

Slash IUC, Licence and Spectrum Fees

Ease the tax burden on the telecom sector

The telecom regulator's proposal to bring down the Interconnect Usage Charge (IUC) promises to both increase bad blood in the telecom sector and worsen its finances. The government must intervene to protect the consumer and the sector's viability. IUC is the charge that an operator, in whose network a call originates, pays the operator in whose network the call terminates, for the service of receiving the call from the originating network and carrying it on to the called party. As compared to the old 2G days, the network usage per call is lower now when calls are converted into discrete packets that are sent over the network interspersed with packets of other calls and assorted data. This is the rationale for trimming IUC.

However, the cost of the network has gone up because of higher spectrum costs. A lower IUC would lower the cost of a call for the consumer, who, ultimately, bears the cost of the call. However, it would lower revenue for telcos. Now, for large networks such as Bharti and Vodafone, what one pays the other as IUC gets more or less offset by what it receives from it as IUC, since they have roughly the same number of subscribers. Smaller networks pay out more as IUC to larger networks than what they receive as IUC. Apart from the decline in network usage due to packetisation of calls, two factors favour lower IUC. One, voice accounts for an ever-declining share of telecom revenue globally and net IUC receipts form a tiny fraction of this dwindling part of the business. Two, high IUC is anti-competitive, favouring incumbents against new entrants.

Telecom finances in the country have turned parlous with the aggressive entry of Reliance Jio and the government's insistence on high spectrum fees, extracted by auctioning tiny chunks of spectrum. To prevent telco loans from adding to the banks' growing mountain of bad debt, the government must intervene. It can lower the steep revenue shares it collects as licence and spectrum usage fees, still pegged at the high rates set when spectrum was allotted along with the licence without separate upfront payment.



Bad Politics Behind Endless Project Delays

In his Independence Day speech, Prime Minister Narendra Modi cited the example of a railway line between Howrah and Champdanga in Bengal. It was decided in 1975 to put in broad-gauge tracks in this 74-km stretch. Part of the project was completed — the rest has been stuck for 42 years. Modi said his monthly reviews of projects have speeded up investment, completion and commissioning of new projects. It is welcome that some projects are getting completed in this fashion. Mere monitoring will not, however, help others get built.

Delays in executing projects do not really highlight the failure of Indians to strategically plan, manage and execute new projects. What it does underline, however, is the trait of over-ambitious politicians to allocate projects to suit particular constituencies, with scant regard about whether it is possible to execute them all in time. An over-supply of announcements tends to spread resources like capital, manpower and managerial skills too thin on the ground for any one project. Delay follows. The solution is for politicians to refrain from throwing confetti-showers of projects, which are much more than the capacity of the public or private sector to execute, to impress voters.

Data from the Centre for Monitoring the Indian Economy (CMIE) shows that the value of projects completed every quarter peaked in March 2016, five quarters ago. It has been falling, on average, since then. The last two quarters, from January to June 2017, have been especially bad. CMIE cites the lack of investment appetite and says most projects being finished now were proposed 10 years ago. The government should try to mitigate financial and other risks associated with investments to bring animal spirits back to the business of forming and executing new projects.

Which goes to prove that even Bond should never say never again

Old Bonds Die Hard, Craig is Back

Back in 2015, the world was a different place. Brexit was still only a spectre, Bihar's mahagathbandhan offered a quantum of solace to many, if only to die another day. But in 2016, ISIS made it brutally evident that the world is not enough, the Panama Papers surfaced to scare the living daylight out of several people in crucial posts, and strong suspicions arose that the US election process had been trumped from Russia with love. With Kim Jong-un proving to be a thunderball, and the new man in the White House being likened to a skyfall, it is not surprising at all that a reluctant Daniel Craig has realised that never say never again is a good adage for Commander James Bond to live (and let die) by when on Her Majesty's secret service, and finally admitted that he will use his cinematic licence to kill again, come 2019.

The return of the blond and blue-eyed male super spy might disappoint those who were hoping for a return to a dark-haired 007 — such as Tom Hardy or Henry Cavill — or even a Jemima Bond now that M and Moneypenny have also changed. Of course, Idris Elba as a "Bond of Colour" — mooted by Steven Spielberg last year — will surely remain a contender the next time. The question is, what or who will be the villain this time, as there are many real-life contenders whom Hollywood would find irresistibly inspiring.

At last, India gets genuinely serious about companies flouting mining and environment laws

Behold the Law of the Land



Himangshu Watts

The landmark judgement of the Supreme Court imposing penalties of an estimated ₹25,000 crore on illegal mining merits serious reading by the entire corporate sector, and not just by those who extract mineral wealth.

Two aspects of the verdict stand out. First, the verdict takes environmental law enforcement by the Centre and the highest judicial authority to a new high, which is a very strong deterrent against such practices in the future. This strong message will protect the environment and clean up the poisonous air in cities more effectively than some outrageous, controversial and ill-conceived steps taken by various authorities in recent years.

Second, the court has ordered heavy expenditure for the welfare of tribal people in affected areas. This reinforces the GoI's declared strategy of targeting and extracting ill-gotten wealth to help the poor, whether by demonetisation of high-value currency notes, or with the goods and services tax (GST).

A crucial aspect of the court case that needs to be highlighted is the fact that the mines ministry, after Piyush Goyal took charge of its affairs, dramatically changed the relatively lenient position that the previous government had taken in the matter of

companies violating green laws applicable to the sector. In doing this, GoI showed its determination to resist strong pressures.

Conventionally, mining was deemed illegal only if ores were extracted without a mining lease. Under the mining law, the penalty was equal to the entire output from such an operation. However, once the lease was obtained, even if the mining operation ravaged forests, made the air unbreathable and degraded the environment to make thousands of crores, the penalty under the environment law was a laughable ₹50,000. This built a very strong business case to start mining without waiting for green clearances.

The government argued before the Supreme Court in January that extracting minerals without the necessary green clearance should be deemed illegal not just under the environmental law but also under the mining law that imposes back-breaking penalties for default. The Supreme Court has upheld this view.

It's Mine, Not Yours

This means that even if you have a mining lease, any extraction without forest and environment clearance is illegal and the state must recover the value of the entire output from the defaulter.

Further, the court has ordered that the hefty penalty must be used very transparently for the development of tribal areas where the mines are located. It has ordered that the "very large amounts" that will flow to Odisha after the verdict must be kept in a special purpose vehicle (SPV). To ensure that the funds are used for the benefits of tribal people in affected areas, it has asked the state's chief secretary to file an affidavit



This time, we just may be really saved

stating the work done and audited accounts of the SPV.

For those who think they can make millions without caring for the environment, the court did not mince words. It delivered the message in the first paragraph of the judgement, "Lessees... in Odisha have rapaciously mined iron ore and manganese ore, apparently destroyed the environment and forests and perhaps caused untold misery to the tribals in the area." Some steps taken to help the local people, the court said, seemed "not more than a drop in the ocean — also too little, too late".

The stern words from the highest judicial authority in the country are a breath of fresh air in the otherwise polluted approach toward green issues some authorities have demonstrated in recent years.

On top of the hall of shame is the Delhi government's ill-conceived odd-even scheme that banned half the

cars in the city on alternate days, but had no problems with smoky and noisy diesel generators or smoke-spewing, overloaded trucks.

Then there was the ban on 10-year-old diesel cars, which were sold in full compliance of the prevailing emission norms and a declaration to customers that these cars will be legally allowed for 15 years. It didn't matter to the authorities that a newer car that is not properly maintained will pollute the air much more. Or that the actual emission is more important than the age.

The problem with such steps is that it creates mass public ill-will towards the noble cause of environmental protection simply because some authority has caused severe hardship with steps that scientists know wouldn't clean the air. Such orders actually damage the environment because they make it difficult for political authorities to protect the environment when the common man thinks he is being short-changed.

Green and Bear It

In contrast, the Supreme Court's latest verdict on mining, and GoI's submission early this year, is a concrete step that will help the environment, even as some mining companies have genuine grievances.

The mining industry fears the verdict will disrupt business and that some mines may shut down. There are some legitimate grouses. It takes ages to get environmental clearances. Often, land is not available for compensatory afforestation. At times, clearances are not renewed even if there is no change in mining operations or output.

Legitimate concerns must be addressed. But for the crooks who ravage the environment, the message from the Supreme Court and the government is clear: if abiding by the law means shutting down your business, so be it.

himangshu.watts@timesgroup.com

Even if you have a mining lease, extraction without forest and environment clearance is illegal and the state must recover output's value from the defaulter

PERSONAL BANKRUPTCY CODE

Relieve People, Not Just Firms



Hema Ramakrishnan

Many Indians are vulnerable to financial distress. The proportion of people below the poverty line, estimated at 21.9% in 2011-12, are at greater risk. Rightly, the bankruptcy code, meant to resolve corporate distress, also provides the legal framework for individuals and partnerships to swiftly restructure their debts.

Offering relief, not booking debtors, has been the primary objective of the earliest insolvency legislation, says economic historian Asiya Siddiqi in her book, *Bombay's People, 1860-96: Insolvents in the City*. Barring individuals who misuse the loopholes in financial laws, those with genuine difficulties need some leeway to reorganise their loans. Resolution, in turn, hinges on support through a robust legal system.

Would it be prudent, then, to enforce the code for personal bankruptcy after upgrading the legal infrastructure in terms of reach, strength and sensitivity to diverse needs?

In 1860, following the crash of the booming cotton trade in Bombay, many filed insolvency petitions and sought protection from the Bombay High Court. Siddiqi's research reveals that 85% of the 20,980-odd petitioners who filed for bankruptcy bet-

ween 1860 and 1898 got protection. It's also a reflection that the judicial system was sensitive in the early colonial period.

Later, two laws were enacted: the Presidency Towns Insolvency Act, 1909 (for the three presidencies of Madras, Calcutta and Bombay), and the Provincial Insolvency Act, 1920 (for all other areas). But they were seldom put to test due to delays in clearance of cases in the courts.

Indisputably, reform in personal bankruptcy laws is long overdue. In 2009, the Raghuram Rajan panel on financial sector reforms recommended "a framework within which debtors can be renegotiated if excessively onerous, without making it too easy for debtors to escape obligations. Such a framework should recognise that many debt claims may be from informal sources, that the most indebted may be very poor and need financial advice as much as debt rescheduling".

Six years later, the Bankruptcy Law Reforms Committee drafted the new code that will replace the two old laws for personal bankruptcy. But the rules are yet to be framed. Unlike companies, straightjacket rules to deal with personal bankruptcy may not work, given the heterogeneous nature of our population and the varying job prospects among states. The Insolvency and Bankruptcy Board of India — the regulator to oversee insolvency proceedings — has been pragmatic to go for a phased approach in rule-making.

The bankruptcy code allows an amnesty for individuals with debts up



No flight of fancy

to ₹35,000. This is similar to the US bankruptcy code that offers a debt waiver for those with incomes below the median. The idea is to free an individual from her previous chain of debts, giving her a chance to start earning again, and safeguard her fundamental dignity.

But the code cannot resolve the root cause of financial distress. GoI must fix structural problems in, say, agriculture to ensure that incomes of farmers rise and they don't fall into a debt trap. This will obviate the need for farm loan waivers that hurt credit discipline. The policy focus should also be to bring the unbanked section of the population under the formal banking network and foster a healthy credit culture.

In the US, more than a million people are reported to file for bankruptcy protection every year. Its robust

legal infrastructure helps in speedy resolution. That will be a challenge in India. Since, under the code, a debt recovery tribunal (DRT) will need to pass orders — be it for a fresh start or restructuring of the loan, after an insolvency professional does all the necessary spawork.

Now, DRTs deal only with cases of loan recovery of banks and financial institutions, while the insolvency jurisdiction extends to all creditors. Its infrastructure is woefully inadequate to handle the extra load. There are only 38 DRTs and five Debt Recovery Appellate Tribunals in India.

A debtor living in a remote part of a state will have to travel to the state capital and the DRT will have to complete the process within the rigid timelines. Unless an adequate number of DRTs are set up with support staff and infrastructure, the objective of the insolvency and bankruptcy code may not be achieved.

DRTs must also have more powers to recover dues. More benches need to be set up, remuneration of members of DRTs raised and recovery officers trained. The number of appeals against DRT rulings can be limited by making appeals more expensive.

So, GoI should not be in a hurry to enforce the personal bankruptcy code. An out-of-court settlement could well be the best way for individuals to renegotiate onerous debts. The setting up of the Financial Ombudsman's office to offer financial advice and counselling is an idea whose time has come.

hema.ramakrishnan@timesgroup.com

FUNNY BUSINESS

Our Other Independence Day



Anuvab Pal

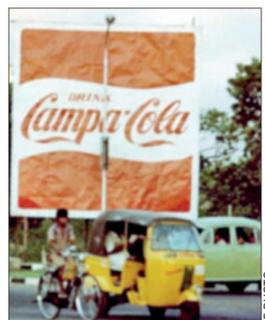
India's economy has come a long way in 70 years. During the famous liberalisation speech, Manmohan Singh famously quoted Victor Hugo when he said that "no power on earth can stop an idea whose time has come".

Interestingly, the time had come because we were in a financial crisis, requesting the IMF to bail us out because of some stupendously fantastic economic policies that ensured that we were isolated from the world economy.

And now, we had to free the economy or be left without any money. Many argued that the British had found a rich country and left it poor. So, it took special care and maintenance by our economic decision-makers to keep us poor for an additional 45 years.

After that, as the licence raj inspectors had feared, the economy went out of control into the hands of these 'private sector entrepreneurs', and nonsense things like 'efficiency' and 'customer satisfaction' and 'free market competition' took over.

Today, as India boasts of one of the highest GDP growth rates in the world, and global funds still eye us even



Two things Manmohan killed

though we have a myriad problems, let us not forget to look back fondly when our economy, through socialist years, was compared to Chad and Sudan. Many observers note 1991 as the year India's economic chains were broken. But at what cost?

Let us take a minute to remember five economic freedom fighters who died so India today could have the PVRs, the Apples, the Hondas, the malls, the McDonald's that our children so take for granted.

● The Ambassador car: It took a clear bullet in its heart, the day foreign cars came in. A superb vehicle that was a car but could also be a home and looked like a caravan for a hobo. Spare parts were available at any paan shop or with any relative who had a hammer, some nails and some oil. When air-conditioning was installed, the car stalled. Which makes sense. As yoga practitioners will agree, concentration on one thing is key. Two things simultaneously could be confusing.

● Public sector banks: ATMs today are so mechanised, clinical. You go, you take money, you leave. Pre-economic independence, you went into a

bank for a basic banking function, took a token, and there was a good chance you'd never leave the branch for the rest of your life. You grew old there, married there, died there. Some argued it was slow but you knew every person and waited with them.

● Vayudoot: Rumoured to be an airline the government started, some said it was a bird. No one was ever sure. And no one had actually flown it, though some said the airline covered massive distances like the top of Nariman Point to the end of Nariman Point.

● Campa Cola and Gold Spot: Best ever as well as 'Made in India' soft drinks. 'Inspired by foreign soft drinks'. ● TV news: No one was shouting. No matter how scary or insane the news. They read it like a checklist and the government picked who read the news based on lack of emotion. Today's generation has no way of mentally processing what I've just written.

Things need to go for new things to be born. Let us take a second to acknowledge the great contribution of the five things above to become what we've become.



the speaking tree

Love Unites All of Us

MATA AMRITANANDAMAYI

Today, even young children seem to be in a hurry. The extended families of the past are like a dream today. We live in every thing that believes, "Money is everything. Without money, life is a big zero!" People everywhere are rushing to make money. This mania for money making is the reason behind the disappearance of extended families and the love and unity that were integral to such families. Without doubt, money is necessary, but it shouldn't become the central point of life. Love must always remain the central point of life. This change is especially necessary in today's harried world.

In the old days, there used to be joint families in which 10-12 families lived together. There would be 50 or even more members in such families. If something bad happened to any one of them, all the others would help, without thinking about whether the person was one's younger brother, brother-in-law, sister-in-law or aunt. The hearts of all members would beat for each member of the family. The eyes of all would see and shed tears for everyone. The ears of each would listen to everyone. And the hands of each person would labour for all.

You asked if expansive love is practical. One would have to concede that this is not possible for everyone. Let us first learn to regard with love our own parents, relatives and friends, the beggar who comes for alms to our doorstep, and our own county and its samskara (cultural values). If we can do so sincerely, expansiveness will arise of its own accord.

Chat Room

Communalism Hits Growth

Apropos the Edit, "The Right Notes From the Red Fort" (Aug 16), PM Narendra Modi delivered an emphatic speech on the gains from demonetisation, electrification and on Kashmir, but he stopped short of strongly denouncing the right-wing elements in his party. Communal tensions need to be brought down if gains of growth are not to be frittered away. Nobody doubts the PM's intentions, and deliverance on promises will be a major factor in evaluating his government's performance. Hopefully, the short-term disruption from demonetisation will be offset by tangible gains soon.

ASHOK GOSWAMI

Chennai

Be Patient With the Patient

This refers to the Edit, 'Healthcare System's Absent Accountability' (Aug 16). What it mentions as "dedication" is singularly missing from our hospitals, particularly those that are government-run. Patients need sensitivity, support and willing care from the staff as much as hospitals

need funds. This was not the strong point of the staff at the Gorakhpur hospital. As long as patients are treated as bed numbers rather than as human beings, no funding will change the system.

Y G CHOUKSEY

Pune

ATMs Only as Cash Cows

Apropos 'ATMs Face Their Walkman Moment' by Pratik Bhakta (Aug 16), digitisation apart, there are other reasons for the potential demise of the ATMs. One is dysfunctional ATMs with the perennial 'Out of Order' boards. The other is the commission charge and taxes that one needs to pay on ATM transactions beyond a certain threshold, which has driven customers towards crowded branch counters. ATMs provide a valuable 24x7 service and it will be good not to see them evolve further.

SUNDER G

Nav Mumbai

Letters to the editor may be addressed to editet@timesgroup.com