

GST: "If It Were Done When 'Tis Done..."

Move ahead with speed, review, revise

It is welcome that the GST Council has finalised the rates of the new tax for most goods and services. They must quickly finalise the rest and publish them, along with the rules, to enable companies to prepare their accounting systems to roll out the new tax at the earliest. The government must be prepared to tweak the rates and procedures, depending on how things work out as the tax is implemented. While most rates on goods and services are fine, some are not. A 5% levy on newsprint will hurt the vital newspaper industry. The 18% GST on financial services and 28% on detergents are excessive. Financial services should come under the Integrated GST to ease compliance. The 1% tax at source that e-commerce is obliged to collect is a needless burden on the fledgling industry and consumers.

India's final goods and services tax design has four rates for goods and services, plus cesses, but excludes petroleum, electricity, real estate (except in the case of brave Jammu and Kashmir) and alcohol. It was logical to fix the rates — 5%, 12%, 18% and 28% — on services in sync with goods. That most goods and services will attract the standard 18% GST is welcome. The sale of, say, a car would attract the same rate as leasing a car, and this makes sense. The exempt goods include primary produce such as cereals and milk. However, status quo has been maintained on most exempt services that include education and healthcare. The case to expand the net and minimise exemptions is compelling, given that services contribute to a lion's share of the economy, but service tax revenues now account for just 1.6% of GDP.

The same rate of tax on all goods under a six-digit harmonised system of nomenclature (HSN) code will reduce category confusion and disputes. All cars, for example, will attract 28% rate, with a varying cess component that will not be eligible for input tax credit. This will keep the GST chain unbroken and allow manufacturers to claim credit paid on the taxes used to make the final product. Similarly, a lower rate for goods transport is in order as fuel has been excluded from GST.

A Welcome Outcome in Iranian Elections

The re-election of Iranian President Hassan Rouhani in a decisive electoral victory is a welcome development for Iran, India and the world in general. Rouhani secured 57% of the vote against the 38.5% garnered by his opponent, the hardline cleric, Ebrahim Raisi, who had the backing of the supreme leader, Ayatollah Ali Khamenei. Much like the French in their presidential elections, Iranians voted decisively against inward-looking politics. Though Raisi campaigned on a populist platform — tackling corruption, alleviating poverty, larger hand-outs for the poor — voters preferred Rouhani's record with the nuclear deal and promise of increased engagement with the world, ensuring accountability and domestic reform, and greater personal freedoms.

A robust economy is crucial to make good on these promises. A bigger voice for the moderates and reformists in the all-powerful Assembly of Experts would help. Iran's partners and the world can give Rouhani a helping hand and support Iran's political evolution. It is time for the US to lift its remaining sanctions on Iran, not try and renege on the nuclear deal. These will make it easier for banks and other financial institutions to back investments in the country. India, too, needs to sustain and extend support to President Rouhani. This means moving ahead with its investments in Iran, the most important and immediate being the Chahabhar port and the transport-trade linkages with the Central Asian republics, which would provide a logistical advance outside China's Belt and Road project.

The economic and strategic benefits that will accrue to Iran, India, Central Asian republics and Russia would be considerable, to the chagrin of Pakistan and China. That is an added reason for the US to cooperate in Iran's economic rebuilding.

National Trust binning dusters in favour of brushes has lessons for other institutions

Time to Dust Off Some Old Practices

As has been posited earlier this month, just because something has been followed for hundreds of years does not mean it is right or that it cannot or should not be changed. There is something to be said for tradition and old practices as they usually have sanction from exalted sources. But the world is constantly changing and even age-old customs have to give way to modern thoughts and processes. Changing social conventions eventually necessitate a break from the past, no matter how painful. And institutions who have experience and perspective on these matters need to take the lead to initiate the conversion to more compatible methods to achieve the same goals. India, no stranger to such issues, should take a look at the bold step taken by Britain's National Trust to confront an age-old practice rather than brush it under the carpet: using cloth dusters for, well, dusting.

As with several other anachronistic practices, no serious remedial initiatives have been taken for centuries. But now the recently released National Trust Manual of Housekeeping bravely and unequivocally bins dusters in favour of brushes, criticising the former as wrong and out of date. Nor does it stop at just one aspect of this essential rite, pointing out other common practices that also need change. It should be followed in other spheres too.

This is the right time to privatise Air India. The initiative will have to come from the very top of govt

No More Delaying This Flight



Sanjaya Baru

Even as several analysts have recommended the privatisation of Air India, it has been reported that the Union government is considering disinvestment as a means of improving the finances of the so-called "national carrier". ET's columnist Swaminathan Aiyar, writing in the Times of India ("The Maharaja's Worse Than Mallya", goo.gl/zv4JWL) has very aptly suggested that the private budget airline IndiGo should, in fact, lay claim to be India's "national carrier", given the number of destinations across the subcontinent it now connects on a commercial basis with no government subsidy.

Asked if the government was viewing disinvestment as an option, Union minister for civil aviation Ashok Gajapati Raju reportedly said, "What else would it be? We need to make Air India a sustainable airline and we are holding discussions. All suggestions are welcome."

Here's a suggestion. Forget disinvestment. Just privatise. For many in the government, disinvestment would be an attractive option. It would mean that the airline will remain a public sector entity with all manner of officials and ministers continuing to lord over the behemoth. However, sincere Raju may be about wanting to make Air India a 'sustainable airline', nothing short of a ma-

for restructuring — financial and organisational — and rebranding can save the airline.

Financials

Consider first the airline's financials. Air India has drawn loans of close to ₹50,000 crore and the annual interest burden itself is around 10% of that sum and amounts to 25% of the airline's revenues from scheduled traffic services. No wonder the airline is already lagging behind on interest payments and runs the real risk of defaulting on these payments. While Air India has claimed a modest operating profit in 2016-17, insiders believe this is no more than a mirage and unlikely to materialise.

What has sustained the airline is the whopping ₹42,000-crore lifeline it was thrown in 2012 by the UPA-2 government after Praful Patel was moved out of the civil aviation ministry. Many have argued that Air India's chronic problems were made worse during Patel's tenure due to a variety of managerial decisions taken, including the merger of Air India and Indian Airlines. Whatever the history, the fact is that the airline's present is miserable and future bleak.

The airline is being sustained by the largesse of petroleum companies, the Airport Authority of India (AAI) and the shareholders of the Delhi and Mumbai airports. When those holding IOUs come knocking, Air India will have no cash to pay up. A four-year Turnaround Plan implemented since 2012 has not been able to address the financial problems facing Air India. Analysts believe that the airline is unlikely to be able to meet its commitments under the plan.

Taken together, the airline's poor track record in financial management and commercial operations,



Estimated time of departure: Now

despite sincere efforts on the part of its management, has meant that the government has been trying desperately to breathe life into a dead body. The government's plan to inject more funds, raised through disinvestment, will come to naught. In fact, even the disinvestment effort may well not take off. Who would want to hold the shares of an unreconstructed entity?

Unviable Airline

The time has come to face the hard fact that successive governments have helped kill the national carrier. However, there is no point in either crying over spilt milk or playing the blame game trying to figure out who killed Air India. It's time the government opted out of civil aviation and sold Air India to the highest bidder.

When the Atal Bihari Vajpayee government considered this option at the turn of the century, there was understandable concern both about a private monopoly replacing a public monopoly and about ensuring airline connectivity to remote parts of the subcontinent. Today, neither is a matter for concern.

The healthy growth of private airlines, and the fact that at least some of them like Indigo provide connectivi-

ty to distant airports, has meant that a privatised Air India will operate in a competitive environment. To ensure that commercially unviable airports remain operational, the government can provide subsidy to any airline willing to service such airports, especially those of strategic importance.

The initiative to privatise Air India will have to come from the very top of the government. Within the civil aviation ministry, within government as a whole and within Parliament, there are far too many vested interests who will oppose the move. For far too long have far too many functionaries of the State benefited from the privileges extended by a government airline. They will oppose privatisation in the name of "national interest" or workers' privileges while seeking to defend their own.

Seventy years after Independence and 20 years after the opening up of civil aviation to private airlines, the time is ripe for the government to get out of the business of flying the top 5% of Indians around India and the world in the name of national interest.

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the speaking tree

Managing Relationships

SADHGURU JAGGI VASUDEV

When you live in this world, there are various types of complex interactions happening. As your field of play increases, the complexity of interaction also goes on increasing. If you're just sitting in a cubicle with only one other person, you need only a little understanding. But if you're managing a thousand people, you need a vast understanding of everybody. If you want all these people to understand you, then you're not going to manage anything. You need to understand the limitations and the capabilities of these thousand people and do what you can only then will you have the power to move the situation the way you want it to go.

The closer the relationship the more effort you should make to understand them. If you're expecting the other to understand and comply with you all the time while you don't understand the limitations, the possibilities, the needs and the capabilities of that person, then conflict is all that will happen. Unfortunately, the closest relationships in the world have more conflict going on than there is between India and Pakistan. India and Pakistan have fought only three wars. In your relationships you have fought many more, because your line of understanding and theirs is different. If you cross this line of control, they will get mad and vice versa. If you move your understanding beyond theirs, their understanding also becomes a part of your understanding. You will be able to embrace their limitations and capabilities.

Chat Room

GST Success Lies in Enforcement

The Centre and states have arrived at a consensus to fix GST rates on most products and services. Surely, the GST Council deserves to be complimented for its business-like approach. The success of the new regime now hinges on the cooperative and collaborative spirit among government functionaries and businesses; proper management of warehousing, transportation and inventory; and timely elimination of check posts. IT systems must be up and running to ensure a smooth transition to one common market in India.

KUMADA Mumbai

India Must Talk to Islamabad

This refers to Kulbhushan Jadhav: Time for Diplomatic Move on Islamabad (May 20). India's victory at the International Court of Justice (ICJ) is a reprieve for Jadhav for the time being. India chose



this route as there was no other way to stop his execution, and as rightly pointed out the lack of a working relationship with Pakistan does not help India. The need is to prevail upon Pakistan to resume talks and make it abundantly clear that the western neighbour's interests are best served with a mutually constructive relationship with India.

BHOLEY BHARDWAJ Mumbai

Need to Accept GM Crops

India's biotechnology regulator is said to have approved the environmental release and cultivation of a genetically modified (GM) hybrid mustard developed by scientists at Delhi University. GM crops have the potential of enhanced yields with minimal or no use of pesticides, and arguably the best choice for farmers to make good profits on their produce. Yet, there are concerns. All concerns over safety must be cleared to ensure its acceptance in India.

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The airline is being sustained by the largesse of petroleum companies, the Airport Authority of India and shareholders of the Delhi and Mumbai airports

WIT & WISDOM

"I'm an angel. The horns are only there to hold up the halo."

Suzanne Wright
Writer

Extreme Events: Mortality Records

Extreme weather events cause deadly tragedies. Take a look at this World Meteorological Organization's list of the highest reported death tolls from such disasters. Of the five events, three were reported from South Asia...

Highest mortality associated with a...

Extreme weather events	Fatalities	Where	When
Tropical cyclone	3,00,000	Bangladesh (then East Pakistan)	Nov, 1970
Tornado	1,300	Manikganj district, Bangladesh	April, 1989
Lightning (indirect strike)*	469	Dronka, Egypt	Nov, 1994
Lightning (direct strike)	21	Zimbabwe (then Rhodesia)	Dec, 1975
Hailstorm*	246	Moradabad, India	April, 1888

*Caused an oil tank fire; *Hailstones as large as "goose eggs and oranges and cricket balls"

MEME'S THE WORD



NEUTRON TO NYLON

Bitcoins Bark, and Bite



Debkumar Mitra

It isn't a currency most of us are familiar with. But it exists, and continues to thrive as the world economy wobbles and hackers threaten to steal or cripple valuable data. Bitcoin, the world's most popular cryptocurrency, is having its hottest rally this year, surpassing \$1,900 for the first time since it came into existence in 2009. According to reports, in the past 12 months bitcoin has gained 350% in value.

There are several reasons for its recent spurt in growth — from politics in the US and Brazil to the WannaCry ransomware attacks. Whatever be the reasons for this newfound love for the cryptocurrency, people dealing with bitcoins are aware that the bitcoin is as safe as the ozone layer is to chlorofluorocarbons emissions — in other words, it is a risky, unregulated and uninsured cryptocurrency.

To add to its existing legal woes, recent research has unearthed the Achilles' heel of bitcoin technology. Computer scientists at Lancaster University, Britain, and Universiti Teknologi MARA, Malaysia, have found that "the very design features that make bitcoin technology appealing to its users are also weaknesses being exploited for the theft of the cryptocurrency". They warn that these flaws can lead to theft and fraud.

The research has serious implications for the technology that has enjoyed several rebirths in a decade. Already huge amounts of "cash" are stored in the form of bitcoins, which goes by the name of "digital gold". Till now, that asset was vulnerable only to wild swings in the bitcoin's value. But the latest findings put the question mark on its recoverability. The trans-

parent design features that are supposed to promote trust in the bitcoin have come to haunt its investors.

The blockchain is the main technological innovation of the bitcoin. It is decentralised, pseudo-anonymous and unregulated and, therefore, attractive to many of its users. Blockchain maintains a continuously growing list of records, 'blocks' that are said to be free from tampering and revision. Each block contains a times-tamp — encoded information of the time when a transaction has taken place — and a link to a previous block.

It allows a transaction to take place between two parties anonymously, if one ignores the digital signature, without a mediator. In the case of traditional currencies, a bank or a financial institution acts as a 'trusted' mediator. Blockchain, with its open ledger design, is seen by some investors as a low cost-intensive (no paying of fees to a mediator), fast and transparent technology.

According to the researchers, the problematic bitcoin design features include: "...the risk of losing a password — a lost or forgotten password cannot be recovered, so all bitcoins from an electronic wallet could be rendered unrecoverable. Insecure passwords can lead to bitcoins being stolen — for instance, through phishing attacks. The irreversible nature of transactions for bitcoins can lead to bitcoins that are stolen or diverted to

another wallet due to hacking, or dishonest trading partners cannot be reversed and recovered. The anonymous nature of the cryptocurrency users, and their unknown reputations, opens up opportunities for dishonest traders to scam during transactions."

The fear of fraud is real as bitcoin is popular among many dark web users, and many of them are not ethical hackers. A 2015 CoinDesk report indicated that bitcoin has been the de facto currency of the dark web (the 'hidden' Internet, accessible only by Tor; the free software that allows anonymous surfing), since the pioneering marketplace Silk Road, the 'eBay of drugs', arrived in 2011.

In fact, an FBI report claimed that Silk Road made \$1.2 billion in 2012-13, and a large part of it was paid in currencies such as bitcoins. According to the research paper ("Design for Trust: An Exploration of the Challenges and Opportunities of Bitcoin Users", Corina Sas, Lancaster University, Universiti Teknologi MARA, goo.gl/WU3Amq), the challenge that bitcoin users face is the risk of "insecure transactions and in particular that of dealing with dishonest traders".

The paper provides suggestions to improve the bitcoin design to address the trust issue. These suggestions include "record information on conventional currencies exchanged for bitcoins on the blockchain; a reputation management system built on top of the blockchain to motivate traders to keep the same wallet to build their reputation; tools to reveal the identities of the owners of one-use only bitcoin wallets; use of third parties to arbitrate".

Unregulated systems attract people with its freedom. Bitcoin technology is one such example. It doesn't seem to be robust enough to keep your money safe from thieves. The suggested changes in the technology will make it look like digital hawala and the bitcoin's attraction may then fade. Thus the question: why use it?



A more reliable coin to be bit

Citings

On Data Mining

PETER FADER

Customer analytics has been around from the time that marketing as we know it today was born. Let's think about the 1950s or so, when we started realising that customers are different from each other and that there's different ways that we can meet their wants and needs and anticipate what it is they might want next — and get smarter about how we'll deliver it. We started collecting a lot of data. We started with demographics, sprinkled in a little bit of behaviour, started asking questions about attitudes... A lot of it is being smart about the kinds of data that we should be collecting in order to make better decisions. But then the analytics part is getting beyond the data, or more specifically, below the data. It's telling stories about the true underlying, unobservable processes that are driving that data and driving business success. If you think about analytics, one of the ways that we like to break it down is into three broad buckets. We have descriptive analytics, we have predictive analytics and prescriptive analytics. The names are reasonably self-explanatory but it's interesting to see where the boundaries and the synergies are among them... The word predictive is not only about prediction, but this idea of drawing insights that aren't directly observable in the data. Predictive analytics — that's the heart of analytics — it's the models that we build, the stories that we tell to really understand what's going on.

From: Leveraging Customer Analytics for Business Success