

Doing Sports in India

As a business, the institutional roots need strengthening

S huttler Kidambi Srikanth's stunning victories in the Indonesian Super Series Premier and Australian Open this year are certainly worthy of celebration, but they should also provoke some introspection on the need to strengthen the institutional foundations of the country's sports industry so that India becomes a more consistent performer on the global stage. Indeed, badminton is a good example of these challenges. The two women Olympians Saina Nehwal and P V Sindhu, and the three top men's players Srikanth, B Sai Praneeth and H S Prannoy — of whom the first two have bagged three of the six Super Series

tournaments played so far this year — all have one thing in common. They are proteges of national chief coach Pullela Gopichand's training academy. This fact may enhance Mr Gopichand's much-deserved reputation as a brilliant coach; he is to Indian badminton what at one time Nick Bollettieri was to world tennis. But this dependence on one person, no matter how exceptional, serves to underline the need for a robust institutional base to deliver sustainable performance in sports.

The ever-modest Mr Gopichand rightly points out that much more work needs to be done structurally for India to reach the

consistency of China and its dominance of world badminton. Though he may not realise it, his academy is the pointer to the kind of "structural" revolution that is needed. Steady successes in the sport have encouraged the mushrooming of badminton academies, most of which are running to capacity. True, few of them impart world-class training and fitness regimes yet. But their existence represents a far healthier environment for the sport than the earlier reliance on the government-administered badminton associations.

There is a mistaken notion in India that greater government spending on sports is vital for the country to emerge as a vibrant sporting nation. Recently, former Indian hockey Olympian-turned-politician Pargat Singh told the media that the Narendra Modi government must increase spending on sports. India spent less than

one per cent of its budget on sports compared with 10-15 per cent in China, a level to which we should aim, he added. In fact, Chinese dirigisme is exactly the wrong model to follow, and India's politician-infested sports industry has fundered for precisely this reason.

In short, Doing Sports successfully is analogous to a dynamic Doing Business environment. Instead of the state-directed sports promotion model, rooted in brawny nationalist thinking, India would do better to recognise sports as an industry and emulate the best practices of developed countries, where governments focus on creating the enabling environment for the private sector. The US Federal budget — and state budgets for that matter — has negligible expenditure on sports, and this applies to many European countries as well. Baseball, American football and basketball in the US or football, Formula

1 and tennis in Europe derive their vibrancy from the surpluses in private industry, creating an ecosystem that interacts with the school and university systems to spot and bankroll talent.

In India, Subhash Chandra's Indian Cricket League, the concept of which the cricket board purloined to create the Indian Premier League, was the pioneer of a business format that operates at the intersection of government enablement and private sector investment. Several vibrant sporting properties have been created on the same lines since then, kabaddi, hockey and badminton being prominent examples. All of them widen the market for sports in a fundamental way, and make them more egalitarian too. This will eventually create the kind of sporting business culture that has kept developed countries at the forefront of world sports.

The case for boosting solar energy

A bigger role for solar power will not only mitigate the country's pollution risks, but also help it develop sustainable energy sources and deliver on its climate change commitments



An employee inspects solar panels, part of a solar power microgrid in a village in Bihar. India has set ambitious targets for its solar energy programme

SAPTAK GHOSH

Contrary to expert opinions and projections, solar power in India continues to break records and the recent price of ₹2.44/kWh in the Bhadla Solar Park, Rajasthan is an unprecedented low. Grid-parity has arrived earlier than expected. Solar power now is around 18 per cent cheaper than coal-based generation in comparable capacities. This has set alarm bells ringing in the thermal power plant (TPP) sector, where plant load factors (PLFs) have dropped from 76 per cent in 2011 to around 58 per cent currently.

Recently, some observers have argued that the aggressive growth of solar in India will further reduce PLFs of TPPs to less than 50 per cent, leading to defaults on the huge debt that finances these projects. In order to prevent such adverse effects on financial institutions and hence on India's economy, this school of thought recommends curtailment of the growth rate of solar so that TPPs can operate at higher PLFs.

These observers also correctly state that regulations provide implicit and explicit subsidies and give preference to solar when supply exceeds demand. However, the true cost of solar today without any subsidies is around ₹4/kWh thanks to the drastic fall in module prices, accessibility to low-cost international finance and accurate generation forecasts. It is much lower than the ₹6/kWh generally mentioned. Also, such claims fail to reveal the hard truths about coal-based generation. Instead, an unlikely and uncorroborated prediction has been made that solar prices will fall further if India slows down in her pursuit for solar.

Since the inception of the Industrial Revolution in 1760, coal and other fossil fuels have been burnt to fuel "development", causing irrevocable and in most cases irreparable damage to the environment. Studies show that TPPs have contributed heavily to global

warming, air pollution and human health hazards. Mining of coal severely impacts the environment, resulting in irreversible, detrimental changes to local ecological systems. Considering these externalities and factoring them into levelised cost of electricity (LCOE) calculations for coal, research has shown that the unit price is more than double the figure (₹1.77-4/kWh) that has been quoted.

For centuries, the coal industry has reaped the benefits of exploiting natural resources while emitting greenhouse gases incessantly. The world is finally waking up and trying to take corrective measures, with India spearheading a solar revolution. The government is making a concerted effort to meet demand using renewable energy (RE) after recognising that the opportunity cost of not pushing solar is higher if coal externalities are factored in. The incentives being offered to solar compensate for this and reflect the true cost of coal.

More than 50 gigawatts (Gw) of the 243 Gw planned coal power plants in India have been shelved and this is a blessing in disguise. Not only will pollution risks be mitigated, but also, the

commitments made by India towards sustainable energy security scenarios will no longer be questioned in international forums and discussions regarding climate change commitments.

The real challenges with large-scale solar deployment are not the negative financial impacts on TPPs. At the moment, they are extremely technical in nature. The biggest problems posed by India's aggressive solar plans are reliability and grid integration. Solar radiation varies and disappears completely after sunset. It

is virtually impossible to meet India's electricity needs with solar alone, since most load profiles of states show peak demands occurring after sunset. Also, during the day, when industries with heavy machinery need a stable supply, fluctuations in solar radiation — hence generation — can wreak havoc when deployed on a large scale.

The only way to resolve this issue is to have sophisticated balancing and scheduling mechanisms so that the grid can absorb intermittent generation and compensate with other fast-ramping generation options. Among storage technologies, batteries have still not proven to be worthwhile at Gw levels. Pumped-hydro is a theoretically attractive option but, for all practical purposes, water shortages in India lead to concerns about the viability of this technology.

Until a robust solution with solar and appropriate storage is commercialised, we still need coal to provide stable power. However, we have the opportunity to phase out coal completely with our plans for RE capacity additions. Instead of blaming solar for a potential downfall, existing TPPs under duress need to evolve and innovate. PLFs can be increased by improving operational efficiencies through technological changes. Proactive efforts to support the growth of the manufacturing sector in India under the "Make in India" initiative can be made to formulate new power purchase agreements under the Open Access category.

In the meantime, the solar revolution in India should continue unabatedly. Britain — a champion of coal-based power over the ages — recently had its first coal-free day on April 21, 2017. India, a country blessed with abundant amounts of sunshine and wind, should not be too far behind.

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GST may help railways regain market share

JAGANNARAYAN PADMANABHAN

Within the capital-intensive transportation sector, where inter-linkages are significant, the Goods and Services Tax (GST) is expected to impact the freight and logistics segments the most. Specifically, the provision of hard infrastructure (involving capital outlay) and provision of services (involving passenger and freight movement) would be the areas that would see maximum impact.

As we know, customers choose the mode of transport depending on cost and timelines. The impact of GST, therefore, will be a function of this interplay.

So how could the country's biggest tax change impact the sector?

Overall, GST is expected to have an impact on the planning and execution of the government's flagship transportation programmes such as the Bharat Mala for the roads sector, UDAN for the aviation sector, and the capital-intensive expansion and upgradation of railways.

Within the three key modes of transport, here's how the impact would occur:

Road and rail

There will be a negative impact on the road construction industry because of an increase in indirect tax, and this gets accentuated because there is no reprieve currently available under the provisions of the existing concession agreements for under-construction road projects.

On the freight and passenger sides, purely on the cost aspect, roads will be at a significant disadvantage compared to rail, as there is a 13 per cent difference in the GST rate. But considering that more than 60 per cent of the country's freight moves by road, with the easing of the movement of goods (through the removal of octroi checkpoints) the net freight time taken by trucks is expected to come down and the number of freight trips would increase, leading to shorter turnaround times for fulfillment.

With consolidation in warehouses, sourcing and distribution plans are expected to go through a significant change, leading to a marginal impact on toll operators over the medium term.

The movement of goods by rail will be cheaper compared with road, but availability of rakes and timeliness of delivery will weigh on transporters before they consider a shift in mode.

If the rail sector is able to fast-track some of its marquee projects, such as freight corridors and high-speed rail, GST offers railways a window to claw back some of the lost market share to roads.

Airlines

India has become the third-largest aviation market in the world, with double-digit growth in passenger traffic. Not surprisingly, airlines have placed large orders for aircraft to expand their network. The response to the UDAN regional connectivity scheme of the government has been pretty positive, too.

On the passenger side, GST on economy class tickets is 100 basis points lower (five per cent, compared with six per cent earlier), while it is 600 basis points higher for business class tickets (18 per cent, compared with 12 per cent earlier).

But input tax credit is not fully available on economy class tickets. Also, with aviation turbine fuel (ATF) — which contributes some 40 per cent of the operational cost of an airline — having been kept out of the GST ambit, ticket prices could actually increase. If airlines decide to absorb the differential, it could impact their margins.

As for purchase and lease of aircraft, currently there is double taxation, which the government has realised can have a significant negative impact. Some reports suggest that the government will correct this anomaly.

Ports and inland waterways

Although there is no negative impact of GST on the ports sector, with the reduction in the time to reach ports, the ecosystem will see an improvement in overall competitiveness.

Inland waterways transport, which is in its infancy in India, will come under the ambit of GST, which means the segment is now on a level playing field with other modes of transport. That, in turn, means the sector will have to come up with its own set of efficiencies to thrive.

To sum up, the structural changes both at the infrastructure and taxation fronts will lead to a material reduction in logistics costs, which can indirectly benefit the key consuming industries. And states that have advantages in terms of high-quality transportation and logistics infrastructure, higher population, and competitive manufacturing capability will benefit significantly because of the advent of GST.

All that should hopefully help India improve its ranking in the World Bank's logistics performance index — currently wallowing at 35 out of 160 countries — specifically if we can bring about a material difference in storage infrastructure efficiencies and timeliness of delivery.

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OTHER VIEWS

Delhi, Tel Aviv affirm special ties, move in right direction

India has now de-hyphenated its relations with Israel and Palestine

While welcoming Prime Minister Narendra Modi to Tel Aviv, his Israeli counterpart, Benjamin Netanyahu, said his country had awaited the visit for "seventy years". This was reflected in the camaraderie between the two Prime Ministers, who spent practically every waking moment together. The agreements signed during the visit, on water, agriculture, space and science and technology, are important no doubt, but not path-breaking. They simply underscore ongoing cooperation in such fields — as well as in the defence sector, India being one of the biggest buyers of Israeli military equipment. Cooperation on cybersecurity issues, discussed by officials during Mr Modi's visit, constitutes a breakthrough of sorts, given that Israel tends to limit cooperation in this area to a few countries. A decision was announced to upgrade ties to a strategic partnership, signalling a final step to total normalisation of relations.

With Mr Modi's visit India has, for all purposes, de-hyphenated its ties with Israel and Palestine, something Israel has always wanted. In a clear repudiation of the Indian practice of keeping Palestinian leaders prominently in the loop, Mr Modi made a point of not visiting the Occupied Territories. India's



evolving ties with Israel no doubt are based on pragmatism and the desire to eschew hypocrisy — but Mr Modi has infused his visit with a symbolism and substance that could well mark a point of departure in India's moral support to the Palestinian cause.

The Hindu, July 7

Regulating EC appointments

Supreme Court raises a valid issue

It is astonishing Parliament has seldom felt the need to regulate the process of appointments to the Election Commission. Equally surprising, no political party has ever questioned the ruling party's right to pick whomever it wants to for as important a constitutional body as the Election Commission. At least the Supreme Court does not seem willing to let this arrangement continue. It has presciently asked the Centre to put in place some credible mechanism for the appointments, or it would do so. It is a regular practice with every political party in power to hand over EC posts to civil servants. Political leaders do at times make state-level complaints but

rarely have they doubted the independence or neutrality of the Chief Election Commissioner or Election Commissioners.

But there is a valid case for change. There is palpable merit in the court's argument that "if there is a formal law and a panel to select the CBI chief, then why not for the CEC and ECs?" The apex court has rightly claimed that if no law has been passed as mandated by Article 324(2), "the expectation is that Parliament will make the law" and if Parliament has not done that, "then can't the court lay down the procedure?" The Centre is left with few options but to close this gap.

The Tribune, July 7

Bengal's communal clashes

Trinamool, BJP must share blame

Since Sunday, districts of North 24 Parganas, a part of West Bengal bordering Bangladesh, has been roiled by communal violence. However, the Trinamool Congress, the party in office in Kolkata, and the BJP, the ruling party at the Centre, have started a blame game over the violence. This does not augur well for the state. An incident that ought to have been settled quickly at the local thana has hit the headlines after state governor, Keshari Nath Tripathi, decided to speak with Chief Minister Mamata Banerjee after a meeting with a team of BJP and RSS representatives. The details of the conversation are not public, but the transaction is unlikely to have been pleasant since an enraged CM called a press

meet soon after, where she accused the governor of insulting her.

The Trinamool has since demanded that the governor be recalled while the BJP wants President's Rule imposed in the state. The BJP has also announced that a party delegation will visit the violence-hit area and present a report to party chief, Amit Shah. Clearly, the parties seem eager to make political capital out of the incident. Instead of building on the legacy of communal peace in West Bengal, the Trinamool and the BJP have sought to use religious affiliations to mobilise cadres. It threatens West Bengal's social fabric and communal peace.

The Indian Express, July 7