

Auction Better Than State Allocation

However, get on with merchant mining of coal

It is welcome that the Union Cabinet has approved a transparent system of bidding for domestic coal supplies. Power producers that have power purchase agreements and no firm fuel supplies would now need to participate in reverse tariff auctions. And plants with no power pacts would need to bid for coal supply. These contracts should anticipate the possibility of the government getting around to opening up Indian coal to merchant mining, in which case there would be a functional market for coal that downgrades existing coal linkages from lifelines to just one kind of a long-term supply contract. If a future market for coal throws up significantly lower prices, the coal linkage contract should be flexible so as not to deny the buyer the benefit of better future prices merely because it agreed to a higher price at a time when there was only one seller in the market.

Easing the supply of coal will not address the problem of seeming excess capacity in the power sector. Generation capacity of several thousand megawatt remains idle, for want of firm demand from state power utilities. Given the weak finances of distribution utilities, and continuing lack of political will to levy reasonable user charges, the powers that be, it seems, simply prefer to back down rather than meet rising demand. We need to promptly overhaul such a bankrupt system. The fact is that reckless populism in the power sector, including political patronage of rampant theft of electricity and its non-billing, actually leads to massive fiscal stress. Many a state has been financially ruined thanks to a perverse giveaway like free power. In any case, having no takers for new power plants or fuel capacity would merely stultify overall growth. The political economy of power must change.

In parallel, the entire logistics of evacuating domestic coal needs revisiting. We need to augment the capacity to efficiently move coal from the hinterland, by ship and rail. In tandem, there's the pressing need to increase investment in coal beneficiation, preferably of the dry kind, to conserve scarce water.

While this is an interim order, for India it marks a significant diplomatic victory. India was able to demonstrate Pakistan's disregard for international conventions and its propensity to undermine the rule of law. The ICJ has endorsed India's contention that Pakistan has violated the Vienna Convention regarding consular access. It also made clear that Islamabad's argument that the 2008 bilateral agreement on consular access justifies its decision to not give India consular access to Jadhav, as he was accused and subsequently found guilty of acts of espionage, was not in keeping with international norms. The subordination of the 2008 bilateral agreement to the Vienna Convention is a victory for India as well, preventing Pakistan from proceeding against Indian nationals in what are essentially secret trials—Jadhav was convicted by a military court without representation. In securing a unanimous verdict, India has succeeded in exposing Islamabad's consistent undermining of international norms. It has also helped India overcome its diffidence over moving international fora when dealing with Pakistan for fear of internationalising Kashmir.

This is, however, a temporary reprieve. But Pakistan would be hard put to flout the interim order. The ICJ will now hear the case on merits. New Delhi must marshal its arguments to definitively demonstrate Islamabad's willful disregard for the rule of law and international practice.

Chautala's exam feat at 82 in Bihar Jail shows that it is never too late

Given that examinations in many places in India appear to have become the preserve of criminal elements, many might think they should be conducted in jails anyway. Of course, some may also aver that jails could prove to be even more conducive to cheating and other examination frauds, as all manner of illegal activities seem to flourish behind the high walls. However, such cynicism should not detract from the sterling achievement of the former Haryana chief minister Om Prakash Chautala: clearing the Class 12 examinations at the venerable age of 82, that too in the first division, according to his son and Haryana MLA Abhay Chautala. Even more noteworthy is the news that the Indian National Lok Dal leader, who is serving out a 10-year sentence for a teacher-hiring scam, went back to jail during a parole period to write his exams instead of choosing a more conventional location.

Clearly, the environs of Bihar Jail must be conducive to such cerebral callisthenics as the Jat doyen was apparently inspired by his fellow convict, Manu Sharma, who has pursued a law degree while being incarcerated there for Jessica Lal's murder. But both are still to reach the educational heights achieved by former MP Mohammed Shahabuddin (recently relocated to Tihar) and ex-MLA Vijay Kumar 'Munna' Shukla, both of whom notched up doctorates in Siwan Jail.

Glowing Degrees from Depth of Incarceration

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Reforms like GST are super. The challenge is to implement them in a consistent way avoiding disputes

Now Get Down to Business



Hema Ramakrishnan

The G20, which is clear that tax evaders deserve no refuge, is now battling for tax certainty to foster entrepreneurship, investment and growth. A subtle shift in its otherwise dismal perception of businesses became evident when financial leaders, who met at the German resort town of Baden-Baden, endorsed a report on the subject in March. They also vowed to track the progress on tax certainty in 2018.

The group's call for a predictable tax regime is well-timed, coming as it does when companies are grappling with a new set of global tax rules being adopted by governments, including India's, to fight tax evasion. Global corporations worry that the new rules—to make them pay their share of taxes and do so in markets they make profits—will raise their tax outgo and compliance burden.

Finger on Tax Trigger

Will it give rise to tax terrorism, and drive investors away from investing in growing markets? These are concerns that governments must address.

The report on tax certainty prepared by the International Monetary Fund (IMF) and the Organisation for Economic Cooperation and Development (OECD), based on a survey of many businesses, serves as a useful guide for India's policymakers and tax administrators to shape a more

certain tax environment. The reason: the country has adopted a slew of new tax policies, such as the general anti-avoidance rules (Gaar), to curb sharp tax practices. A law to fight black money is in place. India has also reworked its tax treaty with Mauritius and has now agreed to link a multilateral pact to modify many tax treaties to curb misuse.

Aligning domestic policy to global rules is in order. So is the move to create a Unique Legal Entity Identifier to make companies identify their real beneficial owners.

Soon, the Centre and the states will also roll out the goods and services tax (GST), the biggest indirect reform to create one market. Reforms are welcome. But the challenge is to implement them in a consistent way without fuelling more disputes.

Tax administrators must ensure a level playing field that eliminates harmful tax competition. It must address the genuine concerns of businesses as well, writes Akhilesh Ranjan, head of India's International Tax Division, in his preface to 'Information Exchange and Tax Transparency' by his colleague Rahul Navin that argues for effective use of information sharing to fight tax avoidance.

Data shows that over six lakh appeals relating to the Centre's direct and indirect tax were pending, with a total disputed amount of about ₹8.2 lakh crore, at the end of 2015.

Understandably, policy think tank Niti Aayog worries over the rise in tax disputes, saying it leads to uncertainty both for taxpayers and the government. Sensibly, it endorses reforms in tax administration—such as creating separate verticals for dispute resolution—recommended by the Shome panel.

Disputes have risen as India's income-tax law has become cumbersome

Disputes have risen as the country's income-tax law has become cumbersome over the years. The dispute resolution mechanism, too, has some distance to go



Is it a bird? Is it a plane? No, it's Businessman!

over the years. The dispute resolution mechanism, too, has some distance to go. Quasi-judicial bodies such as the authority for advance rulings, which allow investors to know their tax outgo ahead of a transaction, must be up and running. Surely, it cannot give rulings if, say, the chairman's appointment is pending. That's uncertainty for an investor.

The IMF/OECD report offers practical tips for governments to adapt to new tax policies: make tax laws simple, create a robust and time-bound dispute resolution mechanism, and have a predictable tax administration. India should blindly follow them.

Well-Stitched Gaar-ment

It would be comforting to investors, for example, if the government were to disclose its level of preparedness for the Gaar that entails tax officers collecting proper evidence before lifting the corporate veil to scrutinise any deal. Else, it will lead to unwarranted disputes.

Similarly, intensive training of tax officers is needed for handling GST as teething problems are inevitable during the rollout.

The RBI's latest report on state finances has a concise analysis on ways to create an efficient common market. Rightly, it favours a simple GST de-

sign to avoid classification disputes. Ideally, most products and services should attract the standard rate of 18%. RBI also underscores the need for timely dispute resolution, saying that's a "prerequisite for the overall efficiency of tax administration and a conducive business environment".

With multiple stakeholders, disagreements may arise at several levels: between the Centre and states, between states, and between taxpayers and tax authorities. The RBI suggests practical ways to minimise disputes.

It reckons that transparency in rules and procedures, easy availability of information and cooperation among stakeholders may help in preventing disputes. Outreach by tax authorities and guidance in filing returns will also help.

The legal infrastructure—a national appellate tribunal to adjudicate technical disputes relating to assessments, a settlement commission and the facility for advance ruling on GST dues—should be functional. What is the recourse if disputes cannot be resolved within the GST Council?

Not just the Centre, states also need to realise that certainty of the tax regime is a must for India to have an appeal as a place for doing business.

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WIT & WISDOM

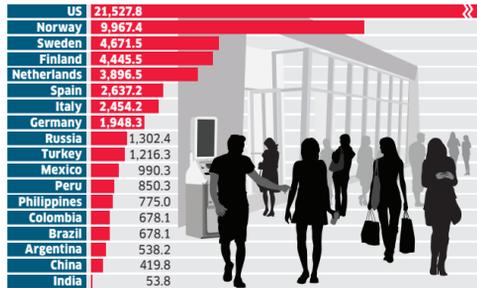
"Macho does not prove mucho."

Zsa Zsa Gabor
Actress

Retail Kings

Retail space is far less across global emerging economies than developed markets. According to Credit Suisse data, the US has more retail space than any other country in the world...

Retail space in sq ft per 1,000 people



MEME'S THE WORD



WANNACRY MALWARE

Defending Cyber Pass



Anjana Menon

WannaCry, unleashed on hundreds of countries, infected computers and blocked users from their own data, in a matter of hours. Its magnitude in scale was eclipsed by poor execution and low ransom fees—signs of a silly attack. WannaCry's real lesson is the danger of countries stockpiling cyberweapons and the damage from its use, intentional or otherwise.

Governments everywhere must know that the most crippling wars of the future will be in cyberspace, with no bloodletting. To limit damages, India must build robust counter-intelligence, including a highly capable cyberwing of global experts who are proactive rather than reactive.

WannaCry has demonstrated how a theft at America's National Security Agency (NSA) surfaced months later to attack a hospital system in Britain. The victim, the National Health Service (NHS), found several hospitals tuned out digitally, resulting in a wide patient shuffle to those that were unaffected. The ransomware had bugged an outdated operating system that hadn't been plugged with the latest updates.

Some blame for this must rest with the US government. It found a way into a vulnerability in the affected Microsoft operating system, but issued warnings only after the exploit had been stolen by hackers and released online. As Microsoft put it, "It's like having a Tomahawk missile stolen [from the US military]." This, then, was used to target those who were probably never the intended victims.

Countries poor and rich know that cyberwarfare can cause huge losses or can be used to furtively embarrass establishments by hacking into and

exposing classified information—the equivalent of a diplomatic put-down in the new order. As everything from utilities to stock markets squat online, the risk of cyberattacks becomes omnipresent and omnipotent.

So, while the theft of cyberweapons will become commonplace, this risk won't deter agencies such as the US Cyber Command from nurturing teams of cyber experts capable of launching online attacks on other countries. A Brookings Institution report estimates that some 100 countries are already building cyber military commands. In this climate, countries that lack their own cyber arsenal and intelligence will always be disadvantaged. As India expands digitally, the burden on this government will increase heavily to keep the data and transactions of a billion Indians secure—not just on computers, but the more ubiquitous mobile phone. That means making sure thousands of different agencies, offering everything from government services to selling goods, keep data secure on multiple operating systems. It's not a light task.

In 2007, Estonia, which invested heavily in digitising services, found itself

throttled after it ignored warnings and removed a Russian memorial statue from the centre of town. Soon after, Estonia ground to a halt. Its citizens couldn't even get news online, let alone access services. Though Russia never claimed responsibility for the attack, it gave the world a taste of how cyberwarfare could be used in lieu of military bullying. That was a decade ago.

Trouble is, the next generation of cyberattacks will not be from a bunch of hackers in hoods. It will most likely be driven by machines, in which artificial intelligence (AI) and neural learning will be big players, for attack and defence.

Research institutions have already demonstrated systems such as Ai Squared, an initiative led by the Massachusetts Institute of Technology (MIT), which uses AI and analyst intuition to spot cyberattacks. Systems similar to these are the ones that India needs to have as part of its arsenal. Given India's raw economic ambitions and troubled relations with some of its neighbours, it will always make for a target.

Managing this situation needs a sophisticated approach. While India has a vast pool of talented coders, it sharply lags behind the West on AI and neural learning.

Infosys has unwittingly acknowledged this weakness by agreeing to set up innovation hubs in the US and hire 10,000 Americans to focus mostly on technologies of the future. So, the Indian government must now also think more like a big business, which wants to stay not just in the game but on top of it.

For too long, the Indian administration has been bound to hiring only its citizens for top policy and administrative roles. It must now consider the limitations this poses. In the cyber-driven world, it may be better off hiring the best available global professionals to build systems for its cyber offensive.

In the future, hostility will be borderless and reside online. Its only defence will be a high level of readiness that cuts across borders.



May the fort be with you

The writer is CEO, Content Pixies

Citings

Managing Crises

SANJAY KALAVAR

The total amount paid out by corporations on account of US regulatory infractions has grown by over five times, to almost \$60 billion per year, from 2010 to 2015. Globally, this number is in excess of \$100 billion. Between 2010 and 2017, headlines with the word "crisis" and the name of one of the top 100 companies as listed by Forbes appeared 80% more often than in the previous decade...

Why is this a bigger problem now than it has been in the past? First is the growing complexity of products and organisations. A new pickup truck today includes computer controls programmed with more than 150 million lines of computer code, while the average deep-water well is the height of seven Eiffel Towers. Goods travel thousands of miles and move through supply chains that comprise multiple intermediaries and multiple jurisdictions.

A second reason for the significance of the problem is a higher level of stakeholder expectations. Customers... are more willing to sue or shun a company they believe is unethical. Governments are more willing to seek redress from companies they believe are breaking the law, and shareholder activism is on the rise.

Third, the changing social contract is driving anxieties and mistrust in institutions, making irreversible knee-jerk reactions more likely. Finally, the raw speed of business operations—from rapid communications to shorter product-development timelines—makes crises more likely.

From 'Are You Prepared for a Corporate Crisis?'



An Eternal Chance

CYRUS H MERCHANT

Spring was celebrated first in Iran 4,000 years ago. It came to be known as Navroz, or Now, when it was pronounced thus by a band of people who belonged to the oldest religion in the world, Zoroastrianism.

Its significance is more relevant today when the world is in dire need of newness. And that newness can be embraced, the Gathas promise, if all the old is abolished. From Hinduism to Islam, Judaism to Christianity, every religion has pressed for change. To grow, to evolve, to make progress has been the core of every scriptural doctrine. All art from poetry to prose, from films to literature, has also evoked the same. Life is about evolution; the Earth renews itself, the waters cleanse themselves, trees shed old branches, the human body changes every seven years; only the human being clings to the old.

When you don't let go of what is over, it consumes you and takes the space of what is to come. "God's mercy is fresh and new every morning," world teacher and speaker Joyce Meyer says. But people punish themselves by living their old lives over and over—if not in reality then in the poisonous terrain of their minds. To move on, to move further, to move ahead is an exigent need.

When you stay chained to the past, when you let the rusted balls of tragic or painful events clang at your ankles, the walk ahead is impossible. The geometry of existence falls apart when people put up old scaffolds to build new lives. Spring is the reminder and the chance to let go, to make sure bygones are bygones, to learn and leave.

Chat Room

From Grand Old to Brand New

Apropos the Edit, 'How Should Parties Handle Opportunists?' (May 18), that the Grand Old Party should nurture local leaders than disdaining with imperial contempt would be good advice, if heeded by its imperial leaders and their clan. They would not learn any lesson from their party's victory in Punjab to start treating their ground-level leaders with due respects for morphing them as national leaders to take charge from the present leaders, for then the family in power would lose its mythical charisma. The gigantically adored myopic leaders at the top would open their eyes and minds only if more Krishnas joined the taker parties and more Vaghelas threatened to quit this party.

K RAJENDRAN

Chennai

Pak Snubbed and Shamed

It is a matter of great relief, but not rejoicing till a favourable final verdict, that Kuldhusan Jadhav has been saved from the noose. It can now be hoped that the International Court of Justice would not uphold the Pakistan military court's verdict to execute Jadhav. Pakistan's anger is directed more at India than



at Jadhav. To hurt India, Pakistan will always throw all national and international norms to the wind. What happened to Sarabjit Singh is well known.

K V SEETHARAMAIAH

Hassan

No Sport With Terror State

Considering the dastardly manner in which our soldiers were killed recently and the continuing instances of cross-border terrorism, resulting in loss of lives of many of our citizens, should we be playing competitive sports like cricket, hockey, etc. on the international arena against a country that continues to sponsor terrorism? The boycott should be at the international level to draw the world's attention to the matter, till the time this country stops fomenting cross-border terrorism.

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