it. The industry analysts are, however, worried that an increase in the cap will raise the level of black marketing activity as well as imprudent consumption of LPG.

Break-up of Fuel Prices

The Oil Ministry has ordered Compressed Natural Gas (CNG) retailers to provide break-up of fuel price to consumers to ensure that they passed on the benefit of cheaper domestic gas to users. CNG will be the first fuel where consumer will get invoices providing break-up of price.

Presently, no break-up of price of petrol, diesel, LPG or kerosene is provided to consumers. The City Gas Distribution (CGD) entities would furnish cost of gas to the entity, supply and distribution cost of entity, company’s margin, excise, Value Added Tax (VAT) and any other tax. They have been also asked to furnish the break-up to the Ministry on annual basis by April 30, each year.

(ET, 20.02.14)

Assured Revenue Growth

According to Pricewaterhouse-Coopers (PwC)’s 17th Annual Global CEO survey, released by World Economic Forum, 49 percent of Indian business heads are very confident about their growth prospects in the next 12 months, higher than the global average (39 percent).

India was ranked fourth in the global list in terms of CEO confidence in their respective company’s growth prospects. The list was topped by Russia, followed by Mexico (51 percent), Korea (50 percent) in the second and third position. China/Hong Kong was ranked fifth in the list with 48 percent of business heads showing confidence in their respective companies’ growth prospects in the next 12 months’ time.

Emerging economies were cited as the most important region for the Indian corporates for growth. The US, UAE and South Africa were also among their top picks.

(FE, 31.01.14)

Biggest Diesel Subsidy Beneficiary

A report by former Planning Commission member, Kirit Parikh based on the survey conducted by the Ministry’s Petroleum Planning and Analysis Cell (PPAC) through Nielsen, a global marketing research firm (India) has revealed that the country’s heavy and light commercial vehicle segment, not the agriculture sector has been the biggest beneficiary of the subsidy provided by the Government on this fuel.

The transport sector, accounts for 70 percent of total diesel sales in the country, whereas agriculture sector consumes just 13 percent of all diesel sold in India. In 2012-13, total sales of diesel stood at 69,080 thousand metric tonnes (TMT) and petrol at 15,744 TMT. While diesel accounts for 44 percent of the country’s overall consumption of petroleum products, petrol accounts for 10 percent only.

(ET, 20.02.14)

Oil and Gas Reforms

The country witnessed an unforeseen economic growth post liberalisation driven by demographic changes rapid industrialisation and a robust service oriented business environment. This gave rise to a humongous need for energy.

The primary energy mix of India is coal at 53 percent, oil at 29 percent and natural gas at 10 percent. Oil is the primary source of energy for transportation without which India’s progress comes to a standstill.

(CNBC, 17.01.14)

ONGC to Fix Matter

Oil and Natural Gas Corporation (ONGC) has asserted that its Production Sharing Contract (PSC) requires the Oil Ministry’s technical arm to be involved in situations where two adjoining blocks may have a common reservoir but the Directorate General of Hydrocarbons (DGH) has asked ONGC to resolve the issue independently with Reliance Industries Limited (RIL), in the first instance.

The company had written to the Oil Ministry that a third party independent study should assess, if there was a common reservoir between RIL’s KG-D6 block and ONGC’s neighbouring exploration area in the deep sea region of the KG Basin that has not yet started the production.

(ET, 06.03.14)
Norms to Ease MPP

In a move that will help nearly 25 projects with investments of more than ₹1.6 lakh crore, the Government has decided to further ease the Mega Power Policy (MPP), introduced in 1995 to provide impetus for setting up of large projects.

To get the benefit, the developer will have to tie up sales with distribution utilities through longterm power purchase agreements (PPAs). The Amendment allows project developers to tie up for 65 percent of generation capacity through competitive bidding with the State distribution utilities and sell up to 35 percent of installed/net capacity, under the regulated tariff as per the specific State policy.

The Government has also extended the maximum time for furnishing final mega certificates to tax authorities to 60 months. This is expected to increase power availability in the country and also ensure that consumers are charged reasonably for electricity supply. (BL, 02.01.14)

Solar Wind Power Projects

Ministries of Heavy Industry and New and Renewable Energy have indicated to set up a mix of wind and solar energy-based power projects near Sanand, Gujarat. Hindustan Salt has 20,000 acres land in the State where this project has been proposed.

The Rajasthan project is considered to be one of the largest single location solar projects in the world with a capacity of 4,000 MW to be developed in phases, over a period of seven years.

In the first phase (in next two-three years), 1,000 MW capacity will be developed. This project will generate 6,400 million units power and is expected to reduce carbon footprints by over 4 million tonne annually. (BL, 29.01.14)

Limit Subsidy for Power Plants

The Power Ministry has proposed that the planned subsidy for gas-based power plants should be restricted to administered price mechanism (APM) gas only. The burden of expensive power would either have to be borne by the Discoms, lower distribution companies or generators getting to sell it in the open market. The idea was to keep subsidy dole, under check, so that it becomes more palatable for the Finance Ministry while at the same time, giving the financially stressed discoms an option to keep electricity tariff low for its customers.

In a Draft Cabinet note moved by the Power Ministry, it has proposed that the Centre would provide subsidy of about ₹5,700 crore for next two financial years only for 10,382 MW of existing gas-based capacity running on APM gas.

This has been proposed, so that the electricity tariffs from these plants are maintained at ₹5-5.50/kWhr, even after domestic gas price is doubled from present US$4.2 per mmBtu to around US$8.4 per mmBtu from April 2014. (FE, 17.02.14)

Green Nods for Big Units

The Ministry of Environment & Forests (MoEF) is considering delinking green clearances from the thermal power projects totalling 40,000 MW of their captive coal blocks.

Currently, work on end-use projects (cement, steel, power) can be started only after the two green nods, environment clearance (EC) and forest clearance (FC) are given to both projects and the respective captive mines. This delinking would not apply universally but the Ministry would give such clearances on a case-to-case basis.

In case of Ultra Mega Power Projects (UMPPs), these clearances would be given to those coal blocks that do not fall, under the category of inviolate forest areas, such as tiger reserves and wildlife sanctuaries.

At present, ECs for UMPPs, each above 4,000 MW are not given till the time the captive coal block secures the statutory clearances from the MoEF. (FE, 29.01.14)

Rise in Power Tariffs

In a recent ruling, Central Electricity Regulatory Commission (CERC) has allowed higher tariff as well as compensation of ₹329.45 crore for Tata Power’s 4,000-MW Mundra project in Gujarat from the period beyond April 01, 2013.

If the order is implemented, then the Discoms of five states Gujarat, Maharashtra, Rajasthan, Haryana and Punjab would have to bear an additional burden of about 45 to 50 paise per unit of electricity. The Mundra project has been seeing significant losses on account of increased price of imported coal.

In a separate order, CERC granted nearly ₹830 crore compensation for Adani Power’s 4,620 MW Mundra plant. Gujarat has to pay ₹420.24 crore while Haryana has to shell out ₹409.51 crore as compensation from the commissioning date till March 31, 2013. (BS, 23.02.14)

Electricity Act Amendment

For infusing fresh reforms in the sector, Power Ministry is proposing changes to the Electricity Act 2003, which aims to segregate the ‘carriage and content’ functions in the power distribution sector.

Under this, one company would be entrusted with owning the entire wire network while electricity supply at the retail level would be carried out by different entities. Currently, power discoms act as supplier of power as well as manage the wire infrastructure that wheels electricity to different categories of consumers.

Simultaneously, as part of the proposed changes to the National Tariff Policy, the Power Ministry is extending Section 62, under which Electricity Regulatory Commissions have been empowered to determine tariffs beyond the 12th Plan period (2012-17) and keep the hydro projects, under this section, enabling the continuation of the cost plus tariff structure. (IE, 16.01.14)
**INFRASTRUCTURE**

- **MIXED BAG**

### An Eye Opener Case

There have been so many scams, Ponzi schemes and cases of unscrupulous entities running away with investors’ money. There is a lot of anguish about misplaced trust, loss of precious savings of small investors, and the lack of timely identification and arrest of the fraudsters.

The Sahara case will go down in the history as one that brought the focus on investor protection. Roy’s jailing is a landmark case, showing that even the most powerful fraudster will eventually be brought to book. When the matter was brought to the Supreme Court after Sahara rejected SEBI’s complaints on the ground that it had no jurisdiction, the Supreme Court reiterated that Sahara was guilty and had to refund the money raised by circumventing regulations. *(ET, 12.03.14)*

### New Corporate Norms

In a move to promote good business practices, the SEBI board has approved new corporate governance norms that restrict the number of independent directors on a company board, spell out whistle blower policies, and institute checks on salaries of key managerial persons, among other things.

Under the new rules, an individual can serve as an independent director on a maximum of seven listed companies. The Board also decided that if an individual is a whole-time director in a listed company, he can serve as an independent director in a maximum of three companies.

Also, if one has completed five years or more as an independent director, he will be eligible for just one more term of five years. *(BL, 13.02.14)*

### PSU Projects Delayed

Project delays and rising costs are not plaguing the private sector alone. As per the latest data, 223 out of 741 infrastructure projects of public sector undertakings (PSUs) were running behind schedule resulting in cost overrun of ₹1.8 lakh crore or 19.7 of the original project cost at the end of the year 2013.

While the total investment in these PSU projects was originally estimated at ₹9.13 lakh crore, it has presently been revised up to ₹10.93 lakh crore, the infrastructure and project monitoring, under the Ministry of Statistics and programme implementation (Mopsi), said in the report.

PSUs have already invested ₹5.17 lakh crore in these projects. All PSU projects above ₹150 crore and above are monitored by Mopsi. *(FE, 21.03.14)*

### Ensuring Greater Accountability

To usher greater accountability in the stock market, SEBI presently holding individuals is also accountable along with their companies for any misdeeds.

The SEBI Chairman, U K Sinha, while addressing a conference on ‘New Initiatives – Investor Protection and Investor Education’ remarked, “We will be presenting guidelines for better corporate governance in listed companies in coming days”.

Furthermore, he provided that improvement in terms of rules will also be made in the system of companies.

SEBI has stressed that the system has to be made accountable and there is an urgent need for a well managed market and proper regularisation for attracting more investment. *(BL, 06.01.14)*

### Marginal Standing Facility

The RBI Governor, Raghuram Rajan has raised the key reporate, choosing to confound expectations, while reviewing its focus on inflation as also the threat stemming from the weakening of the rupee amid a sell-off that has rippled through emerging markets.

Rajan said that if the central bank can bring inflation down then there will be some room on the monetary front. Moreover, if disinflationary process evolves, according to this baseline projection, further policy tightening in the near term is not anticipated, at present.

He also added that if inflation eases at a pace that is faster than is currently anticipated and that reduction is expected to be sustained, the RBI can be more accommodative. *(BT, 16.01.14)*

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### RBI Probing Credentials

The RBI is examining the credentials of nearly 35,000 entities whose particulars were shared with it by the Ministry of Corporate Affairs (MCA) because of rising instances of fraudulent investment schemes.

The Ministry had shared a list of 34,754 companies, which carry out financial business but do not appear to have been registered with RBI as Non-banking Financial Companies (NBFCs).

The Corporate Affairs Ministry undertook an exercise to identify companies, which are capable of functioning as NBFCs but may not be registered as such with RBI. It was said that 34,754 such companies have been identified and their details shared with the RBI, so that companies not registered as NBFC could be prosecuted by the RBI. *(BL, 13.02.14)*
With a vote on account (and not a full-fledged rail budget) just weeks away, the Indian Railways again finds itself in uncomfortable though familiar territory. Its performance indicators till December 2013 show a substantial increase in its expenditures and continuing decline in its earnings.

With just over a couple of months to go in the current fiscal, not many in Rail Bhawan are hopeful of stemming the tide.

Whoever comes to power after the next Lok Sabha polls, will, therefore, be saddled with a Ministry stuck in a financial quagmire.

As per their revised estimates, while the railways’ earnings are likely to fall by a staggering ₹4,558 crore from the budget estimates by the end of the current fiscal, their expenses are all set to rise by ₹1,560 crore. What this means is that its overall net revenues will be cut down by ₹1,560 crore. What this means is that its overall net revenues will be down by ₹6,118 crore from what was projected in the budget estimates (given in table).

After paying off their dividend liabilities to the Central Government, the railways are likely to be left with ₹5,467 crore in their coffers as ‘excess’ in the current fiscal year. This ‘excess’ is critical, since all of it has to be invested in three funds, two of which, the development fund (that meets the expenditure to provide and upgrade passenger amenities), the capital fund (that finances creation of new assets), have a direct bearing on rail users.

When the then Minister, Pawan Kumar Bansal read out the last rail budget speech in the year 2012, Rail Bhawan has estimated that it would end up with an ‘excess’ of ₹13,147 crore. From this money, Railways had projected investments worth ₹5,433 crore into the capital fund, another ₹3,550 crore into the development fund and the remaining ₹4,163 crore into the newly created railway liability reserve fund.

The Ministry, at present, is staring at a situation where it will not be left with even half of what it had anticipated as ‘excess’. A steep decline in its passenger earnings is what has led to the current situation. Till December 2013, railways has estimated earnings worth ₹30,848 crore from its passenger business. They have only managed to earn ₹26,846 crore, a deficit of ₹4,002 crore. The expected freight earnings in the same period are down too, by ₹884 crore. On the other hand, the ordinary working expenses till December have overshot the projected figure by ₹4,892 crore.

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* Leading Columnist, Indian Express. Abridged from an article appeared in Indian Express on January 29, 2014
The Union Government is making a back door attempt to regulate rates at ports that are owned by state governments and given to private firms for development and operations, at a time when calls for freeing port tariffs have intensified.

State ports are free to set their own rates, unlike the dozen ports controlled by the Union Government.

The plan will be implemented through a so called model concession agreement for new ports that are built with some funding from the Union Government.

“A balanced mechanism for determination of tariffs has been specified for the entire concession period, since this would be of fundamental importance in estimating the revenue streams of the project and therefore, its viability”, the model agreement drafted by the Planning Commission indicated.

State governments have been adopting their own concession agreements for developing ports with private funds. A model concession agreement for state ports drafted by the Planning Commission was discussed with the state governments and other stakeholders. This is the first attempt to introduce such a uniform model document for state ports.

“The tariffs shall be capped by the rates to be specified by the (state) government prior to invitation of bids. While this will ensure that the users are not exploited in a situation of congestion in port capacity, there will be sufficient freedom for the concessionaire (port operator) to levy and collect competitive and economic charges at all times”, according to the draft model document.

“This implies that state governments that bid out of such port contracts will have to set rates, which act as an upper limit beyond which private operators cannot charge customers. A predetermined tariff is a prerequisite for availing viability-gap funding from the Union Government, according to the eligibility criteria for such grants.

The model document enhances the possibility of securing up to 20 percent of the capital costs as viability gap grants from the central Government along with long term debt from the Indian Infrastructure Finance Company Limited for funding up to 20 percent of the project costs, a Planning Commission official said.

“Setting an upper rate limit for port projects that receive viability gap funding from the Union Government is necessary to conform to the eligibility rules for such funding. Tariff caps are essential, so that the project is not used for speculative gains”, pointed the Planning Commission official.

“As per the model document drafted by the Planning Commission, even if viability gap funding is not sought for a particular port project, the clauses relating to tariff control, performance and productivity standards and cargo composition relating to the entity that runs the port would remain”, an Mumbai based port operating company said.

The plan would also weaken attempts by the Union shipping Ministry to de-regulate rates at the dozen ports it controls to help them face competition from state ports, which at present, account for a market share of about 42 percent of India’s external trade shipped by the sea route.

When the shipping Ministry is trying to move away from tariff control towards a market linked regime for its ports, why is the Planning Commission trying to bring tariff control at state ports”? asked a top official with another Mumbai Based port company and a member of a prominent trade lobby.

In 2012, the shipping Ministry dropped a plan to bring ports outside its control also under rate regulatory framework after coastal states and other stakeholders.

*Abridged from an article appeared in Mint on February 14, 2014*
Discount War Heralds Tighter Competition among Airlines

The state run Air India announced a sale with discounts of about 30 percent on advance bookings, joining a fare war triggered by private sector airlines to tide over the lean season and to fill up seats faster.

Air India is offering discounts on tickets booked between March to September. “The sale is on select domestic (flights) and the domestic leg of international flights”, According to Air India.

The scheme covers 115 flights and offers discounts of about 30 percent on the advance purchase of 30, 60 and 90 day fare levels, it said. The state owned airline said some of the fares on offer are as low as ₹1,586 for a Goa-Mumbai ticket, not including taxes. A Delhi-Lucknow ticket costs ₹1,889, Mumbai-Kolkata ₹3,470 and Thiruvananthapuram-Mumbai ₹2,557.

India’s second largest low fare airline SpiceJet fare cut seems to sparked a bonanza for passengers with most domestic airlines, including IndiGo, run by InterGlobe Aviation Ltd. Jet Airways (India) Ltd. and GoAir operated by Go Airlines (India) Ltd., joining the race on the same day and next day with discounts of their own.

Jet Airways, India’s second largest airline by passengers carried, has been offering hefty discounts. In a notice to travel agents, reviewed by Mint, Jet Airways said the travel validity of these discounted tickets is between March 27 and September 30. This flash sale drivers by airlines come at a time when the total accumulated loses of the aviation industry over the previous seven years had risen to US$8.6bn as March 31, 2013.

Consulting firm Centre for aviation or Capa, in a report said that the airline industry’s debt had climbed to US$12.6bn, with the full service carriers – Air India, Jet Airway and Kingfisher Airlines Ltd – accounting for 94 percent of the account.

Competition is set to intensify in the industry, meanwhile, with AirAsia Bhd Preparing to launch a low-fare carrier and Singapore Airlines (SIA) readying to lunch a premium airline in joint ventures with the Tata Group.

Reduction of fares by Indian low-fareairlines, indicate the intent of releasing seat inventory in the market strategy before the entry of AirAsia India and an attempt to capture as much of the market before Tata-SIA start flying in India.

Drop in fares is sustainable, since the price of fuel still is at reasonable levels. Last time airlines took a step that was in 2008, when fuel was around US$135 a barrel in the market”, said Mark D Martin, Founder and Chief Executive Officer at Martin Consulting Llc. According to the travel agents, airlines are capping cheap fares based on the response to their promotional tactics and trying to fill seats early on unprofitable routes to ensure minimum seat occupancy. The total number of seats available for suh discount drive could not immediately be ascertained.

“The tactical fare sale initiated by spiceJet, followed closely by other carriers, certainly seems to have grabbed consumer attention – our bookings at Thomas Cook India are seeing a surge of 50 percent over the last three days”, said Indiver Rastogi, CEO at travel firm Thomas Cook India.

According to Rajesh Magow, co-founder and CEO, India at MakeMyTrip Ltd., which runs www.makemytrip.com, the web site had witnessed a 3x increase in the number of visitors and his web site had sold over 60,000 tickets by February.

“Delhi, Mumbai and Banglaore combinationa continue to be the top selling routes, while leisure sectors like Goa and Srinagar have also seen a big spike. These sales are helping to createnew demand for air travel and rejuvenating the market. Airlines are able to improve forward-loads and gain yield predictability by filling up seats earlier”, Magow said.
Relaxation in FDI Policy

Commerce and Industry Minister, Anand Sharma stated, “The Government will continue its endeavour for liberalising the Foreign Direct Investment (FDI) policy further to ensure that India retains its leadership position for attracting foreign investment”.

The statement comes amid the Foreign Investment Promotion Board (FIPB) clearing UK based retailer Tesco’s a UK general merchandise retailer application of setting up shops in India in joint venture with Tata’s Trent.

In the previous year, the Government relaxed FDI norms in several sectors including telecom, defence, PSU oil refineries, commodity bourses, power exchanges and stock exchanges. A cabinet note to liberalise the FDI in railways has already been circulated.

He expects that after relaxation in FDI policy, Indian manufacturing will also move up the value chain and acquire greater competitiveness globally.

Regulator on the Anvil

Citing the 2011 order of appointing a ‘National Regulator’ for ensuring implementation of the National Forest Policy, 1988 by a bench headed by Justice A K Pataki and highlighting the deficient mechanism, under the Environment Impact Assessment (EIA) notification of 2006, the Supreme Court has given the Government a few directions.

The Government has been asked to establish an environment regulator at national level having its offices in all the states, which can carry out an independent, objective and transparent appraisal and approval of the projects for environmental clearances. The regulator should also be able to monitor the implementation of the conditions laid down in the environmental clearances by 31st of March.

Chandra Bhushan, Deputy Director General, Centre for Science and Environment, emphasised on making the independent regulator transparent and accountable.

(IE, 02.01.14)

Lock-in Clause in M&A Deals

GE Vahanvati, Attorney General of India, has opined that in a M&A deal, a three-year lock-in period, over sale of equity will apply only on the shares of the new entity. However, outright sale of equity by any operator that participates in the forthcoming auction will be allowed after three year period.

“Effective way would be to clarify the M&A policy to provide that if a licencee participates in an auction and is consequently subject to a lock-in condition, then if such a licencee proposes to merge into another licencee, the lock-in would apply on the new shares issues to the resultant company”, said the Attorney General’s note to the EGoM on telecom.

(IE, 30.01.14)

US Not to Impose Sanctions

India will inform the US that issues related to intellectual property rights (IPRs) are compliant with the rules of the World Trade Organisation (WTO) and, therefore, the US cannot pressurise India or impose unilateral sanctions over its domestic laws.

Disputes about India’s trade policies or patents regime should be addressed only at the WTO. The United States International Trade Commission (USITC) held a public hearing concerning ‘a wide range of Indian policies that discriminate against the US trade and investment in that country got extended.

According to the Indian officials, despite the negative publicity, over the business environment and IPR regime in India, some 1,500 pharmaceutical compounds or composition patents have been granted to nine foreign firms between 1995 and 2012.

(GM Crop Trials Cleared

After the Genetic Engineering Appraisal Committee (GEAC) meeting in March 2013, clearances have been given to Bayer Bioscience, Mahyco, BASF India and Monsanto to conduct various Genetically Modified (GM) crops trials.

The GEAC meeting minutes received approval from the new Environment Minister, Veerappa Moily, paving the way for the field trials of various varieties of GM rice, wheat, maize and castor.

“GM field trials are a matter agitating in the minds of the people for the last several years. Anywhere in the world, scientific benefits have to percolate down to society. If we want to prevent research and science no modern country will be born”, said Moily.

(IE, 25.02.14)

New Model for BIPA

The new model for Bilateral Investment Promotion Agreements (BIPA), seeks explicitly to keep out taxation and IPR issues.

Taking lessons from Vodafone and White Industries case, New Delhi will allow foreign investors to invoke the treaty of the country they have invested into India from and not the parent country. The idea is that treaty should be invoked, which governs the investment. New draft would be a template for negotiations of all future BIPAs.

The notices from 17 companies to India, under BIPA challenging after their investment ran into trouble has been source of adverse publicity and maligned investment climate and imposed a cost on the Government. BIPAs are agreements that seek to promote bilateral investment flows by ensuring fair and equitable treatment to investments on post establishment basis through reciprocal provisions like national treatment, most favoured nation treatment and mechanism for dispute resolution.

(ET, 04.03.14)
Is India an open or closed economy? More than 20 years after the repudiation of the licence quota raj model by the Narasimha Rao-Manmohan Singh reforms initiated in 1991, the answer to that question should be clear. But apparently not. The answer depends upon whether “openness” is measured by the trade policy or by actual trade outcomes.

How restrictive are India’s trade policy barriers? India’s tariffs were stratospherically high – in absolute terms and relative to the rest of the world – prior to 1991 but have declined dramatically. They are close to 10 percent, at present, and have almost converged with tariffs in the rest of the world. In contrast, barriers are very high (both in absolute terms and relative to other countries) in services.

The key points are that: first, India’s overall barriers in services (denoted by the “IND” symbol) are among the highest in the world (surpassed only by Zimbabwe) and nearly four-five times greater than those in Organisation for Economic Co-operation and Development (OECD) countries; and second, they are also very high for India’s level of development because India is well above the line.

The usual caveats, that all such measurements are incomplete (because they do not fully capture regulatory barriers) and imperfect, should not be overlooked. Subject to them, however, the conclusion is that compared to the rest of the world, India’s manufacturing sector faces modest levels of protection, and the services sector faces extremely high levels of protection, resulting in an overall trade regime that is quite protectionist.

But the picture of India changes quite dramatically when the country’s trade regime is judged in terms of trade outcomes. A standard measure of trade outcomes is a country’s trade (exports plus imports) expressed as a share of its gross domestic product (the trade-to-GDP ratio). The evolution in India’s trade-to-GDP ratio, over the last two decades has doubled, over the course of a decade from about 25 to 53 percent in 2012; the recovery from the global financial crisis in 2008 was also swift. It is worth noting that the surge in India’s openness coincides with the period of rapid growth in the 2000s.

But is this 53 percent a small or large number compared with other countries? A geography based view of trade highlights an overlooked fact, namely that large countries tend to trade less than small countries. Being large makes the cost of trading with the outside world relative to trading within the country very high. The opposite is true for small countries: lacking an internal market, their costs of trading with the world are relatively small and hence, they tend to have higher trade-to-GDP ratios.

Looking at the overall trade-to-GDP ratios for a number of countries against their size there is an average relationship between trade outcomes and country size and this confirms the geography based intuition that large countries trade less.

But in a comparative sense, what is interesting is that India is above the line, indicating that for its size, it trades more than the typical country does. Comparisons based on trade in goods indicate that India is a normal trader. But comparisons based on overall trade (goods and services) indicate that India is an over-trader, sometimes significantly so. Moreover, India’s overall trade is about 25 percent greater than it should be for a country of its size and economic development.

So, when India’s trading partners complain about the restrictiveness of the country’s trade regime, they are both right and wrong. It is closed in trade policy terms but open in terms of trade outcomes. Joan Robinson, British economist had observed that everything and its opposite was true about India. That observation applies more mundanely to India’s trade regime too.
Degrading Environment Clouding Growth

According to World Bank’s (WB) recent survey of 178 countries in which environments were surveyed, India ranked 155th overall and almost last in air pollution exposure. The survey also concluded that India’s environmental quality is far below all BRIC countries (China -118, Brazil-77, Russia-73 and South Africa-72).

Moreover, according to another recent World Health Organisation (WHO) survey, across the G-20 economies, 13 of the 20 most polluted cities are in India. Simultaneously, poverty remains both a cause and consequence of resource degradation: agricultural yields are lower on degraded lands, and forests and grasslands are depleted as livelihood resources decline.

To subsist, the poor are compelled to mine and overuse the limited resources available to them, creating a downward spiral of impoverishment and environmental degradation. (WB, 07.03.14)

Highest Illiterate Adults

The report published by United Nations Educational, Scientific and Cultural Organisation (UNESCO) said that India has the highest population of illiterate adults at 287 million, amounting to 37 percent of the global total.

The report further said that the richest young women in India have already achieved universal literacy but the poorest are projected to only do so around 2080, noting that huge disparities within India point to a failure to target support adequately towards those who need it the most.

“Post-2015 goals need to include a commitment to make sure the most disadvantaged groups achieve benchmarks set for goals. Failure to do so could mean that measurement of progress continues to mask the fact that the advantaged benefit the most”, the report added. (FE, 29.01.14)

Lowest Energy Consumption

An expert report submitted to Prime Minister, Manmohan Singh by a network of parliamentarians working to promote renewable energy has pointed that India has 75 million households without access to electricity and per capita consumption in rural households was only 8 units per month as compared 24 units in urban households. Moreover, India is endowed with huge renewable energy (RE) resources, but the country’s per capita energy consumption is one of the lowest in the world.

In their signed memorandum given to the Prime Minister along with the report, they have asked the Government to establish a National Clean Energy Access Mission, mainstream renewable energy in government schemes, and enactment of Renewable Energy Act to be administered by Ministry of New and Renewable Energy and mobilisation of low cost funds for the renewable energy sector. (BL, 27.01.14)

Fall and Rise in Prices

When it comes to slower economic growth, the Government never fails to point out the problems in the global economy but there seems to be little link between Indian and international food prices.

The latest data released by the United Nation’s Food and Agriculture Organisation (FAO) showed that the Food Price Index fell 3.5 percent in December 2013, compared to a year ago. For the full year, the index averaged 209.9, which was 1.6 percent lower than 2012, the Rome-based agency said. In November 2013, the Food Price Index fell 4.4 percent.

While the Government will release the consumer and wholesale price inflation numbers shortly, food inflation based on the Wholesale Price Index (WPI) was estimated at close to 20 percent in November 2013. (ToI, 11.01.14)

Rising Income Disparities

International Monetary Fund (IMF) Managing Director, Christine Lagarde said that seven out of ten people in the world today live in countries where inequality has increased over the past three decades. Further, she said “In India, the net worth of the billionaire community increased 12-fold in 15 years, enough to eliminate absolute poverty in this country twice over”.

Lagarde also said, “In the US, inequality is back to where it was before the Great Depression, and the richest one percent captured 95 percent of all income gains, since 2009, while the bottom 90 percent got poorer”.

There will be about two billion people on the planet, including three quarters of a billion people over the age of 65, Lagarde added. (FE, 05.02.14)

India’s UHNWI to Double

The number of Ultra-High-Net-Worth Individuals (UHNWI) in India is expected to double, over the next 10 years, making the country home to the fourth highest number of billionaires by 2023, according to Knight Frank’s “2014 Wealth Report”.

The global real estate consultancy firm’s report predicts that the number of billionaires in India will grow by a sharp 98 percent to 119, in the year 2023 from 60 billionaires in 2013.

The US, China and Russia will be the only three nations to have more billionaires than India in 2023. The report further said, the number of people whose wealth is estimated at US$100mn, or 'centa-millionaires', are projected to grow by 99 percent in India to 761 in 2023 from 383 in the year 2013. (FE, 06.03.14)
How Many Million Indians Lack the Means to Meet their Essential Needs

Proposing a new ‘empowerment Line’ that aims to measure the minimum economic cost for a household to fulfill eight most basic needs, a global research organisation has estimated that 680 million Indians, or 56 percent of the population, lacks the means to meet their essential needs.

Healthcare, drinking water and sanitation between them account for nearly 40 percent of the gap between current status and the ‘empowerment line’.

In a new research report, McKinsey Global Institute (MGI), the research arm of the consulting firm, created the new line by estimating the economic cost per capita to meet a minimum requirement of consumption of eight basic services – food, health care, education, sanitation, water, housing, fuel and social security – and ‘others’ that included entertainment and clothing.

Using the sector-specific norms for each parameter, this worked out to an average ₹1,544 per capita per month. MGI then estimated the value of government services reaching the household at ₹208 per capita per month.

Adjusting for the state delivered goods and services, the ‘empowerment line’ was set at ₹1,336 per month. In 2011-2012, this left 56 percent of the country below this line, nearly 1.5 times the number of people that India’s official poverty line classifies as poor.

The line was set 38 percent higher for urban India than for urban residents (or 44 percent of the urban population) were below this line, compared with 509 million rural residents (or 61 percent of the rural population), the report said.

“Every poverty line has its problems, and we are aware that there will be problems with this line too”. Shirish Sankhe, Director at McKinsey and co-author of the report, reported.

Deprivation Score

The additional consumption required to bring these US680mn above the line worked out to 4 percent of GDP, the report said.

Using census data, MGI also estimated the availability of basic services at the services at the district level by compiling an Access Deprivation Score.

Bihar had the highest level of deprivation with an ADS score of 62 percent (the average resident lacked access to 62 percent of services) followed by Uttar Pradesh, Jharkhand, Madhya Pradesh and Assam. Himachal Pradesh had the lowest access deprivation at 28 percent followed by Punjab, Uttarakhand, Kerals and Tamil Nadu among the big States.

The MGI Research Report created the new line by estimating the economic cost per capita to meet a minimum requirement of consumption of eight basic services

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– The news item appeared in The Hindu on February 20, 2014
New Corporate Governance

Pratip Kar*

As the dust settles down on SEBI’s announcement on the review of corporate governance norms for listed companies in India following its board meeting, and rationality slowly takes the better of the initial shock, it is time for saner analysis on the possible multidimensional impact.

There was a time not so long ago, when Clause 49 and its impact could be discussed without any reference to the Companies Act, because the old Act did not directly concern itself much with issues related to corporate governance. The position changed when the Companies Act 2013 was notified on August 31, 2013. We got a new Act, which was robust and provided a modern regulatory framework for companies. But after the enactment of the new Act, it has remained largely ineffective, as most (372) of the sections of the Act, including those related to internal governance, have not come into force.

If one were to examine the approved amendments to Clause 49 in conjunction with SEBI’s Concept Paper on the review of corporate governance, and compared these with the provisions related to internal governance of companies strewn across various sections of the Companies Act 2013, one would discover that SEBI’s review of Clause 49 has harmonised the provisions of Clause 49 with the relevant sections in the Companies Act 2013. Thus even if there is a further delay in the issuance of the notifications, under the Companies Act 2013 to bring into force the various sections of the Act for listed companies it would hardly matter. This is because the new Clause 49, in any case, effectively incorporates the essence of the relevant sections of the Act.

SEBI’s announcement is important on one more count. Many listed companies may have chosen to wait for formal notification of the various sections, under the Companies Act, 2013, before taking steps to implement the provisions of the sections. Consequent upon the announcement, they would have to immediately get down to setting their houses in order, reconstitute boards, appoint new directors and institute systems and processes for the boards and committees, and be compliant with Clause 49 by October 01, 2014. Among the 20-odd amendments, three in particular stand out in terms of the impact value on the boards of companies as well as on independent directors.

The first one is the restriction in the maximum number of boards of listed companies an independent director can serve on to seven – and three in case the person is serving as a whole-time director in a listed company. The limit is lower than the permissible limit of ten in the yet-to-be-in-force Section 165 of the Companies Act.

The second amendment, which should influence board efficiency in the long run is board and independent director evaluation. The importance of this step has so far been downplayed by the corporate sector in India and there are strong reservations against the concept and its usefulness. But boards globally have recognised that it would be important for them to continually assess how effectively they are performing their roles against the objectives and the goals they have set for themselves.

The third amendment of importance concerns abusive related party transactions. When businesses are dominated by large business groups, or owned by a controlling shareholder with a large network of personal interests, abusive related party transactions pose one of the biggest corporate governance challenges. This is of course true for most businesses in Asia. The amendments approved by SEBI to curb such abusive related party transactions require adequate board oversight, a central role for independent directors for monitoring these transactions, designing board approval procedures, and setting up elaborate systems beyond the current processes employed by companies.

The sum total of these amendments and others approved by SEBI, such as the expanded role and consequential addition of new responsibilities of the audit committee, reconstitution of boards, risk management and compulsory whistleblower mechanisms, would certainly raise board oversight and increase the responsibilities as well as liabilities of directors.

The measures related to corporate governance are commonly viewed in India only from a compliance perspective and not from a business strategy viewpoint. Corporate governance measures then would seem like a dead albatross heavily weighing on businesses. A change in mind set will happen only when businesses begin to view corporate governance requirements as an integral part of business strategy to help to grow the business ethically.

* Former Executive Director, SEBI. Abridged from an article appeared in Business Standard on February 26, 2014
Govt. Scheme Assessment

The Government spends ₹3.65 trillion to deliver food worth ₹1 trillion, despite this, 57 percent of subsidised grains do not reach the target group, said newly formed Planning Commission’s Independent Evaluation Office (IEO).

The IEO was launched to undertake impartial and objective assessment of various public programmes and improve the effectiveness of public intervention.

On health schemes, child mortality rate is over 300 per 1,00,000 live births in some states and about 100 per 1,00,000 for others. Therefore, evaluation of these sectors will provide information on better practices been undertaken in states performing better, informed the IEO. The money spent on flagship schemes has not shown any results and IEO is assigned to make spending more outcome-oriented. (BL, 26.02.14)

Pay-out for Lift Accident

The National Consumer Disputes Redressal Commission (NCDRC) directing pay-out of ₹5.90 crore compensation to the family of Research and Analysis Wing (RAW) officer who died in a lift mishap a decade ago has given a great boost to the cause of several consumers and lawyers fighting similar battles.

The NCDRC had directed OTIS, RAW and Military Engineering Services (MES) to pay the compensation to the family of Vinip Handa (46), Director, RAW who was crushed to death after the stalled lift that he was being helped out of started moving downwards.

In 2005, his wife filed a complaint before the NCDRC. OTIS, a leading elevator company and RAW were held guilty for failing to ensure the contract for lift maintenance. (BL, 26.02.14)

Green Signal to EOC

The Congress-led UPA Government gave clearance to the establishment of an Equal Opportunities Commission (EOC), a statutory body aimed at checking discrimination against members of minority communities in jobs and education.

Other decisions of Cabinet included, 7,200 km of state roads as new national highways, Odia as a classical language, and clearing the establishment of two semiconductor wafer fabrication manufacturing facilities, to induce inflow of capital and technology in India.

Although, the unpleasant condition of Muslims in the country presented by Sachar Committee formulates a good case for giving green signal to the EOC, timing makes it look like another stunt of UPA Government to induce Muslim Votes for 2014 elections. (Mint, 21.02.14)

Toll Policy to Unveil

The Maharashtra Government has proposed to come out with a policy on toll, which would focus on transparency and end harassment to commuters by contractors.

Initially, the Government plans to close down at least 22 toll collection booths, in addition to about 65, which had already been shut. The Government proposes to discontinue toll collection on roads constructed with expenditure below ₹10 crore.

In response to Shiv Sena founder, Thackeray’s Party’s rasta roko (stopping the way) agitation, Chief Minister, Prithviraj Chavan said the Government was prepared to amend the collection system and bring in new policy.

However, he made it clear that the Government will not tolerate vandalism. Chavan asked Thakarey to immediately stop such incidents in future. (BS, 14.02.14)

CAG Audit for Betterment

Am Aadmi Party’s (AAP) reduction in prices paid by consumers for electricity in Delhi, the Government will bear the entire cost, because the actual electricity tariff is not reducing.

AAP’s justification to subsidy is overpricing by 50 percent done by power companies. To prove the point AAP has asked for CAG audit of these companies.

CAG audit conclusion is not expected to catastrophic. However, if CAG proves that there is large scale padding of costs by the distribution companies then, AAP can rightly claim a big moral and political victory.

The problem is if the CAG audit report finds that the pricing is not unfair, reversing a subsidy is politically suicidal, especially for a new party. (BS, 01.01.14)
Governance Deficit is a Major Problem

Tulsi Jayakumar*

The emerging economies have been transformed into the ‘Fragile Five’, used to describe at least three of the erstwhile BRICS nations – India, South Africa and Brazil – for their excessive dependence on foreign investments, which has led to economic turmoil. In this context, the emphasis of the Indian authorities has been on restoring domestic balance by targeting inflation, while at the same time keeping the current account deficit (CAD) in check through a series of policy measures.

Issues of governance – corruption, delays in clearing projects, ill-routed subsidies – have had an equal, if not more, important role to play in impeding growth, indeed what we have is a triple deficit – with governance added to fiscal deficit and CAD.

Both in terms of the ‘Ease of doing business’ (rank 134) and the ‘Ease of starting a Business’ (rank 179), Indian compares poorly even with the remaining members of the Fragile Five. Indonesia, which ranks second lowest among the five, for instance has comparable figures of 120 and 175. Other reports – The Rule of Law Index (world justice project), the Global Competitiveness Report and Transparency International’s Corruption Perception Index – have all indicated India for its poor governance track record.

Moreover, on the current account side, on the tourism sector affects foreign exchange earnings (FEE) and thereby the CAD. There is enough anecdotal evidence on the fall in tourism following deterioration in the law and order situation in India. With India ranking a low 96/97 on the factor ‘Order and Security’ in the Rule of Law Index and the deteriorating crime and law situation, lower tourist arrivals and the consequent inflows of foreign exchange directly impact CAD. The average growth rate of FEE through tourism for the 2003-04 to 2006-07 was 28.58 percent and dropped to 11.1 percent in the post-crisis period (2008-09 to 2012-2013).

On the capital account side, lack of governance has serious implications for Foreign Direct Investment (FDI). Poor institutions, uncertainty of contracts, poor law and order situation, as also high corruption not only tend to add to investment costs, but also make FDI with its high sunk costs unattractive. It has been found that a point increase in the Government Effectiveness (Kauffman) Index increases the FDI/GDP ratio by 4 percentage points. With India governance indicators deteriorating the impact on the FDI flows is clear to see. The pre-crisis average annual FDI growth rate of 54.6 percent is down to a mere three percent in the post crisis period.

A ‘Double trust Dilemma’, where neither the innovator (who contributes ideas) nor the investor (who invests his money) trust each other, impedes innovations – a prerequisite for development. With India ranking 186 in the ‘Enforcement of Contracts’, it is little wonder that the absence of a safe and secure environment, with adequate investor protection, has impeded growth. High corruption, within a poor institutional environment, makes for a higher fiscal deficit, thereby also constraining growth.

India will need to pay attention to governance issues to be out of the ‘Fragile Five’. The governance deficit is a bigger problem than ‘twin’ deficits.

* Teaches Economics at the S P Jain Institute of Management and Research, Mumbai. Abridged from an article appeared in The Hindu Business Line on February 28, 2014
Road Regulator to Find a Way

The road sector, under stress due to lack of private-sector participation, is likely to get a regulator in the following month. The Road Ministry is expected to present the Regulatory Authority for Highways in India Bill, 2013, before the Cabinet soon.

The setting up of an independent regulator, who is expected to resolve various contract disputes and renegotiate future contracts, is a long-standing demand of the industry.

The roads regulator is expected to find solutions to a number of road projects, which have been stalled due to litigation and arbitration. Officials expect that projects worth ₹20,000 crore can be initiated, if the regulator has its way.

Good Governance Act

The BJP-led Government in Rajasthan will introduce a new legislation for good governance, replacing the Right to Hearing Act and the Guaranteed Delivery of Public Services Act enacted by the previous Congress regime.

The Good Governance Act will incorporate the provisions of both the legislations brought by the Ashok Gehlot Government and lay down an “innovative procedure” for promptly redressing people’s grievances, Chief Minister of Rajasthan Vasundhara Raje said.

The state government will shortly appoint a task force to study similar initiatives, including the legislations, procedures and administrative orders, adopted in other states before making recommendations for the new law.

New Land Acquisition Act

The new Land Acquisition Act, enacted by Parliament to provide just and fair compensation to those whose land is taken away for constructing roads, buildings or factories, will come into force, replacing 120 year old legislation.

The new Law – Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act – stipulates mandatory consent of at least 70 percent of affected people for acquiring land for PPP projects and 80 percent for acquiring land for private companies.

The state governments will have to set up at least six bodies, including the state level Land Acquisition Rehabilitation and Resettlement Authority, to hear disputes arising out of projects where land acquisition has been initiated by the state or its agencies.

MFI Bill Might Lapse

The much-awaited Micro Finance Institutions (Development and Regulation) Bill, 2012, is unlikely to make it to Parliament in the forthcoming Budget session and, therefore, could lapse. This would mean that MFIs, especially those not registered as NBFCs and, therefore, not under the RBI gaze, would struggle to get funding and run their business.

The Bill envisages the RBI to be the sole regulator for the MFI industry and also provides for safeguards against MFIs charging excessive rates. If the Bill lapses, it would be a repeat of 2009 when a similar Bill lapsed due to expiry of the 14th Lok Sabha.

Parties Away from RTI Act

The amendment made in the Right to Information (RTI) Act by the Parliament that proposed to keep political parties outside its ambit has been approved by the Parliamentary Committee.

Whistleblower Bill Passed

A Bill to set up a regular mechanism to encourage persons to disclose information on corruption or wilful misuse of power by public servants, including Ministers, was passed by the Rajya Sabha.

The Whistleblowers’ Protection Bill also seeks to provide for “adequate protection to persons reporting corruption or wilful misuse of discretion, which causes a demonstrable loss to the Government, or commission of a criminal offence by a public servant”.

The Bill sets forth the procedure for inquiring into the disclosures and provides for safeguards against victimisation.

Worst Performing Lok Sabha

In less than a month’s time, the 15th Lok Sabha’s term will come to an end with the dubious distinction of being the worst performing House, since independence, passing the least number of bills (165) in a five-year term.

Of the 126 bills pending in Parliament, 72 are pending in the Lower House, which means they will vanish when the new Lok Sabha is constituted. The remaining 54 bills pending in Rajya Sabha will live to see another day but considering that the Indian Medical Council Amendment Bill has been waiting for passage, since 1987 there is not much hope for them either.

The fifth Lok Sabha was the most enterprising as 482 bills were passed during the term while the 12th Lok Sabha was the worst with only 56 bills passed, although in a truncated tenure.

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**Fossil Fuel Subsidies Unaffordable**

India cannot afford fossil fuel subsidies in perpetuity and there is clear understanding that these must go, Economic Affairs Secretary, Arvind Mayaram said. The country’s fuel subsidy bill for LPG and diesel is a whopping 1.50 lakh crore, which the country ill afford to foot as it is already saddled with two huge deficits, fiscal and current account.

The Government’s decision to increase the quota of LPG cylinders from 9 to 12 per year per household from nine earlier would also lead to a subsidy burden of about 5,000 crore for the Government. Mayaram said: “If business model is around only subsidies then business model will fail...No country can sustain subsidy in perpetuity for anything”.

Moreover, India being the fourth largest consumer of energy and this is when a very large number of Indians do not have access to energy. (IE, 06.02.14)

**Drop in Farmers’ Suicide**

Union Agriculture Minister, Sharad Pawar after announcing ‘KrishiVasant’, the largest agricultural exhibition said, “The efforts that we have been taking, since 2005-06 have been bearing fruits”, as statistics farmers’ suicides percent in the country had dropped by 50 percent. “The agricultural universities in the area have been entrusted with the responsibility of taking care of the families of the deceased farmers. The villages, where suicides have taken place, have been turned into model villages to ensure that farmers do not take such drastic steps again”, Maharashtra Chief Minister, Prithviraj Chavan said.

Pawar also indicated that the country might be heading towards bumper production of wheat in the current year. (TH, 13.01.14)

**India Not Most Corrupt Country**

The Finance Minister, P Chidambaram, said that India is not the most corrupt country in the world though corruption is growing in the country.

He quoted a report where it has been said that business in Europe is estimated to spend US$162bn, every year bribing officials, politicians, and Government just to do business and added that there are instances of corruption in every country.

He also mentioned that the scale of corruption in India is growing because the size of economy is growing. There are more business opportunities, and there are more stakeholders. Besides, there is more competition, at present. (BL, 12.02.14)

**Bank Accounts for All**

According to Nachiket Mor, Chairman of the RBI appointed financial inclusion committee, bank accounts for all can be achieved in two years if banks can ride on the Aadhaar enrollment drive that is currently underway.

The Mor Committee, which submitted its report, proposed that banks should provide every individual over 18 years a bank account by January 2016. In India, only 36 percent adults have bank accounts.

However, many bankers and analysts think that it is too ambitious target to achieve in two years. Further, he stated that banks will have to ride on the Aadhaar enrollment drive that is due to be completed by December 2015. As already, over 50 crore people have been issued biometric-verifiable Aadhaar cards. (BL, 10.01.14)

**Corruption Affects Indian Image**

India is not alone in having a corruption problem, nor is the size of its problem extraordinary, but the country is certainly in the top league when it comes to graft. In fact, the US would probably be a good competitor through forms of corruption vary, Nobel Laureate, Joseph Stiglitz said while delivering a lecture on “Globalisation, Structural Change and Inequality” in Bangalore.

India’s corruption problem needed to be addressed because of the negative image the country was getting, Stiglitz said, when asked about the recent developments on the anti-corruption plank.

“They are actually right, it is a first-order issue but one shouldn’t believe that solving corruption will by itself lead to economic growth. There should be a growth agenda”, he added. (FE, 14.01.14)

**Govt. Defends RTE Outcome**

The Human Resource Development (HRD) Ministry seems to have scored a self-goal in some parameters and in some others the improvement it claims is far from significant. In terms of the quality of education, official data for the past four years is not encouraging.

The Annual Status of Education Report (ASER) released by non-profit Pratham Education Foundation said while overall enrolment had improved, the quality of learning either showed no improvement or had actually worsened in the nine years of the UPA government’s rule.

Apart from the quality of education, it reported several other findings like drinking water, teacher’s ratio in proportionate to students, dropout rate of students and so on that the HRD Ministry attempts to counter. (Mint, 23.01.14)
Teeth on Pharmaceutical Sector

The pharmaceutical sector in India is yet to modernise in terms of production and is still holding out of the global opportunities for the sector. The Drug Controller General of India openly admitted that if India follows US standards then it would have to close most of the domestic pharmaceutical facilities.

India being the supplier of generic drugs to almost 200 nations, especially needs to follow global standards. This onus makes regulation of the sector imperative.

The regulation must not be restricted to provision of inexpensive drugs but also to ensure better quality while manufacturing, making the regulator more proactive in nature. Teeth on pharmaceutical sector would increase India’s prospects in global pharmaceutical industry. (ET, 31.01.14)

Ranbaxy, Teva to Settle Charges

Ranbaxy and Israel based Teva agreed to pay US$0.3mn to settle allegation of anti-competitive agreement on the sale of several generic drugs. The companies colluded not to challenge certain exclusivities and market position with respect to certain drugs amongst and against themselves.

New York State Attorney General Eric Schneidermann stated that the act of the companies stood in violation of the anti-trust laws, increasing the prices of the drugs. In 2010, the companies negotiated agreement to collude and split profits, since Ranbaxy was uncertain of procuring FDA approval.

The agreement was made initially for ‘atorvastatin’ but the companies instead used it shield dozens of drugs from legal implications. (IE, 19.02.14)

Healthcare in Crisis

India’s healthcare sector is in crisis. Though government programmes have tamed some infectious diseases, the country’s performance on many health metrics is poor. The infant mortality rate is seven times that of the US and three times that of China; almost two-thirds of babies in rural areas are born without the aid of skilled health personnel.

India has 63 million diabetics and 2.5 million cancer sufferers, the majority of whom will not be diagnosed, much less treated. 70 percent of India’s 20 million blind people could be helped with simple surgery – if it were available. Less than 5 percent of the 2.5 million Indians annually who need heart surgery get it.

Although India has 750,000 doctors and 1.1 million nurses, practitioner density is about one-fourth that of America and less than half that of China. And there is a severe shortage of hospital beds and medical facilities. (BT, 19.01.14)

Quality: A Concern for Healthcare

As many as 98,000 hospital deaths occur annually due to medical errors, which also increase the cost of treatment for patients, according to K K Kalra, Chief Executive Officer of the National Accreditation Board for Hospitals and Healthcare Providers (NABH).

He said that quality was a concern for the Indian healthcare industry, which was seen to have grown at a rapid pace, especially in recent years. Advancements in knowledge, disease management and technology besides an aging society had increased the complexities in management of patients.

Accredited hospitals could create confidence in the community about the hospital’s service and assist other healthcare institutions prepare for high quality systems. Further, the penetration of health insurance was low in India despite the high cost of health care. Also, there was no monitoring of outcomes in hospitals.

Political commitment was needed to make the safety of patients a priority in the public health system. (TH, 17.02.14)

India: Most TB Stricken Nation

India remains the most tuberculosis-stricken country in the world and despite the Government’s best efforts it can’t beat tuberculosis alone. That’s because in India, the healthcare resources largely lie with the private sector.

The Government has set an ambitious goal of providing universal access to quality TB diagnosis and treatment by 2017. Given estimates that the private sector in India treats about 50 percent of all TB patients, their engagement in battling the TB menace is vital. It is estimated that private providers contribute to less than 5 percent of case notifications to the national tuberculosis control programme.

Another issue is the private sector’s role in the tuberculosis control. The law requires private hospitals and other clinics to comply with the Revised National Tuberculosis Control programme (RNTCP)/WHO treatment regimens, but there are errors in both dosage of drugs and durations of treatment. (THS, 24.03.14)

Call for Health System Reforms

Based on a foundational recognition of healthcare as a fundamental human right, the Kolkata Group called for both an integrated approach to healthcare and a comprehensive understanding of healthcare that includes nutrition, and water and sanitation.

Priorities highlighted for India include the adoption of a single payer national health insurance scheme to address equity in access and coverage, promoting transformative medical training and high ethical conduct to provide comprehensive primary healthcare, and sustained and effective stewardship to provide a vision for reforming the Indian healthcare system.

The Kolkata Group, Chaired by Nobel laureate Prof. Amartya Sen, also Chair of HGEI Steering Committee, is a high-level meeting that explores the interconnections between inequality, deprivation, human development, and democracy. (Tol, 17.02.14)
‘Closure’ India’s Answer to Implement US Drug Norms?

Sushmi Dey*

Around the world the one complaint that is constantly alleged against the Indian drug industry is with respect to quality. Due to the constant insinuations the country’s pharmaceutical regulator, the Drug Controller General of India (DCGI), is facing a tough time to elevate the quality standard of the pharmaceutical sector.

GN Singh, DCGI stated that the Indian drug regulator cannot be compared, to its US counterpart, especially since the regulator is evolving and it will take some time for the same to enforce same powers to teeth the pharmaceutical player in India with same dexterity as in the US. He also maintained that the Indian pharmaceutical sector was in a position to be adept with the standards that are maintained in the US, imposing par US standards would, therefore, mean collapse of the industry.

When BS questioned that despite the fact that certain pharmaceutical company has been barred from the US owing to its quality issue, why the same company is allowed to circulate its medicines in India and what was the modus operandi of the regulator, the DCG replied that due action is being taken: including fixing accountability and issuing a show cause notice, also the company has been served a strict warning to maintain quality standards for the production.

He assured that if required inspection of industrial units shall be made and would also resort to banning of the circulation of medicines if requirement comes. This statement, however, was countered by the feature which reflected that Indian drug regulator has a strength of 1,200-1,500 drug inspectors while US has a total 13,000 (approx.) drug inspectors for the same purposes. The small number of inspectors is appointed to check around 10,300 pharmaceutical manufacturing units in the country including the small and medium enterprises (SMEs).

When the BS asked about the response that Ranbaxy gave to the DCGI, the Director General replied that the reply to the show cause notice is yet to be received. However, the regulator has requested for the sample of product already in circulation and a detailed list of customer to whom the API (Active Pharmaceutical Ingredient) is supplied by them.

The regulator was also questioned whether the medicines in circulation were safe for consumption, especially since at present the consumers are scared to take medicines that are domestically manufactured. To this Singh clarified that the efficacy of the medicines were never in question in the US, the objection of the US Food and Drug Administration (FDA) was based on the process of manufacture of the medicine, therefore, the medicines were safe for consumption.

Further, the question as to contamination of the tablets and the closure of the respective units was asked to which the regulator said that inspection of the Ranbaxy facilities was made and certain minor violations were found but those did not amount to closure of a certain facilities, under the Drugs and Cosmetics Act. He also said that the laws of US and India are very different in nature having distinct implications and the Indian regulator follows the Indian laws and not of the US.

The Indian laws, of course, does not allow inferior quality products to be consumed by the citizens but on the other hand the two countries have different standards in terms of infrastructure and resources. The priority of the regulator is assure medicines available and affordable to all.

Finally, when asked about complaint of the pharmaceutical industry regarding the delay in procuring new product approvals, the DCG said that it is the task of the regulator to ensure that the companies comply the regulations and that there shall be no compromise to ensure the same.

* Excerpts from an interview with G N Singh, DCGI that appeared in Business Standard on January 30, 2014
Working on Cross-Purposes

The Competition Commission’s Chairman, Ashok Chawla said at an event organised by Public Affairs Forum of India in association with J Sagar Associates and Genesis Burson-Marsteller that regulators functions should not contradict each other and their actions should not result in unnecessary burden on economy.

He also asserted that the Competition Commission of India (CCI) mainly looked at the operational behavior of entities in the market place. In recent times, there have been concerns over different sectoral regulators trespassing each other’s jurisdictions.

Chawla also said, “The sectoral regulators and the market regulator, in this case the CCI, should function in a manner, which does not contradict each other and which should not lead to unnecessary regulatory burden,”

(CCI, 14.02.14)

Karnataka Steelmakers to CCI

Alleging cartelisation and profiteering by a section of private miners in Karnataka, the iron and steel manufacturers in the State are contemplating approaching the Competition Commission of India on the issue.

The prices of iron ore with a ferrous content of 61 percent, being sold by private miners in the State, have almost doubled, since September 2013 to around ₹5,000 a tonne, as these producers have kept raising the floor prices for e-auctions, the steelmakers claimed.

This high price has made iron ore unviable for steelmakers – forcing several sponge iron makers to shut shop while triggering a raw material supply crisis for others, said Vinod Nowal, President of the Karnataka Iron and Steel Manufacturers Association.

(CEF, 04.02.14)

Charges Hyundai Dismissed

The Competition Commission has dismissed charges of abusing dominant market position with regard to dealership of cars against Hyundai Motor India.

The complaint was filed by Surat-based Nanavati Wheels, which was appointed as a non-exclusive dealer of the company’s vehicles at Surat in Gujarat. Nanavati Wheels had alleged that Hyundai was abusing its market dominance by restraining it from taking the dealership of another car company as well.

In the order, the Commission noted that Hyundai “was not dominant in the market of sale of cars in Surat region”. “Maruti Suzuki was having about 10 percent more market share than the opposite party,” CCI said.

CCI Rejects Dish TV’s Complaint

The Competition Commission has rejected Dish TV’s allegation that six Multi-System Operators (MSOs). This includes Den Networks and Hathway Cable & Datacom, abused their dominant market position. Siti Cable Network, Fastway Transmission, Gujarat Telelink and Sumangali Cable Vision are the other four MSO players against whom the complaint was filed by Dish TV.

The fair trade regulator has rejected the complaint saying that it did not find any prima facie case for causing an investigation to be made by the Director General”. According to the regulator the word “group” referred to in the Competition Act does not refer to “group of different and completely independent corporate entities” but refers to “different enterprises belonging to the same group in terms of control of management or equity”.

(CCI, 05.02.14)

Cartelisation Allegation Denied

The Federation of Indian Mineral Industries has denied the allegation of “cartelisation” in fixing iron ore prices, and said the prices of the mineral are high because of market dynamics.

Earlier, steelmakers, including JSW Steel Ltd, had accused private miners from Karnataka of cartelisation and profiteering.

“Moreover, the miners are fixing the reserve price post resumption of production after clearance from the Supreme Court. It is astonishing to see this weird allegation when 70 percent of the iron ore in e-auction is being supplied by NMDC”, said Prasun K Mukherjee, Managing Director of SesaSterlite Ltd, while spelling out the federation’s stand on the issue.

(FE, 04.02.14)

Fine on CIL

The Competition Appellate Tribunal (Compat) put a stay on the ₹1,773 crore penalty levied on Coal India Limited (CIL) by the competition watchdog subject to the condition that the state-owner miner deposits a token penalty of ₹50 crore.

The Compat has also directed CIL to file an affidavit stating the changes and amendments incorporated by the company into the fuel supply agreements (FSAs). Those are pertaining to the collection and testing of coal samples.

During the proceedings, counsel on behalf of the power generation companies told Compat that there should be a provision for collection of coal samples and it’s testing during the loading and unloading stage as the CIL is delivering lower-quality coal, even when the contract between the parties provides for a better quality of raw material. He added that more coal is used up in generation of electricity due to its low quality, resulting in increased expenditure for the companies.

(ET, 05.02.14)
Even after a decade industry sees competition laws as another barrier to doing business. How are you trying to assuage that feeling?

It is a new piece of economic legislation, with reasonably high penalties. It is possible that industry on the whole – I am not talking about a particular company or a particular sector – may not be familiar with the legal architecture. We also get the impression in the advocacy that the contours of the law are not known to people in enterprises down the line. People at the top, or people at senior level are aware, but not everybody. That is the second challenge that the industry has to cope with.

Whenever there is a new regulatory architecture, and there is a new person looking at a certain paradigm, it certainly means a little more effort on the part of industry to respond to that. These are the kind of challenges that the industry has to cope with.

What the Act hopes to achieve, and the objective that Parliament has spelt out in the preamble to the Act is to make markets function more effectively, to ensure there is a fair play between and among enterprises operating in a commercial space. At the end of the day, it benefits the consumer.

In that sense, while there are challenges there are also great opportunities.

There are a lot of regulatory challenges facing sectors such as pharma, aviation, automobiles, among others. Many perceive the Competition Commission as another regulatory hurdle...

Businesses have to be given a free hand. At the same time, there has to be effective regulation to ensure that it does not work in an arbitrary and discretionary manner.

Appropriate and effective regulation is something that the industry has to live with. There is no getting away from that. Even the most laissez faire economies in the world have this type of arrangements.

How do you view the recent instances of our regulatory system and industry being rapped by regulators abroad?

Every regulator will look at his mandate under the law, the scope within the jurisdiction, under which the regulator operates. If foreign regulators are looking at the behaviour of enterprises in those countries, they will look at it from their point of view. The regulators here are neither entitled to and nor expected to focus on what the concerns of regulators in other countries are.

As businesses become global and as operations extend to all parts of the world, different regulators will look at the same enterprise from their point of view and there is no getting away for enterprises from responding to that challenge.

With so many regulators around do you see some degree of a turf battle, especially given that there is talk of a regulator of regulators?

I don’t think there has been any talk of a regulator of regulators in India except maybe in the financial sector where there has been some discussion on this aspect. Otherwise, in different sectors, there are sectoral regulators who have their own mandate on technical issues, issues of licensing, issues around tariff, orderly and healthy growth of the sector.

The requirement is that the sector and the market regulator, which in this case is CCI, should work in such a fashion that they do not contradict each other and lead to unnecessary regulatory burden. There is no possibility or discussion on regulator of regulators in the Indian context.
Indian democracy took a turn towards ancient Athens after the Aam Aadmi Party (AAP) went to the people a second time in an attempt to resolve a political dilemma. The fledging political outfit that earlier this month won 30 percent of the vote and 40 percent of the seats in elections in the city-state of Delhi invoked the notion of “direct democracy” in defence of its decision to hold a referendum on the question of whether it should make a bid to form a minority government in the capital.

In its manifesto, the AAP has borrowed from Brazil’s Porto Alegre model of local government by popular consent. This makes it appear all of sudden that the world's emerging markets are also emerging as the sites of new developments in the democratic thoughts and practices— as in deed in the practice of authoritarianism and capitalism. New energies in India and Brazil are reworking forms of representative government that have settled into stasis in the developed world.

The referendum in itself was a double-pronged affair involving a range of traditional and 21st century forms. It offered the citizens of Delhi the option of going to asset of public meetings that would return a single “yes” or “no” answer by popular vote, or of sending in their answer by text message or on phone. Some sceptics questioned, the wisdom of such a referendum and the claim of “the will of the people” established by its results. After all, those who had voted for the AAP might be logically expected to be the more willing than others to participate in such an exercise and to favour a “yes”.

There was much debate, however of the wisdom of the AAP’s move, which will involve a political version of sleeping with the enemy. The new government will have a slender majority in the assembly only because of the support of the Indian National Congress, the very party that was comprehensively voted out of power in Delhi, returning only eight seats after three successive terms in power in the state.

There is no love lost between the two parties, and a single phrase was enough to establish the fragility and mistrust of their compact. In a long interview, Arvind Kejriwal declared the AAP was actually “calling the congress’s bluff” in accepting the older party’s offer to support from the outside.

Indeed, political innocence and experience could be seen jostling one other: the newest major Indian political party tried to set up a government without conceding the moral high ground, while the oldest one offered it a lifeline that might also yield advantages and power to itself just when it had resigned itself to life in the margins. A fascinating set of calculations and political tradeoffs were behind the AAP’s move to form a government and the congress decision to support it, involving idealism and pragmatism, and the looming shadows of national elections.

The installation of a Government in India’s political capital and sole city state will give the AAP a chance to usher in and test the feasibility of the radical new Programme of the municipal management and decentralisation of political power to envisioned in its manifesto ant to appoint an anti-corruption authority with wide ranging powers, called the lokayukta, for which it has long pressured the major political parties without success.

The ascent to power and prominence in the national capital would allow the AAP to scale up quickly to make its presence felt in the upcoming Lok Sabha elections.

That, the Congress anticipates, would enable the AAP to short circuit the rapid rise of Narendra Modi, the leader of the main opposition Bhartiya Janta Party (BJP), whose development record in Gujarat and rhetoric of “strong governance” have won him a substantial constituency among young urban voters – a large new following distinct from the BJP’s traditional upper – caste, predominantly north Indian vote base.

A few months ago, with the Congress led coalition government appearing moribund and directionless, it had looked like Modi was going to run away with the game in 2014, but as Siddarth Varadarajan argued on Bloomberg View; it looks likely now that the “Indian American Journalist wave” is losing momentum.

Every Shade and nuance of political idealism and realism, calculation and compromise, was on review in this story, and what this ferment portends is that India is going to be supplying some of the most exciting stories of 2014.

* Novelist and New Delhi Correspondent for World View. Abridged from an article appeared in Mint on January 01, 2014
Competition and Regulation in India, 2013

It is the fourth biennial report (2007, 2009 and 2011) that maps status of competition across Indian markets and focusses on four sectors, i.e. Coal, Railways, Private Healthcare and Finance apart from cross-sectoral issues, such as Regulatory Independence and Regulatory Conflicts. This study is an important contribution towards enriching the available literature in the public domain and encouraging a dialogue to promote a healthy and competitive environment as evolving an appropriate regulatory culture is always a learning curve.

The first report, published in 2007 includes the rationale for a holistic competition policy and law regime in India and covering infrastructure sector and equally crucial area of social infrastructure like healthcare and education, as case studies.

The second report, published in 2009 is an effort to educate the public and the policy community about the effect of these various facets of public policy on competition and regulation. It focuses on the evaluation of quality of regulation in five sectors: power, ports, civil aviation, agricultural markets and higher education.

The third report, published in 2011 maps the status of competition across the Indian markets and focusses on six emerging sectors, i.e. Microfinance, Natural Gas, Retail, Real Estate (residential), Road Transport (passenger transport) and Telecommunications. Further, it also covers general issues, such as political economy of regulation and essential facilities doctrine etc.


ReguLetter

The January-March 2014 issue of ReguLetter encapsulates ‘Pro-competitive Reforms in Developing Countries to Benefit Ordinary Citizens’ in its cover story, which provides an idea about certain areas in sectoral policies (in such a key sector as staple food), where introduction of pro-competitive reforms could be explored as a means for benefiting consumers and producers, in a developing country setting.

A special article by Leonard Ugbastah states that the aim of competition policy and law is not just to ensure that there are many suppliers in the market for particular goods and services but to ensure that such suppliers play, according to a set of rules that would make it difficult for any of the suppliers or the suppliers, as a group to lessen or eliminate competition in the market.

Broadly, it focuses on news, views and policies related to corporate restructuring, regulations of utilities and finances, corporate governance etc. of different countries, with focus on developing nations.

The newsletter can be accessed at: www.cuts-ccier.org/Reguletter.htm

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