

Start Privatisation With Air India

There are good reasons for someone to buy it, too

As the government firms up its list of state-owned enterprises that it plans to privatise, the number one candidate must be Air India. The government should privatise the airline, into which it has poured more than ₹40,000 crore: ₹24,745 crore as equity support since 2011-12 alone, as per the turnaround plan of 2011-12, which promised a total infusion of ₹30,231 crore over 10 years. Its debt totals over ₹40,000 crore. The Comptroller and Auditor General finds that the state-owned airline lost over ₹6,000 crore since 2012-13. Why should the government of India keep pouring scarce public funds — which would generate far greater economic returns if invested in education, healthcare or physical infrastructure — into an operation that the country's private sector is perfectly capable of carrying out far more efficiently? The answer is blowing in the jet exhaust. The government should exit the loss-making airline. But why should any sane investor buy the stake the government wants to flog?

Mismanagement is only part of the reason for the airline's travails. It was a badly undercapitalised company for most of its existence, and the merger of Indian Airlines and Air India played havoc with morale, operational efficiency and finances. Most of the revenue had to go to service debt. After the government infused large dollops of equity, things have improved. Air India's employees-to-aircraft ratio has come down from typical Indian public sector levels to globally comparable levels, even if not to the level of low-cost carriers. It even claimed to have turned in an operating profit down the line. The state-owned carrier has suffered due to political interference and gross mismanagement: politicians and civil servants demand and obtain undue privileges, including delaying flights to allow a tardy neta to clamber aboard at the last minute. Once these factors are removed, the airline should be able to run well as an airline.

The only businesses the government should be in are those that are strategic and beyond the capability of the private sector. Air India does not qualify.

Speed Up Prosecution for Fair Play's Sake

One of the biggest reasons for judicial inefficiency in the country is that trials — and retrials of people already acquitted or convicted — last for decades, often owing to political guidance of the prosecuting agency. A telling case is that of P K Thungon, who became India's youngest chief minister, at age 29, in Arunachal Pradesh. He was charged with graft for his role as a junior minister in the P V Narasimha Rao government and the case dragged on for 21 years, till, this Monday, he was acquitted. Prosecution, including trials, arguments and judgement, must proceed and conclude fast, both to prevent the innocent suffering under a cloud of suspicion and the guilty plying their trade unrestrained.

The revived case against Lalu Prasad, chief minister of Bihar from 1990 to 1997, is another murky example. The fodder scam, of which he is accused, took place in undivided Bihar (today's Bihar and Jharkhand) over 1988-96, when funds from the animal husbandry department were misinvoiced and pocketed by scores of powerful people, including, allegedly, by Lalu and his predecessor Jagannath Mishra. Of the total six cases in which Lalu was an accused, one was dropped, another acquitted him, a third found him guilty and sent him to jail, and judgement is pending in the remaining three. He abdicated his chief ministerial position in 1997, served two brief terms in jail, where he was bailed out, was disqualified as a sitting MP in 2013 and sentenced as a non-contestant in elections till 2019.

Article 20(2) of the Constitution says no person can be prosecuted for the same crime twice. The Supreme Court should fast-track hearing Lalu's appeal against his conviction, instead of declaring the fodder scam to be multiple conspiracies, one for each district treasury of Bihar and Jharkhand.

Red beacons may be banned but other symbols can be repurposed...

Is This Green Light for VIP Jugaad?

Given the preponderance of red beacon lights in India, the ban on them was naturally seen as being akin to demonetisation, which saw the sudden withdrawal of most of the printed money in circulation. But while the hardship caused by the latter was minutely documented, the effect of the la batti withdrawal has been given short shrift. Most Indians, unfortunately, have proved to be unsympathetic about the plight of VIPs accustomed to unrestricted passage on jammed thoroughfares, parking in congested streets and other such benefits for years on end, now being forced to become ordinary citizens. Yet, rather than accept their fate, they have obviously decided to try other methods to achieve the same end, thereby exhibiting the Indian talent for jugaad. Their resilience and ingenuity demands admiration, however reluctant.

Sirens have been the obvious fallback, and a recent rise in such sounds in VIP-rich areas has been duly noted. A government move to ban their use too, except by police and emergency services, appears inevitable. Stickers and coyly covered flagstaffs on car bonnets will probably escape proscription but they are not as effective a tool of exclusivity as sirens and sirens. However, as Indians successfully repurposed the common red beacon, reengineered new symbols of VIPness cannot be far off.

SWAMISPEAK Invest in solar energy at a slower pace for cheaper, better technologies

Roll Out the Sun, But Gently



Swaminathan S Anklesaria Aiyar

When I argued recently that excessive speed in installing solar power threatened to bust coal-based plants and banks that had financed them, critics said I had ignored the environmental issues. Let's all agree that coal-based power is a mass polluter and health hazard. Our long-term goal must be 100% replacement of all thermal power by solar and wind power.

Showing Mirror to the Sun

However, the key issue is not of solar versus thermal. It is of cheap future solar versus today's costly, ageing solar technology. Prices have fallen a lot, but could halve again. No other industry invests at breakneck speed when costs are about to plummet. Innovations keep improving the cost and efficiency of converting the sun's energy into electricity. In lab conditions in the US, SunPower claims a conversion efficiency of 23% against today's 16-18%. New technologies promise supercapacitors 30 times as efficient as current storage options. Smart grid innovations will soon solve solar power's current transmission problems. So, investing massi-

vely in today's technology at today's prices means locking into costly, obsolete systems.

Clean solar power merits a price premium over dirty thermal power. Reasonable people can disagree on whether this premium makes solar energy (which, for fair comparison, should include storage costs of ₹2-5 per unit) competitive today. Dubai and Chile, which have low interest rates, recently got auction prices of just ₹1.6-1.7 per unit.

Interest costs account for almost all operational solar costs — other costs are negligible. But India has among the highest interest rates in emerging markets, making Indian solar power much costlier.

Solar plants are the most capital-intensive of all power plants, needing correspondingly more borrowing. As countries like India develop, interest rates tend to fall. Inflation depends much less on volatile food prices. If India's interest rates are going to fall, that's another reason to hasten slowly. Why lock into today's high rates?

The first solar plants came up at guaranteed power tariffs of ₹8-15 per unit, against only ₹2-4 per unit for coal-based plants. Nevertheless, this drive for solar power made sense, to create an ecosystem for making and installing panels, which could be scaled up massively later. Solar costs have fallen globally, and the latest Indian auction yielded a bid of ₹2.71 per unit.

But this was aided by subsidies like cheap land and accelerated depreciation. Solar power imposes substantial costs via additional transmission facilities. Huge costs are involved in keeping thermal plants idle when the sun shines.

Such costs can be absorbed by central government-owned plants that get paid for available capacity even when they don't generate power. But 'availability-based' rates are not on offer for private sector plants selling



Temple tantrums

at low, fixed rates or depressed open-market rates.

The investment in such private sector plants runs into lakhs of crores of rupees. If rapid solar capacity expansion forces them to idle their capacity, many can go bust, hitting the banks that financed them. They account for only a minority of thermal capacity. But the problem also extends to some state-owned plants.

Cheaper-Power-Hungry

Where power plants are protected by availability clauses, a huge financial burden shifts to distribution companies (discoms). When such plants back down, the amount payable by discoms falls by a sum equal to their reduced coal consumption cost (averaging ₹2 per unit). If discoms buy solar power at ₹3.50 per unit and reduce payments to availability-based plants by ₹2 per unit, they lose ₹1.50 per unit, which adds up to huge sums when crores of solar units are generated.

Solar rooftop installations threaten even greater losses. Discoms sell to retail consumers at ₹4-10 per unit, depending on the state and user category. So, rooftop panels will reduce discoms' revenue by ₹4-10 per unit, of which only ₹2 per unit will be offset

by lower payments to availability-based plants, leaving a gargantuan net loss of ₹2-8 per unit.

In the medium run, this will be partly offset by reduced transmission investments. Rapid solar adoption means either crippling losses for discoms or much higher consumer tariffs. Realpolitik means that bust state electricity boards (SEBs) won't abandon free and subsidised power for sundry vote banks. Some SEBs are already failing to lift their contractual minimum percentage of solar power. If ample new solar power is available soon at, say, ₹2 per unit, will SEBs honour commitments to older solar plants at far higher prices?

Remember Enron. When it was forced to cut generation, its effective power rate became ₹7 per unit. That was deemed so outrageously high compared to other sources that the Maharashtra government junked the contract. That can happen again to old, costly solar power.

We must invest in solar power. But why shoot up from just 12 GW today to 100 GW by 2022? A more measured pace will give time for thermal plants and banks to adjust, and leave space for cheap, future technologies. It will also reduce the risk of new Enrons.

The first solar plants came up at guaranteed tariffs of ₹8-15 per unit, against only ₹2-4 for thermal plants. Now, the latest Indian auction yielded a bid of ₹2.71

WIT & WISDOM "Everybody is ignorant, only on different subjects." Will Rogers Actor



MEME'S THE WORD HOW I LOOK WHEN I LEAVE WORK KNOWING I DID NOTHING THE WHOLE DAY

LETTER FROM WASHINGTON

OBOR, Dominance 3.0



Seema Sirohi

China's vast ambitions will be on display next week when it advertises its epic One Belt, One Road (Obor) initiative in front of an impressive international audience with leaders and delegates from 138 countries, representing a formidable geographic and political spread. The scale is audacious, the idea troubling.

So where in the world is America on this big play by China? Answer: Partly hawking private business opportunities to the Chinese and partly engaging in a very public bromance with President Xi Jinping with a small helping of 'unpredictability' on the side.

Last week, Nicole Kushner Meyer, the sister of Donald Trump's son-in-law and senior adviser Jared Kushner, was in Beijing telling the Chinese how an investment in her family's luxury apartment complex could help them get 'investor' visas at \$500,000 a piece. They should move quickly before the rules change or the price goes up.

US Secretary of State Rex Tillerson, meanwhile, spoke to anxious US diplomats about Trump's foreign policy. The speech was remarkable for its deeply appreciative portrait of China. It was all about the 'new type of great power relations' that Xi has been asking for some time.

Point of note: Tillerson did not once mention India in his 6,500-word speech — not in the context of Asia, Asia-Pacific, the wide, wide world or the universe. It was a scratch-your-head moment. A strategic partnership that was meant to fix the future and balance the power of China surely deserved a

definitive iteration by the US' chief diplomat in his first real speech. Folks, so there you have it. Some say India must exercise 'strategic patience' because the US focus always rests on allies and adversaries, and India is neither. And every US president begins with a China-first policy.

Trump's bromance — albeit a little more passionate — has been every president's first instinct ever since Richard Nixon and Henry Kissinger opened the floodgates. Jimmy Carter campaigned on the promise not to kowtow and have real relations with Taiwan, but the Chinese stared him down. Ronald Reagan, too, backedpedalled on Taiwan.

Bill Clinton famously proclaimed during his campaign he won't sup with the "butchers of Beijing", only to become China's most high-powered advocate. He was prone to telling Indian diplomats that China was where the real action was, India was a sideshow. Barack Obama dreamed of a G-2 for the first two years and then pivoted. New Delhi has been patient with America's regular flirtations. But patience is not a good enough answer to Obor.

As Aparna Pande of the Hudson Institute says, "The Indian Ocean region is critical to India's security and economic growth."



Beltway mandarins

Citings

American Pastime

TYLER COWEN

American dynamism has been declining for several decades. We now have a society where we're afraid to let our children play outside. We medicate ourselves at much higher rates. We hold jobs for longer periods of time. We move across state lines at much lower rates than before. Even our productivity growth is down. This is a kind of national malaise...

There's this myth that we're so wonderfully innovative with tech. We have done some very nice things, but a lot of those improve your leisure time. They make it easier for you to goof off at work, easier just to stay at home and have things sent to you, or entertain yourself with the internet. So, it's not actually making our economy that much more productive.

The American Dream is strongest for immigrants. They are our least complacent class. They're the most dynamic. In some ways, they're neurotic. Striving and unhappy and building and grasping... Parts of Silicon Valley are not so complacent. But overall, the American Dream has been a life with not so much change, where you get to keep what you feel is yours. I feel we can do better... Keep in mind that startups, as a percentage of total businesses, have been declining every decade since the 1980s. Also, immigrants start new businesses at a rate twice as high as native-born Americans. I wouldn't say all of our creativity is gone, but the picture is not as rosy as many people think.

From "The Dangers of American Complacency"



Arrogance and Health

SUDHAMAHAREGUNATHAN

Once, a young man, listening to traveller accounts, found everybody talking of the dignity and magnificence of King Sanatkrumar. Impressed, he set forth on a journey to see the king. Finally, when he was of a ripe old age, he reached the palace and waited to see the king.

On setting his eyes on the king, who had just woken up, the old man said, "What a man! What aura! What stature! What a smile! What beautiful teeth!" The king was delighted and said, "O good man, do you find me so wonderful? Do come back and see me when I am adorned. I will look even better."

The king wore the best of his ornaments and called the old man. "You look horrible. You have no beauty left," the old man said. The king was shocked. "When I was poorly dressed, you praised me. Now I am dressed in all royal finery and you say I have lost my beauty? I think you have lost your sanity," the king said. "No, sir, call your physician. You are ridden with diseases," the old man said. The physician was called, and the king was found to have many diseases. How? "Your arrogance caused it," the old man said.

Acharya Mahaprajna says, "Today, the medical world is of the opinion that most diseases are psychosomatic. Arrogance affects the body, as it does the mind. It affects not only the arrogant person, it inflicts pain on the entire family society. The path to happiness is to replace arrogance with humility, anger with forgiveness, crookedness with straightforwardness and greed with contentment. This paves the path to veetaragatha, or detachment."

Chat Room

Publish Lists of Defaulters

Appropos 'FMs: Open to Infusing More Funds into Banks' (May 9), the banks should periodically publish a list of intentional corporate defaulters that are indebted to scheduled banks over a specified limit. No room should be left for witch-hunting by enforcement agencies trying to attribute ulterior motives to bankers in commercial decisions. The presence of political-industrial nexus, if any, in the loan is an important factor that needs to be looked into and tackled. The overbearing influence of unscrupulous corporate heavyweights over bankers should be addressed.

NVIJAYAGOPALAN Trivandrum

Is Right-Wing Populism Over?

This refers to the Edit, 'Hail France's Vote Against Nativism' (May 9). Emmanuel Macron's victory in the French presidential election has halted the rightward shift in voting patterns seen across the globe. However, workers' unions demonstrati-

ng, within hours of the victory announcement, against the 'labour law reforms for job growth' is an indication of how he will have to accommodate the interest of the working class. Further, given his pro-European stand, he may prove a hard nut during the Brexit negotiations. No doubt Macron represents hope and optimism.

GDAVID MILTON Maruthancode

Bank on Global Holiday Norms

Is bank holiday on Buddha Purnima justified when we are heading towards five-day week for banks, more so when stock markets and other business centres will remain open? This means a lag affect as banking is the lifeline of business. A single day off means a loss of hundreds of crores of rupees to the economy. It is time to cut unnecessary holidays for Indian banks, in conjunction with global best practices, so that productivity of the country doesn't stand compromised.

SN KABRA Mumbai

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