PolicyWatch

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

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INSIDE THIS ISSUE

HIGHLIGHTS

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

The Telecom Overhaul

A couple of months back came the government's 'eureka' moment when it agreed on spectrum sharing and trading between telecom operators. The Department of Telecommunications (DoT) is planning a massive spectrum auction in June 2016 and has even gone beyond, urging the International Telecommunications Union (ITU) to identify additional usable spectrum bands for 3G and 4G services.


www.static.indianexpress.com

For mobile services with persistent issues of call drops, poor Internet and bad reception, the operators had always put the blame on spectrum scarcity. Not any more! Additional spectrum at auction, and an option to share/trade spectrum, is likely to optimise spectrum utilisation and, in the process, raise the quality of service (QoS) for mobile services.

Some government enterprises, sitting on the bulk of unutilised spectrum, have started pondering over its release to help addressing the spectrum scarcity. The Ministry of Defence is thus expected to release 150 Mhz of spectrum in the second quarter of 2016.

India has 10 mobile operators with Reliance Jio joining soon. Free competition is considered beneficial for consumers, but in the case of mobile services it might not be so. With 11 players competing for a limited resources, each will get an inadequate spectrum, resulting in poor services.

With another big spectrum auction on the horizon, the operators are caught in a dilemma to share/trade spectrum or to buy spectrum in the coming auction. The spectrum on auction, valued around ₹5 lakh crore, might land a devastating blow to the already-indebted telecom operators. How the operators would deal with this, while combating the stiff competition, would be intriguing.

All sharing/trading deals would earn the government one percent of the deal value, which becomes the buyer's liability and two-fold earning for the government. Intimating the government 45-day beforehand on deals and restricting operators holding more than 25 percent of spectrum in a circle and 50 percent in specific band again amounts to over-regulation.

Another factor that needs to be addressed is the harmonisation of spectrum. Featuring on ITU's global agenda, harmonisation means uniform allocation of radio frequency bands across entire regions and not just individual countries. This would minimise radio interference along borders, facilitate international roaming and reduce the cost of mobile devices.

Spectrum and infrastructure were claimed to be the biggest culprits for call drops. Now that one has been eliminated and the other is being addressed, services should definitely improve soon. If that does not happen, the telecom operators should be warned that consumers' faith will dwindle.

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COMMUNICATION

Radio Rating Agenda

Broadcasting regulator Telecom Regulatory Authority of India (TRAI) has initiated a consultation process for creation of credible radio audience measurement framework that is conducive, growth-oriented and protects the interests of the stakeholders.

TRAI intends to ensure a forward-looking, transparent and credible radio rating framework with a 'minimal regulatory intervention' in the rating process.

Advertisement revenue of the radio broadcasting sector is directly linked to listenership of radio channels. Advertisers and advertising agencies require audience measurement, which indicates the popularity of a channel or a programme, it added. *(ET, 15.03.16)*

Landlines via Mobiles

Bharat Sanchar Nigam Limited (BSNL) has unveiled an app through which its customers travelling abroad will be able to connect their landlines through mobile and make calls through them without attracting International Subscriber Dialing (ISD) charges.

The Fixed Mobile Telephony service, to be operational from April 02, 2016 will however, attract monthly charges. Under this technology, BSNL has plans to introduce Short Message Service (SMS) facility on landline phones.

BSNL's another facility – fixed mobile convergence will enable customers to connect up to four devices, mobile and fixed line phones, with each other to send and receive calls, call forwarding etc. on any of these devices. BSNL has announced that it will install 21,000 additional mobile towers across country for mobile network upgradation.

(ET, 17.03.16)

Market Access Policy

Domestic telecom equipment makers are seeking inclusion of private telecom operators under the government's Preferential Market Access (PMA) policy, indicating that the move will help push sales.

PMA policy mandates all state departments, organisations and agencies to procure at least 30 percent of their equipment from domestic market.

Domestic manufacturers complain that they have not been able to increase market access despite having cheaper products. They claim that some government-run organisations are reluctant to buy their portfolio, forcing their production facilities go underutilised. To try and level the playing field, they want PMA policy to be extended to private operators as well. *(ET, 16.03.15)*

Employable Human Resources

The Department of Telecommunication (DoT), has recently asked all telecom service providers to train students across industrial training institutes (ITIs) in line with the industry's operational requirements.

Students will be trained, typically, to handle the gamut of technical work relating to rollout and maintenance of mobile networks.

The DoT directive stems from the priority being accorded by the Narendra Modi government in involving the private sector for revamping technical institutes, such as ITIs for skill building and developing employable human resources for key industry sectors, including telecoms. *(ET, 16.03.16)*

Drive Test for Call Drops

Ravi Shankar Prasad along with Telecom Secretary and BSNL Chairman and Managing Director (CMD) will conduct a drive test in Delhi to directly monitor call drops.

TRAI conducted a drive test of call drops, in December-January period and found most of the telecom operators, including state-run Mahanagar Telephone Nigam Limited. (MTNL), failed random drive tests to check quality of their network and services as part of its efforts to rein in call drop menace.

In Indore, the telecom regulator found 2G network of Airtel, Vodafone, RCom Code Division Multiple Access (CDMA) and Tata CDMA complied with call drop norms while others failed. *(ET, 17.03.16)*

Pushing Internet Services

The DoT is chalking out a strategy to promote internet services, especially in small towns and areas, through state-run BSNL to bridge the digital divide. This will be in line with government's vision of 'Digital India'.

Internet services would cover access to the net via mobile phones as well as through broadband – wireline – connections. The plan could be to offer internet services free for first two months or free internet usage during night, though with a specified data limit to get people onto internet boat.

BSNL is setting up Wi-Fi hotspots in partnerships with other players. This would give users free access to the internet for the first 30 minutes, after which they would have to buy vouchers. *(BS, 09.02.16)*

Policy for Digital Lockers

In an another move to promote the 'Digital India' initiative in India, Ravi Shankar Prasad said that the government is working on a draft policy on 'digital lockers'.

Digital lockers are cloud-based spaces in government cloud that could be used by both government and private users. Prasad said that around a million digital lockers have been opened, and 1.5 million documents have been uploaded to these cloud-based lockers.

"We are already having consultation on draft policy on digital lockers and rules for participation of private players", Prasad stated.

(BS, 31.01.16)

• TRANSPORT •

Scrapping Old Vehicles

In the union budget of 2016, the government might announce cash and tax benefits to owners of old vehicles if they scrap and replace them and may also double the fleet of public transport buses to check pollution, sources stated. This is one of the proposals given by Road, Transport and Highways Minister Nitin Gadkari to Union Finance Minister Arun Jaitley.

"The Road, Transport and Highways Ministry has requested at least 50 percent rebate in excise duty to people who, on purchase of new vehicles, give their old vehicles in exchange for scrapping", a senior Ministry official said. This will be a part of the proposed 'end of life' policy for old vehicles. *(TH, 18.01.16)*

Road Rationing Plan

Should Delhi's current odd-even car plying formula be introduced in Mumbai? The ruling partners in the state government, the *Bharatiya Janata Party* (BJP) and *Shiv Sena* are yet to decide. Sena legislator Pratap Sarnaik has given a petition to the Chief Minister to do what Delhi has but BJP said that no hasty step should be taken in this direction.

The government was examining the Delhi experiment, said Finance Minister Sudhir Mungantiwar. He said that they were open to accepting ideas from elsewhere. "The results of Delhi's experiment will take time to show. If successful, we will consider implementing it in Mumbai". *(BS,07.01.16)*

Boosting Water Transport

The union government is working on a strategy to increase the movement of goods and passengers through waterways by nearly five-fold from a mere 3.5 percent at present to 15 percent by 2019. The share is 30 to 40 percent in countries, such as China, South Korea, United Kingdom, Germany and France, Union Shipping and Transport Minister Nitin Gadkari has indicated.

Gadkari said that development of coastal shipping and inland waterways was a priority for the National Defence Alliance (NDA) government. He said that development of waterways would reduce the logistics cost, enabling India to effectively compete in the international market. *(TH, 14.01.16)*

Upgradation of Highways

Kicking off the biggest highways upgradation, the Road Ministry has asked all state governments to send list of state highways that could be scaled up to national highways.

The Ministry has set aside ₹15,000 crore from its budgetary allocation to undertake highway expansion and capacity enhancement projects, such as increasing the number of lanes and providing wayside amenities along with standardising the existing network. The government has set a target of upgrading 50,000 km of existing road length into national highways.

"Projects that are found viable traffic-wise will be taken up on public private partnership (PPP) basis as well, including the recently conceived hybrid annuity model", a senior Transport Ministry official stated. *(ET, 23.03.16)*

Accrual Accounting Launched

Indian Railways will introduce accrual accounting at its rail coach factory in Kapurthala starting March 15, 2016. This may seem like a small step for Indian Railways, but it is actually part of an ambitious agenda to make the department, the biggest one run by the federal government, more financially accountable.

Accrual accounting is an accounting method that measures the performance and position of a company by recognising economic events regardless of when cash transactions occur. The experiment at Kapurthala is part of Railway Minister Suresh Prabhu's ambitious effort to run Indian Railways like a company. *(Mint, 15.03.16)*

Free from 5/20 Rule

The contentious 5/20 rule that restricts Indian airlines from flying abroad till it fulfills certain criteria is likely to be scrapped as the government has proposed direct incentives to airlines promoting regional connectivity in its new aviation policy.

New airlines like Vistara and AirAsia have been pushing for scrapping it, while older airlines like Jet, IndiGo, SpiceJet, etc. are defending it. According to the 5/20 rule, an Indian airline cannot fly abroad unless it has operated in India for five years, or it has an operational fleet of 20 aircraft.

Though Civil Aviation Minister Ashok Gajapathi Raju refused to reveal the government's stand on the rule, sources claim that the government has decided to scrap the policy. *(DC, 15.03.16)*

New Aviation Policy

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The Civil Aviation Ministry expects to implement the aviation policy by the beginning of the following fiscal year, after the Cabinet approves it at the end of the month. Union Civil Aviation Secretary Rajiv Nayan Choubey said he expects the much-delayed aviation policy to be cleared by the Cabinet by the end of March 2016.

"The implementation will begin from 01 April", he said, adding, "We wish it takes less time but it is largely because of the comments received by diverse stakeholders (in response to the draft document)". The aviation policy was first presented in November 2014 and then revised in October 2015 and put up for public comments. *(Mint, 03.03.16)*

• OIL & GAS •

Ethanol Blending Policy

The Government of India will soon come out with a new policy to further promote ethanol bending with petrol. This will be in line with the Government's plan to increase the level of mandatory blending of ethanol with petrol to 10 percent from the current level of 5 percent.

So far, oil companies have been unable to meet the target of 5 percent till now mainly because of unavailability of sufficient ethanol and issues related to its pricing. In order to resolve a part of these issues, the new policy will include a wider source of ethanol including bio-wastes other than its current main source – sugar.

(FE, 14.01.16)

Online Payment Facility

The government plans to introduce the online payment facility for Liquefied Petroleum Gas (LPG) refill by the end of 2016. The Minister of State (Independent Charge) for Petroleum and Natural Gas, Dharmendra Pradhan, described the year 2016 as the year of the LPG consumer.

The government of India has set the target of supplying LPG to 70 percent of the households by 2018. At present, there are around 27 crore households in India, of which 16.5 crore have active LPG connection. The government has added 1.35 crore new LPG consumers in 2015. A 24x7 All-India helpline – 096 has already been initiated for consumers to receive prompt help in case of LPG leaks.

(TH, 02.01.16)

DBT for Kerosene Subsidy

From April 01, 2016, the government will roll out Direct Benefit Transfer (DBT) for kerosene. Under the scheme, which is aimed at curtailing subsidy outgo, the users will buy the cooking fuel at market price and will get financial support directly in their bank accounts. The cash subsidy will be equivalent to the difference between current Public Distribution System (PDS) price of about ₹12 per litre and market rate of ₹43 per litre.

The scheme will be rolled out in 26 districts across eight states – Chhattisgarh, Haryana, Jharkhand, Maharashtra, Punjab, Himachal Pradesh, Rajasthan and Madhya Pradesh. The states will be given 75 percent of subsidy savings during the first two years, 50 percent in the third and 25 percent in the fourth year.

(FE, 02.01.16)

New Price Formula

The government has announced the new gas price formula applicable for discoveries in difficult areas including high pressure-high temperature fields, deep-water and ultra-deep water blocks. As per the new formula, gas price will be capped at the lowest of the imported cost of fuel oil and landed price of liquefied natural gas (LNG) or weighted average of imported price of fuel oil, naphtha and coal.

The new price will also be applicable to existing discoveries, where commercial production has not commenced as on January 01, 2016, provided the concerned contractors withdraw any on-going litigation on prices. Based on the average price in the first nine months of 2015-16, the price is likely to be around US$8 per million British thermal units (mmbtu).

(FE, 21.03.16)

Uniform Licensing Policy

The central government has formulated the new Hydrocarbon Exploration Licensing Policy (HELP), which will provide a uniform licence for exploration and development of all kinds of hydrocarbons from an area.

The uniform licence will enable the contractor to explore conventional as well as non-conventional oil and gas resources including coal-bed methane (CBM), shale gas/oil, tight gas and gas hydrates under a single license.

HELP also includes an open acreage policy that allows contractors to choose the areas from the data centre and then bid. It will be administered by revenue-sharing model, and will give marketing and pricing freedom for production of crude oil and natural gas.

(TH, 10.03.16)

Natural Gas Price Cut

The government is likely to cut natural gas prices soon by 17 percent to US$3.15 per million British Thermal Unit from current US$3.82. As per the new gas pricing formula approved by the NDA-government in October 2014, gas prices are to be revised every six months and the next change is due on April 01, 2016. Oil Ministry is likely to announce anytime a revised price of about US$3.15 per mm Btu for the period April 01, 2016 to September 30, 2016, sources said.

As per the formula, rates are to be determined on a semi-annual basis and calculated based on a volume weighted average of rates in gas surplus nations of the US, Canada and Russia, based on the 12-month trailing average price with a lag of three months.

(DNA, 30.03.16)

Give up LPG Subsidy

The 'Giveitup' campaign of the Government of India has led to the government saving ₹4166 crore in the petroleum subsidy, as the number of consumers leaving liquefied petroleum gas (LPG) subsidy reached 8.22mn after one year of its launch.

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Each of the 8.2mn families has surrendered an annual LPG subsidy worth ₹5,000 on average. However, for the government, this has resulted in the savings equivalent to one-ninth of the allocation for Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS). Each consumer is entitled to 12 subsidised cylinders in a year, above which the requirement is met at the market price.

(BS, 09.03.16)

• POWER •

New Tariff Policy

The amendments to the National Tariff Policy for electricity, as approved by the Cabinet, aims at achieving the 4E's – Electricity for all, Efficiency to ensure affordable tariffs, Environment for a sustainable future and Ease of doing business to attract investments and ensure financial viability.

It tightens the norms followed by electricity regulators while setting tariffs by requiring them to 'necessarily' be guided by the new policy. With an aim to promote renewable energy, it revises the solar specific renewable purchase obligation target to 8 percent by 2022 and makes a provision regarding renewable generation obligation for new coal/lignite-based thermal plants. It also allows increase in fuel cost on account of import to be included in the tariff structure. *(IE, 20.01.16)*

Focus on Hydropower

The Ministry of Power has set up a 10-member panel chaired by Ashwin B Pandya, former Chairman of the Central Water Commission, to advice on framing a new hydropower policy that will help turn around stalled projects and attract fresh investments into the sector. The panel will suggest policy measures on technical, financial, environmental and commercial aspects of the hydropower sector.

The government wants to fix the glitches in the hydropower sector, where many projects are delayed and facing cost overruns, and make this sector more attractive to investors as it would help in achieving the country's commitment at the Paris climate conference. At present, hydropower accounts for only 15 percent of India's 284 GW capacity. *(Mint, 15.02.16)*

Record Low Solar Tariffs

Solar tariffs in India touched a new low as Fortum India, which won a bid for a 70 MW project to be set up in the state of Rajasthan, quoted a price of 4.34/kWh to supply power to National Thermal Power Corporation (NTPC). The e-reverse auction was conducted by NTPC for six projects of 70 MW each in Rajasthan.

Coal Linkage Policy Soon

The Ministry of Power plans to finalise the policy on coal linkages for power sector in the following two-three months. At present, coal is provided to power producers on an 'as is where is' principle or through e-auction. However, since power producers have long-term purchase agreements, they need an assured minimum fuel supply for a long-term to be able to quote a price.

The previous fuel supply agreement framework had covered 78,000 MW to be commercially operational by March 31, 2015, post which there has been no policy announcement. Given that the absence of a coal linkage policy has been causing uncertainty in the market, the power producers have appealed to the Centre to release a coal linkage policy soon. *(DNA, 17.03.16)*

While the bid raised hope of solar energy becoming a viable alternate to thermal power even without subsidies, some industry experts flagged concerns about financial prudency of such lower tariffs. The power developers are of the belief that as the economy of scale improves, the project cost of solar is expected to come down further. *(ToI, 20.01.16)*

Solar Off Grid Policy Unveiled

Maharashtra has unveiled a new solar off-grid policy that seeks to promote rooftop solar power generation and provide subsidy to public and private entities to generate electricity from this renewable source. It aims to save at least 500 MW of energy in the coming five years.

Under the policy, the government will provide 100 percent subsidy to government and semi-government offices for setting up solar power units, while 15 percent subsidy will be provided for private sector entities.

The urban civic bodies and sanctioning authorities have been asked to change Development Control rules to ensure that construction permission is given to only those buildings, which give undertaking to set up solar water heater panels. *(BS, 25.03.16)*

Haryana's New Solar Policy

Haryana has launched a revised solar power policy in order to better align its plans with the Central Government's enhanced solar target of 100 GW. The new policy has a target to add 4 GW of solar to the existing installed capacity of the state by 2022.

In order to attract private sector investments, the policy provides for exemption of solar power projects from electricity duty and cross-subsidy charge. It also sets aside 800 MW of the total planned capacity for projects of 1-2 MW capacity each, to encourage small-scale project developers. Such projects will also receive additional incentives in terms of higher tariffs. The government has also streamlined the process of obtaining approvals to set up solar rooftops. *(IE, 09.03.16)*

Ash Policy Utilisation

The Government of Maharashtra is currently working on an ash utilisation policy to ensure better use of ash generated by coal-based thermal power plants and reduce environmental pollution. The policy targets to increase the ash utilisation rate to 100 percent from the current 58 percent.

The use of ash in making bricks and tiles, apart from other innovative uses would be a part of this policy. It will enable the state-owned power generation utility to export fine quality ash and also help channelising it to cement plants, helping it gain an additional source of revenue.

The State Government expects to gain around ₹1500 crore from exporting ash to countries in the Middle East and Singapore. *(DNA, 14.03.16)*

Better Fiscal Management

The government's fiscal management in the current financial year has been better than the previous years with expenditure being spread out as opposed to the usual bunching up towards the end of the year, according to Controller General of Accounts (CGA), M J Joseph.

The normal trend in government expenditure over the years shows that expenditures increase in the past two quarters of the financial year, mainly Q4. But in 2016, even up to the six-month period, expenditure was more or less 48-50 percent of the budgeted amount.

Another factor that is helping the government better manage its finances is the increasing push towards e-payments, with the Direct Benefit Transfer scheme taking centre-stage.

(TH, 13.02.16)

Reform or Perish

Sending a stern message to states to pursue reforms, Finance Minister Arun Jaitley said that either they should 'reform or perish' as investors do not like an environment of policy paralysis or uncertainty.

Jaitley further added that Haryana has geographical advantage of being close to the national capital, and hence, can attract more investments. Highlighting the importance of investment as the starting point of economic activity, which thereby leads to creation of jobs, Jaitley said investments will suffer if decision making is slow. Predictability of policy, the overall attitude of the government, ethics and integrity have to be high on the agenda of state governments, otherwise the investments will suffer.

(IE, 08.03.16)

Focus on Consolidation

The government has said that it has started the third phase of reforms in state-run banks, which will look into all aspects, including consolidation, through the second edition of *Gyan Sangam*.

The Minister of State for Finance Jayant Sinha said that the Finance Ministry was working very closely with the Reserve Bank of India (RBI) on the asset quality review, and that stressed assets have stabilised and presently the government has a clear sense of what it means for the balance sheet of banks. Finance Minister Arun Jaitely had indicated that a roadmap for consolidation of Public Sector Banks (PSBs) will be spelt out.

(ET, 05.03 16)

Tax Policy Council

The government said that it has created a Tax Policy Research Unit (TPRU) and Tax Policy Council to be chaired by the union Finance Minister with nine other. The TPRU will comprise officers from both the Central Board of Direct Taxes (CBDT) and Central Board of Excise and Customs (CBEC) as well as economists, statisticians, operational researchers, legal experts, said an official release.

The TPRU will be a multi-disciplinary body with the objectives of carrying out studies on various topics of fiscal and tax policies referred to it by CBDT and CBEC. It will provide independent analysis, prepare and disseminate policy papers and background papers on various tax policy issues.

(TH, 03.02.16)

Replicating UID Scheme

The World Bank said that India's move to roll out unique identification number or Aadhaar to its citizens is worthy of replication by other countries as an example of technology leading to economic transformation. The report, which explores the impact of Internet and digital technologies on development noted that while digital technologies have spread rapidly, dividends from them have been lagging.

It also cited examples, such as that of East Africa, where 40 percent adults pay utility bills through mobile phones and China, where 8 million entrepreneurs use an e-commerce platform to export goods to 120 countries and stated that these success stories should be replicated across the world.

(Mint, 14.01.16)

SEBI Orders Disgorgement

Cracking the whip in the HDFC Mutual Fund front-running case, capital markets regulator Securities and Exchange Board of India (SEBI) has ordered its former equity dealer Nilesh Kapadia, his wife Kalpana Kapadia and five other connected persons to disgorge ₹3.35 crore worth of illegal gains made by them.

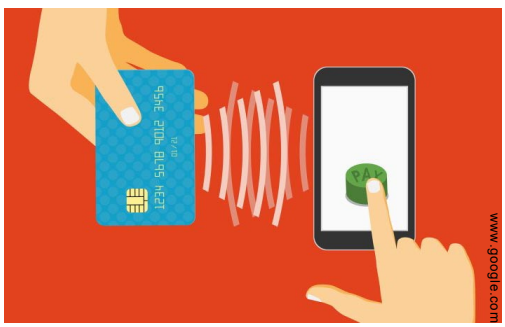
The order follows an investigation by the SEBI into the matter of front-running by certain entities, wherein it found that Kapadia had passed on information and instructions to his wife and others before placing the orders for HDFC Asset Management Company (AMC).

Front-running refers to an unethical practice of someone trading in shares on the basis of advance information at a market intermediary before the trades are conducted by that entity.

(ToI, 18.01.16)

Boosting Cashless Payments

The Union Cabinet has approved measures to promote payments through cards and other electronic means to check tax evasion and transition towards a cashless economy.

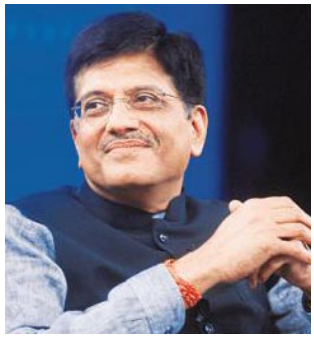


"Several short-term (to be implemented within a year) and medium-term measures (to be implemented within two years) have been approved for implementation by the government ministries/departments/organisations", the government mentioned in a statement.

The statement declared that the essential steps for promotion of electronic payments include withdrawal of surcharge, service charge, convenience fee on cards and digital payments currently imposed by the various departments.

(Mint, 25.02.16)

UDAY is a Game Changer: Piyush Goyal



How is UDAY a Game Changer for the Power Sector?

Never before in the history of India has such a comprehensive power sector reform, which has the potential to completely transform the sector into a vibrant, efficient and well-oiled state machinery, been undertaken. I call it comprehensive because of its salient features. One, it covers the entire value chain in the power sector from fuel, to generation, transmission, renewables, distribution and consumers. It has a very vast canvas determined through a bottom-up approach.

UDAY will also bring down the cost in the entire eco-system of power, coal, and renewable energy by about ₹1.8 tn every year by 2019 against a business-as-usual scenario. This will make distribution companies financially much better without stressing the consumer with tariff increases.

Is the government monetising efficiency when you say energy saved is energy generated?

Yes the government is doing so. Energy saved is actually 1.33 times energy generated, considering the 20-25 percent (transmission) losses at present. We also cut down carbon emissions by saving electricity. UDAY offers both financial and operational gains for distributors and states. Under the scheme, the cost of servicing discom debt comes down from about 12 percent to about 8 percent for three-fourth of the loans taken over by the state, and to about 9 percent on the remaining loans for which state-guaranteed discom bonds will be issued. The savings could be about ₹33,000 crore a year (discoms had an outstanding debt of ₹4.3tn as on September 30, 2015).

Further, we have allowed swapping of coal between less efficient thermal plants and more efficient ones. Allocating coal linkage to a generating company, rather than to a specific plant gives companies the freedom to use the fuel in the most efficient way.

You are leveraging India's market base to create scale that creates efficiency and savings.

Yes I am doing so. It will create globally competitive companies from India. global scale producers in India that will serve global customers. This is a way of making in India without enforcing it.

Have you quantified the employment generation potential of the overall reforms in the sector?

There is an indirect employment generation potential of about 2.5 million jobs from the impact of all the measures that we are taking as part of UDAY. Our solar energy programme alone has the potential of generating one million jobs. Also, the emphasis on using domestic coal will add more jobs in the mining sector.

How are states managing to keep politics out of UDAY?

States are the architects of UDAY, not the central government. In fact, the financial impact on central government because of this scheme is zero. When Uttar Pradesh signed up for UDAY, Chief Minister Akhilesh Yadav sent me a text message saying that he was happy to adopt the scheme as he wanted its benefits to reach the people of the state. The Bihar government too, days after the 2015 state polls, adopted the scheme. One of the successful ideas implemented by states and adopted in UDAY is to mobilise public participation in containing power theft.

How are you addressing fuel shortage of gas-based power plants? We do not have enough domestic gas supplies.

About 24 gigawatt of gas-based power capacity was lying idle earlier. We are now auctioning imported liquefied natural gas (LNG) so that they are able to utilise a part of their capacity, which will enable them to service their debt and service the grid. We have been able to revive about 11,000 MW of capacity because of previous two rounds of LNG auction. We need to find long-term solutions for our domestic gas short supply. One way is to have vertical integration of the global gas supply chain in which an overseas gas well owner puts up a regasification terminal in India, gas transportation pipelines, a gas power plant, and a transmission network.

Is the national power grid operational?

On December 29, 2015, and on three days in January this year, we did not have congestion in the transmission network. Generally, even if we are able to sync the grid to a single frequency, there will be pieces of the grid which will face congestion and prevent accessing the desired level of power by customers. By removing congestion, we are able to have the same price for electricity across the country.

Several successful bidders at the coal auctions claim that they cannot mine commercially at the rates they committed?

Coal block auctions through competitive bids were very transparent. I trust that all bidders came to the auction with their eyes open. The government has demonstrated what a public sector company can do in achieving efficiency and scale. It is for the businesses to make sure that they measure up to the commitments they made to their stake holders and to the people, at large.

– *Edited excerpts of an exclusive interview of Piyush Goyal published in* Mint *on March 21, 2016*
P.S. Please see our article on this topic at http://goo.gl/MNTXkm

Execution Will Be the Big Challenge

G Raghuram*

http://m.dailyhunt.in

The railway budget presented by Railway Minister Suresh Prabhu points the national transporter in the right direction. The challenge would be more in the execution of his budget proposals

First of all, I have been following the earlier bold initiative of opening up container services to the private sector under a public-private partnership (PPP) mode; the proposal began to totter due to commodity, terminal access and tariff restrictions. The latest budget provides a whiff of fresh air through this statement: "Container sector would be opened to all traffic barring coal and specified mineral ores and park loads would be permitted during the non-peak season. All existing terminals/sheds would be granted access to container traffic, where considered feasible".

Secondly, there are eight objectives clearly laid out to be achieved by 2020. Of these, five have clear measurable goals (though punctuality still comes with the qualifier 'almost')! The remaining three are creditable in themselves though have been repeatedly, for many years, discussed as good things to do. 1) Reserved accommodation on trains being available on demand, 2) Time-tabled freight trains with credible service commitments, 3) High-end technology to significantly improve safety record, 4) Elimination of all unmanned level crossings, 5) Punctuality increased to almost 95 percent, 6) Increased average speed of freight trains to 50 kmph and mail/express trains to 80 kmph, 7) Semi high-speed trains running along the golden quadrilateral, and 8) Zero direct discharge of human waste.

Further, the mission of developing at least 100 sidings on a private participation mode is long overdue and welcome. This brings in the bread and butter for Indian Railways. Even now, there are concerns in parity of charges when trains access a private freight terminal versus the railways' own terminal.

In addition, the focus on station redevelopment through PPPs is a good step and has been talked about for over a decade. The problem has been with the bidding process and agreements. As of now, seven stations are listed on the Indian Railway Stations Development Corporation website, of which three have some documentation. The proposal for redeveloping 400+ stations is to be attempted through the Swiss Challenge route, in which any entity can bid to improve upon a project proposed by a rival.

Moreover, there has been a reiteration of emphasis on the Rail Development Authority. This provides for the much-needed independent regulator, enabling separation of policy making and regulation. We only hope that it would have the necessary scope, powers and independence.

There has been explicit recognition of the need for organisational restructuring: "A departmental orientation, absence of cross-functional collaboration and lack of business focus have held back Bhartiya Rail from realising the commanding heights that it is capable of achieving. The solution to this lies in reorienting the working of the organisation towards a common corporate objective".

Besides, the Indian Railway University has once again been mentioned. This would require a Bill, if it is expected to function like the Indian Maritime University and the National Aviation University. Continuing the focus on research, the announcements related to SRESTHA (Special Railway Establishment for Strategic Technology and Holistic Advancement) and SUTRA (Special Unit for Transportation Research and Analytics) are welcome. Four research centres announced in the previous budget have already been established.

Thus it appears that both 2015-16 and 2016-17 will be financially surplus years, in spite of the economic downturn and the charges due to the Pay Commission recommendations. In this context, reduced provisioning for depreciation, savings in working expenses and the 120-day advance booking to generate earlier revenues are questionable.

Overall, while policy directions and financials are welcome in a budget, a great amount of detail on amenities is really out of place.

* *Professor, Public Systems Group, at the Indian Institute of Management, Ahmedabad. This feature has been abridged from an article published in* Mint *on February 26, 2016*

Rising Cost of Land a Major Roadblock in National Highway Expansion

Rajat Arora*

Land acquisition cost for national highway projects has shot up sharply in the current financial year on account of the new land acquisition law that came into force in 2015, dealing a blow to the government's ambitious plan to crisscross the country with top quality roads. The government paid ₹1.35 crore per hectare in 2014-15, which has gone up 65 percent to ₹2.22 crore per hectare in the current financial year. About 1.5 hectare of land is needed to build one kilometre of a four-lane highway.

In order to address the rising vehicle congestion in the country, Union Minister Nitin Gadkari has recently announced that the national highway cover will be increased from the current 96,000 km to 2 lakh km. He said that a formula has been devised based on vehicular traffic movement, according to which four-lane, six-lane and express highways will be developed. The Minister said, "At present, we have 96,000 km national highways or 52 lakh km road length in the country. As much as 40 percent of the traffic moves on these 2 percent national highways and as a result, five lakh accidents take place", the Minister said.

Under the new land acquisition law, the government has to pay twice the price of land in urban areas and four times the price of land in rural areas

The road transport and Highways Ministry has seen an increase of 30 percent in total cost of highway construction in the current financial year on account of high land prices and increased labour costs.

"Earlier, land accounted for 10-15 percent of the total project cost. It has now gone up to 40 percent", said a senior official at the Ministry. The Ministry expects the land cost to be around ₹2.5 crore per hectare on an average in the following financial year. Under the new land acquisition law, the government has to pay twice the price of land in urban areas and four times the price of land in rural areas.

In 2014-15, the government acquired 6,500 hectare for highway projects and paid around ₹9,000 crore in compensation. This year, the government has acquired 9,000 hectare for ₹20,000 crore. The target of land acquisition for the following year is expected to be 12,000 hectare.

"That much increase in land cost certainly acts as a stress point for available budget for highway sector. However, these lucrative prices remove the resistance of farmers and other sellers, who get much better value of their land", said Vinayak Chatterjee, Chairman at Feedback infra.

For building a greenfield twolane national highway, the government spends around ₹10 crore a km, which includes the land and construction cost. For a four-lane highway, the cost comes out to ₹16 crore per km.

The National Highways Authority of India is the land acquiring agency in most states except in hill states, where the National Highways and Infrastructure Development Corporation does land acquisition for highways.

* *Reporter with* The Economic Times. *This article was published in* The Economic Times on March 28, 2016.

M&A Activity Shrinks

M&A activity in India has fallen to a two-year low, according to a Thomson Reuters report. The value of M&A deals involving Indian companies stood at US$35.1bn in 2015, a 4.8 percent fall compared to 2014.

www.google.com

The average M&A deal size witnessed a drop during FY15. Average transaction size of deals during 2015 was US$70mn – compared to US$77.6mn during 2014. Total cross-border M&A increased 73.1 percent to US$23.2bin compared to 2014. Outbound M&A activity grew 112.3 percent in value from comparative period in 2015.

Private equity-backed M&As accounted for 32.7 percent, the industrials sector accounted for 15.9 percent while Energy and Power, Financials and Retail sector accounted for 12.3 percent, 11.7 percent and 11.6 percent of India's domestic M&A activity, respectively. *(FE, 05.01.16)*

Retail Trade Policy

To accelerate investments in underdeveloped regions of state and retain its leading position in retail trade in country, Maharashtra has given in-principal approval to a new policy. The policy, states that retail traders would be excluded from provisions of stocking limits under the Essential Commodities Act.

Traders would be exempted from Agriculture Produce Marketing Committee (APMC) regulations, so that the farmers can sell their produce directly to the retailers.

An official from the industries department said that up to 50 percent additional Floor Space Index (FSI) for development of retail and shopping centre would be admissible over the base FSI, subject to payment of full applicable premium according to prevailing ready-reckoner rates. *(BL, 20.01.16)*

New Textile Policy

The government will announce new textile policy, which is expected to be based on vision document by Ajay Shankar committee in July 2014, by the end of April. The document envisaged textile and garment exports worth US$300bn by 2024-25, compared to US$41bn in past fiscal.

It favoured a structural transformation whereby country would ship out only finished products and not raw materials. The document also forecasted textile and garment sales in the domestic market to rise to US$350bn by 2024-25, against US$100bn at present.

The Textile Ministry had initiated the process of reviewing the National Textile Policy, 2000, and an expert committee was constituted to make fresh recommendations. *(FE, 18.02.16)*

Business Register Data

The government has launched a mammoth enumeration exercise to collect data on all the business enterprises for the National Business Register, a move aimed at strengthening assessment of economic activity.

The Business Register will list establishments at district-level covering seven Acts and authorities, including the Factories Act, the Shops and Commercial Establishments Act, the Companies Act, the Societies Registration Act, the Cooperative Societies Act, the *Khadi* and Village Industries Board and the Directorate of Industries.

The idea is to develop an electronic database of all such information, which will give a boost to Prime Minister Narendra Modi's 'Digital India' campaign and also promote *Khadi*. *(ET, 28.03.16)*

Call for Reducing Subsidies

The economic survey for 2015-16 has called for reducing subsidies for well-off, estimating that around ₹1 lakh crore is flowing as subsidies for six commodities, such as cooking gas, railways along with small savings schemes.

The survey said there are a fair amount of government interventions that help the relatively better-off in society. The survey has also suggested that the government should move in a phased manner to the exempt-exempt-tax (EET) method of taxation of small savings, especially for PPF, which is in exempt-exempt-exempt (EEE) category. *(IE, 26.02.16)*

Largest Arms Importer

India continues to remain world's largest arms importer, accounting for 14 percent of global imports in the 2011-2015, in another indicator of country's enduring failure to build a strong Domestic Defence-Industrial base (DIB).

The latest data on international arms transfers released by Stockholm International Peace Research Institute (SIPRI), shows India's arms imports remain three times greater than its rivals China and Pakistan. Its biggest suppliers are Russia, the US, Israel and France. After India, China ranks second with 4.7 percent, followed by Australia (3.6 percent), Pakistan (3.3 percent), Vietnam (2.9 percent) and South Korea (2.6 percent).

SIPRI reiterated the well-acknowledged fact that "a major reason for the high-level of imports is that the Indian arms industry has so far largely failed to produce competitive indigenously-designed weapons". *(ToI, 23.02.16)*

India Third-largest Economy

According to a report by Centre for Economics Business and Research (CEBR), China will overtake the US as the largest economy in world in 2029 with the US slipping to second place and India close behind at third.

India's projected Gross Domestic Product (GDP) in 2030 was US$10,133bn, behind America's US$32,996bn and China at top with a projected GDP of US$34,338bn. However, India will become the largest economy in Commonwealth in 2019 when its economy overtakes the British economy. *(BL, 01.01.16)*

India Brightest Spot on Map

The World Bank (WB) expects India's growth to pick up to 7.8 percent in the following financial year, projecting it to be the fastest growing economy in the world for the following three years by a distance, riding on stronger domestic policy reforms.

India is expected to notch near 8 percent growth in the subsequent years as the world economy also picks up pace to 2.9 percent growth in 2016 compared to a modest 2.4 percent in the just concluded year. "South Asia will be a bright spot, reflecting improved conditions in India", the WB said in its flagship 'Global Economic Prospects' released recently.

The report pegs growth in the current year at 7.3 percent, same as of 2015 year while raising concerns over legislative reforms. "In India, progress in reforms is not assured as the upper house of Parliament, which the ruling party does not control, has the power to block the government's legislative agenda", the report revealed, adding that the government has made progress in key areas, such as energy and in November announced major reforms to liberalise Foreign Direct investment (FDI) in several sectors.

According to the report, weak growth among major emerging markets will weigh on global growth in 2016, but economic activity should still pick up modestly to a 2.9 percent pace, from 2.4 percent in 2015, as advanced economies gain speed. Recognising that the simultaneous weakness in most major emerging markets is a concern for achieving the goals of poverty reduction and shared prosperity, the report warned that the spillovers from major emerging markets will constrain growth in developing countries and pose a threat to hard-won gains in raising people out of poverty.

Outlook for India

The Strengths

Growth to rise to 7.9 % in 2017-18 from 7.5 % in 2015-2016	**India well positioned** to withstand near-term volatility in global financial markets

This is due to strengthening domestic business cycle and supportive policy environment

Infra Improvements and rise in investment to off-set impact of US monetary policy tightening

Urban spending to benefit from recent public sector wage hikes

Flaws

Progress in the reforms not assured as ruling party has no control over Upper House	**Slow Progress on** land reforms could add to investment delay
Failure to pass GST could hamper government's ability to ramp up infra spending	**Sub-Par-Monsoons across** India pose a risk to growth in near term
High NPAs could hit pick-up in investment	

"More than 40 percent of the world's poor live in the developing countries where growth slowed in 2015", said WB Group President Jim Yong Kim. "Developing countries should focus on building resilience to a weaker economic environment and shielding the most vulnerable. The benefits from reforms to governance and business conditions are potentially large and could help offset the effects of slow growth in larger economies".

According to the report, developing economies are forecast to expand by 4.8 percent in 2016, less than expected earlier but up from a post-crisis low of 4.3 percent by the end of 2015. "Growth is projected to slow further in China, while Russia and Brazil are expected to remain in recession in 2016. The recently negotiated Trans-Pacific Partnership could provide a welcome boost to trade", it revealed.

"There is greater divergence in performance among emerging economies. Compared to six months ago, risks have increased, particularly those associated with the possibility of a disorderly slowdown in a major emerging economy", said WB Group Vice President and Chief Economist Kaushik Basu. "A combination of fiscal and central bank policies can be helpful in mitigating these risks and supporting growth.

* *This feature has been abridged from an article published in* The Economic Times *on January 07, 2016*

Growing Billionaire List

India has witnessed over four times or 330 percent jump in number of billionaires over the past 10 years as against 68 percent rise noted globally, said Knight Frank Global Wealth report 2016. The trend is expected to continue with number of Indian billionaires doubling over the following decade, while global number could rise by 44 percent.

Ultra-high net-worth individuals (UNHIs), have also grown by 340 percent to 6,020 during this period, as against global average of 61 percent to 187,468. Among Indian cities, Mumbai leads the pack followed by New Delhi. The strength and diversity of the Indian economy will continue to provide entrepreneurial and wealth growth opportunities said Nicholas Holt, Head of Research for Asia Pacific, Knight Frank.

(ET, 03.03.16 & TH, 25.02.16)

Fall in Demographic Dividend

A part of India's touted demographic dividend – the population below age 15 years – has decreased in the past 10 years. Our standard of living – households with clean water, electricity, etc. has shown a rise during the same period, in 11 states covered by the latest National Family Health Survey (NFHS-4).

Sikkim topped the list of states showing a decrease of population aged below 15 years, to 23.1 percent in 2015-16 from 30.7 percent in 2005-06 and Madhya Pradesh was next. Uttarakhand was the only state, which showed significant improvement in all five parameters of living standards. These comprised households with improved sanitation facilities, a clean cooking fuel source, electricity connection, clean drinking water source and using iodised salt.

(BS, 21.01.16)

India to Move to BS VI

In a major step to curb vehicular pollution, India will leapfrog directly from Euro IV emission norms for petrol and diesel to Euro VI standards and the oil Public Sector Undertaking (PSUs) will invest ₹28,750 crore for the transition.

A decision was taken at an inter-ministerial meeting to advance the date by four years to April 01, 2020 for implementation of Bharat Stage VI (equivalent to Euro VI norms followed globally) for supply of cleaner auto fuel, by altogether skipping the Euro+ V grade norms.

India currently has Bharat Stage-III, equivalent of Euro-III specifications, across the country and BS-IV in major cities. BS-IV will be supplied in most big cities by April 2016 and all over the country from April 2017. *(IE, 06.01.16)*

Average Asset Holding

The average asset holding of the bottom 10 percent of urban Indian households is around ₹291, reveals new data from the National Sample Survey Office (NSSO). Most households reported owning some kind of physical or financial assets, the survey, conducted in 2012-13 shows.

The bottom 10 percent (in terms of total assets) of rural households had assets worth ₹25,071 on an average, largely as a result of the value of land, while the figure for their urban counterparts was just ₹291, implying that the urban poor hardly own any assets. Haryana and Punjab had the highest average assets per household in rural areas, while Maharashtra and Kerala were on top in urban areas.

(TH, 30.01.16)

Pollution Causing Deaths

More than 5.5 million people worldwide die prematurely every year due to household and outdoor air pollution, and India and China together account for 55 percent of these deaths, new research has found. About 1.6 million people died of air pollution in China and 1.4 million died in India in 2013, the researchers revealed.

The international team of researchers from India, China, Canada and the US estimated that despite efforts to limit future emissions, the number of deaths linked to air pollution will climb over the following two decades unless more aggressive targets are set. In India, a major contributor to poor air quality is the practice of burning wood, dung and similar sources of biomass for cooking and heating. *(ToI, 14.02.16)*

Corruption Ranking Improved

India moved up to the 76th rank on the Corruption Performance Index (CPI) released by global watchdog Transparency International (TI) in their 2015 report, gaining nine places over the previous year.

The CPI scores and ranks countries/territories based on how corrupt a country's public sector is perceived to be, and it showed that India was ranked 76 out of a total of 168 countries and had a score of 38 on the CPI out of a possible 100. In 2014 and 2013, India's rank was 85 and 94 respectively.

For a third year running, Denmark was perceived as the cleanest country with a score of 91. The CPI has a scale of zero to 100 and countries scoring zero are the most corrupt. *(DNA, 28.01.16)*

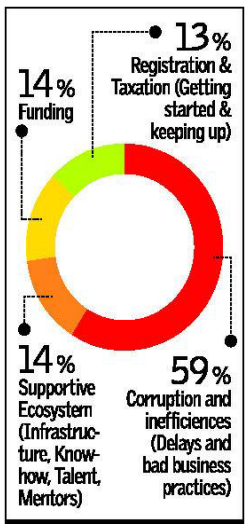
Corruption Delays Startups

Corruption and delays are preventing the growth of entrepreneurship in India, according to a new survey undertaken by social media network, LocalCircles. About 35,000 unique people voted in the survey.

It showed nearly 60 percent of the citizens felt these bottlenecks were some of the biggest hurdles to growth of entrepreneurship in the country while only 14 percent felt funding to be the main impediment.

Around 98 percent of the respondents said the start-up India mission should go beyond digital/ technology startups and enable entrepreneurship at the grassroot-level. Asked if the Central or State governments can be effective and efficient funding bodies for startup projects, 58 percent of the people responded positively. *(TH, 06.01.16)*

CHALLENGES



Modi Moves to Plug India's Biggest Data Hole

Sandrine Rastello* and Bibhudatta Pradhan**

The biggest hole in India's economic data is starting to shrink. Prime Minister Narendra Modi's government plans to publish a revamped quarterly employment survey in July to better assess how many jobs are created in Asia's third-largest economy, Shankar Aggarwal, top bureaucrat in the Ministry of Labour and Employment, said. The sample for the report will increase fivefold to about 10,000 respondents and include 18 sectors of activity, up from eight now, he added.

"Our data will be much more authentic", Aggarwal said. The new report will give both the economists and the policy makers a more reliable tool to assess whether the world's fastest-growing major economy is adding enough jobs for its burgeoning youth, a key Modi campaign promise. While the survey's usual six-month lag fails to address India's lack of real-time employment data, the broader scope adds to recent efforts to modernise the country's policy arsenal with revised GDP calculations and an inflation target.

"If the sample size of this database is increased, certainly not only me, but other people will also start taking these data seriously" said Devendra Kumar Pant, chief economist at India Ratings and Research Pvt., the local unit of Fitch Ratings. "The volatility will reduce, the fluctuations will smoothen out – so the more, the merrier".

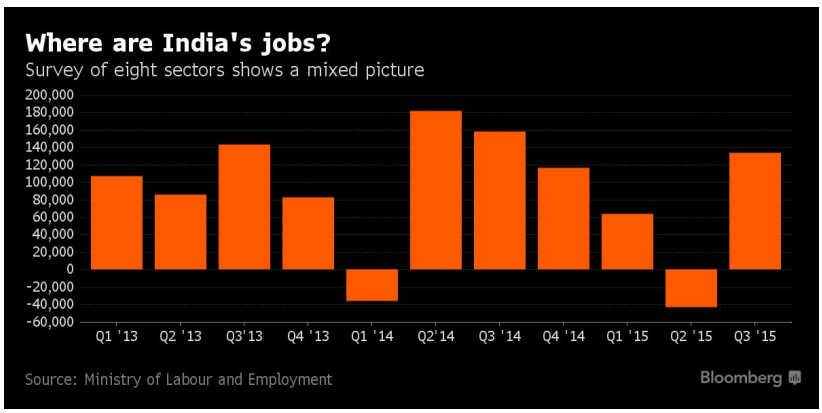
The improved report would complement a planned high-frequency jobless rate from the Centre for Monitoring Indian Economy Pvt., a private research company. Together they would help central bank Governor Raghuram Rajan predict whether the economy is close to overheating as he tries to hit a 5 percent inflation target by March 2017. Rajan has said he would add employment to the mix of indicators he uses to guide interest rates if there was a good series.

In its current form, the employment survey shows a labour market that is trudging along rather than booming. The eight industries covered added a combined 134,000 positions in the quarter through September from the previous three months, according to the report published month. That is less than in the corresponding periods of 2013 and 2014.

Most of the jobs came from non-exporters, with only 31,000 positions

added by businesses that sell goods overseas. Exports have dropped for 15 straight months. "Demand has gone down all over the world, so India is also a part of that", Aggarwal said. "However, as compared with other countries, India is in the best position." At the same time, a global survey of hiring expectations by ManpowerGroup Inc. ranks India as the most active labour market among a sampling of 42 countries, while an index by local jobs portal naukri.com shows an 18 percent increase in hiring activity in February from a year earlier.

The initial labour survey was started in the wake of the global financial crisis. While the sectors include leather, automobiles and metals, not all are equally represented. The textile and handloom sector, for instance, accounted for more than 40 percent of the 1,932 respondents in the last report. While seven federal agencies publish labour-related reports, none are timely enough to seriously affect policy. Widespread informal employment also makes it tough to measure workers. And even with 10,000 respondents, the sample will pale in comparison with roughly 146,000 participants in the US non-farm payroll survey.



* *Economy Reporter (Bloomberg News)*
** *Economy Reporter (Bloomberg LP)*
Senior Assistant Editor with The Hindu. *This article was published in* The Hindu *on April 01, 2015*

Vijay Mallya's USL Exit

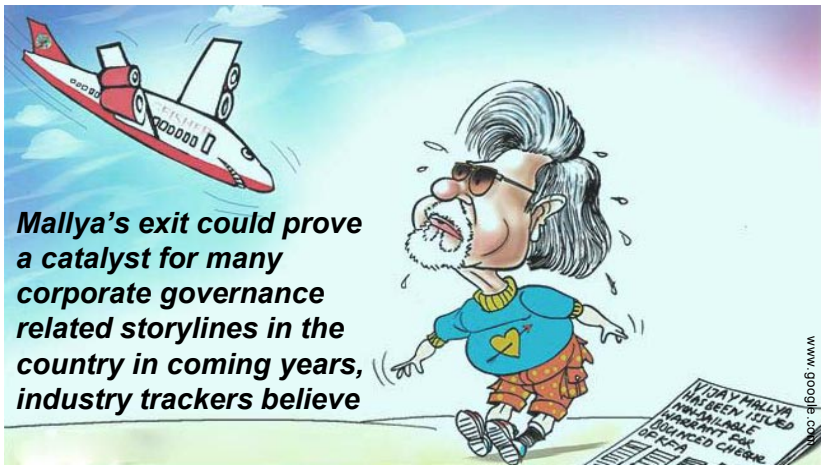
A Wakeup Call for Independent Directors

Devina Sengupta* and Sachin Dav**

The dramatic exit of former promoter Vijay Mallya from United Spirits Limited (USL) is a wakeup call for independent Directors in Indian companies and could prove a catalyst for many corporate governance related storylines in the country in coming years, industry trackers have indicated.

Independent Directors, who until recently were considered glorified yes men to the promoter, could see a lot of pressure in the coming days to maintain the precedent set in the USL case as well as added responsibilities of independent Directors under the Companies Act, 2013 and other corporate governance regulations. However, corporate governance experts said many companies continue to exploit loopholes in the laws and ensure independent Directors mostly play along with the promoters.

Even in the case of USL, where independent Directors did finally crack the whip on Mallya, they said it was too little, too late. "Independent Directors have failed in the case of USL. They did not take the right precautions during their ongoing transactions with Kingfisher", said Mohandas Pai, former CFO and HR head of software major Infosys.



Pai said USL episode signals it is high time companies and independent Directors took their roles more seriously. "This is a wakeup call for India Inc, to have the right independent Directors and auditors specially looking into related party transactions. Also firms should decide to pay the independent directors more to get the right quality", opined Pai.

Independent Directors have often come under scrutiny whenever there have been controversies in India Inc, and there have been questions on how much independence these Directors actually have. There are signs of change though. Independent Directors have become more worries in recent months, mainly due to the Companies Act dishing out some regulations around the liability of the Directors and even capped their remuneration.

The independent Directors are expected in any case to exercise their independent judgement in decision making at all times, be intellectually honest while doing so, voice their opinion freely in the board meetings, and bring to bear upon their knowledge and experience in the Board discussions for the benefit of the company and shareholders.

Industry trackers mentioned that in the followingsix months many independent Directors could resign from their roles due to increased liabilities and a cap on remuneration. The worry is that they could even be jailed in case of a corporate governance issue in the company they hold the positions.

USL could just be one off case especially in the context of Indian companies where independent Directors did take a stand. However, we have begun the transition and moving ahead in both expectations and liabilities of the Directors. said Amit Tandon, Managing Director at Advisory firm, Institutional Investor Advisory Services India Ltd. (IiAS).

While some industry experts have criticised these regulations – under the current regulations independent Directors could fall in to trouble even in something as unrelated as company's cheque bouncing or irregularities in the pollution norms – others felt some sort of framework was required, mainly due to the way independent Directors operate in most of the companies.

A reputed independent Director said the whole process in which the independent Directors are selected in India is flawed. "The meetings are nothing short of sham, where the promoter dishes out what he wants, and independent Directors just agree to do it. The independent Directors would get millions as fees and in some companies these positions were filled with relatives or friends", he said.

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* *Associated with* The Economic Times

** *Special Correspondent with* The Economic Times

– *This feature has been abridged from an article published in* The Economic Times on *February 29, 2016.*

Policies Need to Make Positive Contribution to Rest of the World

Asit Ranjan Mishra*

Prime Minister Narendra Modi said that India should craft policies that can make a positive contribution to the rest of the world in an increasingly inter-connected world. "The distinction between domestic affairs and foreign affairs is increasingly losing relevance. For a country in the modern day, it is not sufficient that its economic policies should only address its domestic priorities", Modi believes. In the past four quarters, India has been the fastest growing major economy in the world, Modi added.

The distinction between domestic affairs and foreign affairs is increasingly losing relevance. For a country in the modern day, it is not sufficient that its economic policies should only address its domestic priorities", Modi believes

"In 2014-15, India contributed 7.4 percent of global GDP in purchasing power terms. But it contributed 12.5 percent of global growth. Thus, its contribution to growth is 68 percent higher than its share of the global economy. Foreign Direct Investment (FDI) in India has increased 39 percent in the past 18 months, at a time when global FDI has fallen", Modi indicated.

But the Prime Minister elucidated that India's commitment for a better world goes beyond economics and it was for this reason that at the COP (Conference of the Parties) 21 Summit in Paris, India made far-reaching commitments for cutting carbon emission. "We are committed to reduce the emission intensity of our GDP by 33 percent by 2030 even while growing at a fast pace. For a country, which is already at a very low base of per capita emission, this is a very ambitious target", Modi said. "We have committed that by 2030, 40 percent of our electric power capacity will be from non-fossil fuel.

We have also committed to building an additional carbon sink of over 2.5 billion tonnes of carbon dioxide equivalent. This will be done by creating additional forest cover by 2030. This commitment is from a country with a very low per capita land availability", added Modi.

Calling for a rethink on what constitutes subsidies, Modi stated while all benefits to poor and farmers are considered 'subsidy', economists often term the benefits given to industry *incentive* or *subvention*. "We must ask ourselves whether this difference in language also reflects a difference in our attitude. Why is it that subsidies going to the well-off are portrayed in a positive manner"? he asked.

Modi clarified he was not arguing all subsidies were good. "My point is there cannot be any ideological position on such matters. We have to be pragmatic. We have to eliminate bad subsidies, whether or not they are called subsidies. But some subsidies may be necessary to protect the poor and the needy and give them a fair chance to succeed. Hence, my aim is not to eliminate subsidies but to rationalise and target them", he added.

Expanding on subsidy reforms, Modi said his government had started pilot projects in 33 districts where kerosene will be sold at market price. "The difference between market price and the subsidised price will be transferred directly to the bank accounts of those who are poor. This will eliminate duplicate, non-eligible and bogus consumers. We have decided 75 percent of savings from this will be passed on to the states. Thereby, we have encouraged state governments to implement this in all districts", he added.

He said just by eliminating double counting and ineligible beneficiaries, a reduction of 12 percent in pension payouts had been achieved. Modi said that his government is taking steps to repeal unnecessary laws as they obstruct people and businesses. "We began the exercise of identifying unnecessary laws and repealing them. 1,827 central laws have been identified for repeal. Out of these, 125 have already been repealed. Bills for repealing another 758 have been passed by the Lok Sabha and are awaiting the approval of the upper House", he added.

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* *Business Jounalist with Mint. This feature has been abridged from articles published in* Mint *on January 30, 2016*

Job Potential in Proposals

The government has decided that all Ministries will now have to reflect the 'Employment Generation Potential' of each proposal they put up before the Cabinet or a Cabinet Committee for approval.

"In view of the fact that employment generation in various sectors is vital for country's socio-economic development, this aspect has to be an important criterion for any project/scheme appraisal", stated the Special Secretary's letter, adding that "it has, therefore, been decided that henceforth all the notes for Cabinet and its Committees should separately and clearly reflect the Employment Generation Potential of each proposal".

Besides, the government has also modified the handbook on preparation of notes for Cabinet/Cabinet Committees accordingly. *(IE, 20.01.16)*

Mooting Security Authority

The Labour Ministry has mooted the idea of forming a National Social Security Authority, Chaired by Prime Minister Narendra Modi, and a separate Social Security Department within the Ministry to provide social security to the entire population in a bid to prop up the government's pro-worker credentials, according to a concept note.

"The functions of the authority should be mainly to formulate the National Policy on Social Security and to co-ordinate the central and state-level programmes and to ensure the objectives of the policy are achieved within the time frame prescribed", according to the note. It proposes a four-tier system to cover the entire population of the country, including both formal and informal sector workers, through a common Social Security Code. *(TH, 19.02.16)*

Separate Poverty Indicators

The issue of one poverty number continues to absorb the NITI Aayog, and indications are that its task force on elimination of poverty will suggest having separate indicators for different social schemes, such as health and housing.

The Urban Poverty Alleviation Ministry is carrying out a census, which will throw up a number for the urban poor. Calculation on rural poverty is based on the 2011 Socio Economic and Caste Census of the Rural Development Ministry.

The Ministry has reportedly classified 31.26 percent of rural households as poor based on four of seven indicators. The Rangarajan Committee, a technical expert group set up by the United Progressive Alliance (UPA) Government in 2012, had classified 30.95 percent of rural Indians as poor in 2011-12. *(BL, 03.01.16)*

Low Tax Revenue

The tax revenue of Madhya Pradesh (MP) government was much below its expectations while expenditure went beyond its estimate in 2014-15, as per the Comptroller and Auditor General (CAG) report for MP for 2014-15. The state had estimated tax revenue realisation at ₹66,479 crore but it fell short by ₹29,912 crore, according to the report.

The state government's expenditure, however, shot up by ₹446.28 crore from its estimate, it said. The growing volume of debt has resulted in increasing liability for servicing the debt, the report underlines. The priority given to expenditure on social sector and on education and health sectors in MP was 'not adequate' during 2014-15 when compared with general category states' average, it stated. *(ToI, 20.03.16)*

Telcos Cheating Govt.

The CAG has claimed that six major telecom companies – Reliance Communications, Tata, Airtel, Vodafone, Idea and Aircel – have allegedly understated gross revenue of over ₹46,000 crore for a period between 2006-07 and 2009-10 and denied the government its share of income, which has been estimated at more than ₹12,400 crore.

Different from its earlier report on the 2G spectrum, where computation of the losses were presumptive based on policy flaws, the CAG, at present, has calculated the losses on inspections of the books of accounts of these telecom firms and on actual earnings. *(ToI, 09.03.16)*

Punjab in Debt Trap

The CAG of India has said that Punjab is headed towards a debt trap as the government is utilising 70 percent of its current borrowings for repayment of its earlier borrowings and the remainder for expenditure on other projects. The state has to repay more than 50 percent (₹43,581 crore) of its debt in the following seven years.

It said, 34 projects, scheduled to be completed between 2008 and 2014-15, were still incomplete. CAG has mentioned 'off-set' borrowings – ₹2,025.67 crore for Atta-Dal scheme and ₹2,000-crore loan raised by mortgaging properties by Punjab Urban Development Authority (PUDA) in 2012-13 – that skewed the finances. *(ToI, 15.03.16)*

CAG Raps VTU

Visvesvaraya Technological University (VTU) has been rapped by CAG for glaring lapses in ensuring quality of education in engineering colleges. Though it is mandatory for affiliated colleges to get accreditation from the National Assessment and Accreditation Council (NAAC) as well as National Board of Accreditation, many colleges are yet to secure it.

The CAG report mentioned that, "VTU did not ensure minimum standards prescribed by AICTE in respect of colleges affiliated to it as the colleges had deficiencies in teaching faculty, library, laboratory facilities, etc., which indicated poor monitoring by VTU". *(IE, 24.03.16)*

Parliament Will Benefit from a Shadow Cabinet

Kanchan Srivastava*

Series of disruptions in Indian Parliament and in state assemblies over the past few years have raised serious concerns over the democratic set-up in India. Regular adjournment of sessions has hindered legislations and other productive work. With every such instance of stalling democratic proceedings, the taxpayer's hard-earned money goes down the drain.

India borrowed its parliamentary structure from the UK but it did not adopt a valuable part of it – the Shadow Cabinet system. This system could be an effective solution to the persistent problem of our not-so-mature democracy. The Shadow Cabinet (also called the Shadow Front Bench) is integral to the Westminster System. It is composed of a senior group of opposition leaders where each member shadows or marks a Minister of the ruling Cabinet. The shadow Cabinet is led by the Leader of the Opposition (or the leader of other smaller opposition parties) and represents an alternative cabinet to the ruling one.

The Shadow Minister for defence, for instance, would track the policies and issues related to the Defence Ministry. S/he would be the official spokesperson for the opposition over defence issues. Similarly, all major Ministries can be tracked more effectively.

It is mainly the shadow Cabinet's responsibility to criticise the government and its policies. It also decides whether amendments to the legislation are needed. This helps in having serious debates in Parliament with Shadow Ministers taking on the real Ministers and effectively holding them accountable for their actions and policies. The Shadow Ministers are elected through ballot in the British Labour Party and the Australian Labour Party, with the Leader of the Opposition

allocating the portfolios. In other parties, they are nominated by the Leader of the Opposition.

Putting a face from the Opposition on each of the Ministries also demonstrates the opposition parties' commitment to the people. Members of a shadow cabinet are often, but not always, appointed minister when their party comes to power. In absence of the Shadow Cabinet, attention of the opposition often gets diverted from main issues. Hence, the very purpose of having an opposition is lost. Uttara Sahastrabuddhe, professor at Mumbai University, said, "Having assigned roles would ensure that issues are followed up by the opposition leaders with more commitment. Thus the propaganda of the government can effectively be countered". The skills of the opposition leaders would also continue to evolve when they would focus on specific Ministries. This would help when their party comes to power as they would be effective in their roles as ministers in the government.

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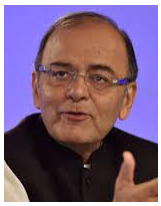
Congress leader Milind Deora seconds the proposition. "As a main opposition party, the Congress can adopt the system, unofficially. We already have shadow twitter handles to track each Ministry". He points out that the countries which follow the Westminster system have two or three party system while coalition governments are common in India. "Still, this does not limit the prospects of a shadow Cabinet here", said Deora, adding that the system would ultimately help our democracy and the country to evolve gradually.

The media, which often ends up portraying the government's version, would then present opposite views as well, said a political scientist, who believes that the Shadow Cabinet might eventually lead to a two-party system in India.

* *Principal Correspondent at* Daily News and Analysis (DNA, Mumbai). *This feature has been abridged from an article published in* DNA *on January 26, 2016.*



Pushing Public Expenditure

India needs to step up public spending on social infrastructure and rural areas to boost domestic demand to overcome the slump in consumer spending worldwide, said Finance Minister Arun Jaitley.

Concerns have been raised about keeping the public spending tap open in the absence of private investment and what that could do to the fiscal deficit. According to the Finance Minister, India still manages faster growth but it is important to see how do we improve our growth rate a little faster. "India needs to invest a lot more in infrastructure, increase public spending in social infrastructure and raise spending in rural sectors like irrigation and rural roads. This spending brings immediate results", said the Finance Minister. *(ET, 09.01.16)*

India Showing Economc Growth

India may become the world's largest economy in the following 25-30 years, said SoftBank Chairman and CEO, Masayoshi Son. Son said that he strongly believes that the 21st century belongs to India as its people are smart, young, speak English and are IT-proficient. However, the country needs to resolve issues related to infrastructure and slow mobile broadband speeds, he said.

SoftBank has invested in Indian e-commerce and technology firms, such as Snapdeal, Ola Cabs, Housing.com and OYO Rooms. However, he said that the two things that lacking in India are mobile broadband infrastructure whose connectivity is too slow and expensive and the second is electricity.

(TH, 17.01.16)

Complain, Rebel and Demand

Asking citizens to continue to 'complain, demand and rebel', President Pranab Mukherjee said the nation must recognise that doing this was a virtue of democracy. Mukherjee said the country must guard against 'violence, intolerance and unreason'.

"There will be, amongst us, occasional doubters and baiters. Let us continue to complain, to demand, to rebel…..with investments in infrastructure, manufacturing, health, education, science and technology, we are positioning ourselves well for achieving a higher growth rate which will in the following 10 to 15 years help us eliminate poverty", Mukherjee added.

(ToI, 26.01.16)

Reacting to Social Splitting

How a country deals with its social divisions plays a major role in the trajectory of its economic development, stated the Chief Economic Advisor, Arvind Subramanian.

The CEA presented Singapore as a good example where social conflict was effectively addressed to enable economic development.

"We think of Lee Kuan Yew as having provided great administration, a great civil service but I think one of the critical things he did which goes unrecognised is that essentially a massive social engineering project was unleashed, which people do not realise by way of forcing communities to live together and their children to go to the same school. This has had a powerful impact in reducing conflict in Singapore society", Subramanian added. *(IE, 04.03.16)*

Focus on Child Health

The Centre has conveyed to the Supreme Court that the issue of eradication of alcohol and drug abuse by the students would be included in the government's proposed New Education Policy (NEP).

An experts committee for evolution of the NEP on its earlier meeting had taken a decision that the theme relating to eradication of alcohol and drug abuse by the students will be included for consideration in the policy. It also sought to create specialised systems and practices to enable and promote rehabilitation among children. *(DNA, 15.02.16)*

Education Cess in FY 2015-16

The Government recently said it has collected ₹20,165 crore through education cess in the first ten months of the current fiscal. Of this, ₹14,509 crore was collected under direct taxes and ₹5,656 crore under indirect taxes, Minister of State for Finance Jayant Sinha said.

Through the education cess, the government had collected ₹35,986 crore in 2014-15, ₹33,902 crore in 2013-14 and ₹30,642 crore in 2012-13. Education cess was introduced to fulfil the commitment of the government to provide and finance universalised quality basic, secondary and higher education. The primary education cess was introduced in 2004-05, while the secondary and higher secondary education cess was introduced in Budget 2007-08. *(BW 07.05.16)*

Focus on 'Values'

According to the Human Resource Development (HRD) Ministry, India will have its first education policy to be focussed on values. Value education will form a major part of our syllabus, Subramanian, Chairman of drafting Committee said. According to him, earlier values were taught by our families, but now that no longer happens so it is required to teach our children through formal education.

However, value education has always been controversial since critics point out that it can be used for political purposes. The government in rouet to drafting the new education policy claims consultations have been held over one year with 15,000 students, 2,400 common citizens, all states and most districts. Critics point out the key to the consultations is to make them transparent.

(NDTV, 13.01.16)

Plan to End Malaria

According to government sources, a plan to stop indigenous transmission of malaria by 2030 will be released soon. The National Vector-Borne Disease Control Programme (NVBDCP) is working on the strategy framework for the period 2016-30 to eliminate the disease that affected 1 million and killed 270 across India in 2015.

New strategy focusses more on community participation along with government efforts. Malaria elimination, a target set out by World Health Organisation (WHO), is defined as the reduction to zero malaria cases in a defined geographical area. This target can be reached after carrying out four phases of a programme: control, pre-elimination, elimination and prevention of reintroduction. *(Mint, 15.01.16)*

Fatal Climate Change

Climate change could kill over 130,000 people in India in 2050 because of changes in diet and bodyweight from reduced crop productivity, according to a study in the British medical journal *The Lancet*.

Carried out by researchers from the University of Oxford, the study evaluates the impact of climate change on diet composition and bodyweight, and estimates the number of deaths caused by this in 155 nations in 2050.

The study said that if global emissions remain unchanged, the projected improvement in food availability could come down by about a third by 2050, and lead to average per person reductions in food availability of 3.2 percent, 4 percent in fruit and vegetable intake and 0.7 percent in red meat consumption. *(Mint, 04.03.16)*

Low Life Expectancy

Emphasising on the need for increasing investment in healthcare in India, World Health Organisation's (WHO) India representative Henk Bekedam lamented that life expectancy in the country is only 66 years.

Even in Bangladesh life expectancy is 71 and in China even in 1970s it was 68. The reason is low investment in health. India's investment is just over one percent of GDP. In China, it has risen to 3.5 percent while Brazil, a Brazil Russia India China South Africa (BRICS) country, invests 5 percent of its GDP in health. Experts have called for investing more in healthcare to match India's economic growth, and to ensure that all citizens are covered under social health insurance. *(IE, 04.03.16)*

Mapping Health Facilities

For the first time, the government will map health facilities, doctors and specialists available in all districts of the country. The health geo-mapping project has already been completed in four districts chosen as a pilot. The Bill and Melinda Gates Foundation is partnering the project.

Lack of authentic data on healthcare resources has long been one of the biggest impediments to health planning in India. It is universally acknowledged that doctors and health facilities are far more easily available in urban than in rural areas but there has never been an attempt in the past to quantify the gap in density and to plan accordingly. *(IE, 05.01.16)*

Leaping over the World

India has a great opportunity to innovate and create new healthcare systems that are also affordable, Andrew Witty, CEO of GlaxoSmithKline said. "Year 2016 is a leap year and India can leap over the rest of the world", Witty added.

Globally the healthcare industry has achieved a lot in extending life expectancy but it has not succeeded in improving the quality of life. "Vaccination has been the single biggest driver of life expectancy in the past century", Witty said. GSK currently makes and sells a third of its products in India. That brings in only 1 percent of its revenue. India can be the home for innovation for affordable healthcare. *(ET, 30.01.16)*

S-VI Standard Crucial

The Centre has recently announced that India will leapfrog from the Bharat Stage (BS) IV emission norms that are presently in force, to the BS VI norms by 2020. While vehicle manufacturers have been asked to gear up to meet the new deadline, oil companies will also have to prepare for BS VI-compliant fuel.

This move promises relief from pollution caused by diesel fumes for Indian cities. Introduced in the year 2000, the Bharat norms are emission control standards to keep a check on air pollution.

Global automakers are betting big on India as vehicle penetration is still low here as compared to developed countries. *(Mint, 08.01.16)*

Health Coverage Blocked

India faces serious challenges in implementing universal health coverage policies because of a 'serious knowledge gap' among policy makers and a 'general unwillingness for change', said, Rakesh Srivastava a former Director-General of Health Services. According to him, health priority-setting exercise in India was based on consultation with experts and not evidence.

The government spending on health system currently is 1.04 percent of the GDP, while the national health policy aims at taking it up to 2.5 percent by the end of the 12th Five-Year Plan. Under the Sustainable Development Goals (SDGs), India has signed up to revamp the country's weak health system to keep pace with the global movement towards universal health coverage. *(TH, 31.01.16)*

Policy Shame: Sick, Rare and Ignored

Shilpi Bhattacharya*

If the Indian government is serious about its commitment to realise the rights of its citizens to universal and equitable health care, it cannot ignore rare diseases. The Draft National Health Policy, 2015 makes no mention of them.

Rare diseases are a diverse set of over 7,000 different conditions that afflict an estimated one in 20 Indians and 350mn people worldwide. Rare diseases are often congenital, chronic, debilitating and fatal. A significant proportion of rare diseases occur in children, many of whom do not survive beyond the age of five. Most rare diseases have no cure or treatment and for thousands of rare diseases, there is no ongoing research effort to develop a treatment.

The rarity of such diseases and the complexity of associated symptoms – many rare diseases breach traditional disciplinary boundaries of medical specialities – result in frequent misdiagnosis, and, more worryingly, damaging treatments. Even when there is a diagnosis, treatment options are just not available, or are far too expensive; this situation will continue without adequate government intervention.

For example, in 2014, Mohammed Khan, then seven years old, was diagnosed with Gaucher's disease, a hereditary disease in which the metabolism and storage of fats is abnormal. It results in bone fragility, neurological disturbance, anaemia, and enlargement of the liver and spleen. With no means to pay for his medication and faced with little help from the government, his parents petitioned the Delhi High Court. The Delhi government was directed to make treatments accessible to him

Under Article 21 of the Constitution, the Indian state guarantees equitable and non-discriminatory access to health care to all as part of each citizen's right to life. Yet, the draft National Health Policy, 2015, makes no mention at all of rare or genetic diseases.

A priority in the West

As opposed to India, in many part of the western world the rare diseases consider a priority for government. The European Commission has declared rare diseases to be a public health priority and more than 19 European countries have adopted rare disease strategies in the past few years. The US was the first to give policy preference to rare diseases through the enactment of the Orphan Drug Act (ODA) in 1983. These drugs are called 'orphan' because under normal market conditions, the pharmaceutical industry has little interest in developing and marketing products intended for only a small number of patients. ODA is said to have facilitated pharmaceutical interest in rare diseases in the US with approximately 400 such drugs being developed after 1983; it was around 10 between 1973 and 1983. An Indian rare disease policy should ideally make it financially attractive for the private sector to evince interest in rare diseases while being careful not to allow pharma companies to exploit any incentives given to them.

Tackling rare diseases requires planned effort, which must be guided by an overarching national rare disease policy to facilitate coordination between patients, scientists, doctors, regulators and the pharma industry. In this, India woefully trails many countries. It does not as yet define and catalogue rare diseases, a prerequisite for any concerted policy response.

The objectives of such a policy will best be implemented through the establishment of a national rare disease organisation, which could act as a nodal authority to increase capacity building in rare diseases. For instance, certain hospitals can be given resources to develop expertise in a set of related rare diseases. This organisation could serve as a repository of information to assist doctors and patients looking for expertise in particular rare diseases.

To address this neglected area of health care, the Karnataka government is planning to frame a policy based on recommendations submitted by the Vision Group for Bio-technology, comprising industry heads and academic leaders. The recommendations include screening newborns for early intervention and specialist clinics to acquire knowledge through research and interaction with patients.

If the Indian government is serious about its commitment to realise the rights of its citizens to universal and equitable health care, it cannot ignore rare diseases. Some State governments, such as Delhi, have established a panel to tackle rare diseases. However, any State-level intervention must be guided by a comprehensive national policy to ensure that the entire rare disease-aflicted community benefits.

* *Associated with World Without GNE Myopathy (India). This feature has been abridged from an article published in* The Hindu *on March 06, 2016.*

Sun Pharma Gets CCI Nod

Sun Pharma has received approval from competition watchdog Competition Commission of India (CCI) to sell the Ranbaxy Laboratories' two divisions in the central nervous system (CNS) segment in India to Strides Shasun for ₹165 crore.

The CCI approved this proposed transaction, and passed an order under the Competition Act, 2002 facilitating the transaction. As witnessed in 2014, Sun Pharma and Strides Shasun had arranged a pact related to two divisions of Ranbaxy; namely 'Solus' and 'Solus Care'.

Sun Pharma acquired Ranbaxy Laboratories in 2014 for US$ 4bn. It would be imperative with CCI approved proposal that, all other necessary regulatory approvals have also been obtained. *(ET, 22.01.16)*

RCom-SSTL Acqusition

The CCI has given its nod to Anil-Ambani owned Reliance Communications' (RCom) acquisition of Russian conglomerate Sistema's Indian telecom unit, Sistema Shyam Teleservices (SSTL) that operates under the MTS brand.

SSTL offers mobile telephony services under the MTS brand across nine telecom circles in the country. The deal will give RCom access to spectrum or airwaves in the 850 megahertz (MHz) band that can be used for 4G services, which it plans to start by the end of 2016. Also, it will be able to extend the validity of its licence by 12 years in eight high revenue-generating telecom circles of Delhi, UP (West), Kolkata, West Bengal, Gujarat, Tamil Nadu, Karnataka and Kerala. *(FE, 23.02.16)*

Stake Sale Gets a Nod

The CCI has given approval to Jain Irrigation Systems (JISL) in March 2016, for selling its stake and food subsidiary (JFFFL) worth ₹792 crore to agri-business funding firm Mandala Capital.

In the first stage, JFFFL is expected to raise ₹396 crore from Mandala by issuing preferential equity shares and compulsorily convertible debentures (CCDs). In the second stage, Jain Irrigation Systems Ltd. (JISL) would raise ₹396 crore by making preferential issue of CCDs with 5 percent annual coupon to Mandala for a subscription amount of ₹285.1 crore.

The CCDs will be converted into ordinary equity shares of JISL within 18 months from the date of allotment of share at ₹80 per piece or at such higher price as determined in accordance with the applicable SEBI norms. *(ET, 07.03.16)*

CCI Rejects Complaint

The CCI rejected a complaint of unfair business practices made against Asian Paints with regard to painting services provided for a house in Kolkata.

Rejecting the complaint, CCI cleared that no additional material or evidences with the regulator has been submitted so as contravene the provisions of Sections 3 and 4 of the Act. It was alleged that Asian Paints abused its dominant market position by not providing appropriate painting services, as promised through various advertisements.

This is the second time the fair trade regulator is dismissing the same allegations made by the same complainant against the company. *(ET, 27.01.16)*

SRF-DuPont Deal Cleared

The CCI has cleared the proposed transaction off the diverisified firm SRF Ltd. to acquire US-based DuPont's pharmaceutical propellant business under Dymel brand.

The all-cash deal was valued at US$20mn when both sides made the announcement in December 2014. In this regard, SRF entered into a pact with DuPont De Nemours and Company (US). SRF is into manufacturing of chemical-based industrial intermediates, while DuPont is a global group primarily focussed on agriculture and nutrition, advanced materials and bio-based industrials.

As per the filing, DuPont would supply SRF the product from its facility till SRF's facility is approved. The consideration for the transaction is US$20mn payable in cash. *(ET, 06.03.16)*

Maruti Complaint Rejected

The CCI rejected a complaint of anti-competitive practices made against the country's largest car manufacturer, Maruti Suzuki. It was alleged that Maruti Suzuki abused its dominant market position by imposing unfair conditions for transporting its vehicles through car carrier trucks (CCTs).

According to CCI, the company may need services of CCTs of a particular description in the sense that CCT uses a particular type of VTS (Vehicle Tracking System). For the case, the CCI considered 'market for transportation of light vehicles in India through CCTs' as the relevant market.

The company was also alleged by the complainant that it manufactures and sells more cars in the National Capital Region (NCR) as compared to other states. *(ET, 15.01.16)*

CCI Penalties Stayed

Competition Appellate Tribunal stayed penalties totaling ₹106 crore imposed by CCI on leading carriers IndiGo and SpiceJet for alleged cartelisation in fixing fuel surcharge on air cargo.

Penalties of ₹63.74 crore and ₹42.48 crore were imposed on both InterGlobe Aviation and SpiceJet. Tribunal's decision was followed by appeals filed by these two airlines against CCI's order, passed in November 2015.

Express Industry Council of India alleged that five airlines were indulged in anti-competitive practices. Besides Indigo and SpiceJet, the CCI had also penalised Jet Airways accused for fixing and revising fuel surcharge in transport cargo. *(TH, 09.02.16)*

CCI Finds Reasons to Probe Mahyco-Monsanto

Shreeja Sen and Sayantan Bera*

India's antitrust regulator, CCI has decided to probe allegations that Mahyco-Monsanto Biotech India Pvt. Ltd (MMBL) was resorting to anti-competitive practices in the genetically modified (GM) cotton seed market. MMBL, a joint venture between Mahyco Seeds Ltd and Monsanto Co., a global technology provider of GM seeds, licences its patented Bollgard II Bt cotton seed technology to 49 seed companies in India, in exchange for a trait or royalty fee. The investigation will be completed within 60 days. The investigation will be carried out by the Director General of the CCI, the regulator said in a February 10 order made public.

The Mahyco-Monsanto Biotech India Pvt. Ltd. (MMBL) hybrid seed industry is at approximately US$2bn, and growing at around ten to 15 percent per year. The domestic stakeholders claim to have paid over ₹5,000 crore to Monsanto in the form of royalty. The CCI took a justified stand in calling out the investigation, 'fit' on *prima facie* grounds of violation of Section 3(k) and 4 of the Competition Act 2002, accusing Monsanto with anti-competitive practices and abuse of dominance. The seed giant MMBL refused to diminish the royalty patents and returned the excess royalties, which they paid from 2010. Such a measure moved the Union Agriculture Minister to voice domestic stakeholders to CCI.

Section 3 of the Act refers to anti-competitive agreements and Section 4 deals with abuse of dominant position. The investigation will be completed within 60 days.

"The 'order' is only a *prima facie* opinion and merely recommends an investigation. It is not a reflection of any final conclusions. It must also be noted that a member of the CCI has found no merit in the complaints filed with the CCI and has exonerated MMB", an MMBL spokesperson said. In the CCI's seven-member panel, one member put up a dissent note, saying that he did not find any reason to order a probe.

In its main order, the CCI noted that MMBL's agreements with its licencees were 'stringent and unfair'. It said MMBL can terminate its agreements with the licencees at any time if laws were passed to regulate trait fees. Such terms discouraged licencees from going to competitors of MMBL and restricted development of alternative technologies. However, The CCI clarified that the order was only a preliminary finding.

To have a backdrop, In November 2015, the Agriculture Ministry asked the CCI to look into alleged monopoly practices by MMBL. Seed companies, including Nuziveedu Seeds Ltd. (NSL), and its subsidiaries Prabhat and Pravardhan, also appealed to the Commission for an investigation.

The Ministry moved the CCI after several farmers' organisations and lobby group National Seed Association of India (NSAI) alleged that MMBL was charging high trait fees or royalty for its patented Bollgard II technology, which protects cotton plants from pink bollworm, a pest.

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The CCI's February 10, 2016 order also allowed stakeholders like the NSAI to place its submissions to the Director General. "We will provide valuable inputs to the Commission for a fruitful investigation", said Kalyan Goswami, Executive Director of NSAI. "We are sure that very soon this will bring an end to monopoly practices that led to difficulties for the Indian seed industry and farmers", he added.

The regulator recorded submissions from the Ministry and the NSL that MMBL's technology was used in more than 99 percentof the area under Bt cotton cultivation in the country. The price control committee was set up last month and is mandated to determine seed prices and trait fees by March 31, 2016 in time for the sowing of the kharif crop.

* *Journalists with Mint. This feature has been abridged from an article published in* Mint *on February 28, 2016*

Is Modi's Idea of Governance Different to Those Who Ruined India with Five Year Plans?

Tavleen Singh*

"In Washington on his first visit as Prime Minister, Narendra Modi said that he saw no motivation behind why India had kept on remaining a poor nation. India has each motivation to be an exceptionally rich nation. Some of our poorest states are so rich in characteristic magnificence, normal assets and old landmarks that interest in tourism framework alone would bring impossible riches". It was from this Congress Cabinet that we got Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and the Food Security Bill and the Bharatiya Janata Party (BJP) was unfair enough to not just help pass these laws but to even praise them. This was imprudent BJP Chief Ministers, including Narendra Modi, pointing out the flaws in centralised welfare schemes. So it is truly puzzling that as Prime Minister he should now have changed his tune.

The Finance Minister Arun Jaitley said that there is no evidence on the ground that this elaborate form of dole has reduced poverty or created real jobs in rural India. And real evidence that if the thousands of crore rupees that have been poured into this scheme had been spent on improving rural schools, hospitals and roads, the money would have been much better spent. Another centrally planned idea that emanated from the National Advisory Council was that of giving more than seventy percent of India's citizens entitlement to cheap food grain under the food security law that is soon to come into effect.

If Modi continues to adopt policies reminiscent of Indira Gandhi's 'gareebi hatao' days, he will end up betraying the mandate he was given

It happens that when the law was being discussed in Parliament in 2013, my travels took me to a small village in Rajasthan, where I had a conversation about it with a local official. Did he think it was a good idea, I asked, and this was his response, 'We have not got enough storage space for the grain that we are already being sent, so where are we going to store more supplies' Modi's idea of governance is different to those who ruined India with their Five-Year Plan.

The idea behind the law was an altruistic attempt to alter the shameful fact that every other Indian child is malnourished. But the reality is that malnourishment is usually due to not getting the right food. For instance, street children in Mumbai are malnourished because most of them have never had a glass of milk or eaten green vegetables. The one thing they do get to eat every day is rice and bread. "It is the time to consider that why has the Prime Minister forgotten that he was among those who once opposed these laws"?

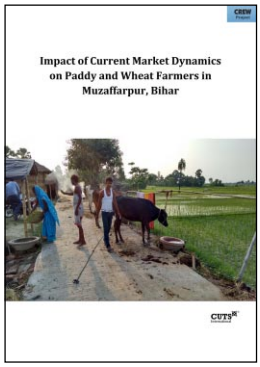
The other aspect which the government seems to have forgotten is 'cooperative federalism', so instead of dealing with Chief Ministers, Prime Minister has started having regular video-conferences with their Chief Secretaries. This is not cooperative federalism, it is direct interference in federalism, and the consequences are unlikely to be good for Indian democracy. It is also yet another sign that Modi is a central planner, and this is very worrying because if we have another decade of central planning, we can say with certainty that those dreams of prosperity that seemed so achievable during his election campaign will remain dreams.

This is because central planners are incapable of creating real jobs, and real jobs are what young Indians need more than anything else. They do not need 100 days of fake employment a year of the kind that MGNREGA bequeaths them, because in the end what this mostly does is alleviate their poverty, not end it. "If Modi continues to adopt policies reminiscent of Indira Gandhi's *gareebi hatao* (eradicating poverty) days, he will end up betraying the mandate he was given. It was a mandate for prosperity and jobs, not poverty alleviation and dole".

* *Leading Columnist associated with* The Indian Express.
This special article has been abridged from an article published im The Indian Express *on February 07, 2016*

Research Report

Impact of Current Market Dynamics on Paddy and Wheat Farmers in Muzaffarpur, Bihar



The methodology for this study was conceptualised by CUTS under the project, 'Competition Reforms in Key Markets for Enhancing Social and Economic Welfare in Developing Countries', referred to as the CREW project. The need for this study emerged from the findings of the Diagnostic Country Report of the CREW project in India – which covered two states, Bihar and Rajasthan. From the assessment undertaken in Bihar it was clear that productivity gains were not accompanied with benefits for the farming community, especially small farmers. This study specifically looks at the weaknesses in output markets in paddy and wheat sectors, in Muzaffarpur district in Bihar, to identify reasons for the above. The objective is to understand the implications of some of the recent agricultural reforms and market dynamics on the small and marginal farmers and relevant stakeholders.

http://www.cuts-ccier.org/crew/pdf/Impact_of_Current_Market_Dynamics_on_Paddy_and_Wheat_Farmers_in_Muzaffarpur-Bihar.pdf

Briefing Papers

Concerns with Respect to Payments Banks in India

Payments banks are first set of differentiated banks, aimed at providing deposit, payments and remittance services to low income groups, and other non-risk sharing simple financial services. The Reserve Bank of India (RBI) had issued operational guidelines for payment banks in November 2014 (RBI guidelines) and provided clarifications thereon in January 2015 (RBI clarifications). The successful applicants are required to comply with relevant conditions under RBI guidelines and respective in-principle approval within 18 months. This has triggered analysis of RBI guidelines and clarifications in greater detail, amongst relevant stakeholders. The Briefing Paper highlights competition and regulatory concerns with respect to structure and operation payments banks, on the basis of review of existing literature and guidelines.

Regulatory Impact Assessment: Hydro Sector in India

Before introducing a law, the government neglects to anticipate the consequences of actions in the future, due to which laws often tend to fail to meet the desired objectives. Hence, Regulatory Impact Assessment (RIA) comes as a facilitating tool to estimate costs and benefits before the decision is taken. It is one of the ways of continuous learning as it can build in innovation standards within the process. This Briefing Paper discusses CUTS case study on hydro sector in Himachal Pradesh where it has intricately explained various steps involved in RIA. In addition, by identifying the problem and undertaking thorough cost and benefit analysis, best alternative is selected for adoption.

http://www.cuts-ccier.org/Publications.htm
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SOURCES

BL: The Hindu Business Line, **BS:** Business Standard, **BW:** Business World, **DC:** Deccan Chronicle, **ET:** The Economic Times, **FE:** The Financial Express, **FP:** First Post, **IE:** The Indian Express; **IINL:**India Infoline News Service; **MW:**Minning Weekly; **NDTV:** New Delhi Television Limited, **TH:** The Hindu Business Line, **ToI:** Times of India

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