Opinion

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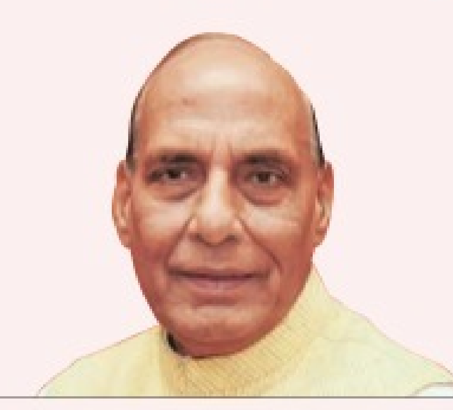


THE BLAME GAME

Union defence minister, Rajnath Singh

"It is not that the condition of farmers deteriorated in the last one, two or four years. Those who ruled the country for a long time are responsible for their state"

RationalExpectations

SUNIL JAIN

sunil.jain@expressindia.com

@thesuniljain

Trai has no logic, best to ignore it

Thanks to it, Indian spectrum most expensive in the world; its favourite model is to use the last bid as the new base price

NOT SURPRISINGLY, GIVEN its history of pushing for progressively higher spectrum prices, Trai has reiterated its high reserve price for the 5G spectrum that the government hopes to be able to auction this year. Based on the views of the Digital Communications Commission (DCC), the Department of Telecommunications (DoT) had asked Trai to relook its recommendations, since the government was keen to provide affordable 5G services to everyone and because, since there were just three private telecom players now, the demand was likely to be muted.

Given this is not the first time Trai has refused to budge from its recommendations—indeed, it just did the same in the case of the ₹3,050 crore penalties on Airtel, Vodafone and Idea—the ball is in the DoT/DCC's court, and it is to be hoped that they exercise it quickly. Thanks to Trai's high reserve prices, in 2012, 67% of the spectrum on auction couldn't be sold and this rose to 80% in 2013 and has averaged 38% since 2010. In FY17, while the government budgeted ₹98,995 crore in telecom revenues, including auctions, it got just ₹70,241 crore; it slashed its expectations to ₹44,342 crore in FY18, but got just ₹30,736 crore. It is, though, unfair to blame Trai alone as DoT also played its role and, on several occasions, it didn't release enough spectrum and in some other cases, it said telco licences wouldn't be renewed if they didn't buy spectrum; this forced telcos to bid even more aggressively.

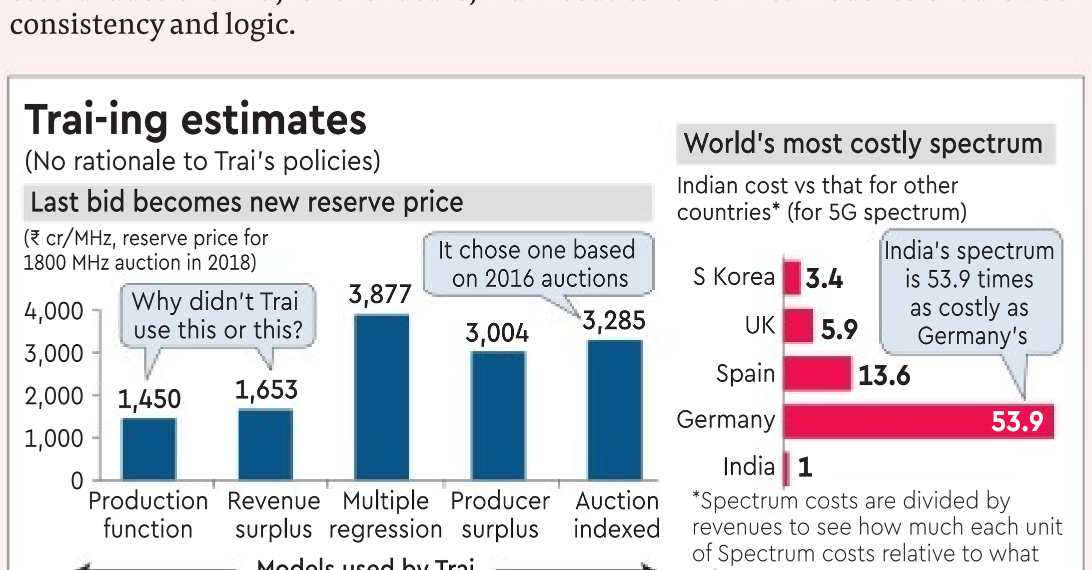
The problem with the Trai recommendations, apart from the fact that they result in India having the world's highest-cost spectrum, is that there is no logic to how the pricing is arrived at; and once whatever methodology is used, it isn't used consistently either.

In 2010, when a limited amount of 3G spectrum (2100MHz) was auctioned, the bid price for Delhi, for instance, was ₹663 crore per MHz as compared to the reserve/base price of ₹64 crore; Mumbai was auctioned at ₹649 crore and had the same reserve price. So, in 2012, when 1800MHz spectrum had to be auctioned, Trai decided to use the 3G auction as the base and set the reserve price at ₹717 crore for Delhi and ₹702 crore for Mumbai. DoT lowered the reserve price but the industry was so cash-strapped, the auction failed; in 2014, Trai slashed its recommendations, to ₹175 crore for Delhi and ₹165 crore for Mumbai; the auction fetched ₹364 crore for Delhi and ₹272 crore for Mumbai. This then became the reserve price that Trai recommended in 2015! In Andhra Pradesh, similarly, the ₹163 crore per Mhz auction bid in 2014 for the 1800MHz band got recommended as the reserve price in 2015; when the bid came at an even higher ₹243 crore, this became the reserve price for the 2016 auction.

In 2018, Trai decided to try some new methods to estimate what the reserve price should be. It had a revenue-surplus model, for instance—since this means looking at what telcos will profit from each unit of spectrum, it made sense. In the case of 1800MHz, Trai got a price of ₹3,004 crore per Mhz for a pan-India licence using a 'producer surplus' model, ₹1,653 crore using the 'revenue-surplus' model and ₹1,450 crore using the 'production function'. Though the results were so disparate, Trai used an arithmetic mean of various results. And, after all that, it went by what it called the 'achieved price' in October 2016, and 'duly indexed' this using the SBI lending rate. In the case of Delhi, for instance, the revenue-surplus model determined a base price of ₹128 crore per MHz in the 1800MHz band, ₹206 crore in the production-function model and ₹713 crore in the multiple-regression model; surely, as a regulator, Trai should have told us which was better, and why? And even though the arithmetic mean of all models was ₹368 crore, what Trai recommended was the ₹457 crore that was based on the 2016 auction, duly indexed by the SBI lending rate. In which case, why even have a Trai, just apply the index to every auction?

Nor is it that the indexation is done each time; the 2014/2015/2016 examples given earlier didn't do this. In the case of the 5G auctions, though, this was done. The 2016 auction bid for 1800MHz was multiplied by 1.15 and the result was multiplied by 0.3 as the efficiency of the 3300-3600MHz spectrum was considered to be 0.3 times that of the 1800MHz band. Once you divide this by India's population, India's spectrum is perhaps the cheapest in the world. Ideally, however, the cost of spectrum has to be juxtaposed with the revenues earned, since Indian tariffs are also very low. Once you do this, at $0.0035 per MHz per unit of revenue, India's spectrum costs are amongst the highest in the world; 54 times those of Germany, for instance, and 6 times those of the UK.

The DoT/DCC need to take into account the near-complete absence of logic, indeed arbitrariness, in Trai's pricing and quickly fix an appropriate price. Till DoT/DCC also take a call on, simultaneously, lowering the exceptionally high annual licence fee charges, though, it is not clear that this will be enough to ensure a successful auction. And, for the future, Trai needs to rework its model to ensure both consistency and logic.



Anti-lynchingLAW

The UP government must adopt the model anti-lynching law that the state Law Commission has drafted

THE UTTAR PRADESH State Law Commission, taking suo motu cognizance of incidents of mob lynchings in the state, submitted the draft Uttar Pradesh Combating of Lynching Bill, 2019 to state chief minsiter Yogi Adityanath. The draft Bill recommends that mob lynching be recognised as a separate criminal offence—currently, incidents of mob lynching are treated as cases of assault, grievous assault, or homicide, as the case may be—with strict punishment, ranging from up to seven years' imprisonment and a ₹1 lakh fine for the assailants, including those involved in conspiracy or abetment, if the victim is injured to a maximum of life sentence and a ₹5 lakh in case of asault leading to the victim's death. It also recommends a maximum jail term of three years, along with a ₹5,000 fine for state officials found to be in dereliction of duty. Further, the recommendation defines creation of a hostile environment, including public humiliation, deprivation of basic human rights, forced eviction, etc, as a criminal offence punishable with six months of imprisonment.

In a state that has seen as many as 20 distinct instances of mob lynchings which have claimed 54 victims, leaving 11 dead and 29 with major injuries, in a span of seven-and-a-half years, the draft Bill is much-needed and the state government should lose no time in accepting and implementing these recommendations if it wants to make good on its promise of reducing crime in the state. To be sure, navigating the judicial terrain will still be challenge—affixing blame on a crowd instead of one person dealing the killer blow will have to negotiate many legal hurdles, and injuries not being manifest and death occurring later due to internal injuries may complicate investigations and eventually trials. But, adopting the model law would be a good first step.

GLOBAL LESSONS

INDIA MUST EASE MARKET REGULATION & BORDER PROTECTION AND MAKE COMPENSATORY DIRECT PAYMENTS TO PRODUCERS, LIKE EUROPE DOES

Opportunity knocks for Indian agriculture

KEN ASH & SILVIA SORESCU

Ash is director, trade and agriculture & Sorescu is policy analyst, OECD *Views are personal*

SINCE THE MID-1990S, India has raised GDP per capita by more than 5% per year, cut the incidence of poverty in half, and significantly decreased undernourishment. India is one of the fastest growing G20 economies, largely reflecting an ambitious reform agenda launched in 2014. India has emerged as a major exporter of several agricultural commodities, and has also been diversifying production towards high value pulses, fruits, vegetables, and livestock products.

While the sector has achieved much, many smallholders have not been able to exploit the opportunities opening up to them; they remain hampered by low productivity, an under-developed food processing and retail sector, and water and environmental degradation. In fact, India faces the same "triple challenge" as other countries: delivering safe and nutritious food to a growing population at affordable prices; providing a livelihood for farmers and others in the food chain; and overcoming severe resource and climate pressures.

Over the past several decades, agricultural policies in India have sought to ensure the well-being of both farmers and consumers. With about 80% of India's poor living in rural areas, addressing widespread poverty and ensuring domestic food security are key objectives.

However, the ways in which policies to pursue these objectives have been designed and implemented have diminished their effectiveness. On the one hand, restrictions stemming from agri-marketing regulations, together with export restrictions targeting several commodities, exert downward pressure on prices, with Indian farmers receiving prices lower than those prevailing in international markets across most commodities over the last two decades. On the other hand, there are programmes that provide huge subsidies for farm inputs, such as fertilisers, electricity, and irrigation water. These domestic and trade policies have combined to reduce Indian farm revenue by an estimated 5.7% in the past three years—amounting to an 'implicit taxation' of about ₹1.7 trillion per year—as the Organisation for Economic Co-operation and Development (OECD) and the Indian Council for Research on International Economic Relations (ICRIER) report in the *Agricultural Policies in India* 2018 study and the 2019 *OECD Agricultural Policy Monitoring and Evaluation*.

At the same time, funding for public services—such as physical infrastructure, inspection, research & development, and education and skills—that are essential to enable the long-term productivity and sustainability of the sector has not kept pace.

The government in India has set ambitious objectives for the sector, including to double farmers' incomes by 2022. How can Indian governments—federal and state—strengthen the productivity and sustainability of Indian agriculture, and provide remunerative opportunities for farm households?

Ashok Gulati has recently written about farm policy developments in China, drawing lessons for India. Policy reform experiences in the European Union (EU) might also provide useful insights. Reforms to the EU's Common Agricultural Policy (CAP) since the early 1990s have involved a gradual but consistent reduction of market regulation and border protection and the introduction of compensatory direct payments to producers. These payments were originally based on cultivated area or animal numbers, but became increasingly independent from production. Over the past 15 years, the share of support linked to production declined from 30% to 9% of farm revenue while compensatory payments increased from virtually zero to 8% of farm revenue. Producers acquired more flexibility to make their own production and trade decisions in response to market demand, independent of government intervention. These payments were subsequently adapted to address the specific needs of certain categories of farmers or regions, and conditions for receiving payments were introduced to ensure sustainable resource use.

> **Domestic and trade policies have combined to reduce Indian farm revenue by an estimated 5.7% in the past three years**

Input subsidies have been reduced and, where they remain, are subject to environmental constraints on farm practices. In addition, new payments have been granted to farmers for providing valued environmental services, such as preservation of biodiversity. Today, nearly 50% of the support to producers is conditional on mandatory environmental constraints, and an additional 10% of support goes to voluntary agri-environmental schemes with conditions that go beyond the mandatory requirements. Investment support has also been made available to accompany structural adjustment, improve industry competitiveness, and foster rural development—for example, to facilitate diversification of activities. Importantly, EU investment in agricultural research and innovation has increased dramatically in recent years.

Experience in the EU and elsewhere shows that persistence pays. Meanwhile, as for the EU, the diversity of India's regions and agriculture systems means that no single policy change or technology shift will get the country where it wants to be. But, reforming agri-marketing regulations and implementing direct support payments, where needed, can build on major initiatives already underway. These include the electronic national agricultural market (eNAM), the 2017 marketing model act, and the recently implemented direct cash transfers scheme to small-scale farmers.

More can and should be done. Scarce financial resources should be directed towards investment in public services that enable a productive, sustainable, and resilient food and agriculture sector. Doing so would require strengthening the institutional framework; eliminating duplication and fragmentation is a pre-requisite to ensuring coherent policy packages are developed and consistently implemented.

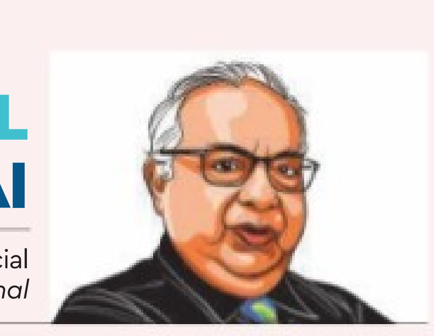
Achieving the Sustainable Development Goals and addressing the "triple challenge" will require new policy directions in India, as elsewhere. India has already shown it has the capacity to achive high levels of growth and poverty reduction; with the right policy incentives, India's food and agriculture system can work better for all.

Is Mumbai the next Istanbul?

For the city to be the next international centre, the trick will be to for India to check populist polarisation and enable a swift economic turnaround

JAMAL MECKLAI

CEO, Mecklai Financial *Views are personal*



ISTANBUL WAS THE most important city in the world for longer than any other—from approximately 450 AD, when the Byzantine Empire was founded, till the Ottoman Empire fell at the end of the First World War (1918). It's location on the Bosphorus, which was the nexus between the continents of Europe and Asia, made it a key commercial, cultural, and diplomatic centre over the years; Ataturk's subsequent reforms turned Turkey into a modern state.

Today, Istanbul is an amazing place, a wonderful blend of *khandani* and hip, reflected in the extraordinary traditional architecture sitting side by side with very sophisticated contemporary art; in sync, the people live a sensitive balance between conservative and modern Islam—many Turks fast during Ramadan, and also party wildly drinking rake, and dancing and singing. I truly became a Muslim the first time I went to Istanbul, about 12 or 15 years ago, and the joy of it is reconfirmed each time.

We were in Istanbul for a few days last month, and stayed at a small hotel in Ortakoy, just by the bridge; our room had a small balcony with a breathtaking view, right on the Bospohorus. Breakfast lasted forever as the cimit bread and cheese and honey and tomatoes and cucumbers and melon and Turkish coffee kept lazy pace with the boat traffic just below, the idyll occasionally interrupted by ferry horns and the call from the mosque just to the left—*allahoakbar*.

While we were there, campaigning for the election for mayor of Istanbul was in full swing. Erdogan's party, the AKP, had already lost the election for this post a few months ago, but he pulled all his corrupt institutional control to declare that election invalid—it was too narrow a victory/loss he said (13,000 votes). People were really upset by that, and given that the economy was also in deep shit, Erdogan's ass was really kicked—the winner, Imamoglu of the opposition CHP, won by over 800,000 votes, with 54% to AKP's 45%!

Significantly, Imamoglu's campaign was celebratory, about bringing people together, in stark contrast to the offensive polarisation that Turkey and much of the world has been suffering from over the past fifteen years or so, as demagogues (like Erdogan, Putin and numerous others) successfully seized upon the failures of previous decades of politics to sell "populism" to people in so many countries.

Democratic capitalism, the previous "-ism", became the only game in town in 1981, when the Berlin Wall fell and the world became essentially unipolar. That cycle ended dramatically with the 2008 market collapse, which exposed what unfettered capitalist democracy had really become—an asset grab by a well-positioned minority. The criminal failure to demand accountability after 2008, increasing inequality as the "free" market did its job, and the US invasion of Iraq in 2003, which generated tragic waves of refugees, all fed the growing anti-establishment rhetoric, making it inward-looking, jingoistic and anti-immigrant—the new populism was born.

> **The "populism" cycle has already been running for nearly 15 years; it probably peaked when Trump was elected**

This new cycle probably began a few years into the terms of Erdogan and Putin, both of whom, interestingly, started out as mayors of major cities—Istanbul and Leningrad, respectively—about 20 years ago. This means the "populism" cycle has already been running for nearly 15 years; it probably peaked when Trump was elected—it is hard to imagine anything that could top that.

With technology continuously narrowing all cycles, it would appear that this fake "-ism" has, at most, another 5 to 8 years to run.

The tempo at which it will unwind will, of course, be different in different countries, but the turning point will always be economic stagnation, which populism, almost by definition, creates. Turkey is already scraping the bottom; Russia is not far behind.

While the US is currently rocking on—unemployment is near an all-time low—the fact that the yield curve has remained inverted for over a month confirms that a recession is a probably less than a year away, just in time to spike Trump's chances at re-election. The UK has its October 31 Brexit deadline, after which nobody knows how things will pan out, but it is odds-on that the economy will stagnate at best; a Parliamentary election is certainly on the cards and, with all political parties shamefully discredited, we could see the rise of a large number of independent lawmakers. Europe, which is holding on for dear life economically even as long-term bond yields have been negative for over 3 years, will doubtless suffer some fall-out from Brexit, which will hopefully drive some sense into the electorate.

India, which has also been hugely susceptible to polarising populism, is currently sitting pretty politically, but the government has a big job to rescue the economy. Modi is both remarkably strategically savvy and knows how to get things done—the trick will be to turn off the polarising approach to enable the economy to turn around swiftly. The Budget was an excellent first step.

Who knows, maybe in a few years, we will be able to say, Welcome to Mumbai!

LETTERS TO THE EDITOR

Changing the financial year

An expert committee, chaired by known economist LK Jha, set up by the Union government to suggest a new financial year, had suggested that the systematic calendar-year of January-December replace the current system of April-March financial year due to multiple advantages, and also to be in tune with most other countries of the world. But, as usual, recommendations of the LK Jha committee, set up at a high cost, were dumped by the then political rulers, without being implemented. It is time that both the financial and working year for the whole country be unified as the systematic calendar year to replace the present financial year of April-March, which is a continuation of our British legacy even seven long decades after the country achieved independence.

— Subhash Chandra Agrawal, Delhi

Predictibility woes

As loss strikes with vengeance at complacency, it might seem sudden, but is rarely so. Shorter versions of cricket have shaped, out of convenience, a few top batsmen and a clutch of bowlers, with the rest plying as good fielders. The coach, selectors as well as the captain, then, tend to juggle around this limited group. The assortment of lower order players seldom experience crunch situations, and are happy to let the top order ones revel in glory. The eclipse of the team, therefore, becomes instant if the this top order collapses. There is little solace in winning every game in the league format, only to lose in the semi final. The fault lies in not conditioning lower order players in league matches, even if that meant the possible loss of a match or two. We err in counting on predictability of individual performances in a game that is notoriously unpredictable.

— R Narayanan, Navi Mumbai

●Write to us at feletters@expressindia.com

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