

Reduce Levies on the Telecom Sector

Mobile broadband is vital to new job creation

Bharti, India's largest telecom company, has suffered a 72% decline in net profit in the last quarter. The entire telecom sector is under strain, offering a return on capital of 1%, according to one estimate. In the normal course, it is not for the government to worry its head overmuch about the impact on profitability of a sector that witnesses intense competition but has immense potential for growth and value addition. But when the government itself is partly to blame for the industry's strained finances, and when that industry's ability to invest and grow is a major determinant of future job creation in the economy, it cannot simply shrug its shoulders.

The government has to appreciate that taking away over 11% of the industry's revenue in the name of licence fee and spectrum usage charge is absurd after it ended the practice of assigning spectrum bundled with a licence and without any significant upfront charges, and started collecting hefty spectrum fees determined through competitive auctions. The industry claims over 30% of its revenues are appropriated by the government as assorted taxes and levies. This amounts to taking the knife to the goose that lays golden eggs. The Indian economy is on the cusp of yet another wave of major disruption, joining a global trend.

Financial services and healthcare are on the point of seeing major digital disruption, apart from education and entertainment. The government is not in a position to offer people jobs on the public payroll. People have to find jobs on their own: companies must create them and would-be workers equip themselves with the skills needed by new, disruptive industries. High-speed mobile broadband would be the enabling infrastructure for a new breed of disruptive industries to emerge and create hundreds of thousands of new jobs.

India's telecom industry is trying to build that infrastructure. If their financial plight thwarts that infrastructure, the loss would be not just theirs but of the entire economy. The revenue enabled by telecom would exceed, by far, than created by it.

People Must Pay for Power They Consume

The Power Finance Corporation's (PFC) fifth annual rating of state power distribution utilities shows that 26 of the 41 rated entities have posted improvement in aggregate technical and commercial (AT&C) loss levels during 2015-16. Yet, this would merely imply work in progress, as the average cost of supply remains higher than revenue realised. The fact of the matter is that state power utilities remain mired in the red and there seems little political will to end reckless giveaways, rampant theft and non-billing of power.

The figures suggest that median AT&C loss levels for the utilities have declined to 22.9%, from 24.8% in the previous fiscal. But there is wide variance in the operational parameters, with, for instance, utilities in Uttar Pradesh posting horrendous loss levels of over 44%. Even for the better-performing utilities, say, those in Gujarat, with AT&C loss levels just above 10%, there is the rising problem of outstanding subsidies. Power subsidies now add up to over ₹5,000 crore per annum in Gujarat. The PFC report adds that while actual subsidy received has always been 100% of the budgetary allocation in the state, the budgeted amount is now lower than the actual claims, with the result that there is a spike in subsidy dues.

The precarious finances of the state distribution utilities does not augur well for the ongoing reform and balance-sheet clean-up plan under the 'Uday' scheme, for which bonds have been issued to clear ₹2.3 lakh crore in utility outstandings. An additional ₹2.6 lakh crore of bonds are slated to be issued shortly, but the government surely needs to review state utility finances for the programme to be financially sustainable. The bottom line: power utilities just cannot be allowed to become NPAs every decade or so, requiring massive bailouts.

FSSAI's recommendations will be taken with a large pinch of salt

A Taste of a Healthier, Emptier Future?

It's natural that the Indian middle-class bulge is seen differently by marketers and nutritionists. But the recent Food Safety and Standards Authority of India (FSSAI) move to decree as junk most things that Indians—large and small—love to munch on and recommend they be swept off our plates in the interests of good health and slapped with a sin tax may not do a fat lot of good. As the food authority's no-nos include all sweet, deep-fried and salted 'snacks', potato chips, candy, burgers, pizzas, nuggets, noodles, confectionaries, packaged soups and colas, among many other things, children would be the first to ask—as they are wont to do—"Then what else is there for me to eat, even as a treat?" It is likely, therefore, that any caveat against these toothsome delights will be taken with a huge pinch of salt by most people. Man, after all, cannot live by bread alone, even if it is whole grain and bromate-free or a chapati.

Given the flip-flops by experts on everything from salt and ghee to eggs and red meat—including sugar replacing fat as the new Public (Health) Enemy No. 1—Indians can be forgiven for being sceptical about this new good-food/bad-food diktat. In fact, they could get so spooked by harangues about what they should (not) eat that they may rush off for a sugar-and-carb fix just to soothe their jangled nerves and tummies.

Let the scripting of Air India's future begin with professionalising it. Privatisation can then follow

No More Delay in Departure



Jitender Bhargava

Even half-hearted suggestions of a stake sale (read: privatisation) in Air India (AI) have invariably been followed by virulent protests. This has compelled the government to repeatedly deny the existence of any such plan.

As a result, AI continues to be in a turnaround mode for over two decades with every incumbent aviation minister and AI chairman and managing director periodically making claims of having achieved success, even if discernible signs of a meaningful turnaround have been non-existent.

The latest in the series of stake sale, after AI was first referred to the Disinvestment Commission of India in 1988, has been the recommendation from Niti Aayog.

Receding Airline

While the lack of urgency displayed by GoI could have been overlooked till a decade ago, it no longer can. AI is witnessing increasing marginalisation due to comparative faster capacity induction by private airlines.

AI today flies only one in seven passengers. Intriguingly, its decline has been the concern of everyone except those who need to set matters right.

When the airline's precarious financial state was first made public in 2009, GoI did act. But instead of tackling the core problem—the lack of a strategic and operational direction within the airline—it decided to focus on a financial package.

This was largely because the problems, though identified as early as 1988, have been glossed over. Policymakers have erroneously believed that the problem is of funding alone. AI's meaningful existence, and not

meaningless survival, hangs on several pegs, most notably the induction of a professional management with an effective leadership, a sound financial package that does not come with political interference in day-to-day operations, unions allowing changes in work conditions and pay packages, removal of hurdles in the way of making a merger successful, and commitment, faith and prayer.

The airline management and aviation ministry need to introspect why AI falters repeatedly and has failed to keep pace with private airlines, which are performing much better on key performance indicators: filling up flights (load factor), ensuring better on-time performance, higher aircraft utilisation, superior passenger satisfaction index, etc. Unless the factors responsible for not helping attain the desired results are addressed, and not just spoken about, they will continue to persist.

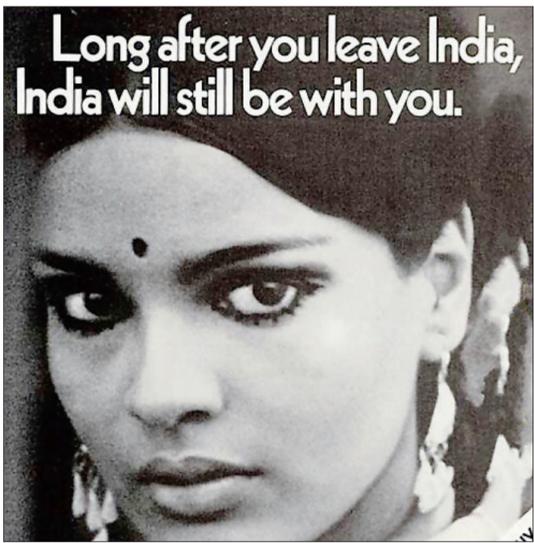
It is because of the failure to realise this reality that even as global airlines of AI's vintage—Japan Airlines and Qantas—have effected successful turnarounds, a turnaround has been elusive for our national carrier. In our own backyard, SpiceJet scripted a remarkable turnaround only a year ago.

Australia's Qantas cited "smarter with costs, faster with decisions, more productive with assets" as factors for success in achieving turnaround in a two-year timeframe.

Decision-making has been outsourced to the ministry where bureaucrats have neither commitment nor accountability. Costs have not been controlled except to highlight the reduction in aviation turbine fuel (ATF) costs due to lower prevailing prices. Likewise, in relation to productivity of men and machines.

The tragedy is that those responsible for managing AI continue to focus on peripheral and cosmetic changes to steer the airline out of the clouds.

While the need is for AI to be managed professionally, GoI has been steadily increasing its stranglehold. Even though the AI board has had men of eminence and proven corporate com-



It's now time to reconsider this

petence, none has been able to leave a legacy behind in terms of changes that can bolster the airline's fortunes.

Two Wings and a Tale

We saw AI flourish when it was managed by a visionary leader and a dedicated experienced management team in the 1960s-70s. Professionalisation, not privatisation alone, is thus the easier way forward. It is also pertinent to mention that while AI may not have lived up to expectations, it also isn't as bad as it is made out to be. This is largely because 'experts' generally judge it exclusively on financial parameters: huge losses.

The AI management, if it was capable of independent thinking and was not over-reliant on the ministry's directions, may have by now insisted on two balance-sheets: one to account for social parameters it has to mandatorily perform and follow, and op-

erational aspects, like other airlines do. If the airline was to still fail, there would be demonstrable evidence available to convince those who are averse to privatisation.

But for treading even on this road-map, one needs a professional management of high integrity. The solution to AI's travails lies in first professionalising the management and then privatising it.

We shouldn't also lose sight of the fact that when AI had attained its glorious heights and was seen as setting global standards, it was still a state-owned company. The only difference being that it was managed professionally under the stewardship of JRD Tata. So, let the scripting of AI's future begin with professionalising it. Privatisation can follow soon thereafter.

The writer is a former executive director, Air India



the speaking tree

True Friend, God's Angel

JANINA GOMES

In the alienated and fragmented world we live in today, the human heart cries out for friendship or affirmation from others. That is because we are meant to see in the human faces we encounter, the face of God. We all experience the need for a healing, empathetic presence in our lives. We relate to a friend to whom we can truly reveal ourselves. That is because, as Carlos Vallés says, we all go around with thick veils on our faces, afraid to expose our reality.

Friendship calls for a removal of all masks. Explaining the need for sharing our personal stories, Carmen Caltagirone says, "All those persons who have impacted our lives, those who have loved us, and those who have refused our love are within us. In each of us there lives a mother; a father; a betrayer; a childhood friend; a teacher. The deepest realities of human life cannot be defined in intellectual terms. We can, at best, touch on them through stories."

Human stories can only be shared through intimacy that is a psychological necessity of life. Friends complete us, they define us and act as chisels that shape our lives. This space is filled not only through intimacy but also by respecting an affective distance from those who are closest to us.

The life of Jesus on this earth was one of deep and staying relationships. Jesus always called people by name. And to call a person by his or her name is to enter into a deep relationship with them. The less we package the gift inside us, the more lasting and durable the friendship will be.

WIT & WISDOM

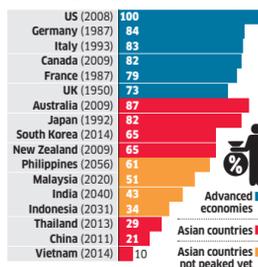
"If you haven't seen your wife smile at a traffic cop, you haven't seen her smile her prettiest."

Kin Hubbard
Cartoonist

Advantage India

Parts of Asia risk becoming old before becoming rich. The region's per-capita income relative to the US stands at much lower levels than those reached by mature advanced economies in the past, according to IMF's Regional Economic Outlook for Asia and Pacific...

Per-capita income level at the peak of working-age population share in % of US per-capita income at each country's peak year, PPP-based



Asia has enjoyed a substantial demographic dividend in past decades, but rapid ageing is now set to create a demographic tax on growth. Demographic trends could subtract 1% to 1.5 percentage point from annual GDP growth over the next three decades in post-dividend countries such as China and Japan. In contrast, they could add 1 percentage point to annual GDP growth in early-dividend countries, such as India and Indonesia, if the transition is well managed.

For countries above, the working-age population (15-64 years) share of the total population has peaked, or is projected to reach the peak, in the respective year, e.g., the US peaked in 2008

MEME'S THE WORD



CLIMATE-CHANGE OPPORTUNITIES

Business, Environment



R R Rashmi

Everyone was surprised, at the beginning of the year, by the unabashed love expressed by the new US administration for a growth strategy based on coal, oil and gas. This stumped many who were hoping that the Paris Agreement had closed such routes for those who wanted to be global leaders in the clean energy drive.

Given this backdrop, many companies have begun to believe that everything is hunky-dory for those countries that are going to depend on energy derived from fossil fuel as the drivers of growth in the longer term. However, the reality may be different.

The Donald Trump government has not concealed its preference for the use of broader measures when its economic interests are challenged. Also, none of the US oil majors has openly spoken against the Paris Agreement. One can assume that corporates have begun to look at climate change more as a business opportunity than a challenge.

India's corporate sector has not expressed any expectation or conditions for its involvement in achieving India's Nationally Determined Contributions (NDCs). Policymakers are yet to signal the terms on which India's corporate sector would be expected to work for environmental integrity.

actions fail to differentiate between different levels of technology and development at which industrial units or projects operate. Moreover, there is a presumption that the NDCs may be achieved by the industry and business in the usual course. Hence, policy for specific sectors is considered burdensome and unnecessarily costly.

Several low-carbon growth models have, however, suggested that target-based actions by Indian corporates not only introduce predictability and consistency in domestic planning but also reduce the long-term economic cost of actions. For example, under the Montreal Protocol for eliminating ozone-depleting substances, the industry has been working with some multi-lateral support since 2003, for phasing out, or phasing down, the Perform, Achieve and Trade (PAT) scheme for enhancing energy efficiency through limited trading among major identified units is another example of economically valid environmental action.

Many international corporations have been insisting on voluntary standards for sourcing or procuring goods from India. While there is no case or excuse at all for carbon footprinting or standardisation of carbon emissions embedded in products, the efforts of MNCs in this direction are not likely to die down. The talk of a border adjustment tax that has resurfaced in the EU and the US is a pointer to the emerging challenge of protectionism



If it pays to hug, why not?

in the name of climate.

The WTO is likely to be the next battleground for governments against trade actions disguised as environmentalism. Trade standards based on environmental parameters clearly transcend the boundary of environment and tread into the realm of trade. But there is no other way to fight this pernicious trend except to raise one's own standard of environmental compliance.

The track record of compliance of Indian companies leaves a lot to desire. Advance actions for environmental protection at the sectoral level may help insulate the industry from unilateral trade measures imposed in the name of climate change. The Indian airline industry, which may be exposed to emission caps because of the International Civil Aviation Organisation (ICAO) decision to force aviation emissions to peak from 2027 is a case in point.

No doubt, a more articulate and overarching legal regime is useful in ensuring uniformity and perhaps eliminating unfair cost disadvantages. But it may be more useful for industry to look at its decision-making process and re-engineer it in favour of sustainability. This is easier said than done. Corporate governance is not designed to take environmental sustainability into account. There is no law to mandate disclosure of information on actions taken to meet environmental sustainability norms. The industry gives assurances to regulators when it seeks environmental clearances. But it follows them more in breach than in practice.

This may be the first test case of a legal measure needed to achieve the NDCs. Corporate boards may have to start by making the management accountable through a proper and regular environmental audit of the business turnover. There is enough headroom available for business in this exercise. Business grows by innovation. This appears to be the latest field of innovation.

The writer is special secretary, Government of India

Citings

Digital Future

MERCEDES GOENAGA ET AL

Business is now in the midst of the most significant disruption in decades. This epochal transformation has been driven largely by technological changes—big data and advanced analytics, additive manufacturing, the Internet of Things, robotics and artificial intelligence—collectively described as the fourth industrial revolution. Arriving at dizzying speed, its consequences are already evident across sectors: competition is intensifying not just within industries but also among them... And then there are the aggressive, agile startups, with business models that ignore conventional constraints. These pressures are intensifying the long-standing imperative to raise productivity and leaving less room for error.

Yet, they also involve novel tools and methods with a huge potential for realising new levels of productivity across the entire value chain. In 2016, about 17.6 billion devices were connected to the internet. By 2025, that figure will probably jump to about 80 billion, at a rate of 152,000 a minute. The difficulty, of course, is to take advantage of these technological breakthroughs in ways that lead to comparable performance breakthroughs.

This has never been easy to do. In 1987—more than 30 years after businesses started using mainframes—Nobel Prize-winning economist Robert Solow noted, "You can see the computer age everywhere but in the productivity statistics."

From "Ops 4.0: Fuelling the Next 20% Productivity Rise With Digital Analytics"

Chat Room

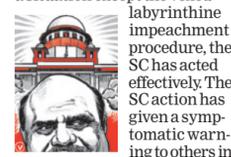
Another Set of Twisted Facts

Appropos 'No Fire-Breathing Dragon' (May 11), the Uighur-Manipuri comparison is incorrect. In northeast India, the attack on government forces is due to suspicion generated from the actions of the erstwhile British Empire that was exploitative and repressive. And, sizeable Chinese troops 'guarding' the CPEC in POK and the docking of Chinese nuclear submarine in Sri Lanka do not corroborate author's claims. Yes, China taking into account India's strategic interests, helping in declaration of Masood Azhar as an international terrorist and rerouting the CPEC via Afghanistan by avoiding POK could alter India's views.

PRATEEK BALAJI OJHA
Chennai

Neither Delayed Nor Denied

This refers the Edit, 'Judicial Dysfunction Calls for a New Fix' (May 11). Even in the absence of any disciplinary procedure available to manage such a situation except the vexed



labyrinthine impeachment procedure, the SC has acted effectively. The SC action has given a symptomatic warning to others in the ranks to behave as expected. The SC judgement might be seen as a symptom of dysfunction, as averred in the Edit, but it clearly also shows that it could be cured as well, effectively.

K R UNNITHAN
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IT's Just Missed Opportunities

The news of the sacking of employees by Cognizant and other firms shows a knee-jerk reaction. The reasons put forward are flimsy and not based on employee performance. Most IT and software firms could not move up the value chain and are still caught in the 'low-cost arbitrage' model, which is the crux of the issue. Sending home such numbers of competent employees sends panic signals across related sectors too. The need of the hour is to ask the employees to accept reduced pay and defer certain benefits they are entitled to.

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