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*

Where's the Reforms Momentum?

The National Democratic Alliance Government has been trying to push several key reforms like simplifying establishment and operation of business, introducing of Goods and Services Tax (GST), land acquisition reforms and operation of agriculture markets, among others.

The Government despite launching multiple programmes has been unable to explain the common underlying theme between the proposed reforms and the synergy these initiatives are likely to achieve, once adopted.

This shows that the Government is long on intent but hamstrung on execution. One is compelled to wonder whether the Government itself is aware that synergy exists between these initiatives? The answer seems to be in negative.

The Central Government is working with the States to improve performance on indicators of doing business, and making businesses establishment and operation easy.


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It seems that the Centre has not been able to communicate to the States the importance of the initiative of increasing transparency in governance, improving competitiveness, and enhancing confidence of the industry. Transparency and predictability in governance will improve competition, attract industries and investment, and will have a positive impact on infrastructure, employment, and growth of the state. GST is being pitched as a game changer taxation reform, which will replace all indirect taxes levied by the Central and State Governments.

GST seamlessly integrates with the reforms on doing business, and together, both are expected to facilitate predictability, competitive neutrality and avoid policy induced distortions to competition and regulation. Thus, the cost of doing business is expected to reduce, attracting more industries and investment, thereby generating revenues for the governments. Alas! these reforms are not being pitched together.

The Competition Commission of India (CCI) is considering the possibility of conducting Competition Impact Assessment of the proposed economic legislations, at the Centre and states level to prevent policy distortions to effective competition and enable a level playing field for the market players.

Again, if not properly communicated and presented by the CCI, this reform might be considered by law-makers at Centre and State-level, as a roadblock in law making. The draft National Competition Policy (NCP) incorporates the principles of transparency, accountability, predictability and favours assessment of impact of policy interventions on competition and market forces. Adoption of an overarching competition policy and reforms has resulted in significant benefits across jurisdictions. It typically creates synergy among different reform initiatives and aids in achievement of their underlying objectives.

India should also move fast towards adoption of NCP. It is a non-legislative instrument and the Government should not face any bottlenecks in implementing it. Only when NCP is adopted will the Government be able to showcase the synergies, which could be created.

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• COMMUNICATION •

Notifying Spectrum Rules

The Department of Telecommunications (DoT) will soon notify the much-awaited rules to allow mobile phone companies to share spectrum among themselves, a top government official stated. The rules for trading of spectrum would come in by the end of September, Rakesh Garg, Secretary, DoT said. The price for trading would be at the latest auction price.

The rules will allow mobile companies to better utilise available airwaves and help in checking call drops. The norms are also likely to push consolidation in the telecom sector. This would also help smaller mobile phone companies with excess spectrum to share with their larger peers, who have lesser frequencies, to improve their network and services, according to credit rating and research agency, India Ratings and Research.

(FE, 19.09.15)

Drop in Broadband Rank

According to the State of Broadband 2015 report by the United Nations, India's broadband penetration ranking has fallen to 155 from 113. However, number of people with broadband access on mobile phones has gone up to 5.5 percent of the population compared to 3.2 percent in 2013.

According to the report, globally 3.2bn people are connected at present, up from 2.9bn in previous year, and equating to 43 percent of the global population. While access to the Internet is reaching saturation levels in the developed world, it is only accessible to 35 percent of people in developing countries.

The situation in the 48 Least Developed Countries is particularly critical, with over 90 percent of people without any kind of Internet connectivity.

(BL, 21.09.15)

Govt. Mulls FDI Cap Hike

The Government is considering a proposal to raise Foreign Direct Investment (FDI) limits to 100 percent in broadcasting carriage and content services, including direct-to-home (DTH) and cable networks, aiming at attracting overseas investment and enhance infrastructure.

An inter-ministerial committee has been considering FDI proposals, including hiking FDI cap in cable networks, DTH, Mobile TV, HITS (Headend-in-the-Sky Broadcasting Service) and Teleports to 100 percent, from present 74 percent, sources said.

In case of broadcasting content services – uplinking of news and current affairs TV channels, the proposal under discussion is to raise the limit to 49 percent from the present 26 percent, mentioned the sources. Increase in FDI limit will help improve the pace of digitisation of broadcasting services across India.

(NDTV, 21.09.15)

Notify Installation Rules

The DoT should come out with rules on installation of mobile towers on the government property in order to facilitate the process and reduce call drops, Associated Chamber of Commerce of India (Assocham) has demanded. The DoT and Urban Development Ministry have agreed in-principle to permit such installations.

Telecom companies have faced protests from residents in various locations against installation of mobile towers as they fear radiation can adversely impact their health. The Assocham Nation Council on Telecommunications Chairman T V Ramachandran said that with the growth of subscribers, it is estimated that about 1 lakh towers would be required over the following two years.

"The DoT is right when it mentions that the operators should optimise their network, however, for this an optimum number of towers in optimum locations is required", he said.

(ET, 20.09.15)

SC Ruling Challenged

Vodafone India has moved the Supreme Court (SC) seeking stay on a demand of ₹920mn, including penalties by the excise department. The demand is on the premise that the operator cannot claim credit for the tax content on some of its telecom infrastructure in meeting the tax liability on output (telecom) service.

Vodafone has challenged the Bombay High Court's ruling that held that the company was not entitled to credit of input duties paid on tower parts/shelter on the ground that tower/shelter is an immovable property. Vodafone, however, is of the view that to classify the goods as immovable properties, attachment to the land has to be for the permanent beneficial enjoyment of the land and should not have a separate existence devoid of the land.

(tele.net. in, 22.09.15)

www.images.financialexpress.com

TRAI on Net Neutrality

Amid the debate continuing over net neutrality, the Telecom Regulatory Authority of India (TRAI) Chairman R S Sharma said that the regulator would firm up its position on the issue soon. The telecom regulator is presently processing nearly 1.8mn comments received on the consultation paper pertaining to the regulatory framework for OTT (over the top) players like WhatsApp and Skype as well as on net neutrality.

Against the backdrop of debate on net neutrality, the Government had indicated that it would take a structured view on the matter after getting the TRAI report. The debate on net neutrality was sparked off few months back after some telecom operators and Internet companies came up with plans that offer preferential treatment in using the Internet. *(ET, 23.09.15)*

• TRANSPORT •

New Transport Department

The Union Ministry of Road Transport and Highways is considering creation of a separate transport department, informed Road Transport and Highway Secretary Vijay Chhibber. He stated that the Ministry was considering creation of a dedicated transport department, which will have the necessary technical skills to deal with all vehicular matters at a Society of Indian Automobile Manufacturers (SIAM) conference on diesel vehicles leap frogging from BS IV to BS VI (emission stages).

The new department will engage all stakeholders in the automobile sector including manufacturers, regulators, supply industry and fuel companies. Chhibber informed that the Ministry concerned itself excessively with the civil engineering aspects of road development and had ignored other issues. Newer technologies for pollution control and alternative fuels had also been neglected, he added. *(BS, 12.05.15)*

Concern on Airfares

Prime Minister Narendra Modi has expressed serious concern over the predatory pricing by the domestic airlines, an issue that will be addressed shortly by the Civil Aviation Ministry. This is also mulling a 2 percent cess on tickets in its new aviation policy. Civil Aviation Minister Ashok Gajapathi Raju said that the new civil aviation policy, which is in the advanced stage, would provide a long-term road map for the sector's growth.

The Minister of State for Civil Aviation Mahesh Sharma said that the issue of predatory pricing was a concern of a majority of Parliamentarians and the Prime Minister. Sources stated that the Civil Aviation Ministry is looking at a levy of 2 percent cess on airfares, which will be a part of the new aviation policy. *(FE, 27.05.15)*

Green Highways Fund

The Government is planning to create a 'Green Highways Fund' under its ambitious policy to transform India's 96,000 km network of National Highways, under which it will be mandatory to set aside one percent of the total road project cost for plantation.

The Road Transport and Highways Ministry is formulating the 'Green Highways (Plantation and Maintenance) Policy 2015' to develop eco-friendly National Highways with the participation of community, farmers, Non-government Organisation (NGOs), private sector, government agencies and the Forest Department.

"It has accordingly been decided that henceforth, for the work related to the greening of National Highways, 1 percent of the civil work cost should be added separately while arriving at the total project cost of National Highways being developed on Engineering Procurement and Construction (EPC)/Build-operate-transfer (BOT) mode", the Ministry indicated. *(BL, 03.09.15)*

Zero Accident Mission

The Railways will launch a zero-accident mission envisaging renewal of tracks, more railway bridges, better signalling and rolling out of accident-proof coaches and engines, Railway Minister Suresh Prabhu conveyed.

"Once we implement the mission fully, the accident rate will go down and speeds will improve, facilities will improve, quality of services will rise and revenue will increase. The level of Customer experience will enhance significantly", the Minister stated.

With this objective in mind, the Ministry has planned an investment of ₹8.5 lakh crore in the following five years. Explaining how the additional funds will be raised, Prabhu said that all investments could not come from fares or freight. Moreover, the plan has come amid an increase in the number of railway accidents.

(TH, 01.09.15)

Corruption in Railways

Suresh Prabhu has acknowledged existence of corruption at various levels in his Ministry and stated that the Government is determined to weed it out through stringent action and putting in place a transparent system.

"There have been instances, allegations, complaints of corruption about corrupt practices at various levels...One of the members of the Railway Board is under suspension. I agree that we need to take corrective steps", stated Prabhu.

He acknowledged the existence of corruption and corrupt practices in areas including award of contracts and employment. Prabhu mentioned that his Ministry is trying to put in place a system in all award of contacts and introduce 'utmost transparency' in other areas including appointments.

(IE, 20.03.15)

No Toll Bad for Roads

In what will be music to the ears of long suffering highway users, the Supreme Court has recently ruled that the National Highways Authority of India (NHAI) and concessionaires cannot collect toll from the commuters if the road is in bad shape.

Road users have had a long-standing grouse that they were fleeced by concessionaires who charged hefty toll on stretches of dilapidated national highways. They also believed that private contractors were enriching themselves while the NHAI looked the other way.

When a case relating to high toll on the poorly maintained 26-km Raipur-Durg stretch on National Highway 53 came before it, a bench of Justices T S Thakur and Kurian Joseph appointed a committee to inspect the condition of the road. *(ToI , 25.08.15)*

• OIL & GAS •

Deal for Oil Pipeline

India and Nepal are set to sign a MoU for the construction of a 41 km-long petroleum pipeline to import petroleum products from India. The pipeline from Raxaul in Bihar to Amlekhgunj in Nepal is estimated to cost ₹275 crore and expected to be completed in three years.

Indian Oil Corporation (IOC) will provide ₹200 cr while the remaining ₹75 cr will be provided by the Nepal Oil Corporation. IOC has agreed to foot the cost in exchange for Nepal committing to buy products for at least 15 years.

The Memorandum of Understanding (MoU) will promote bilateral cooperation in the oil and gas sector and secure long-term supply of petroleum products to Nepal. It will facilitate smooth supply of petroleum product from between the two countries. *(ToI, 23.08.15)*

IOC Share Price Fixed

The Government has fixed the floor price for selling its 10 percent stake in Indian Oil Corporation (IOC) at ₹87 a share – about 2 percent below last closing – which is likely to fetch ₹9,302 cr to the exchequer.

IOC's share sale will be the fourth disinvestment this fiscal, but the biggest so far in 2015-16. The earlier three stake sales have raised about ₹3,300 cr. At least 20 percent of the offer size has been reserved for retail investors, who will also get a 5 percent discount to the cut-off price. No single bidder other than mutual funds and insurance companies will be allocated more than 25 percent of the shares, according to the offer document. *(ToI, 22.08.15)*

ONGC's Purchase in Russia

ONGC Videsh Ltd. (OVL), the foreign arm of state-owned petroleum explorer Oil and Natural Gas Corporation announced that it had signed a definitive agreement to acquire up to 15 percent stake in CSJC Vankorneft, which owns Russia's second-largest oil and gas field, Vankor, in eastern Siberia.

"The acquisition is subject to relevant board, government and regulatory approvals and is expected to be closed by mid-2016", ONGC stated in a statement. Following the deal, OVL will get two positions on Vankorneft's Board of Directors.

The transaction will enhance OVL's presence in Russia. The company already holds 20 percent stake in the Sakhalin-I oil and gas field in eastern Russia. *(BS, 05.09.15)*

No Supply from TAPI Pipeline

India will not receive gas for the coming four-five years from energy-rich Central Asia through the proposed US$10bn Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline, revealed a report. "The TAPI pipeline is unlikely to be commissioned by the proposed timeline of FY18, and India will continue to rely on domestic gas and imported Liquefied Natural Gas", India Ratings said in a note on the TAPI project.

The agency observed four key issues associated with the successful commissioning of the pipeline – seller's willingness to sell gas at a price feasible for the ultimate buyer, volume off-take assurance by end-consumers, funding of the pipeline and geopolitical risks associated with the construction and operation of the 1,735-km long pipeline. *(ET, 10.07.15)*

India to Save on Oil Glut

India, which ships in nearly 80 percent of its oil requirement, is projected to save over US$24bn in 2015-16 as global supply exceeds demand for the fifth quarter in a row and keeps crude prices down. The savings could swell further because even though fears over Greece and Iran continue to weigh on the oil market.

The International Energy Agency, a Paris-based inter-government energy tracker, has projected that the excess supply situation will continue into the third quarter. This would make it the longest glut, since the Asian economic crisis of 1997. The sustained oversupply has brought down the average cost of India's crude import to US$61.50 per barrel in the April-June period in 2015 from US$84.10 a barrel in 2014-15. *(ToI, 11.07.15)*

Oil and Gas Fields' Auction

The Government will auction 69 idle oil and gas fields of state-owned Oil and Natural Gas Corporation (ONGC) and Oil India to private firms on a new revenue sharing model and liberalised terms including pricing and marketing freedom in a 'paradigm' shift.

The fields holding worth ₹70,000 cr at current rates will be given to explorers offering the maximum revenue from hydrocarbon produced to the Government.

The Government will allow companies to sell oil as well as natural gas produced from these fields at market price and with no restriction on whom they sell the produce to. Oil Minister Dharmendra Pradhan said that the Cabinet has approved auctioning of the fields that state-owned firms have surrendered because they were uneconomical. *(ToI, 02.09.15)*

Iran-India Nuclear Deal

India is looking forward to clearing its pending payments to the tune of US$6.5bn to Tehran for crude oil purchases on account of the landmark nuclear deal between Iran and global powers.

India has enjoyed a longer payment cycle and uninterrupted supplies from Iran even as the sanctions existed. Indian refiners – MRPL, Essar Oil and IOC – have been buying crude oil from the Islamic nation.

However, the payments could not be routed due to sanctions levied by the US and western powers. Both the countries had launched a 'rupee settlement mechanism' from April 2012 to avoid sanctions from the US and the European Union. *(FE, 21.07.15)*

• POWER •

Double Power Generation

India will be able to double its power generation in the following seven years, Minister of State with Independent Charge for Power Piyush Goyal stated. "As we work to provide 24x7 energy access to every citizen of India and eliminate diesel-generated power, we still have several thousands of crores of rupees on diesel-generated power, which is much more expensive".

The cost is borne by the people of the country directly or indirectly", Goyal added, "All of these are sought to be replaced by thermal, gas, nuclear and renewable power and this will generate great demand", he said.

"My concern is that the cost of generation and transmission must come down by efficiency. We have to cut down the power theft and reduce technical losses", the Minister stated.

(FP, 29.08.15)

Coal Plants Subsidise Solar

Prime Minister Narendra Modi's Government has ordered some of India's oldest coal-fired power plants to help make solar farms more competitive by bundling together electricity from both technologies for sale to the grid.

The decision requires state-controlled National Thermal Power Corporation (NTPC) Ltd. to sell cheaper coal power along with more expensive solar as a single unit. The effect of the order is to reduce the price distribution companies pay for solar power and force them to take more of the cleaner form of energy.

Plants that complete 25 years should be used for solar capacity being established by NTPC, which will set up 15 GW solar plants by 2019. Singrauli in north India is the first coal plant to participate in the programme.

(Mint, 07.09.15)

Viability of Power Projects

Power projects with around 46,000MW capacity are facing viability issues due to lack of long-term purchase agreements, inadequate fuel supply and aggressive bidding to win projects, revealed crisil report.

About 36,000MW are coal-based projects within which tariff under-recovery has affected 20,000MW of capacities, while the rest are reeling because of inadequate feedstock and poor electricity off take by Distribution Companies (DISCOMS). Total loans to these stressed generation projects are currently about ₹2.1 lakh cr.

Moreover, assurance of continuing financial support is necessary, else this debt, too, could be at risk. Discoms will continue to face liquidity pressure till there are appropriate tariff hikes and a significant reduction in aggregate technical and commercial (AT&C) losses from the current level of 25.4 percent.

(ToI, 28.08.15)

Coal Auction Kickstarts

The third phase of auction started with two non-power blocks going under the hammer. Mumbai-based Topworth Urja and Metals Limited won the Marki Mangli-I block for ₹715 per tonne, which opened at a floor price of ₹505 per tonne.

Crest Steel and Power won the Bhaskarpara coal block for ₹755 per tonne, which opened at a floor price of ₹513 per tonne. Both these mines are Schedule-II blocks, which were operational, but non-producing when their allocation was cancelled.

The bids for these blocks, however, were less as compared to the ones received in the past two phases. Market experts said the overcapacity in the market coupled with slow growth of the steel and power sector led to subdued bids.

(BS, 12.08.15)

Enforcing Payment Rates

With a three-year Government rescue package coming to a close, the highly indebted state of Rajasthan is demanding farmers start paying for their electricity. Restructured power distribution debts alone amount to a quarter of Indian banks' problematic loans, and Rajasthan's state-run utilities owe about ₹610bn, with some ₹30bn due by end of March.

While Rajasthan dropped an earlier plan to actually raise existing tariffs after opposition from farmers, State Energy Minister said the State must push on with plans to enforce existing payment rates.

States that cannot pay banks could be forced to turn to the Central Government for help. Modi's Government has ruled out a rescue package along the lines of the 2012 scheme launched under the previous Government.

(IBN, 13.09.15)

Offshore Wind Energy Policy

The Union Cabinet has approved the National Offshore Wind Energy Policy, which would provide the roadmap for development of such plants in the country. "Based on this, we will locate and identify the areas, which have the potential for offshore wind energy. The Government will get all approvals for these areas and offer it to developers by bidding", Piyush Goyal, Minister for Power, Coal and New and Renewable Energy, stated.

As per the policy, the offshore wind energy plants can come up to seaward distance of 200 nautical miles of the country from the base line. Goyal said that as per estimates, Gujarat has the potential of around 100,000 MW for offshore wind energy, while Tamil Nadu has about 60,000 MW potential.

(BL, 09.09.15)

SEBI Fines PACL

Capital market regulator Securities and Exchange Board of India (SEBI) has imposed a penalty of nearly ₹7,269.50 crore on Real Estate and Construction Company PACL Ltd. and its Directors for illegally collecting money through investment schemes without the requisite regulatory approvals.

PACL had challenged the SEBI order in the Securities Appellate Tribunal (SAT), which dismissed the appeal. As per the adjudication order, PACL and its Directors illegally mobilised an amount of ₹2,423.17 cr SEBI regulations allow the regulator to impose a maximum penalty of three times the illicit gains. These powers were used by SEBI in this matter.

SEBI's investigations showed that the company had allotted land to about 12.2mn customers till March 2012, when its total customers advances stood at ₹14,331 cr.

(Mint, 23.09.15)

₹1.14 to Print a ₹1 Note

It costs the Government₹1.14 to print a ₹1 note, a right to information (RTI) query has revealed. ₹1 notes were discontinued over two decades ago for being too costly to manufacture. However, the RBI is expected to soon put in circulation currency notes in ₹1 denomination.

"It should be asked if the retrogressive step of re-issuing the costly one rupee notes was taken, so that signatures of top bureaucrats of the Union Finance Ministry might appear on these notes", said Subhash Chandra Agrawal, who had filed the RTI application. ₹1 notes have the signature of the Finance Secretary.

The RBI decided to discontinue printing notes below ₹10 after finding that small denomination notes commanded 57 percent of the total volume of notes in the country.

(ToI, 03.07.15)

SBI & ICICI Too Big to Fail

The Reserve Bank of India (RBI) has designated India's top two banks by assets – State Bank of India (SBI) and ICICI Bank Limited as Domestic Systemically Important Banks (D-SIBs). D-SIBs are perceived as banks, which are equivalent of too-big-to-fail in other countries.

Banks falling in the D-SIB category need to set aside more capital per loan than their peers to prevent a contagion effect, which could potentially weigh down other banks in the financial system in case there is a crisis.

According to the RBI, while SBI will have to set aside 0.6 percent of the loan as capital buffer, ICICI Bank will have to keep 0.2 percent of loan as capital buffer. This means that if SBI and ICICI bank were each setting aside ₹1 earlier, they will have to set aside ₹1.60 and ₹1.20, respectively.

(IE, 31.08.15)

RBI Grants Nod to 11 Banks

The RBI granted *in-principle* approval to 11 entities, including Reliance Industries, Aditya Birla Nuvo, Vodafone and Airtel, to set up payments banks and proposed such licences 'on tap' in future.

Reliance Industries, which is forming a joint venture with the biggest bank, State Bank of India, has also received the license for the niche bank. The Payments Bank will be set up as a differentiated bank and shall confine its activities to acceptance of demand deposits, remittance services, Internet banking and other specified services.

"The *in-principle* approval granted will be valid for a period of 18 months, during which time the applicants have to comply with the requirements, under the guidelines and fulfill other conditions as might be stipulated by the Reserve Bank", RBI stated.

(TH, 20.08.15)

Revised Draft Released

The Finance Ministry has come up with a revised draft of the Indian Financial Code (IFC). The key changes include strengthening the financial accountability of financial agencies; removing the provision empowering Financial Sector Appellate Tribunal to review regulations; rule-making and operational aspects of capital controls; monetary policy framework and composition of the monetary policy committee and regulation of systemically important payment system and others.

The latest modifications have also taken into consideration the enactments subsequent to the submission of the Financial Sector Legislative Reforms Commission report, namely the Pension Fund Regulatory and Development Authority Act and Securities Laws (Amendment) Act 2014. The modifications in the revised draft IFC remain consistent with the overall structure and philosophy of the Financial Sector Legislative Reforms Commission (FSLRC) Report.

(BL, 23.07.15)

Biggest Bank Revolution

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The RBI granted in-principle nod to eight companies for setting up small finance banks. These banks can undertake almost all operations of a normal commercial bank, albeit on a smaller scale. About 75 percent of the total credit extended by these banks should be given to the priority sector.

The guidelines also restrict the maximum loan size and investment limit exposure to a single and group obligor. Eight of the ten companies that received the in-principle nod are micro-finance institutions.

This shows that the regulator clearly wants micro-lenders to take up a bigger role in financial inclusion. The RBI clearly wants micro-lenders to take up a bigger role in taking banking to rural poor, who are not covered by the existing full-service banks.

(FP, 17.09.15)

Coal Ministry's Job is to Put Best Processes in Place to Maximise Output: Anil Swarup

Anil Swarup, Coal Secretary, Union of India, shares his views on the coal industry and its relationship with power generation in an exclusive interview

Solid bids have started coming in for both Bhaskarpara as well as Marki Mangli coal block. Would you say that this has really set the tone (for coal block allocation)? What is your expectation for the remainder of the exercise?

I have often emphasised that our job has been to put processes in place. Indeed, the first day of the third round has been encouraging but as I have been saying that we will have to see on a day-to-day basis, how it works. It should be noted that we do not have any control over the amounts for the final bid. They depend on the demand and supply situation or simply the market forces.

What has changed after the first auction and before the third auction is the global outlook for commodity prices. Do you think that could have a sentimental rub off on realisations for coal block allocations?

Some factors are beyond one's control. One good example would be international factors. As I keep repeating, we are focussed on processes; we put them in place. It will all depend on demand and supply and the international situation. The international prices of coal have certainly come down. Another important factor that has happened in the past few months after we had the previous round of auction is the phenomenal growth of coal production in Coal India that will have an impact. People will start believing that more and more coal will become available from Coal India and that obviously might impact the ultimate price of coal blocks that we auction.

Identifying the blocks to the power players, the ongoing litigation at various courts may have played a dampener. Do you think this is derailing the envisioned momentum for the auction process?

We continue to do what we have to do. This is a democracy where people can and on occasions they do go to the court and we have to abide by the orders of the court. We cannot do much about it but we are trying to work on things, which we can do something about.

Give us an update on the fuel linkage auction process. Where has that discussion reached and by when can we expect a final methodology to come out?

If you recall, we had put the document on the portal. We got a lot of comments on the document that was put out for public view. We are presently examining those comments and probably by September 30, 2015 we should be able to come out with a clear policy on the planned linkage policy.

'Coal India' has made a dramatic comeback. My compliments because I am sure that has happened under your guidance. This brings me to my bigger question, on talk of a 10 percent stake sale in 'Coal India'. Does it make logical sense after Coal India has rediscovered its mojo?

See, this is a decision that we do not take. The Ministry of Finance takes a decision on this. This question can be asked from the Ministry of Finance. We just do our job, which hopefully we will continue to do. Rest of the decisions are taken by somebody else.

So, when do we see the next round of coal blocks being auctioned? Would it be to the private power sector?

The next round should commence any day. As I said, might be a week or 10 days later, we might announce the next round of auctions. We are ready with another set of mines and as soon as this round gets over, we shall consider announcing the next round. The next round will also be for the non-regulated sector for the simple reason that this sector has not had as much of a chance to bid. So, we are very conscious that the steel industry, cement industry require a lot of support. Therefore, we are focussing on the non-regulated sector (for this round of bidding).

And when is next round of auction for the power sector?

We are awaiting certain decisions of the court. Certain aspects have been challenged in court. We are awaiting the outcome of such litigation. Once that happens, we will go for that auction as well.

– *Excerpts from an Interview of Anil Swarup, Coal Secretary, Union of India. This was published in* The Economic Times *on August 12, 2015*

Uninor to Pay for Call Drops

Poor Service			
Operator	Complaints		
	2013	2014	2015
Aircel	0	4	1
Airtel	8	11	31
BSNL	0	14	10
Idea	28	9	10
Loop	0	2	0
MTNL	0	0	1
MTS	0	0	2
RCom	4	9	8
RTL	0	0	3
Tata	3	2	1
Telewings (Uninor)	0	0	0
Vodafone	4	11	17

• Till June
Complaints on call drops received by TRAI as per a Parliament Question

Call Katega, Muft Call Milega (cutting call, getting free calls) has been the tagline of Uninor, which is the only telecom operator in India to compensate its users for 'local' call drops. The telecom player at present plans to extend the offer to outgoing STD calls and roaming across all networks.

The Indian arm of Norway's Telenor sends an SMS to a caller that one minute of extra talk time has been added in her account because a call dropped. The extra minute is valid for 24 hours. Uninor's practice has prompted the DoT to ask the Telecom Regulatory Authority of India (TRAI) to work out an incentive-disincentive structure for all telecom players over the call drops.

Upanga Dutta, Chief Marketing Officer, Telewings Communications Services (Uninor) said that this initiative positioned Uninor as a customer-oriented company in a competitive environment. He, however, did not reveal how many minutes had been granted to subscribers, so far.

"Our subscribers are compensated for dropped calls made to networks of other telecom operators. It is not restricted to Uninor", Dutta added. He said the company has a mechanism in-built in their network, which allows them to ascertain why the call dropped – due to network or not. This initiative is about creating customer delight, he said, adding that this unique project was conceptualised and executed by Uninor's internal technology teams.

Uninor offers services in Uttar Pradesh (West), Uttar Pradesh (East), Bihar (including Jharkhand), Andhra Pradesh, Maharashtra and Gujarat and is expected to launch services in Assam later in 2015. It has a pre-paid user base of 47mn.

Calls drop because of spectrum constraints, inadequate cell towers and increasing subscribers. The rapid growth of smartphones and data traffic in cities has also led to congested networks. The DoT has recently ordered a nation-wide audit on dropped calls. All metros and state capitals will be part of the survey.

The Department has also asked all cellular telecom operators to submit reports on action taken by them over dropped calls by July 31, 2015. The DoT said service providers should analyse reasons for dropped calls and take appropriate steps like installing more cell sites, adopting in-building solutions, and augmenting existing radio frequency resources.

According to the reports by TRAI, most telecom companies in Delhi and Mumbai are not meeting dropped call standards. TRAI also stated that it was evaluating the need for a consultation issue.

"The issue of call drops and the campaign to revive cell towers cannot go hand in hand. If anyone is willing to suggest any tangible evidence of the adverse effect from radiation, I am going to look into it. The issue is not whether there is radiation or not, the issue is whether it is dangerous", Minister for Communications and Information Technology Ravi Shankar Prasad had indicated earlier.

"The World Health Organisation (WHO) preferred 25,000 studies till date. The evidence does not confirm any health consequence from exposure to EMF radiation", Prasad added.

* *This feature has been abridged from an article by Mansi Taneja of* Business Standard*. This was published in* Business Standard *on July 22, 2015*

Power and Electoral Politics

Thushyanthan Baskaran*, Brian Min** and Yogesh Uppal***

The Indian electricity sector remains in dire straits with consumers and firms having to suffer through frequent rationing and outages. Despite some improvements over the past three decades, deficiencies in the electricity sector have persisted, primarily due to the inability to increase production. In India, as in many other developing countries, electricity is largely managed by utilities that are owned and operated by the Government.

It is hence plausible that the failures of India's electricity sector are ultimately due to inefficiencies intrinsic to the country's political processes. While political interference is believed to be a major problem plaguing the Indian electricity sector, there is less empirical research that credibly documents the existence of political distortions, nor is there evidence confirming that such distortions carry significant economic costs. This lack of empirical evidence makes it difficult to take an informed stance on recent debates about reforms of the electricity sector.

Elections and electricity

In this context, we study and present empirical evidence that the Indian electricity sector suffers from political distortions that might carry large economic costs. A study 'Election cycles and electricity provision: Evidence from a quasi-experiment with Indian special elections', forthcoming in the *Journal of Public Economics* using a dataset on about 4,000 state-level assembly constituencies, explores whether the state governments distort the supply of electricity for electoral purposes. More precisely, we leverage the unpredictable occurrence of by-elections to ask whether electricity supply increases as a result of electoral contests. Since no data on electricity supply is available at the level of state constituencies, we use as a proxy night lights data from the US air force's Defense Meteorological Satellite Programme's Operational Linescan System (DMSP-OLS). The night lights data has several advantages over administrative data.

Electoral cycles in the Indian electricity sector are possible because the top managers of the electricity utilities are appointed by state governments and therefore have incentives to conform to their wishes. Electricity is also highly valued by consumers and firms, such that any increase might carry substantial electoral rewards. An increase in electricity supply during by-election periods might be a way for candidates, especially if they are new and untested, to signal to voters the extent of their influence with the state government and their ability to attract further resources from it in the future. For methodological reasons, we focus on by-elections that are held due to the death of an incumbent member of the legislative assembly (MLA).

They are unexpected and thus plausibly exogenous to economic developments or any other factors that might affect either the demand for or the supply of electricity within a constituency. Thus, all else equal, any sudden increase in electricity supply to constituencies that hold a by-election could be plausibly linked to the electoral concerns of the state government.

Overall, our research documents a bump in electricity supply (or, more specifically, in light output) in a by-election year. Furthermore, the bump is more pronounced in swing constituencies (where no party holds a comfortable lead in the prior general election), and if it is aligned with the state government (where the most recent incumbent belonged to the ruling party or ruling coalition).

We also explore the broader welfare effects of the electoral manipulation in electricity. Our results suggest that the bump in by-election constituencies is made up by reductions in non-election constituencies. Thus, elections do not lead to increased production in electricity overall but to diversion across constituencies. Furthermore, we observe no positive effects of the bump in electricity supply in by-election constituencies on district-level Gross Domestic Product (GDP). Thus, these electoral distortions seem to have no positive welfare effects, certainly not for the state or the district, as a whole.

Implications for policy

These findings have important policy implications. As demand for electricity will only grow in the foreseeable future, policy-makers must address the shortcomings of the electricity sector if they want to maintain the high rates of growth the country has experienced, since economic liberalisation in the early 1990s.

Private entry into the sector, especially in distribution, has remained limited even after the reforms envisaged in the Electricity Act of 2003. The reform process should, therefore, be accelerated. Further, politicians' control over staffing decisions by the electricity utilities should be limited; top managers might be appointed by a broader set of stakeholders. Alternatively, they could be given longer tenures to insulate them from any political pressure.

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– *This article was published in* Mint *on August 03, 2015*

Rising M&A Activities

In the first six months of 2015, merger and acquisition (M&A) activities rose by 11.4 percent to 178 deals valued at US$19.2bn, as against 56 announcements worth of US$17.2bn in the same period in the year 2014. Technology sector, in first half 2015, had 20 announcements amounting to US$883mn.

Outbound M&As rose by 38 percent, with Indian companies spending US$925mn abroad, since beginning of 2015 as compared to US$650m in H1 2014. US$4.6bn worth of Consumer deals was boosted by the year's flagship domestic transactions, Pantaloons Fashion and Retail's takeover of Madura Garments Lifestyle Retail Company for US$1.2bn.

India's exit activity has already seen 26 deals, only one more is required to make it the highest annual total on record, while the value has also exceeded every other total, since 2008 at US$2.7bn. *(BS, 15.07.15)*

India – A US$2tn Economy

India's GDP crossed the US$2tn mark in 2014, according to data released by the World Bank (WB). After taking 60 years to reach the US$1tn mark, India added the next trillion in just seven years.

The WB data also show that India's gross national income per person rose to US$1,610 a year during 2014 from US$1,560 the previous year. India's growth rate, at 7.4 percent in 2014, makes it the fastest growing major economy along with China.

Despite increase in per-capita gross national income (GNI), India has remained in the 'lower middle income' category (US$1,046-US$4,125). China, with a per-capita GNI of US$7,380 and an average annual growth in this parameter of 15.6 percent, will become a 'high income' country like the US, the UK, Germany and Japan. It will take India till the year 2039 to reach that level. *(TH, 03.07.15)*

Council to Promote Exports

Concerned over declining exports, the Government will soon set up a trade facilitation council comprising members of the Centre and states to promote India's overseas shipments. The council will be chaired by Commerce and Industry Minister Nirmala Sitharaman.

The main objective of the council will be facilitating trade from states in a bid to boost the country's exports. Other issues to be discussed in the meeting include problems related to infrastructure and governance; local tax issues and its refund and states' regulatory environment.

The Union Commerce Ministry is also working on other measures including desegregation of exports data state-wise. The Commerce Ministry will encourage every state to set up a State Trade Policy in order to streamline procedures and enhance exports. The move aims at achieving the US$900bn exports target by 2019-20. *(TH, 15.07.15)*

Speedy Visa Approval

Modi Government, aiming to boost trade ties with countries, such as China and Iran, has decided that visa applications from foreign businessmen and trade delegations will be approved or rejected within a week's time.

The Commerce Ministry has been complaining that delays by the Home Ministry, sometimes extensive, in clearing business visa applications were holding back attempts to improve ties with important trading partners.

The Home Ministry has already taken Iran off from the list of countries that draw special scrutiny from security agencies for providing visas after the Gulf nation reached a deal with Western countries in July, agreeing to limit its nuclear programme in exchange for removal of economic sanctions. *(Mint, 07.09.15)*

Less Optimistic Pvt. Sector

A survey, 'Indian Business Outlook', conducted by Markit, global diversified provider of financial information services private sector firms remain optimistic about the prospects of growth in activity over the coming year. The survey revealed that the net balance in India is also below global average.

According to the survey, anecdotal evidence suggests that the optimism of companies mainly reflects increased marketing, favourable government policies and company expansion plans. "Nevertheless, competitive pressures, raw material shortages, increased tax rates and strong inflation are seen as threats to the outlook", the survey indicated.

The survey comprises Indian private companies from both the manufacturing and services sectors, and mentions that the levels of confidence have deteriorated. This is clearly evident in India's Purchasing Manager's Index (PMI) for June, which fell to 51.3 from 52.6 in May. *(BL 12.07.15)*

GDP to Rise in 5 Years

India could hit the growth accelerator and its economy could rise to 8 percent over the coming five years, driven by technology, gains from education and ease of doing business due to less red tape, said American financial services major Goldman Sachs.

The global brokerage firm said that by 2020, India's economy could gain over 300mn more High school graduates. It is already adding 200 thousand bank accounts every day and nearly 800 government services have moved online, reducing red tape.

Unlike other emerging Asian economies, which largely rode on export-oriented manufacturing growth, India's growth potential lies in its services sector, the research note said. The rise in GDP is expected to be driven by an increase in investments. *(ET, 15.08.15)*

India's Prospects from China's Economic Slowdown

Gabriel Domínguez*

China's recent downturn has led to a reassessment of global economic growth, with analysts pointing to how India might benefit from the slowdown. But is the South Asian nation set to become the world's next growth engine?

"The Chinese *normal* has changed at present. It is no longer the 9 percent, 10 percent, 11 percent growth rate. So the world needs other engines to carry the growth process. And in a slow-down environment in the world, an economy, which can grow at 8-9 percent like India certainly has viable shoulders to provide the support to the global economy". This was stated by Indian Finance Minister Arun Jaitley while speaking on the impact of China's recent stock market plunge.

India's economy has been growing at impressive rates, with previous week's release of GDP figures showing that India grew as fast as China past quarter (7.0 percent year-on-year). China's National Bureau of Statistics lowered previous year's economic growth figure from a previously calculated 7.4 percent to 7.3 percent, at present.

How does India benefit?

An important aspect is the fact that India's economy is far less vulnerable to a Chinese downturn than other Asian economies, as Shang-Jin Wei, chief economist said. "Because Indian firms are less integrated with companies in China and do not sell much to the world market, a Chinese slowdown has limited effect on India", Wei elucidated.

Moreover, India boasts a fairly diversified export base, with its service sector accounting for nearly 50 percent of total exports, thus making the country far less reliant on merchandise trade than other Asian economies. The provision of information technology and business outsourcing services is also less likely to be affected by China's currency depreciation, said analyst Oliver White.

Lower commodity prices

India also stands to profit from cheaper commodity prices which have dropped as a result of the Chinese slowdown. "Commodity prices will stay low for a longer period if China grows at five percent rather than eight percent. As an importer of minerals, oil, and other commodities, India will be able to buy at cheaper prices", explained Gary Hufbauer, an international trade expert at the Washington-based Peterson Institute for International Economics.

At the same time, lower commodity prices are helping India to keep its current account in check and also reduce input costs. Moreover, investors interested in developing markets have a narrowing set of options given the current economic troubles gripping most emerging market economies.

India stands out as a relatively bright spot given its stable macro-economic conditions, renewed policy momentum, and a business-friendly Government, as Milan Vaishnav, an expert on India's political economy indicates. "While India's domestic scenario is not without its difficulties, it is profiting from the hard times its peers are facing at present", said Vaishnav.

Not the new China

All of this goes to show how recent events in China have presented India with an opportunity to make its mark on the world economy. However, experts caution that India is not 'the new China', and therefore unlikely to rival the East Asian giant's global economic impact – at least in the short run.

The vastly bigger size of China's economy means that it will continue to contribute far more than India's to global GDP growth even if it grows at a slower rate. Although the size of India's population is similar to that of China's, Chinese GDP at US$10.3tn in 2014 is five times larger than India's, which was valued at around US$2tn in 2014. Indian per capita GDP is therefore only a fraction of Chinese per capita GDP, which is reflected in much lower living standards and less favourable human development indicators than in China.

A manufacturing hub?

As economist Biswas explains, one of the most significant differences between the two countries is not only the quality and depth of infrastructure, but also the fact that China has a much larger industrial economy, whereas India's economy is domestically driven and therefore needs to significantly strengthen its manufacturing sector to become much more competitive as a global export hub.

And while India aspires to become the world's next manufacturing powerhouse, it is not clear – given the recent decline in global demand and the fierce opposition to Prime Minister Narendra Modi's economic agenda – whether these plans are feasible anytime soon.

* *Journalist with* Deutsche Welle (Germany). *This article was published* in Deutsche Welle *on September 07, 2015*

India: Most Populated by 2050

India at present has recorded a population of 127,42,39,769, which is growing at a rate of 1.6 percent a year, and could make the country the most populous in the world by 2050. Noting that India's population was growing at a faster rate than China, which is presently the world's most populous country at around 1.39bn, stated an official.

Health Minister J P Nadda stressed on the involvement of development partners and Non-government Organisations (NGOs) in assisting the Government to achieve population stabilisation goals. The data suggests that a high percentage of female (21-26 percent) are married below 18 years of age in States like Rajasthan, Jharkhand and Bihar.

(BS, 11.07.15)

One of Three Villagers Poor

Nearly one out of three persons in India's villages or about 31 percent of the rural population are poor with income barely enough to buy basic essentials, stated a new Government study.

About 75 percent of households, the highest earner has a monthly income of less than ₹5,000; just 575 percent of households have someone working in a salaried government job and less than 475 percent have someone in a private sector job.

Nearly 107mn rural households are what the Government terms as 'deprived' meaning they either live in a single room made of mud and straw have no earning adult male, or no literate adult member. *(HT, 13.07.15)*

Water Level at Reserves Fall

The country's water reserves have remained lower than a year earlier for three consecutive weeks. According to the data by the Ministry of Water Resources, water storage across 91 reservoirs hit 91.07bn cubic metres (bcm) up. The latest storage-level is 58 percent compared to 66 percent in previous year of the total live capacity of these reservoirs.

The latest storage level is 58 percent of the total live capacity of these reservoirs. Marathwada has witnessed the worst rainfall deficit so far (46 percent), followed by parts of Karnataka (44 percent) and Madhya Maharashtra (36 percent). Eastern Uttar Pradesh, too, has seen a 33 percent decline in rainfall from the Long Period Average (LPA).

(FE, 21.08.15)

Rich List Doubles

As per Hurun Report on India Rich List 2015, there are 124 dollar billionaires in the country. The number of people with more than US$1bn has more than doubled in just three years. There are 296 high net-worth individuals (HNI) (i. e., whose assets are valued above ₹1,600 cr).

Reliance Industries boss Mukesh Ambani continues to be the richest Indian for the fourth year on end with assets worth ₹1,60,951 cr. The pharmaceuticals tycoon Dilip Shanghvi of Sun Pharma is the second richest Indian and S P Hinduja is the third.

Of the 296 HNIs, 36 are NRIs. Indu Jain (Bennett, Coleman & Co Ltd) with ₹19,179 crore, is the richest woman of the 296 HNIs. Ankit Bhati (28) and Bhavish Aggarwal (29) of Ola Cabs are the youngest among the super-rich Indian business men. *(BL, 11.09.15)*

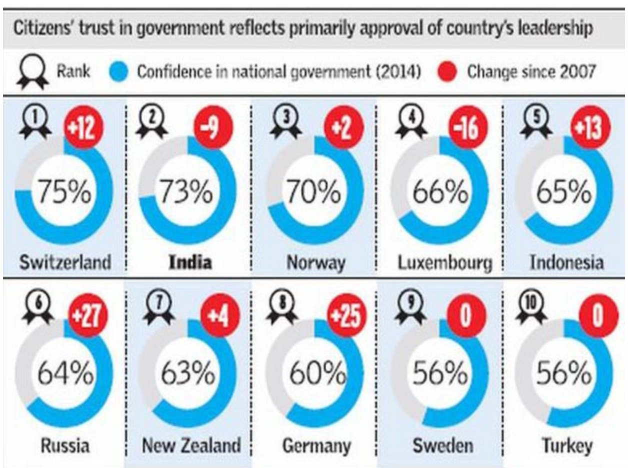
Deadliest Indians Roads

Indian roads were at their deadliest in 2014 claiming more than 16 lives every hour, on an average. Over 1.41 lakh people died in crashes comprising 3 percent more than the number of fatalities in 2013. The numbers of crashes and of people left injured were the highest levels at 4.5lakh and 4.8 lakh respectively.

According to the latest data released by the National Crime Records Bureau (NCRB), speeding and dangerous driving were the biggest reasons for road fatalities. While 13,787 two-wheeler drivers were killed in crashes, 23,529 people were killed in accidents involving these vehicles and 1.4 lakh people were left injured in them. Over-speeding accounted for about 1.7 lakh crashes and nearly 49,000 deaths and dangerous/careless driving or overtaking claimed 42,000 lives in 1.4 lakh crashes. *(ToI, 19.07.15)*

India Second on Trust

FAITH IN THE ESTABLISHMENT



India has secured second position with 73 percent amongst 40 countries in a survey of trust in national governments for the year 2014 conducted by the Organisation for Economic Cooperation and Development (OECD). Switzerland has emerged at the top with Norway coming in third. The report states evidence that the trust in Government is negatively correlated with the perceived levels of corruption in Government.

For the purpose of the survey, trust represents the confidence of citizens and businesses in the Government to do what is right and perceived as fair, according to the OECD 'Government at a Glance 2015' report. The steepest declines took place in Slovenia (30 percentage points), Finland (29 percentage points) and Spain (27 percentage points). *(TH, 12.07.15)*

Drought Continues in India

Sanjeeb Mukherjee*

Within the coming 40 days, the southwest monsoon will formally start retracting from the Indian mainland, ending its four-month journey over the country, pounding some parts with excess showers, but could leave almost 30 percent of the country with deficient or less-than-normal rains, unless there is an abnormal pickup in the coming weeks. That looks highly unlikely given that the usual intensity of monsoon starts declining from the middle of August onwards.

Most meteorologists feel this year's south-west monsoon season could end with a minimum shortfall of eight to 10 percent, and the rains could be in the range of 90-93 percent of the long-period average (LPA). The state-run India Meteorological Department (IMD) has forecast the June-September rains to be deficient at 88 percent of the LPA, while weathermen feel that the actual rains could be in the range of 90-93 percent of the LPA. The LPA for June-September is the average rainfall of 50 years starting from 1951 and is estimated to be around 89 centimetres.

Thus India is heading for a second consecutive year of meteorological drought, but agricultural drought looks remote.

The IMD classifies a meteorological drought as one where the overall rainfall deficiency is more than 10 percent and 20-40 percent of the country is under drought-like condition. The low overall rains did not have a big impact on *kharif* sowing and might not pull down the final harvest as distribution, spread and timeliness of the southwest monsoon in 2015 in major parts of the country was perhaps among the best in the past few years. The good distribution of rains, barring some pockets, and its proper timeliness ensured that till August 14, the sowing of *kharif* crops was completed in almost 84 percent of the normal area and the acreage was almost 3.1 percent more than 2014.

In fact, data from the IMD showed that except for parts of Bihar, Marathwada, north interior Karnataka, Kerala, Haryana, Telangana and Uttar Pradesh, there has been no consecutive three weeks of scanty rainfall in most places. Ramesh Chand, Director, National Centre for Agriculture Economics and Policy Research said, "I feel what is happening on the ground is not accurately reflected by the IMD numbers. For example, in North India, the IMD said that monsoon will be 15 percent below normal, but the distribution so far has been excellent this year. But, yes, in parts of western and southern India there is a problem".

India is heading for a second consecutive year of meteorological drought, but agricultural drought looks remote.

However, rating agency Crisil in a report entitled 'Angsty Farms' said that four States – Bihar, Karnataka, Maharashtra and Uttar Pradesh – and five crops – jowar, soyabean, tur, maize and cotton – are most likely to be hurt by below-normal rains in 2015. The analysis is based on Crisil own Deficient Rainfall Impact Parameter (DRIP). These States contribute 34 percent to total foodgrain production in India, while jowar, soyabean, tur and maize total up 26 percent of the total foodgrain and oilseed output.

This financial year, the importance of monsoon, and, therefore, agriculture, is magnified because the non-farm part of the Indian economy has been struggling, as underscored by poor investment and manufacturing activity, the report said. If monsoon ends up being deficient overall this financial year, it would mark two failures on a trot, which will be harder to grapple with, it added. "India has suffered weather-related turbulence for years, but what is worrying is that with rising frequency of such events, the impact is getting increasingly amplified because holistic efforts to reduce structural vulnerabilities are lacking", Dharmakirti Joshi, chief economist, Crisil Ltd. said.

The agency though maintained its overall GDP growth forecast of 7.4 percent for 2016 with agriculture growing at a sub-trend rate of 1.5 percent on a weak base of previous financial year. "Any positive surprise on rainfall over the next 45 days can create some upside to our growth outlook", the report said. Moody' too lowered its 2015-16 GDP growth forecast to seven percent from the earlier 7.5 percent due to adverse impact of low monsoon on crop output.

* *Journalist wtih Business Standard. This article was published in* Business Standard *on August 20, 2015*

Ethical Practices and Good Corporate Governance Can Boost GDP

P Narsimhan*

The Centre is looking at extending financial restructuring plan (FRP) for the State Power Distribution Companies as previous FRP schemes have actually not changed the situation on the ground and failed to bring about any significant improvements

Good ethical practices and corporate governance norms followed by the companies can boost the gross domestic product (GDP) by 1.5-2 percent much like the potential spinoff benefits of the goods and services tax (GST), a statement of Associated Chambers of Commerce of India (Assocham) quoting Union Power Minister, Piyush Goyal stated.

"If we are going to run our organisations with defined processes and a degree of serious and ethical guidelines which will always have an element of integrity at the core, to my mind getting a 1.5-2 percent bump in the GDP, good additional growth in the GDP is certainly not impossible. Very much achievable and possibly one could do even better than that", said Goyal at 'Corporate Governance Summit-cum-Excellence Awards', organised by the Assocham in New Delhi.

"To my mind, ethical practices and good governance can possibly add as much to the Indian economy as GST could", indicated Goyal. "The impact of good governance, corporate governance could be felt when one looks at the top Sensex stocks and you find that good, reputed companies are given a premium for good practices", he added.

Financial stress

Talking about the Distribution Companies' (Discoms') financial stress, the Union Minister said, "We are in active dialogue with Discoms, we have a broad framework under which I am very confident, three or four Discoms, which are really under stress will have a roadmap and in the following three years you will see a change in Discom story of India".

On being asked if the Government was looking at extending financial restructuring plan (FRP) for the Discoms, Goyal said, "FRP, which was introduced originally in April 2012 and implemented in October 2013 had actually not really changed the situation on the ground, it failed to bring about any significant improvement in AT&C (aggregate technical and commercial losses), in the financial losses of the companies".

"We are working on a more holistic approach where the companies, the Discoms themselves will be encouraged to bring about the change, the turnaround through good corporate governance practices and we will hand-hold them and ensure that within a defined timeframe we turn these around", he added. The Union Power Minister also said that he was looking at National Thermal Power Corporation (NTPC) Ltd., which won the Assocham Corporate Governance Award in the Public Sector Undertaking or PSU (listed company) category, as the world's most valuable energy company four years from now. "I am going to hold to NTPC to this when I am continuously telling them you have to be the world's most valuable power company in the following four years", Goyal stated.

"With the advent of dynamic regulatory landscapes, an increasingly complex global business environment and rapid technology disruptions, it is critical for organisations to identify and assess key governance and compliance risks", said Rana Kapoor, Assocham President. "While Corporate Governance regulations in India are amongst the best globally, striking the right balance between growth and sustainability and following corporate governance practices in spirit, will significantly improve 'Ease-of-doing-Business' and galvanise investments into the country", said Kapoor.

"Assocham is fully committed to working with the Government and regulators towards enhancing transparency and increasing accountability to promote innovation and competitiveness nationally, thereby making India the most preferred investment destination globally", added Kapoor.

* *Business Editor at* The Hindu. *This article was published in* The Hindu *on August 16, 2015*

PMO Seeks Progress Report from Departments

The Prime Minister's Office (PMO) seem to be keen on periodically reviewing the progress made by Ministries on different development plans being implemented by them. For instance, prior to the Independence Day, the PMO had asked all Ministries and departments to identify five major activities, explaining in not more than 250 words each, on how these could make a difference to the lives of the people. The Ministries were required to furnish a tabular statement on announcements made by Prime Minister during the previous Independence Day address (2014), and the status of their implementation.

Some of the key announcements by the Prime Minister in 2014 on the 68^{th} Independence Day included the launch of *Pradhan Mantri Jan Dhan Yojana* related to Finance Ministry, the 'Skill India Mission', under the Ministry of skill development, the 'Make in India' initiative, under the aegis of the Department of Industrial Policy and Promotion, the 'Digital India Drive' under the Ministry of Information Technology and telecommunication and the 'Clean India Mission' as well as the *Sansad Adarsh Gram Yojana*, under the rural development Ministry. Twenty-five sectors were identified wherein new initiatives are being taken to facilitate investment, foster innovation, protect intellectual property, and build best-in-class manufacturing infrastructure.

Similarly, since late September 2015, amid a perception of slowdown in the Government, the PMO has begun stock-taking of several Ministries and asked them not just to present a 15-month report card but also compare their performance with the progress made by Ministers during the first 15-months of United Progressive Alliance or UPA. The 15-month comparison is meant to address the concern that the Government has not moved swiftly enough.

It was pointed out that towards the end of UPA-1's tenure, there was a rush of decisions, partly driven by the global financial crisis but things slowed down as the situation improved. In fact, the markets started bouncing back from March 2010, resulting in a slowdown in decision-making. By the summer of 2010, UPA-2 was hit by a series of scandals, starting with the Commonwealth Games and then the 2G scam. As a result, policy paralysis began to creep in from August-September 2010.

Several Ministries have been asked present specific details. Details of the benefits that would flow at the ground-level are also required to be presented.

In addition, the Ministries have been told that they should clearly list out targets for the remaining tenure of the Modi Government, with a realistic assessment of the deliverables. So, if the Ministry is announcing a certain number of projects, it needs to clearly inform the PMO how many would be operational by the time the next general elections come around a little less than four years from now.

Further, in line with the PM's thinking of cooperative federalism on taking states along, Ministries have been asked to explain the involvement of states in implementing the scheme. In same line, another important objective of the stock take is identify and address coordination issues between different line Ministries on several critical infrastructure projects. To fast track the ambitious projects and achieve visible progress, which need green clearances, the Government will start the process of getting the approvals as soon as it sets up the Sagarmala Development Company. Several Ministries at central-level, such as the Ministry of Shipping and the Ministry of Environment, Forest and Climate Change are involved in this project.

In order to ensure quick implementation of the projects, several focus groups have been constituted by the Government. For instance, the National Sagarmala Apex Committee has been constituted to be chaired by Union Minister for Shipping and Transport Nitin Gadkari. The Committee will mainly look at the policy issues and examine if they are problems to be addressed in the modernisation of existing ports, so that the States could go ahead with Detailed Project Reports and mobilise funds for the execution of projects in Public Private Partnership (PPP) mode with some equity from the Special Purpose Vehicle to be created under the Sagarmala project. The project would also provide port and evacuation infrastructure to transport goods to and from ports quickly, efficiently and cost-effectively. The project also facilitates setting up of industries and manufacturing centres closer to ports for easy cargo movement.

* *This feature has been abridged from an article published in* The Economic Times *on July 15, 2015*

E-governance Drive

Prime Minister Modi has kickstarted the Digital India initiative, a scheme of the Indian Government that aims to connect all *gram panchayats* by broadband internet, promote e-governance and transform India into a connected knowledge economy. This initiative focusses on three objectives – infrastructure as a utility to every citizen, governance and services on demand, and digital empowerment of citizens.

From digitising land records to issuing birth certificates, the Government rolled out a vision of E-governance that will move substantial public services online and hence, easier to reach. Modi stated that the newer civilisations will come up around places that have high-speed optical fibre connectivity forseeing better nation-wide communications. *(ET, 01.07.15)*

Interlinking of Rivers

The Centre has stressed that the river interlinking programme was crucial for water and food security, and sought the cooperation of the States in implementing it.

Chairing the fifth meeting of the Special Committee for Inter-linking of Rivers, Union Minister of State for Water Resources, River Development and Ganga Rejuvenation, Sanwar Lal Jat urged water-surplus States to appreciate the national need for interlinking rivers in a spirit of goodwill and cooperation.

Sanwar Lal said to the Ministers of Tamil Nadu, Gujarat, Rajasthan, Jharkhand, Uttar Pradesh, Maharashtra and Andhra Pradesh, "This Government will be able to implement the Ken-Betwa link by the end of the year and it will be the model link". *(TH, 19.07.15)*

Curbing Criticism

Criticism of a politician or a public servant, in the form of words, signs or representations, can attract sedition charges under Section 124 A of the Indian Penal Code if it shows them as representatives of the Union or the State governments, said the Government Resolution issued by the Home Department of Maharashtra.

The guidelines in the resolution stated criticism in this form, which might cause disaffection with, or enmity and disloyalty to, the Centre or the State Government would be treated as sedition.

These guidelines were part of a general circular, and not a Government Resolution, and were strictly in accordance with the orders issued by the Bombay High Court. The resolution has come under severe criticism from the Opposition parties blaming the Government trying to curb the freedom of expression. *(TH, 05.09.15)*

Rental Housing Policy

The Government has decided to roll out a 'Rental Housing Policy' and a draft Bill will go to the Cabinet for its approval soon. The upcoming policy would do away with some archaic rules that govern the sector.

The 'housing for all' guidelines would also impact the upcoming policy, said Rajiv Ranjan Mishra, Joint Secretary, Ministry of Housing and Urban Poverty Alleviation (HUPA).

Affordable housing will also be accorded 'infrastructure' status soon, Mishra indicated. "We have requested the Ministry of Finance and RBI on many occasions and finally it has agreed to the long pending demand of both the industry and the Ministry of HUPA to include affordable housing in the 'infrastructure' sector category, added Mishra. *(BL, 19.07.15)*

CAG NEWS

Flaws in Cleanliness Prog.

Delays in work execution, lack of planning and improper fund management have plagued *Nirmal Bharat Abhiyan* (total sanitation campaign) in Jharkhand, observed the Comptroller and Auditor General (CAG).

The report mentioned delays in setting up implementing agencies and making institutional arrangements for executing the campaign, launched in 1999 to provide sanitation and better environment to people. The CAG has found that only 6.60 lakh individual household latrines (IHHLs) for below the poverty line families were constructed against the target of 28.72 lakh during 2009-14.

The report also mentioned that the state awarded *Nirmal Gram* awards to *gram panchayats* for implementing the campaign for cleanliness though they have not achieved total sanitation. Eleven *gram panchayats* were given the award in 2012-13 in Ranchi district alone. *(HT, 31.08.15)*

Discoms' Inflated Dues

In an indictment of the three private power distribution companies in the national capital, the CAG has found them allegedly inflating dues from consumers to the tune of a whopping ₹8,000 cr besides a range of other irregularities including suppressing revenue.

In its draft report of financial condition of the three private companies, the CAG stated that the firms BSES Yamuna Power Ltd. (BYPL) and BSES Rajdhani Power Ltd. (BRPL) backed by Reliance Infra and Tata Power Delhi Distribution Ltd. inflated their previously-incurred losses.

The CAG report mentioned about the Discoms' 'manipulating consumer figures', buying costly power, inflating costs and suppressing revenue and favouring their group companies. The three Discoms inflated their regulatory assets by nearly ₹8,000 cr, stated a senior official quoting from the report. *(DNA, 18.08.15)*

States to Amend Land Act

Finance Minister Arun Jaitley said that the Centre would permit the state governments to make state-specific amendments in the 2013 Land Act. He said that the provisions of Article 254 (2) clearly provide that a state government can bring legislation on a concurrent list subject even if it conflicts with the Central legislation, provided that Presidential assent is given to such legislations.

Jaitley said that the 2013 Act was a 'badly drafted legislation' having 'a lot of ambiguities and obvious errors' and 'legitimate difficulties' arising, once the Act is implemented. This ambiguity should be corrected. The Finance Minister also stated that the provisions of the 2013 land Act would prevent development of rural infrastructure and creation of job opportunities. *(BS, 02.09.15)*

Whistleblowers Act

A cabinet note on the amendments to the Whistleblowers' Protection Act, states that the present law gives an 'absolute right to whistleblower to make a complaint' and recommends restrictions like exemptions from disclosure under the Right to Information (RTI) Act. The Act is currently under consideration of the Rajya Sabha and was listed for passing.

This is restricted by safeguards against the disclosure of information that would prejudicially affect the sovereignty, integrity, defence, security, strategic, economic and scientific interests of the country besides its foreign relations.

The whistleblower will also be prohibited from making a complaint related to the personal information about a public servant. It means that he cannot make a complaint of bribery against a Minister unless he has obtained the supporting records, under the RTI Act. *(ToI, 05.08.15)*

No DNA Database

The Union Government has denied plans to develop a DNA database of citizens, as feared by many when the Human DNA Profiling Bill was introduced in the Monsoon Session of Parliament. Union Minister of State for Science and Technology Y S Chowdary said that the Government did not propose to establish a DNA databank of castes, communities and groups to profile, store and match their DNA data.

"The DNA data proposed to be collected in the Bill will be restricted to criminal cases and civil disputes, and for identifying missing individuals in the event of a natural disaster", a senior official said. "Unless there are trained personnel to do the work, the biological samples could get contaminated or the mode of collection might violate individual rights", mentioned Lalji Singh, father of DNA fingerprinting technology in India.

(TH, 03.08.15)

Tribal Rights Undermined

National Institution for Transforming India or NITI *Aayog*, in its observations on high-level-committee report of the Government, said that all the key features of Forest Rights Act have been undermined by a combination of apathy and sabotage during the process of implementation.

It indicated that the Central and the state governments have actively pursued policies that are in direct violation of the spirit and letter of Act that recognises traditional rights of tribals over forestland.

"Unless immediate remedial measures are taken, instead of undoing the historical injustice to tribals and other traditional forest dwellers, the Act will have the opposite outcome of making them even more vulnerable to eviction and denial of their customary access to forests", said NITI *Aayog*.

(HT, 05.09.15)

Right to Services Bill

The Union Government is considering a Bill to guarantee time-bound delivery of services, called the Right to Services Act, on the lines of the Acts already in place in Karnataka, Madhya Pradesh and Uttar Pradesh. The Bill is at present under the 'active consideration' of the Personnel and Public Grievances Ministry.

"People are generally unhappy about the Government's service delivery mechanism on account of delayed services, lack of accountability and transparency as well as poor quality of services delivered", Union Law Minister D V Sadananda Gowda conveyed to the Prime Minister.

Moreover, the programme relies heavily on e-governance and e-tracking of service requests, delays and reasons for delay, something that the Modi Government has been advocating for some time.

(TH, 21.08.15)

Experts Bat for Space Law

Fifty years after it started the space programme, India does not have a space law to protect sovereign, public or commercial interests. As global trends change fast, a clear and comprehensive law will also help the budding space industry to grow.

While Indian Space Research Organisation (ISRO) early in 2015 launched discussions on a law, space activities are currently guided by a handful of international space agreements, the Constitution, national laws, the Satellite Communications (SatCom) Policy of 2000 and the revised Remote sensing policy or 2011.

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Stephan Hobe, Director, Institute of Air and Space Law, University of Cologne, Germany, said that India is among the five countries that do not have a space law. *(TH, 19.07.15)*

Women Workforce Growth

"Women are increasingly seen, by men as well as women, as active agents of change: the dynamic promoters of social transformations that can alter the lives of both women and men", said International Monetary Fund (IMF) Managing Director, Christine Lagarde.

The Food and Agriculture Organisation, she said, has estimated that giving women the same access to farming resources as men could increase the output in developing countries by up to 4 percent – lifting over 100mn out of hunger.

Empowering women boosts economic growth and can reduce poverty. Getting more women into secure and well-paid jobs raises overall per capita income. "Greater gender equality not only raises absolute income, it also helps to reduce income inequality", Largarde said. *(TH, 07.09.15)*

MDG Target

"India's under-five mortality rate stood at 126 while the global average was 90. In 2013, this figure dropped to 49 against a global average of 46. Therefore, the gap to the global average reduced from 36 points in 1990, to just 3 points in 2013 reflecting that India has achieved under-five mortality rate decline at an accelerated pace compared to global rate of decline", said Narendra Modi.

This indicates that India is likely to reach close to achieving the Millennium Development Goals (MDG) target if the current trend of annual decline is sustained, said. *(TH, 28.08.15)*

Deflation – A Emerging Challenge

Despite the lower-than-expected growth data for the first quarter, the growth will be close to 8 percent in FY16 while flagging deflation as a challenge for the economy.

"Overall, economic growth is moving in the right direction, although its pace is still below what the economy needs. But it is at a pace that is expected to pick up in response to the ongoing reforms and one real challenge that looms ahead appears not to be the price inflation but the possible price deflation", said chief economic adviser Arvind Subramanian.

Pointing to the subdued prices and low GDP and gross value added deflators, Subramanian said, "The data seems to suggest that we are closer to deflation territory and far away from inflation territory". *(IE, 02.09.15)*

Saving Oil for Funds

Global Oil pricing slumping to a six-year low and accompanying fall in commodity prices will help India save money on import bill that can be used to fund social security schemes as well as for infrastructure building, advised Finance Minister Arun Jaitley.

"The shake-up in oil prices… is a redistribution of wealth, from amongst the oil producing nations to oil consuming countries benefit at present from this new redistribution, the result (of which) is oil prices falling to half", Jaitley added.

With oil prices falling to a record low of US$40 a barrel, a significant fall in commodity prices has also happened. India, fortunately is neither an exporter of oil nor an exporter of commodities. Thus reducing prices can help saving money, which could be used for social security and infrastructure. *(FE, 28.08.15)*

Reforms for Economy

RBI said that the financial sector reforms need to be accelerated with the introduction of the Bankruptcy Code and a Financial Resolution Authority to ensure that the risk residing in the sector does not impede a rapidly growing real economy.

It has recognised the role of a vibrant financial market in complementing and competing with the banking system in allocating and absorbing risks. "Our focus is on improving the variety of products and participants, as well as on reducing the costs of transaction, all the while keeping financial stability in mind", mentioned RBI.

Moreover, RBI has promised to carry forward the process of regulatory convergence between banks and non-banking finance companies this fiscal. *(ET, 27.08.15)*

EDUCATION SECTOR

Holistic Education Needed

According to a report – The Pearson Voice of Teacher Survey – 57 percent of students in the country are educated but are not adequately prepared for employment. The survey also said that 75 percent teachers have called for a restructuring of course curricula in collaboration with the industry and they felt that the country's education assessment framework lacks specific action points for teachers and parents to enable holistic education.

By 2030, India will be among the youngest nations in the world and with nearly 140mn people in the college-going age group, one in every four graduates in the world will be a product of the Indian higher education system. *(HT, 09.09.15)*

New Education Policy

The Human Resource Development (HRD) Ministry announced that it will be out with its first draft report on the New Education Policy (NEP) by December 2015. The Ministry will also require suggestions on the draft from stakeholders through consultation process. The Ministry plans to hold meetings with states in September and October 2015.

Minister Smriti Irani stated that the new policy is framed considering the interests of students who are physically challenged, from Schedule Caste, Tribal sects as they will be given quality education. She said that the new policy shall soon be implemented in all states and universities. *(DNA, 22.08.15)*

MCI against Corruption

According to The British Medical Journal (The BMJ), doctors in Indian private hospitals face immense pressure to carry out unnecessary and risky tests. The doctors need to advise a large number of patients to opt for surgery or tests that would provide significant financial profits to the hospital.

It is high time that the Medical Council of India (MCI) should take stringent and immediate action against hospitals and medical practitioners receiving commissions for diagnostic referrals, prescribing unnecessary investigation, practising illegal abortions, or having nexus with drug companies.

Whenever a complaint is received against a medical practitioner for accepting commissions, unnecessary investigation and other unimportant practicies the council should take immediate action, and even *suo moto*.

(FE, 05.09.15)

Govt. to Ban Freebies

The Government is planning to make the code of conduct, which bans unethical marketing practices – mandatory on the drug and medical devices industry, making it tighter and providing teeth to it. The code will put ban on freebies to doctors, such as cruise/air tickets for international travel and exotic paid-vacations for doctors, sponsored by drug companies.

The mandatory code will replace the voluntary Uniform Code of Pharmaceutical Marketing Practices (UCPMP) released by the Department of Pharmaceuticals in January 2015. The new code is likely to be strict on medical representatives as well, prohibiting them from employing any inducement or payment to gain access to a healthcare practitioner.

(ToI, 04.08.15)

Districts Focussed Healthcare

Promising to provide equitable healthcare that addresses intra-state disparities, Prime Minister Modi said that 184 poorest performing districts all over the country have been identified where more resources would be infused and focussed programmes will be carried out.

He said that the country needs to institutionalise a system where marginalised communities receive universal healthcare and financial protection.

Furthermore, Modi extended his Government's commitment to the global community with technology and programme intervention to combat disease. India stands committed to not only allocate resources towards this in our country, but also to help those countries, which needed any support, Prime Minister added. *(NDTV, 27.08.15)*

Pharma Upgradation Fund

The Government will be setting up ₹500 crore fund for small and medium players in the pharmaceutical sector for upgradation of their manufacturing facilities to boost drug production in the country.

The fund will provide loans through some bank to the small and medium players in the sector for upgradation of their technology and quality", Pharmaceuticals Secretary V K Subburaj stated. The fund is being set up following recommendations submitted by a task force on pharmaceutical sector in June, 2015 to Union Chemicals and Fertiliser Minister Ananth Kumar.

The task force had suggested that the Department of Pharmaceutical came up with seed capital and facilitate funding with other financial institutions for the medium and small-scale players in the pharmaceuticals industry. *(TH, 26.07.15)*

Checking Clinical Trials

The US Food and Drug Administration (USFDA) and the World Health Organisation (WHO) have intensified investigations into India's clinical research firms after recent probes revealed that two leading Indian firms had violated standards. The scrutiny is likely to further hurt India's reputation as a global pharmaceutical hub.

India's clinical research organisations (CROs) conduct drug trials for global drug-makers seeking to cut costs. The clinical trial industry in India has boomed in the past decade. The American and European pharmaceutical companies are flocking to India to conduct drug research due to the low cost of operations and the vast number of available human subjects. Consulting firm Consultants Frost & Sullivan had forecast the sector's sales to more than double to US$1bn in 2016 from US$485mn in 2012. *(BS, 11.07.15)*

Painkillers on Prescription

People in Delhi need a prescription to purchase common painkillers like Aspirin, Brufen from any chemist in the city as the State Health Department has banned over-the-counter sale of these drugs till November 30, 2015.

The decision has been taken in order to check the rising dengue cases in the city in the current season. According to State Health Minister Satyendra Jain, ignorance and carelessness about the symptoms of the disease can prove fatal and hence there will be a temporary ban on the over-the-counter (OTC) sale of common painkillers till November 30, 2015.

The move is a part of various measures taken by the Delhi Government to fight dengue and other vector-borne diseases. Dengu presents initially with symptoms of any viral fever and often patients buy these drugs even before consulting a doctor. *(TH, 12.08.15)*

Price Control on Drugs a Shot in the Arm for Health Care: Subburaj

Ajay Modi*

In July, the NPPA added 39 drugs meant to treat diabetes, infections and digestive disorders to the list of price-controlled medicines. Consequently, companies had to reduce prices by 5 to 40 percent on there, states V K Subburaj, Secretary, Department of Pharmaceuticals

Price control on drugs helps improve accessibility and is key to making health care affordable, a top official in the Department of Pharmaceuticals said, even as the industry continues to make representations to the Government against such a move. “The Government cannot do away with it”, V K Subburaj, Secretary of the Department, stated on being asked whether there is a rethink on the issue.

”A large section of the population is poor. Suddenly, your system is disturbed if you have to spend more on drugs. Drugs are an important component of health care expenditure”, the Secretary said.

In July, the National Pharmaceutical Pricing Authority (NPPA) added 39 drugs meant to treat diabetes, infections and digestive disorders to the list of price-controlled medicines. Consequently, companies had to reduce prices by 5 to 40 percent on these.

In May, the NPPA had introduced a cap on prices of 30 formulations, meant to cure tuberculosis, diabetes and asthma. The formula adopted for capping the price of a drug is based on the average price of all drugs with a market share of over 1 percent in a particular therapeutic segment. For drugs outside the control, companies can increase prices by up to 10 percent in a year.

The list of drugs under control is close to 700. In the 15 months, since it came to power, the Narendra Modi Government has added about 240 drugs to the list.

In contrast to the Government’s stand, a study by IMS Health – a NYSE-listed health care information and technology services company – said that the control on drugs, mandated by the 2013 Drug Price Control Order, had not helped in improving access to these medicines in the country.

The IMS study indicated that the intake of price-controlled drugs in rural areas had decreased by 7 percent over two years, while that of non-price controlled products had risen by 5 percent. It said both price categories of medicines were already among the cheapest in India compared to other developing nations, and price increase had been below or at par with inflation.

Companies argue they are left with limited financial resources to invest in research and development due to price controls. To that, Subburaj said, “Big and small companies investing in research would need more money. In India, we are not in a state to remove controls as the burden of disease is high”.

Price control is only on the national list of essential medicines and gets modified depending on the disease pattern, the official stated, “We cannot reduce the price of patented drugs”, Subburaj added.

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* *Business Journalist. This article was published in* Business Standard *on August 25, 2015*

CCI for E-filing M&As

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

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

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

(ET, 20.05.15)

Fine on GlaxoSmithKline

The CCI has held GlaxoSmithKline (GSK) and Sanofi liable for violation of the provisions of the Competition Act and levied penalty to the extent of 3 percent of the turnover both on GSK and Sanofi (aggregating to ₹60.49 cr and ₹3.04 cr respectively). It has imposed penalty for collusive bidding in supply of a meningitis vaccine to the Government for *Haj* pilgrims.

In a separate filing to the Bombay Stock Exchange (BSE), Sanofi India said, "the penalty has been imposed on Sanofi Pasteur India Pvt Ltd., which is an unlisted company and a 100 percent subsidiary of Sanofi SA, France". On the BSE today, shares of GSK closed marginally down at ₹3,178.05 and that of Sanofi India declined over 1 percent to end at ₹3,315.90.

(ToI, 08.06.15)

CCI Approves Mergers

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

In India, MeadWestvaco is engaged in the business of corrugated packaging for consumer goods, household appliance and pharmaceuticals, among others. It has two subsidiaries: MeadWestvaco India Pvt. Ltd. and MeadWestvaco India Paperboard Packaging Pvt. Ltd.

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

Re-sale Price Setting

Re-sale price arrangements between manufacturers and distributors are under the CCI scanner. Under this arrangement, a re-seller (a retailer or a distributor) cannot sell a product at a price lower than that set by the manufacturer. It protects the profit margins of both the manufacturer and the re-seller often to the detriment of the consumer. Such arrangements are usually frowned upon by competition regulators as these mechanisms tend to support the manufacturer or retailer cartels.

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

(TH, 08.05.15)

CCI Proposes Amendments

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

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

Besides, in two major rulings related to Sun Pharma's acquisition of Ranbaxy Laboratories and the merger of Holcim and Lafarge, the regulator directed divesture of certain assets, to address anti-competition concerns.

(ToI, 09.04.15)

CCI Clears Deal

The CCI has cleared the proposed merger of Lafarge and Holcim, four-months ahead of the planned move. With this approval, the two cement giants will have to sell capacities worth 5mn tonnes in India's eastern parts. The package of asset divestments, which the two companies agreed includes two plants of Lafarge India in the eastern market.

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

(BT, 02.04.15)

Capping of Airfares Violates Competition Norms: Ashok Chawla

Capping of airfares will violate competition norms as it stifles the movement of market forces, fair trade watchdog CCI's Chief Ashok Chawla has said amid rising calls to curb exorbitant pricing of air tickets. Terming that such a move would be 'antithetical' to the philosophy of competition as well as deregulation, Chawla stressed that market forces should be allowed to operate. His assertion comes against the backdrop of increasing demand from various quarters, including Parliamentarians, to put in a mechanism to contain steep fluctuations in airfares. The CCI Chairman said capping of airfares has no place on the competition side and the prices have to be determined by the market forces as the sector is deregulated.

"Capping (of airfare) is antithetical to the policy of deregulation as well as to the whole philosophy of competition and what market determines", Chawla stated. He observed that when something is deregulated and the market forces are supposed to determine it, then capping of pricing is not in sync with the philosophy of deregulation. "So deregulation is where you allow market forces to operate and if you allow market forces to operate and you sought of stifle the market forces saying you will not allow this beyond a level, then actually you are not allowing the full play of market forces", the CCI chief said.

Interestingly, the watchdog had looked into the matter on three previous occasions as well but did not find any evidence of fair trade norm violations. In May, a group of Parliamentarians led by Bhartiya Janta Party (BJP) leader Kirit Somaiya, had met Chawla and lodged a fresh complaint against carriers on airfares. While there has been no official word

Capping Airfares will stifle movement of market forces. Chawla stressed that market forces should be allowed to operate

from the Government on capping of airfares, Mahesh Sharma, Minister of State for Civil Aviation has hinted in recent times that ways were being looked at to curb predatory pricing of air tickets. "Even if we talk (about the issue) in Parliament, out of the 543 Parliamentarians, I am sure at least 500 would say that there should be a capping", Sharma said. However, the Ministry has also been emphasising that airfares are not regulated by the Government as they are determined by the interplay of market forces.

The CCI, has faced criticism from various quarters including concerns of alleged regulatory overreach. The CCI has also slapped penalties and 'cease and desist' orders against a number of large corporates, many of whom have retorted saying the regulator was making it difficult to do business in the country.

"In any case, regulators should not look for any kind of popularity. We (regulators) are not in the business of a popularity contest", Chawla said. While acknowledging that there is bound to be some opposition to 'robust regulatory interventions', Chawla emphasised that the CCI's actions are not a matter of regulatory overreach although it might be new to the enterprises. The CCI is mandated to ensure fair competition across the sectors and keep a check on cartelisation and abuse of market dominance among other violations by way of mergers and acquisitions.

Chawla said criticism of regulators is not something unique to India and should settle over time. "These things will settle with passage of time. The acceptance or the fact that there are these new institutions, which have a role to play slowly getting into the psyche of businesses", he said. Chawla further said that since regulators are specifically empowered to do a specific job, it is very likely that they would pursue matters more actively and vigorously.

"Where they are coming across a new body of *sheriffs on the block* so to speak who are monitoring their activities and looking at everything which they do, keeping in mind the mandate they have, I think that could be an issue, which bothers them but I do not think it is an issue of regulatory over reach", Chawla added. On being asked whether entities are trying to cover up their violations by making allegations against regulators, Chawla said, "I do not really know but it is general human tendency. "Starting from school children to adults and corporates, you blame them for something then you find fault with the person who is trying to pin you down".

In recent times, the fair trade regulator has passed some significant rulings including those related to real estate players, cement firms, auto-makers and insurance companies.

– *This feature has been abridged from an article. This was published in* The Hindu *on August 16, 2015*

A Home for Equality

A G Noorani*

The Declaration on the Elimination of All Forms of Intolerance and of Discrimination based on Religion or Belief, adopted by the UN General Assembly, reflects that its Article 4 casts a clear duty on states to actively legislate against discrimination

The law always lags behind public opinion, and public opinion always lags behind social necessities, the sage Justice Oliver Wendell Holmes had remarked. The repeated uproar in the media over denial of employment or housing accommodation to Muslims shows that public opinion is being built gradually but surely on these abuses. Recent cases are shocking. Zeeshan Ali Khan, a 22-year-old MBA, was denied a job by a Mumbai firm because he was a Muslim.

A 25-year-old public relations professional, Misbah Nayeem Quadir, employed by a consultancy firm, was forced to vacate a flat in Mumbai because she was a Muslim. She was told, "The builder does not allow Muslim tenants in the building". Things are no different in Delhi. Muslims find it difficult to find a place to rent or buy in upscale localities. They are forced to confine themselves to Muslim ghettos.

IT professional Azam Raza Zaidi was turned away twice when he went house-hunting in an upscale area, and in a residential society in Noida. Farah Zeba, an MBA in Finance, had a similar story to tell. She was bluntly told to look for a house in only 'your Muslim areas', like Jamia Nagar, when she went house-hunting. Alarmingly, according to Tasleem Ahmed Rehmani, President of the Muslim Political Council of India, there has been a sharp increase in this kind of discrimination in the last 30-odd years. Interfaith couples face similar problems. Nor is religion the only ground for discrimination. Few months back, a 27-year-old businessman was told that he could not buy a flat in Malad in Mumbai because he was a 'Maharashtrian'.

The Protection of Civil Rights Act, 1955, criminalises such abuses, but only if they stem from the practice of 'untouchability'. But surely the law cannot be helpless if the abuses have their roots in religious prejudice instead. This is not a private affair between one citizen and another. It touches the secular basis of our nationhood.

The UPA Government had drafted the Equal Opportunities Commission Bill. But the NDA Government is not in a great haste to secure its enactment. However, if Parliament remains inactive, the judiciary would be well within its powers to intervene. It is the state's duty to provide houses for the citizen, which is why state corporations are set up to build houses.

The right to work cannot be denied either. In each case, the private sector undertakes activities that are properly the state's concern. Even in that haven of private enterprise – the US – the Supreme Court developed the doctrine of 'businesses affected with a public interest' as far back as in 1876. Thus, the rental of houses in the city of Washington during wartime was held to be such a business. Abuses by such entities, in housing or employment, are amenable to judicial correction even in the absence of legislation.

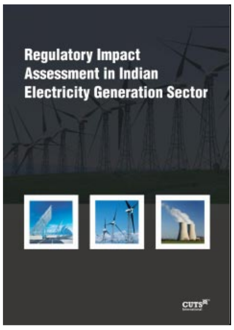
As part of his civil rights programme, US President Lyndon B Johnson prodded Congress to enact the Fair Housing Act, 1968, to prohibit discrimination in housing on the basis of religion. The courts have been astute enough to strike down laws and practices that seem to be 'neutral' but are, in fact, designed to discriminate on religious grounds. In a landmark ruling, as recently as on June 01, the US Supreme Court ruled (8-1) in favour of a Muslim woman who was denied a job at a clothing store because she wore a headscarf for religious reasons. This, despite the fact that the store had a 'look policy' for members of its sales staff 'intended to promote the brand's image This had been described as youthful and preppy. But her rejection violated the law.

The Declaration on the Elimination of All Forms of Intolerance and of Discrimination based on Religion or Belief, adopted by the UN General Assembly, reflects that its Article 4 casts a clear duty on states to actively legislate against discrimination. This was declared over three decades ago on November 25, 1981. The courts cannot ignore it, for they are part of 'the state'.

* *A Constitutional expert. This article was published in* The Indian Express *on September 10, 2015*

PUBLICATIONS

Regulatory Impact Assessment in Indian Electricity Generation Sector



In recent years, though the availability of electricity in India has both increased and improved but the demand has consistently outstripped the supply. While India is ranked third in the world in terms of electricity production and consumption, per capita consumption is significantly low and a quarter of the population still do not have access to this basic public service. The study proposes Regulatory Impact Assessment (RIA) as a tool to improve regulatory governance in the sector, enhance private sector participation and thus improve consumer and producer welfare.

The main goal of this study is to identify and analyse the specific costs and benefits of the selected regulations for power producers and suggest alternative regulations having the potential of resulting in maximum net benefits, thus easing the business conditions for power producers without adding unreasonable transaction costs for the state and compromising consumers' welfare.

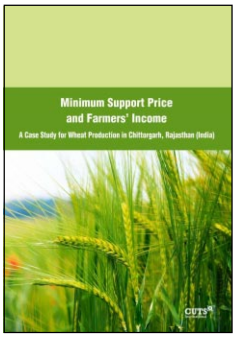
http://www.cuts-ccier.org/ADB-RIA/pdf/Regulatory_Impact_Assessment_in_Indian_Electricity_Generation_Sector.pdf

Competition Distortions Dossier

This quarterly dossier looks at the interface of policy issues which have an impact on competition in India and which can be both negative and positive. The purpose is to flag issues to the layman as well as to the policymakers and regulators, rather than being judgmental.

This edition focusses on the ongoing steel crisis that is not only affecting India but globally due to economic downturn in China and increased exports at cheaper prices. In another matter, to revive the Kerala State Road Transportation Corporation which is currently operating under losses worth about ?107crores annually, the government released a circular by restricting private bus operators to provide services once their permit expires. The Government of Rajasthan is set to privatise around 90 primary health centres (PHCs) in Rajasthan.

www.cuts-ccier.org/Competition_Distortions_India.htm



Minimum Support Price and Farmers' Income

A Case Study for Wheat Production in Chittorgarh, Rajasthan (India)

Minimum Support Price (MSP) was introduced by the Government of India to protect farmers against sharp dip of agricultural prices observed during the harvest seasons. This case study of Chittorgarh district of Rajasthan makes an attempt to analyse the impact of MSP on a farmer's income. Rajasthan is the fifth largest wheat producing State of India and its contribution to the national production of wheat, in 2012, was 10 percent. During the same time, Rajasthan contributed 7 percent to the central pool of wheat.

The study discovered that a large number of farmers kept a portion of their produce for their own consumption. 33 percent of farmers consumed up to 60 percent of their produce, which highlighted the fact that for marginal farmers, agriculture was more about self-sustenance rather than a livelihood option.

http://www.cuts-ccier.org/pdf/Minimum_Support_Price_and_Farmers_Income.pdf

We want to hear from you...

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

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

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

SOURCES

BL: The Hindu Business Line, **BS:** Business Standard, **DNA:** Daily News Analysis, **ET:** The Economic Times, **FE:** The Financial Express, **FP:** First Post, **HT:** The Hindustan Times; **IBN:** Indian Broadcasting Network, **IE:** The Indian Express; **NDTV:** New Delhi Television Limited, **TH:** The Hindu Business Line, **ToI:** Times of India

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