Opinion

MONDAY, NOVEMBER 18, 2019

NO TALK WITH PAKISTAN

Union external affairs minister S Jaishankar

Pakistan has developed an important terrorist industry and sends terrorists to India... Which country would be willing to talk and negotiate with a neighbour who openly practices terrorism against it?

SC restores CoC status, IBC process gets a leg-up

NCLAT needlessly interfered in the IBC process, SC has now fixed this. Kudos to govt for being proactive in fixing IBC gaps

FRIDAY'S LANDMARK SUPREME Court judgment in the Essar Steel case establishes the primacy of secured financial lenders as the final arbiters of how sale proceeds from a stressed asset under Insolvency and Bankruptcy Code(IBC) are to be distributed. It is a huge win for lenders, who, despite their number one ranking, were fighting other stakeholders for their fair share. NCLAT—the appellate tribunal—had dealt banks a big blow in July 2019, when it ruled that they must give operational creditors a bigger share of the spoils. It said secured lenders, and operational creditors would receive 60.7% of their outstanding claims, and proportionately share the money that the bidder—Arcelor Mittal—had offered to pay to buy the bankrupt steelmaker.

On Friday, the SC set aside the NCLAT order, and rightly so, given the appellate tribunal had disrespected the IBC's waterfall mechanism by putting operational creditors at par with secured lenders. It was important that the sanctity of the waterfall mechanism be restored; nowhere in the world do secured financial lenders and operational creditors enjoy the same status since they are dissimilar lenders. Indeed, the apex court has made it abundantly clear the NCLT cannot interfere in the decisions of the Committee of Creditors (CoC), or substitute the CoC's wisdom with its own. Only if there is any breach of the law, or some kind of miscalculation by the CoC, can the NCLT or NCLAT take action. But, it cannot reopen the issue of fair treatment between operational and financial creditors, and that is important if the corporate insolvency process is to succeed. All NCLTs across the country, and the NCLAT must uphold the SC's verdict in letter and in spirit while deciding cases; unfortunately, there have been too many differing interpretations over the past two years. But, what is heartening is that the law has prevailed in the spirit it was meant to.

Much of the credit for this goes to the government for having initiated frequent amendments as and when required. There were times when it appeared that promoters, who were willful defaulters, would be allowed to bid for their company, and stood a chance of regaining it, but Section 29A was brought in to ensure such efforts would be stymied. In November 2017, when the code was less than a year old, it was strengthened to say that a person whose account had been classified as a non-performing asset for more than a year and who had failed to make payments of overdue amounts with interest, would not be eligible to submit a resolution plan. Again, the definition of related party was tightened by including all close relatives. Also, the government recognised the role that pure financial entities could play in reviving sick companies, and allowed them to participate in the bidding process. Promoters of smaller companies were permitted to bid for their businesses because otherwise, many of these small companies would not have attracted buyers.

To be sure, the ₹42,000 crore which Arcelor Mittal is paying for Essar Steel is smaller than the ₹54,550 crore which the erstwhile promoters—Ruias—owed the banks, who have also lost out because of the delays. Other resolutions, unfortunately, have resulted in even bigger haircuts for lenders—in some instances, as high as 80%. But, with the SC's approval, cases should be decided faster, allowing capital to be saved, and freed up faster.

Govt is big telecom loser

Over ₹1.7 lakh crore of payments at risk if VodaIdea folds

IT IS NOT clear whether Vodafone global CEO Nick Read dialling back his comments a day after he made them is related to some government assurance on Vodafone Idea's liabilities, but if any relief is being planned, this is because over ₹2 lakh crore of dues to government over the next decade are at risk; most of this comprises Vodafone Idea's liabilities. Put another way, if the government doesn't provide any relief on payments that resulted from the Supreme Court's ₹1.3 lakh crore AGR verdict, it will end up being one of the biggest losers; the AGR problem, it is important to keep in mind, would have been contained but for government inaction over the past decade (*bit.ly/2pmMuNN*). The loss to the government could even be more if you take into account the fact that both industry revenues as well as demand for spectrum will be a lot more muted than they were some years ago when the industry was in better health. Government revenues from the sector fell from ₹70,241 crore in FY17 to ₹39,345 crore in FY19; the biggest fall in revenues took place because of the fact that there were no new auctions in 2017, 2018, or 2019 as the industry was cash-strapped.

Of the AGR burden, ₹92,641 crore is on account of licence fees, and ₹41,000 crore due to SUC charges. Of the licence fee charges, ₹31,683 crore is due from Bharti Airtel, RJio, and Tata Teleservices, so the government will probably get it back. Another ₹28,303 crore is at risk if Vodafone Idea folds up, and the balance ₹32,655 crore is from companies like RCom and Aircel that are already in the insolvency courts. A detailed company-wise break-up of the SUC is not available, but since ₹11,635 crore is due from Airtel, the government will certainly get this; Vodafone Idea owes ₹16,500 crore on this account.

Another ₹250,000 crore or thereabouts is due to the government till 2031 as deferred spectrum costs; of this, around 45% is due from Airtel, RJio, and Tata, and so, is safe. Most of the balance—₹126,669 crore—is due from Vodafone Idea, and is at risk if the telco folds up, as it will if all the AGR dues have to be paid within three months since it doesn't have the necessary cash balances. The government will get back its spectrum if Vodafone Idea folds up, but with the sector in deep trouble, it is unlikely it will be able to get the same price when it resells the spectrum. The government will have to go to the insolvency courts to get the AGR dues—around ₹61,000 crore for Vodafone Idea and others—where there could be a 30-40% haircut at the very least and, since it is not a financial creditor, it may end up getting only a small part of even this as its dues. Ideally then, the government should act like a prudent banker, and restructure the dues by reducing the penalty/interest, and giving the telcos more time to make the payment because the losses due to not doing this will be very high.

Good JUDGMENT

CJI Bobde is right, a National Judicial Service cadre is in the national interest

THE NEW CHIEF Justice of India (CJI), SA Bobde, recently told the *Economic Times* (he was the CJI designate at the time) that a National Judicial Service was key to national interest. He also said that if the government were to create a national academy to train members of the judicial cadre in jurisprudence, local languages, and local laws, then it would be a step forward. Coming from the topmost judicial office in the country, this is a strong boost for judicial reforms. More so, because High Courts have struck the idea down in many cases, even though the idea has been backed by many, including prime minister Narendra Modi.

The idea has been debated for the last five decades—it was first referred to in 1960, with subsequent mentions in the judge's conferences and 1st, 8th, and 116th Law Commission reports. It is time that the government implements this. Even the Constitution (Forty-second Amendment) Act 1976 inserted an "all-India judicial services" provision into Article 312. Besides, local judicial services have not delivered in a desired manner. For instance, in 2015, when Delhi conducted the judicial service exam to fill 80 seats, only 2% of the 586 appearing for the exam could clear it. In 2017, Punjab and Haryana High Court had to reconduct examination after a paper leak, which was later overturned by the Supreme Court as only nine of the 107 appearing could clear the written stage. Instances like these are the reason that strength of the judiciary in subordinate courts is over a fifth short of the total number of the sanctioned posts, and a judicial service cadre can solve this. Besides, it will address the uncle-judge syndrome that afflicts Indian courts—appointments from a national cadre will lessen the nepotism. If the government does not push its reservation agenda—the idea, at first, was that it would promote social equity by bringing in reservations for judge's appointments—an NJS can potentially be the first step towards judicial reforms.

PUSHING EXPORTS

WTO RULING SHOWS, INSTEAD OF ENGAGING IN KNEE-JERK REACTIONS THROUGH THE LEGAL ROUTE, INDIA MUST RECOGNISE THAT THE TIME FOR DOLES TO PROMOTE EXPORTS IS OVER

India must rethink trade policy

MUKESH BUTANI

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Views are personal

ON OCTOBER 31, a panel constituted under the World Trade Organisation's (WTO's) dispute settlement mechanism issued a ruling in response to a complaint filed by the US government against Indian export incentive schemes. In focus was WTO's covenants on Subsidies and Countervailing Measures (SCM), which prohibit subsidies contingent upon (i) export performance, and (ii) use of domestic over imported goods. SCM carries an illustrative list of such prohibited subsidies. The WTO panel's decision is based upon an appraisal of the factors determining whether a given policy measure is a prohibited export subsidy.

Accepting most allegations levelled by the US, the panel concluded that fiscal concessions and incentives offered by the government of India (GoI) under its Foreign Trade Policy (FTP) to export oriented units (EOUs), electronics hardware technology parks (EHTPs), biotechnology parks (BTPs), export promotion capital goods (EPCGs), and duty-free imports for exporters scheme (DFIS) constitute "subsidies contingent on export performance", and thus violate SCM. The panel also declared that GST exemptions extended to special economic zones (SEZs) cry foul of SCM's mandate. Finally, the panel took objection to tradeable duty credit scrips issued to manufacturing exporters under merchandise exports from India scheme (MEIS), as covered under prohibited export subsidies.

Though WTO has an Appellate Body (AB) which reviews panel rulings, practically, the appellate forum is dysfunctional in view of the imminent retirement of members, and stalemate over appointment of new members. It is common knowledge that the US has vetoed appointment of any new member to the AB. Thus, the panel's ruling, barring technicalities, is effectively final.

The panel's ruling puts the focus back on a long-drawn difference between the two governments, adding to the strained trade ties. Its timing pushes India into a precarious situation with respect to efforts to put the economy on a stable growth path as the panel's findings restrict avenues to promote exports.

Although the EOU, EHTP, and BTP schemes cater to different sectors, they were designed to allow tax-free procurements by enterprises committed to exporting their entire production. While these continue to find place in the FTP, their relevance has come under question since the transition to the Goods and Services Tax (GST) regime. Nonetheless, the panel's findings is vis-à-vis each such scheme demonstrates that, irrespective of the design and mechanics, they qualify as export incentives, which have been prohibited.

As regards MEIS, policy makers were alive to its vulnerability given the commerce ministry's desire to replace it with other schemes. The current FTP will expire in a few months, and other options will have to be explored to stay with the panel's determination of acceptable parameters while incentivising exports.

The real downer comes from the panel's ruling on SEZs. The 2005 enactment was dubbed as a game-changer—India's fast-track path to compete with China on export performance. Successive dilution of benefits by way of amendments like introduction of minimum alternate tax and sun-set clause for tax holidays, conditionality attached to indirect tax exemption under the GST laws, and the recent Ordinance on 15% corporate tax rate for new manufacturing entities, etc, pose threats to the attractiveness of SEZs. The panel's ruling incrementally disincentivises SEZs as a business choice.

The panel's findings reject India's contention that it is a developing nation. According to the panel, this status, and the exemption, expired in 2003; hence, India is obliged to follow the SCM stipulations. Its finding resonates with recent actions of the US administration to end the preferential duty regime for India. The panel's ruling has wide ramifications for the exceptions availed by India under other the WTO agreements available to developing countries.

It is easy to get entangled in legal options, and deal with the bruises inflicted by the panel's findings. While India is likely to pursue legal remedies, adverse findings of the panel should not lead to any knee-jerk reaction. Instead, India must take it as an inspiration to reform its trade policy. The issues are further compounded by the fact that GoI has just refused open access to ASEAN and other significant markets by declining to join the RECP which (had India joined) would have covered half of the global population.

> One radical reform can be to obviate all differentiating criteria that plague the fiscal space, and instead promote an exemption-free economic order

While the trade policy mandarins of the GoI will look for solutions, the message is clear—time is up for dole-outs for promoting exports, and competitiveness of exports must be driven by quality.

These developments must embolden GoI to shed its inclination for half-hearted or temporary solutions, and instead undertake measures that have a lasting impact. Policymakers must start afresh, challenge all assumptions, and undertake detailed analysis of business and trade policies to invigorate them with qualitative superiority and cost-effectiveness. Perhaps, it is time for announcement of a comprehensive 'New Industrial Policy' that sets GoI's long-term vision, and enlists concrete steps to revolutionise industrial growth.

Bottlenecks attributable to policy must be institutionally addressed. Entrepreneurship must be promoted to ensure the adoption of a global outlook.

Stalled labour law reforms must receive undivided attention. The present state of relations between industry and workmen needs recalibration. The recent Honda Manesar-plant closure, and the employee action crisis at Maruti-Suzuki in 2012, for instance, show that we have a long distance to cover. We have been hearing that consolidation and modernisation of all labour laws is on the anvil. Currently, only wage-related laws have been addressed (which oblige minimum wages even for the unorganised sector). However, a review of the Industrial Disputes law, owing to which businesses find their bargaining power stifled, is overdue.

One radical reform can be to obviate all differentiating criteria that plague the fiscal space, and instead promote an exemption-free economic order, akin to the September 2019 measures in the direct tax space. Simultaneously, the myriad rate-slabs in GST can be merged into three rates—standard, merit, and demerit. This will ensure that business decisions are no longer driven by short-sighted tax savings, and genuine business opportunities alone are pursued. Businesses need to appreciate that the role of the government should be confined to providing infrastructural support. Cost-competitiveness owing to tax reasons is, at best, a temporary measure that artificially influences markets, but can never be a sustainable proposition.

Trump and his party of pollution

Environmental destruction may be Republicans' biggest legacy, and if Trump remains in power, the air will get much worse, and the death toll will rise

PAUL KRUGMAN

NYT

GIVEN WHAT WE have seen in the impeachment hearings so far, there is literally no crime, no abuse of power, that would induce Republicans to turn on president Trump. So if you are waiting for some dramatic political turn, don't hold your breath.

On second thought, however, maybe you should hold your breath. For air quality has deteriorated significantly over the past few years—a deterioration that has already cost thousands of American lives. And if Trump remains in power, the air will get much worse, and the death toll will rise dramatically, in the years ahead.

The story so far: When I talk about air pollution, I don't mean the greenhouse gases that are driving climate change, which pose a long-term existential threat. I am talking instead about pollutants that have a much more immediate effect, especially "fine particulate matter," small particles that make the air hazy and can penetrate deep into the respiratory tract. The health hazards of these particles have been documented by many studies.

The good news until a few years ago was that thanks to environmental regulation the concentration of fine particulates was in fairly rapid decline. The bad news is that since 2016 this kind of pollution has been on the rise again, reversing around a fifth of the gains since 2009.

A study documenting this reversal suggests multiple causes, including wildfires (themselves caused in part by climate change), increased driving and reduced enforcement. The study also finds, using well-established results on the health effects of pollution, that even this seemingly small rise in particulates led to almost 10,000 extra deaths last year.

To put this number in context, it may be helpful to remember that Trump began his presidency by talking about "American carnage," portraying a nation awash in violent crime. In reality, crime was and is near historic lows. To the extent that anything was behind his rant, it lay in a modest (and temporary) uptick in homicides from around 14,000 in 2014 to 17,000 in 2016.

The point is that the Trump-era death toll from worsening air is already several times as large as the "carnage" Trump decried.

It seems crass to point this out, but the economic cost of rising pollution is also large; the study puts it at $89 billion a year. This is a pretty big number, even in an economy as large as America's, and it means that economic growth under Trump, properly measured, has been significantly slower than standard numbers suggest.

And things are poised to get much worse. The Trump administration is working on new rules that would effectively prevent the Environmental Protection Agency (EPA) from making use of much of the scientific evidence on adverse health effects of pollution. This would cripple environmental regulation, almost surely leading to sharply worsening air and water quality over time.

We don't know exactly how this will play out, but it seems safe to say that if Trump stays in office, a lot more Americans will die as a result of his anti-environmental policies than the total number who are murdered, let alone murdered by the immigrants Trump loves to portray as a menacing, dark-skinned horde.

Why is this happening? As many observers have pointed out, failing to act on climate change, although it is an indefensible crime against humanity, is also in some ways understandable. Greenhouse gas emissions are invisible, and the harm they do is global and very long-term, making denialism relatively easy.

Particulates, however, are visible, and the harm they do is both relatively localised and fairly quick. So you might have thought that the fight against dirty air would have widespread, bipartisan support. Indeed, modern environmental protection began under none other than Richard Nixon, and retired EPA officials I have talked to describe the Nixon era as a golden age.

And Republicans continued to show at least some concern for the environment even after the party began to take a hard right turn. President Ronald Reagan signed a treaty to protect the ozone layer. The threat of acid rain was contained via a program enacted by president George HW Bush.

But that was a long time ago. Today's Republican party isn't just a party that has embraced crazy conspiracy theories about global warming (and everything else where the facts are inconvenient). It has also become the party of pollution.

Why? Follow the money. There is huge variation among industries in how much environmental damage they do per dollar of production. And the super-polluting industries have basically put all their chips on the Republicans. In 2016, for example, coal mining gave 97 percent of its political contributions to Republican candidates and causes. And polluters are getting what they paid for.

This, by the way, is one reason I and others find it so mind-boggling when people like Joe Biden say that everything will be fine once Trump is gone. If Trump doesn't succeed in destroying our democracy (a big if), his most damaging legacy will be the vast environmental destruction he leaves behind. And Trump's pro-pollution stance isn't an aberration. In this, he is very much a man of his party.

LETTERS TO THE EDITOR

Zero-IUC idea

As firms battle it out to preserve their market-share in the telecom-sector, various desperate strategies are being employed to boost ARPU. For the market to remain competitive, it is important that players focus on wealth creation, continuous innovation, shareholder value, and process optimisation. Regulators must discourage quick-fix attempts by firms with high liabilities to attain organic growth via M&As. A user-centric approach among players and regulators is needed to facilitate the 5G breakthrough and improve goodwill, especially when the sector is heading towards a monopolistic structure. Dynamic requirements by transient consumers call for a level playing field and count on varied vendor experience to complete ongoing and pipelined projects. A high-potential is needed to sustain operations, adhere to quality standards and meet the long-term goals. Reliable connectivity, sound business model, and high-standards of corporate governance are pre-requisites to attain an exponential-growth in market cap. As global cues remain volatile, a lot of homework needs to be done by firms to boost value, preserve margins, and accomplish the vision. Although an improved bottom line on a sequential basis is prudent to outperform peers, it is a flexible business model, operational efficiency, high risk appetite, and ability to leverage the wide user base which hold the key to excellence and volume growth. Rising user expectations and high performance benchmarks create potential entry barriers for competitors. Authorities must respect suggestions by sectoral leaders, and implement user-friendly proposals to instill greater public confidence, and retain credibility of norms and promote digitisation.

— Girish Lalwani, Delhi

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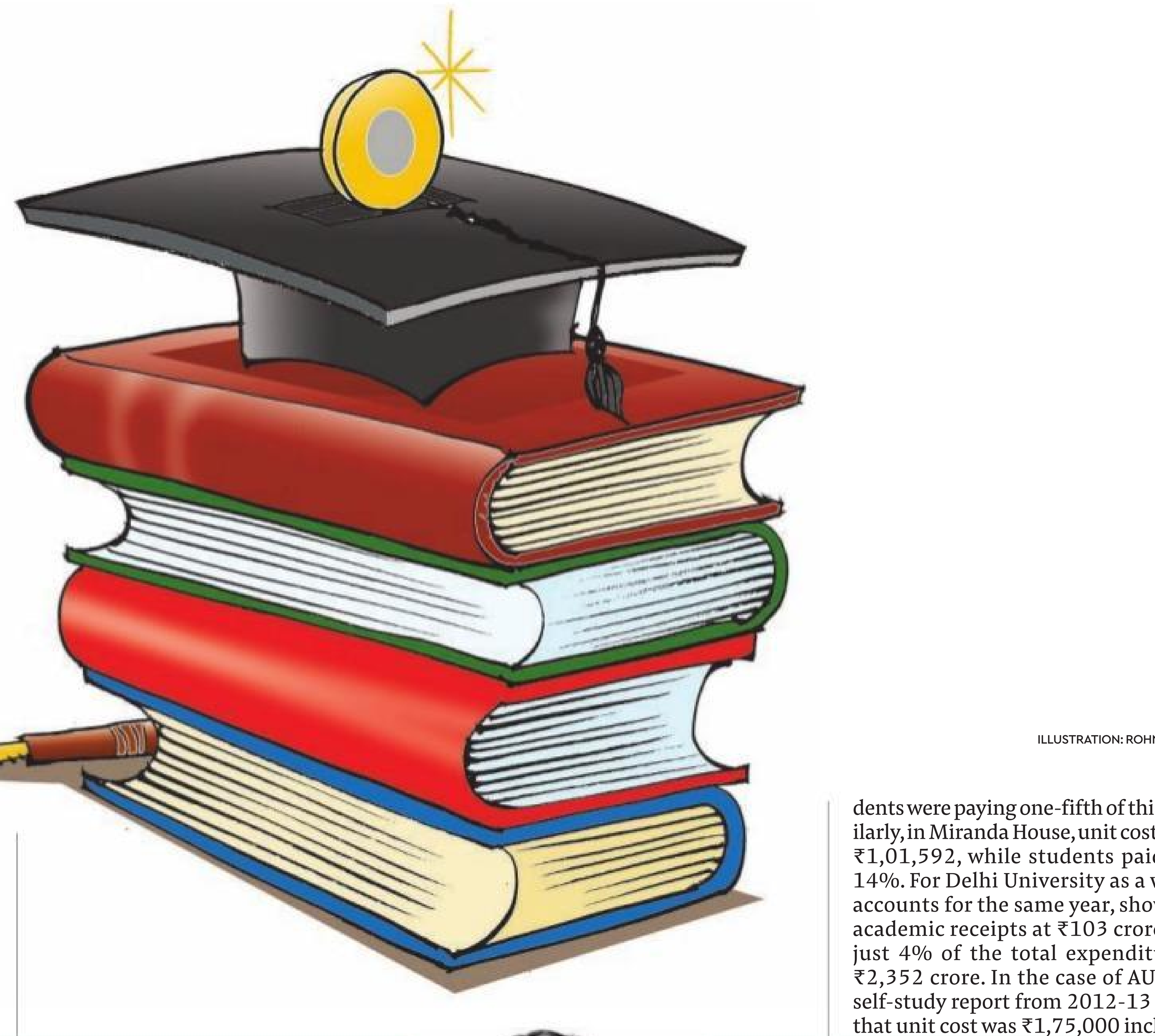

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A costly approach to subsidising education

The JNU controversy exposes how public-funded universities, instead, of charging students on the basis of ability to pay, are subsidising the rich along with the poor

EARLIER THIS WEEK, when the Jawaharlal Nehru University released a new hostel manual indicating a revision of fees after 19 years, students took to the streets against the administration's move. The hikes that are to be implemented from the next academic session will drastically increase the costs for students. While the students were, at present, paying ₹10 per month for a shared hostel room, and ₹20 for a single-occupancy hostel room, after the hike, they would have to pay ₹300 and ₹600, respectively. Although the university has rolled back part of the fee hikes for Below Poverty Line students, the bone of contention is the ₹1,700 service charge that students have been asked to pay for utilities like water, gas and electricity. Against the JNU Student Union's claim that 40% of the university's students come from economically weak backgrounds, the students' fury might seem justified. But, JNU's hikes must be read with the fact that Delhi University (DU) and Ambedkar University Delhi (AUD) charge anywhere between ₹2,500-3,000 for hostel accommodation even after subsidising the costs.

Some may argue the facilities at JNU are not comparable with those that DU or AUD offer. But, how are authorities to improve infrastructure if they are simply not allowed to narrow the deficit between academic receipts and actual costs—let alone raise funds—through fee hikes?

In the 1950s and 1960s, when the government focused heavily on education, it was in keeping with the socialist ethos of the day and the fact that it needed more human capital to realise its ambitious industrialisation plans. While the move entailed even private institutes becoming dependent on a grant-in-aid system, it also ensured that education was within reach of the masses. There is still a need for subsidised education, but the lop-sided approach has ensured that colleges come to depend more on government grants and aid than building their own resources. Student fees account for only 2-3% of funds that most universities in India require.

An analysis of data from self-study reports submitted by different institutions to the National Assessment and Accreditation Council (NAAC) indicates a massive gap between fees and universities' annual expenditure on students. Most of the funds thus comes from government grants, apportioned by the Universities Grants Commission (see graphic). In Delhi University, data shows that for colleges like Hindu, Hansraj and Miranda House, fees accounted for one-tenth to one-fifth of total expenditure. So, while the unit cost of education—NAAC defines this as the total recurring annual expenditure per student—was ₹75,769 including the salary component in Hindu College in 2015-16, students were paying one-fifth of this. Similarly, in Miranda House, unit costs were ₹1,01,592, while students paid only 14%. For Delhi University as a whole, accounts for the same year, show that academic receipts at ₹103 crore were just 4% of the total expenditure of ₹2,352 crore. In the case of AUD, the self-study report from 2012-13 shows that unit cost was ₹1,75,000 including salaries, whereas the cost to students was ₹32,000.

On the other hand, JNU is overly subsidised, with a unit cost of ₹5.83 lakh including salaries. JNU charges a Masters/Bachelors student just ₹450 as annual academic charges (excluding hostel and mess) and an engineering student just over ₹1 lakh. BITS Pilani, a top-ranked private engineering institute, charges a student over ₹2,00,000 per semester and has a unit cost of ₹2.21 lakh for its Indian campus. Even the unit cost of its Dubai campus, at ₹4.87 lakh, was less than JNU. Fees in 2016-17 accounted for 1% of the total annual expenditure incurred by JNU.

Although IIMs do not figure in the NAAC gradings, a look at the accounts for IIM-Ahmedabad shows that, for the year 2017-18, academic receipts, at ₹209 crore, were 30% more than the total expenditure for the institute. Not that the IIM-A should be the benchmark, but given its record, it shows that the institute performs well—not just in terms of placement salaries, but also in terms of research output.

It is true that even the best non-profit universities in the US—the likes of Harvard and Stanford—subsidise education. It can be no one's case that the actual costs of education should be recovered from students via fees, either. But, Indian universities can learn from their Western peers' example when it comes to raising funds to reduce dependence on government grants. In India, Ashoka University has been able to attract top talent by cross-subsidising education based linking of individual student's fees to parents' income. A Delhi University or a JNU can do the same. While JNU does this to a certain level—it does impose a higher cost on students whose parents earn more than ₹5,00,000—it is not sufficient. Take the case of Stanford. A *CNBC* article highlights that even though total cost at Stanford was $74,750, students from families earning less than $65,000 annually paid $4,638 or 6% of the value. On the other end of the spectrum, for students from families earning more than $245,000 annually, the subsidy was 24%, and only 44% from such families availed this, whereas others paid the full amount. In contrast, a student studying in Delhi University pays the same amount for hostel and tuition as those from economically weaker classes.

India needs better-funded universities to build world-class institutions. Till it doesn't give up on its one-fee-for-all approach, it won't be able to achieve that.

Cost and benefits

Year of report	University/College	Unit cost*	Fees*
2012-13	Ambedkar University Delhi	1,75,000	32,000
2015-16	Hindu College, Delhi University	75,769	15,000
2012-13	Hansraj College, Delhi University	61,870	12,000
2015-16	Miranda House, Delhi University	1,01,592	15,000
2016-17	JNU	5,83,970	450
2015-16	BITS Pilani (Indian Campus)	2,21,000	2,14,000
2015-16	BITS Pilani (Dubai Campus)	4,87,000	5,00,000
2012-13	BHU	2,01,000	4,000

*per student, per annum. Unit costs are calculated by the NAAC prescribed formula of taking total (annual) recurring expenditure and dividing it by total number of students. Fees, are average for the period.

Year of report	University	Academic receipts (₹ crore)	Total Expenditure (₹ crore)	Ratio of receipts/ expenditure
2012-13	AUD	3	23.05	13.0
2015-16	Delhi University	102.9	2,352.2	4.4
2016-17	JNU	7	518.5	1.4
2017-18	IIM-Ahmedabad	209.6	161.64	129.7
2016-17	BHU	52	1,069.5	4.9

Source: NAAC Self-study reports, University account reports, university/college website

Uncontainable strategy

RC ACHARYA
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Views are personal

Double Stack Dwarf Containers can make CWC relevant again

IN A BID to cut government flab, it's been proposed to wind up the State Trading Corporation (STC). Set up in 1956, to trade predominantly in bulk agro products, such as, rice, wheat, castor oils, sugar, edible oils, etc, it had lost its *raison d'etre* with liberalisation and globalisation.

The Central Warehousing Corporation, however, has been spared. Part of the food security chain, it manages 419 warehouses across the country and is charged with providing logistics support to the agricultural sector.

Similarly, FCI along with other state agencies procures wheat and paddy under price support scheme. It also undertakes movement of food grains in order to evacuate stocks from surplus regions, create buffer stocks in deficit regions, and meet the requirements of deficit regions for NFSA and TPDS etc.

Every year on an average 45-50 million tonnes of food grains are transported by FCI, which is carried out between 1906 FCI owned & hired depots or silos, 557 rail-heads (owned by Indian Railways and others) and 98 FCI's own sidings. For this massive logistics exercise, it relies heavily on the storage space and other facilities provided by CWC.

CWC, after the STC shutdown has recently engaged PBK Consultants Pvt Ltd to prepare a DPR for running of DSDC (Double Stack Dwarf Containers) on Railway's electrified sections. This is now under active consideration by FCI.

ISO containers are already used by Finland, Malaysia, and Canada to exports food grains, in India rice is exported using these containers. DSDC offers a greater loadability as compared to an ISO container, especially on electrified sections.

This initiative by CWC/FCI could bring in a revolution in cost effective food grain movement all over India, and could save them from being consigned to history

Apart from elimination of manual handling, the DSDC's competetiveness for Rail transport reduces the breakeven distance from 800 kms to 450 kms. While both the Western and Eastern Dedicated Freight corridors offer economies of scale, higher envelop is available on the Western corridor.

RDSO (Research Design and Standards Organisation) has already given a pan-India speed certificate for running DSDC containers, only 1,450 km of Jamnagar-Ludhiana via Rewari route has been cleared for actual running. Minor adjustments of OHE were made to maintain adequate gap between the top of DSDC and the Catenary.

Indian Railways has also condoned the dimensions of 4877 mm above rail level for movement of Dwarf Container in double stack mode, which implies that these trains will not be considered as Over Dimensional Consignment (ODC) movement although they are beyond the prescribed Maximum Moving Dimensions (MMD) permitted for the normal rolling stock.

In addition, routes with a potential for running DSDCs have been identified as Nabha-Ahmedabad-Vapi, Nabha-Hyderabad, Nabha-Bengaluru, Nabha-Pipavav-Mundra ports, Nabha-JNPT- Taloja, Nabha-Hajira and Hazira-Hyderabad via Akola on the newly converted Broad gauge section of Bhusawal Division, on Central Railway.

For the project to take off, certain modifications to the CWC warehouse/godowns would be needed, including demolition of the warehouse and providing cement concrete paved areas for stacking DSDC containers, loading/unloading machinery and storage silos. Overhead electrification wire would also need to be removed to provide access to fork lifts for loading/unloading.

Presently CWC has no less than 38 rail sidings which have the potential for DSDC movement. Alike bulk handling and transport system for cement from its manufacturing plant at Wadi to bulk storage Silos in KalamboIi near Mumbai has saved crores of rupees in transport and handling costs over last three decades for ACC. This initiative by CWC/FCI could bring in a revolution in cost effective food grain movement all over India, and in the process save them from being consigned to history.

Recession isn't here, but...

...the slowdown is. Investment in infra is a good way to beat it

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IN THE ONGOING political to and fro, it is necessary to clear the air on one issue: Is the Indian economy in a recession? Fortunately, an unambiguous answer is possible: No. The most acceptable definition, of recession, is that it occurs when both, prices and output, fall for two successive quarters or more. For the Indian economy, while the data for prices gives a mixed picture, GDP growth rate of 5% implies that output cannot be falling across the board. Hence, the classic definition does not apply.

The second question is more difficult to answer, namely, is India heading towards a recession? As far, I am aware a general recession is almost impossible to predict. As India doesn't have a forthcoming database, one can only look at a number of possibilities.

The media has highlighted that the plight of the auto industry and the textile industry (in particular, MSMEs) needs some attention. It is difficult to dismiss the argument that automobile manufacturers are suffering from a combination of taxes (high GST) and technological issues (switch from BSIV to BSVI). However, structural factors apart there seems to be a general demand slump, as the fall in sales is also seen for commercial transport vehicles (example, Tata Motors & Leyland). The recent concessions on lower corporate taxes rates may boost profitability of the auto companies, this might only lead to a reduction in inventories as the demand problem remains unaddressed.

For the textile sector, MSMEs in particular, recent measures to improve liquidity are important as the principal problem is a mismatch between cash outflow (GST payments) and cash inflow (GST refund and receivables from vendors). The additional liquidity now being pushed should solve this problem.

Finally, consider the real estate sector, which has been in the doldrums since demonetisation. It is clear that eliminating even the stock of existing houses seems difficult given the high cost of purchase. The only way, then, to end the woes is to urgently reduce the cost to buyers in the form of EMIs (interest rates) and repayment periods. In addition, states must be convinced to reduce the stamp duty on property registration.

In the absence of reliable data on employment, structural problems are important determinants of the current slowdown. Since, structural changes (including technology-driven ones) are driven by market conditions, both internal and external, changes in government administrative procedures can only serve as a temporary palliative and cannot address long-term demand issues.

The main issue, thus, is the link between the slowdown in growth to employment, especially, in the MSMEs. However, there is another possibility, highlighted by some writers and which tends to be ignored: the emergence of a "gig" economy. It is, not clear that these "gig economy" workers are a part of frictional or involuntary employment. Aggregators like Amazon, etc. are particularly important as they aggregate production across the country and across the sectors: manufacturing becomes as geographically diversified as services. Since aggregators reduce the uncertainties of sales and marketing it is not clear how many new small producers have joined the production chain.

The real worry is not that India is in a recession today, but the declining growth rate over the last decade or so implies that producers are not likely to consider new investments in capacity. It is important here to stress the role of the external sector. Openness, total value of exports and imports of the economy as a share of GDP, lies between 45-50%. In other words, one out of every two transactions, in the real economy, is a trade transaction. Here, India has been impacted by the slowdown in world trade since about 2009. It is also well known that physical exports have remained roughly unchanged since 2012. It is seen that as exports fall or remain unchanged, imports tend to follow, and the trade sectors tend to shrink. In other words, if about 45-50% of the GDP is stagnant it is impossible that the remaining will generate higher growth rates. The only solution is a dramatic change in competitiveness of Indian exports over time. The recent changes in the corporate tax rates may be helpful though it is unlikely that tax cuts alone will induce new FDI. Stability of policy is probably a more important determinant. This issue deserves a lot of attention by policymakers.

The external sector is particularly worrying as the limited growth in world GDP (around 1-2%) is currently being largely driven by good news from the USA. It is ominous that the only growth leader in Europe, Germany, has recently seen GDP skip into negative territory. The current mood of protectionism is also driven by every country's need to promote domestic employment. Strengthening multilateralism against the push for protectionism seems to be the only answer.

As a general method of increase in demand, expansion of infrastructure like roads, etc. is probably most effective. The government's commitment to this is welcome. The question is, where does the money come from? An old instrument, tax-free infrastructure bonds, seems like a good idea. This does of course imply sacrificing future tax incomes. However, as Keynes argued, this is an effective measure. While the recent tax reforms are important to raise the "feel good" factor, only income expansion, both in the external and internal sectors, seems to be the right way forward. However, increased competitiveness via technology is a long-term imperative. There are no shortcuts.