Opinion

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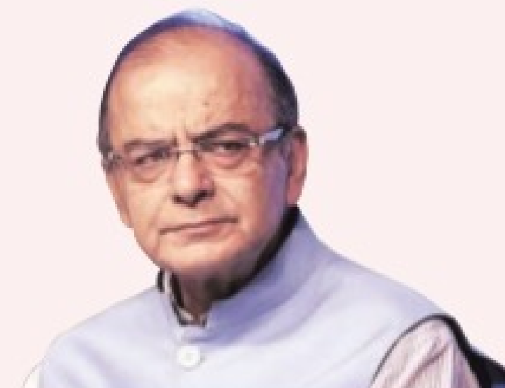

GREATER USAGE OF TOILETS

Arun Jaitley, Union finance minister

A national survey, conducted by an independent agency under the World Bank support to SBM, has found that 93.4% of households in rural India who have access to toilet use it, showing that construction is also matched by a behavioural change

US talks tough on trade, India will have to fall in line

India can retaliate but keep in mind that China, which has far greater leverage with US, is close to accepting US terms

GIVEN THE TOTAL Indian export basket affected by the US decision to eliminate GSP preferences is just $5.6 billion out of India's total exports basket of $300 billion—of which that to the US is $48 billion—it is possible to argue, as the Indian government has, that the impact of president Trump's decision to scrap GSP benefits to India is actually quite limited. That view gets reinforced when you look at the value of the benefits India gets—by way of concessional import duties into the US—since that adds up to under $200 million. Indeed, the obvious question that comes to mind is why India even continued to avail of these benefits that are really meant for countries with a much lower per capita income. And since India knew it was ineligible for these benefits—US goodwill ensured the benefits were not immediately withdrawn—it had to prepare for their withdrawal; that meant either improving the competitiveness of Indian exports so that the benefits were not required or negotiating with the US for more time. Right now, with Indian exports not so competitive—due to poor labour and other policies in the country—and margins on them wafer-thin, withdrawal of the benefits could ensure that a large number of Indian products can be priced out of the US market.

What is important about president Trump's decision to deny India GSP benefits is that this comes at a time when most Indian policymakers and analysts were looking at big gains emanating from the escalating US-China trade tensions that, at one point, looked like they were spiralling out of control; even figures of $500 billion on which trade sanctions would be imposed were being talked of after the initial sanctions on $60 billion of Chinese exports to the US. But with the Chinese government realising that it had too much to lose from the hostilities, a US-China pact may soon be signed, with the Chinese likely to agree to, amongst others, live by US rules on intellectual property protection. In other words, forget about India getting a larger share of the US imports market, the hope that US manufacturers would relocate out of China—into India—to escape punishing US import duties, on, say, Apple phones made in China has been belied.

And while India does have a $21.2 billion trade surplus with the US in FY18—and $10.5 billion between April and November FY19—it needed to remind its US interlocutors that a lot of this was made up by, for instance, Indian tourists spending $13-14 billion in the US each year, by Indian students spending upwards of $5 billion in tuition and living expenses each year, of large aircraft orders such as the $22 billion by SpiceJet; all of this, and more, were part of a fact sheet put out by the US government when prime minister Modi visited the US in 2017, a sign of how much the US valued India at that point. Indeed, if large US manufacturers were located in India, chances are India would get a better deal from the US in much the same manner that China did for so many years; India has not, in this context, even been able to finalise a deal for Apple coming into the country to set up manufacturing facilities here. Apart from the U-turn in the e-commerce policy that hurt US investors like Amazon and Walmart, India adopted an unnecessarily hard line on prices of high-cost US stents that only the well-heeled in India use. Its policy on Monsanto—putting price controls, saying the patent was illegal and also trying to control royalties—was also ill-conceived since Indian farmers lost out, as well, due to this. In short, while not every US demand for lower tariffs is legitimate, India's stand was unnecessarily provocative; and if India is looking at building a strategic partnership, such as one to contain Pakistan, it has to realise that some strategic deal-making is the order of the day.

Crop burning's deadly harvest

It costs India a whopping $30 bn annually in disease burden

PART OF DELHI'S winter asphyxia can be attributed to crop residue burning in Punjab and Haryana, various studies have shown. A new study by researchers from the University of Washington, the Oklahoma State University and the International Food Policy Research Institute (IFPRI) pegs the cost of crop residue burning at $30 billion annually, by raising the risk of suffering acute respiratory illnesses (ARI) for those who suffer exposure in greater doses vis-a-vis those who are exposed to other sources of outdoor pollution but a much smaller degree of crop residue burning. The study found that the frequency of reported ARI in Haryana was strongly correlated with the number of daily fires (mostly from crop burning) recorded for an area by satellite imagery. Compared to this, southern states, where both crop residue burning and cracker burning record a much lower frequency and intensity, showed much lower vulnerability to ARI. What is worse, outdoor pollution, from crop residue burning, vehicular pollution, crackers, etc, is negating the gains made in reducing indoor pollution. No wonder, the study estimates, a complete abatement of fire-cracker and crop residue burning could stem the loss of 4.2 million and 14.9 million years in terms of disability-adjusted life years, valued at 1.7% of India's GDP over five years.

Studies also show that it is linked to irreversible impairment of pulmonary function among children aged 10-13 years. Apart from this, the practice has a deleterious impact on soil quality and alters soil microflora with serious implications for agriculture in the long-run. While the states have taken steps to discourage farmers—through heavy fines—the practice continues, likely meaning that farmers find paying the fines more economical than undertaking more environmental-friendly methods of getting rid of the crop stubble, like using happy-seeder machines. The NITI Aayog had suggested anaerobic burning of the waste in a closed brick-and-clay structure to produce a carbon-rich residue called bio-char that can be used as a soil nutrient. But, even this has proved difficult to implement, given the costs, and the government's (states and the Centre) inability to defray it to an extent where the farmer doesn't feel the pinch. The solution perhaps lies in weaning Punjab and Haryana away from paddy. Paddy cultivation in these regions, in fact, exacts a large environmental toll. Scaling down public procurement of paddy at MSP drastically in these states apart from getting rid of subsidised power and water are, thus, imperative.

India's burden from non-communicable diseases (NCD), including respiratory illnesses, is increasing. Given the country was the first to set a target of reducing NCD-deaths by 2025, it needs to urgently act on curbing crop burning. The right strategy to do this will need to balance the needs of those whose exposure to pollution from crop stubble burning is high with the needs of the farmers. And, that would be quite the tightrope to walk.

ReformReservations

The Centre's proposed ordinance to stall higher education faculty-reservation reforms is a retrograde step

EVEN AS INDIA aspires to build top-class universities, by setting the clock back on reservations in faculty posts—HRD minister Prakash Javadekar has just reiterated the Union government's commitment to bringing back the old formula for reservations in university/college teaching jobs—the government has exposed its own lack of sincerity. After the Supreme Court rejected the government's appeal against the Allahabad High Court verdict upholding the 13-point roster system—that makes individual departments the basis of deciding reserved posts, against the older 200-point roster system where the basis is the total faculty seats in an university/college—Javadekar has assured that the government will take the ordinance route to bring back the older system.

The 13-point roster system would have brought down the total number of reserved posts (for SC/ST/OBC) in 21 central universities from 2,663 to 1,241. However, merely reserving posts has not ensured that the posts got filled. As per an RTI filed by *The Print*, over 80% of seats reserved for Scheduled Castes and Scheduled Tribes at the level of professors and associate professors at Central universities were lying vacant as on January 1, 2018. This likely means that the standards for the reserved post are not met by most reserved category candidates. In a scenario where varsities are reeling from a lack of adequate faculty strength, the problem of massive vacancies in reserved seats worsens the impact. So, while the government's ordinance will probably not make much difference to the hiring of reserved category teachers, except for perhaps in a scenario where the bar for their entry is lowered significantly, it will definitely impact the quality of higher education and the autonomy of institutions. Meanwhile, the merry-go-round politics over caste will continue.

PAY CHECK

WHILE ALL COMPANIES FOLLOW THE PRACTICES UNDER CORPORATE GOVERNANCE, THE BOARD IS OFTEN NOT ASSERTIVE ENOUGH GIVEN THE STATURE OF THE CEO WHO COULD BE THE OWNER

Strike a balance on bank CEO compensation

MADAN SABNAVIS

Chief economist, CARE Ratings

Views are personal

RBI'S DISCUSSION PAPER on compensation for whole-time directors (WTDs) and CEOs of non-PSBs is timely and interesting as it 'mainstreams' a debate that has been on the sidelines for quite some time. One view has always held, when it comes to the private sector, the regulator should not interfere in the compensation of the CEO and WTDs as it is the prerogative of the shareholders. However, banking is a unique business where the bank does not do business with the shareholders' money but the deposit holders'. This does not hold for investment banks or mutual funds or even NBFCs in the financial sector. Therefore, there is a case for arguing for some kind of regulation. Further, unlike the PSBs that get into the net of all the 3Cs, the private banks often are not under such scrutiny.

Should there be a cap on pay? The answer is probably no, as it is still the owner's prerogative. However, there have been cases of banks' boards not performing according to industry standards but having high executive compensation. The problem is that the risk-reward matrix is not defined in a transparent manner. Banks are actually sedentary organisations, which take deposits and lend money. They should not be earning extraordinary profits but they do. As they work for enhancing shareholder value, the goal is always to outperform and, hence, bank stocks are blue chips for all times. Therefore, all CEOs work on enhancing profit—done by keeping deposit rates down and lending rates up and pushing the envelope far. Every employee is evaluated in terms of how much business is brought to the table, which creates a hyper-competitive environment. Therefore, there is always a rush to exceed targets with the asymmetric returns being the incentive provided. At times, things backfire.

The problem with the private corporate sector is that all decisions are taken by boards when it comes to compensation. There is a view that serious discussions seldom take place, and, hence, the issue is more of corporate governance rather than compensation of bank CEOs per se. Even if one looks beyond banks, the compensation can be phenomenal, where there are no defined limits and failure rarely leads to downward adjustments. While all companies follow the practices under corporate governance, the board is often not assertive enough given the stature of the CEO who could be the owner. Therefore, there is now a case for saying that if bank NPAs increase due to egregious and aggressive lending, then the model has failed and the decision taken by the CEO and WTDs was incorrect. But, as they have already been paid for their work and may have moved on, there is an argument that the rewards should be clawed back. As it is hard to make a retired CEO pay, a deferred payment is the option whereby the CEOs are made to pay for their failures.

> **While NPA divergence is a serious issue, could there be other issues which are equally or more severe that have been left out in the paper**

The question, then, is how far back can one go or when should the deferred payment be made. Should it be for failures over the past 3 years or 5 or 10? If one looks at the NPA problem today, it was due to aggressive lending in the period 2007-2012 when bank credit grew rapidly and CEOs made their money. Banks also showed high growth in profits and revealed benign NPA numbers with the support of regulatory forbearance in the form of restructured assets. Therefore, often the high NPAs that are there today may not be attributable to the undue risk taken by the incumbent CEO but a predecessor, which makes it hard to pinpoint the one responsible. This makes the deferred payment a tricky issue.

Now, the suggestions made on apportioning the compensation across the fixed and variable components make sense and also add transparency as often the stock options are given separately. The problem then goes down the line, too, where there is considerable variation in the pay packages with the top 5%, which could be the 'favoured' or the 'instruments of delivery' getting considerably higher pay packages. Logically, similar policies must be there for those higher in the hierarchy, too. The paper talks of certain functions like auditing and risk, but should be spread to other hierarchies too. Here, the paper is silent on how the clawback should take place. Interestingly, the RBI paper talks of penalties on the CEO for divergence in stated NPAs. Here, there are two issues that come up for discussion. Is such divergence always due to deliberate attempts to obfuscate or is it because of interpretation as there are always auditors involved here? Secondly, while NPA divergence is a serious issue, could there be other issues that are equally or more severe that have been left out? Therefore, the case should be left open where other so-called 'incorrect behaviour' is treated with a similar penalty.

The issue of compensation to bankers in the private sector has come under the radar due to the controversy regarding performances of some banks in this sector on different counts. The genesis of the compensation issue can be traced back to the time when such licences were issued that brought in higher pay scales for all employees. Subsequently, there was the tendency for bankers to be rewarded with higher pay scales on grounds of superior performances, which were lauded by all. The concept of blowing the balance sheet with aggressive lending was hailed as being driven by animal spirits, and there were no objections raised on the compensation as it set new benchmarks for banking. The stock market also lapped it up. During this phase, the inequality within the organisation was exacerbated with the lower end staff being paid disproportionately lower salaries while the higher echelons were rewarded with stock options. This gave an incentive to take more risk to increase shareholder value in the short-run which finally has come undone in recent times in some cases. Repairing one part of the edifice is alright but the broader issue is how one conducts an otherwise plain vanilla business like banking.

On the other side, having such a payoff matrix would also mean that these jobs may become less attractive, just like in the case of PSBs where there are not too many takers from the private sector. While clawing back makes good moralistic sense, it can come in the way of bringing about innovation and growth with the threat of failure now being the sword of Damocles. PSBs already have a fear of the 3Cs getting after the CMDs at some stage in their retired life. Private bankers, too, would probably prefer the more commercial ventures like investment banking rather than commercial banking where the clawback also goes with a reputation risk. Today, allegations have scarred reputations in an era of media activism where the final conclusion is still not known. Having the ignominy of returning rewards is a real disincentive. Striking a balance will hence be important here as banking reforms always talk of competent management.

India's refusal to join WTO e-comm talks

India remains opposed on the larger ground that such talks can obliterate progress on many pending issues on the DDA and on the more specific ground of e-commerce talks to be embedded in the WTO's original digital trade agenda of 1998

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MORE THAN SEVENTY-FIVE countries agreed to commence informal talks on fixing global e-commerce rules on the sidelines of the World Economic Forum meet at Davos in January 2019. The talks—as reflected in the joint statement issued by the proposing WTO members—would be in conformity with existing WTO rules and would pay special attention to the interests and circumstances of LDCs and SMEs while aiming for high-standard outcomes. The talks would take place outside the WTO with a negotiating agenda likely to take shape during the course of the year. However, with nearly half of WTO members agreeing to join the talks, the negotiations might formally shift to the global trade body in the foreseeable future. At this point in time, however, several WTO members, including India, remain outside the ambit of the talks.

The last WTO Ministerial at Buenos Aires held during December 10-13, 2017, had decided to 'reinvigorate' work under the WTO's e-commerce work programme launched in 1998. Notwithstanding the Ministerial decision, several countries simultaneously agreed to initiate work on identifying the directions of a tentative negotiating framework on e-commerce. It was evident that these WTO members were not willing to wait for the WTO to formally launch e-commerce talks within its fold. The all-too-familiar history of slow progress at WTO on various issues and the difficulties of proceeding on new generation trade subjects would have influenced these members in taking precipitate action. Since the Ministerial, the WTO has received a large number of proposals from various members but has not yet been able to formalise a centralised negotiating agenda. The Davos meeting provided the occasion for members demanding talks to move forward in signalling their intent to begin them soon outside the WTO.

China's presence in the group of members moving on informal talks significantly enhances the global pressure in proceeding on them. By joining the US, EU and Japan in the chorus for global e-commerce rules, China signals its intent of 'playing' by the rules of global digital trade. This could be a game-changer for digital trade talks. It is also important to note that Russia is a party to the demand, as much as Brazil. The presence of these three countries, which have, on various global trade issues in the past, either jointly or individually, been opposed to the traditional 'north', makes the credibility and global reach of the group of countries looking to launch the talks sufficiently high.

Many countries are still unwilling to endorse global e-commerce talks. Foremost amongst these is India. India remains opposed to the opening of e-commerce talks at WTO on the larger ground that such talks can obliterate progress on many pending issues on the Doha Development Agenda (DDA) and on the more specific ground of e-commerce talks, if taking place, to be embedded in the WTO's original digital trade agenda of 1998. It is not known whether similar views are shared by other countries from South Asia. But, along with India, the rest of the South Asian countries—Afghanistan, Bangladesh, Bhutan, Maldives, Nepal, Pakistan and Sri Lanka—have also stayed away from demands for informal talks, displaying rare solidarity in a region fraught with differences. Amongst other large Asian economies, Indonesia, Philippines and Vietnam are also absent, as are most countries from Africa, with the exception of Nigeria.

The division amongst WTO members over their willingness to join talks on global digital trade rules reflects the hesitations prominent amongst many till now. As the world rapidly transitions to embrace digital trade and commerce, many countries are suffering from a lack of preparedness in accepting the change.

A country like India, in addition, is grappling with the intimidating prospect of letting its enormous domestic market be dominated by foreign e-commerce and digital service providers. India's new e-commerce investment rules, as well as its emphasis on data localisation, underscore this fear. While the fears might be justified, India and those other large economies that are yet to support global e-commerce talks face two major problems that might complicate their future prospects in global trade.

There is little doubt that more and more countries will join the demand for global e-commerce talks. As major world powers and large economies push for these talks, the scope for alternative, politically non-aligned views is likely to shrink fast in a world where digitalisation of cross-border transactions are no longer an option, but rather the *fait accompli*. Views like those of India's, therefore, would find it increasingly hard to gather support. The other major problem for countries like India is the fact that several influential stakeholders at the WTO, including the EU and China, find global e-commerce talks a precious lifeline for revitalisation of the WTO in a world where the global trade body's relevance is being increasingly threatened by unilateral trade actions. There is no denying that the push for talks is coming largely from countries that have global comparative advantages in providing e-commerce services. But this is unavoidable and inevitable. Waiting for a level-playing field to emerge in e-commerce capacities across the world, and then commencing talks on global rules, is an irrational expectation.

The WTO is desperately seeking a new lease of life and the e-commerce talks might just be what it is looking for. For that it might well be willing to work with most, if not all—a point to be noted by India and the unwilling others.

LETTERS TO THE EDITOR

Global pressure pays off

The pressure exerted by the global community on Islamabad to rein in the terror groups operating on its soil appears to have paid off with the Pakistan authorities placing JeM chief Masood Azhar's kin and 42 others in "preventive detention". The move comes two days after India handed over a dossier to Pakistan with ''specific details of JeM complicity in Pulwama terror attack and the presence of JeM terror camps and its leadership in Pakistan''. One hopes that the arrests are no eyewash and Islamabad is serious in its motive to clamp down on terror

— Ravi Chander, Bengaluru

A less taxing way

Implementation of stringent data protection/KYC norms in conjunction with intelligent surveillance of transactions is important to ensure adherence to information security/financial standards. Consistency demands an advanced, tech-enabled mechanism to micro-monitor the operations of online/e-commerce portals and mushrooming messaging/social media platforms, especially those rendering UPI-based payments/transfers. Although restrictions can increase the cost of credit or transactions for retail consumers and impact digital operations, it is prudent to boost tax revenues by levying an overhead, subject to the nature of business and the physical/geographical or virtual location of servers/gateways. However, establishing a viable differential tax framework should be the long-term objective, wherein norms to tax multinationals are based not solely on profitability but also factor into account the CSR initiatives, employment-generation prospects, volume of transactions and the number of consumers

— Girish Lalwani, Delhi

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INDIAN METAL MARKETS

All set to discover benchmark India premiums

The launch of aluminium and zinc delivered contracts ex-Mumbai is not limited to enabling the delivery of metals on the exchange warehouse, but also entails setting up of an ecosystem of trustworthy processes and systems

BEING AN IMPORT-DEPENDENT country with greater dependence on global trade, pricing in the base metal markets relied largely on the London Metal Exchange (LME) discovered prices. To those in the industry, the LME prices quoted in rupees had been the guiding factor in deciding their sales prices. Transparency of the LME forward prices and the robust warehousing and standards ecosystem that supports price discovery in London made their prices easily benchmark-able. It made the life and business of Indian base metals producers easier, to price their sales based on LME prices at a premium in the case of aluminium and zinc after accounting for import tariffs, cost of importation, transport/logistics, quality testing, etc. Operating on a simple refining margin model, producers of primary base metals in India plan their production and sales a month ahead, and hardly carry physical inventories for more than a month. Hence, any disruption in the supply and demand for base metals was always met through augmented international supplies, and import tariffs in certain metals provided some bit of protection to their margins.

This had led to sustenance short-termism in India's base metal markets, and lack of development of the forward curve and the associated trade finance ecosystem, unlike the developed metal markets. The transparent forward curve, as available in global benchmark market centres such as London, Shanghai and Singapore, was largely supported by the existence of widely-accepted quality standards, warehousing and warranting, leading to healthy development of trade financing of primary metal inventories. Thus, a well-developed forward market in base metals had been supporting the competitive existence of global manufacturing in general, and in specific aiding China in its transformation as a global manufacturing centre.

Indian markets, so far, had the rupee version of the LME contracts as at MCX, wherein the exchanges' base metal futures contracts had provided the cover for about 85-90% of the prices of primary base metals and thus serving partially the risk management needs of the Indian base metals industry. However, domestic markets still remained opaque, wherein base metal consumers had the option of doing a financial hedge offshore and meeting their metal needs domestically or completely living on their bargaining mettle in domestic markets. It led to a strong demand for a domestically benchmarked contract, mirroring good practices of the benchmark market of LME and delivering the LME quality primary base metals. The same has been mirrored in MCX's earnest launch of aluminium and zinc delivered contracts ex-Mumbai during January 2019.

The launch of these contracts is not limited to enabling the delivery of metals on the exchange warehouse, but also entails setting up of an ecosystem of trustworthy processes and systems to make it successful. Key amongst them is related to polling of prices from market participants and making these prices trustworthy for the final delivery-based settlement of the contract. Since January 3, 2019 (i.e. the launch of delivery-based contracts), aluminium and zinc spot prices maintained a correlation of 95% and above with London spot prices converted into rupee. This stands for the constant premium that may have prevailed during the period under consideration, underlining the relevance of the MCX polled prices to the entire ecosystem.

Another key variable in the primary metals market where Indian standards are of no relevance has been to set a standard that is widely accepted amongst industry participants. LME standards and packaging (LME-approved brands of Primary Aluminium Ingots with minimum purity of 99.70% and Primary Special High Grade Zinc with minimum purity of 99.95%) adopted amongst domestic producers have been incorporated to make the market more convenient about the same, and to enhance its acceptability amongst stakeholders. With its international connect in terms of price discovery, adoption of international standards makes it readily substitutable whenever market participants perceive an arbitrage opportunity between the landed cost of the imported metal and the domestically-produced primary metals meeting the stringent LME deliverable quality standards and packaging. Though the current single delivery centre ex-Thane will limit the current price discovery and hence the possibility of delivery to local Mumbai-based stakeholders, time may not be far to understand the inter-market relationship and make it deliverable across major centres of consumption as the current contract develops efficiently. The new deliverable contracts have been readily welcomed by market participants with open interest building up to 6,000 MT in the March aluminium contract, while April zinc contract, despite being the third-month contract, has seen participants building up positions to the tune of 2,500 MT, as of February 25.

Annualised price volatility in 2018 in aluminium remained at 18%. No player in the aluminium value chain will forget the 'Rusal ban' episode during April-May 2018. Prices had sky-rocketed by more than 30% in two weeks (ending April 19) and fell by 14% in the next week. The Indian aluminium industry was also not insulated by the storm, and premiums over LME prices fluctuated wildly. The 'India premium' more than doubled to ₹40/kg and then fell to its normal of ₹15/kg within a few days, with several players impacted in the value chain. One can argue that such episodes are rare in the industry, but considering the thin margins on which the aluminium user industry operates, such episodes have the potential to wipe off the entire bottom line of medium- to small-scale value chain consumers who are largely dependent on spot or short-term purchases. Zinc too, on its part, has witnessed a high annualised price volatility of 23% during 2018. Zinc prices fell by more than 35% during February-August period in 2018, after hitting 11-year high during early January last year. Taking another instance of zinc volatility in domestic markets, Indian zinc premiums doubled to above ₹50/kg during August last year, owing to lower output reported by the largest primary producer, Hindustan Zinc.

In such a volatile environment, it pays for zinc and aluminium stakeholders to be part of the efforts of the derivatives market to help the nascent yet strong price discovery in the newly launched delivery-based contracts in terms of strengthening the polling participant base. With delivery expected to converge the spot markets and the futures, participants should also reap any perceivable arbitrage opportunities, adding to the strength of the markets while addressing the information inefficiency that may prevail in the delivery-based India delivery contracts. SMEs needing the metals to be physically made available for their consumption should strive to make this the platform of choice for purchases, given the opportunity for locking-in input costs and hence profit margins.

Namami Gange takes off?

RC ACHARYA

The author is former member, Railway Board

With 1,109 gross polluting industries discharging toxic effluents into the Ganga, it is a long way to go

FEBRUARY 17, 2019, was a red letter day for Bihar, with PM Narendra Modi announcing the National Mission for Clean Ganga (NMCG)'s multi-crore initiatives second time in less than a year. Getting into a high gear towards its avowed objective of keeping the river Ganga clean, NMCG or Namami Gange plans to spend ₹452.24 to prevent flow of 670 mld (million litres per day) of sewage into Ganga, while ₹243.27 is earmarked for improving the Patna riverfront involving construction of new ghats, promenade, community-cum-cultural centre, etc.

Efforts to clean up Ganga had started as early as in 1979, when the Central Board for the Prevention and Control of Water Pollution was directed to undertake a comprehensive survey, and its report ultimately formed the basis for setting up of the Central Ganga Authority (CGA) in February 1985.

The Ganga Project Directorate (GPD) was established as a wing of the Department of Environment, with a budget of ₹350 crore to administer the cleaning up of Ganga and to restore it to pristine condition, with the Ganga Action Plan (GAP) launched on June 14, 1986, by Rajiv Gandhi in Varanasi.

From 1993 onwards, GAP-1 was extended as GAP-2 to cover four major tributaries of Ganga—the Yamuna, Gomati, Damodar and Mahananda—and further broad-based in 1995 with the inclusion of other rivers and renamed as the National River Conservation Plan (NRCP). Also, 34 other rivers were taken up for cleaning with the same model of GAP.

However, while GAP has managed to spend less than ₹4,000 crore in the last three decades, the reconstituted body (NMCG) has already spent ₹5,650 crore, and for year ending March 31, 2019, projects worth ₹2,295 crore are expected to be completed. With an outlay of ₹20,000 crores for the period 2015-20, NMCG is aiming big with 267 projects sanctioned so far costing ₹26,360 crore, of which 82 have been completed.

> The latest Namami Gange initiative centring Patna, we hope, will not merely be a pre-poll bonanza for Bihar, but show positive results

A significant modification of earlier approach was made in 2016 vide a GoI gazette notification of October 7. Para 6 for prevention, control and abatement of environmental pollution in river Ganga and its tributaries vide sub para 1 required that "no person shall discharge, directly or indirectly, any untreated or treated sewage or sewage sludge into the river Ganga or its tributaries or its banks." Further, under sub para 2 it is required that "no person shall discharge, directly or indirectly, any untreated or treated trade effluent and industrial waste, biomedical waste, or other hazardous substance into the river Ganga or its tributaries or on their banks."

With all flow into the Ganga being blocked, a way was to be found to reuse treated water. A MoU with power ministry now requires thermal plants located within 50-km of an STP (sewage treatment plant) to draw their requirements of water from it. Another MoU with the Railways requires it to draw water for its coach-washing plants from nearby STPs. Similarly, an agreement with Indian Oil refinery's requirement (in Mathura) of 20 mld is met by a trans-Yamuna STP.

About 80% of the pollution is contributed by municipality sewage, while industries located along the Ganga account for 20%. However, industrial effluents are the major cause for toxicity and health hazard. Over 400 tanneries in and around Kanpur, which discharge tonnes of toxic effluent into the Ganga, shall soon have a central effluent treatment plant of 20 mld capacity costing ₹620 crore.

A major initiative taken has been to involve the polluting tanneries as stakeholders, in forming a SPV for keeping the Ganga clean. With a contract for a period of 15 years for operation & maintenance, funds should no longer prove to be a constraint. Also, a policy of 'one city, one operator' would ensure accountability and efficient functioning of these multi-crore facilities.

With 1,109 gross polluting industries discharging toxic effluents into the Ganga, it is a long way to go. Hopefully, the latest initiative centring Patna will not just remain a pre-poll bonanza for Bihar, but show positive results a few years down the line.

WRITE-BACK

TRAI has had it right all along

The regulator has tried to provide a level-playing field, in consultation with stakeholders

SK GUPTA

Secretary, Telecom Regulatory Authority of India (TRAI)

THE EDITORIAL "Will TRAI ever get it right?" (*FE*, March 4) was not based on facts nor has the paper thought it proper to seek counterviews of TRAI in such a sensitive matter. It appears to be an attempt to create erroneous impression that the incumbent operator(s) are losing their market share or facing financial strain due to various decisions of the regulator. To justify this flawed argument, either on the basis of inaccuracies or on selective reading of court judgments, many decisions of the regulator taken during the last few years have been questioned. This is in spite of the fact that every decision is taken after exhaustive consultations with the stakeholders in a transparent manner, well-explained in writing, and open for judicial scrutiny.

The editorial appears to be based on the recent statement of the CEO of Vodafone, and on inputs from operator(s) affected due to competition in the market. So, we endeavour to set the record straight.

In a free market economy, regulators do not decide winners or losers, the market which does. It is, therefore, not appropriate for market players to blame regulators for their failure in the market. TRAI has always strived to consult stakeholders, examine international best practices, consider technological developments, and then reach conclusions. The focus is to ensure delivery of state-of-the-art services to consumers and a level-playing field for stakeholders.

IUC rates: It is incorrect to state that TRAI never shared its costing model with the telcos. The complete cost figures, as made available by telcos, and calculations along with the reasons for following a specific model are given in the Explanatory Memorandum attached with the Telecommunication Interconnection Usage Charges (13th Amendment) Regulations, 2017 (5 of 2017) issued on the September 19, 2017.

TRAI first prescribed IUC rates in 2003 and reviewed them every 2-3 years. With each revision, IUC rates were reduced and correspondingly the rates of telecom services for consumers were also reduced. TRAI had filed a report in the Supreme Court on 29.10.2011, and made the following observations: "To conclude, there would thus be a 3-year time horizon for IUC in the country culminating in Bill and Keep (BAK) in the third year." After revising IUC rates in 2015, a similar revision was implemented in 2017 after exhaustive consultation process with the stakeholders. It is not based on any particular technology or particular operating costs. The cost to terminate a 2G as well as a 3G call was considered in our approach.

The last two revisions of IUC rates are under challenge before various courts. None of these two IUC regulations have been stayed by the courts till now. Final decisions in these court cases are still pending.

PoI penalty recommendation: The editorial comments upon the TRAI recommendations to the government for imposition of ₹3,050 crore penalty on telcos for not providing enough Points of Interconnections (PoI). While the telcos have challenged this decision of the Authority before the court, they have been granted no relief so far. The final decision is still pending. The reference to 90-days period available for provisioning of PoIs is not tenable in this case as meeting the Quality of Service (QoS) benchmarks is also a mandatory requirement. The reasons and circumstances for the penalty recommendation are available on the TRAI website and are consistent with encouraging competition. The impact was visible as the congestion on PoIs immediately reduced to within permissible limits.

Call drop: The regulation to control call drops was brought about by TRAI when the consumers were adversely affected by call drops. After detailed consultations with the stakeholders, TRAI felt consumers need to be compensated for deficiency of services. While the Delhi High Court upheld the regulation, the Supreme Court found it incorrect primarily on the ground that TRAI had no power to give compensation for the services provided without examining each case on merit.

Significant market power (SMP): The editorial is misleading and false in as much as the extracts on "a degree of predetermination to dilute the entire concept of SMP," and "arbitrary without any deliberation and effective consultation," were not TDSAT's observations. They were the Appellants' grounds of challenge in their TDSAT appeal [para 32(V)]. The issue of SMP is pending before the Supreme Court and, therefore, any discussion now will be inappropriate.

However, 30% as a threshold to determine SMP existed since 2002 under RIO regulations as well as under IUC regulations in 2003, and the introduction of SMP into the Telecommunication Tariff Order was in due discharge of TRAI's statutory functions and inserted only after effective consultation with multiple stakeholders. Interestingly, the comments of CEO of Vodafone must be read in light of the fact that Vodafone did not participate even in the consultation process.

Spectrum pricing: TRAI has been recommending spectrum prices since 2006, following well-established consultation process, which also discusses various valuation approaches. Recommendations on spectrum pricing invariably include the methodology for the computation. The reserve price of the spectrum is only a starting point, and final price at which spectrum is bought depends on market needs. Very often, spectrum has been sold at much higher price than the reserve price.

During the last two decades, telecom has seen technological changes at a much faster pace in comparison to any other sector, the probable reason for more upheavals. The regulator provided a regulatory environment that encouraged competition and ensured level-playing field. Due to economies of scale and stiff competition in the market, the prices of telecom services have fallen consistently. Operators' market-shares have also fluctuated during the last two decades due to multiple factors, including adoption of efficient technologies. In the initial phase of liberalisation, incumbent PSUs lost market share to private telcos. About a decade ago, when the entry of many new private telcos disturbed the market equilibrium, prices of services fell drastically again. Similarly, the entry of a new player recently has again disturbed the market balance. Analysis of the past two decades' trends indicates that adoption of latest technologies has enabled operators to become more competitive and pass on the benefits to the customers. TRAI's approach has always remained consistent, i.e., encourage competition, ensure level-playing field, and protect the interests of consumers. TRAI cannot be faulted for upheavals in the market place.